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July 7, 2014

Errata

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: *Telephone Number Portability, et al.*, CC Docket No. 95-116, WC Docket Nos. 07-149 & 09-109

Dear Ms. Dortch:

On July 1, 2014, an ex parte letter was filed in this matter on behalf of Telcordia Technologies, Inc., d/b/a iconectiv ("Telcordia"). This letter contained redacted public versions of the bid documents that Telcordia is making available to those who have signed the Revised Protective Order in this proceeding. A portion of the label denoting the page as "Redacted—For Public Inspection," was inadvertently missing on a number of pages in all uploaded parts. The only changes are to correct this problem and to reduce the number of total uploaded parts from six to three, with no change in pagination. This corrected version replaces in its entirety the version that was filed on Tuesday, July 1.

Sincerely yours,

/s/ Mark D. Davis

Mark D. Davis
Counsel for Telcordia Technologies, Inc. d/b/a/ iconectiv

Attachments

Welcome, Joel Zamlong with Telcordia Technologies Inc Logout

Home > Current Projects > 431766 - LNPA RFP > Project Package > Survey-2015-LNPA-RFP-1

Survey-2015-LNPA-RFP-1
Survey Deadline: 4/22/2013 11:59:59 PM

A survey is a simple way for a project sponsor to gather information about your company to determine the possibility of doing business. These surveys typically include general questions about the company, specifications of goods and services to be provided, expertise, and other questions specific to the sponsor. You have been invited to respond to this survey.

Please note: Your response has been submitted to the sponsor. It is final and may not be edited.

1. GENERAL PROJECT INFORMATION

1.1

STATEMENT:

Introduction and Purpose

Pursuant to the Telecommunications Act of 1996, the Federal Communications Commission (FCC) has adopted a succession of orders implementing Local Number Portability (LNP), which allows consumers to change service providers for telecommunications services at the same location without changing their telephone numbers. Currently, LNP is enabled in the seven United States former Regional Bell Operating Company (RBOC) service areas or regions, including their related Territories (each a "Region" and collectively, the "Regions") through seven databases, one in each Region, collectively referred to as the Number Portability Administration Center/Service Management System (NPAC/SMS). Each Regional database is operated and administered by a Local Number Portability Administrator (LNPA), neutral and independent from Telecommunications Carriers. A separate Master Agreement governs the operation and administration of the NPAC/SMS by the LNPA in each of the seven Regions and specifies the terms and conditions for providing NPAC/SMS services (referred to as the "Services").

All Master Agreements in all Regions are managed by the North American Portability Management LLC (NAPM LLC), and all Master Agreements in all Regions expire on June 30, 2015. The FCC has delegated authority to its advisory committee, the North American Numbering Council (NANC), working in consultation with the NAPM LLC, to implement a vendor selection process, for the next-generation NPAC/SMS in all Regions, to commence at the expiration of the current Master Agreements. This vendor selection process includes issuance of a Request For Information (RFI) and a subsequent Request For Proposal (RFP) and will culminate in the selection of the LNPA in each of the seven Regions. The purpose of the NANC is to advise the Commission and to make recommendations, reached through consensus, that foster efficient and impartial number administration. The NANC, a diverse body with consumer, state government, and industry representatives, has established an LNPA Selection Working Group (SWG) to oversee the selection process of the LNPA. See Order, WC Docket No. 09-109 and CC Docket No. 95-116, DA 11-883, (adopted May 16, 2011) for process information and the respective roles of the FCC, NANC, and NAPM LLC. During this process, options for replacement and/or enhancement of the current NPAC/SMS in all Regions may be considered.

The purpose of the RFP is to provide each prospective RFP vendor (referred to as a Respondent or a Bidder) with an opportunity to demonstrate how its proposal satisfies the requirements of the RFP and will benefit Telecommunications Carriers and other qualified parties who will be Users of the NPAC/SMS and who rely upon the NPAC/SMS for the rating, routing, and billing of calls, law enforcement and other parties who may be granted certain limited and special access to NPAC/SMS data for other permissible purposes, and ultimately consumers. Each Respondent is instructed to answer all questions in as concise and complete a manner as possible, and in many instances, the Respondent is provided with an opportunity to elaborate on its answers.

The RFP process is comprised of three surveys, which should be completed in this order: (1) Vendor Qualification, (2) Technical Requirements Document, and (3) the RFP. The Technical Requirements Document (TRD) identifies both the technical requirements describing the requisite technical capability of any proposal and some of the required obligations of an LNPA to administer the NPAC/SMS(s). Although great care has been taken to ensure the accuracy of the TRD and other reference documents, it is the Respondent's responsibility to ensure that any response to a specific NPAC/SMS technical requirement contained herein is based on the latest NPAC/SMS Functional Requirements Specification (FRS) and other reference documents as currently published and made available to the industry. FRS Rel 3.4.1(a) was used in creating the TRD FRS sections. Each technical document (FRS, IIS, GDMO, ASN 1.0) has its own glossary, abbreviations, figures and tables.

The NAPM LLC has authorized one of its Advisory Committees, the Future of NPAC Subcommittee (hereafter referred to as the FoNPAC), to project manage the RFP process, including the solicitation and evaluation of responses to this RFP survey. The Iasta® SmartSource SRM® Tool will be used to gather, evaluate, and weigh all responses to this RFP as part of the LNPA selection process. The LNPA selection process is expected to conclude on or about March 2013.

1.2

STATEMENT:

Vendor RFP Response Instructions

1. All responses to this RFP survey must be submitted through the Iasta® SmartSource SRM® Tool. The Iasta® SmartSource SRM® Tool is an "on demand" technology that contains product platforms (such as Product Management and Decision Optimization) for sourcing teams.

2. All questions about this RFP survey must be posted in the on-line "Forum" in the Iasta® SmartSource SRM® Tool. Questions will be answered by the FoNPAC as quickly as possible. Please note that all questions and answers can be viewed by any party with access to this RFP survey in the Iasta® SmartSource SRM® Tool.

3. Respondents must satisfy the Vendor Qualification Criteria in the Vendor Qualification survey in order for a Respondent's submission to this RFP to be considered.

4. All responses and submissions in connection with this RFP survey must be complete, truthful, and accurate. Material misrepresentations or omissions may result in disqualification or reductions in scoring.

5. A response to the RFP survey must be received on or before the RFP Response Cut-Off date as described in Section 1.5 of this RFP survey via the Iasta® SmartSource SRM® Tool.

1.3

STATEMENT:

Treatment of Information and Confidentiality

All responses to the RFP survey become the property of the NAPM LLC upon submission, and the NAPM LLC and the FoNPAC expressly reserve the right to reject any and all responses to this RFP survey subject to FCC approval. The NAPM LLC and the FoNPAC may engage an independent consultant to assist in the evaluation of responses to this RFP survey, the Vendor Qualification Criteria survey, and the TRD survey and to make recommendations to the NAPM LLC and the FoNPAC. The NAPM LLC and the FoNPAC reserve the right to request additional information or clarification.

The information submitted by each Respondent will be treated as confidential and may be shared ONLY in accordance with the terms of the confidentiality agreements with members of the NANC's SWG, the FoNPAC, and the NAPM LLC and ONLY upon prior confirmation that each member of such groups has executed the confidentiality agreement. The confidentiality agreements may be found on the NAPM website: http://www.napmllc.org/pages/NPACRFP/NPACRFP_refdocs.aspx . Respondent's information will also be shared with FCC staff in connection with evaluation of a Respondent's RFP response.

All supporting documents related to a Respondent's submission to this RFP survey must reference "Request for Proposal No. 2015-LNPA-RFP-1." RFP survey responses must be submitted in accordance with the instructions in Section 1.2 VENDOR RFP RESPONSE INSTRUCTIONS. Any RFP survey response submitted after the RFP Cut-off Date as described in Section 1.5 of this RFP survey will not be considered. A Respondent is solely responsible for ensuring that its response is submitted and received by the FoNPAC in accordance with the instructions. All submissions in connection with this RFP, including this RFP survey must be complete, truthful, and accurate. Material misrepresentations or omissions may result in disqualification or reduction in scoring.

In exchange for consideration of a Respondent's submission to this RFP survey, Respondent agrees by such submission to indemnify and hold harmless the NAPM LLC, the FoNPAC, its employees, officers, agents, contractors, consultants, Members, and counsel from and against any and all liabilities, demands, damages, expenses and losses arising from such submission and Response and any subsequent award or decision not to award a contract pursuant to the RFP or the vendor selection process. The Respondent shall be solely responsible for any claims, costs, or damages it incurs in connection with all submissions and responses to this RFP survey.

1.4

STATEMENT:

Local Number Portability (LNP)

LNP is the ability of users of telecommunications services, to retain, at the same location, existing telephone numbers without impairment of quality, reliability, or convenience when switching from one Telecommunications Carrier to another. (See 47 USC § 153(37)).

Currently, the LNPA provides a total solution for maintaining, administering, and operating the NPAC/SMS in each of seven United States Regions for the continued operation of LNP. The NPAC/SMS is the system that manages the porting and pooling of telephone numbers (TNs).

The NPAC/SMS in each Region serves as a central coordination point for LNP activity in that Region. The LNPA provides management, administration, and oversight for, as well as integration of, Data Center operations, hardware and software development, and all maintenance-related functions. The LNPA is responsible for achieving performance standards established and amended from time to time by the industry, for providing user and technical support services (e.g. Help Desk), for providing off-line testing with service providers' systems and training for industry participants on an ongoing day-to-day basis.

The NPAC/SMS is a hardware and software platform that comprises the database in each Region required to effect the porting/pooling of telephone numbers and proper call routing of telephone numbers and associated advanced calling features in all Regions. In general, the NPAC/SMS receives information from both the old and new service providers (concurrence, routing information, including the new Location Routing Number (LRN)), validates the information received, and broadcasts the new routing information when an "activate" message is received, indicating that the end user customer has been physically connected to the new service provider's network. The NPAC/SMS also contains a record of all ported/pooled telephone numbers and a history file of transactions relating to the porting/pooling of a telephone number. The NPAC/SMS provides the ability to retransmit LNP information to service providers under certain conditions. The NPAC/SMS is not involved in real time call processing, because this function resides solely in the respective networks of the underlying service providers.

The NPAC/SMS interfaces with service providers via their Service Order Activation (SOA) systems and Local Service Management Systems (LSMS). The NPAC/SMS Interoperable Interface Specification (IIS) defines the interface between the NPAC/SMS and the SOA/LSMS systems for a regional architecture. The NPAC/SMS Functional Requirements Specification (FRS) defines functional and operational requirements for the NPAC/SMS. The Abstract Syntax Notation 1 (ASN.1) describes the data structures for representing, encoding, transmitting, and decoding data. The Guidelines for the Definition of Managed Objects (GDMO) serves as the guideline for defining network objects under the Telecommunications Management Network. The above-referenced current technical documents are posted at the following URL: www.napmllc.org/pages/NPACRFP/NPACRFP_REFDOCS.aspx

1.5

STATEMENT:

RFP Vendor Selection Process Time Line

Below is the proposed time line for the vendor selection pursuant to the RFP. The FoNPAC reserves the right to modify or adjust the following dates or to otherwise change or amend the time line, with the consent of the FCC:

RFP:
08/13/2012 - Public Notice published by FCC

02/05/2013 - Vendors may request login credentials to access the Iasta® SmartSource SRM® Tool from the FoNPAC

02/05/2013 - RFP survey, Vendor Qualification survey, and the TRD survey made available in the Iasta® SmartSource SRM® Tool

04/05/2013 - RFP Response Cut-off Date, the date all responses and submissions to the RFP survey, Vendor Qualification survey, and the TRD survey are due

08/05/2013 - LNPA Vendor Selection Recommendation by the FoNPAC to the SWG

09/20/2013 - Estimated date for FCC approval of Vendor selection for all Regions

1.6

STATEMENT:

Iasta® SmartSource SRM® Tool Training

A Respondent can access on-line training within the Iasta® SmartSource SRM® Tool with Respondent's login credentials. The information in the "Training" section on this project website is easily accessed to learn more about using this tool. A Respondent can find the "Training" link on the left side of the project website.

Abbreviations and Terminology:

Refer to "Glossary of Terms and Abbreviations" document in the Iasta® SmartSource SRM® Tool.

1.7*

QUESTION:

Respondent Acknowledgement

1. Respondent agrees that the submission of responses to the RFP process constitutes acceptance of all referenced and required terms and conditions set forth in this RFP survey and in the Vendor Qualification survey and the TRD survey.

2. Responses to this RFP survey submitted by the Respondent through IASTA® SmartSource SRM® Tool are legally valid quotes.

Does the Respondent acknowledge that,

1) its submission of a proposal pursuant to this RFP process through IASTA® SmartSource SRM® Tool constitutes its acceptance of all terms and conditions set forth in this RFP survey, including the Vendor Qualification survey and TRD survey, and

2) all responses by Respondent to this RFP survey through IASTA® SmartSource SRM® Tool constitute legally binding quotes and offers, subject to acceptance and to the Best and Final Offer provision of Section 13.6 of this RFP survey.

Acknowledged

2. VENDOR QUALIFICATION CRITERIA

2.1

STATEMENT:

In order for a Respondent's responses to the RFP to be considered, the Respondent must complete the **"2015-LNPA-VENDOR QUALIFICATION"** survey in IASTA® SmartSource SRM® Tool.

2.2*

QUESTION:

Upon completion of the Vendor Qualification Survey, return to this question and certify that the Respondent has answered all of the questions in that survey by responding "YES" or "NO" to the following question:

Has the Respondent answered every question in the 2015-LNPA-VENDOR QUALIFICATION survey?

Yes

3. TECHNICAL REQUIREMENTS DOCUMENT

3.1*

QUESTION:

The Technical Requirements Document (TRD) is a separate survey called, **"2015-LNPA-Technical Requirements Document."**

In order for a Respondent's responses to the RFP to be considered, the Respondent must go to the **2015-LNPA-Technical Requirements Document** survey and completely answer each question in that survey.

Upon completion of the **2015-LNPA-Technical Requirements Document** survey, return to this page and certify that the Respondent has answered all questions in that survey, by responding "Yes" or "No" to the following question:

Has the Respondent answered every question in the TRD survey and attached a summary as required in the TRD Detailed Response Section?

Yes

3.2

STATEMENT:

Technical Reference Documents are located on the NAPM LLC web site at www.napmllc.org/pages/NPACRFP/NPACRFP_REFDOCS.aspx

When a Respondent prepares its quote and submits responses, the Respondent must review all specifications and drawings associated with a particular item, as the Respondent is responsible for quoting to all material, performance, quality, and engineering requirements for each individual item.

4. VENDOR PERFORMANCE AUDITS

QUESTION:

Gateway Evaluation Process (GEP)

The Gateway Evaluation Process (GEP) measures the LNPA's satisfaction of several key performance requirements (referred to as the GEP Elements) through quarterly audits reported and compiled on an annual basis (the GEP Audit) in each Region. The GEP Audit measures the LNPA's satisfaction of the GEP Elements during specific 12 consecutive calendar month periods (each period referred to as an "Evaluation Period" or "EP"). The GEP Audit for each respective EP for each Region shall be performed pursuant to an Audit Plan by an auditor selected and compensated in accordance with the requirements of the Master Agreement for each Region (the "GEP Auditor").

The GEP and the GEP Audit, including the results thereof, for any EP will be used for purposes of determining whether a price reduction shall apply for an applicable reduction period, that is, for a specified period after the EP. The GEP is independent of, and in addition to, any other requirements in the Master Agreement for the LNPA's satisfaction of Service Level Requirements (SLRs) and any other monitoring or assessment of the LNPA's performance in providing Services under the Master Agreements, and is independent from, and in addition to, any other assessment of damages, performance credits, or other remedies for non-performance or breach under the Master Agreements.

The GEP Elements shall include, but need not be limited to, the following measurements: Service Availability Satisfaction (including general Service Availability, Partial Service Availability, and Interface Availability); Billing Satisfaction (including both timeliness of delivery and accuracy); Scheduled Service Unavailability Satisfaction; Benchmarking Satisfaction; Report Satisfaction (including both timeliness of delivery and accuracy), Root Cause Analysis Satisfaction, and Problem Escalation Satisfaction.

For purposes of this RFP survey, the GEP shall include the following requirements:

REQ 1: The GEP Audits shall be performed quarterly and reported annually for consecutive and successive EPs during the term of the Master Agreements by a third party GEP Auditor at the LNPA's expense.

REQ 2: The selection of the third party auditor shall be agreed upon by LNPA and NAPM LLC.

REQ 3: The third party auditor shall be a neutral third party that is not affiliated with either the LNPA or NAPM LLC.

REQ 4: LNPA shall work jointly with the NAPM LLC for input and approval into defining the qualifications, scope of service and automatic termination criteria of third party GEP auditor.

REQ 5: Upon selection of GEP auditor, LNPA shall work with NAPM LLC and the GEP auditor to define the criteria, metrics and methods and techniques for obtaining data, and the required contents of the GEP audit report to measure LNPA's satisfaction of each GEP element.

REQ 6: The LNPA shall work with NAPM LLC and the chosen third party GEP auditor to create an audit plan that includes, but is not limited to, collection of data, consideration of data, evaluation of results, initial validation process and the preparation of the GEP audit reports.

REQ 7: The chosen third party GEP auditor will prepare and issue a GEP audit report to LNPA and NAPM LLC within 30 days following each EP.

REQ 8: A price reduction shall apply, or the Master Agreements may be terminated, if any of the above requirements are not completed within the timeframe specified in the Master Agreements.

REQ 9: The pricing reduction amounts and computation, terms, impacts and any additional credits or penalties shall be determined in the Master Agreements.

REQ 10: The first EP shall commence on the first day of 'All Regions Live' with the first quarterly audit results for the first EP completed and reported within 30 days after the end of the first period.

REQ 11: Each annual GEP Audit Report for each EP shall include, at a minimum, the following: (1) a determination for each GEP Element whether one or more 'Failures' of that GEP Element has occurred; and (2) adequate substantiation in support of the preceding determinations.

Definition of Failures for GEP Elements

The Respondent shall agree to each GEP Element set forth below with its associated 'Failure' definition.

4.1*

Service Availability Failure – Service Availability is defined in the SLR section of the RFP survey as SLR 1. A 'Failure' shall be considered to occur when the monthly measurement of Service Availability during the EP fails to satisfy SLR 1 for any single month in the EP. It is possible to have more than one Failure within an EP for this GEP Element.

Partial Service Unavailability - Partial Service Unavailability is defined in the SLR section of the RFP survey as SLR 3. A 'Failure' shall be considered to occur during an EP when an NPAC/SMS hardware component fails and affects one or more, but not all, users for more than 10 minutes in any single month in the EP. It is possible to have more than one Failure within an associated EP.

Interface Availability Failure – Interface Availability is defined in the SLR section of the RFP survey as SLR 7. A 'Failure' shall be considered to occur when the monthly measurement of SLR 7 falls below 99.99% in any calendar month of the EP for any Users' mechanized interfaces for any single month in the EP. It is possible to have more than one failure within an associated EP.

Report Satisfaction – Identification of Reports to be included in this GEP Element and their associated delivery dates, shall be identified within the Master Agreements. There are two parts to the Report Satisfaction GEP Element – On-Time Delivery and Accuracy.

- On-time Delivery - A 'Failure' shall be considered to occur when the agreed upon reports from the Master Agreements during the EP are not delivered on or before the specified agreed upon date for any single month in the EP. It is possible to have more than one Failure within an EP.
- Accuracy – A 'Failure' shall be considered to occur when corrections have to be made to report data in agreed upon reports from the Master Agreements for any single calendar month in the EP. It is possible to have more than one Failure within an EP.

Scheduled Service Unavailability – Scheduled Service Unavailability is defined in the SLR section of the RFP survey as SLR 2. A 'Failure' shall be considered to occur when the Scheduled Service Unavailability for any month during the EP exceeds the time period for SLR 2 stated in the Master Agreements for any single calendar month in the EP. It is possible to have more than one failure within an associated EP.

Benchmarking Satisfaction – This GEP Element for Benchmarking Satisfaction is separate and distinct from the requirements for a Benchmarking Process (as defined in Section 4.6) under the other provisions of the Master Agreements. The GEP Element of Benchmarking Satisfaction is solely with respect to determining whether a 'Failure' occurred during an EP for a specific EP Benchmarking Plan (defined below). There will be at least four phases of Benchmarking for purposes of this GEP Element, and a 'Failure' of the Benchmarking Satisfaction GEP Element shall be considered to occur if the LNPA does not complete any of the phases through issuance of required deliverables within the required timeframes for each such phase as agreed upon by the LNPA and NAPM LLC during the EP, subject to the right of the NAPM LLC to make the relevant determination.

- Phase 1 Benchmarking Plan Development Phase has a deliverable of an issuance of final EP Benchmarking Plan.
- Phase 2 Benchmarking Data Collection and Report Phase has a deliverable of an issuance of the EP Benchmarking Report.
- Phase 3 Benchmarking Evaluation Phase has a deliverable of issuance of an Action Plan and an associated timeline for implementation.
- Phase 4 Benchmark Implementation Phase has a deliverable of completion of the Action Plan.

Root Cause Analysis and Reporting Satisfaction – This GEP Element measures satisfaction during an EP of the LNPA's obligation to prepare and to deliver Root Cause Analysis Reports in accordance with the requirements of the Master Agreements. A 'Failure' shall be considered to occur for any single outage (which shall be defined in the Master Agreements) that occurs within the EP, if any one or more of the specified and defined Root Cause Analysis Reports for that specific outage is not delivered within the agreed upon timeframe. For purposes of the foregoing, only one 'Failure' shall be given effect and considered to have occurred with respect to any single outage no matter how many Root Cause Analysis Reports with respect to that outage were not delivered within the specific time periods specified for their delivery; however, it is possible to have more than one Failure within an EP with respect to different outages.

Problem Escalation Satisfaction – This GEP Element measures satisfaction during an EP of the LNPA's obligation for all outages that occur during an EP to escalate management and supervisory responsibility to resolve the outage through the appropriate management hierarchy and within the time periods established for such escalation until resolution of the outage in accordance with the requirements of the Master Agreements. A 'Failure' shall be considered to occur if for any single outage that occurred during an EP, management and supervisory responsibility for resolving the outage is not escalated through the appropriate management hierarchy or within the required time periods as set forth in the Master Agreements.

Billing Timeliness of Delivery Satisfaction – A 'Failure' shall be considered to occur if any Monthly Invoice (to be defined in the Master Agreements) for any User is not delivered during an EP on or before the Due Date (to be defined in the Master Agreements) either (a) any two consecutive months in the EP, or (b) any three or more months (even if not consecutive) during the EP. There can only be one 'Failure' of this GEP Element during an EP.

Billing Accuracy Satisfaction - A 'Failure' shall be considered to occur when based upon a measurement technique determined jointly by the LNPA, third party GEP Auditor, and the NAPM LLC to measure accuracy, on a monthly basis, fewer than 99.9% of Monthly Invoices are accurate. There can only be one 'Failure' of this GEP Element during an EP. If the LNPA, the GEP Auditor, and the NAPM LLC cannot agree on any of the preceding on or before a date specified in the Master Agreements, the NAPM LLC shall make the relevant determination.

Does the Respondent agree to the GEP audit definitions, terms, and requirements as outlined above?

Agree

QUESTION:

Neutrality Review

Overview:
Any LNPA, in connection with its role as operating and maintaining an NPAC/SMS and providing Services, shall engage a third party (Neutrality Auditor) to conduct a review of the LNPA's Neutrality in every Region in which it is acting as the LNPA every six months at the sole expense of the LNPA (the Neutrality Audit) and deliver a legal opinion substantiating the LNPA's Neutrality during that six month period (Neutrality Report). For purposes of the foregoing sentence, the "legal opinion" required to be delivered by the LNPA and constituting the Neutrality Report shall mean (1) a written communication, (2) that is delivered to the NAPM LLC and the FCC expressly for the purpose of evaluating the Neutrality of the LNPA for use in connection with evaluation of the continued compliance of the LNPA with the Master Agreements, (3) that is prepared by a person licensed and in good standing to practice law in any state of the United States and who represents the LNPA, and (4) that constitutes a third party legal opinion governed by and subject to the RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS and the Opinion Accord of the American Bar Association Section of Business Law (1991).

