

ERICSSON LM TELEPHONE CO  
Form 20-F  
March 27, 2018  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 20-F**

**REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

**OR**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the Fiscal Year Ended December 31, 2017**

**OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**OR**

**SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**Commission file number 000-12033**

**TELEFONAKTIEBOLAGET LM ERICSSON**

**(Exact Name of Registrant as Specified in its Charter)**

**LM ERICSSON TELEPHONE COMPANY**

**(Translation of Registrant's name into English)**

**Kingdom of Sweden**

**(Jurisdiction of incorporation or organization)**

**SE-164 83 Stockholm, Sweden**

**(Address of principal executive offices)**

**Jonas Stringberg, Vice President, Group Controller**

**Telephone: +46 10 716 53 20, jonas.stringberg@ericsson.com**

**SE-164 83 Stockholm, Sweden**

**(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)**

**Securities registered or to be registered pursuant to Section 12(b) of the Act:**

<b>Title of Each Class</b>	<b>Name of Each Exchange on which Registered</b>
<b>American Depositary Shares (each representing one B share)</b>	<b>The NASDAQ Stock Market LLC</b>
<b>B Shares *</b>	<b>The NASDAQ Stock Market LLC</b>

\* Not for trading, but only in connection with the registration of the American Depositary Shares representing such B Shares pursuant to the requirements of the Securities and Exchange Commission.

**Securities registered pursuant to Section 12(g) of the Act:**

**None**

**Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:**

**None**

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

B shares (SEK 5.00 nominal value)	3,072,395,752
A shares (SEK 5.00 nominal value)	261,755,983
C shares (SEK 5.00 nominal value)	0

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files) Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or an emerging growth company. See the definitions of large accelerated filer and accelerated filer and emerging growth company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

The term new or revised financial accounting standard refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

International Financial Reporting Standards as issued  
by the International Accounting Standards Board

Other

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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**PART I**

**INTRODUCTION**

Unless otherwise indicated, all references herein to Ericsson, the Company, the Group, we, us, or our or our subsidiaries are references to Telefonaktiebolaget LM Ericsson and its consolidated subsidiaries.

This document is our Annual Report on Form 20-F for the year ended December 31, 2017 (the 2017 Form 20-F ). Reference is made to the English version of our Swedish Annual Report for 2017, with certain adjustments made to comply with U.S. requirements, which is attached hereto as Exhibit 15.1 (the 2017 Swedish Annual Report ). Only (i) the information included in this 2017 Form 20-F, (ii) the information in the 2017 Swedish Annual Report that is incorporated by reference in this 2017 Form 20-F, and (iii) the exhibits to the 2017 Form 20-F that are required to be filed pursuant to the Form 20-F shall be deemed to be filed with the Securities and Exchange Commission for any purpose, including incorporation by reference into the Registration Statement on Form F-3 filed on May 8, 2015 (File No. 333-203977) and any other document filed by us pursuant to the Securities Act of 1933, as amended, which incorporates by reference the 2017 Form 20-F. Any information in the 2017 Swedish Annual Report that is not referenced in the 2017 Form 20-F or filed as an exhibit thereto shall not be deemed to be so incorporated by reference. Certain industry, technical and financial terms used in this 2017 Form 20-F are defined in the subsections entitled Glossary and Financial Terminology of the 2017 Swedish Annual Report, which are incorporate herein by reference.

Market data and certain industry forecasts used herein were obtained from internal surveys, market research, publicly available information and industry publications. While we believe that market research, publicly available information and industry publications we use are reliable, we have not independently verified market and industry data from third-party sources. Moreover, while we believe our internal surveys are reliable, they have not been verified by any independent source.

The information included on [www.ericsson.com](http://www.ericsson.com) and other websites that appear in this 2017 Form 20-F is not incorporated by reference herein. From time to time, we may use our website as a channel of distribution of material company information. Financial and other material information regarding our company is routinely posted on and accessible at [www.ericsson.com](http://www.ericsson.com).

**Forward-Looking Statements**

This 2017 Form 20-F includes forward-looking statements, including statements reflecting management's current views relating to the growth of the market, future market conditions, future events, financial condition, and expected operational and financial performance, including, in particular the following:

Our goals, strategies, planning assumptions and operational or financial performance expectations;

Industry trends, future characteristics and development of the markets in which we operate;

Our future liquidity, capital resources, capital expenditures, cost savings and profitability;

The expected demand for our existing and new products and services as well as plans to launch new products and services including research and development expenditures;

The ability to deliver on future plans and to realize potential for future growth;

The expected operational or financial performance of strategic cooperation activities and joint ventures;

The time until acquired entities and businesses will be integrated and accretive to income; and

Technology and industry trends including the regulatory and standardization environment in which we operate, competition and our customer structure.

The words believe, expect, foresee, anticipate, assume, intend, likely, projects, may, could, plan, will, should, would, predict, aim, ambition, seek, potential, target, might, continue, or, in each variations, and similar words or expressions are used to identify forward-looking statements. Any statement that refers to expectations, projections or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements.

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We caution investors that these statements are subject to risks and uncertainties many of which are difficult to predict and generally beyond our control that could cause actual results to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements.

Important factors that could affect whether and to what extent any of our forward-looking statements materialize include but are not limited to the factors described in the section Risk Factors.

These forward-looking statements also represent our estimates and assumptions only as of the date that they were made. We expressly disclaim a duty to provide updates to these forward-looking statements, and the estimates and assumptions associated with them, after the date of this Form 20-F, to reflect events or changes in circumstances or changes in expectations or the occurrence of anticipated events, whether as a result of new information, future events or otherwise, except as required by applicable law or stock exchange regulation.

### **ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS**

Not applicable.

### **ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE**

Not applicable.

### **ITEM 3. KEY INFORMATION**

#### **A. Selected Financial Data**

We present below certain selected financial data derived from our consolidated financial statements as of and for the years ended December 31, 2017, 2016, 2015, 2014, and 2013, included herein, prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). IFRS differs in certain significant respects from the accounting principles generally accepted in the United States, or U.S. GAAP.

The summary financial data should be read in conjunction with our consolidated financial statements and the notes thereto contained in this 2017 Form 20-F, as well as the information set forth under the heading Item 5. Operating and Financial Review and Prospects and the information set forth under the following headings of the 2017 Swedish Annual Report, which are incorporated herein by reference:

Other Information

Alternative Performance Measures



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	2017	Change	2016	2015	2014	2013
<b>Net sales</b>	201,303	10%	222,608	246,92	227,983	227,376
<b>Operating expenses</b>	70,563	17%	60,501	64,129	63,408	58,509
<b>Operating income (loss)</b>	38,126		6,299	21,805	16,807	17,845
<b>Net income (loss)</b>	35,063		1,895	13,673	11,143	12,174
<b>Restructuring charges</b>	8,501	12%	7,567	5,04	1,456	4,453
<b>Cash flow from operating activities</b>	9,601	31%	14,01	20,597	18,702	17,389
<b>Year-end position, SEK million</b>						
<b>Total assets</b>	260,544	8%	283,347	284,363	293,558	269,19
<b>Property, plant and equipment</b>	12,857	23%	16,734	15,901	13,341	11,433
<b>Stockholders equity</b>	99,540	29%	139,817	146,525	144,306	140,204
<b>Non-controlling interest</b>	636	6%	675	841	1,003	1,419
<b>Per share indicators</b>						
<b>Earnings (loss) per share, basic, SEK</b>	10.74		0.53	4.17	3.57	3.72
<b>Earnings (loss) per share, diluted, SEK</b>	10.74		0.52	4.13	3.54	3.69
<b>Dividends per share, SEK</b>	1.00 1)	0%	1.00	3.70	3.40	3.00
<b>Dividends per share, USD</b>	0.13 2)	13%	0.11	0.39	0.41	0.46
<b>Number of shares outstanding (in millions)</b>						
<b>end of period, basic</b>	3,284	0%	3,269	3,256	3,242	3,231
<b>average, basic</b>	3,277	0%	3,263	3,249	3,237	3,226
<b>average, diluted</b>	3,317	0%	3,303	3,282	3,27	3,257
<b>Other information, SEK million</b>						
<b>Additions to property, plant and equipment</b>	3,877	37%	6,129	8,338	5,322	4,503
<b>Depreciations and writedowns/impairments of property, plant and equipment</b>	6,314	38%	4,569	4,689	4,316	4,209
<b>Acquisitions/capitalization of intangible assets</b>	1,759		5,26	5,228	6,184	4,759
<b>Amortization and write-downs/impairments of intangible assets</b>	21,578		4,55	5,538	5,629	5,928
<b>Research and development expenses as percentage of net sales</b>	37,887	20%	31,635	34,844	36,308	32,236
	18.8%		14.2%	14.1%	15.9%	14.2%
<b>Inventory turnover days</b>	64	7%	69	64	64	62
<b>Alternative Performance Measures (APMs)</b>						
<b>Gross margin</b>	22.1%		29.8%	34.8%	36.2%	33.6%
<b>Operating margin</b>	18.9%		2.8%	8.8%	7.4%	7.8%
<b>EBITA margin</b>	10.7%		4.0%	10.5%	9.3%	9.8%
<b>Cash conversion</b>	58%		175%	85%	84%	79%
<b>Free cash flow</b>	5,109		254	7,515	4,593	8,337
<b>Capital employed, SEK million</b>	158,230	17%	190,901	195,15	189,839	180,903
<b>Return on equity</b>	29.4%		1.2%	9.3%	8.1%	8.7%

<b>Return on capital employed</b>	22.0%		3.2%	11.6%	9.8%	10.7%
<b>Equity ratio</b>	38.4%		49.6%	51.8%	49.5%	52.6%
<b>Capital turnover</b>	1.2	0%	1.2	1.3	1.2	1.3
<b>Working capital, SEK million</b>	59,779	33%	89,039	104,811	103,246	106,94
<b>Gross cash, SEK million</b>	67,702	17%	57,877	66,27	72,159	77,089
<b>Net cash, SEK million</b>	34,657	11%	31,191	41,15	48,014	47,634
<b>Statistical data, year-end</b>						
<b>Number of employees</b>	100,735	10%	111,464	116,281	118,055	114,34
<b>of which in Sweden</b>	13,864	9%	15,303	17,041	17,58	17,858
<b>Export sales from Sweden, SEK million</b>	86,812	19%	107,036	117,486	113,734	108,944

- 1) For 2017, as proposed by the Board of Directors.
- 2) For 2017, as proposed by the Board of Directors. Approximate USD Dividend Rate.

**Table of Contents****Exchange Rates**

The following tables provide information with respect to the exchange rate for SEK per USD 1.00 based on the noon buying rate for cable transfers in SEK as certified for customs purposes by the Federal Reserve Bank of New York. The noon buying rate of 16 March 2018 was SEK 8.1960 per USD 1.00. The average exchange rate is computed using the noon buying rate on the last business day of each month during the period indicated.

<b>Year ended December 31,</b>	<b>Average</b>
2013	6.5152
2014	6.9222
2015	8.4643
2016	8.5959
2017	8.4798

<b>Month</b>	<b>High</b>	<b>Low</b>
October 2017	8.3803	8.0534
November 2017	8.4803	8.2769
December 2017	8.5053	8.1732
January 2018	8.2413	7.8549
February 2018	8.2694	7.8588

Effects of exchange rate fluctuations on our business is described in the Notes to the Consolidated Financial Statements Note C20, Financial Risk Management and Financial Instruments.

Noon buying rates are not used in the preparation of our financial statements. The exchange rates used in the preparation of our consolidated financial statements are presented below:

	<b>2017</b>	<b>2016</b>
<b>SEK/EUR</b>		
Average rate <sup>1)</sup>	9.64	9.44
Closing rate	9.83	9.56
<b>SEK/USD</b>		
Average rate	8.53	8.56
Closing rate	8.20	9.06

- 1) Average rate is included for disclosure purposes only. Period income and expenses for each income statement are translated at period average exchange rates.

**B. Capitalization and Indebtedness**

Not applicable.

**C. Reasons for the Offer and Use of Proceeds**

Not applicable.



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**D. Risk Factors**

The information set forth under the heading Financials Risk Factors of the 2017 Swedish Annual Report is incorporated herein by reference.

**ITEM 4. INFORMATION ON THE COMPANY**

**A. History and Development of the Company**

The information set forth under the following headings of the 2017 Swedish Annual Report is incorporated herein by reference:

The Business

Ericsson in Brief

Financials

Board of Directors Report

Business in 2017

Financial Highlights Capital expenditures

For capital expenditures we usually use available cash from operations.

Notes to the Consolidated financial statements

Note C26 Business combinations

Note C32 Events after the reporting period

***General facts on the company***

**Legal and commercial name of the Parent Company:** Telefonaktiebolaget LM Ericsson (publ).

**Organization number:** 556016-0680

**Legal form of the Parent Company:** A Swedish limited liability company, organized under the Swedish Companies Act.

**Country of incorporation:** Sweden.

**Date of incorporation:** The Parent Company was incorporated on August 18, 1918, as a result of a merger between AB LM Ericsson & Co. and Stockholms Allmänna Telefon AB.

**Domicile:** Our registered office is Telefonaktiebolaget LM Ericsson, SE 164 83 Stockholm, Sweden. Our headquarters are located at Torshamnsgatan 21, Kista, Sweden.

**Telephone number:** +46 10 719 0000

**Website:** [www.ericsson.com](http://www.ericsson.com). The information included on our website is not incorporated herein by reference.

**Agent in the US:** Ericsson Inc., Vice President Legal Affairs, 6300 Legacy Drive, Plano, Texas 75024. Telephone number: +1 972 583 0000.

**Shares:** Ericsson's Class A and Class B shares are traded on Nasdaq Stockholm. In the US, our American Depository Shares (ADS), each representing one underlying Class B share, are traded on NASDAQ New York.

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**Parent company operations:** The business of the parent company, Telefonaktiebolaget LM Ericsson, consists mainly of corporate management, holding company functions and internal banking activities. Our parent company operations also include customer credit management activities performed by Ericsson Credit AB on a commission basis.

**Subsidiaries and associated companies:** For a list of our significant subsidiaries, please see Item 4C. Investments . In addition to our joint venture ST-Ericsson (up until August 2, 2013), we are engaged in a number of minor joint ventures and cooperative arrangements. For more information regarding risks associated with joint ventures, strategic alliances and third-party agreements, please see Item 3D. Financials Risk Factors - Market, Technology and Business Risks .

## ***Company history and development***

### **Innovating to empower people, business and society**

Our origins date back to 1876 when Alexander Graham Bell filed a patent application in the United States for the telephone. The same year, Lars Magnus Ericsson opened a small workshop in Stockholm to repair telegraph instruments and sell his own telephone equipment.

Today, Ericsson enables communications service providers to capture the full value of connectivity. The company's portfolio spans Networks, Digital Services, Managed Services, and Emerging Business and is designed to help our customers go digital, increase efficiency and find new revenue streams. Ericsson's investments in innovation have delivered the benefits of telephony and mobile broadband to billions of people around the world.

## **B. Business Overview**

The information set forth under the following headings of the 2017 Swedish Annual Report is incorporated herein by reference:

The business

Ericsson in brief

This is Ericsson

Strategy and financial targets

Segments

Business Model

Financials

Board of Directors report

Financial highlights Research and development, patents and licensing

Financial highlights Seasonality

Business results Segments

Business results Market Areas

Sourcing and supply

Sustainability and corporate responsibility

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Notes to the consolidated financial statements

Note C3 Segment information

Risk factors

Market, technology and business risks

Regulatory, compliance and corporate governance risks

Corporate Governance

Corporate Governance report 2017

Regulation and compliance

Sustainability

Sustainability and corporate responsibility

Sustainability and corporate responsibility are integrated into Ericsson's business processes and the Company's commitment to the triple bottom line of responsible environmental performance and social and economic development is made clear to its stakeholders.

Ericsson's ambition is to be a responsible and relevant driver of positive change in society. Ericsson is committed to creating business value while reducing risk related to environmental, social, employee, human rights, corruption and bribery matters. Ericsson's sustainability and corporate responsibility performance is regularly measured, assessed and assured. Group policies and directives have been implemented to ensure consistency across global operations.

Ericsson's principal risks relating to sustainability and corporate responsibility are identified in Ericsson's risk management framework.

The Board of Directors is briefed on sustainability and corporate responsibility issues regularly, or as needed on an ad hoc basis.

In 2017, the Chief Sustainability & Public Affairs Officer was a member of Ericsson's Executive Team and reported to the President and CEO, and was responsible for handling the day-to-day management of Ericsson's sustainability and corporate responsibility agenda.

#### Governance and policies

Responsible business practices are embedded in Ericsson's operations to prevent, mitigate and adapt to risks. The Ericsson Group Management System (EGMS) includes policies, processes and directives encompassing responsible sourcing, occupational health and safety, environmental management, anti-corruption and human rights, for example. External assurance providers audit the EGMS.

Some of the Group Policies and Directives that are of particular relevance from a sustainability and corporate responsibility perspective are the Code of Business Ethics, the Code of Conduct, the Sustainability Policy, the Occupational Health and Safety Policy, the Electro-magnetic Fields and Health Policy, the Sales Compliance Policy and the Anti-corruption Group Directive, which reflect how Ericsson shall work to secure responsible business practices. These policies and practices are reinforced by employee awareness training and monitoring. Compliance to Group Policies are mandatory for all employees and operations unless a deviation is approved by the CEO.

#### The Code of Business Ethics

The Code of Business Ethics sets the tone for how Ericsson conducts business globally, and is a guiding framework to support everyone performing work for Ericsson. The Code of Business Ethics is periodically reviewed and acknowledged by employees and has been translated into more than 30 languages to ensure that it is accessible to all employees and stakeholders. During 2017, 99% of active employees acknowledged that they have read and understood the Code of Business Ethics.

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Employees are encouraged to report any conduct that they believe, in good faith, to be a violation of laws or the Code of Business Ethics. Ericsson provides employees and external stakeholders with a dedicated communication channel, called the Ericsson Compliance Line, for the reporting of serious compliance concerns involving group or local management and which relates to;

- a) corruption or fraud
- b) questionable accounting or auditing matters
- c) other matters that might seriously affect the vital interest of Ericsson or personal health and safety.

The process around reporting of violations has been strengthened and further developed to include both centrally and locally reported allegations of violations in 2017. For this reason there is a significantly higher number of reports in 2017 in comparison with 2016.

During 2017 the Company received 412 cases reported through Ericsson's whistle-blower tool, the Ericsson Compliance Line. This tool is available via phone or secure website, 24/7, 365 days a year, and is available in

188 countries and in over 75 languages.

Reported violations are handled by Ericsson's Group Compliance Forum, which consists of representatives from Ericsson's internal audit function, Group Function Legal Affairs, Group Security, and Group Function Human Resources. The Forum briefs the Audit Committee about all reported violations, providing them with the incident category, a description of the alleged violation, and information about the decision and outcome.

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Ericsson's Code of Conduct applies to employees and suppliers and is based on the UN Global Compact ten principles on human rights, labor conditions, environmental management and anti-corruption. Ericsson is also committed to implementing the UN Guiding Principles on Business and Human Rights across its business operations.

Suppliers must comply with Ericsson's Code of Conduct requirements. The Company uses a risk-based approach to assess compliance with the Code of Conduct requirements as part of supplier agreements. The Company has a strong focus on risk mitigation, targeting high-risk portfolio areas and high-risk markets. For prioritized areas such as road and vehicle safety, working at heights, working hours and labor rights, Ericsson performs regular audits and works with suppliers to ensure measurable and continuous improvements, and has also introduced consequence management. Findings are followed up to ensure that improvements are made.

Since 2017, the Ethics and Compliance Board – comprised of several members of the Executive Team and chaired by the CEO – has been responsible to oversee the overall governance of compliance within the Group.

### Sustainability risk management

Sustainability risks are defined according to short-term and long-term perspectives. They are related to long-term objectives as per the strategic direction as well as short-term objectives for the coming year. According to Ericsson's risk framework, sustainability risks are categorized into industry and market risks, commercial risks, operational risks and compliance risks. The Company follows its risk management principles, which apply across all business activities,

to manage sustainability risks.

Materiality assessment is a central component of the Company's sustainability and corporate responsibility strategy, target setting, risks and opportunities management, and reporting process related to its impact on society and environment. Ericsson considers a wide range of economic, environmental and social impacts significant to the business, or which substantively influence the views and decisions of our key stakeholders. Since 2012, the Company has used a materiality assessment to review significant issues on an annual basis, taking into account emerging trends, stakeholder feedback and other input. Adjustments are made as needed to incorporate critical issues as they arise.

The Group Function Sustainability and Public Affairs coordinates management of certain sustainability risks, such as occupational health and safety, human rights, and environmental related risks. Risks related to corruption are coordinated by Group Function Legal Affairs, and diversity issues are coordinated by Group Function Human Resources.

For information on risks that could impact the fulfillment of targets and form the basis for mitigating activities, see the Swedish Annual Report 2017, Note C20 Financial risk management and financial instruments and the Risk Factors section in the Board of Directors' report in the Swedish Annual Report 2017.



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### Anti-corruption

Corruption carries serious legal and reputational risks; impedes business growth; damages relations with staff, customers, shareholders, suppliers and society as a whole; and is a considerable obstacle to economic and social development in countries around the world. With customers in 180 countries, many of which are considered to be exposed to a high risk of corruption, prevention and accountability are paramount for Ericsson.

Ericsson has a zero-tolerance approach to corruption expressed in the Company's Code of Business Ethics. The Company has embedded this guiding principle at its highest levels and implemented it throughout its global organization with a set of policies and processes. This includes an anti-corruption directive with more detailed guidelines, for example about appropriate levels of gifts and entertainment.

The Company's anti-corruption program, focusing on prevention and accountability, is headed by a Chief Compliance Officer, who since October 2017 reports directly to the Audit Committee of the Board of Directors. The Audit Committee also reviews and evaluates the program at least annually. Further, since 2016, an Ethics and Compliance Board, comprised of several members of the Executive Team and chaired by the CEO, has been responsible for the overall governance of compliance within the Group.

During 2016-2017 we invited external experts to evaluate the robustness of our anti-corruption program. Following the review, we adjusted the anti-corruption program to closer align with the US Foreign Corrupt Practices Act (FCPA). In 2017, the program was strengthened with adding resources on group level and appointing Regional Compliance Officers in all Market Areas. Moreover, one of the elements of the Group targets for sustainability and corporate responsibility is anti-corruption.

In 2017 the Company continued to roll out an automated anti-corruption screening tool for supplier and third party due diligence, which was launched in 2016. By the end of 2017, close to 93% of active employees had completed the Company's anti-corruption e-learning course since the training was launched in 2013. A customized online anti-corruption training is also available for Ericsson's suppliers on the Company website.

In 2017, Ericsson introduced a vetting process that focuses on ethics and compliance. So far we have used it for appointments to the Executive Team and for approximately 110 employees in exposed positions. All members of the current Executive Team have been vetted, and all future recruitments to these positions will also go through mandatory vetting. Business Partner Review Boards have been established in all Market Areas to over-see mitigation of the corruption risks in relation to onboarding of new business partners.

Ericsson is currently voluntarily cooperating with inquiries from the United States Securities and Exchange Commission and the United States Department of Justice regarding its compliance with the U.S. Foreign Corrupt Practices Act. As of today, these inquiries concern a period from January 1, 2007 and onwards, and the Company will make additional disclosures regarding these inquiries to the extent required.

### ***Disclosure pursuant to Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012 (ITRA)***

Ericsson has conducted business in Iran/Persia since the late nineteenth century, opened an office in Iran in 1973 and later established a local subsidiary in the country. Ericsson strongly believes in enabling communication for all and believes that access to communications can enable the right to health, education and freedom of expression. Ericsson's business activities in Iran principally involve the sale of communications infrastructure related products and services, including support, installation and maintenance services. Ericsson's exports from the European Union (the EU) to Iran are performed under export licenses from the Swedish Agency for Non-Proliferation and Export Controls.

Due to its operations in Iran, and having staff permanently in the country, Ericsson has contacts with its local customers and retains certain local suppliers, including banks, and service providers. In addition, Ericsson has other dealings incidental to its local activities, such as making payments for taxes, salaries, rents, utilities and office and similar supplies as well for local accommodation and transportation and customs related services. As a result, Ericsson has contact with companies and public functions that may be owned or controlled by the government of Iran. While Ericsson seeks to obtain information regarding the actual business names and ownership of customers and other counterparties in Iran through its policies and procedures designed to ensure that Ericsson knows its customers, it is difficult to determine ownership and control with certainty, particularly with respect to determining whether an entity engaged in commercial activities is owned or controlled by the government.

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During 2017, Ericsson sold communications infrastructure related products and services in Iran to the following telecommunications companies operating in the country: Farabord Dadehavare Iranian ( Farabord ), Hiweb, Mobile Communication Company of Iran ( MCCI ), MTN Irancell and Pars Online. During 2017, Ericsson and Telecommunications Company of Iran ( TCI ) has had discussions relating to potential future such sales by Ericsson to TCI. During 2017, Ericsson's gross revenue (reported as net sales) related to sales to Farabord, Hiweb, MCCI and MTN Irancell and Pars Online in Iran was approximately SEK 1,945 million.

Ericsson does not normally allocate net profit (reported as net income) on a country-by-country or activity-by-activity basis, other than as set forth in Ericsson's consolidated financial statements prepared in accordance with IFRS as issued by the IASB. However, Ericsson has estimated that its operating income (income before taxes and financial net) from such sales, after internal cost allocation was approximately SEK -117 million during 2017. Ericsson intends to continue to engage with existing customers and explore opportunities with new customers in Iran while continuously monitoring international developments as they relate to Iran and its government.

In some instances, Ericsson has had to arrange performance bonds or similar financial guarantees to secure Ericsson's performance of obligations under the commercial agreements Ericsson has entered into relating to the business in Iran. In such instances, Ericsson usually engages its banks outside Iran, who in turn engage local banks in the country. These local banks include Bank Mellat, Tejarat Bank, Melli Bank and Saderat Bank. Although some bonds and guarantees are still in place, no new performance bonds or similar guarantees involving these four banks with respect to Ericsson's business activities in Iran were issued during 2017, nor were payments made to beneficiaries under any such existing bond or guarantee during 2017.

During 2017, Maskan Bank, Post Bank of Iran and Tejarat Bank (local banks in Iran) issued bank guarantees to secure Iranian customer payment obligations to Ericsson. Further, some payments made to Ericsson's local subsidiary and payments required to be made by the local subsidiary to suppliers involve banks that may be controlled by the government of Iran. Ericsson also received payments from customers to Ericsson's accounts outside Iran.

**C. Organizational Structure**

The following list shows certain shareholdings owned directly and indirectly by our parent company as of December 31, 2017. A complete list of shareholdings, prepared in accordance with the Swedish Annual Accounts Act and filed with the Swedish Companies Registration Office (Bolagsverket), may be obtained upon request to: Telefonaktiebolaget LM Ericsson, External Reporting, SE-164 83 Stockholm, Sweden.