4.2*

Requirements of Neutrality Review:
Satisfaction of Criteria for Neutral Third Party:
For purposes of the Neutrality Review, Neutrality shall mean that at all times during the relevant six month period the LNPA as the Primary Vendor and all of its Sub-Contractors are Neutral Third Parties. A Neutral Third Party shall be defined in the Master Agreements, but shall at a minimum mean the following:

(A) In accordance with law and FCC regulations (FCC 96-286 paras. 89, 92, 93, 98; and in FCC 97-289 paras. 25, 29, 30, 127 and 47 CFR, Section 52.12(a)), a non-governmental entity that is impartial and is not aligned with any particular telecommunications industry segment and that can assure that access to the NPAC/SMS for all qualified Users is at all times evenhanded, impartial and nondiscriminatory;

(B) The entity must satisfy ALL of the following criteria:

(1) The entity

a. is not a Telecommunications Service Provider,

b. is not owned by, or does not own, any Telecommunications Service Provider; provided that ownership interests (measured by equity interest in stock, partnership interests, whether general or limited, joint venture participation, or member interests in a limited liability company) or voting power (on any one or more matters) of ten percent (10%) or less (of the total outstanding ownership interests or voting power) shall not be considered ownership for this purpose;

c. and is not an affiliate, by common ownership or otherwise, of a Telecommunications Service Provider. For purposes of this definition, an affiliate is an entity that controls, is controlled by, or is under common direct or indirect control with another entity, and an entity shall be deemed to control another if such entity possesses either directly or indirectly (i) ownership interests (measured by equity interest in stock, partnership interests, whether general or limited, joint venture participation, or member interests in a limited liability company) of greater than ten percent (10%) (of the total outstanding ownership interests), (ii) voting power (on any one or more matters) of greater than ten percent (10%) (of the total outstanding voting power), or (iii) the power to direct or to cause the direction of management and policies of such entity, whether through ownership of or rights to vote, by contract, agreement, or otherwise.

(C) The entity or any Affiliate has not issued a majority of its debt to, nor derive a majority of its revenues (not including the NPAC/SMS) from, any Telecommunications Service Provider. For this purpose, "majority" means greater than 50%, and "debt" means stocks, bonds, securities, notes, loans or any other instrument of indebtedness.

(D) Notwithstanding the aforementioned neutrality criteria, the entity is not subject to undue influence by parties with a vested interest in the outcome of numbering administration and activities, and the entity is not involved in a contractual or other arrangement that would impair its ability to administer the NPAC/SMS fairly and impartially as an LNPA or to implement the schedule set forth in the IASTA® SmartSource SRM® Tool, called the FoNPAC Timeline.

For purposes of the above criteria, a Telecommunications Service Provider is an entity that either (i) possesses the requisite authority to engage in the provision to the public of facilities-based wireline local exchange or CMRS telecommunications services in any State or Territory of the United States, or (ii) is one of the following three classes of interconnected Voice over Internet Protocol ("VoIP") providers: (I) Class 1, a standalone interconnected VoIP provider that obtains numbering resources directly from the North American Numbering Plan Administrator (NANPA) and the Pooling Administrator (PA) and connects directly to the PSTN (i.e., not through a PSTN Telecommunications Service Provider partner); or (II) Class 2, an interconnected VoIP provider that partners with a facilities-based Public Switched Telephone Network (PSTN) Telecommunications Service Provider to obtain numbering resources and connectivity to the PSTN via the Telecommunications Service Provider partner; or (III) Class 3, A non-facilities-based reseller of interconnected VoIP services that utilizes the numbering resources and facilities of another interconnected VoIP provider (analogous to the "traditional" PSTN reseller).

The Respondent must specifically address and demonstrate that as a Primary Vendor it is a Neutral Third Party and must disclose the identity and corporate affiliations of all Sub-Contractor(s) that it engages in providing the Services required by the Master Agreements (including software and hardware Sub-Contractors).

Answers to Specific Questions:

The Neutrality Review also shall address each of the questions provided below; including a summary of findings, detailed statement of findings, and a description of investigative methods for each question.

1. Does the LNPA, in its operation of the NPAC, provide services under non-discriminatory terms, rates, and conditions?
2. Does the LNPA qualify as an NPAC User as defined by the criteria used to grant User status to any entity?
3. Do any services provided by the LNPA in the operations of non-NPAC businesses utilize User Data not available to any other User?
4. In the LNPA's operations of non-NPAC businesses, is the LNPA's use of the NPAC/SMS data consistent with the intended uses of rating, routing, billing, and network maintenance?
5. Are the services provided by the non-NPAC businesses possible only because LNPA operates the NPAC?
6. Could any non-LNPA entity provide services which utilize NPAC/SMS Data, identical to those services offered by the non-NPAC LNPA business?
7. Does the LNPA in the operations of non-NPAC businesses disclose any NPAC/SMS Data to any entity that would otherwise not be eligible to receive it?
8. Does the LNPA maintain Neutrality in public forums, not favoring the positions of an industry segment or segments, or an industry member or members, over others, as demonstrated in the records of public forums and ex-parte meetings?

Does the Respondent acknowledge that if selected to be the LNPA it will abide by the requirements for conducting and delivering a Neutrality Review every six months during the term of the Master Agreement to which it is a party, the terms, and requirements as outlined above and as to be included in each Master Agreement?

Acknowledged

4.3*

QUESTION:

Business Continuity Plan Requirements

REQ 1: The LNPA shall have a Business Continuity Plan that will be executed in case of severe service disruptions due to a catastrophic event (fire, act of nature, war, etc.), as more fully to be described in the Master Agreements. A service disruption could result from, but not limited to; a loss of key personnel, loss of facilities, and loss of critical IT systems.

REQ 2: The LNPA, at its sole expense, shall conduct periodic unannounced Business Continuity Plan Exercises that are non-service impacting to assure that employees understand and follow the Business Continuity Plan and to assess the adequacy of the Business Continuity Plan.

REQ 3: The LNPA shall, at its sole expense, prepare and deliver to the NAPM LLC a written report regarding the conduct and results of each Business Continuity Plan Exercise, including a specification of corrective actions and anticipated timelines for implementation, if any.

Please attach a copy of an existing Business Continuity Plan in use by Respondent.

Does Respondent fully agree to conduct and implement a Business Continuity Plan, including Business Continuity Plan Exercises as outlined above?

Agree

Optional Attachments:

RFP_Section 4.3_ExampleBCPTT.pdf (1.5 MB)
RFP_Section 4.3_Business Continuity Plan Requirements.pdf (117.9 KB)

RFP_Section 4.3_ExampleBCPSG.pdf (659.5 KB)

4.4*

QUESTION:

LNPA NPAC/SMS Data Center Operations Audit

The LNPA must agree to conduct and report on an annual audit of the NPAC/SMS Data Center operations. The LNPA must agree to provide and to operate at least two redundant NPAC/SMS Data Centers, separated geographically within the continental United States.

REQ 1: A Data Center Operations Audit shall be conducted annually, at the LNPA's sole expense, of all of its NPAC/SMS Data Center operations by its internal auditors.

REQ 2: A written report of each Annual Data Center Operations Audit shall be prepared by the LNPA and provided to the NAPM LLC and the FCC within an agreed upon timeframe, including a specification of corrective actions and anticipated timelines for implementation, if any.

REQ 3: The Annual Data Center Operations Audit Report shall address the accuracy of the LNPA's invoices for Services, NPAC/SMS and facilities security, back-up sufficiency, disaster recovery procedures, and overall compliance with industry standards for similar data center operations, as more fully delineated in the Master Agreements.

REQ 4: Upon receipt of a report on the Annual Data Center Operations Audit Report, the NAPM LLC may, at its own expense and utilizing its own auditor, conduct an audit of the NPAC/SMS Data Center operations of the same or differing scope as the LNPA's annual audit upon notification to the LNPA.

REQ 5: The LNPA shall provide to the NAPM LLC and its selected auditor, access during normal business hours to the LNPA's staff, books, records, supporting documentation and NPAC/SMS Data Centers to perform the audit.

REQ 6: The LNPA shall provide the NAPM LLC use of the NPAC/SMS system and software used to perform the LNPA services to perform and/or assist in the audit.

REQ 7: The LNPA shall provide the NAPM LLC access to its service locations or other facilities as may be necessary for the NAPM LLC or its third party designees to perform the audits.

REQ 8: For an agreed upon timeframe, LNPA shall provide NAPM LLC and/or its third party designees on LNPA's premises office space, office furnishings (including lockable cabinets), telephone and facsimile service, utilities and office related equipment and duplicating services as NAPM LLC and/or its third party designees may require to perform an audit.

REQ 9: The LNPA shall keep books, records, and supporting documentation sufficient to document the operation of the NPAC and all invoices paid or payable by the Users for Services for the current fiscal year and at least four preceding fiscal years during which the LNPA acted under the Master Agreements.

REQ 10: If any audit requested by the NAPM LLC or a regulatory authority identifies any non-compliance with any law, regulation, audit requirement or generally accepted accounting principle relating to the NPAC/SMS, the LNPA shall take actions to comply at its own expense.

Does the Respondent fully agree to support the process, terms, and requirements of the Annual Data Center Operations Audit as outlined above?

Agree

4.5*

QUESTION:

User Charges Audit

REQ 1: The NAPM LLC shall, at its initial expense, have the right to request an audit of fees and other charges to Users no more frequently than once in any 12 month period of time to determine if fees and charges are accurate and in compliance with the Master Agreements (User Charges Audit). If, as a result of the User Charges Audit, the NAPM LLC determines that the LNPA in any Region has overcharged Users, the NAPM LLC shall notify LNPA of the amount of such overcharge and if the LNPA agrees with the results of the User Charges Audit or if the NAPM LLC prevails in any dispute regarding such audit as provided in the Master Agreements, the LNPA shall promptly refund to affected Users the amount of the overcharge, plus interest, at the rate of one and one quarter percent (1 1/4%) per month or the highest rate allowed by law in the State of Delaware, whichever is highest, from the date payment was received. In the event any such audit reveals an overcharge to Users during any audited period exceeding five percent (5%) or more of a particular fee category as set forth in the Master Agreements, the LNPA shall reimburse the NAPM LLC for the cost of such audit. If the LNPA and the NAPM LLC disagree with the results of User Charges Audit, the dispute shall be resolved in accordance with the provisions of the Master Agreements.

Does the Respondent fully agree to support the process, terms, and requirements of the User Charges Audit as outlined above?

Agree

4.6*

QUESTION:

Benchmarking Process

Benchmarking is defined as a measurement of the quality of an organization's policies, products, programs, strategies, and procedures, and their comparison with standard measurements or similar measurements of comparable industry or commercial peers.

The Benchmarking Process for the LNPA provides an analytic tool for determining how other comparable organizations achieve and maintain high performance levels, for determining, re-evaluating, and calibrating the performance standards and metrics for the LNPA by comparison to other comparable organizations, and for identifying improvements in performance. Benchmarking the performance metrics, processes, and technologies of the LNPA provides opportunities for continuous process and operations improvement and to become "best in class." The Benchmarking Process is separate and distinct from the more limited GEP Element of Benchmarking Satisfaction. The Benchmarking Process is a comprehensive plan providing for the regular, periodic, and systematic benchmarking of the LNPA's overall performance under the Master Agreements in each Region during the entire term of the Master Agreements.

REQ 1: The LNPA shall work with the NAPM LLC jointly to formulate for each Region , within 60 days of 'All Regions Live' the initial Benchmarking Process Plan, providing the details of the measurement and comparison of certain specified elements (the Benchmarks) and the process for data collection and evaluation with respect to those Benchmarks.

REQ 2: The Benchmarking Process Plan shall be implemented and the Benchmarking Process shall be conducted by the LNPA or, at NAPM LLC's option, by a third party not affiliated with the LNPA and selected by the NAPM LLC.

REQ 3: All fees and expenses incurred to conduct and/or support the Benchmarking Process shall be paid by the LNPA.

REQ 4: The Benchmarking Process Plan shall provide for the measurement and comparison of the Benchmarks and data collection and evaluation with respect to those Benchmarks at least annually or at a frequency mutually agreed upon by the LNPA and NAPM LLC.

REQ 5: Within 30 days after completion of the Benchmark Process, a written report (the Benchmarking Report) shall be provided to the NAPM LLC to include results, supporting schedules, and substantiating documentation.

Benchmarking Phases

The Benchmarking process , which can be a lengthy and time consuming process, has been separated into four phases. Each phase identifies and documents the objective, any items mutually agreed upon, deliverables, timeframes and a document identifying actions completed to date. These phases help ensure the process is moving forward in a timely manner. The four phases of benchmarking are identified below.

1. Benchmarking Plan Development Phase

   The first phase includes development of a plan including those items identified by the NAPM LLC that will be evaluated.

2. Benchmarking Data Collection and Report Phase

   The second phase of benchmarking begins immediately upon approval of the EP Benchmarking Plan and involves the collection and analysis of data. This phase ends with the delivery of EP Benchmarking Report.

3. Benchmarking Evaluation Phase

The third phase of benchmarking begins within 30 days of the end of phase two, benchmarking data collection and report phase. Phase three begins with an Evaluation Report which includes the following:

a. An evaluation of the EP Benchmarking Report
b. Recommendations of corrective actions, if necessary
c. An implementation plan

4. Benchmarking Implementation Phase

The last phase of benchmarking begins with the approval of the implementation plan and timeline and ends with the successful and on time implementation of the plan.

Requirements below indicate how the benchmarking process will be implemented for the LNPA.

REQ 6: The LNPA shall commence the EP Benchmarking Plan Development Phase on or before 14 days following request by the NAPM LLC to initiate EP Benchmarking.

REQ 7: The LNPA shall meet with NAPM LLC on a recurring basis as mutually agreed upon to provide updates on the creation of the EP Benchmarking Plan.

REQ 8: The NAPM LLC shall have final approval of the EP Benchmarking Plan before proceeding to the next phase.

REQ 9: The LNPA shall provide an EP Benchmarking Report on or before the date and with requirements identified and agreed upon in the EP Benchmarking Plan.

REQ 10: Within 30 days of completion of the EP Benchmarking Report the LNPA shall prepare and deliver to the NAPM LLC an Evaluation Report setting forth recommendations for corrective actions as needed with a plan for implementation.

REQ 11: The LNPA shall meet with the NAPM LLC on a mutually agreed upon timeframe for jointly discussing the Evaluation Report, corrective actions identified and the plan for implementation.

REQ 12: The LNPA and the NAPM LLC shall mutually agree upon the implementation plan and the time period for implementation.

REQ 13: The LNPA shall deliver the corrective action plan on time and as outlined in the implementation plan.

Does Respondent fully agree to conduct and to implement the benchmarking process, terms, and requirements as outlined above, including the Benchmarking Process Plan, the Periodic Benchmarking, and the Benchmarking Report?

Agree

5. NEW USER EVALUATION (NUE) AND THE NUE PROCESS

5.1*

QUESTION:

Determination of Who May Access the NPAC/SMS
Overview
The LNPA shall be responsible for administering access to the NPAC/SMS by determining if an Applicant qualifies as a User pursuant to the qualifications and requirements of the Master Agreements and if a User, once granted access, continues to qualify for access to the NPAC/SMS; however, in certain cases an independent third party evaluator (the New User Evaluator or the NUE) shall be responsible for making determinations of whether certain Applicants qualify as Users and whether an existing User continues to qualify as a User (collectively the NUE Process). The determination of whether any Applicant qualifies for Services as a User, whether made by the LNPA or the NUE, shall be based upon a good-faith, reasonable interpretation of the information provided by such Applicant pursuant to the New User Application and the definition of "User" in the Master Agreements.

Categorization of Applicants by the LNPA
The first step in determining whether access to the NPAC/SMS is permissible is to categorize Applicants. Based solely upon the New User Application, the LNPA shall categorize each Applicant as either (A) a Service Provider, (B) a provider of telecommunications-related services (PTRS), or (C) "other," which shall refer to any Applicant that is not identified in the New User Application as either a Service Provider or a PTRS. An Applicant may not be categorized as more than one of (A), (B), or (C) above in any single New User Application, but may submit separate New User Applications in order to qualify under more than one category.

Responsibility for Determination Based Upon Categorization of the Applicant
If an Applicant is categorized as a Service Provider, the LNPA shall process the New User Application pursuant to the Master Agreements and the New User Application Methods & Procedures (M&P), and the LNPA shall determine if the Applicant qualifies as a User. If the Applicant is classified as "other," then the LNPA shall contact the Applicant to determine whether "other" is the correct categorization of the Applicant, and if the LNPA cannot determine that the Applicant's category is either a Service Provider or a PTRS, then the LNPA shall refer the New User Application (and all supporting documentation and substantiation) to the NAPM LLC for further consideration.
For every Applicant categorized as a PTRS, including the LNPA and every Affiliate of the LNPA, and for every existing User for which the LNPA has received a Misuse Allegation, the LNPA shall refer the matter to the NUE for a determination of whether the PTRS Applicant qualifies as a User and whether an existing User continues to qualify as a User in accordance with the NUE Process. The LNPA and an Affiliate of the LNPA may qualify as a User as a PTRS only upon completion of a New User Application and only with respect to each separate single service or product offered (i) that in any way makes use of User Data, (ii) that is not considered a Service under these Master Agreements, and (iii) for which the PTRS is not compensated under the Master Agreements (a User Service). Whether the LNPA or an Affiliate of the LNPA qualifies as a User shall be determined by the NUE for every User Service, every User Service Material Modification, and every Acquired User Service of the LNPA. In determining whether the LNPA or an Affiliate of the LNPA qualifies as a User, the NUE and the NUE Process shall impose additional requirements on the LNPA and an Affiliate of the LNPA not imposed upon other PTRS Applicants.
In general, a PTRS may be granted access to the NPAC/SMS Data for the exclusive purpose of routing, rating, or billing of calls, or for performing network maintenance in connection with the provision of telecommunications-related services. The NUE conducts a Permitted User Review to determine whether an Applicant satisfies this requirement and whether an existing User who has been subject to a Misuse Allegation continues to satisfy this requirement. With respect to determining whether the LNPA or an Affiliate of the LNPA qualifies to be granted access to the NPAC/SMS Data the NUE conducts the following reviews in addition to the Permitted Use Review: a Data Provisioning Review, a Pricing Review, and a Payment Review (individually referred to as an NUE Review and all collectively referred to as NUE Reviews).

Depending on how a matter is referred to it and which NUE Review is, or which combination of the NUE Reviews are, accomplished, the NUE shall then render one of the following three separate written reports: a New User Findings Report, an Administrator User Service Findings Report, or a Misuse Allegation Findings Report (each individually referred to as a Findings Report and all collectively referred to as Findings Reports). A Findings Report may be affirmative, negative or indeterminate, or the NUE may fail to issue its Findings Report within the required time. Subject to specific appeal and dispute resolution procedures set forth in the Master Agreements, the determination of the NUE shall be conclusive.

Does the Respondent agree to implement and follow the NUE Process and to adhere to the requirements and procedures summarized above for determining whether an Applicant or an existing User, including the LNPA and its Affiliates, qualify to be granted access to the NPAC/SMS, and, in particular, does the Respondent agree to the imposition of additional NUE Reviews not imposed upon other PTRS Applicants or Users, as summarized above, with respect to every User Service, every User Service Material Modification, and every Acquired User Service of the LNPA and an Affiliate of the LNPA?

Agree

6. NUMBER PORTABILITY ADMINISTRATION CENTER

6.1

STATEMENT:

Overview of the Role and Responsibility of the LNPA to the NPAC and NPAC/SMS

The Number Portability Administration Center (NPAC) is the overall system and infrastructure that supports LNP and telephone number pooling in the United States. Managed and administered by the LNPA, the NPAC consists of the NPAC/SMS hardware, software, and data platform, the data center infrastructure, including operations and support personnel, and the Help Desk infrastructure and personnel.

The NPAC/SMS is a hardware and software platform that contains the database of information required to effect the porting and pooling of TNs. The NPAC/SMS is not involved in actual call routing, but rather receives, stores, and broadcasts data on ported and pooled telephone numbers, and provides informational reports based on the information contained in the database. This information is necessary to allow each user's network to properly route calls.

The LNPA shall manage and administer the NPAC and the NPAC/SMS database, as well as the infrastructure required to do so. The LNPA shall be responsible for the maintenance and performance of the NPAC and the NPAC/SMS.

6.2*

QUESTION:

User Support and User Training

The LNPA shall be responsible for user support as required and specified in the Master Agreements and associated M&Ps. Specifically, the LNPA shall (a) provide appropriate training for users; (b) provide technical support for users; and (c) perform both initial and ongoing acceptance testing for any and all functionalities.

REQ 1: The LNPA shall be responsible for initial and ongoing training and user support.

REQ 2: The LNPA shall train Users, upon request, including, but not limited to:
(a) uploading ported/pooled TN data and user data,
(b) receiving and understanding broadcasts,
(c) receiving and understanding error/success messages,
(d) requesting, receiving, and understanding mass changes,
(e) requesting, receiving, and understanding reports (including billing), and
(f) understanding security and encryption measures.

REQ 3: The LNPA shall provide technical support for users who experience problems including, but not limited to:
(a) uploading ported/pooled TN data and user data;
(b) receiving and understanding broadcasts;
(c) receiving and understanding error/success messages;
(d) requesting, receiving, and understanding mass changes;
(e) requesting, receiving, and understanding reports (including billing); and
(f) understanding security and encryption measures.

REQ 4: The LNPA shall provide the necessary technical support to correct any data transmission problems encountered in the interfaces between the NPAC/SMS and a user.

Does the Respondent agree to fully comply with the above requirements in time to meet the published implementation date? If not, please explain.

Agree

6.3*

QUESTION:

Acceptance Testing

REQ 1: The LNPA shall perform acceptance testing of the initial software and hardware configurations in the NPAC/SMS and its interfaces.

REQ 2: The LNPA shall perform acceptance testing of all modifications or upgrades to software and hardware configurations in the NPAC/SMS and its interfaces. This software and hardware testing shall be scheduled so as not to inhibit the ongoing functionality of the NPAC/SMS and its interfaces.

REQ 3: The LNPA shall resolve all problems encountered during testing.

REQ 4: The LNPA shall document all testing procedures and test results and shall make those results available to users.

REQ 5: The LNPA shall certify all NPAC/SMS software and hardware configurations before release for operation.

Does the Respondent agree to fully comply with the above requirements in time to meet the published implementation date? If not, please explain.

Agree

6.4*

QUESTION:

NPAC/SMS Data Center Redundancy Requirements

REQ 1: For each Region, there shall be at least two completely redundant NPAC/SMS Data Centers, consisting of at least one primary Data Center and at least one backup Data Center, separated geographically within the continental United States and each Data Center housing separate and distinct NPAC/SMS databases for each of the seven Regions.

REQ 2: Careful consideration must be given to the locations of the redundant NPAC/SMS Data Centers, so as not to locate them in areas prone to natural disasters, e.g., hurricanes, tornados, earthquakes, etc. Respondent must identify and justify the location of each NPAC/SMS Data Center to ensure appropriate redundancies and avoidance of natural disaster areas.

REQ 3: NPAC/SMS Data will be replicated synchronously such that the NPAC/SMS databases in each of the redundant Data Centers shall be updated simultaneously, in real time, as transactions are processed.

REQ 4: Direct transmission facility connections from a service provider to each NPAC/SMS Data Center location must be provided.

REQ 5: Diverse and redundant transmission paths connecting the two geographically separated NPAC/SMS Data Centers must be provided.

REQ 6: The ability to completely failover all circuits connecting service providers to the NPAC/SMS, all applications, and NPAC/SMS databases from the primary NPAC/SMS Data Center to a backup NPAC/SMS Data Center, and then to revert from the backup NPAC/SMS Data Center to the Primary NPAC/SMS Data Center must be supported.

REQ 7: The ability for all service providers to successfully failover to the backup NPAC/SMS site and back must be tested annually (Annual Failover Exercise). The LNPA must work with all service providers to resolve any issues discovered during each Annual Failover Exercise and must identify and implement corrective action.

Does the Respondent agree to fully comply with the above requirements in time to meet the published implementation date, including specifically providing at least two completely redundant NPAC/SMS Data Centers for each Region, maintaining separate and distinct databases for each Region, supporting failover, and conducting Annual Failover Exercises? If not, please explain.

Agree

QUESTION:

6.5*

Help Desk Minimum Requirements

REQ 1: The LNPA shall provide and staff a user Help Desk accessible via a toll-free number to answer and resolve User questions and issues.

REQ 2: At a minimum, the Help Desk will be staffed with live operators Monday-Friday, from 7am to 7pm Central, excluding holidays designated in the Master Agreements (Help Desk Business Hours).

REQ 3: Outside of normal staffed Help Desk business hours, at a minimum, 99.0% of all requests for callbacks to users must be made within 15 minutes.

REQ 4: For service affecting trouble tickets, a minimum of 100% of all commitments to get back to the user after the initial contact will be met.

REQ 5: A minimum of 90% of the calls during normal staffed business hours must be answered by live operators within 10 seconds. The interval measurement begins when the caller chooses the option to speak with a live agent and ends when a live agent answers the call.

REQ 6: The Help Desk will maintain an abandoned call rate of less than 1.0%. The interval measurement will begin when the caller chooses the option to speak with a live agent; the interval ends when the caller abandons the call, but only after at least ten seconds has elapsed with no answer.

Does the Respondent agree to fully comply with the above requirements with respect to the Help Desk in time to meet the published implementation date? If not, please explain.

Agree

6.6*

QUESTION:

Test Bed Requirements

REQ 1: The LNPA will provide a permanent test bed, at no additional cost, to enable Service Providers and their vendors to perform testing of the current production NPAC/SMS software release.

In addition, in order for Service Providers and their vendors to test new NPAC/SMS software releases, the LNPA will make available during the entire period of pre-production testing an additional separate test bed, at no additional cost. After rollout of each new NPAC/SMS software release into production, the new NPAC/SMS software release will be loaded into the permanent "current release" test bed, at no additional cost.

The test beds must replicate the production current release and new release NPAC/SMS software environments, respectively.

REQ 2: The data contained in the test beds shall be determined by industry testing participants and provided by the LNPA as determined and needed for Service Provider and vendor testing.

Does the Respondent agree to fully comply with the above requirements in time to meet the published implementation date? If not, please explain.

Agree

6.7*

QUESTION:

Data Center Security

REQ 1: The LNPA shall maintain and enforce, at all times, adequate NPAC/SMS data center safety and physical security procedures, subject to inspection, audit, and approval by and on behalf of the NAPM LLC.

REQ 2: NPAC/SMS servers, Data Centers, and NPAC/SMS User Data must be maintained and stored in the continental United States. No data relating to the Service will be stored, maintained, or warehoused, in a physical or electronic form, at, in, or through, a site, on services, or otherwise, located outside of the continental United States.

Does the Respondent agree to fully comply with the above requirements in time to meet the published implementation date? If not, please explain.

Agree

6.8*

QUESTION:

Additional LNPA Support Requirements

REQ 1: The LNPA must provide and administer a web domain that has similar features and functionality as the current NPAC.com website.

REQ 2: The LNPA must protect and preserve all Local Number Portability Administration Working Group (LNPA WG) information that is stored on the current NPAC.com website and must make all such LNPA WG information available and accessible on its web domain.

REQ 3: The LNPA must support the LNPA WG and other relevant industry groups at meetings and conference calls, including, but not limited to, providing a Change Management process and administrator.

REQ 4: The technology, hardware, and software of the NPAC ecosystem must be updated on an ongoing basis as necessary to meet or exceed all Service Level Requirements (SLRs) and performance and reliability requirements without additional cost to the industry.

Does the Respondent agree to fully comply with the above requirements in time to meet the published implementation date? If not, please explain.

Agree

QUESTION:

Interactive Voice Response (IVR) Requirements

The LNPA must provide and support an Interactive Voice Response (IVR) system capable of allowing authorized users to query and obtain, on a single call to the NPAC/SMS IVR system, Local Service Provider (LSP) information (LSP name and contact number (if available)) for up to a maximum of 20 telephone numbers (ported, pooled, non-ported, non-pooled) in a single contact. The NPAC/SMS IVR system must also meet or exceed the following:

REQ 1: Reliability - 99.9% Availability must be provided by redundant NPAC/SMS IVR systems.

REQ 2: 7x24 Availability - The NPAC/SMS IVR system must be available to users on a 7 day per week, 24 hour per day basis.

REQ 3: Security Access (PIN per service provider) - PIN access must be required to gain access to the NPAC/SMS IVR System. LNPA personnel must be capable of administering PINs individually or in blocks.

REQ 4: System Hold Time - Using management information reports and real-time system monitoring, LNPA personnel must be capable of monitoring and measuring NPAC/SMS IVR system hold and request processing times.

REQ 5: Multiple requests on a single access - The NPAC/SMS IVR system must be capable of allowing authorized users to request LSP information for up to a maximum of 20 (tunable parameter) ported, pooled, non-ported, or non-pooled TNs on a single call.

6.9*

REQ 6: Traffic measurement capability - The NPAC/SMS IVR system must contain a standard suite of system utilization reports for measuring and analyzing IVR system traffic.

REQ 7: Disaster recovery and backup - Disaster recovery and backup must be provided through the use of redundant IVR systems. In addition, authorized users must have the capability of calling the LNPA-provided Help Desk to reach LNPA personnel capable of providing corresponding LSP information for a single or set of telephone numbers.

REQ 8: Alternative to IVR system -In addition to the NPAC/SMS IVR system, authorized Users must have the capability of calling the LNPA Help Desk during Help Desk Business Hours to reach LNPA personnel capable of providing corresponding LSP information for a single or set of telephone numbers.

REQ 9: Toll-free number access - The NPAC/SMS IVR system must be accessible to authorized users via an LNPA-provided toll-free telephone number.

REQ 10: Per access billing process - Each call made to the NPAC/SMS IVR system must be tracked from start to finish. For every call, the NPAC/SMS IVR system must capture: the PIN making the call, the menu options selected, the telephone numbers inquired about, the results of the inquiry(ies), and the length of the call. Using this data, the system for rendering any IVR billing must be capable of billing on a usage or access basis.

Does the Respondent agree to fully comply with the above requirements with respect to the NPAC/SMS IVR system in time to meet the published implementation date? If not, please explain.

Agree

6.10*

QUESTION:

Outage Escalation and Root Cause Analysis Reports

Outage Defined:

The LNPA has responsibility for both reporting the occurrence of NPAC/SMS Outages and resolving Outages as quickly as possible to reduce the impacts to end user consumers. The term Outage will be defined in the Master Agreements for each Region, but generally means any occurrence in the operation of the NPAC/SMS that adversely affects the ability of the NPAC/SMS to port telephone numbers successfully. "Resolved" and "resolution" with respect to any Outage shall mean that the Outage has ended and that service availability for all Users has been restored.

Outage Problem Escalation:

If an Outage is not resolved within the specified time period in the Master Agreements, then the LNPA agrees that primary management and direct responsibility for resolution shall be escalated to successively higher levels of supervisory personnel within the LNPA as outlined in requirements below. This escalation process and hierarchy is referred to as Problem Escalation.

REQ 1: The LNPA shall escalate an Outage or a Partial Outage issue to the Manager level within 30 minutes following detection of Outage or Partial Outage, respectively, if not resolved.

REQ 2: The LNPA shall escalate an Outage or a Partial Outage issue to the Director level within 45 minutes following detection of Outage or Partial Outage, respectively, if not resolved.

REQ 3: The LNPA shall escalate an Outage or a Partial Outage issue to the Vice President level within 60 minutes following detection of Outage or Partial Outage, respectively, if not resolved.

REQ 4: Escalation in accordance with the above-summarized schedule and hierarchy will be documented and substantiated by delivery of electronic mail communications showing both a date and time stamp, with a hard-copy of such electronic mail communications printed and stored by the LNPA during the entire term of the Master Agreements, for later retrieval and review.

If the internal management structure of the Respondent or the nomenclature used to describe the Respondent's management structure is different than the structure and nomenclature used herein, then escalation shall occur in accordance with these requirements to those levels of supervisory personnel within the Respondent that have duties and responsibilities substantially equivalent to or greater than those identified in these requirements.

Root Cause Analysis Reports:

Upon the detection of Outages, Root Cause Analysis (RCA) reports are required by the LNPA when a system issue, or outage, occurs impacting more than one user. RCA reports shall be delivered within the timeframes as specified in the requirements below.

REQ 1: The LNPA shall prepare and circulate a Preliminary RCA report within 24 hours following detection of an Outage, which shall include the LNPA's best determination as of that point in time of the root cause of the Outage, along with a summarization of the reason or basis for that determination.

REQ 2: The LNPA shall prepare and circulate a Definitive RCA report within five business days following detection of an Outage, which shall include the LNPA's best determination as of that point in time of the root cause of the Outage, a brief description of techniques and practices used to determine that root cause, a summary of the reason or basis for the determination, and a summary of difference in determinations between the Preliminary RCA Report and the Definitive RCA Report.

REQ 3: The LNPA shall prepare and circulate a Corrective Action Plan within 10 business days after the date the Preliminary RCA report should have been issued (even if not issued), which summarizes the corrective action to be taken and a schedule for implementation to avoid a reoccurrence of an Outage.

Does the Respondent fully agree to conduct and implement the Outage Problem Escalation and Root Cause Analysis processes as outlined above? If not, please explain.

Agree

7. REQUIRED ENHANCEMENTS AND FUTURE CONSIDERATIONS

7.1

STATEMENT:

Required Enhancements and Future Considerations

The following enhancements to the NPAC/SMS described in this section are required for implementation and availability at the time of turn-up of the next-generation NPAC/SMS platform in June 2015.

All costs for development and implementation of these required enhancements must be included in the Respondent's quoted price in response to this RFP survey.

QUESTION:

Alternative Interface

7.1.1*

REQ 1: The Respondent's quoted price in response to this RFP must include all costs to develop and implement a new alternative NPAC/SMS interface to migrate from the current CMIP interface.

REQ 2: The LNPA WG is currently developing technical requirements for an alternative interface as part of NANC Change Order 372. Alternative interfaces under consideration at this time include XML and JSON, but others could be considered at a later time. Once developed and implemented, the new interface must be available and supported in addition to the current CMIP interface until such time that the industry sunsets support of the CMIP interface.

Does the Respondent's quoted price include all costs to develop and implement a new alternative NPAC/SMS interface and to migrate to that interface from the current CMIP interface?

Yes

7.1.2*

QUESTION:

Support of IPv6

REQ 1: The Respondent's quoted price in response to this RFP survey must include all costs to develop and implement NPAC/SMS support of IPv6 addressing.

The LNPA WG is currently developing technical requirements for NPAC/SMS support of IPv6 addressing as part of NANC Change Order 447.

REQ 2: The NPAC/SMS must support dual IPv4 and IPv6 stacks.

Does the Respondent's quoted price include all costs to develop and implement NPAC/SMS support of dual IPv4 and IPv6 address stacks?

Yes

7.1.3*

QUESTION:

Elimination of NPAC/SMS support of Non-EDR

REQ 1: The Respondent's quoted price in response to this RFP survey must include all costs to develop and implement the elimination of NPAC/SMS support of non-Efficient Data Representation (non-EDR) SOA and LSMS systems.

The LNPA WG is currently developing technical requirements for the elimination of NPAC/SMS support of non-EDR as part of NANC Change Order 448.

Does the Respondent's quoted price include all costs to develop and implement the elimination of NPAC/SMS support of non-EDR SOA and LSMS systems?

Yes

7.2

STATEMENT:

Future Considerations

The following items described in this section are included as possible future considerations. Should they become required enhancements at some point in the future, all costs to develop and implement the NPAC/SMS enhancements must be included as part of the annual fixed price per the requirements in Section 13 of this RFP survey.

7.2.1*

QUESTION:

Automation of processes between the NPAC/SMS and the Pooling Administration System (PAS)

The following processes currently require manual provisioning between the NPAC/SMS and the Pooling Administration System, but in the future, it may be determined to implement complete automation of these processes:

- Provisioning of Pooling Administration requests (e.g., Part 1b forms) in the NPAC/SMS,
- Provisioning of Service Provider requests (e.g., activation, modification, disconnects of pooled blocks) in the PAS.

REQ 1: The next-generation NPAC/SMS architecture must be flexible enough to support any required enhancement in the future to incorporate complete automation of the above-described processes between the NPAC/SMS and the PAS.

REQ 2: The annual fixed price per the requirements in Section 13 of this RFP survey must include all costs to develop and implement the complete automation of the above-described processes between the NPAC/SMS and the PAS, if such automation is selected as a future enhancement.

Does the Respondent's proposed NPAC/SMS platform architecture have the flexibility to incorporate this future consideration should it become required as an enhancement, and does the Respondent's fixed price per the requirements in Section 13 of this RFP survey include all costs to develop and implement this future consideration if it is selected as an enhancement?

Yes

7.2.2*

QUESTION:

Combining steps for Intra-Service Provider ports

The NPAC/SMS currently requires separate steps and messages for the creation and activation of intra-Service Provider ports. It may be required in the future to combine the creation and activation steps for intra-Service Provider ports into one step and message.

REQ 1: The next-generation NPAC/SMS architecture must be sufficiently flexible to support any required enhancement in the future to combine the creation and activation steps for intra-Service Provider ports into one step and message.

Does Respondent's proposed NPAC/SMS platform have the flexibility to incorporate this future consideration should it become required?

Yes

7.2.3*

QUESTION:

Inter-carrier Communications

REQ 1: The next-generation NPAC/SMS architecture must be flexible in order to support any required enhancement in the future to incorporate into the NPAC/SMS the inter-carrier communication process that currently precedes the NPAC/SMS LNP provisioning process.

Does the Respondent's proposed NPAC/SMS platform have the flexibility to incorporate this future consideration should it become required?

Yes

7.2.4*

QUESTION:

Future Mandated Changes

REQ 1: The next-generation NPAC/SMS architecture must be flexible in order to support any required enhancements in the future as a result of regulatory mandates.

REQ 2: The annual fixed price per the requirements in Section 13 of this RFP survey must include all costs to develop and implement any required enhancements in the future as a result of regulatory mandates.

Does Respondent's proposed NPAC/SMS platform have the flexibility to incorporate this future consideration should it become required as an enhancement, and does Respondent's fixed price per the requirements in Section 13 of this RFP survey include all costs to develop and implement this future consideration if it is selected as an enhancement?

Yes

7.2.5*

QUESTION:

PSTN to IP Transition

REQ 1: The next-generation NPAC/SMS architecture must be flexible in order to support the transition of the Public Switched Telephone Network (PSTN) to an all-Internet Protocol (IP) network. In addition, the LNPA must work expeditiously with the industry to implement any required changes.

Does the Respondent's proposed NPAC/SMS platform have the flexibility to incorporate this future consideration should it become required?

Yes

7.3

QUESTION:

Required Enhancements and Future Considerations Response

If the Respondent desires to further explain any of the responses to the requirements in Sections 7.1 and 7.2, please attach one document further describing or explaining those responses and the architectural solutions here.

Attachments:

RFP_Section 7.3_Required Enhancements and Future Considerations Response.pdf (419.6 KB)

7.4

QUESTION:

Additional Information Regarding Cloud Computing - Optional

Please provide Respondent's view regarding the applicability for incorporating cloud computing to enhance the operations and functionality of the NPAC/SMS. Please attach any drawings and explanation for the proposed architectural solution.

Attachments:

RFP_Section 7.4_Additional Information Regarding Cloud Computing – Optional.pdf (197.9 KB)

7.5

QUESTION:

Additional Information Regarding Web Services Interface - Optional

Please provide Respondent's view regarding the applicability for incorporating a web services interface to enhance the operations and functionality of the NPAC SMS. Please attach any drawings and explanation for the proposed architectural solution.

Attachments:

RFP_Section 7.5_Additional Information Regarding Web Services Interface – Optional.pdf (138.3 KB)

8. NANC LNP PROCESS FLOWS

8.1*

QUESTION:

NANC LNP Process Flows

The following URL contains the posted FCC-mandated NANC LNP Process Narratives and Flows:

https://www.napmllc.org/pages/npacrfp/npacRFP_RefDocs.aspx

The documents referenced are:

- NANC_OPS_Flows_Narratives_v4.1(04-16-2010). doc
- NANC_Flows_4.0_10-16-2009.ppt

Does the Respondent acknowledge that its proposal and responses to this RFP survey adhere to the above-referenced FCC-mandated NANC LNP Process Narratives and Flows?

Acknowledged

9. SERVICE LEVEL REQUIREMENTS

9.1*

QUESTION:

Service Level Requirements for Measurement and Reporting

The Service Level Requirements (SLRs) in this Section 9 of the RFP survey supersede any SLRs documented in the FRS or elsewhere.

Does Respondent acknowledge and understand that the SLRs in this Section 9 of the RFP survey supersede any SLRs documented in the FRS or elsewhere and are the SLRs to be used for purposes of all responses to this RFP survey?

Acknowledged

9.2

STATEMENT:

Table of Contents for SLRs

9.3

STATEMENT:

Summary of NPAC/SMS Service Level Requirements

The following is a schedule of Service Affecting and Non Service Affecting SLRs for the NPAC/SMS in each Region. The description of the SLRs and the addition, elimination, or modification of SLRs set forth below is subject to change from time to time as provided in the Master Agreements. Further, the descriptions and composition of the SLRs ultimately included in the Master Agreements may differ from those set forth below, but the descriptions and composition of the SLRs set forth below shall be used for purposes of responding to this RFP survey.

The following are definitions of certain terms used in the SLR table set forth below:

(a) The term "Service Availability" shall mean at least one service provider is able to access and invoke all NPAC/SMS capabilities through its respective interface, to either the NPAC/SMS Production Computer System or the NPAC/SMS Disaster Recovery Computer System. Service Availability measures the reliability of the service provided by the NPAC/SMS, and does not include time due to Scheduled Service Unavailability, if any. The term "Service Unavailability" shall mean that Service Availability is not present.

(b) The term "Interface Availability" shall mean an NPAC/SMS interface is available to each service provider to establish, maintain, and utilize an association with the NPAC/SMS system designated as the "live" system (either the NPAC/SMS Production Computer System or the NPAC/SMS Disaster Recovery Computer System) at any point in time. Interface Availability measures the reliability of the NPAC/SMS interfaces collectively, excluding interface outages resulting from Service Unavailability events and Scheduled Service downtime.

(c) Unless otherwise defined in the specific SLR, all other defined terms shall have the meanings ascribed to them in the Master Agreements.

9.4

STATEMENT:

SLR 1 - Service Availability

Requirement:

REQ 1: Maintain a 99.99% or better level of Service Availability.

Description:

Service Availability (SA) means that at least one User, excluding the LNPA and its Affiliates, is able to access and invoke all NPAC/SMS capabilities through its respective interface. Service Unavailability (SU) means that Service Availability is not present and is the same as the loss of Service Availability. The end of a loss of Service Availability occurs when the first User, excluding the LNPA and its Affiliates, appears in Recovery

The total seconds of Service Availability possible in a month does not include the loss of Service Availability due to Scheduled Service Unavailability (SSU), even if the SSU is in excess of the SLR for SSU. Thus when 100% Service Availability is reported for a month, this means only that there was no Unscheduled Service Unavailability during that month.

When the NPAC/SMS is unable to re-establish Service Availability at the end of an SSU interval because of hardware or software failure, an SLR 1 event is declared -- the SLR 1 event begins at the end of that SSU interval -- and RCA Reports are issued. However, if the inability to reestablish Service Availability is due to the planned maintenance activity requiring additional time in excess of the SLR for SSU, the SSU interval continues and an SLR 2 event is declared, but not an SLR 1 event.

Any interval of Service Unavailability due to a Failover is included in determining whether SLR 1 has been satisfied or not satisfied, unless Service Unavailability is waived by the NAPM LLC in its discretion, for example, because it was due to the Annual Failover Exercise.

The NPAC may experience loss of Service Availability events where no service provider association is aborted. In these cases, the timestamp of the first successful inbound CMIP transaction that occurs after the event has begun will determine the end of the outage.

If the NPAC database server experiences hardware or software failure prior to processes losing connection, recognition of the loss of Service Availability will be based on the last application software event successfully committed to the database. This methodology to recognize loss of Service Availability is necessary when the database is unable to process transactions prior to the log file recording the timestamp of processes losing connection.

The interval between this last timestamp before the loss of Service Availability and the time at which the first User appears in recovery is the period during which Service Availability is defined as being lost.

Calculating Service Level Achieved:

The total seconds in the month, minus the seconds of SSU, represent the potential Service Availability seconds in the month. The number of seconds of actual Service Availability divided by the number of seconds of potential Service Availability, the quotient expressed as a percentage, is the percent Service Availability for the month. That is, only Unscheduled Service Unavailability (USU) intervals are deducted from the potential Service Availability interval to determine actual Service Availability.

Expressed algebraically, where A is total seconds in the month, B is SSU within agreed-to limits, C is SSU in excess of agreed-to limits, and D is USU, Service Availability is defined as follows and expressed as a percentage:

$$\frac{A - (B + C) - D}{A - (B + C)} \times 100\%$$

Reporting Service Level Results:

A performance report summary is required that shows the percent of time during the month of Service Availability. A separate detail page indicating how the result was derived, showing total seconds in the month, seconds of SSU within the agreed-to SLR level for SSU and seconds in excess of agreed-to SLR level for SSU, and seconds of USU, must be provided. A table showing dates and duration of USU events must be displayed in a separate SU detail report.

9.5

STATEMENT:

SLR 2 - Scheduled Service Unavailability

Requirement:

REQ 2: Scheduled Service Unavailability (SSU) may not occur outside of the industry-agreed upon maintenance windows, with respect to both time of occurrence and duration, unless otherwise approved by the NAPM LLC.

Description:

The current industry-approved NPAC maintenance windows are as follows:

First Sunday of each month: midnight to 9:00 a.m., Central.
All other Sundays: midnight to 7:00 a.m., Central.

When the NPAC/SMS is unable to re-establish Service Availability at the end of a Scheduled Service Unavailability (SSU) interval because of hardware or software failure, an SLR 1 event is declared -- the SLR 1 event begins at the end of that SSU interval -- and RCA are issued. However, if the inability to establish Service Availability is due to the planned maintenance activity requiring additional time in excess of the SLR for SSU, the SSU interval continues and an SLR 2 event is declared, but not an SLR 1 event.

Any interval of Service Unavailability due to a Failover is included in the SLR 1 calculation. The sole exception to this is the Failover exercise scheduled approximately annually.

Measuring Service Level:

SLR 2 measurement is based on same data sources as SLR 1.

When a loss of Service Availability occurs and Scheduled Service Unavailability begins, the log files are searched for the event timestamp indicating the first instance of database loss prior to the restoration timestamp. The interval between the last timestamp before the loss of Service Availability and the time at which the first User, excluding the LNPA and its Affiliates, appears in Recovery is the period during which Service Availability is defined as being lost. This loss of Service Availability is classified as Scheduled Service Unavailability when the Service Availability loss is intentional and defined notice intervals have been met, or when the loss occurs during the NPAC/SMS maintenance window agreed-to by Customer; otherwise, the loss of Service Availability is classified as Unscheduled Service Unavailability (USU).

Calculating and Reporting Service Level Achieved:

A performance report summary indicating only whether the agreed-to level of SSU was "met" or "not met" must be provided. A separate detail page indicating how the result was derived, showing the date, duration, and start and end times for each SSU event and the number of hours agreed to and the time in excess of the amount agreed to for each event must also be provided.

9.6

STATEMENT:

SLR 3 - Partial Service Unavailability

Requirement:

REQ 3: An NPAC/SMS hardware component failure or any other disruption in the operation of the NPAC/SMS that causes at least one User to lose the ability to access and invoke all NPAC/SMS capabilities for more than 10 minutes for a reason other than loss of Interface Availability constitutes Partial Service Unavailability.

Description:

The intent of SLR 3 is to measure a disruption in the NPAC/SMS operations that affects one or more Users in a Region, but not all Users in the Region, that is due to any NPAC/SMS hardware component failure or disruption unrelated to any LSMS/SOA interface failures (SLR 7).

An NPAC/SMS hardware component failure or any other disruption in the operation of the NPAC/SMS that causes at least one User to lose the ability to access and invoke all NPAC/SMS capabilities for fewer than 10 consecutive minutes does not constitute Partial Service Unavailability. Any interval of Partial Service Unavailability is not included in the SLR 7 calculation.

Measuring Service Level:

This SLR measures the time required to restore complete service to all impacted users due to an NPAC component failure resulting in service unavailability to one or more, but not all, users in a Region.

Time in excess of 10 minutes to restore complete service to all affected users will result in a "miss" of SLR 3.

Calculating and Reporting Service Level Achieved:

The time required to completely restore service to all affected users is determined. If any complete service restoration effort exceeds ten minutes, the SLR is reported as "not met" and time stamp details are provided.

STATEMENT:

SLR 4 - LSMS Broadcast Time

9.7

Requirement:

REQ 4: Average response time of three seconds from activation request to broadcast.

Description:

"Response time" is the interval between receiving a request to activate an SV and the point at which NPAC has processed the request and is broadcast.

In addition to report the average time to initiate a broadcast, a calculation also is to be made to show what percent of the broadcasts were initiated within three seconds.

Measuring Service Level:

The source of data for the measurement of SLR 4 is the NPAC router log for the NPAC production region. Router logs are downloaded from the active application to the central reporting server daily. In the case of fail-over to the other NPAC region, the designation of the "active" system is changed automatically as part of the Failover process.

Calculating and Reporting Service Level Achieved:

At the end of the month, the total quantity of broadcasts is determined. The time interval measured as described above for every broadcast is added together. The total measured time is divided by the total quantity of broadcasts. The quotient is the "average time required to initiate a broadcast."

The quantity of broadcasts initiated within three seconds is determined. This quantity is divided by the total quantity of broadcasts and the quotient expressed as a percentage to indicate the "percent broadcasts initiated within three seconds."

The percent of broadcasts performed within three seconds and the average delay is reported.

9.8

STATEMENT:

SLR 5 - SOA to NPAC Interface Transaction Rates

Requirement:

REQ 5: Maintain a minimum of seven transactions per second per User SOA for 99.9% of the transactions.

Description:

To the extent there is sufficient offered load, maintain, for 99.9% of the CMIP transactions, a rate of seven CMIP transactions per second (sustained) over each SOA to NPAC SMS interface association; however, this interface requirement does not apply when there are at least 70 CMIP transactions per second (sustained) for a single NPAC SMS region.

A SOA system may have more than one NPAC association. The term "User SOA" therefore refers to an NPAC SOA association and the seven transactions per second rate is per SOA association.