**Shares owned directly by the Parent Company**

Company	Reg. No.	Domicile	Percentage of ownership	Par value in local currency, million	Carrying value, SEK million
<b>Subsidiary companies</b>					
Ericsson AB	556056-6258	Sweden	100	50	20,731
Ericsson Shared Services AB	556251-3266	Sweden	100	361	2,216
Netwise AB	556404-4286	Sweden	100	2	306
Datacenter i Rosersberg AB	556895-3748	Sweden	100		88

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Datacenter i Mjärdevi Aktiebolag	556366-2302	Sweden	100	10	69
AB Aulis	556030-9899	Sweden	100	14	6
Ericsson Credit AB	556326-0552	Sweden	100	5	5
Other (Sweden)					1,645

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<b>Company</b>	<b>Reg. No.</b>	<b>Domicile</b>	<b>Percentage of ownership</b>	<b>Par value in local currency, million</b>	<b>Carrying value, SEK million</b>
Ericsson Austria GmbH		Austria	100	4	94
Ericsson Danmark A/S		Denmark	100	90	216
Oy LM Ericsson Ab		Finland	100	13	196
Ericsson Participations France SAS		France	100	26	524
Ericsson Germany GmbH		Germany	100		4,232
Ericsson Hungary Ltd.		Hungary	100	1,301	120
L M Ericsson Limited		Ireland	100	4	34
Ericsson Telecomunicazioni S.p.A.		Italy	100	44	3,857
Ericsson Holding International B.V.		The Netherlands	100	222	3,200
Ericsson A/S		Norway	100	75	114
Ericsson Television AS		Norway	100	161	270
Ericsson Corporatia AO		Russia	100	5	5
Ericsson España S.A.		Spain	100	43	170
Ericsson AG		Switzerland	100		
Ericsson Holdings Ltd.		United Kingdom	100	328	1,994
Other (Europe, excluding Sweden)					684
Ericsson Holding II Inc.		United States	100	2,897	25,907
Compañía Ericsson S.A.C.I.		Argentina	95 <sup>1)</sup>	41	15
Ericsson Canada Inc.		Canada	100		51
Belair Networks		Canada	100	108	170
Ericsson Telecom S.A. de C.V.		Mexico	100	939	1,050
Other (United States, Latin America)					118
Teleric Pty Ltd.		Australia	100	20	100
Ericsson Ltd.		China	100	2	2
Ericsson (China) Company Ltd.		China	100	65	475
Ericsson India Private Ltd.		India	100	544	122
Ericsson India Global Services PVT. Ltd		India	100	291	51
Ericsson Media Solutions Ltd		Israel	100	9	711
Ericsson-LG CO Ltd.		Korea	75	285	2,279
Ericsson (Malaysia) Sdn. Bhd.		Malaysia	70	2	4
Ericsson Telecommunications Pte. Ltd.		Singapore	100	2	1
Ericsson South Africa PTY. Ltd		South Africa	70		135
Ericsson Taiwan Ltd.		Taiwan	90	270	36
Ericsson (Thailand) Ltd.		Thailand	49 <sup>2)</sup>	90	17
Other countries (the rest of the world)					295
<b>Total</b>					<b>72,316</b>
<b>Joint ventures and associated companies</b>					
ST-Ericsson SA		Switzerland	50	137	
Rockstar Consortium Group		Canada	21	1	

Ericsson Nikola Tesla d.d.	Croatia	49	65	330
<b>Total</b>				<b>330</b>

- 1) Through subsidiary holdings, total holdings amount to 100% of Compania Ericsson S.A.C.I.
- 2) Through subsidiary holdings, total holdings amount to 100% of Ericsson (Thailand) Ltd.

**Table of Contents***Shares owned by subsidiary companies*

<b>Company</b>	<b>Reg. No.</b>	<b>Domicile</b>	<b>Percentage of ownership</b>
<b>Subsidiary companies</b>			
Ericsson Cables Holding AB	556044-9489	Sweden	100
Ericsson France SAS		France	100
Ericsson Telekommunikation GmbH <sup>1)</sup>		Germany	100
Ericsson Telecommunicatie B.V.		The Netherlands	100
Ericsson Telekomunikasyon A.S.		Turkey	100
Ericsson Ltd.		United Kingdom	100
Creative Broadcast Services Holdings Ltd.		United Kingdom	100
Ericsson Inc.		United States	100
Ericsson Wifi Inc.		United States	100
Druitt Corporation Inc.		United States	100
Redback Networks Inc.		United States	100
Telcordia Technologies Inc.		United States	83
Ericsson Telecomunicações S.A.		Brazil	100
Ericsson Australia Pty. Ltd.		Australia	100
Ericsson (China) Communications Co. Ltd.		China	100
Nanjing Ericsson Panda Communication Co. Ltd.		China	51
Ericsson Japan K.K.		Japan	100
Ericsson Communication Solutions Pte Ltd.		Singapore	100

1) Disclosures Pursuant to Section 264b of the German Commercial Code (Handelsgesetzbuch – HGB) Applying Section 264b HGB, Ericsson Holding GmbH and Ericsson Telekommunikation GmbH, located in Frankfurt am Main/Germany, are exempted from the obligation to prepare, have audited and disclose financial statements and a management report in accordance with the legal requirements being applicable for German corporations.

**D. Property, Plant and Equipment**

The information set forth under the following headings of the 2017 Swedish Annual Report is incorporated herein by reference:

The business

Sustainability and corporate responsibility

Financials



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Sustainability and corporate responsibility

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Note C11 Property, plant and equipment

Note C27 Leasing

Risk factors

Regulatory, Compliance and Corporate Governance risks

Sustainability

Sustainability and corporate responsibility

Sustainability and corporate responsibility are integrated into Ericsson's business processes and the Company's commitment to the triple bottom line of responsible environmental performance and social and economic development is made clear to its stakeholders.

Ericsson's ambition is to be a responsible and relevant driver of positive change in society. Ericsson is committed to creating business value while reducing risk related to environmental, social, employee, human rights, corruption and bribery matters. Ericsson's sustainability and corporate responsibility performance is regularly measured, assessed and assured. Group policies and directives have been implemented to ensure consistency across global operations.

Ericsson's principal risks relating to sustainability and corporate responsibility are identified in Ericsson's risk management framework.

The Board of Directors is briefed on sustainability and corporate responsibility issues regularly, or as needed on an ad hoc basis.

In 2017, the Chief Sustainability & Public Affairs Officer was a member of Ericsson's Executive Team and reported to the President and CEO, and was responsible for handling the day-to-day management of Ericsson's sustainability and corporate responsibility agenda.

#### Governance and policies

Responsible business practices are embedded in Ericsson's operations to prevent, mitigate and adapt to risks. The Ericsson Group Management System (EGMS) includes policies, processes and directives encompassing responsible sourcing, occupational health and safety, environmental management, anti-corruption and human rights, for example. External assurance providers audit the EGMS.

Some of the Group Policies and Directives that are of particular relevance from a sustainability and corporate responsibility perspective are the Code of Business Ethics, the Code of Conduct, the Sustainability Policy, the Occupational Health and Safety Policy, the Electro-magnetic Fields and Health Policy, the Sales Compliance Policy and the Anti-corruption Group Directive, which reflect how Ericsson shall work to secure responsible business practices. These policies and practices are reinforced by employee awareness training and monitoring. Compliance to Group Policies are mandatory for all employees and operations unless a deviation is approved by the CEO.

#### The Code of Business Ethics

The Code of Business Ethics sets the tone for how Ericsson conducts business globally, and is a guiding framework to support everyone performing work for Ericsson. The Code of Business Ethics is periodically reviewed and acknowledged by employees and has been translated into more than 30 languages to ensure that it is accessible to all employees and stakeholders. During 2017, 99% of active employees acknowledged that they have read and understood the Code of Business Ethics.

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Employees are encouraged to report any conduct that they believe, in good faith, to be a violation of laws or the Code of Business Ethics. Ericsson provides employees and external stakeholders with a dedicated communication channel, called the Ericsson Compliance Line, for the reporting of serious compliance concerns involving group or local management and which relates to;

- a) corruption or fraud
- b) questionable accounting or auditing matters
- c) other matters that might seriously affect the vital interest of Ericsson or personal health and safety.

The process around reporting of violations has been strengthened and further developed to include both centrally and locally reported allegations of violations in 2017. For this reason there is a significantly higher number of reports in 2017 in comparison with 2016.

During 2017 the Company received 412 cases reported through Ericsson's whistle-blower tool, the Ericsson Compliance Line. This tool is available via phone or secure website, 24/7, 365 days a year, and is available in

188 countries and in over 75 languages.

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### ***Primary manufacturing and assembly facilities***

We continuously adjust our production capacity to meet expected customer demand. During 2017, our overall capacity utilization was around 85%.

The table below summarizes where we have major sites and the total floor space at year-end. Facilities are leased. The majority of the floor space within our production facilities is used for assembly.

	<b>2017</b>		<b>2016</b>		<b>2015</b>	
	<b>Thousands of sq meters**</b>		<b>Thousands of sq meters**</b>		<b>Thousands of sq meters**</b>	
	<b>Sites*</b>	<b>meters**</b>	<b>Sites</b>	<b>meters**</b>	<b>Sites</b>	<b>meters**</b>
Sweden	1	5	4	21.3	4	21.3
China	1	10	2	13	2	13
Estonia	1	6	1	6	1	6
Brazil	1	4.5	1	4.5	1	4.5
Mexico	0	0	1	0.8	1	0.8
India	0	0	1	10.8	1	10.8
<b>Total</b>	<b>4</b>	<b>25.5</b>	<b>10</b>	<b>56.4</b>	<b>10</b>	<b>56.4</b>

\* In 2017, we closed 3 facilities in Sweden, 1 in China, 1 in Mexico and 1 in India.

\*\* Floor space in square meters does not include any warehouses or transportation areas.

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**ITEM 4A. Unresolved Staff Comments**

None.

**ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS**

**A. Operating Results**

The information set forth under the following headings of the 2017 Swedish Annual Report is incorporated herein by reference:

The business

Ericsson in brief

This is Ericsson

Strategy and financial targets

Segments

Business Model

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Five-year summary

Alternative Performance Measures

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Note C1   Significant accounting policies



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Note C20 Financial risk management and financial instruments Foreign exchange risk

### Risk Factors

Market, technology and business risks

Regulatory, Compliance and Corporate Governance risks

### *Operating results for the years ended December 31, 2015 and 2016*

#### **Reporting structure in 2016**

Starting July 1, 2016, Ericsson implemented an organizational change. The financial reporting during 2016 has been carried out according to the same segment structure as in 2015; Networks, Global Services and Support Solutions. The 2016 reporting structure is applied below.

From January 1, 2017, financial reporting is done according to the new structure, i.e., by the new segments Networks, IT & Cloud and Media.

#### **Full-year highlights**

Reported sales decreased by 10% mainly due to weaker demand for mobile broadband, especially in markets with a weak macroeconomic environment. IPR licensing revenues declined to SEK 10.0 (14.4) billion.

Operating income declined to SEK 6.3 (21.8) billion due to lower sales and a changed business mix in mobile broadband, with a lower proportion of capacity business. This was partly offset by lower operating expenses.

Cash flow from operating activities was SEK 14.0 (20.6) billion. Net cash at year-end was SEK 31.2 billion.

The Board of Directors proposes a dividend for 2016 of SEK 1.00 (3.70) per share to the AGM.

#### **Business in 2016**

In 2016, net sales decreased by 10% mainly due to lower demand for mobile broadband, especially in markets with a weak macroeconomic environment. Sales declined in all three segments. Both operating income and margin decreased compared to last year due to lower sales and lower gross margin, partly offset by lower operating expenses.

IPR licensing revenues were SEK 10.0 (14.4) billion. IPR licensing revenues in 2015 were positively impacted by a global patent license agreement signed with Apple, which included an initial payment.

Full-year sales for the targeted growth areas; IP network, Cloud, OSS and BSS, TV and Media as well as Industry and Society, were flat and accounted for 20% of group sales.

The global cost and efficiency program, first initiated in November 2014, and expanded in 2016, -progressed according to plan. The target of the program is to reduce the annual run rate of operating expenses, excluding

restructuring charges, to SEK 53 billion in the second half of 2017. Operating expenses in 2016 decreased to SEK 60.5 (64.1) billion which included restructuring charges of SEK 4.1 ( 2.8) billion.

Ericsson delivered a full-year cash flow from operating activities of SEK 14.0 (20.6) billion, exceeding the 70% cash conversion target.

## **Financial highlights**

### **Net sales**

Reported sales decreased by 10% mainly due to lower demand for mobile broadband, especially in markets with a weak macroeconomic environment. Sales in Europe declined following completion of mobile broadband projects in 2015. Mobile broadband sales in North America remained stable while Professional Services sales declined, mainly due to lower managed services activities. A significant managed services contract in North America was renewed with reduced scope. Sales in South East Asia increased, driven by large deliveries in coverage projects.

IPR licensing revenues amounted to SEK 10.0 (14.4) billion. Sales in 2015 were positively impacted by a global patent license agreement signed with Apple, which included an initial payment. The baseline for current IPR licensing contract portfolio is approximately SEK 7 billion on an annual basis. Smartphone volume growth, agreements with currently unlicensed handset suppliers and IoT licensing will determine growth opportunities going forward.

Currency exchange rates had no material impact on full-year sales. Sales, adjusted for comparable units and currency, decreased by 10%.

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Full-year sales for targeted growth areas were flat and accounted for 20% of group sales. The partnership with Cisco has to date generated more than 100 deals across all regions.

The sales mix by commodity was: software 22% (23%), hardware 33% (34%) and services 45% (43%).

## **Gross margin**

Gross margin declined to 29.8% (34.8%) due to a sales mix with lower share of mobile capacity business, higher share of Global Services sales and lower IPR licensing revenues as well as lower Global Services margins. In addition, restructuring charges included in the gross -margin increased to SEK 3.5 ( 2.3) billion.

## **Restructuring charges and efficiency program**

Restructuring charges amounted to SEK 7.6 ( 5.0) billion. The charges were mainly related to the cost and efficiency program initially announced in November 2014, and expanded in 2016. The cost and efficiency program is progressing according to plan and the target is to reduce the annual run rate of operating expenses, excluding restructuring charges, to SEK 53 billion in the second half of 2017. Efforts continue in order to reduce cost of sales, targeting to improve gross margin in the second half of 2017 compared with full-year 2016. With current plans, total restructuring charges for 2017 are estimated to be SEK 3 billion.

## **Operating expenses**

Total operating expenses decreased to SEK 60.5 (64.1) billion as a result of the cost and -efficiency program and lower amortizations of intangible assets. Operating expenses included restructuring charges of SEK 4.1 ( 2.8) billion.