Measuring Service Level:

During normal operation of the NPAC system, measurements are taken to determine the count of outstanding inbound and outbound messages for each SOA association. The OS Stack is measured to determine the quantity of outstanding inbound CMIP messages within the CMIP toolkit. The NPAC event queue is measured to determine the quantity of outstanding outbound CMIP messages. No throughput calculation for the SLR is necessary unless the inbound or outbound outstanding message count is greater than one, indicating the NPAC SMS is in a backlog condition and not processing transactions in real time. For each case where there is a backlog condition, the inbound plus outbound transaction rate is calculated to determine whether the CMIP transactions per second requirement is being met.

Calculating and Reporting Service Level Achieved:

The throughput rate is calculated by capturing the start and end times for each backlog condition as well as the count of inbound and outbound messages during the backlog condition. For the purposes of this calculation, a CMIP message is defined as a request message and the associated response message. Dividing the delta CMIP message count by the delta time yields the transaction rate for any given backlog interval.

If no more than .1% of the CMIP transactions for each SOA association fail to meet the lesser of either the offered load or the required CMIP transactions per second rate, then the SLR is reported as met. That is, all SOA associations individually must meet the SLR criterion for the SLR to be met. An exception to this occurs for intervals where the total SOA association CMIP transaction rate equals or exceeds 70.0 per second. During such intervals, the individual SOA association transaction rate requirement is superseded by the region-wide transaction rate requirement and the SLR 5 criterion is met even if the individual SOA association rate criterion is not.

9.9

STATEMENT:

SLR 6 - NPAC to LSMS Interface Transaction Rates

Requirement:

REQ 6: Maintain a minimum of seven transactions per second per User LSMS for 99.9% of the transactions.

Description:

To the extent there is sufficient offered load, maintain, for 99.9% of the CMIP transactions, a rate of seven CMIP transactions per second (sustained) over each NPAC SMS to Local SMS interface association; however, this interface requirement does not apply when there are at least 210 CMIP transactions per second (sustained) for a single NPAC SMS region.

Measuring Service Level:

During normal operation of the NPAC system, measurements are taken to determine the count of outstanding inbound and outbound messages for each LSMS association. The OS Stack is measured to determine the quantity of outstanding inbound CMIP messages within the CMIP toolkit. The NPAC event queue is measured to determine the quantity of outstanding outbound CMIP messages. No throughput calculation for the SLR is necessary unless the inbound or outbound outstanding message count is greater than one, indicating the NPAC SMS is in a backlog condition and not processing transactions in real time. For each case where there is a backlog condition, the inbound plus outbound transaction rate is calculated to determine whether the CMIP transactions per second requirement is being met.

Calculating and Reporting Service Level Achieved:

The throughput rate is calculated by capturing the start and end times for each backlog condition as well as the count of inbound and outbound messages during the backlog condition. For the purposes of this calculation, a CMIP message is defined as a request message and the associated response message. Dividing the delta CMIP message count by the delta time yields the transaction rate for any given backlog interval.

If no more than .1% of the CMIP transactions for each LSMS association fail to meet the lesser of either the offered load or the required CMIP transactions per second rate, then the SLR is reported as met. That is, all LSMS associations individually must meet the SLR criterion for the SLR to be met. An exception to this occurs for intervals where the total LSMS association CMIP transaction rate equals or exceeds 210 per second. During such intervals, the individual LSMS association transaction rate requirement is superseded by the region-wide transaction rate requirement and the SLR 6 criterion is met even if the individual LSMS association rate criterion.

9.10

STATEMENT:

SLR 7 - SOA / LSMS Interface Availability

Requirement:

REQ 7: Maintain an Interface Availability at a minimum of 99.99%

Description:

Interface Availability is calculated each month only for Users who have had their mechanized NPAC interface for the entire Report month.

All calculations are done on a regional level for monthly performance reporting, but interface availability also is calculated and reported on an individual SPID basis.

Any performance credits due to impaired Interface Availability are allocated to the entire region, not specifically to the User experiencing the loss of Interface Availability.

Measuring Service Level:

Edge Routers

Router log files are monitored at a port level to determine whether or not all of a User's network connection ports to the NPAC are available. If any of the User's ports becomes unavailable, the event is logged and NPAC personnel are notified of the event. NPAC personnel determine whether User's circuit or hardware problem is causing the port unavailability. A trouble ticket is opened to track the investigation and its outcome. An SLR 7 miss will be recorded only if all of a User's interfaces are impacted by the NPAC port failure. That is, if at least one NPAC port dedicated to the SPID is available, then no SLR 7 event is deemed to have occurred.

LAN

If the User has one interface available to the NPAC, but the LNPA's LAN is down (or slow), the LAN problem will be logged and investigated. NPAC personnel will determine the time period during which the User was impacted using one of the following methods:

1. NPAC/SMS periodically polls each User's edge router and mechanized servers with "pings" and "SNMP GETs". Every five minutes, a series of polls is taken and logged. If a poll fails, a retry is attempted. A potential LAN outage is logged if three successive polls of a User fail. If the logged poll failure event is determined to be caused by the LNPA, LAN restoration will be noted when the polling once again becomes successful.

2. Some Users do not allow the LNPA to poll their edge routers and systems. For these Users, a potential LAN outage event will be determined indirectly. For example, "pings" to the NPAC's edge routers will be done. A potential LAN outage will be logged if three successive polls fail to a given edge router. If the logged poll failure event is determined to be caused by the LNPA, LAN restoration will be noted when the polling once again becomes successful.

For outages not covered in items 1 and 2 above, the exact cause and duration can be extremely difficult to pinpoint. In many cases, the outage time is reconstructed from multiple router logs, system change logs, and application logs. Experience shows that these events are never the same, and logs, techniques, and resources required to investigate them are never the same. The GEP Auditor will use either the Root Cause Analysis (RCA) or Monthly Performance Reports as the data source of SLR 7 event start and end times.

The duration of interface unavailability is the period from when all of a User's network interface connections to the NPAC gateway routers became unavailable to the time the User's first network interface became available again.

The start time of interface unavailability is measured from when first polling attempt fails; end time occurs when polling becomes successful. For case where User does not allow the LNPA to ping its systems, the start time is measured from the time internal polling is unsuccessful; the end time occurs when internal polling becomes successful.

Calculating Service Level Achieved:

An adjustment would be made for periods of lost Interface Availability that occur during periods of lost NPAC Service Availability to avoid overstating the impact of lost Interface Availability.

The Monthly Performance Report displays the average Interface Availability as a percentage for the region as a whole, but includes a Details section showing the calculation of Interface Availability for each User.

The sum of each user's interval of Interface Availability, divided by the quantity of interfaces, yields the average Interface Availability. This is divided by the interval of Service Availability and expressed as a percentage.

The GEP metric for GEP Element 1b is the monthly measurement and tabulation of the LNPA's satisfaction of SLR 7 for all of a User's Mechanized Interfaces in the region. Achievement of the 99.99% interface availability criterion is tabulated separately for each SPID.

Interface Availability for each User is defined as X/Y*100% where:

A = Loss of Service Availability, but not due to Scheduled Service Unavailability

B = Loss of Service Availability due to Scheduled Service Unavailability

C = Loss of Interface Availability for the SPID

X = Time interface available to SPID, that is X = (total time available) - A -B - C

Y = Total time in the report month that Interface Available, that is Y= (total time) - A - B

Note that A, B, C, X, and Y all are expressed in seconds

Reporting Service Level Results:

The summary page for SLR 7 displays a percent Interface Availability for the region overall and refers the reader to the Details portion of the Report. The Details section displays, by SPID, the individual occurrences of lost interface availability, showing for each occurrence the date, start and end times, and event duration. Each SPID's individual interface availability percentage also is displayed.

In addition to the regional results and associated details for each individual SPID's interface availability, the percentage of individual interfaces that experience 99.99% or better availability each month also is displayed.

STATEMENT:

SLR 8 - Unscheduled Backup Cutover Time

Requirement:

REQ 8: A maximum of 10 minutes to cutover to the backup site.

9.11	**Description:** The term "Cutover" here means to "Failover" from the active site to the backup site. The term "backup site" here means only the data center that is not the active site at the time the Failover is initiated; that is, the direction of Failover is not relevant to this SLR. Up to 10 minutes is allowed from the initiation of Failover to the completion of Failover where "completion" is recognized as occurring when the first User appears in recovery at the Failover site. Any interval of Service Unavailability due to a Failover is included in the SLR 1 calculation. The sole exception to this is the Failover exercise scheduled approximately annually. **Measuring Service Level:** Start of Failover Interval If active site's application server is available to initiate Failover, then Failover start time is indicated by the timestamp "Failover Initiated" located in the log files. However, if the active site's application server is not available to initiate Failover, then the inactive site must be brought on line manually. End of Failover Interval The timestamp for the end of Failover is the timestamp showing when the first User appears in recovery (SOA or LSMS) at the new active site. This timestamp information is not logged, so a snapshot is taken and saved in case needed for verification purposes later. **Calculating and Reporting Service Level Achieved:** The time required to complete each Failover attempted is determined. If any Failover required in excess of 10 minutes, the SLR is reported as "not met" and time stamp details are provided.
9.12	STATEMENT: **SLR 9 - NPAC/SMS Partial Disaster Restoral Interval** **Requirement:** **REQ 9:** Partial restoration will be equal to or less than four hours (Partial restoration meaning the capability of receiving, processing and broadcasting updates). **Description:** Restoration is recognized as occurring when the first User appears in recovery at the active site. **Measuring Service Level:** Recognition of the loss of Service Availability is based on the timestamp made when NPAC/SMS processes lose connection. The timestamp is written in log files. If this timestamp cannot be found, measurement of the loss of Service Availability is based on last log entry due to hardware or software failure. Re-initialization of NPAC/SMS processes likewise causes timestamps to be written and indicate the resumption of Service Availability. When a loss of Service Availability has occurred, the log files are searched for the event timestamp indicating the first instance of database loss prior to the restoration timestamp. The interval between these last timestamps before the loss of Service Availability and the time at which the first User appears in Recovery is the period during which Service Availability is defined as being lost. **Calculating and Reporting Service Level Achieved:** The duration of each instance of loss of Service Availability is determined. Periods of Scheduled Service Unavailability are not included in the calculation. The total number of times Service Availability is lost and the number of times the loss exceeded four hours is determined. However, only if Service Availability is lost continuously for more than four hours is the SLR reported as "not met."
9.13	STATEMENT: **SLR 10 - NPAC/SMS Full Disaster Restoral Interval** **Requirement:** **REQ 10:** Full restoration will occur at a maximum of six hours. **Description:** This means that the NPAC/SMS also can do audits and handle queries. **Measuring Service Level:** The "sent" timestamp of the e-mail notification to industry that full restoration has occurred provides documentation of the event. **Calculating and Reporting Service Level Achieved:** The time stamp of the loss of service availability (as described in SLR 1) is compared with the timestamp of the e-mail to industry providing notification that full disaster restoral has been accomplished. If the interval exceeds six hours, the SLR is reported as "not met."
9.14	STATEMENT: **SLR 11 - Administration of any NPAC/SMS Tables** **Requirement:** **REQ 11:** 99.99% error free updating **Measuring Service Level:** The measurement of table administration service level uses as a base line the total number of entries made in each field of each table in each region from every GUI and mechanized interface transaction for the report month. **Calculating Service Level Achieved:** The total base line numbers are compared to the previous month totals and the difference is the number of updates for the present month of data. The new base line is now used to calculate against the number of errors collected by the NPAC/SMS, and internal trouble tickets tracked as "error table administration" to produce a ratio of errors to the base line

Reporting Service Level Results:

The Performance Report Summary Page shows Met/Not Met with a note of the quantity of table updates performed during the month.

9.15

STATEMENT:

SLR 12 - User Problem Resolution, Speed of Answer

Requirement:

REQ 12: Minimum 90% calls during Normal Business Hours answered by live operators within 10 seconds.

Description:

The interval measurement begins when the caller chooses the option to speak with a live agent and ends when a live agent answers the call. Calls abandoned before the option to speak with a live agent are not included in the total call volume count. Calls abandoned after that point, but before the ten-second threshold is reached, also are not included in the count.

Measuring Service Level:

The call management system collects data daily on the total number of calls received during normal business hours and the quantity of those calls answered within 10 seconds.

Calculating and Reporting Service Level Achieved:

The daily counts for each Help Desk business day are added together. The total number of calls answered by live agent within 10 seconds are divided by the total number of calls received for which caller selects option to speak with live agent and does not abandon the call after that point in less than 10 seconds. The quotient is expressed as a percentage.

In addition to the percent of eligible calls answered within 10 seconds, the fraction of days the requirement is met also is displayed as a percentage.

9.16

STATEMENT:

SLR 13 - User Problem Resolution, Abandoned Call Rate

Requirement:

REQ 13: Less than 1.0% abandoned call rate.

Description:

The interval measurement begins when the caller chooses the option to speak with a live agent; the interval ends when the caller abandons the call, but only after at least ten seconds has elapsed with no answer.

Measuring Service Level:

The call management system collects data daily on the total number of calls received during normal business hours for which the caller elects to speak with a live agent, and on the quantity of those calls abandoned after the caller has waited at least 10 seconds for a live agent to answer.

Calculating and Reporting Service Level Achieved:

The total of the daily counts of calls on which the caller abandons the call after waiting at least 10 seconds to speak with a live agent is divided by the total of the daily counts of calls on which the caller choose the option to speak with a live agent. The quotient is expressed as a percentage.

In addition to the percent of eligible calls abandoned, the fraction of days the requirement is met also is displayed as a percentage.

9.17

STATEMENT:

SLR 14 - User Problem Resolution, After Hours Callbacks

Requirement:

REQ 14: 99.0% callback within 15 minutes for requests made during other than Normal Business Hours.

Measuring Service Level:

This SLR measures the proportion of calls to Help Desk received outside of Normal Business Hours that are returned within 15 minutes.

The Help Desk collects data and reports daily the following information:

- date and time caller page sent (caller saves message]
- option selected (immediate call-back versus reply next business day]
- date and time caller message retried by agent
- Login ID of agent retrieving message

The Help Desk daily reports are reviewed manually and the messages for which immediate call-back requested are identified. There is no direct measurement of time customer is called by agent, however; the presumption is that the time the agent retrieves the message is the time the customer is called back.

Calculating and Reporting Service Level Achieved:

The SLR result is the number of messages for which the call-back time is within 15 minutes of the caller's request divided by the total number of messages for which an immediate call-back is requested. The quotient is expressed as a percentage.

STATEMENT:

SLR 15 - User Problem Resolution, Commitments Met

Requirement:

REQ 15: 100% of all commitments to get back to the User after the initial contact will be met.

Description:

This SLR applies only to Service Affecting tickets. Since Priority 1 tickets are subject instead to the SLR 20 and SLR 21 requirements, and Priority 3 and

9.18

Priority 4 tickets do not involve Service Affecting situations, this SLR applies only to Priority 2 tickets.

PRIORITY LEVEL	LEVEL	DEFINITION	SA or Non-SA
1	Critical	The situation affects ALL Service Providers (SPs) in one or more regions; a regional outage has occurred and LNP services are not available to any Service Provider in a particular region.	**Service Affecting**
2	High	Issues that affect ONE SP in one or more regions that result in the loss of ability to port TN(s) AND/OR all issues associated with SP's system associating and communicating with NPAC/SMS via either their mechanized (SOA/LSMS) or LTI interfaces.	**Service Affecting**
3	Medium	The situation is NOT service affecting, however a solution is needed ASAP. Service is impaired although porting transactions are being executed.	**Non-Service Affecting**
4	Cosmetic	The situation is a general question/inquiry that a Service Provider was concerned with or where an SP needed clarification.	**Non-Service Affecting**

Measuring Service Level:

The Help Desk is required to respond to the NPAC User within one hour of the creation of a Priority 2 ticket. A subsequent contact is required when the second hour has elapsed and subsequent contacts are required as agreed. A final contact is made when the ticket is closed. SLR 15 reflects the proportion of these contacts that are made on time.

The measurements begin when a tracking ticket is created and end when the ticket is put in "resolved" status. The ticket is not placed in a "resolved" status until the request is processed.

The system for trouble ticket management and tracking collects the data.

Calculating and Reporting Service Level Achieved:

The sum of all required contacts made on time for Priority 2 tickets is divided by the sum of all the required contacts for the Priority 2 tickets. The quotient is expressed as a percentage.

9.19

STATEMENT:

SLR 16 - Logon Administration, Timely Request Processing

Requirement:

REQ 16: Process 99.5% of all approved requests within six business hours of receipt.

Description:

This SLR applies only to requests from new or existing LTI users.

This SLR does not apply to requests for dedicated ports or for key exchanges.

Measuring Service Level:

This SLR measures the proportion of all requests for SecurIDs and Log-on IDs [user name and password] that are processed within six business hours of the request's receipt.

The measurements begin when a tracking ticket is created and end when the ticket is put in "resolved" status. The ticket is not placed in a "resolved" status until the request is processed.

Calculating and Reporting Service Level Achieved:

The sum of requests to be measured that are processed within six business hours of receipt is divided by the total quantity of these type of requests received. The quotient is expressed as a percentage.

9.20

STATEMENT:

SLR 17 - System Security, Security Error Log

Requirement:

REQ 17: Monitor and record unauthorized system access.

Measuring Service Level:

Security events tables in each NPAC/SMS database are queried and stored in a security event log table, then the events are categorized by type.

Calculating and Reporting Service Level Achieved:

The number of occurrences of unauthorized system access for the reporting month is summed and the sum is reported in the performance report. The notes section of the performance report includes a description of these events. If there are no occurrences of unauthorized system access during the reporting month, the letters "nmo" (no monthly occurrence) are entered in the report.

9.21

STATEMENT:

SLR 18 - System Security, Remedy Invalid Access Event

Requirement:

REQ 18: Remedy logon security permission errors immediately after user notification.

Measuring Service Level:

A security error is an invalid access event.

Calculating and Reporting Service Level Achieved:

The database supporting the trouble management system is queried to collect data for this SLR.

A failure to meet this SLR would be reported as "not met" and an explanation provided.

STATEMENT:

SLR 19 - NPA Split / Mass Changes

9.22

Requirement:

REQ 19: Notify users within 10 business days of receipt of notification of the need for an NPA split/mass change.

Description:

This notice requirement applies only to the initial notice of a planned NPA split. The SLR does not require that users also be notified of each subsequent modification to the NPA split's plan such as rate areas or codes added or deleted and changes in anticipated dates for permissive dialing arrangements; the NPAC does not assume industry's responsibility to remain aware of changes in NPA split plans.

Measuring Service Level:

This SLR measures the proportion of all notifications received by NPAC of an upcoming NPA split that are sent to an industry distribution list within 10 days of NPAC's receipt of the notice. The NPAC notification date is the date of the initial NANPA Industry Letter.

Calculating and Reporting Service Level Achieved:

The "sent" timestamp of the e-mail sent by the LNPA to the industry that provides the initial NPA split notice is compared with the date of the initial NANPA Industry Letter.

A failure to meet this SLR would be reported as "not met" and an explanation provided.

9.23

STATEMENT:

SLR 20 - Unscheduled Service Unavailability Notification - Upon Detection

Requirement:

REQ 20: Notify user within 15 minutes of detection of an occurrence of unscheduled service unavailability during normal business hours (7AM-7PM Central). And notify user within 15 minutes of detection of an occurrence of unscheduled service unavailability outside of normal business hours (7PM to 7AM Central). Outside of normal business hours, when the unscheduled service unavailability ends within the 15 minute period, the notification must be sent no later than 9AM the following day.

Measuring Service Level:

The "sent" timestamp of the e-mail notice to industry is compared with the time at which the priority 1 ticket was opened.

Calculating and Reporting Service Level Achieved:

A failure to meet this SLR would be reported as "not met" and an explanation provided.

9.24

STATEMENT:

SLR 21 - Unscheduled Service Unavailability Notification - Update

Requirement:

REQ 21: Provide 30-minute updates of NPAC status following an occurrence of unscheduled service unavailability through recorded announcement and client bulletins.

Measuring Service Level:

A manual review is performed of the "sent" timestamps for the e-mail updates to industry. Note that the industry may request that the 30-minute notifications be suspended and no further notices be issued until service is again available.

Calculating and Reporting Service Level Achieved:

A failure to meet this SLR would be reported as "not met" and an explanation provided.

9.25*

QUESTION:

Does the Respondent acknowledge that adherence to ALL SLRs shown in the RFP sections 9.4 thru 9.24 are incorporated into its proposal?

Yes

10. NPAC USER METHODS & PROCEDURES

QUESTION:

NPAC User Methods and Procedures

The LNPA is responsible to provide industry approved NPAC User M&Ps providing step-by-step instructions to complete actions requested of the NPAC/SMS. The documentation must be up to date and easily accessible by all NPAC users.

All NPAC User M&Ps are developed and approved via an industry consensus process. The Respondent's proposal must include development of new M&Ps to address updates to the NPAC platform or technology upgrades, and support changes to existing industry approved M&Ps.

Listed below are the existing M&P subject areas:

NEW CUSTOMERS AND SERVICE PROVISIONING

NEW CUSTOMER SET UP PROCESS

CONNECTIVITY TO THE NPAC

EXISTING USER MODIFICATIONS

NPAC HELP DESK
- NPAC HELP DESK AND THE ROLE OF THE USER SUPPORT ANALYSIS
- NPAC HELP DESK HOURS OF OPERATION
- RECOGNIZED HOLIDAYS
- AFTER-HOURS SUPPORT
- NPAC HELP DESK AUTHORIZATION LIST
- AUTOMATED TELEPHONE NUMBER LOOK-UP SYSTEM
- CUSTOMER CONTACT LIST MANAGEMENT
- NPAC SECURE SITE ACCESS
- NPAC PUBLIC SITE ACCESS

10.1*

NPAC HELP DESK PROBLEM RESOLUTION
- PROBLEM RESOLUTION
- MECHANIZED ASSOCIATION TROUBLESHOOTING
- LTI ACCESS TROUBLESHOOTING

NPAC SUPPORT SERVICES
- BILLABLE CONTACTS
- SUBSCRIPTION VERSION (SV) PROVISIONING
- SUBSCRIPTION VERSION (SV) STATUS DESCRIPTIONS
- NPAC/SMS TUNABLES
- NPA-NXX MANAGEMENT
- LRN MANAGEMENT
- LTI GUI LOGON MANAGEMENT
- FULL AND DELTA BULK DATA DOWNLOADS
- NPA-NXX FILTER SET UP
- EMERGENCY NPA-NXX FILTERS
- NPA SPLITS
- NPAC REPORTS
- FTP SITE REQUESTS
- PORTING IN ERROR/FAILURE TO PORT
- MASS MODIFICATIONS

NPAC/SMS OPERATIONS
- NPAC SERVICE LEVEL REQUIREMENTS
- NPAC SYSTEM OUTAGES
- SCHEDULED SERVICE UNAVAILABILITY (SSU) SCHEDULE
- SERVICE PROVIDER AND NPAC MAINTENANCE NOTIFICATIONS
- LARGE PORT NOTIFICATIONS

NEW NPAC SOFTWARE RELEASES AND TESTING
- NPAC SOFTWARE RELEASES/UPGRADES
- TESTING
- CONTINUING CERTIFICATION REQUIREMENTS

NPAC POOLING OPERATIONS
- POOLING ACTIVITIES IN THE NPAC
- NPAC VALIDATIONS

NPAC BILLING AND COLLECTIONS
- BILLING DISPUTES AND RESOLUTION

OTHER INFORMATION
- NPAC WEBSITES
- ADDITIONAL WEBSITES

If selected, does the Respondent agree to develop and deliver, prior to implementation, the aforementioned list of M&Ps and any additional M&Ps as may be needed?

Agree

11. OTHER LNPA SERVICES

11.1*

QUESTION:

Intermodal Ported Telephone Number Identification Service

The FCC has adopted rules prohibiting the initiation of telephone calls using automatic telephone dialing systems or an artificial or prerecorded voice to telephone numbers assigned to a paging service, cellular telephone service, specialized mobile radio service or other radio common carrier service, or any service for which the called party is charged for the call (such conduct referred to as TCPA Prohibited Conduct).

If selected, an LNPA must provide in each Region a service separate from the Service provided to Users, to provide certain User Data elements to certain parties satisfying specific qualification requirements for the sole purpose of allowing such parties to avoid engaging in TCPA Prohibited Conduct. This service shall be referred to as the Intermodal TN ID Service.

REQ 1: The LNPA shall only provide the Intermodal TN ID Service to Qualified Limited User Data Recipients as defined in the Master Agreements. The LNPA shall require parties requesting the Intermodal TN ID Service to complete an application.

REQ 2: The LNPA shall determine, based upon a good-faith, reasonable interpretation of the information provided by such applicant whether the User Data requested constitutes solely Intermodal Ports AND whether the intended use of the requested User Data is for the sole purposes of permitting that applicant as a Qualified Limited User Data Recipient to avoid engaging in TCPA Prohibited Conduct by verifying whether TNs are assigned to a paging service, cellular telephone service, specialized mobile radio service, or other radio common carrier service or any service for which the called party is charged for the call or allowing that applicant as a Qualified Limited User Data Recipient to disclose, sell, assign, lease or otherwise provide to another third party who qualify as a Second Tier Limited User Data Recipients.

REQ 3: The LNPA shall provide a quarterly report listing all applicants for the Intermodal Ported TN ID Service during the preceding quarter and all current Qualified Limited User Data Recipients and Second Tier Limited User Data Recipients. Additionally, this report shall identify in a separate section all new Qualified Limited User Data Recipients and Second Tier Limited User Data Recipients.

REQ 4: The LNPA shall ensure that the Intermodal Ported TN ID Service does not adversely affect the operation and performance of the NPAC/SMS, and any adverse effect shall be cause for termination of the Intermodal Ported TN ID Service.

REQ 5: An Intermodal Ported Service TN ID Service help desk support shall be established by the LNPA. The telephone number for such help desk services shall be different than any telephone number for a NPAC/SMS Help Desk and no charges or costs associated with the Intermodal Ported Service TN ID Service help desk shall be included in any charges to NPAC/SMS Users with respect to Services.

REQ 6: The LNPA shall make available on a daily basis, two files consisting of lists of intermodal ports to TNs segregated between wireline to wireless ports and wireless to wireline ports on a password secure Web/FTP site for downloading by Qualified Limited User Data Recipients.

REQ 7: The User Data elements of such Intermodal Ports shall consist exclusively of TNs and no other User Data elements.

REQ 8: The LNPA shall not provide the Qualified Limited User Data Recipient direct access to the NPAC/SMS or any other User Data Elements.

REQ 9: The Intermodal Ported TN ID Service shall only be provided to Qualified Limited User Data Recipients after execution and delivery of an agreement satisfying the requirements set forth in the Master Agreements and substantially the form approved by the NAPM LLC (the Intermodal Ported TN ID Service Agreement).

REQ 10: The LNPA shall not be entitled to compensation of any kind with respect to the Intermodal Ported TN ID Service from the NAPM LLC or Users and shall look solely to the respective Qualified Limited User Data Recipients for any and all compensation for the provision of the Intermodal Ported TN ID Service (referred to as the Intermodal Charges). The LNPA must agree and acknowledge that the Intermodal Ported TN ID Service is discretionary and elective within the meaning of Paragraph 92 of the Federal Communication Commission's Third Report and Order, FCC 98-82, and is not necessary for the provision of LNP. Accordingly, the LNPA must agree and acknowledge that the basis and methodology for the determination and computation of the Intermodal Charges and the allocation and assessment of the Intermodal Charges among respective Qualified Limited User Data Recipients are intended to constitute reasonable usage-based charges. Further, the LNPA must agree that Intermodal Charges shall not be more than Cost plus the Fee set forth in the Master Agreements, and that such Cost plus the Fee methodology will be a uniform, non-discriminatory, fair, and reasonable usage based charge, although the LNPA shall acknowledge the possibility that such methodology could be challenged. The LNPA must agree to compute and to allocate the compensation for the provision of Intermodal Ported TN ID Service in a fair and non-discriminatory manner so that such Intermodal Charges are reasonable usage-based charges, consistent with the rules, regulations, orders, opinions and decisions of the FCC and other regulatory body having jurisdiction or delegated authority with respect to the NPAC/SMS or the Master Agreements.

REQ 11: The LNPA shall annually, at its own expense, engage the GEP Auditor separately to audit compliance with the requirements set forth in the Master Agreements with respect to the Intermodal Ported TN ID Service (referred to as the Intermodal Services Audit. The costs and expenses of the Intermodal Services Audit shall be charged and accounted for separately from the costs and expenses of the GEP Audit. A report from the GEP Auditor regarding the results of the Intermodal Services Audit (Intermodal Services Audit Report) shall be provided to the NAPM LLC.

REQ 12: In addition to the Intermodal Services Audit, the Intermodal Ported TN ID Service shall be included in the Neutrality Review conducted every six months.

Does the Respondent's proposal fully comply with the requirements listed above in time to meet the published implementation date? If no, please explain.

Yes

QUESTION:

11.2*

Enhanced Platform for Law Enforcement Agencies and Public Safety Answering Point Providers

As a result of LNP, it is not possible to reliably identify the service provider responsible for a telephone number. However, this service provider information is essential to law enforcement agencies and entities performing public safety answering point (PSAP) functions in the performance of their official duties.

The LNPA must provide, in each Region, a service separate from the service provided to Users, to provide certain User Data elements to certain parties satisfying specific qualification requirements as either law enforcement agencies or PSAPs for the sole purpose of allowing such parties to use these User Data elements for their lawful law enforcement and public safety activities. This service shall be referred to as the Enhanced Law Enforcement Platform.

The requirements below are specific to the LNPA's provision of Enhanced Law Enforcement Platform services.

REQ 1: The LNPA shall provide to qualified law enforcement agencies and PSAPs access to certain portions of User Data to be used for lawful activities.

REQ 2: The Enhanced Law Enforcement Platform Service shall only be provided to law enforcement agencies and PSAPs, hereby referred to as Qualified Recipients.

REQ 3: The LNPA shall ensure that the Enhanced Law Enforcement Platform Service does not adversely affect the operation and performance of the NPAC/SMS, and any adverse effect shall be cause for termination of Enhanced Law Enforcement Platform Service.

REQ 4: The Enhanced Law Enforcement Platform Service help desk telephone number shall be different from any telephone number for NPAC/SMS Help Desk, and no charges or costs associated with the Enhanced Law Enforcement Platform Service help desk shall be included in any charges to NPAC/SMS Users with respect to Services.

REQ 5: The Enhanced Law Enforcement Platform Service shall only be provided to a Qualified Recipient if such party enters into and executes the Enhanced Law Enforcement Platform Service Agreement that satisfies the requirements set forth in the Master Agreements and that is in substantially the form approved by the NAPM LLC. Each Enhanced Law Enforcement Platform Service Agreement shall be only between the LNPA and the Qualified Recipient.

REQ 6: As part of the Enhanced Law Enforcement Platform Service, the LNPA shall make available the following Enhanced Law Enforcement Platform Data Elements:

- NPAC SPID of the service provider associated with a telephone number
- Identity of that service provider
- The date on which the port(s) from one service provider (by NPAC SPID) to another service provider (by NPAC SPID) occurred with respect to that telephone number
- The current contact name and number for each service provider as submitted in any manner to the NPAC by each service provider as its law enforcement and/or emergency contact

REQ 7: The LNPA shall employ an LSMS to provision current and historical Enhanced Law Enforcement Platform Data Elements into the Enhanced Law Enforcement Platform.

REQ 8: The LNPA shall provide access to the Enhanced Law Enforcement Platform by virtual private network (machine to machine) or Internet (person to GUI). Access to Enhanced Law Enforcement Platform shall be accomplished by authenticated, secure and encrypted means.

REQ 9: Enhanced Law Enforcement Platform services shall not provide Qualified Recipients, either directly or indirectly, access to the NPAC/SMS or any NPAC User Data other than the Enhanced Law Enforcement Platform Data Elements, and the Enhanced Law Enforcement Platform cannot provide any other data elements or information to Qualified Recipients whether or not such data elements or information if obtained from public sources or any other source.

REQ 10: The Enhanced Law Enforcement Platform Service shall allow a Qualified Recipient to query an unlimited number of times but may not request Enhanced Law Enforcement Platform Data Elements for more than 100 TNs per query.

REQ 11: The LNPA may authorize a Qualified Recipient to use Enhanced Law Enforcement Platform Data Elements received as part of the Enhanced Law Enforcement Platform Service only for lawful purposes within the statutory authority of the Qualified Recipient.

REQ 12: The LNPA shall require that each Qualified Recipient warrant that it will comply with all applicable laws, orders and regulations, including those applicable to the NPAC/SMS, including User Data.

REQ 13: The Enhanced Law Enforcement Platform Data Elements provided as part of the Enhanced Law Enforcement Platform Service, being User Data, shall remain User Data and Confidential Information.

REQ 14: LNPA shall re-verify once every calendar year each Qualified Recipient's organization.

REQ 15: The LNPA shall provide an annual report listing all Qualified Recipients in effect during the previous twelve-month period, and separately list all Qualified Recipients that were newly qualified during the same period.

REQ 16: The LNPA shall annually engage a third party acceptable to both the LNPA and the NAPM LLC, separately to complete an Enhanced Law Enforcement Platform Service

Audit to audit the LNPA's compliance with the following requirements:

- Qualify, evaluate confirm and report on Qualified Recipients
- Include in each Qualified Recipients Enhanced Law Enforcement Platform Service Agreement restrictions on the use of data
- Ensure there is no interaction between Enhanced Law Enforcement Platform and the production NPAC/SMS
- Charge each Qualified Recipient consistent with its Enhanced Law Enforcement Platform Service Agreement.

REQ 17: The costs and expenses of the Enhanced Law Enforcement Platform Service Audit shall be charged and accounted for separately from the costs and expenses of the GEP Audit. The cost and expenses of the Enhanced Law Enforcement Platform Service Audit shall be the responsibility of the LNPA.

REQ 18: The LNPA shall not be entitled to compensation of any kind with respect to the Enhanced Law Enforcement Platform Service from the NAPM LLC or Users and shall look solely to the respective Qualified Recipients for any and all compensation for the provision of the Enhanced Law Enforcement Platform Service (referred to as the Platform Charges). The LNPA must agree and acknowledge that the Enhanced Law Enforcement Platform Service is discretionary and elective within the meaning of Paragraph 92 of the Federal Communication Commission's Third Report and Order, FCC 98-82, and is not necessary for the provision of number portability. Accordingly, the LNPA must agree and acknowledge that the basis and methodology for the determination and computation of the Platform Charges and the allocation and assessment of the Platform Charges among respective Qualified Recipients are intended to constitute reasonable usage-based charges. Further, the LNPA must agree that Platform Charges shall not be more than Cost plus the Fee set forth in the Master Agreements, and that such Cost plus the Fee methodology will be a uniform, non-discriminatory, fair, and reasonable usage based charge, although the LNPA shall acknowledge the possibility that such methodology could be challenged. The LNPA must agree to compute and to allocate the compensation for the provision of Enhanced Law Enforcement Platform Service in a fair and non-discriminatory manner so that such Platform Charges are reasonable usage-based charges, consistent with the rules, regulations, orders, opinions and decisions of the FCC and other regulatory body having jurisdiction or delegated authority with respect to the NPAC/SMS or the Master Agreements.

REQ 19: In addition to the Enhanced Law Enforcement Platform Service Audit, within ninety (90) days after the end of each calendar year, the LNPA will cause its regular independent auditor to commence a review of the accuracy and validity of the Costs and Fees (as such terms are defined in the Master Agreements) and related calculations associated with the Enhanced Law Enforcement Platform Service (the Cost Review.) Within sixty (60) days after commencing the Cost Review, the auditor shall issue a sufficiently detailed report (the Cost Report) to the NAPM LLC validating the Costs incurred and the Fee applied and charged.

REQ 20: In addition to the Enhanced Law Enforcement Platform Service Audit and the Cost Review, the Enhanced Law Enforcement Platform Service shall be included in the Neutrality Review conducted every six months.

REQ 21: An Enhanced Law Enforcement Platform Service help desk support shall be established by the LNPA. The TN for such help desk services shall be different than any TN for a NPAC/SMS Help Desk and no charges or costs associated with the Enhanced Law Enforcement Platform Service help desk shall be included in any charges to NPAC/SMS Users with respect to services.

Does the Respondent's proposal fully comply with these requirements in time to meet the published implementation date? If no, please explain.

Yes

QUESTION:

LNPA Reports to NAPM LLC

The following is a list of required reports provided by the LNPA to the NAPM LLC at no cost; provided, however, that this list may be changed and reports deleted or added prior to entering into the Master Agreements for all Regions.

	Report Name	Frequency	Report Description
1	**Weekly LLC report - various SV counts**	Weekly	Report requested by LLC. Report shows count as of Sunday night, and change since previous report, of total EDR records and of SVs with EULV, EULT, and Billing ID data and SVs with VoIP, MMS, or SMS URI fields populated.
2	**Billable Transactions Report**	Monthly	Display of total industry "billable" transactions, by month/year and cumulatively.
3	**PE Reports**	Monthly	Also known as "Monthly Performance Report" for each of the 7 US regions. Package includes a tab for each report listed in rows a through r. Some of these are auditable under Element 2 of the GEP (as identified below).
a	Top 10 (Tickets)	Monthly	
b	(SLR) Performance	Monthly	Audited under Element 2 of the GEP
c	SLR 1 Detail	Monthly	Audited under Element 2 of the GEP
d	SLR 2 Detail	Monthly	Audited under Element 2 of the GEP
e	SLR 3 Detail	Monthly	Audited under Element 2 of the GEP
f	SLR 7 Detail	Monthly	Audited under Element 2 of the GEP
g	Service Unavailability	Monthly	Audited under Element 2 of the GEP
h	Billing	Monthly	Audited under Element 2 of the GEP
i	GEP Penalties	Monthly	
j	SOW Report	Monthly	Audited under Element 2 of the GEP
k	NPAC/SMS Test Platform Services	Monthly	
l	New Customers	Monthly	Audited under Element 2 of the GEP
m	IntraSP Pooling	Monthly	
n	LERG Pooling	Monthly	
o	(Block) Receipt & Activation	Monthly	Audited under Element 2 of the GEP
p	(Block) Modification	Monthly	Audited under Element 2 of the GEP
q	(Block) Reclamation	Monthly	Audited under Element 2 of the GEP
r	(Block) Pooled-Ported	Monthly	Audited under Element 2 of the GEP
s	Annual Summary	Annually	Audited under Element 2 of the GEP. Included with the December PE Reports.
4	**Performance Results**	Bi-monthly	A bi-monthly review of performance against SLR and GEP metrics as well as a presentation of audit and survey results.
5	**Enhanced Law Enforcement Platform Cost Review**	Annually	Required under SOW 53. A review by auditor of the accuracy and validity of the Costs and related calculations under Section 15.8(ii) of the Amendment.
6	**Enhanced Law Enforcement Platform**	Annually	Required under SOW 53. Audit of LNPA's compliance with the requirements in Sections 15.8(h), 15.8(f)(iv),

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		Service Audit report		15.8(f)(ii) and 15.8(f)(ix) of the Amendment.
11.3*	7	**Intermodal Cost Report (WDNC)**	Annually	Required under SOW 48. A review and determination by auditor of validity of the Costs and related calculations under Section 15.7(ii) of the Amendment.
	8	**Intermodal Services Audit Report (WDNC)**	Annually	Required under SOW 48. Audit of LNPA's compliance with section 15.7 of the Amendment.
	9	**NUE Findings Reports for PTRS User Application**	Per occurrence	Required under SOW 62. The NUE reviews each PTRS User Application to determine whether the applicant has a need to access to NPAC data ("User Data") and whether the applicant's intended use is a "Permitted Use."
	10	**NUE Annual Review**	Annually	Required under SOW 62. Each LNPA User Service is subjected to a Data, Pricing, and Payments Review to assure LNPA is subject to the same requirements and processes as any other User.
	11	**Neutrality Report**	Annually	Prepared by designated auditor. In addition to their opinion on our assertion of neutrality, this report focuses on neutrality of NPAC operations and LNPA as an NPAC User.
	12	**Neutrality Report**	Quarterly	Prepared by auditor. Auditor provides neutral third-party (approved by the FCC) opinion on LNPA's assertion of neutrality
	13	**CFO Certification**	Quarterly	CFO certifies LNPA has sufficient capital and expense funding to accommodate all NPAC related work for next six months. A product of the Assignment Agreement.
	14	**Annual Disaster Recovery exercise read-out**	Annually	Exercise is required under article 12.3 of Master Agreement.
	15	**RCA reports**	Per occurrence	Required under Element 5 of the GEP. Description of outage events, along with root-cause, outage times and corrective actions taken to restore service.
	16	**Post-Mortem Reports**	Per occurrence	Provides details of maintenance events including the work that was done, the time that the system was taken down and brought back up
	17	**Master Agreements and SOWs**	Annually	Provides a copy of all the Master Agreements and subsequent Amendments and SOWs
	18	**Evidence of NPAC Application Software Escrow**	Per occurrence	Required under Exhibit M of the Master Agreement. Evidence of Application Software Escrow. NAPM LLC counsel listed as a "beneficiary" so he gets notification of escrow deposit directly from data storage vendor.
	19	**Evidence of Billing Software Escrow**	Per occurrence	Required under Exhibit M of Master Agreement. Evidence of Billing Software Escrow. NAPM LLC counsel listed as a "beneficiary" so he gets notification of escrow deposit directly from data storage vendor.
	20	**Billable Transactions (broken down by conventional-LRN versus pseudo-LRN) without credit adjustments**	Monthly	Report required under SOW 79. The six "billable transaction" categories displayed on NPAC web site are further broken down into transactions involving conventional LRNs and transactions involving pseudo LRNs.
	21	**Capacity Report**	Monthly	Required under SOW 70. Provides history and two year projection of EDR record count.
	22	**Enhanced Law Enforcement Platform list of current users**	Annually	Required under SOW 53. Annual report lists all LEAs and PSAPs in effect during the previous twelve-month period, and separately lists all LEAs and PSAPs that were newly qualified during the same period.
	23	**WDNC list of current users**	Quarterly	Required under SOW 48. Quarterly report lists all applicants during the preceding quarter and all current recipients.
	24	**NPAC Customer List**	Monthly	List of all Users with access to each regional NPAC.
	25	**Miscellaneous Projects Status Reports**	n/a	Typically reported first to PEs and then to LLC. Recent examples are TN/LRN LATA mismatch clean-up status and results of Permitted Use Reminder distribution.

Does the Respondent acknowledge that its proposal will support providing the reports listed above at no additional charge to the NAPM LLC?

Acknowledged

11.4*

QUESTION:

LNPA Reports to FCC

Monthly reports are currently provided to the FCC by the LNPA. Coordination between the LNPA and the FCC will be necessary to determine the specific requirements. The expense of these reports shall be absorbed by the LNPA.

Does the Respondent acknowledge that its proposal will support providing the reports pursuant to FCC requests at no additional charge?

Acknowledged

12. MISCELLANEOUS REQUIREMENTS

12.1*

QUESTION:

Vendor Code of Conduct

Does the Respondent have a formal Code of Conduct policy? If so, please attach.

Yes

Optional Attachments:

RFP_Section 12.1_Vendor Code of Conduct.pdf (126.9 KB)
RFP_Section 12.1_Ericsson Code of Business Ethics.pdf (2.7 MB)

QUESTION:

12.2*

User Satisfaction Survey

The LNPA shall be responsible for planning, formulating, and conducting an annual User satisfaction survey. This survey will assist the LNPA on continuous improvement and facilitate User feedback, problem identification, and identify performance gaps and achievements. The results of the User satisfaction survey shall be used to ascertain the Users' level of satisfaction with LNPA Services. An annual report shall be delivered to the NAPM LLC.

REQ 1: The LNPA shall create and send an annual User satisfaction survey to all Users of NPAC/SMS. The LNPA shall conduct the survey and report its results at its own expense. The survey shall include questions about all aspects of the operations of the NPAC/SMS and the Services, including, but not limited to, Customer Service, Billing, Operations, New Service Roll Out and Industry Forums. The LNPA shall provide an opportunity to Users within the survey to add optional comments.

REQ 2: The LNPA shall receive approval from NAPM LLC of questions to be included on the User satisfaction survey prior to publication.

REQ 3: The LNPA User satisfaction survey shall be compiled anonymously so that names of Users are kept confidential in reporting the results.

REQ 4: The LNPA shall track survey results annually with comparisons of previous year's results. The LNPA shall use the results of the survey to identify performance gaps, create a corrective action plan and timeline for improvement and track to resolution.

REQ 5: The LNPA shall report results of each annual User Satisfaction Survey to the NAPM LLC.

Does the Respondent agree to conduct this annual User satisfaction survey in accordance with the requirements summarized above?

If the Respondent currently conducts a customer satisfaction survey, please attach the last five years results and a redacted sample of the survey.

Agree

Optional Attachments:

RFP_Section 12.2_User Satisfaction Survey.pdf (119.8 KB)
RFP_Section 12.2_2012 Customer Satisfaction Questionnaire.pdf (163.5 KB)
RFP_Section 12.2_2012 Customer Support Survey Results.pdf (146.3 KB)

12.3*

QUESTION:

Transition and Implementation Plan

The objective of the transition and implementation plan is to assure the continuity of NPAC/SMS functions in accordance with the appropriate requirements during a change in the LNPA or applicable Master Agreement in any Region. The plan will become necessary only if an LNPA other than the incumbent became the LNPA in any Region.

This plan must include both the anticipated transition period and a list of transition activities from the incumbent to the new LNPA. Respondent shall provide an implementation approach (tasks and milestones), staff management approach (staff categories and hours per task), risk management approach, change control approach, and quality assurance approach to develop, implement, and transition to the new NPAC/SMS without disrupting current or continuing NPAC operations within the published timeline. The incumbent LNPA and the new LNPA shall work cooperatively to facilitate a smooth transition and implementation of the NPAC/SMS.

Transition time intervals for individual functions and services performed by the LNPA shall be included in this transition and implementation plan to allow for an effective migration of responsibilities to the LNPA. The following assumptions should be used in the development of this plan:

- The new LNPA will assume all LNPA responsibilities over the course of the transition period
- The new LNPA will provide the resources needed to carry out its obligations during the transition and implementation
- The new LNPA will be thoroughly conversant with all industry administration and assignment guidelines including all the NPAC ecosystem requirements
- The new LNPA will absorb its own expenses related to its portion of the transition and implementation of the new NPAC ecosystem

If any of these assumptions are not met, the NAPM LLC reserves the right to cease transition activities until the LNPA resolves the deficiencies, after consultation and approval of the NAPM LLC. Penalties will be assessed to the selected vendor for failure to implement within the published timeline.

Does the Respondent agree to the requirements with respect to the transition and implementation plan as stated above?

Please attach the Respondent's proposed transition and implementation plan.

Agree

Optional Attachments:

RFP_Section 12 3_Transition and Implementation Plan.pdf (1.4 MB)

13. PRICING AND CONTRACT TERMS

13.1*

QUESTION:

Term of the Master Agreements in Each Region

Contract Term

The term of the Master Agreement in each of the Regions will be a seven year term (initial five year term with two optional one year renewals) to run from the conclusion of the current Master Agreements contract and/or acceptance of all Regions being live on the NPAC system, whichever is the later date, through the date that equals seven years thereafter, unless terminated earlier under terms and conditions to be determined through negotiations and set forth in the Master Agreements. The Master Agreements may be renewed for two subsequent, consecutive one year terms, subject to approval by the FCC or its delegate.

The NAPM LLC, after approval by the FCC or its delegate, must provide at least 30 days written notice to the LNPA of its intent to renew prior to the end of the initial five year term or any subsequent renewal term. The LNPA must provide at least 180 days written notice to the NAPM LLC of its intent not to renew prior to the end of the initial five year term or any subsequent renewal term.

Does the Respondent acknowledge the above-summarized initial term and renewal terms of the Master Agreements?

Acknowledged

QUESTION:

13.2*

Failure to Meet Requirements and Conditions of the NPAC/SMS

Each Master Agreement in each Region shall specify the requirements for a Project Plan and accompanying Test Schedule, setting forth the terms, conditions, milestones, and respective dates for testing and remediation of defects, and culminating in Acceptance of the NPAC/SMS and full operability and live in all Regions to Users. Each Master Agreement will also set forth the consequences and remedies for any failure or delay in satisfying and complying with the Project Plan and Test Schedule, ranging from the imposition of Performance Credits, Liquidated Damages, other monetary or injunctive remedies, to Termination of the Master Agreement.

Does the Respondent acknowledge the above-summarized consequences for failing to meet requirements and conditions of the NPAC/SMS?

Acknowledged

QUESTION:

13.3*

Payment Terms

In consideration of fulfillment and performance by the LNPA of its obligations to provide NPAC/SMS Services to Users in the separate Regions for the term of the Master Agreements, the LNPA shall be compensated exclusively by fees paid by Users pursuant to signed User Agreements and under Pricing Schedules to be negotiated and set forth in the Master Agreements. The LNPA will allocate all allocable charges to the Users based on their Service Provider Allocation Percentage as determined by the FCC Allocation Model or as otherwise directed by the FCC or other applicable authority, including legislation. The NAPM LLC will have no obligation to pay the LNPA any compensation for any Services or other amounts. The LNPA will not provide Services in any Region to any party except pursuant to an executed NPAC/SMS User Agreement. In addition to allocated charges, additional charges may be assessed to, and payable by, Users for each allowable service element requested by Users. For the purpose of pro-rating charges for partial months, each month will be deemed to have (30) days. Promptly after the end of each Billing Cycle, the LNPA will prepare and send to each User an invoice for the amount of its User Charges plus any other charges to be determined through negotiations and pursuant to the Master Agreements. The LNPA will also prepare and deliver to the NAPM LLC a report (Monthly Summary of Charges) setting forth the billing calculations for each User in each Region. All invoices will be due and payable within (45) days of the date of the invoice.

Does the Respondent acknowledge the above-summarized general description of the payment terms?