## **Other operating income and expenses**

Other operating income and expenses were SEK 0.4 (0.2) billion. Currency hedge contract effects impacted the result with SEK 0.9 ( 1.1) billion. They derive from the hedge contract -balance in USD. The SEK has weakened against the USD between December 31, 2015 (SEK/USD rate 8.40) and December 31, 2016 (SEK/USD rate 9.06). The negative currency hedge effects were more than offset by several minor positive items.

## **Operating income**

Operating income decreased to SEK 6.3 (21.8) billion due to lower sales and lower gross margin, partly offset by lower operating expenses. Operating margin was 2.8% (8.8%).

## **Financial net**

The financial net declined to SEK 2.3 ( 1.9) -billion following decreased interest rates and depreciated local currencies in certain markets.

## **Taxes**

Tax cost decreased to SEK 2.1 ( 6.2) billion due to lower net income, offset by prior-year adjustments and non-deductible expenses. These factors resulted in a tax rate of 53% in 2016 compared with the more normal tax rate of 31% in 2015. Average tax rate for the years 2011 2015 was 32%.

## **Net income and EPS**

Net income decreased to SEK 1.9 (13.7) billion., for the same reasons as for the decrease in operating income. EPS diluted was SEK 0.52 (4.13) and EPS (Non-IFRS) was SEK 2.66 (6.06).

## **Business results Segments**

### **Networks**

#### *Background*

Networks represented 48.7% of net sales in 2016 (50.1% in 2015), The segment delivers products and solutions that are needed for mobile and fixed communication, several generations of radio networks, IP and transmission networks, core networks and cloud.

#### *Business in 2016*

Sales as reported decreased by 12%. The decrease was mainly due to lower sales of mobile broadband, reduced sales of core networks and lower IPR licensing revenues. Core networks sales declined due to lower sales of legacy products, not offset by growth of the new portfolio.

Mobile broadband investments were negatively impacted by a weak macroeconomic environment in a number of markets such as Latin America, the Middle East and South Africa. In addition, sales declined in Europe following the completion of large coverage projects in 2015 and in India due to delayed spectrum auctions. The sales decline was partly offset by sales growth in South East Asia where large deliveries in mobile broadband coverage projects were made.

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In North America and in North East Asia, investments in network equipment were stable. In Mainland China, large-scale LTE deployments continued for the third consecutive year.

Sales, adjusted for comparable units and -currency, decreased by 13%.

Operating income and margin decreased, mainly due to a lower share of mobile broadband capacity sales and lower IPR licensing revenues. The decrease was partly offset by reduced operating expenses, mainly as an effect of the ongoing cost and efficiency program. The work to improve profitability continued with significant headcount reductions and structural changes.

Restructuring charges amounted to SEK 4.0 ( 2.8) billion and the negative effect from currency hedge contracts was SEK 0.7 ( 0.9) billion.

## **Global Services**

### *Background*

Global Services represented 45.7% of net sales in 2016 (43.7% in 2015). The segment delivers network rollout services and professional services (i.e., managed services, consulting and systems integration (CSI), customer support as well as network design and optimization services).

### *Business in 2016*

Sales as reported decreased by 6%. Professional Services sales declined due to lower managed services activities in North America where a contract has been renewed with reduced scope. CDMA sales declined YoY impacting -Professional Services sales negatively. Network Rollout sales declined due to lower mobile broadband demand, primarily in Europe and Latin America.

Sales, adjusted for comparable units and -currency, decreased by 5%.

Global Services operating income decreased to SEK 3.3 (8.2) billion. Activities were performed to adapt the service delivery organization to lower business volumes and to increase the -efficiency. Restructuring charges increased to SEK 3.0 ( 1.7) billion.

Professional Services operating income declined to SEK 5.2 (9.6) billion due to increased restructuring charges of SEK 2.3 ( 0.7) billion, lower sales and a negative impact from large projects in systems integration transformation, where operators are looking to transform their IT environments to increase efficiency and prepare for 5G. Ericsson has been successful and won several IT transformation contracts. However, the short-term margin impact from these contracts is challenging as a consequence of investments in competence build-up and market share.

Network Rollout operating income declined to SEK 1.9 ( 1.4) billion due to lower sales in combination with increased cost and negative effects from a few contracts in emerging markets. The effort to improve Network Rollout -profitability continues through efficiency improvements including implementation of global methods and tools.

## **Support Solutions**

### *Background*

Support Solutions represented 5.6% of net sales in 2016 (6.1% in 2015). The portfolio of Support Solutions is designed around measurable performance improvements in an operator's business processes, with software that is scalable, configurable and that provides end-to-end capabilities. The business segment develops and delivers software-based solutions for OSS and BSS as well as TV and media solutions.

*Business in 2016*

Sales as reported decreased by 17%, partly due to lower IPR licensing revenues. OSS and BSS sales declined due to lower sales of legacy products and lower software sales in digital transformation projects where sales are mainly project milestone based. In addition, sales declined in markets with a weak macroeconomic environment.

Sales in TV & Media declined due to lower sales of legacy products primarily in North America. Customer trials on the next-generation TV & Media platform are ongoing, but have not yet translated into sales.

Operating income declined to SEK 1.0 (1.5) billion mainly due to lower IPR licensing revenues and lower sales in both OSS and BSS as well as in TV & Media. Several activities in order to reduce cost and adjust the organization to lower business volumes are ongoing.

The overall transition of business models -continues, from traditional telecom software licenses to recurrent license revenue deals.

**Business results    Regions**

North America

## **Table of Contents**

Mobile broadband investments were stable. Professional Services sales were negatively impacted by reduced scope in a managed services contract. Support Solutions sales declined due to delayed investment decisions by customers. The focus on 5G strongly increased, with -trials ongoing with all major customers.

### **Latin America**

Sales decreased following reduced mobile broadband investments due to a weak macroeconomic environment in the region and due to devaluation of local currencies. The strong momentum for digital transformation continued. Professional Services sales declined due to lower activities in managed services.

### **Northern Europe and Central Asia**

Sales declined, primarily due to continued lower mobile broadband investments in Russia. Global Services sales were flat with a decline in Network Rollout, offset by increased Managed Services sales in Sweden. OSS and BSS sales were flat while TV & Media sales declined.

### **Western and Central Europe**

Sales declined as the initial LTE deployments were finalized. Operators continue to focus on transforming their networks to meet the increasing demand for coverage and capacity, while at the same time improving efficiency.

### **Mediterranean**

Sales declined due to lower investments in mobile broadband infrastructure, mainly related to capacity business. Operator investments in ICT transformation and demand for managed services continued.

### **Middle East**

Sales declined, primarily in Networks due to lower broadband investments in Egypt, Pakistan, Ethiopia and Turkey. The decrease was partly offset by growth in Global Services sales, mainly in network rollout and optimization services in Saudi Arabia.

### **Sub-Saharan Africa**

Investments declined, impacted by a weak -macroeconomic environment, local currency depreciation in key markets as well as low oil and commodity prices.

### **India**

Mobile broadband sales declined mainly driven by delayed spectrum auctions which delayed operator investments. Professional Services sales remained stable with operators higher focus on network quality and cost optimization.

### **North East Asia**

Sales declined slightly due to lower investments in Mainland China and Korea, partly offset by market share gains in Japan and Taiwan. In Mainland China 4G deployments continued. However, reduced investments in legacy technologies and significantly reduced investment by one customer, impacted sales negatively.

**South East Asia and Oceania**

Sales increased, primarily driven by mobile broadband deployments across several markets. Professional Services sales developed favorably as operators focus on efficiency and network optimization services.

**Other**

IPR licensing revenues amounted to SEK 10.0 (14.4) billion. Sales in 2015 were positively impacted by a global patent license agreement signed with Apple, which included an initial payment.

**B. Liquidity and Capital Resources**

The information set forth under the following headings of the 2017 Swedish Annual Report is incorporated herein by reference:

Financials



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Board of Directors report

Financial highlights Cash flow

Financial highlights Financial position

Financial highlights Seasonality

Financial highlights Capital expenditures

Notes to the consolidated financial statements

Note C19 Interest-bearing liabilities

Note C20 Financial risk management and financial instruments

Note C25 Statement of cash flows

See Item 8.B. Financial Information Significant Changes herein.

**Balance sheet and other performance indicators for the years ended December 31, 2015 and 2016**

**Cash flow**

Cash flow from operating activities was SEK 14.0 (20.6) billion. The decline was mainly due to lower income, larger tax payments and last year's signed global patent license agreement with Apple, which included an initial payment. Operating net assets decreased by SEK 6.0 -billion, supported by reduced trade receivables and increased provisions. In addition, trade payables increased supported by implementation of supply chain financing. Inventory increased slightly.

Cash outlays related to restructuring charges were SEK 2.4 ( 2.8) billion during the year.

Cash flow from investing activities was impacted by investments in property, plant and equipment of SEK 6.1 ( 8.3) billion, with continued investments in the Global ICT centers. In addition, SEK 4.5 ( 3.3) billion of development expenses were capitalized. The capitalized development expenses refer to development of new product platforms like the new IPTV platform, Ericsson MediaFirst, and the new BSS platform, Ericsson Revenue Manager. The company invested SEK 0.6 (2.2) billion in acquisitions of smaller companies, such as Ericpol and Node-Prime in 2016.

Cash flow from financing activities amounted to SEK 11.7 billion, impacted by SEK 12.3 billion of dividend payouts.

**Financial position**

Net cash decreased to SEK 31.2 (41.2) billion due to lower income and increased dividends. The decrease was partly offset by reduced -operating assets.

Pension liabilities increased by SEK 1.1 billion, due to decreased discount rates.

In 2016, Standard & Poor's and Moody's downgraded Ericsson's long-term rating from BBB+/Baa1 with stable outlook to BBB/Baa3 with negative outlook.

The average maturity of long-term borrowings as of December 31, 2016, was 3.8 years, compared with 4.8 years 12 months earlier. Ericsson has an unutilized Revolving Credit Facility of USD 2.0 billion. The facility expires in 2021. In addition, the company signed a new EUR 0.5 billion term loan facility in 2016. The new facility has a tenure of two years with one extension option of one year. The facility serves for general corporate purposes and is unutilized.

### **Intangible assets**

The amount of intellectual property rights and other intangible assets amounted to SEK 51.1 (50.4) billion, including goodwill of SEK 43.4 (41.1) billion. The goodwill impairment testing has been based on the new segments that became effective as per January 1, 2017. For the Media segment the headroom is SEK 5.6 billion when a discount of 8.0% is applied. The recoverable amount is equal to its carrying amount when the discount factor is increased to 10.0%. For more information, see Note 3 Segment reporting and Note 10 Intangible assets.

**Table of Contents****Employees**

In 2016, the number of employees decreased by almost 5,000 driven by the ongoing cost and efficiency program. At year-end 2016, the total number of employees was 111,464 (116,281).

**Research and development, -patents and licensing**

In line with the global cost and efficiency program, the Company has decreased its R&D expenses. In 2016, R&D expenses amounted to SEK 31.6 (34.8) billion. The number of R&D resources increased mainly due to an acquisition of Ericpol, a long-time supplier to Ericsson with software development in Poland and Ukraine. Approximately 2,000 employees joined Ericsson from Ericpol. The number of patents continued to increase and amounted to approximately 42,000 by end of 2016.

**Research and development, patents and licensing**

	2016	2015	2014
Expenses (SEK billion)	31.6	34.8	36.3
As percent of Net sales	14.2%	14.1%	15.9%
Employees within R&D as of December 31 <sup>1)</sup>	24,100	23,700	25,700
Patents <sup>1)</sup>	42,000	39,000	37,000
IPR revenues, net (SEK -billion)	10.0	14.4	9.9

1) The number of employees and patents are approximate.

**Seasonality**

The Company's sales, income and cash flow from operations vary between quarters, and are generally lowest in the first quarter of the year and highest in the fourth quarter. This is mainly a result of the seasonal purchase patterns of network operators.

**Most recent five-year average seasonality**

	First quarter	Second quarter	Third quarter	Fourth quarter
Sequential change, sales	24%	9%	2%	24%
Share of annual sales	22%	24%	24%	30%

**Off-balance sheet arrangements**

There are currently no material off-balance sheet arrangements that have, or would be reasonably likely to have, a current or anticipated material effect on the Company's financial condition, revenues, expenses, result of operations, liquidity, capital expenditures or capital resources.

**Capital expenditures**

For 2016, capital expenditure was SEK 6.1 (8.3) billion, representing 2.8% of sales. Expenditures are largely related to test sites and equipment for R&D, network operation centers and manufacturing and repair operations.

Investments have been made in three new global ICT centers. The centers will support R&D and services in developing and verifying solutions more efficiently and bringing innovation faster to the market. The first center, in Linköping, Sweden, was opened in 2014. The second center, in Rosersberg, Sweden, was opened in the beginning of 2016. The third -center, in Montreal, Canada, was opened in December 2016. The level of capital expenditure will continue to decline as the investments in the Global ICT centers peaked in 2015.

In addition, Ericsson has invested in several buildings in Santa Clara, California and in Manchester, U.K. The purpose with the investments in Santa Clara is to consolidate Ericsson's Silicon Valley operations. In Manchester Ericsson is investing in a new dedicated customer technical facility for its broadcast media business. The new facility is expected to be ready in April 2017 and is part of a larger transformation and investment strategy.

Apart from these investments, Ericsson believes that the Company's property, plant and equipment and the facilities the Company occupies are suitable for its present needs.

Annual capital expenditures are normally around 2% of sales. This corresponds to the needs for keeping and maintaining the current capacity level. The Board of Directors reviews the Company's investment plans and proposals.

As of December 31, 2016, no material land, buildings, machinery or equipment were pledged as collateral for outstanding indebtedness.

**Table of Contents****Capital expenditures 2012 2016**

<b>SEK billion</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Capital -expenditures	6.1	8.3	5.3	4.5	5.4
<i>Of which in -Sweden</i>	<i>2.0</i>	<i>2.6</i>	<i>2.4</i>	<i>1.9</i>	<i>1.3</i>
Share of annual sales	2.8%	3.4%	2.3%	2.0%	2.4%

**C. Research and Development, Patents and Licenses**

The information set forth under the following headings of the 2017 Swedish Annual Report is incorporated herein by reference:

Other information

Five-year summary

Alternative Performance Measures

The business

This is Ericsson

Strategy and financial targets

Segments

Business Model

Financials - Board of Directors report

Financial highlights Research and development, patents and licensing

Consolidated financial statements

Consolidated income statement

**D. Trend Information**

The information set forth under the following headings of the 2017 Swedish Annual Report is incorporated herein by reference:

The Business

CEO comment

This is Ericsson

Strategy and financial targets

See Item 8.B. Financial Information Significant Changes herein.

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**E. Off-Balance Sheet Arrangements**

The information set forth under the following headings of the 2017 Swedish Annual Report is incorporated herein by reference:

Financials

Board of Directors report

Financial highlights Off-balance sheet arrangements

Notes to the consolidated financial statements

Note C14 Trade receivables and customer finance, Transfers of financial assets

Note C24 Contingent liabilities

**F. Tabular Disclosure of Contractual Obligations**

The information set forth under the section Financials Notes to the consolidated financial statements Note C31 Contractual obligations of the 2017 Swedish Annual Report is incorporated herein by reference.

**ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES**

**A. Directors and Senior Management**

The information set forth under the following headings of the 2017 Swedish Annual Report is incorporated herein by reference:

Corporate Governance

Corporate Governance report 2017

Members of the Board of Directors

Members of the Executive Team

See Item 8.B. Financial Information Significant Changes herein.

**B. Compensation**

The information set forth under the following headings of the 2017 Swedish Annual Report is incorporated herein by reference:

Financials

Board of Directors report

Corporate governance Remuneration



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Notes to the consolidated financial statements

Note C17 Post-employment benefits

Note C28 Information regarding members of the Board of Directors, the Group management and employees

Corporate Governance

Corporate Governance report 2017

Remuneration to Board members

Remuneration report

See Item 8.B. Financial Information Significant Changes herein.

**C. Board Practices**

The information set forth under the following headings of the 2017 Swedish Annual Report is incorporated herein by reference:

Financials

Notes to the consolidated financial statements

Note C28 Information regarding members of the Board of Directors, the Group management and employees Comments to the table

Corporate Governance

Corporate Governance report 2017

Board of Directors Composition of the Board of Directors

Committees of the Board of Directors    Audit committee

Committees of the Board of Directors    Remuneration committee

Remuneration report

The Remuneration Committee

See Item 8.B. Financial Information    Significant Changes    herein.

**D.        Employees**

The information set forth under the following headings of the 2017 Swedish Annual Report is incorporated herein by reference:

The Business

This is Ericsson

Financials

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Board of Directors report

Financial Highlights Employees

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Note C28 Information regarding members of the Board of Directors, the Group management and employees Employee numbers, wages and salaries

Other information

Five-year summary Statistical data, year-end

We consider that our relationship with the labor unions that represent our employees is good.

**Number of employees by market area at year-end**

	<b>2017</b>	<b>2016</b>
South East Asia, Oceania and India	24,495	26,570
North East Asia	12,456	13,042
North America	10,009	11,547
Europe and Latin America <sup>1) 2)</sup>	49,231	54,873
Middle East and Africa	4,544	5,432
<b>Total</b>	<b>100,735</b>	<b>111,464</b>
<i>1) Of which in Sweden</i>	<i>13,864</i>	<i>15,303</i>
<i>2) Of which in EU</i>	<i>39,508</i>	<i>42,625</i>

**E. Share Ownership**

The information set forth under the following headings of the 2017 Swedish Annual Report is incorporated herein by reference:

Share information

The Ericsson share Shareholders

Corporate Governance

Corporate Governance report 2017

Shareholders

Members of the Board of Directors

Members of the Executive Team

Remuneration report

Total remuneration in 2017

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Note C28 Information regarding members of the Board of Directors, the Group management and employees

**ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS**

**A. Major Shareholders**

The information set forth under the following headings of the 2017 Swedish Annual Report is incorporated herein by reference:

Corporate Governance

Corporate Governance report 2017

Shareholders

Share information

The Ericsson share

Shareholders

**B. Related Party Transactions**

The information set forth under the section Financials Notes to the consolidated financial statements Note C29 Related party transactions of the 2017 Swedish Annual Report is incorporated herein by reference.

**C. Interests of Experts and Counsel.**

Not applicable.

**ITEM 8. FINANCIAL INFORMATION**

**A. Consolidated Statements and Other Financial Information.**

The information set forth under the following headings of the 2017 Swedish Annual Report is incorporated herein by reference:

Financials

Board of Directors report

Legal proceedings

Parent Company Proposed disposition of earnings

Consolidated financial statements

Notes to the consolidated financial statements

Report of independent registered public accounting firm

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Other information

Five-year summary Statistical data, year-end

See Item 8.B. Financial Information Significant Changes , Item 10.B. Memorandum and Articles of Association Dividends and Item 17. Financial Statements , herein.

Refer also to item 8.B herein

**B. Significant Changes**

**Ericsson strengthens focus on innovation and makes changes to Executive Team**

On January 31, 2018, Ericsson announced changes to the group structure and its Executive Team.

A Business Area Emerging Business was created to increase focus on innovation and new business development. Effective April 1, 2018, Åsa Tamsons is appointed Senior Vice President and head of Business Area Emerging Business and member of Ericsson's Executive Team. The new Business Area Emerging Business will be reported under Segment Other.

Business Area Digital Services is undergoing significant transformation to create a profitable and strong offering in this strategically important area. Ulf Ewaldsson has decided to step down from leading the unit, following the completion of its build up phase. Jan Karlsson, currently head of Solution Area BSS, will step in as acting head of Business Area Digital Services. Ulf Ewaldsson will take on a role as advisor to CEO Börje Ekholm.

The company is also simplifying its group function structure, from currently six functions to four. In light of the change in responsibilities Elaine Weidman-Grunewald has decided to leave the company to pursue other opportunities.

**Ericsson concludes strategic review of Media Solutions and Red Bee Media**

On January 31, 2018, Ericsson concluded the review of strategic opportunities for its Media business Media Solutions and Red Bee Media which was initiated in conjunction with the announcement of the company's focused business strategy on March 28, 2017. Ericsson has implemented substantial performance improvement programs while continuing to invest in the respective businesses. Both units have made significant progress during 2017.

Outcome of the strategic review:

One Equity Partners new majority owner in Media Solutions, Ericsson will retain 49% of the shares

Media Solutions assets and staff to transfer to independent company upon closing, expected Q3 2018

Continued in-house development of Red Bee Media

**Ericsson restated financial information for IFRS 15**

On March 16, 2018, Ericsson announced restated consolidated income statement information, in line with the new accounting standard IFRS 15, applied as of January 1, 2018.

**ITEM 9. THE OFFER AND LISTING**

**A. Offer and Listing Details**

The information set forth under the section Share information The Ericsson share Share and ADS prices of the 2017 Swedish Annual Report is incorporated herein by reference.

**B. Plan of Distribution**

Not applicable.



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**C. Markets**

The information set forth the section Share information The Ericsson Share Share trading of the 2017 Swedish Annual Report is incorporated herein by reference.

**D. Selling Shareholders**

Not applicable.

**E. Dilution**

Not applicable.

**F. Expenses of the Issue**

Not applicable.

**ITEM 10. ADDITIONAL INFORMATION**

**A. Share Capital**

Not applicable.

**B. Memorandum and Articles of Association**

Telefonaktiebolaget LM Ericsson is registered under no. 556016 0680 in the Company Register kept by the Swedish Companies Registration Office. Our Company's objective and purposes are described in article 2 of the Articles of Association, as follows: The objects of the Company are to, directly or indirectly, develop, construct, produce, sell and deliver and in other forms carry on trade and other commercial business related to goods, products and other equipment as well as maintenance and other services based on telecommunication and radio technology and other technologies for transference, transmission and other communications of speech, data, images, text, other kinds of information and means of payment and to carry on other activities consistent therewith.

Our Articles of Association do not stipulate anything regarding:

a director's power to vote on a proposal, arrangement, or contract in which the director is materially interested;

our directors' power to vote for compensation to themselves;

our directors' borrowing powers;

retirement rules for our directors; or

the number of shares required for a director's qualification.

Applicable provisions are found in the Swedish Companies Act (2005:551) (the "Swedish Companies Act").

In addition to being of legal age, there are no age limit restrictions for directors and they are not required to own any shares in the Company.

***Share Capital, Increases of Share Capital and Preferential Rights of Shareholders***

The Articles of Association of Ericsson provide that the share capital of the Company may not be less than SEK 6,000,000,000 nor more than SEK 24,000,000,000, and that the number of shares in the Company shall amount to no less than 3,000,000,000 and no more than 12,000,000,000. The registered share capital is SEK 16,670,758,678 and the Company has in total issued 3,334,151,735 shares.

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The Company's shares are divided into three series: Class A shares, Class B shares and Class C shares; however, no Class C shares are currently outstanding. Under the Swedish Companies Act, shareholders must approve each issue of additional shares either by deciding on the share issue at a shareholders' meeting, or by a shareholders' approval of a decision on a share issue by the Board, or by giving an authorization to the Board to decide about a share issue. If we decide to issue new Class A, Class B and Class C shares by means of a cash issue, or an issue against payment through set-off of claims, Class A, Class B and Class C shareholders (except for Ericsson and its subsidiaries, in the event they hold shares in Ericsson) have a primary preferential right to subscribe for new shares of the same type in relation to the number of shares previously held by them. Shares not subscribed for through a preferential right shall be offered to all shareholders for subscription on a pro rata basis. If we decide to issue new shares of only one series by means of a cash issue or an issue against payment through set-off of claims, all shareholders, regardless of whether their shares are Class A, Class B or Class C, are entitled to a preferential right to subscribe for new shares in proportion to the number of shares previously held by them. Shareholders may vote to waive shareholders' preferential rights at a general meeting.

If we decide to issue warrants or convertibles through a cash issue or an issue against payment through set-off of claims, the shareholders have preferential rights to subscribe to warrants as if the issue were of the shares that may be subscribed to pursuant to the warrant and, respectively, preferential rights to subscribe to convertibles as if the issue were of the shares that the convertibles may be converted to.

The above does not constitute any restriction to waive the shareholders' preferential rights when deciding on either an issue of shares, warrants or convertibles by means of a cash issue or an issue against payment through set-off of claims.

## ***Dividends***

Our Class A and Class B shareholders have the same right to dividends. Class C shareholders do not have any right to dividends, as described in article 6 of our Articles of Association. No Class C shares are currently outstanding.

Under Swedish law, only a general meeting of shareholders may decide on payment of dividends, which may not exceed the amount proposed by the Board of Directors (except in certain limited circumstances), and may only be paid from funds legally available for that purpose. Under Swedish law, no interim dividends may be paid in respect of any fiscal period for which audited financial statements of the company have not yet been adopted by the annual general meeting of shareholders. The market practice in Sweden is most often for dividends to be paid annually. Under the Swedish Companies Act, dividends to shareholders and other transfers of value from a company such as purchases of own shares (see below) may only be made in case the company's restricted equity remains fully covered after the transfer of value has been made. The calculation shall be based upon the most recently adopted balance sheet, and any changes in the restricted equity that has occurred after the balance sheet date shall be taken into account. In addition, dividends to shareholders and other transfers of value from the company may only be made if this is justifiable taken into account the type of business activities of the company, their scope and risks related thereto and the company's need for financial resources, its liquidity and financial position. In respect of parent companies, also the business activities of the group, their scope and risks related thereto and the group's need for financial resources, its liquidity and financial position shall be taken into account.

The Company's shares are registered in the computerized book-entry share registration system administered by Euroclear Sweden AB ( Euroclear ). The rights attached to shares eligible for dividends accrue to those persons whose names are recorded in the register of shareholders on the record day. The dividends are then sent to a specified account as directed by the person registered with Euroclear, or to the address of that person. The relevant record day must, in most circumstances, be specified in the resolution declaring a dividend or resolving upon a capital increase or

any similar matter in which shareholders have preferential rights, or the Board of Directors must be authorized to determine the relevant record day.

Where the registered holder is a nominee, the nominee receives, for the account of the beneficial owner, dividends and, on issues of shares with preferential rights for the shareholders, shares, as well as rights. Dividends are remitted in a single payment to the nominee who is responsible for the distribution of such dividends to the beneficial owner. A similar procedure is adopted for share issues. Specific authority to act as a nominee must be obtained from Euroclear. At the request of Euroclear, the nominee must provide information about all beneficial holders of shares to Euroclear. Euroclear is required to keep a register with regard to any holding on behalf of a single beneficial owner in excess of 500 shares in any one company. This list is prepared every third month and must reveal the names of the beneficial owner and be open to public inspection.

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### ***Voting***

In a general meeting of Ericsson, each Class A share shall carry one vote, each Class B share one tenth of one vote and each Class C share one-thousandth of one vote.

We are required to publish notices to attend annual general meetings no earlier than six weeks and no later than four weeks prior to the annual general meeting and the same notice period requirements apply regarding extraordinary general meetings concerning changes in our articles of association. Notices to attend other types of extraordinary general meetings at Ericsson must be published no earlier than six weeks and no later than three weeks prior to the general meeting.

Directors are elected during the annual general meeting for a period of one year at a time and do not stand for reelection at staggered intervals.

A shareholder may attend and vote at the meeting in person or by proxy. For companies whose shares are registered in a central securities depository register, proxies are valid for up to five years from the date of issuance. Any shareholder wishing to attend a general meeting must notify us no later than on the day specified in the notice. We are required to accept all notifications of attendance received at least five business days (Saturdays normally included) prior to the meeting. A person designated in the register as a nominee (including the depository of the ADSs) is not entitled to vote at a general meeting, nor is a beneficial owner whose share is registered in the name of a nominee (including the depository of the ADSs) unless the beneficial owner first arranges to have such owner's own name entered in the register of shareholders maintained by Euroclear no later than the designated record day.