Acknowledged

QUESTION:

13.4*

Pricing Model

It is the expectation of the NAPM LLC that factors such as future and ongoing advances in database storage and retrieval technology, economies of scale resulting from NPAC/SMS database growth, and continuing operational efficiencies will serve significantly to lower the year-over-year cost of operating and administering the NPAC/SMS platform. The NAPM LLC requires that cost savings be passed on by the LNPA to Users and should be reflected in Respondent's bid price in response to this RFP Survey. In addition, by responding to this RFP Survey, Respondent agrees to meet with the NAPM LLC on a mutually agreed upon schedule during the term of the contract, but no less frequently than biennially, to review the ongoing cost to operate and administer the NPAC/SMS platform in order to adjust the annual flat fee for the remainder of the term of the Master Agreements to reflect any such savings achieved.

Allocable Charges

The pricing model will be an annual fixed fee with no annual price escalators, no transaction volume floor, no transaction volume ceiling, and no recovery or reserve for any unpaid User invoices. The LNPA will allocate the annual fixed fee to the Users based on their Service Provider Allocation Percentage as determined by the FCC Allocation Model or as otherwise directed by the FCC, its delegate, or other applicable authority, including legislation.

All Users not subject to allocable charges (because for example, they have no end-user telecommunications revenue upon which an allocated share can be assessed) will be invoiced $100 per year, per Region in which the User operates, in the form of an annual fee, and the LNPA shall reduce the overall allocable industry flat fee base with these collected charges.

Direct Charges

The cost of certain additional NPAC/SMS services requested by Users and provided by LNPA but which did not constitute Services under the Master Agreements, shall be billed directly to, and paid directly by, the requesting User and not allocated to other Users. These services subject to direct charges include the following:

1. Any recurring cost per Virtual Private Network (VPN) access to NPAC network
2. Any recurring cost per Dedicated Mechanized Interface to NPAC network
3. Cost per NPAC User manual request support
4. Cost per standard report requested by User
5. Cost per ad hoc report requested by User
6. Any non-recurring cost per log-on ID established
7. Any non-recurring cost per mechanized interface established (existing NPAC users are not to be treated as new entrants)
8. Cost to support new carrier initial LSMS interoperability testing (existing NPAC users are not to be treated as new entrants)
9. Cost to support new carrier initial SOA interoperability testing (existing NPAC users are not to be treated as new entrants)
10. Per hour cost for LNPA test engineer support subsequent to initial system testing

If Respondent has any additional direct charges in its proposal, please provide details and pricing in Section 14.3.

Statements of Work

The cost for any Statements of Work requested by the NAPM LLC in any Region during the term of the Master Agreements, whether generated as a result of NANC Change Orders developed, approved, and recommended by the LNPA-Working Group, or generated directly from the NAPM LLC, shall be included as part of the annual fixed price and shall not result in a separate additional charge or an increase in the annual fixed price. The cost for any Statements of Work generated at the request of an individual User shall be borne by the User or Users requesting a Statement of Work; provided, however, that any such Statement of Work nonetheless still requires approval of the NAPM LLC and may not degrade or affect the performance of the NPAC/SMS or the delivery of Services.

Does the Respondent acknowledge the above-summarized Pricing Model and agree to be bound thereby in accordance with the Master Agreements?

Acknowledged

13.5*

QUESTION:

Most Favored Customer

During the term of the Master Agreements in each Region, the terms and conditions offered to Users for Services shall be at least as favorable as the terms and conditions, including the pricing, provided by the LNPA to any other customers who receive NPAC/SMS-type services under comparable agreements. If the LNPA provides more favorable terms to another customer for NPAC/SMS services of the type received by Users pursuant to the Master Agreements in any Region, subject to the following paragraph, the NAPM LLC may substitute all or any portion of such more favorable terms for the terms of Master Agreements and the NPAC/SMS User Agreements, including, if appropriate, the lowest charges included in such terms, retroactive to the date the more favorable terms became effective as to such other customer of the LNPA.

The Master Agreements shall establish processes and procedures for determining the application and operation of this Most Favored Customer Clause, including, but not limited to, the process for determining if certain services or contracts are comparable, for evaluating whether certain terms are more or less favorable, whether terms must be considered in conjunction with other terms because they are related, the process by which the LNPA must advise the NAPM LLC upon entering into a comparable agreement, and the process by which the NAPM LLC can elect more favorable terms. "Terms" includes, but is not limited to, rates, prices, charges, target amounts, liquidated damages, contractual terms and conditions, or any other contractual element (including, without limitation, service level requirements) affecting the price of NPAC/SMS Services offered or the rights or obligations of the parties or Users under either this Agreement or the NPAC/SMS Users Agreement.

Does the Respondent acknowledge the above-summarized Most Favored Customer Clause and agree to be bound thereby in accordance with the Master Agreements?

Acknowledged

13.6*

QUESTION:

Best and Final Offer

After responses are submitted to this RFP survey, the NAPM LLC FoNPAC may decide to seek best and final offers from one or more Respondents.

A best and final offer may be requested for any number of reasons, including but not limited to, the following: clarification or revision of certain technical items or responses to the RFP survey, the Vendor Qualification survey, or the TRD survey; revised pricing or costs; clarification of certain pricing or cost items; subcontracting plans; and certification of cost or pricing data. If a best and final offer is requested of any bidder, each bidder that has submitted a bid that the NANC/NAPM has not otherwise disqualified, shall have the opportunity to submit a best and final offer.

If the NAPM LLC FoNPAC decides to seek best and final offers, selected Respondents will be notified of the areas to be addressed and the date and time in which the best and final offer must be returned. Proposal scores may be adjusted in light of the new information received in the best and final offer. A best and final offer may be requested on price/cost alone.

Does the Respondent acknowledge the above-summarized best and final offer procedure and agree to be bound by it?

Acknowledged

14. SUBMITTING BIDS

14.1*

QUESTION:

Bid Process Overview

All bids/proposals in response to this RFP survey must be submitted through the Iasta® SmartSource SRM® Tool. Hard copy, facsimile, or Email bids/proposals will not be considered qualifying responses for this RFP survey.

A Respondent may submit proposals for one, all, or any combination of some but not all of the seven Regions. A Respondent may submit proposals for one or more Regions individually (each referred to as a "Regional Proposal"), for one or more combinations of Regions together, either for fewer than all Regions (each referred to as a "Partial Combined Proposal") or for all seven Regions (referred to as a "Full Combined Proposal").

In addition to being evaluated as individual Regional Proposals, all of a Respondent's Regional Proposals automatically shall be combined and evaluated as Partial Combined Proposals and, if for all Regions, as a Full Combined Proposal, unless a Respondent expressly submits one or more Partial Combined Proposals or a Full Combined Proposal, or the Respondent expressly limits any of its Regional Proposals from being evaluated as Partial Combined Proposals or a Full Combined Proposal.

If a Respondent submits both (a) individual Regional Proposals for more than one Region or for all Regions and (b) a Partial Combined Proposal or Full Combined Proposal for any combination of those same Regions, then Respondent must itemize and explain the reasons for the differences, including the determination of price, between the Regional Proposals and the Partial or Full Combined Proposal that include those same Regions.

If a Respondent submits one or more Regional Proposals or a Partial Combined Proposal, then such Respondent must itemize and explain with specificity how such Respondent will coordinate its NPAC solution in the Regions in which it has made a proposal with the NPAC solution or solutions in other Regions in which it has not made a proposal and how it will overcome the resultant complexities of multiple LNPAs and allocate or absorb the costs and expenses of such coordination and complexity. In addition, such Respondent must also answer the following questions:

1. What would be the additional complexities, costs, and support necessary for national Service Providers, or Service Providers serving territory in two or more Regions served by different LNPAs, to connect their SOAs and LSMSs to multiple LNPA NPAC platforms and maintain those multiple connections, and how would those additional costs be determined, allocated, or absorbed?
2. How would national Service Providers, or Service Providers serving territory in two or more Regions served by different LNPAs connect their test bed platforms to multiple NPAC LNPA test beds in different Regions and how would additional costs be determined, allocated, or absorbed?
3. How would NPAC releases and carrier deployment of new features be implemented over NPAC solutions of different LNPAs in different Regions, and how would additional costs be determined, allocated, or absorbed?
4. What would be the additional complexities, costs, and support necessary to conduct annual disaster recovery and failover testing for each additional LNPA in separate Regions, and how would additional costs be determined, allocated, or absorbed?
5. What would be the additional complexities, costs, and support necessary for national Service Providers, or Service Providers serving territory in two or more Regions served by different LNPAs, to obtain reports and data from NPAC solutions of different LNPAs in different Regions, and how would additional costs be determined, allocated, or absorbed?
6. How would the following matters be addressed and what would be the additional complexities and how would additional costs be determined, allocated, or absorbed:
   a. Coordination of tunable parameter changes among multiple NPAC LNPAs;
   b. Coordination of SPID migration limitations and process;
   c. Coordination of NPAC software release development and implementations among different LNPAs that could have different development cycles;
   d. Resolution of differences among LNPA software implementations, some of which could be service-affecting;
   e. Consolidation of data and information from multiple LNPAs into one LNPA WG website;
   f. Changes to Service Provider local systems;
   g. Resolution of disputes over software release development and implementation differences;
   h. Neutral Change Management Administration;

i. Development of Service Provider internal processes to accommodate differences in multiple LNPA M&Ps;
j. Processing, verifying, forecasting, and paying bills to multiple LNPAs;
k. Access, coordination, and management of Enhanced Law Enforcement Platform and Intermodal TN ID Service by multiple LNPAs; and
l. Negotiation, execution, and reconciliation of differences in Master Agreements with multiple LNPAs?

The NAPM LLC, working in conjunction with the NANC, will recommend for selection an LNPA in each of the seven Regions pursuant to the evaluation criteria stated in the RFP. The selection of the LNPA will be made without the requirement of discussions or interviews, but discussions and interviews may be held if desired by the FoNPAC. All Respondents are encouraged to submit their best proposal; each Respondent's proposal in response to this RFP survey should contain the Respondent's best terms from a technical, management, and cost standpoint, as outlined in Section 14.1.1.

The Respondent acknowledges the above bid process overview.

Please provide an attachment addressing the questions above, as necessary.

Acknowledged

Optional Attachments:

RFP_Section 14.1_Multi-Vendor NPAC-TNS.pdf (1.1 MB)
RFP_Section 14.1_Bid Process Overview – Regional Responses.pdf (423.4 KB)

14.1.1*

QUESTION:

Evaluation Criteria

This Section summarizes the evaluation criteria that will be used for evaluation of proposals, selection, and award. After a Respondent has satisfied the Vendor Qualification Criteria set forth in the Vendor Qualification survey, the following factors will be evaluated and considered based on the quality and thoroughness of the response and a demonstration of a complete understanding of the requirements in the RFP survey and the TRD survey.

Basis for Award

Each Respondent's proposal submitted in response to this RFP survey will be evaluated against the following criteria listed in order of importance: Technical, Management, and Cost. Technical merit plays a significant role in selecting the LNPA. The Technical and Management criteria when combined are significantly more important than the Cost criterion alone. If Respondents' Technical and Management merits are not significantly disparate, the Cost may become determinative. Each Respondent is encouraged, therefore, to submit as a response to this RFP survey a proposal with sound Technical and Management merits, supported by competitive pricing. Subject to FCC oversight, the selection of an LNPA in each of the seven regions will be made on a determination of which technically acceptable proposal(s) is most advantageous to the industry and other affected individuals or entities, considering price and the other evaluation criteria stated in the RFP survey.

A. Technical Criteria

The following are the factors constituting the technical criteria. Factor 1, Factor 2 and Factor 3 are equally important.

Factor 1, Operational Performance

The Respondent demonstrates an understanding of and competency in all operational performance aspects of the NPAC ecosystem for the full term of the Master Agreements in each Region. Factors of operational performance include, but are not limited to, the following requirements:

- Volume/Throughput
- Service Level
- Change Management
- Audit Administration
- Reporting

Factor 2, Reliability and Functionality

The Respondent demonstrates an understanding of and competency in the requirements to operate the system, and to provide the service during the term of the Master Agreements in each Region. The Respondent also demonstrates an understanding of and competency in the system availability, testing, disaster recovery, backup, and help desk requirements and provides confidence (through analysis or other demonstrable means) that their NPAC/SMS will enable the Respondent to meet all SLRs and other system performance requirements.

Factor 3, Security

The Respondent demonstrates a full understanding of and competency in the security requirements to operate the NPAC/SMS. This includes meeting all data security and privacy requirements.

If the Respondent does not submit a single proposal for all Regions or Respondent's submission does not equate to a combined bid for nationwide service for all Regions, the Respondent must provide explanations, itemization, and responses to the matters set forth in 14.1 above.

B. Management Criteria

The following are the factors constituting the management criteria. Factor 1 is most important. Factor 2 is more important than Factor 3.

Factor 1, Customer Service

The Respondent demonstrates the ability to provide excellent customer service to a wide spectrum of organizations, customers, and stakeholders.

Factor 2, Vendor Experience and Performance

The Respondent's past performance demonstrates the ability to:

- Develop and deploy a comparable automated system;
- Staff , manage, and operate an NPAC or comparable service operation;
- Meet schedule requirements and manage contract costs;
- Communicate with and support a wide spectrum of organizations, customers, and stakeholders;
- Provide full financial and operational reporting and insight;
- Develop and implement escalation procedures; and
- Survey end users to gain feedback on help desk and user experience.

Factor 3, Financial Stability

The Respondent demonstrates that it has the financial strength and s tability to endure negative economic impacts.

C. Cost Criteria

Please refer to Section 13.4 of this RFP survey - Pricing Model.

Technical merit plays a more significant role than cost in determining contract award. The non-cost evaluation factors when combined are significantly more important than cost. As Respondent's technical proposals become more equal, cost may become the determining factor. Competition will be used to determine price reasonableness.

If the Respondent does not submit a single proposal for all Regions or Respondent's submission does not equate to a combined bid for nationwide service for all Regions, the Respondent must provide explanations, itemization, and responses to the matters set forth in 14.1 above.

Does the Respondent acknowledge the above-summarized evaluation criteria and agree to be bound by them?

Acknowledged

14.2

QUESTION:

Allocable Charges

Each Respondent must attach an Excel spreadsheet based upon the sample yearly flat rate pricing table specified below for each of its proposals separately for each of the seven years (initial five year term with two optional one year renewals) of the term of all Master Agreements. If a Respondent submits proposals for each Region separately, then the flat rate pricing table must be provided for each such Region; if the Respondent submits a proposal for any combination of all or fewer than all Regions, then the flat rate pricing table must be provided for each combination of Regions. More than one flat rate pricing table may be submitted depending on the Respondent's proposals, but each flat rate pricing table must be clearly labeled. Provide complete and precise dollar amounts where applicable. Each year is defined as the period beginning July 1 and ending June 30 of the following year.

The pricing model will be an annual fixed fee with no annual price escalators, no transaction volume floor, no transaction volume ceiling, and no recovery of any unpaid User invoices from the rest of the industry. The LNPA will allocate the annual fixed fee to the Users based on their Service Provider Allocation Percentage as determined by the FCC Allocation Model or as otherwise directed by the FCC or other applicable authority, including legislation.

All Users not subject to allocable charges or with no end-user telecommunications revenue will be invoiced $100 per year, per region in the form of an annual fee, and LNPA shall reduce the overall allocable industry flat fee base by these collected charges.

Please attach a detailed Excel document using the sample formatting below.

	Year 2015-2016	Year 2016-2017	Year 2017-2018	Year 2018-2019	Year 2019-2020	Year 2020-2021	Year 2021-2022
Allocable Industry Flat Fee in U.S. Dollars for All Combined NPAC Regions	(no answer)	(no answer)	(no answer)	(no answer)	(no answer)	(no answer)	(no answer)
Allocable Industry Flat Fee in U.S. Dollars for MidAtlantic NPAC Region	(no answer)	(no answer)	(no answer)	(no answer)	(no answer)	(no answer)	(no answer)
Allocable Industry Flat Fee in U.S. Dollars for MidWest NPAC Region	(no answer)	(no answer)	(no answer)	(no answer)	(no answer)	(no answer)	(no answer)
Allocable Industry Flat Fee in U.S. Dollars for NorthEast NPAC Region	(no answer)	(no answer)	(no answer)	(no answer)	(no answer)	(no answer)	(no answer)
Allocable Industry Flat Fee in U.S. Dollars for SouthEast NPAC Region	(no answer)	(no answer)	(no answer)	(no answer)	(no answer)	(no answer)	(no answer)
Allocable Industry Flat Fee in U.S. Dollars for SouthWest NPAC Region	(no answer)	(no answer)	(no answer)	(no answer)	(no answer)	(no answer)	(no answer)
Allocable Industry Flat Fee in U.S. Dollars for West Coast NPAC Region	(no answer)	(no answer)	(no answer)	(no answer)	(no answer)	(no answer)	(no answer)
Allocable Industry Flat Fee in U.S. Dollars for Western NPAC Region	(no answer)	(no answer)	(no answer)	(no answer)	(no answer)	(no answer)	(no answer)
Optional Regional Combination (must identify Regions)	(no answer)	(no answer)	(no answer)	(no answer)	(no answer)	(no answer)	(no answer)

Optional Attachments:

RFP_Section 14.2_Pricing Summary.pdf (284.8 KB)
RFP_Section 14.2_Allocable Charges (Offer 1of2, Combined).xlsx (18.9 KB)
RFP_Section 14.2_Allocable Charges (Offer 2of2, Regional Combination).xlsx (19.1 KB)

14.3*

QUESTION:

Direct Charges

The cost of certain services requested by Users and provided by the LNPA shall be billed directly to the requesting User and not allocated to all Users. These services subject to direct charges are shown in the direct charges table provided. Each year of the initial term of the Master Agreements is defined as the period beginning July 1 and ending June 30 of the following year.

Each Respondent shall fill out each cell in the direct charges table for each of its proposals, if any, (in U.S. dollars) for all seven Regions for each of the seven years (initial five year term with two optional one year renewals) of the term of all Master Agreements. Each cell must be populated with a complete and precise dollar amount. Appropriate entries are numeric only and cells must not be left blank. The direct charges table should only be completed once and the charges will be applicable to each Region.

Please fill out each required box in the table below and also attach an Excel document using the same format.

In addition, if the Respondent has other direct charges, please include the pricing schedule and details for those additional direct charges in the same Excel document.

[redacted]

[redacted]

15. OPTIONAL ATTACHMENTS

QUESTION:

15.1

(OPTIONAL)

Attach any supplemental documentation here.

Attachments:

RFP_Section 15.1_Supplemental Documentation.pdf (2 MB)

16. NEXT STEPS

STATEMENT:

16.1

Next Steps

The FoNPAC will evaluate all responses to the RFP survey, the Vendor Qualification survey, and the TRD survey. The FoNPAC's evaluation is expected to commence on or about April 5, 2013 per the published timeline. The FoNPAC expects to present its recommendation for selection of a successor LNPA to the NAPM LLC for consideration, and the NAPM LLC expects to make its recommendation to the NANC SWG no later than August 5, 2013.

Upon consensus of the NANC SWG expected about August, 2013, the NANC SWG expects to present its recommendation for selection of a successor LNPA to the NANC for approval in August 2013. The NANC chair will then seek to reach consensus on the recommendation and present that consensus recommendation, along with the evaluation report substantiating that recommendation (including the final number of votes for each Respondent), to the FCC or its delegate, for approval as directed in Order DA 11-883. If consensus cannot be reached in the NANC, the NANC chair shall inform the FCC and forward the NAPM LLC's, NANC SWG's, and NANC's separate evaluation information to the FCC. Upon receipt of this documentation, the FCC will select a successor LNPA around September 2013, and communicate its decision to the NANC chair and the NAPM LLC.

The NAPM LLC shall notify all Respondents concerning the successor LNPA, and the SWG will then be disbanded. The NAPM LLC will commence contract negotiations with the successor LNPA around September 2013, and work to enter into definitive Master Agreements in all Regions by or before February 2014. The NAPM LLC will submit the completed Master Agreements to the FCC for review and approval by or before February 2014. Per the published timeline, FCC approval of the Master Agreements in all Regions is anticipated around March 2014.

The NAPM LLC and the LNPA will execute the Master Agreements on or about March 2014, and the LNPA will be directed by the NAPM LLC to initiate the design, development, system testing, vendor and industry certification process for the successor NPAC/SMS in order to deliver a properly and fully functional NPAC system no later than June 28, 2015.

Notwithstanding the foregoing, these anticipated dates may change.

Please note: Your response has been submitted to the sponsor. It is final and may not be edited.

Section 4 – Vendor Performance Audits

RFP_Section 4.3_Business Continuity Plan Requirements

[redacted]

[redacted]

[redacted]

[redacted]

RFP_Section 4.3

ExampleBCPSG

ENTIRE DOCUMENT IS

HIGHLY CONFIDENTIAL

Telcordia00032 – Telcordia00036

RFP_Section 4.3

ExampleBCPTT

ENTIRE DOCUMENT IS

HIGHLY CONFIDENTIAL

Telcordia00037 – Telcordia00083

Section 7 – Required Enhancements and Future Considerations

RFP_Section 7.3_Required Enhancements and Future Considerations Response

1 Introduction

[redacted]

[redacted]

2 Required Enhancements

2.1 Alternative Interface

2.1.1 Enhancement Opportunity

The LNPA WG has expressed interest in implementing an alternate to the current CMIP mechanized interface. The Telcordia team has been actively participating in the LNPA Working Group discussions and providing contributions regarding the formation and development of NANC Change Order 372.

2.1.2 Compliance

The Telcordia NPAC/SMS will support this enhancement as defined in Change Order 372 and associated existing documents (FRS, IIS) and new documents (XML Interface Specification). Telcordia's response to this RFP survey includes all costs to develop and implement.

[redacted]

[redacted]

2.1.3 Benefit

Service Providers and Service Bureaus that operate a mechanized interface between NPAC and their local SOA and LSMS systems will be able to choose the interface to utilize to best meet their business and technical objectives.

2.1.4 Proposed Changes

[redacted]

[redacted]

2.2 Support of IPv6

2.2.1 Enhancement Opportunity

Due to the impending exhaustion of the IPv4 addressing currently in use, NPAC/SMS support of IPv6 addressing is being proposed in NANC Change Order 447. The NPAC/SMS must support dual IPv4 and IPv6 stacks. In March 2012 the LNPA WG agreed to the content in NANC Change Order 447 for eliminating non-EDR support and submitted it to the NAPM LLC.

2.2.2 Compliance

The Telcordia NPAC/SMS will support this enhancement as defined in NANC Change Order 447. Telcordia's response to this RFP survey includes all costs to develop and implement.

2.2.3 Benefit

IPv6, or Internet Protocol version 6, is the successor to Internet Protocol Version 4. IPv4 provides the addressing mechanism that has been used to address computers on the internet since the internet was founded as a research project. IPv6 provides two main improvements over IPv4, namely

- a vastly increased address pool
- increased efficiency processing packet headers

The immediate driver for switching from IPv4 to IPv6 is the imminent exhaustion of the IPv4 address space.

Many Service Providers, through corporate initiatives, are streamlining their networks and would like to use IPv6 as the addressing scheme used to:

- connect their local systems (LSMS and SOA) to the NPAC for the CMIP Interface
- web interface
- and SFTP file transfer.

2.2.4 Proposed Changes

OSI Stack support for IPv6

The Open Systems Interface (OSI) Stack used for communication between the Service Provider Local Systems and the NPAC uses the IP layer at its lowest level. The stack is able to utilize to both an IPv4 and an IPv6 address and can establish a CMIP association via either IP address. As a result, the Telcordia NPAC Solution is able to communicate with Local Systems using either IPv4 or IPv6 addressing.

The solution leverages the DataUnits OSI stack technology which has been in production more than five years. DataUnits is currently used in over a dozen service provider locations as part of their LNP local system and test environment solutions. It is hardened product that has a proven track record regarding reliability and functionality.

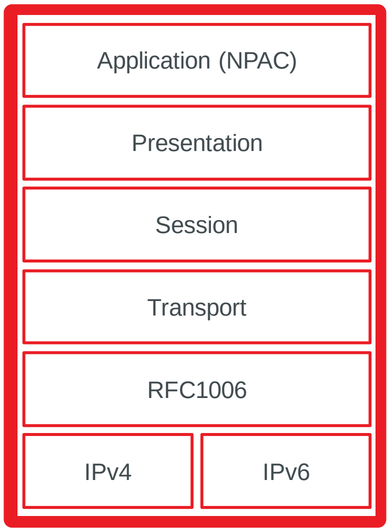

Figure 1 – OSI Stack Support for IPv6

2.3 Elimination of NPAC/SMS support of Non-EDR

2.3.1 Enhancement Opportunity

The NPAC/SMS has previously supported Number Pooling supporting both EDR (Efficient Data Representation) and Non-EDR porting flows on a per service provider basis. In March 2012 the LNPA WG agreed to the content in NANC Change Order 448 for eliminating non-EDR support and submitted it to the NAPM LLC.