Under the Swedish Companies Act, elections are determined by a plurality vote. Resolutions, other than elections, are passed by a simple majority of votes cast at the meeting with the chairman of the meeting having a decisive vote, unless otherwise required by law or a company's articles of association. Under the Swedish Companies Act, certain resolutions require special quorums and majorities, including, but not limited to, the following:

- a) a resolution to amend the articles of association requires a majority of two-thirds of the votes cast as well as two-thirds of the shares represented at the meeting, except in those circumstances described in b) d) below;
- b) a resolution to amend the articles of association which reduces any shareholder's rights to profits or assets, restricts the transferability of shares or alters the legal relationship between shares, normally requires the unanimous approval of the shareholders present at the meeting and who hold nine-tenths of all outstanding shares;
- c) a resolution to amend the articles of association for the purpose of limiting the number of shares with which a shareholder may vote at a general meeting or allocating part of the net profit for the fiscal year to a restricted fund or limiting the use of the company's profits or assets in a liquidation or dissolution, normally requires the approval of shareholders representing two-thirds of the votes cast and nine-tenths of the shares represented at the meeting;
- d)

a resolution of the kind referred to under B or C above may, however, be taken with a lower supermajority requirement if the amendments referred to therein will only adversely affect specific shares or classes of shares. In such cases, the requirement under a above will apply together with the following separate supermajority: (a) where only a class of shares is adversely affected, approval of the owners of one-half of all shares of such class and nine-tenths of the shares of such class represented at the meeting, or (b) where the shares adversely affected do not constitute a class of shares, the unanimous approval of all such affected outstanding shares present at the meeting and who hold nine-tenths of all outstanding shares adversely affected;

- e) a resolution to issue, approve or authorize the issuance for cash of new shares, warrants or convertibles with a deviation from the preferential right for existing shareholders requires a two-thirds majority of votes cast at the meeting as well as two-thirds of the shares represented at the meeting;

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- f) a resolution to reduce the outstanding share capital requires a two-thirds majority of votes cast at the meeting as well as two-thirds of the shares represented at the meeting. In case there are several classes of shares in a company, the above described majority requirement shall apply also within each share class represented at the meeting and for which the rights of the shares are adversely affected; and
  
- g) a resolution to approve a merger requires a two-thirds majority of the votes cast at the meeting and two-thirds of the shares represented at the meeting (however, under certain circumstances a higher majority is required).

At a general meeting of shareholders, a shareholder or proxy for one or more shareholders may cast full number of votes represented by the holder's shares.

***Purchase of Own Shares***

A Swedish public limited liability company whose shares are traded on a regulated market place within the European Economic Area ( EEA ) or a market place comparable to a regulated market place outside the EEA is entitled to purchase its own shares under certain conditions. A purchase by us of our own shares may take place only if (a) the purchase has been decided upon by a general meeting of shareholders or the Board has been authorized by a general meeting of shareholders, in both cases by a two thirds majority of votes cast at the meeting as well as two-thirds of the shares represented at the meeting, (b) the purchase is effected on a regulated market place within the EEA or a market place comparable to a regulated market place outside the EEA (in the latter case with the approval of the Swedish Financial Supervisory Authority the SFSA ) or pursuant to an offer to all shareholders or holders of a specific class of shares, (c) the Company's restricted equity will still be fully covered and the purchase is justifiable taken into account the type of business activities of the Company and the group, their scope and risks related thereto and the Company's and the group's need for financial resources, their liquidity and financial position, and (d) we and our subsidiaries do not hold or, as a result of purchase, will not hold in excess of 10% of all our outstanding shares. As of December 31, 2017, the Company held an aggregate of 50,265,499 treasury stock of Class B shares.

***Investment Restrictions***

There are no limitations imposed by Swedish law or by our Articles of Association in respect of the rights of non-residents or foreign persons to purchase, own or sell securities issued by us.

There are, however, certain flagging and ownership examination rules that apply, irrespective of nationality.

Pursuant to the Swedish Financial Instruments Trading Act any change in a holding of shares, depository receipts with voting rights or financial instruments that entitle the holder to acquire shares in issue in a Swedish limited liability company whose shares are admitted for trading on a regulated market place within the EEA shall be reported by the holder to the company and the SFSA, where the change entails that the holder's portion of all shares or votes in the company reaches, exceeds or falls below any of the limits of 5, 10, 15, 20, 25, 30, 50, 66 2/3 or 90 per cent. Such a change should, as a main rule, be reported not later than three trading days following the day on which the party with a duty to report has entered into an agreement for the acquisition or transfer of shares or any other change to the shareholding has occurred.

In addition, the EU Market Abuse Regulation requires, among other things, that the Company holds a register of all persons discharging managerial responsibilities and of persons closely associated with them. The Company and the SFSA must be notified of certain transactions conducted by the aforementioned persons. Such notifications shall be made no later than three business days after the date of the transaction.

**C. Material Contracts**

The information set forth under the following headings of the 2017 Swedish Annual Report is incorporated herein by reference:

Financials Board of Directors report

Material contracts

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### **D. Exchange Controls**

There is no Swedish legislation affecting the import or export of capital or the remittance of dividends, interest or other payments to non-resident holders of our securities, except that, subject to the provisions in any tax treaty, dividends are subject to withholding tax.

### **E. Taxation**

#### ***General***

The taxation discussion set forth below does not purport to be a complete analysis or listing of all potential tax effects relevant to the acquisition, ownership or disposition of Class B shares or ADSs. The statements of United States and Swedish tax laws set forth below are based on the laws in force as of the date of this report and may be subject to any changes in United States or Swedish law, and in any double taxation convention or treaty between the United States and Sweden, occurring after that date, which changes may then have retroactive effect.

Specific tax provisions may apply for certain categories of taxpayers. Your tax treatment if you are a holder of Class B shares or ADSs depends in part on your particular situation. If you are a holder of Class B shares or ADSs, you should therefore consult a tax advisor as to the tax consequences relating to your particular circumstances resulting from the ownership of Class B shares or ADSs.

The tax consequences to holders of ADSs, as discussed below, apply equally to holders of Class B shares.

#### ***Certain Swedish Tax Considerations***

This section describes the material Swedish income and net wealth tax consequences for a holder of ADSs or Class B shares who is not considered to be a Swedish resident for Swedish tax purposes. This section applies to you only if you are a holder of portfolio investments representing less than 10% of capital and votes and is not applicable if the ADSs or Class B shares pertain to a permanent establishment or fixed place of business in Sweden.

#### **Taxation on Capital Gains**

Generally, non-residents of Sweden are not liable for Swedish capital gains taxation with respect to the sale of ADSs or Class B shares. However, under Swedish tax law, capital gains from the sale of shares in Swedish companies and certain other securities by an individual may be taxed in Sweden at a rate of 30% if the seller has been a resident of Sweden or has lived permanently in Sweden at any time during the year of the sale or the 10 calendar years preceding the year of the sale (absent treaty provisions to the contrary). The provision is applicable to ADSs or Class B shares. From January 1, 2008, the rule has been extended so that it also applies to shares in foreign companies, provided that the shares were acquired during the time that the person was liable to tax in Sweden.

This provision may, however, be limited by tax treaties that Sweden has concluded with other countries. Under the tax treaty between Sweden and the United States (the U.S. Tax Treaty), this provision applies for ten years from the date the individual became a non-resident of Sweden.

#### **Taxation on Dividends**

A Swedish dividend withholding tax at a rate of 30% is imposed on dividends paid by a Swedish corporation, such as us, to non-residents of Sweden. The same withholding tax applies to certain other payments made by a Swedish

corporation, including payments as a result of redemption of shares and repurchase of stock through an offer directed to its shareholders. Exemption from the withholding tax or a lower tax rate may apply by virtue of a tax treaty. Under the U.S. Tax Treaty, the withholding tax on dividends paid on portfolio investments to eligible U.S. holders is reduced to 15%.

Under all Swedish tax treaties, except the tax treaty with Switzerland, withholding tax at the applicable treaty rate should be withheld by the payer of the dividends. With regard to dividends paid from shares in corporations registered with the Euroclear Sweden (such as our shares), a reduced rate of dividend withholding tax under a tax treaty is generally applied at the source by the Euroclear Sweden or, if the shares are registered with a nominee, the nominee, as long as the person entitled to the dividend is registered as a non-resident and sufficient information regarding the tax residency of the beneficial owner is available to the Euroclear Sweden or the nominee.

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In those cases where Swedish withholding tax is withheld at the rate of 30% and the person who received the dividends is entitled to a reduced rate of withholding tax under a tax treaty, a refund may be claimed from the Swedish tax authorities before the end of the fifth calendar year following the year that the distribution was made.

### **Taxation on Interest**

No Swedish withholding tax is payable on interest paid to non-residents of Sweden.

### **Net Wealth Taxation**

The Swedish net wealth tax has been abolished from January 1, 2007.

### ***Certain United States Federal Income Tax Consequences***

The following discussion is a summary of the material United States federal income tax consequences relevant to the ownership and disposition of ADSs or Class B shares. This discussion is based on the tax laws of the United States (including the Internal Revenue Code of 1986, as amended (the Code), its legislative history, existing and proposed regulations thereunder, published rulings and court decisions) as in effect on the date hereof, all of which are subject to change, possibly with retroactive effect. The discussion is not a full discussion of all tax considerations that may be relevant to the ownership and disposition of ADSs or Class B shares, and does not address the Medicare tax on net investment income or the effects of any state, local or foreign tax laws. The discussion applies only if you will hold the ADSs and/or the Class B shares as capital assets and you use the USD as your functional currency. It does not deal with the tax treatment of investors subject to special rules, such as grantor trusts, real estate investment trusts, regulated investment companies, banks, brokers or dealers in securities or currencies, traders in securities that elect to use a mark-to-market method of recording for their securities holdings, financial institutions, insurance companies, a person required to accelerate the recognition of any item of gross income with respect to our shares as a result of such income being recognized on an applicable financial statement, tax-exempt entities, investors liable for alternative minimum tax, holders (either actually or constructively) of 10% or more of the voting power or the value of our shares, persons holding ADSs and/or Class B shares as part of a hedging, straddle, conversion or constructive sale transaction and persons who are resident or ordinarily resident in Sweden. In addition, investors holding ADSs and/or Class B shares indirectly through partnerships are subject to special rules not discussed below. You should consult your own tax advisors about the United States federal, state, local and foreign tax consequences to you of the ownership and disposition of the ADSs or Class B shares.

The discussion below applies to you only if you are a beneficial owner of ADSs and/or Class B shares not resident in Sweden for purposes of the U.S. Tax Treaty and you are, for United States federal income tax purposes, (1) a citizen or resident of the United States, (2) a corporation or any other entity treated as a corporation that is organized in or under the laws of the United States or its political subdivisions, including the District of Columbia, (3) a trust if all of the trust's substantial decisions are subject to the control of one or more United States persons and the primary supervision of the trust is subject to a United States court, or if a valid election is in effect with respect to the trust to be taxed as a United States person, or (4) an estate the income of which is subject to United States federal income taxation regardless of its source.

The discussion below assumes that the representations contained in the deposit agreement governing the ADSs are true and that the obligations in the deposit agreement and any related agreement will be complied with in accordance with the terms. If you hold ADSs, you will be treated as the holder of the underlying Class B shares represented by those ADSs for United States federal income tax purposes.

Dividends

Subject to the passive foreign investment company rules discussed below, the gross amount of dividends paid (before reduction for any Swedish withholding taxes) with respect to the ADSs or Class B shares generally will be included in your gross income as ordinary income from foreign sources to the extent paid out of our current or accumulated earnings and profits (as determined for United States federal income tax purposes). Distributions in excess of earnings and profits will be treated as a non-taxable return of capital to the extent of your adjusted tax basis in the ADSs or Class B shares and thereafter as capital gain. The dividends will not be eligible for the dividends received deduction available to corporations in respect of dividends received from other U.S. corporations. The amount of any dividend paid in SEK will be the USD value of the dividend payment based on the exchange rate in effect on the date of

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receipt (or constructive receipt) by you, in the case of Class B shares, or by the depository, in the case of ADSs, whether or not the payment is converted into USD at that time. Your tax basis in the SEK received will equal such USD amount. Gain or loss, if any, recognized on a subsequent sale or conversion of the SEK will be U.S. source ordinary income or loss.

If you are a non-corporate holder of ADSs or Class B shares, dividends you receive on the ADSs or Class B shares may be taxed at the lower applicable long-term capital gains rate provided that (1) we are not a passive foreign investment company (as discussed below) for either our taxable year in which the dividend was paid or the preceding taxable year, (2) certain holding period requirements are met, (3) you are not under any obligation to make related payments with respect to substantially similar or related property and (4) either (a) in the case of ADSs our ADSs continue to be listed on the Nasdaq Stock Market (or a national securities exchange that is registered under section 6 of the Securities Exchange Act of 1934, as amended) or (b) we are eligible for the benefits of the U.S. Tax Treaty. You should consult your own tax advisors regarding the availability of the lower rate for dividends paid with respect to ADSs or Class B shares.

Subject to certain limitations, you will generally be entitled to receive credit against your United States federal income tax liability (or a deduction against your United States federal taxable income) with respect to any Swedish tax withheld in accordance with the U.S. Tax Treaty and paid over to Sweden. If a refund of the tax withheld is available to you under the laws of Sweden or under the U.S. Tax Treaty, the amount of tax withheld that is refundable will not be eligible for such credit against your United States federal income tax liability (and will not be eligible for the deduction in computing your United States federal taxable income). For foreign tax credit limitation purposes, dividends will be income from sources without the United States, and will generally be treated as passive category income (or, in the case of certain holders, general category income).