2.3.2 The Description of Change from NANC 448

The proposed change order modifies the NPAC to use only Number Pool Blocks (NPBs) when downloading Number Pool information to the LSMS. This applies to activates, modifies, and disconnects of Number Pool Blocks. Upon implementation of this change order, no pooled Subscription Versions will be broadcast to any LSMS, and all SPIDs will be considered EDR capable. Furthermore, there will be no ability to restore the non-EDR functionality. The removal of other embedded software that deals with non-EDR (e.g., business rules, database, CMIP processing) will be updated as NPAC Development Team resources become available.

2.3.3 Compliance

The Telcordia NPAC/SMS will support this change as defined in NANC Change Order 448 and associated requirements specification documents (FRS, IIS). Telcordia's response to this RFP survey includes all costs to develop and implement.

2.3.4 Benefit to the Industry

Removal of Non-EDR will simplify and consolidate a number of the porting flows supported by NPAC/SMS to interface with each LSMS.

2.3.5 Proposed Changes

[redacted]

3 Future Considerations

3.1 Automation of processes between the NPAC/SMS and the Pooling Administration System (PAS)

3.1.1 Enhancement Opportunity:

The Telcordia next-generation NPAC/SMS architecture is flexible enough to support any required enhancement in the future to incorporate automation of the described processes between the NPAC/SMS and the PAS including:

- Provisioning of Part 1B Forms
- Provisioning of SP requests that effect PAS (activation, deletes, modifications of blocks)

Telcordia notes that to the extent there is not an interface available today for it to match, the proposed process described below may also require some minor changes to PAS that may need to be worked via the Industry Numbering Committee and the NANC Oversight Working Group. Telcordia commits to providing the necessary resources to support that industry effort.

3.1.2 Potential Changes

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

REDACTED – FOR PUBLIC INSPECTION

[redacted]

[redacted]

[redacted]

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[redacted]

[redacted]

[redacted]

[redacted]

3.1.3 Benefit

[redacted]

3.1.4 Compliance

[redacted]

3.2 Combining steps for Intra-Service Provider ports

3.2.1 Enhancement Opportunity

The NPAC/SMS currently requires separate steps and messages for the creation and activation of Intra-Service Provider (SP) ports. It may be required in the future to combine the creation and activation steps for Intra-Service Provider ports into one step and message.

3.2.2 Compliance

The Telcordia NPAC/SMS will support this potential future enhancement if it is required by the industry.

3.2.3 Benefit to the Industry

[redacted]

3.2.4 Potential Changes

[redacted]

- [redacted]

[redacted]

- [redacted]
- [redacted]

[redacted]

[redacted]

3.3 Inter-carrier Communications

3.3.1 Enhancement Opportunity

In the existing NANC flows, the new and old service providers involved in a port communicate with each other, prior to interacting with the NPAC/SMS, to validate and confirm that the TN or set of TNs can be ported. In the future, the industry may desire to incorporate this inter-carrier communication process into the NPAC/SMS. Incorporating this functionality would make the U.S. NPAC functionality similar to the NPAC PLUS functionality in the Telcordia Number Portability Clearinghouse that is deployed in 15 countries around the world.

3.3.2 Compliance

The Telcordia NPAC/SMS will support this enhancement if it is required by the industry. [redacted]

3.3.3 Benefit to the Industry

[redacted]

[redacted]

- [redacted]
- [redacted]
- [redacted]
- [redacted]
- [redacted]

3.3.4 Potential Changes

3.3.4.1 Defining the Solution

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3.3.4.2 General Changes and Impacts

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3.3.5 Conclusion

[redacted]

[redacted]

4 Future Mandated Changes

[redacted]

4.1 PSTN to IP Transition

[redacted]

4.1.1 Introduction

[redacted]

4.1.2 Aspects of an IP Environment that Require NPAC Consideration

4.1.2.1 IP environments are geographically neutral,

[redacted]

4.1.2.2 Routing and Interconnection in a PSTN-IP Environment

[redacted]

[redacted]

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4.1.2.3 IP Address Resolution, ENUM and The Role of NPAC

[redacted]

[redacted]

[redacted]

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[redacted]

[redacted]

[redacted]

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[redacted]

[redacted]

4.1.3 Compliance

[redacted]

[redacted]

[redacted]

Section 7 – REQUIRED ENHANCEMENTS AND FUTURE CONSIDERATIONS

RFP_Section 7.4_Additional Information Regarding Cloud Computing – Optional

1.1 Enhancement Opportunity

Please provide Respondent's view regarding the applicability for incorporating cloud computing to enhance the operations and functionality of the NPAC/SMS.

1.2 Considerations

[redacted]

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Section 7 – REQUIRED ENHANCEMENTS AND FUTURE CONSIDERATIONS

RFP_Section 7.5_Additional Information Regarding Web Services Interface – Optional

1.1 Enhancement Opportunity

Please provide Respondent's view regarding the applicability for incorporating a web services interface to enhance the operations and functionality of the NPAC SMS.

1.2 Considerations

[redacted]

[redacted]

[redacted]

[redacted]

- [redacted]

[redacted]

ERICSSON

CODE OF BUSINESS ETHICS

AN OVERVIEW

of fundamental Group policies and directives guiding
our relationships to each other and to our stakeholders.

Further details and additional rules for specified areas of operations are found in the Group Policies[1] and Group Directives[2] as well as in local instructions.

[1] Group Policies:
http://internal.ericsson.com/page/hub_inside/company/management_and_control/group_policies/index.jsp

[2] Group Directives:
http://internal.ericsson.com/page/hub_inside/company/management_and_control/group_directives/index.jsp

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LETTER FROM THE PRESIDENT

Dear Colleagues,

Integrity and ethics have always characterized the way we conduct business at Ericsson. Working with a strong sense of integrity is critical to maintaining trust and credibility with our customers, partners, colleagues, shareholders and other stakeholders. The Code of Business Ethics is our guiding framework.

I expect all employees to share a commitment to the highest level of integrity and ethics in the conduct of business. As an employee and a responsible corporate citizen, you must acknowledge the Code of Business Ethics and follow the Code in your daily work. It is up to each one of us to support Ericsson's strong ethical reputation as a trusted partner to our stakeholders.

Hans Vestberg
President & CEO
May 2012

OUR GUIDING PRINCIPLES

We at Ericsson share the commitment to the highest level of integrity and ethics in the conduct of business. Integrity and ethics have always characterized the way we conduct business. Operating with a strong sense of integrity is critical to maintaining trust and credibility with our customers, partners, employees, shareholders and other stakeholders.

Creating an environment of transparency in the conduct of business is a high priority for all of us. Our Code of Business Ethics is our promise to operate with candor and truthfulness in our dealings and communications to the marketplace. We expect that the company will be operated in accordance with the principles set forth in this Code and that everyone, from the members of the Board of Directors and the Executive Leadership Team to each individual Ericsson employee, will be held accountable for meeting these standards.

Our Code of Business Ethics contains rules regarding individual and peer responsibilities, as well as responsibilities to our employees, customers, suppliers, shareholders and other stakeholders and includes:

- Compliance with laws, rules and regulations (including insider trading laws)
- Protecting confidential and other proprietary information and that of our customers and vendors
- Protection and proper use of company assets
- Respecting human rights throughout our business operations
- Dealing with conflicts of interest
- Promoting full, fair, accurate, timely and understandable disclosure in financial reports and other public communications
- Protecting the environment
- Supporting the reporting of any unlawful or unethical behavior

OUR RESPONSIBILITY FOR COMPLIANCE

Each of us is required to review and follow this Code, as well as to comply with all applicable laws and Ericsson's Group policies and directives. Failure to do so may result in civil and criminal liability and may result in disciplinary actions including termination of employment.

We place additional responsibilities on our managers. They must, through their actions, demonstrate the importance of compliance. Leading by example is critical, as is being available for employees who have ethical questions or wish to report possible violations.

Managers must ensure that this Code is enforced through appropriate disciplinary measures. Managers may not turn a blind eye toward unethical conduct.

Waivers of this Code of Business Ethics may be granted on a case-by-case basis but only in extraordinary circumstances. Waivers of this Code for employees may be made only by a member of the Executive Leadership Team. Any waiver of this Code for our directors, CEO or other senior officers with financial reporting responsibilities may be made only by our Board of Directors or the appropriate committee of our Board of Directors

.

REPORTING VIOLATIONS

Employees - 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 to their manager or in accordance with locally established procedure. If the manager is involved in the situation or cannot or has not adequately addressed the concerns, employees are advised to report to a manager of higher rank or in accordance with locally established procedure.

Suppliers, customers and others - Other persons than employees, such as suppliers, customers and other partners involved with Ericsson, may report suspected violations of laws or the Code of Business Ethics to the local operations manager or in accordance with locally established procedure.

Ericsson Reporting Violations - If none of the above mentioned reporting channels is available or appropriate, and if the alleged violation

- is conducted by Group or local management, and
- relates to corruption, questionable accounting or auditing matters or otherwise seriously affects vital interests of the Group or personal health and safety,

the violation may be reported through the whistleblower process Ericsson Reporting Violations. Reports can be handled in the process if in accordance with local legislation applicable to persons involved. Information about the Ericsson Reporting Violations process is available on the Ericsson intranet[1] and on the Ericsson website[2].

Managers are expected to seriously address a reported issue and work to ensure a satisfactory resolution in alignment with our Group ethics and values and with any local statutory or regulatory obligations. Ericsson will not accept any discrimination of or retaliation against the individual reporting the violation for having in good faith reported alleged violations.

[1]http://internal.ericsson.com/page/hub_inside/support/audits_ass_cert/rep_violations/index.jsp

[2]http://www.ericsson.com/thecompany/corporate_governance/code_of_business_ethics/reporting_violations

RESPECTING HUMAN RIGHTS THROUGHOUT OUR BUSINESS OPERATIONS

The UN Guiding Principles for Business and Human Rights[3] call for companies to respect internationally recognized human rights throughout their value chain and within their sphere of influence. We actively work to integrate these principles into our governance framework.

For the purpose of protecting human rights and promoting fair employment conditions, safe working conditions, responsible management of environmental issues and high ethical standards, our Code of Conduct shall be applied in the production, supply and support of Ericsson products and services worldwide.

Anyone working for Ericsson should be entitled to his or her basic human rights and should not be forced to suffer physically or mentally from his or her work in any way. We recommend that all employees should be free to peacefully and lawfully form and join associations of their own choosing, and should have the right to bargain collectively. Ericsson does not accept child labor.

No employee should be discriminated against because of e.g. race, color, sex, sexual orientation, marital status, pregnancy, parental status, religion, political opinion, nationality, ethnic background, social origin, social status, disability, age or union membership.

All employees should know the basic terms and conditions of their employment. We recommend that all employees with the same experience, performance and qualifications receive equal pay for equal work with respect to those performing the same jobs under similar working conditions.

The health of the workers and the safety of the workplace shall always be a priority concern. This applies to all aspects of working conditions including labeling and handling of chemicals, noise level, temperature, ventilation, lighting and quality of and access to sanitary facilities.

Ericsson supports the United Nations Global Compact[4] initiative, covering the areas of human rights, labor standards, environmental management and anti-corruption. In order to make this commitment clear to employees, suppliers, customers and other stakeholders, our Code of Conduct is based on the Global Compact's ten principles and is publicly available on Ericsson's website[5] .

Suppliers and their subcontractors shall be required to comply with the Code of Conduct and to verify compliance.

[3]http://www.ohchr.org/documents/issues/business/A.HRC.17.31.pdf

[4]http://www.unglobalcompact.org/

[5]http://www.ericsson.com/article/sustainable-sourcing_1804976481_c

COMPLIANCE WITH LAWS, RULES AND REGULATIONS

Ericsson shall comply with all laws and regulations that apply to its business. As you conduct Ericsson's business you may encounter a variety of legal issues. It is the responsibility of each employee to seek appropriate advice on relevant legal requirements and other legal issues.

International business dealings – Specific laws and regulations apply to our participating in international business. Employees involved in foreign business transactions must be familiar with, and adhere to, all applicable foreign and domestic laws and regulations. Ericsson employees involved in international business matters must, for example, be aware of applicable export and import regulations, anti-boycott provisions, trade embargos and sanctions in force.

Anti-trust – Ericsson is dedicated to promoting fair competition. Fair competition is the basis for business development and innovation. All Ericsson employees shall compete in the open market as vigorously and constructively as possible, while consistently complying with the law in each of the countries in which Ericsson operates. Anti-trust law matters must be handled in concert with Group Function Legal Affairs, which function is responsible for the management and co-ordination of such matters when initiated or otherwise dealt with by court or other authority.

Accounting and financial reporting – Ericsson is required to follow strict accounting principles and standards, to report financial information accurately and completely, and to have appropriate internal controls and processes to ensure that accounting and financial reporting complies with law, regulations and listing requirements. You must do all you can to support the company's efforts in this area.

Insider Trading – All Ericsson employees shall act in strict compliance with all applicable insider trading and stock tipping rules and regulations.

You are not permitted to, directly or indirectly, buy or sell stock or securities in any publicly traded company, including Ericsson, while in possession of inside information regarding such company or to disclose inside information to anyone within or outside Ericsson including family, friends, co-workers or others for whom such information is not necessary for the performance of his/her duties for Ericsson.

"Inside Information" is non-public information, which is likely to have a significant effect on the trading price of the concerned stock or securities.

COMMUNICATION AND FINANCIAL INFORMATION

It is important that you have a good understanding of your unit's operational and financial performance to increase your involvement in improving operations. This must be balanced with Ericsson's financial disclosure policy and legal requirements, specified in frameworks such as the insider rules, listing and reporting rules of stock exchanges and supervisory authorities for securities. Ericsson's obligation to comply with these requirements defines the way to manage material news that might impact the stock price. Comments about financial performance and prospects to external parties shall only be made by official spokespersons as authorized in the spokespersons directive and in conjunction with activities supported by Group Function Communications.

The authorized spokespersons are assigned to represent the company externally. You shall not, on behalf of the company, comment about Ericsson or its affairs to the media, investors, financial or industry analysts, outside consultants, or on Internet chat pages or in other public forums without approval from Group Function Communications.

Employees involved in financial reporting shall always provide full, fair, accurate, timely and understandable disclosure in reports and documents that Ericsson files with or submits to, government agencies, authorities and in other public communications.

DEALING WITH CONFLICTS OF INTEREST

At Ericsson, we make business decisions based on the best interests of the Group rather than personal considerations or relationships. A conflict of interest arises when anything interferes with or influences the exercise of an employee's independent judgment in the best interests of Ericsson. We must avoid situations in which our personal interest may conflict with, or even appear to conflict with, the interests of the Group.

The following are examples of situations to be particularly aware of:

Business opportunities – You may not take business opportunities for yourself that are discovered in your duties for Ericsson if this could be contrary to the interests of Ericsson. Nor may you otherwise use Ericsson property or information or your position at Ericsson for personal gain.

Other Employment – Any employment outside Ericsson, with or without compensation, must not harm job performance at Ericsson. You may not engage in outside business interests that divert time and attention away from Ericsson responsibilities or require work during Ericsson time. Avoid any potential conflict of interest by not accepting employment from any telecommunications organization or suppliers, contractors, agents, customers or competitors to Ericsson.

Board memberships and other outside affiliations – Service on a board of directors or similar body of a for-profit enterprise or government agency is not permitted if creating a conflict of interest. All such service must be approved in advance by your manager. Serving on boards of not-for-profit or community organizations does not require prior approval unless there is a potential conflict of interest with Ericsson.

Political activities – Ericsson will not make contributions or payment or otherwise give any endorsement, directly or indirectly, to political parties or committees or to individual politicians. You may not make any political contribution on behalf of Ericsson or through the use of corporate funds or resources.

Gifts, benefits, reimbursements and entertainment – An Ericsson employee may not offer or accept gifts, benefits, reimbursements or entertainment to or from a third party that would constitute a violation of laws or that could affect, or appear to affect, the professional judgment in the performance of the respective work or duties for Ericsson or a third party.

Bribes, kickbacks, etc. – No one may, directly or indirectly, demand or accept, offer or give any kind of bribe, kickback or any other unlawful or unethical benefit to employees or other representatives or associates of Ericsson or any third party. Any such offer or proposed arrangement must be reported immediately to Group Function Legal Affairs.

Disclosure of conflicts of interest – Ericsson requires that employees disclose situations or transactions that reasonably would be expected to give rise to a conflict of interest. If you suspect that you are involved in a transaction or any other arrangement that presents a conflict of interest, or something that others could reasonably perceive as a conflict of interest, you must report it to your manager or to the Group Function Legal Affairs. Your manager and the Group Function Legal Affairs will work with you to determine whether there is a conflict of interest and, if so, how best to address it. Although transactions or arrangements presenting conflicts of interest are not automatically prohibited, certain of such transactions or arrangements may be undesirable, and for certain persons, such as members of senior management, such transactions or arrangements may require the approval by the Audit Committee of the Board of Directors or a shareholders' meeting.

PROTECTION AND PROPER USE OF COMPANY ASSETS

Ericsson has a wide variety of assets, including physical assets, proprietary information and intellectual property. You are responsible for protecting Ericsson property entrusted to you and for helping to protect Ericsson's assets in general. To do this you must be aware of and understand Ericsson's security directives. You must be alert and report any loss or risk of loss of Ericsson properties to the security department or your manager as soon as they come to your attention.

Below, you find certain instructions for internal and external handling of information, communication systems and intellectual property.

Intellectual property – Intellectual property includes a variety of properties for example computer programs, technical documentation and inventions. Certain intellectual property is, or can be made, subject to special protection through copyright, patent right, trademark right, etc.

Intellectual property is an asset of utmost value to Ericsson and must be treated with appropriate care. You must follow and, in case of doubt, seek instructions on how you shall act to protect this valuable asset.

Intellectual property created by you under your employment is transferred and assigned to Ericsson by law and/or your employment contract or other agreement, with the exceptions stated in international conventions, laws and your agreement with Ericsson.

Use of Ericsson's communication systems – Ericsson's communication systems, including connections to the Internet, shall be used for conducting Ericsson business or for other incidental purposes authorized by your management or applicable Group directive as well as applicable instructions. Always make sure you follow instructions regarding handling of passwords and PIN codes assigned to you.

Unacceptable use of Ericsson's communication systems includes processing, sending, retrieving, accessing, displaying, storing, printing or otherwise disseminating material and information that is fraudulent, harassing, threatening, illegal, racial, sexually oriented, obscene, intimidating, defamatory or otherwise inconsistent with a professional conduct.

When you leave Ericsson – You must return all Ericsson assets, including documentation and any media containing Ericsson proprietary information. You remain bound by the restrictions for use and disclosure of Ericsson proprietary information.

PROTECTING INFORMATION

Protecting Ericsson's confidential and proprietary information and that of our customers and vendors

Ericsson employees have access to information owned by Ericsson and sometimes also to information owned by third parties. Such information may be financial information, business plans, technical information, information about employees and customers and other types of information. Non-authorized access, use and disclosure may damage Ericsson or the third party and, therefore, you are not allowed to access, use or disclose the information unless you have been properly authorized to do so. Non-authorized access, use and disclosure may also be a violation of laws including privacy regulations. Whenever in doubt of your authorization, you must seek instructions.

Here are some rules that will help protect Ericsson information:

1. Do not disclose to others information not made public by Ericsson except for
   (i) persons working for Ericsson having access in their work to the kind of information at hand and who have justified reason to have the information,
   (ii) anyone else authorized by Ericsson as receiver of such information or
   (iii) persons to whom you, according to your work duties, shall give such information.
2. Do not directly or indirectly access, duplicate, reproduce or make use of proprietary information other than in the course of your duties and work for Ericsson.
3. Upon learning of any wrongful use or treatment of confidential information, promptly notify your manager and cooperate in full with Ericsson to protect such information.
4. Do not store Ericsson information on private computers or other media not provided by Ericsson.
5. If you need to bring information outside Ericsson premises for fulfilling your work tasks, you must return the information when the tasks outside of Ericsson premises are fulfilled. You may not store information in your home or elsewhere.

PROTECTING THE ENVIRONMENT

Environment is an area of importance to us and our stakeholders and Ericsson has for many years been actively working to minimize its environmental footprint. One of the Group's main environmental goals is to reduce the energy consumption of its products and to offer our customers the most energy efficient products on the market.

The environmental management system is based on ISO 14001 and is integrated in the Ericsson Group Management System. Ericsson's overall environmental performance is achieved by implementing the Group Sustainability Policy, which commits Ericsson to:

- Continuously reduce the environmental impact of our own operations
- Increase the knowledge and awareness about sustainability among employees
- Use Design for Environment (DfE) strategies to achieve continuous environmental improvements regarding mass and energy flows related to Ericsson´s product portfolio
- Engage in selected activities that, in addition to promoting Ericsson's business, have positive socio-economic impacts and promote the vision of communication for all
- Use Life-Cycle Assessment (LCA) methodology as a means for determining significant aspects and as a basis for communicating environmental performance of our operations, products, services and solutions
- Engage our suppliers to ensure adequate sustainability standards in our supply chain
- Actively engage with our stakeholders about our sustainability performance

- Meet or exceed applicable legal requirements in the socio-economic and environmental areas
- Provide product take-back services to our customers as part of our producer responsibility, to assist them in the end-of-life management of products and solutions

It is your responsibility to treat environmental issues in a professional way but also to help Ericsson develop and implement the inherent business opportunities that our energy-lean industry sector can offer to help create a more sustainable society.

OUR OBLIGATIONS AS RESPONSIBLE CORPORATE CITIZENS

We strive to be responsible citizens in the communities where we do business and we believe that telecommunication contributes to economic prosperity and social equity.

We actively work to reduce our environmental impacts and to maximize socio-economic benefits to society. This requires us to be sensitive to social and environmental concerns and to provide stakeholders with appropriate and accurate responses to inquiries.

As a global leader in the telecom industry, Ericsson believes that the products and services it offers have the potential to offer tremendous benefits to society. At the same time, it is important to behave in a socially and ethically responsible way. We care about the people who take part in the production and support of our products and services worldwide. We strive to maximize energy efficiency and to minimize environmental impacts of our products and solutions in the societies in which we operate.

It is important that the Ericsson brand is always associated with respect for human rights, fair and safe working conditions and environmentally sound business practice.

Ericsson supports the United Nations' Global Compact[6] initiative, covering the areas of human rights, labor standards, environmental management and anti-corruption. We recognize the importance of the UN Guiding Principles on Business and Human Rights[7].

[6] http://www.unglobalcompact.org

[7] http://www.ohchr.org/documents/issues/business/A.HRC.17.31.pdf

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www.ericsson.com

Group Policy 011 03-2927

Section 12 – Miscellaneous Requirements

RFP_Section 12.1_Vendor Code of Conduct

The Ericsson Code of Business Ethics is a document that all employees of Ericsson and all of its subsidiaries including Telcordia must acknowledge and follow in their daily work.

The Ericsson Code of Business Ethics contains rules regarding individual and peer responsibilities, as well as responsibilities to our employees, customers, suppliers, shareholders and other stakeholders and includes:

- Compliance with laws, rules and regulations (including insider trading laws)
- Protecting confidential and other proprietary information and that of our customers and vendors
- Protection and proper use of company assets
- Respecting human rights throughout our business operations
- Dealing with conflicts of interest
- Promoting full, fair, accurate, timely and understandable disclosure in financial reports and other public communications
- Protecting the environment
- Supporting the reporting of any unlawful or unethical behavior

Upon Telcordia being selected as an LNPA vendor, whether national or regional, Telcordia will develop a special supplement to the Ericsson Code of Business Ethics covering Telcordia in its role as the LNPA vendor.

PROPOSED LNPA CODE OF CONDUCT Supplement

1. The LNPA will never, directly or indirectly, show any preference or provide any special consideration to any Telecommunications Carrier with respect to LNPA services.
2. The LNPA shall not share LNP user data or proprietary information of any Telecommunications Carriers served by the LNPA (except as necessary for the performance of LNPA duties).
3. The LNPA shall not share confidential information about its LNPA business services or operations with employees of any Telecommunications Carrier (except as necessary for the performance of LNPA duties).
4. No employee, contractor, officer, or director of the LNPA directly involved in LNPA services will hold any interest, financial or otherwise, that would cause the LNPA to no longer be neutral, without obtaining prior approval from the FCC or recusing himself or herself from all activities of the LNPA.
5. No person serving in the management of the LNPA, as a member of the Board of Directors, as a Managing Member of an LLC, or as a General Partner of a partnership of the LNPA and directly involved in LNPA services may simultaneously serve in the management, as a member of the Board of Directors, as a Managing Member of an LLC, or as a General Partner of a partnership of

any Telecommunications Carrier, without obtaining prior approval from the FCC or recusing himself or herself from all activities of the LNPA.

6. The LNPA shall retain all decision making authority regarding LNPA services; any sub-contractor shall provide services to the specific direction of the LNPA and shall not have discretionary decision making authority regarding LNPA services.

Attached in this section is the Ericsson Code of Business Ethics that is currently in place and followed by the Telcordia employees.