**Sale or Exchange of ADSs or Class B shares**

Subject to the passive foreign investment company rules discussed below, you will generally recognize capital gain or loss on the sale or other disposition of the ADSs or Class B shares equal to the difference between the USD value of the amount realized and your adjusted tax basis (determined in USD) in the ADSs or Class B shares. Such gain or loss will generally be long-term capital gain or loss if you have held the ADSs or Class B shares for more than one year, and will generally be treated as arising from U.S. sources for foreign tax credit limitation purposes. If you are a non-corporate holder of ADSs or Class B Shares, long-term capital gains are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

The amount realized on a disposition of ADSs or Class B shares for cash will generally be the amount of cash you receive for the ADSs or Class B shares (which, in the case of payment in a non-U.S. currency, will equal the USD value of the payment received determined on (a) the date of receipt of payment if you are a cash basis taxpayer and (b) the date of disposition if you are an accrual basis taxpayer). If the ADSs or Class B shares are treated as traded on an established securities market and you are a cash basis taxpayer (or, if you are an accrual basis taxpayer, if you so elect), you will determine the USD value of the amount realized by translating the amount received at the spot rate of exchange on the settlement date of the sale.

You will have a tax basis in any foreign currency received equal to the USD value thereof on the date of receipt. Any gain or loss you realize on a subsequent sale or conversion of foreign currency will be U.S. source ordinary income or loss.

**Passive Foreign Investment Company Status**

A non-U.S. corporation is a passive foreign investment company (a PFIC ) in any taxable year in which, after taking into account the income and assets of certain subsidiaries, either (a) at least 75% of its gross income is passive income or (b) at least 50% of the quarterly average value of its assets is attributable to assets that produce or are held to produce passive income. Based on the market value of our shares, the composition of our assets and income and our operations, we believe we were not a PFIC during the year 2017. However, whether or not we will be considered a PFIC will depend on the nature and source of our income and the composition and value of our assets, as determined from time to time. If we are treated as a PFIC, we will not provide information necessary for the qualified electing fund election as the term is defined in the relevant provisions of the Code. You should consult your own tax advisors about the consequences of our potential classification as a PFIC.

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If we were classified as a PFIC with respect to your ADSs or Class B shares for any taxable year, we would generally continue to be a PFIC (unless certain conditions are met), and you would be subject to special rules with respect to:

any gain realized on the sale or other disposition of ADSs or Class B shares; or

any other excess distribution made to you (generally, any distributions to you in respect of ADSs or Class B shares during a single taxable year that are, in the aggregate, greater than 125% of the average annual distributions received by you in respect of ADSs or Class B shares during the three preceding taxable years or, if shorter, your holding period for ADSs or Class B shares).

Under these rules:

the gain or any other excess distribution would be allocated ratably over your holding period for ADSs or Class B shares;

the amount allocated to the taxable year in which the gain or excess distribution was realized and any year before we became a PFIC would be taxable as ordinary income;

the amount allocated to each prior year, other than the current year and any taxable year prior to the first taxable year in which we were a PFIC, would be subject to tax at the highest applicable marginal tax rate in effect for each such year; and

an interest charge would be imposed.

If we are a PFIC for any taxable year, you will also be deemed to own shares in any of our subsidiaries that are also PFICs in such a year. As an alternative to the special rules described above, holders of marketable stock in a PFIC may elect mark-to-market treatment with respect to their ADSs or Class B shares. ADSs or Class B shares will not be considered marketable stock unless they are regularly traded on a qualified exchange or other market. If the mark-to-market election is available and you elect mark-to-market treatment you will, in general, include as ordinary income each year an amount equal to the increase in value of your ADSs or Class B shares for that year (measured at the close of your taxable year) and will generally be allowed a deduction for any decrease in the value of your ADSs or Class B shares for the year but only to the extent of previously included mark-to-market income. In addition, any gain you recognize upon the sale or other disposition of the ADSs or Class B shares will be treated as ordinary income and any loss will be treated as ordinary loss but only to the extent of previously included mark-to-market income. Any loss in excess of previously included mark-to-market income will be treated as a capital loss. However, a mark-to-market election would likely be unavailable with respect to your proportionate share in any of our subsidiaries that are PFICs.

If you own ADSs or Class B shares during any year in which we are a PFIC, you will generally be required to make an annual return on IRS Form 8621.

**Information Reporting and Backup Withholding**

In general, information reporting requirements will apply to dividends paid in respect of ADSs or Class B shares and the proceeds received on the sale or exchange of the ADSs or Class B shares within the United States or by a broker with certain United States connections. Backup withholding may apply to payments to you of dividends paid in respect of ADSs or Class B shares or the proceeds of a sale or other disposition of ADSs or Class B shares if you fail to provide an accurate taxpayer identification number (certified on IRS Form W-9) or, upon request, to certify that you are not subject to backup withholding or otherwise to comply with the applicable requirements of the backup withholding rules. The amount of any backup withholding from a payment to you will be allowed as a credit against your United States federal income tax liability, and a refund of any excess amount withheld under the backup withholding rules may be obtained by filing the appropriate claim for refund with the Internal Revenue Service and furnishing any required information.



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**Additional Reporting Requirements**

Certain holders who are individuals may be required to report information relating to an interest in ADSs or Class B shares, subject to certain exceptions (including an exception for ADSs or Class B shares held in accounts maintained by certain financial institutions). Holders should consult their tax advisors regarding the effects, if any, of these requirements on their ownership and disposition of ADSs or Class B shares.

**F. Dividends and Paying Agents**

Not applicable.

**G. Statement by Experts**

Not applicable.

**H. Documents on Display**

Annual reports and other information are filed with, or furnished to, the SEC in the United States, pursuant to the rules and regulations that apply to foreign private issuers. Electronic access to these documents may be obtained from the SEC's website, [www.sec.gov](http://www.sec.gov), where they are stored in the EDGAR database.

**I. Subsidiary Information**

See Item 4.C. Information on the Company - Organizational Structure.

**ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

**A. Quantitative information about market risk**

The information set forth under the section Financials Notes to the consolidated financial statements Note C20 Financial risk management and financial instruments of the 2017 Swedish Annual Report is incorporated herein by reference.

**B. Qualitative information about market risk**

The information set forth under the following headings of the 2017 Swedish Annual Report is incorporated herein by reference:

Financials Board of Directors report

Risk management

Notes to the consolidated financial statements

Note C20 Financial risk management and financial instruments

Corporate Governance

Corporate Governance report 2017

Management Risk management

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**C. Interim periods**

Not applicable.

**D. Safe harbor**

Not applicable.

**E. Small business issuers**

Not applicable.

**ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES**

**A. Debt Securities**

Not applicable.

**B. Warrants and Rights**

Not applicable.

**C. Other Securities**

Not applicable.

**D. American Depositary Shares  
Depositary fees, charges and payments**

As of October 2017, Ericsson implemented an annual service fee of \$0.02 per ADS, for the operation and maintenance costs in administering the ADS program. The Depositary, Deutsche Bank Trust Company America ( Deutsche Bank ), established October 10, 2017 as the record date.

*Fees and charges payable by ADS holders*

	<b>Service</b>	<b>Rate</b>	<b>By whom paid</b>
1)	Receipt of deposits and issuance of receipts	Up to USD 5 per 100 American Depositary Shares of fraction thereof	Party to whom receipts are issued

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2)	Delivery of deposited shares against surrender of receipts	Up to USD 5 per 100 American Depositary Shares or fraction thereof	Party surrendering receipts
3)	Distribution of Cash Dividends and Cash Proceeds	Up to USD 3 per 100 American Depositary Shares	All holders of American Depositary Shares
4)	Administration of the ADSs	Up to USD 3 per 100 American Depositary Shares per annum	All holders of American Depositary Shares

Except as otherwise provided in the Deposit Agreement, any and all other expenses of the depositary, including without limitation, expenses or charges for printing, stationery, postage, insurances, cables, etc, are to be borne by the depositary, or by the Company in accordance with agreements entered into from time to time with the Company.

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***Fees payable by the Depositary to the Issuer***

Deutsche Bank has agreed to pay Ericsson a yearly fixed amount for revenues collected by Deutsche Bank as a result of charging issuance and cancellations fees and dividend or administrative fees from our ADS holders. In 2017, such amount received by Ericsson totalled approximately USD 8.25 million.

Deutsche Bank has further agreed to waive the costs associated with the administration of the ADS Program and reporting services. In 2017, the total amount of such expenses was approximately USD 84,600.

**PART II**

**ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES**

None.

**ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS**

None.

**ITEM 15. CONTROLS AND PROCEDURES**

**A. Disclosure Controls and Procedures**

The information set forth under the section Corporate Governance - Corporate Governance report 2017 Internal control over financial reporting 2017 Disclosure controls and procedures of the 2017 Swedish Annual Report is incorporated herein by reference.

**B. Management's Annual Report on Internal Control Over Financial Reporting**

The information set forth under the section Financials Management's report on internal control over financial reporting of the 2017 Swedish Annual Report is incorporated herein by reference.

**C. Attestation Report of the Registered Public Accounting Firm**

The information set forth under the section Financials Report of independent registered public accounting firm of the 2017 Swedish Annual Report is incorporated herein by reference.

**D. Changes in Internal Control Over Financial Reporting**

The information set forth under the following headings of the 2017 Swedish Annual Report is incorporated herein by reference:

Corporate Governance

Corporate Governance report 2017

Internal control over financial reporting 2017 Internal control over financial reporting

Financials

Management's report on internal control over financial reporting

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**ITEM 16. [RESERVED]**

**ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT**

The information set forth under the section Corporate Governance Corporate Governance report 2017 Committees of the Board of Directors Audit Committee Members of the Audit Committee of the 2017 Swedish Annual Report is incorporated herein by reference.

**ITEM 16B. CODE OF ETHICS**

The information set forth under the following headings of the 2017 Swedish Annual Report is incorporated herein by reference:

The business

Sustainability and corporate responsibility

Financials - Board of Directors report

Corporate Governance Business integrity

Corporate Governance

Corporate governance report 2017

Regulation and Compliance Code of business ethics

Sustainability

Sustainability and corporate responsibility

Sustainability and corporate responsibility are integrated into Ericsson's business processes and the Company's commitment to the triple bottom line of responsible environmental performance and social and economic development is made clear to its stakeholders.

Ericsson's ambition is to be a responsible and relevant driver of positive change in society. Ericsson is committed to creating business value while reducing risk related to environmental, social, employee, human rights, corruption and bribery matters. Ericsson's sustainability and corporate responsibility performance is regularly measured, assessed and

assured. Group policies and directives have been implemented to ensure consistency across global operations.

Ericsson's principal risks relating to sustainability and corporate responsibility are identified in Ericsson's risk management framework.

The Board of Directors is briefed on sustainability and corporate responsibility issues regularly, or as needed on an ad hoc basis.

In 2017, the Chief Sustainability & Public Affairs Officer was a member of Ericsson's Executive Team and reported to the President and CEO, and was responsible for handling the day-to-day management of Ericsson's sustainability and corporate responsibility agenda.

#### Governance and policies

Responsible business practices are embedded in Ericsson's operations to prevent, mitigate and adapt to risks. The Ericsson Group Management System (EGMS) includes policies, processes and directives encompassing responsible sourcing, occupational health and safety, environmental management, anti-corruption and human rights, for example. External assurance providers audit the EGMS.

Some of the Group Policies and Directives that are of particular relevance from a sustainability and corporate responsibility perspective are the Code of Business Ethics, the Code of Conduct, the Sustainability Policy, the Occupational Health and Safety Policy, the Electromagnetic Fields and Health Policy, the Sales Compliance Policy and the



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Anti-corruption Group Directive, which reflect how Ericsson shall work to secure responsible business practices. These policies and practices are reinforced by employee awareness training and monitoring. Compliance to Group Policies are mandatory for all employees and operations unless a deviation is approved by the CEO.

### The Code of Business Ethics

The Code of Business Ethics sets the tone for how Ericsson conducts business globally, and is a guiding framework to support everyone performing work for Ericsson. The Code of Business Ethics is periodically reviewed and acknowledged by employees and has been translated into more than 30 languages to ensure that it is accessible to all employees and stakeholders. During 2017, 99% of active employees acknowledged that they have read and understood the Code of Business Ethics.

Employees are encouraged to report any conduct that they believe, in good faith, to be a violation of laws or the Code of Business Ethics. Ericsson provides employees and external stakeholders with a dedicated communication channel, called the Ericsson Compliance Line, for the reporting of serious compliance concerns involving group or local management and which relates to;

- a) corruption or fraud
- b) questionable accounting or auditing matters
- c) other matters that might seriously affect the vital interest of Ericsson or personal health and safety.

The process around reporting of violations has been strengthened and further developed to include both centrally and locally reported allegations of violations in 2017. For this reason there is a significantly higher number of reports in 2017 in comparison with 2016.

During 2017 the Company received 412 cases reported through Ericsson's whistle-blower tool, the Ericsson Compliance Line. This tool is available via phone or secure website, 24/7, 365 days a year, and is available in 188 countries and in over 75 languages.

Reported violations are handled by Ericsson's Group Compliance Forum, which consists of representatives from Ericsson's internal audit function, Group Function Legal Affairs, Group Security, and Group Function Human Resources. The Forum briefs the Audit Committee about all reported violations, providing them with the incident category, a description of the alleged violation, and information about the decision and outcome.

### The Code of Conduct

Ericsson's Code of Conduct applies to employees and suppliers and is based on the UN Global Compact ten principles on human rights, labor conditions, environmental management and anti-corruption. Ericsson is also committed to implementing the UN Guiding Principles on Business and Human Rights across its business operations.

Suppliers must comply with Ericsson's Code of Conduct requirements. The Company uses a risk-based approach to assess compliance with the Code of Conduct requirements as part of supplier agreements. The Company has a strong focus on risk mitigation, targeting high-risk portfolio areas and high-risk markets. For prioritized areas such as road and vehicle safety, working at heights, working hours and labor rights, Ericsson performs regular audits and works with suppliers to ensure measurable and continuous improvements, and has also introduced consequence management. Findings are followed up to ensure that improvements are made.

Since 2017, the Ethics and Compliance Board comprised of several members of the Executive Team and chaired by the CEO has been responsible to oversee the overall governance of compliance within the Group.

#### Sustainability risk management

Sustainability risks are defined according to short-term and long-term perspectives. They are related to long-term objectives as per the strategic direction as well as short-term objectives for the coming year. According to Ericsson's risk framework, sustainability risks are categorized into industry and market risks, commercial risks, operational risks and compliance risks. The Company follows its risk management principles, which apply across all business activities, to manage sustainability risks.

Materiality assessment is a central component of the Company's sustainability and corporate responsibility strategy, target setting, risks and opportunities management, and reporting process related to its impact on society and environment. Ericsson considers a wide range of economic, environmental and social impacts significant to the business, or which substantively influence the views and decisions of our key stakeholders. Since 2012, the Company has used a materiality assessment to review significant issues on an annual basis, taking into account emerging trends, stakeholder feedback and other input. Adjustments are made as needed to incorporate critical issues as they arise.

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The Group Function Sustainability and Public Affairs coordinates management of certain sustainability risks, such as occupational health and safety, human rights, and environmental related risks. Risks related to corruption are coordinated by Group Function Legal Affairs, and diversity issues are coordinated by Group Function Human Resources.

For information on risks that could impact the fulfillment of targets and form the basis for mitigating activities, see the Swedish Annual Report 2017, Note C20 Financial risk management and financial instruments and the Risk Factors section in the Board of Directors report in the Swedish Annual Report 2017.

### Anti-corruption

Corruption carries serious legal and reputational risks; impedes business growth; damages relations with staff, customers, shareholders, suppliers and society as a whole; and is a considerable obstacle to economic and social development in countries around the world. With customers in 180 countries, many of which are considered to be exposed to a high risk of corruption, prevention and accountability are paramount for Ericsson.

Ericsson has a zero-tolerance approach to corruption expressed in the Company's Code of Business Ethics. The Company has embedded this guiding principle at its highest levels and implemented it throughout its global organization with a set of policies and processes. This includes an anti-corruption directive with more detailed guidelines, for example about appropriate levels of gifts and entertainment.

The Company's anti-corruption program, focusing on prevention and accountability, is headed by a Chief Compliance Officer, who since October 2017 reports directly to the Audit Committee of the Board of Directors. The Audit Committee also reviews and evaluates the program at least annually. Further, since 2016, an Ethics and Compliance Board, comprised of several members of the Executive Team and chaired by the CEO, has been responsible for the overall governance of compliance within the Group.

During 2016-2017 we invited external experts to evaluate the robustness of our anti-corruption program. Following the review, we adjusted the anti-corruption program to closer align with the US Foreign Corrupt Practices Act (FCPA). In 2017, the program was strengthened with adding resources on group level and appointing Regional Compliance Officers in all Market Areas. Moreover, one of the elements of the Group targets for sustainability and corporate responsibility is anti-corruption.

In 2017 the Company continued to roll out an automated anti-corruption screening tool for supplier and third party due diligence, which was launched in 2016. By the end of 2017, close to 93% of active employees had completed the Company's anti-corruption e-learning course since the training was launched in 2013. A customized online anti-corruption training is also available for Ericsson's suppliers on the Company website.

In 2017, Ericsson introduced a vetting process that focuses on ethics and compliance. So far we have used it for appointments to the Executive Team and for approximately 110 employees in exposed positions. All members of the current Executive Team have been vetted, and all future recruitments to these positions will also go through mandatory vetting. Business Partner Review Boards have been established in all Market Areas to over-see mitigation of the corruption risks in relation to onboarding of new business partners.

Ericsson is currently voluntarily cooperating with inquiries from the United States Securities and Exchange Commission and the United States Department of Justice regarding its compliance with the U.S. Foreign Corrupt Practices Act. As of today, these inquiries concern a period from January 1, 2007 and onwards, and the Company will

make additional disclosures regarding these inquiries to the extent required.

Our Code of Business Ethics is included on our web site at [www.ericsson.com/code-of-business-ethics](http://www.ericsson.com/code-of-business-ethics). We intend to disclose any waivers to or amendments of our Code of Business Ethics for the benefit of our executive officers on our website to the extent public disclosure is required under applicable rules.

**ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The information set forth under the Section Financials Notes to the consolidated financial statements Note C30 Fees to auditors of the 2017 Swedish Annual Report is incorporated herein by reference.

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***Audit committee pre-approval policies and procedures***

The Audit Committee reviews and approves the scope of audits to be performed by external and internal auditors and analyzes their results and costs. The Committee keeps the Board of Directors informed about the external and internal auditors' performance. It also makes recommendations to the Nomination Committee regarding the external auditor's election and fees. In order to ensure the external auditor's independence, the Audit Committee has established pre-approval policies and procedures for audit and non-audit services to be performed by the external auditor. Pre-approval authority may not be delegated to management. The policies and procedures include a list of prohibited services and audit and non-audit services that require pre-approval by the Committee. Such services fall into two broad categories:

General pre-approval – certain services regarding taxes, transactions, risk management, business improvement, attestation and accounting services and the so called general services (other than prohibited services) have received general pre-approval by the Audit Committee, provided that the estimated fee for each project does not exceed SEK 1 million. The external auditor must advise the Audit Committee with a quarterly summary of ongoing projects related to non-audit services and an annual report of fees and expenses for all audit and non-audit services.

Specific pre-approval – all other non-audit services and services subject to general pre-approval exceeding SEK 1 million must receive specific pre-approval. The external auditor submits an application in writing to the Parent Company for final approval by the Audit Committee, including a statement as to whether, in the view of the external auditor, the contemplated services are consistent with applicable rules on their independence. The Audit Committee Chairman has the delegated authority for specific pre-approval in between Committee meetings, provided that the estimated fee in each case does not exceed SEK 2.5 million. The Chairman reports any pre-approval to the Audit Committee at its next meeting.

All services provided by the independent auditors were pre-approved in 2017.

**ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES**

All members of the Audit Committee of a NASDAQ New York-listed company must be independent in accordance with NASDAQ New York and SEC rules. SEC Rule 10A-3(b)(1)(iv)(C) under the Exchange Act includes a specific exemption from these independence requirements for Audit Committee members of foreign private issuers who are non-executive employee representatives appointed to the Audit Committee pursuant to local law. The Company relies on this exemption, and does not consider that such reliance materially adversely affects the ability of the Audit Committee to act independently or to satisfy other SEC requirements applicable to Audit Committees.

**ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS**

None.

**ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT**

None.

**ITEM 16G. CORPORATE GOVERNANCE**

Ericsson, as a company whose shares are listed on NASDAQ New York, is subject to the listing requirements and certain of the corporate governance requirements of NASDAQ New York and to certain rules of the SEC.

All members of the Audit Committee of a NASDAQ New York- listed company must be independent in accordance with NASDAQ New York and SEC rules. SEC rules include a specific exemption from these independence requirements for Audit Committee members of foreign private issuers who are non-executive employee representatives appointed to the Audit Committee pursuant to local law. The Company relies on this exemption, and does not consider that such reliance materially adversely affects the ability of the Audit Committee to act independently or to satisfy other SEC requirements applicable to Audit Committees.

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Under NASDAQ New York rules, Ericsson is permitted to follow home country practices in lieu of certain NASDAQ corporate governance requirements that would apply to US companies listed on NASDAQ New York. The rules require disclosures regarding the ways in which Ericsson's corporate governance practices differ from those required of US companies under the rules of NASDAQ New York.

These differences include the following:

Employee representatives are appointed to Ericsson's Board of Directors and serve on Committees (including the Audit and the Remuneration Committees) in accordance with Swedish law.

Employee representatives on the Ericsson Board and Committees may attend all meetings of the Board and committees on which they serve (including those of the Audit and the Remuneration Committees) in accordance with Swedish law.

In accordance with Swedish market practices, the Nomination Committee is not fully comprised of Board members. In addition to the Chairman of the Board, representatives of the five largest shareholders are appointed as members of the current Nomination Committee of Ericsson.

The determination regarding independence of Board members is made by the Nomination Committee prior to the Annual General Meeting ( AGM ) instead of the Board. Before the AGM 2017, the Nomination Committee determined that the following Board members were independent under all applicable independence requirements, including the NASDAQ New York rules: Jon Fredrik Baksaa, Jan Carlson, Nora Denzel, Eric A. Elzvik, Leif Johansson, Kristin Skogen Lund, Kristin S. Rinne, and Sukhinder Singh Cassidy. When appointing members to the Committees of the Board, the Board of Directors makes determinations regarding Committee member independence.

The Board of Directors holds non-executive Directors sessions but does not have regularly scheduled meetings with only independent directors present.

Under applicable Swedish rules, Ericsson is not required to publicly disclose the material terms of all agreements and arrangements between any of our directors or nominees for directors and any person or entity (other than us) relating to compensation or other payment in connection with such person's candidacy or service as a director of our company.

The external auditor is elected by the shareholders and is proposed by the Nomination Committee upon recommendation from the Audit Committee.

NASDAQ New York rules applicable to US companies require the consideration of six factors relating to the independence of compensation consultants, legal counsel or other advisers retained by

compensation or remuneration committees. Consistent with Swedish practices, the Remuneration Committee's procedures addressing independence of advisers do not expressly require the consideration of those six factors.

Ericsson does not solicit proxies for shareholder meetings, which is in accordance with Swedish practices and rules.

There are no minimum quorum requirements for shareholder meetings under Swedish law, except under certain limited circumstances. Certain resolutions requiring special quorums and majorities are described under Memorandum and Articles of Association.

Some of the requirements addressed by NASDAQ New York rules are included in the Swedish Corporate Governance Code or the work procedure for the Board of Directors instead of Committee charters. The work procedure establishes the attribution of various responsibilities among the Board, its Committees and the President and CEO. The work procedure for the Board is reviewed, evaluated and amended as required or appropriate, and adopted by the Board at least once a year.



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See Item 8.B. Financial Information Significant Changes herein.

**ITEM 16H. MINE SAFETY DISCLOSURE**

Not applicable.

**PART III**

**ITEM 17. FINANCIAL STATEMENTS**

See our consolidated financial statements and accompanying notes of the 2017 Swedish Annual Report.

Consolidated income statement and Consolidated statement of comprehensive income

Consolidated balance sheet

Consolidated statement of cash flows

Consolidated statement of changes in equity

Notes to the consolidated financial statements

Report of independent registered public accounting firm

**ITEM 18. FINANCIAL STATEMENTS**

Not applicable.

**ITEM 19. EXHIBITS**

The exhibit index attached hereto is incorporate herein by reference.

**Table of Contents****EXHIBIT INDEX**

The agreements and other documents filed as exhibits to this 2017 Form 20-F are not intended to provide factual information or other disclosure other than with respect to the terms of the agreements or other documents themselves, and you should not rely on them for that purpose. In particular, any representations and warranties made by the registrant in these agreements or other documents were made solely within the specific context of the relevant agreement or document and may not describe the actual state of affairs as of the date they were made or at any other time.

**Exhibit**

<b>Number</b>	<b>Description</b>
1	<u>Articles of Association of Telefonaktiebolaget LM Ericsson (amended April 2016) (incorporated herein by reference to Exhibit 1 to the Annual Report on Form 20-F for the year ended December 31, 2016 filed by the registrant on April 26, 2017 (File No 000-12033)</u>
2.1	<u>Second Amended and Restated Deposit Agreement Among Telefonaktiebolaget LM Ericsson (publ) and Deutsche Bank Trust Company Americas, as depository, and holders of American Depositary Receipts, dated as of January 7, 2014 (incorporated herein by reference to Exhibit 2 to the Annual Report on Form 20-F for the year ended December 31, 2014 filed by the registrant on March 31, 2015 (File No. 000-12033)</u>
2.2	<u>Amendment No. 1, dated as of October 24, 2016, to the Second Amended and Restated Deposit Agreement Among Telefonaktiebolaget LM Ericsson (publ) and Deutsche Bank Trust Company Americas, as depository, and holders of American Depositary Receipts, dated as of January 7, 2014 (incorporated herein by reference to Exhibit 2.2 to the Annual Report on Form 20-F for the year ended December 31, 2016 filed by the registrant on April 26, 2017 (File No. 000-12033)</u>
6	<u>See Financials Notes to the consolidated financial statements Note C1 - Significant accounting policies of the 2017 Swedish Annual Report</u>
7	<u>For definitions of certain ratios used in this report, see the section of the 2017 Swedish Annual Report entitled Financial Terminology</u>
8	<u>See Item 4.C. Organizational Structure</u>
11	<u>Code of Ethics (amended March 2017)</u>
12.1	<u>Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
12.2	<u>Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
13.1*	<u>Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
13.2*	<u>Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
15.1**	<u>Swedish Annual Report for 2017 in English (adjusted version)</u>

15.2 Consent of PriceWaterhouseCoopers AB

101 \*\*\* XBRL Instance Document and related items

- \* This certification will not be deemed filed for purposes of Section 18 of the Exchange Act (15 U.S.C. §78r), or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the Registrant specifically incorporates it by reference.
- \*\* Certain of the information included in Exhibit 15.1 is incorporated by reference into this 2017 Form 20-F, as specified elsewhere in this report, in accordance with Rule 12b-23(a)(3) of the Securities Exchange Act of 1934, as amended. With the exception of the items so specified, the 2017 Swedish Annual Report is not deemed to be filed as part of this 2017 Form 20-F.
- \*\*\* As permitted by Rule 405(a)(2)(ii) of Regulation S-T, the registrant's XBRL (eXtensible Business Reporting Language) information will be furnished in an amendment to this Form 20-F that will be filed no more than 30 days after the date hereof. In accordance with Rule 406T(b)(2) of Regulation S-T, such XBRL information will be furnished and not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, will be deemed not filed for purposes of Section 18 of the Exchange Act of 1934, as amended, and otherwise will not be subject to liability under those sections.

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**SIGNATURES**

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on Form 20-F on its behalf.

**TELEFONAKTIEBOLAGET LM  
ERICSSON**

By: /s/ JONAS STRINGBERG  
Name: Jonas Stringberg  
Title: Vice President, Group Controller

By: /s/ NINA MACPHERSON  
Name: Nina Macpherson  
Title: Senior Vice President, Chief Legal  
Officer

Date March 27, 2018