ERICSSON TELCORDIA IS NOW PART OF ERICSSON

Telcordia®

Insert Name (optional)
Title (optional)

www.telcordia.com

Telcordia Technologies, Inc.
1 Telcordia Drive
Room Number (address line 2)
Piscataway, NJ 08854

T +1 000.000.0000
F +1 000.000.0000
M +1 000.000.0000
email@telcordia.com

<Product Name> Customer Support
Customer Satisfaction Questionnaire

#Date

Dear #Ms./Mr. :

Telcordia would like your views on the quality and value of your current <Customer and Solution Care Center (CSCC) and Installation & Deployment (I&D) Support> for <Product Name>.

The purpose of this evaluation is twofold: (1) provide a vehicle to determine if the Support group has met your expectations, and (2) identify areas where Telcordia can improve on the value delivered.

We ask that you please review the attached questions. Please complete the form and return it to us via mail or e-mail by <today + 14>. If you would like, we can arrange a conference call to discuss your findings.

Please feel free to contact me with any questions and/or concerns you may have.

Sincerely,

#Name
#Title
#Organization Name

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Telcordia® | the elements of success |

2012 Customer Support Survey Results

Customer and Solution Care Center (CSCC)

Prepared for:

LNPA RFP 12.1 User Satisfaction Survey

REDACTED – FOR PUBLIC INSPECTION

[redacted]

Telcordia.

Section 12 – Miscellaneous Requirements

RFP_Section 12.2_User Satisfaction Survey

Telcordia agrees to conduct this annual User satisfaction survey in accordance with the requirements provided in the LNPA Section 12.2.

Telcordia has continually obtained feedback from its customers at multiple levels that includes surveying service desk users and managers, periodic user group meetings and also through periodic manager and executive level meetings. We have found the more personal approach of meetings with customers enables us to receive more direct and pointed feedback on how we can continually improve our products and their support. We continue to support both approaches and we will support this requirement.

In response to this requirement, attached is the Telcordia Customer Support – Customer Satisfaction Questionnaire. It surveys the Customer and Solution Care Center (CSCC) and Installation and Deployment (I&D) Support of the Telcordia products. This survey covers the broad range of the Telcordia products, over 60 products in total. Also attached is a summary of the results over a five-year period. The responses were based on the following ratings:

[redacted]

Across the broad range of its products Telcordia has consistently Met and Exceeded its customer expectations.

Section 12 – Miscellaneous Requirements

RFP_Section 12.3_Transition and Implementation Plan

1 Introduction

The Telcordia Team's transition approach assures continuity of service, reduces risk, and minimizes the cost of transition to a new Local Number Portability Administrator (LNPA) by applying the tools and processes developed on similar transitions around the world, executed by personnel with directly applicable experience from those projects.

The Telcordia Team brings the best business and technical resources to the transition, implementation, and operation of the LNPA solution. In turn, the solution created by the Telcordia Team offers a strong option to North American Portability Management (NAPM) as it considers additional vendors to support its critical services.

The extensive transition experience of Telcordia and its data center partner SunGard reduces risk and ensures continuity of Number Portability Administration Center (NPAC)/Service Management System (SMS) functions throughout the transition process. Key elements of our transition plan include:

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The Telcordia Team is a leader in the Local Number Portability (LNP) industry and brings all of the skills needed to create, maintain, and administer all systems and services as the LNPA.

- As a leader in both knowledge and experience in LNP client systems, Telcordia is fluent in the unique terminology and technology of the North American NPAC implementation with a strong understanding of the requirements and performance expectations. Telcordia has been a major player in the LNP industry since its inception in 1996. Telcordia is well respected and known for our thought-leadership in the LNPA WG meetings. With our many local production client systems connected to the existing NPAC implementations, we understand that these client systems must have the same uptime, availability, and performance characteristics as the NPAC. The same business rules, timers, and API message sets implemented in the NPAC are essentially implemented in these local systems as well.

- Telcordia's data center and service partner, SunGard is one of the world's leading software and technology services companies. They provide software and technology services to financial services, education and public sector organizations. They also provide disaster recovery services, managed services, information availability consulting services and business continuity management software. SunGard serves approximately 25,000 customers in more than 70 countries. SunGard provides proven strength and stability in Data Center facility design and operations. SunGard is laser focused on IT Service Management with committed focus and continual investment in Data Center facilities, tools and people. With an experienced focused management team and a deep understanding of design and capacity planning issues, SunGard can identify potential infrastructure implementation gaps. Their experience prevents potential issues such as power and cooling issues that could jeopardize continuous application operations. SunGard has continually demonstrated its success to diverse customers across multiple industries by providing 24/7/365 Data Center monitoring and management, established service desk procedures, disaster recovery, security management, problem escalation, and data backup and recovery procedures.

The industry can have confidence that the transition plan and solution provided by the Telcordia team provides a low risk hosted application from two vendors that are qualified to execute this implementation with no disruption to current operations. Further, we understand the inherent risk and potential impact of transitioning from one NPAC administrator to an NPAC clearinghouse administered by a new vendor. To offset any potential disruption and minimize any cost of transition, we have created a plan, detailed in this section that describes the potential risks and provides a mitigation plan.

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The Telcordia transition and implementation planning begins prior to contract award, and continues after award with a phased ramp-up of people, tools and processes, to ensure an on-time Go-Live with no disruption of current operations.

The following sections summarize the approach and basic elements of the transition plan detailed in the remainder of this document. These include the approaches for:

- Transition and Implementation
- Staff Management
- Risk Management
- Change Management
- Quality Assurance

The Telcordia and SunGard teams have identified these elements from previous successful application implementations and transitions. The remainder of the document provides a summary of these elements as well as two appendices on the LNPA Solution Staffing Plan and Telcordia Project Management to provide additional context for the Transition and Implementation Plan.

1.1 Transition and Implementation Approach

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1.2 Staff Management Approach

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1.3 Project Risk Management Approach

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1.4 Change Control Approach

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1.5 Quality Assurance Approach

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2 Transition and Implementation Approach

2.1 Implementation Overview

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2.2 Transition Process

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2.3 Transition Phases

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2.3.1 Customer Onboarding

2.3.1.1 Customer Agreements and Documentation

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2.3.1.2 Documentation

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2.3.1.3 Customer Training

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2.3.2 Data Center Preparation

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2.3.3 Telcordia System Configuration

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2.3.4 Solution Testing

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2.3.5 Go-Live Preparation

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2.3.5.1 Production NPAC SMS Configuration

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2.3.5.1.1 NPAC SMS Customer Configuration

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2.3.5.1.2 Support System Configuration

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2.3.5.2 Transition Testing

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2.3.5.3 Final Transition Test and Go-Live

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2.3.6 Production Operation

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2.4 NPAC Data Transition Process

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2.4.1 Data Transition Process

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2.4.1.1 Data Download Imports

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2.4.1.2 Pending Subscription Version Handling

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2.4.2 Transition Data Validation

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2.5 Customer Communication

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2.6 Detailed Transition Schedule

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2.7 Contingency Planning and Testing

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3 Staff Management Approach

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3.1 Transition Team Staffing

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3.2 Team Size

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4 Project Risk Management Approach

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4.1 Risk Management Approach

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4.2 Risk Identification

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4.3 Risk Estimation

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4.4 Risk Evaluation

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4.5 Risk Response Planning

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4.6 Risk Monitoring

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4.7 Risk Control

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5 Change Control Approach

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5.1 Industry Software Change Management

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5.2 Data Center Change Management

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5.3 Change Control Procedures

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Figure 5 – Change Control Process Flow

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6 Quality Assurance Approach

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6.1 Pre-delivery Solution Testing

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6.2 Early Customer Testing

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6.3 Certification/ITP Testing

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6.4 Application Turn-up Testing

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6.5 Service Provider to Service Provider (Group) Testing

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6.6 Performance Testing

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6.7 Transition Testing

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6.8 Failover and Disaster Recovery Testing

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6.9 Review and Testing of Methods and Procedures

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7 Summary

The Telcordia transition plan brings together the right people, processes and tools to allow for a low risk, cost effective transition to the Telcordia LNPA Solution. The Telcordia transition team under the guidance of its Executive Program Manager will work diligently with the industry to provide a production LNPA solution that meets industry expectations in all areas including functionality, availability, and performance.

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8 Appendices

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Appendix A – LNPA Solution Staffing Plan

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8.1 NPAC Executive Team

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8.2 Delivery Operations

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8.2.1 Service Operations

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8.2.2 Service Delivery

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8.3 Customer Service

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8.3.1 Program Management Office (PMO)

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8.3.2 Customer Service Desk

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8.3.2.1 Help Desk

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8.3.2.2 NPAC SMS Administration

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8.3.2.3 Account Management

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8.3.3 Industry Relations

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8.4 Service Management

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8.4.1 Quality Control

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8.4.2 Neutrality Assurance

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8.4.3 Legal/Regulatory

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8.4.4 User Agreement Management and User Support

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8.4.5 Billing

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Appendix B – Telcordia Project Management

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8.5 Project Management Plan

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8.6 Project Communications

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8.7 Meeting Planning and Management

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8.8 Action Item Tracking System

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8.9 Documentation Management

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8.10 Program Kickoff Meeting

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8.11 Weekly Status Reports and Briefings

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8.12 Monthly Status Report and Meeting

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8.13 Technical Status Meetings

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8.14 Project Management Deliverables

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Section 14 – Submitting Bids

RFP_Section 14.1_Bid Process Overview – Regional Responses

Introduction

The US NPAC was defined to support porting in 7 different regions in the US. The current porting requirements in all the standards documents support porting within each region. As originally envisioned in the FCC Order in 1996 there would be multiple regional administrators to enhance the competitiveness of the NPAC/SMS solution for the telecommunication industry. To date the NPAC has been implemented and supported by one LNPA but all the standards and the manner in which porting has been operating since 1997 have been on a regional basis. Introducing multiple LNPAs is technically supportable and will require no changes at the NPAC/SMS except to support the efficiency in the way multiple LNPAs going forward can operationally support the US telecommunication service providers. In addition, given that the interfaces to NPAC are standardized and well defined via the industry number portability specifications, the service provider's local billing or operation support systems would not be impacted by the introduction of multiple LNPAs. These local systems will continue to interface with the service provider's SOA and LSMS in the same manner as they do today.

The following responses address the questions asked in section 14.1 in the LNPA RFP Survey covering how multiple LNPAs can operate to continue to deliver NPAC/SMS number portability with the required services, support and performance.

1. What would be the additional complexities, costs, and support necessary for national Service Providers, or Service Providers serving territory in two or more Regions served by different LNPAs, to connect their SOAs and LSMSs to multiple LNPA NPAC platforms and maintain those multiple connections, and how would those additional costs be determined, allocated, or absorbed?

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2. How would national Service Providers, or Service Providers serving territory in two or more Regions served by different LNPAs connect their test bed platforms to multiple NPAC LNPA test beds in different Regions and how would additional costs be determined, allocated, or absorbed?

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3. How would NPAC releases and carrier deployment of new features be implemented over NPAC solutions of different LNPAs in different Regions, and how would additional costs be determined, allocated, or absorbed?

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4. What would be the additional complexities, costs, and support necessary to conduct annual disaster recovery and failover testing for each additional LNPA in separate Regions, and how would additional costs be determined, allocated, or absorbed?

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5. What would be the additional complexities, costs, and support necessary for national Service Providers, or Service Providers serving territory in two or more Regions served by different LNPAs, to obtain reports and data from NPAC solutions of different LNPAs in different Regions, and how would additional costs be determined, allocated, or absorbed?

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6. How would the following matters be addressed and what would be the additional complexities and how would additional costs be determined, allocated, or absorbed:

6.a. Coordination of tunable parameter changes among multiple NPAC LNPAs

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6.b. Coordination of SPID migration limitations and process

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6.c. Coordination of NPAC software release development and implementations among different LNPAs that could have different development cycle

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6.d. Resolution of differences among LNPA software implementations, some of which could be service-affecting

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6.e. Consolidation of data and information from multiple LNPAs into one LNPA WG website

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6.f. Changes to Service Provider local systems

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6.g. Resolution of disputes over software release development and implementation differences

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6.h. Neutral Change Management Administration

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6.i. Development of Service Provider internal processes to accommodate differences in multiple LNPA M&Ps

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6.j. Processing, verifying, forecasting, and paying bills to multiple LNPAs

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6.k. Access, coordination, and management of Enhanced Law Enforcement Platform and Intermodal TN ID Service by multiple LNPAs

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6.l. Negotiation, execution, and reconciliation of differences in Master Agreements with multiple LNPAs?

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14.1 Section Summary:

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RFP_Section 14.1
Multi-Vendor NPAC-TNS

ENTIRE DOCUMENT IS CONFIDENTIAL

Telcordia00218 – Telcordia00234

RFP_Section 14.2
Pricing Summary

ENTIRE DOCUMENT IS HIGHLY CONFIDENTIAL

Telcordia00235 – Telcordia00236

Section 15 – Optional Attachments

Section 15.1 – Supplemental Documentation

Purpose

This document is an overview of Telcordia NPAC SMS Solution and Services. We are providing this optional submission as a tool for the evaluator to have a single document that relates the disparate questions and optional attachments of the surveys to the Evaluation Criteria and Basis for Award for the RFP as provided in 14.1.1. This optional document is organized by those criteria. This document ties together the different areas of the survey related to the Evaluation Criteria, it will adds detail and examples in the cases where a question may not have had an optional attachment or such detail extended beyond the scope of the question, and in some cases provides a reference to Optional Attachments for other sections where related detail may also be found.

Evaluation Criteria	15.1 Optional Response Paragraph
Technical Criteria: Factor 1, Operational Performance	**1.2**
Technical Criteria: Factor 2, Reliability and Functionality	**1.3**
Technical Criteria: Factor 3, Security	**1.4**
Management Criteria: Factor 1, Customer Service Summary	**2.1**
Management Criteria: Factor 2, Vendor Experience and Performance Summary	**2.2**
Management Criteria: Factor 3, Financial Stability	**2.3**

In addition, to provide an integrated view of the proposal noted in other sections, supplemental topics are also included to expand on selected technical, operational and management elements that are required but to which other elements of the survey did not directly lend themselves. These include, but are not limited to, summaries of our submissions regarding Transition Plan, Business Continuity Plan, Enhancements and Future Considerations.

Table of Contents

Telcordia00239

1 Executive Summary

The Telcordia team will bring a low risk, fully compliant, technically innovative solution to the NPAC with a clearly defined transition plan designed with no impact on current operations while ensuring an on-time delivery with significant cost savings.

Backed by the strength of Ericsson, the Telcordia NPAC SMS Solution and Services brings together two of the world's leading telecommunications firms with a combined history of delivering excellence in critical telecommunications systems. Telcordia is the world's leading provider of number portability **systems** with more number portability system deployments in more countries than any vendor in the world, ,which is described in detail in the Vendor Qualification Survey (VQS) Section 3.1.1 Optional Attachment and in our Past Performance (VQS Section 3.3.4). Service Providers serving more than 2 Billion subscribers worldwide rely on Telcordia systems for number portability. Telcordia number portability systems process multiple transactions for 90% of the wireless ports in the U.S. and those transactions are usually in a national database rather than smaller regional databases, requiring performance beyond what is provided for by the NPAC today or even the new requirements for this procurement. Telcordia has conservatively processed more than 2 Billion number portability transactions in the U.S. in the last 8 years. Telcordia is also a leading provider of network database systems and managed services that are in the call path of network operators in the U.S. and around the world. Telcordia network database systems process millions of transactions a day with no down time, even during maintenance and upgrades, exponentially exceeding both the old or the new NPAC performance and reliability requirements. Telcordia will bring that experience to the delivery of the NPAC to help assure a seamless transition and excellence in delivery, operations and management to the operations of this critical service.

Telcordia's data center and service partner, SunGard is one of the premier data center and network services provider in the United States providing exceptionally high-availability data centers to not only the telecommunications industry but also to the financial, health, and government sectors. In addition to delivering certified Tier 3 and Tier 4+ data center services, SunGard also provides help desk and network provisioning services that consistently meet and exceed customer expectations. It hosts data center applications that manage millions of daily transactions for the financial industry and thousands of logins and help desk tickets with excellent customer satisfaction.

To deliver the robust functionality and highest reliability that is critical to the NPAC work, Telcordia's strategic, customer-focused approach is based on:

- Our 20 years of extensive development, deployment and excellence in customer satisfaction in numbering and number portability related work.
- Providing Number Portability systems and services in more countries than any other vendor in the world, working with Service Providers that serve more than 1.5 Billion subscribers.
- Experience as the leading U.S. number portability systems provider with deployment in every US region, with 90%_ of wireless number porting transactions flowing through Telcordia systems. For each wireless port, Telcordia systems perform multiple transactions.
- Experience as the leading provider of network database systems and services with network grade reliability and performance, experience that will be applied to our delivery of NPAC
- Experience as the thought leader and leading provider of systems for IP related resolution and security including ENUM, Query Resolver, Device ID and Message Hub, all of which are critical aspects of a transition to IP based networks and to provide for assurance of a smooth transition to IP based communication that will continue to use telephone numbers as unique, internationally agreed and portable ID mechanisms.

Our solution provides an NPAC approach that brings

- Low Risk: We will develop a detailed transition plan, with a fully populated risk register identifying clear mitigation approaches to minimize those risks. In addition, we will rely on transparent integration between Telcordia and SunGard to bring their experience, especially in U.S. number portability solutions and data centers, and technologies to mitigate key operation risks.
- Operational excellence: We have demonstrated success on wide array of successful Telcordia projects, leveraging the innovations and economies of scale based on experience gain delivering the largest number portability and data center/services experience in the U.S. and around the world. Telcordia's experience includes help define Number Portability requirements in the U.S.
- Cost savings: An efficient, effective approach that identifies clear savings for subscribers and consumers, backed up by the financial strength and stability of Telcordia backed by Ericsson.
- Exemplary Customer Service: Our proven customer service is based on successful, large-scale, complex LNPA and data center projects around the world.
- Full compliance: Our approach meets, or exceeds all RFP requirements, as demonstrated through examples and in-depth analysis.

Our successful ability to provide the diversified yet seamless NPAC service is proven: we have executed this work with exceptional customer service to earn a wealth of customer references, detailed in Section 3.3.1 and 3.3.4 of the VQS, for implementing, transitioning and operating number portability solutions and more complex in-network implementations.

For the NPAC, we are leveraging our proven approach to development - the Telcordia Quality Method of Operations (QMO) - used to successfully deliver both US and international Number Portability and network database implementations, as described in Section 3.3.1 and 3.3.4 of the VQS. Telcordia has an industry-recognized software development methodology, which employs a disciplined approach to software development and process improvement. Distinct phases comprise this methodology each with specific entrance and exit criteria. An independent internal organization conducts periodic compliance reviews of product organizations and processes.

We will surround that approach with the adoption of and adherence to the IT Infrastructure Library (ITIL) Framework of best practices for Service Design, Service Delivery/Transition, Service Operations, Management and Continuous Improvement, which will ensure the utmost reliability and customer-focused functionality of our NPAC solution and services. For details about the QMO and ITIL see Appendix A.

Further, as a leading provider of Operations and Maintenance (O&M) services in support of the Numbering Portability ecosystem, Telcordia brings innovations and improvements while reducing costs of the NPAC service delivery during the life of the contract.

Continual Service Improvement is the ITIL best practice concerned with maintaining value for customers through the continual evaluation and improvement of the quality of services. Quality measurements and metrics (including implementation of benchmarking and the GEP and Customer Surveys) will be included in these processes. In addition the Telcordia QMO is a key portion of implementing these practices.

1.1 Key Components of the Telcordia Team Solution to Address All Evaluation Criteria in RFP Section 14.1

The remainder of this document describes how the components of Telcordia's proposal in response to the RFP meet or exceed the RFP Evaluation Criteria. It is organized by the Section 14.1 Criteria and summarized below.

1.1.1 Section 2. Technical Criteria

1.1.1.1 2.1 Introduction

Section 2.1 summarizes the Telcordia NPAC SMS solution.

Section 2.1.1 summarizes the Architecture and Design and Section 2.1.1 summarizes Key Architecture and Design Considerations

It notes that Telcordia is delivering a robust, fully compliant Solution to support the Industry's number portability needs as defined in this RFP. [redacted]

1.1.1.2 2.2 Factor 1, Operational Performance

Section 2.2 summarizes and amplifies the Telcordia NPAC SMS Solution as described in the TRD Section 12.1 Summary and other RFP response attachments. It demonstrates our understanding of all operational performance aspects of the NPAC ecosystem for the full term of the Master Agreements in each Region. Factors of operational performance include but are not limited to the following:

- Section 2.2.1: Demonstrates the Volume/Throughput and availability
  - Section 2.2.1.1: Telcordia NPAC Performance Test and Measurements summarizes the tested capabilities of the Telcordia NPAC initial software and hardware architecture and the processes used as a base for the Solution Architecture
- Section 2.2.2 Service Level: This section describes the commitment to adhere to the SLRs and provides a reference guide for the evaluator.
- Section 2.2.3 Change Management: Summarizes Telcordia's change management policy and provides a reference to more detail and information on Technology Upgrades.
- 2.2.3 Audit Administration: This Section discusses Telcordia's understanding an ability to meet the operational performance aspects of the following audits:
  - Gateway Evaluation Process (GEP) Audit
  - Neutrality Audit
  - Business Continuity Plan Exercise
  - LNPA NPAC SMS Data Center Operations Audit
  - User Charges Audit
  - Benchmarking
  - Other LNPA Services Audits

- Section 2.2.5 Reporting: Notes that The Telcordia Solution will support all of the currently defined and expected reports, and that the Solution is extensible to support future reports as required. Reports may be accessible from a single secure website via a single user login process.
- Section 2.2.6 Other Operational Performance Aspects: This section describes Telcordia's understanding an ability to meet the operational performance aspects of a number of other operational performance aspects of the NPAC ecosystem:
  - NPAC Web Content Support
  - Interactive Voice Response (IVR) Service
  - Enhanced Platform for Law Enforcement and Public Safety
  - Intermodal Ported Number Identification Service
  - NPAC Knowledge Base and Support Portal Web Page
  - Customer Training
  - LNPA Process Flows
  - User Methods and Procedures

1.1.1.3 Section 2.3 Factor 2 - Reliability and Functionality

This section demonstrates Telcordia's understanding of and competency in the requirements to operate the system, and our ability to provide the service during the term of the Master Agreements in each region. We demonstrate an understanding of and competency in:

- Section 2.3.1 System Availability: provides insight to Telcordia's strategy to achieve the system availability required of the NPAC SMS service and our data center availability partner, SunGard's ability to provide the availability required.
- Section 2.3.2 Testing Solution: Describes our Quality Assurance process and our Comprehensive Test Environment as well as Additional Test Features and Capabilities.
- Section 2.3.3 Disaster Recovery and Backup: Summarizes our Business Continuity Plan including both our Disaster Recovery Plans and the architecture and plan for Backup of all data in the Telcordia NPAC SMS. Also included is a summary of the Outage Analysis process including Root Cause Analysis.
- Section 2.3.4 Telcordia Service Desk: Describes how Telcordia meets the Help Desk Requirements and provides for quality Service Management of the NPAC SMS and related services. It also describes the benefits of the Telcordia solution of 24/7/365 live support at no added charge and Support Portal, NPAC Knowledge Base and chat capabilities.
- Section 2.35 Telcordia's Ability to Meet All SLRs and Other System Performance Requirements: Summarizes the compliance with all SLRs and the Telcordia and SunGard Service Level Management systems, processes and procedures.

1.1.1.4 Section 2.4 Factor 3, Security

This section describes Telcordia's security approach to delivering the NPAC SMS Solution.

- Section 2.4.2 Meeting Data Center and Other Security Requirements: Describes the Telcordia and its data center partners security plans, processes and procedures for securing the NPAC SMS Solution.

- Section 2.4.3 Meeting FRS and IIS Security Requirements: Addresses the primary interface types that are employed in our NPAC SMS solution along with an overview of how we'll address security as it relates to requirements in TRD sections.

1.1.2 Section 3. Management Criteria

- Section 3.1 Introduction: Notes that the management proposal consists of detailed structures and plans based on decades of experience delivering systems and services to the telecommunications industry and that the section reviews and summarizes those plans and qualifications.

1.1.2.1 Section Factor 1, Customer Service Summary

Notes that the ability to deliver Customer Service is built the following factors:

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1.1.2.2 Section Factor 1, Customer Service Summary

- Section 3.4 LNP Experience Within the Regions: Provides information on Telcordia's customer service experience in the Regions.
- Section 3.5 LNP Experience in Other Countries: Provides information on Telcordia's customer service experience in other countries.
- Section 3.6 Other Products and Services Successful Performance of functional / technical skills required on LNP activities: Describes the other products and skills Telcordia and its data center partner SunGard demonstrate excellent satisfaction and performance on related skills and services.
- Section 3.7 Customer Benefits from Successful Performance and Proven Results: Notes that as demonstrated in our references in Section 3.3.4 and our Past Performance Questionnaires submitted in response to Section 3.3.5 the Telcordia team provides significant value to its clients in implementing systems and services related to number portability and other mission critical systems and services:
- Sections 3.8 and 3.9 provide information about how the 6 Telcordia references and the 3 SunGard reference projects meet or exceed the past performance evaluation criteria.

1.1.2.3 Factor 3, Financial Stability

This section describes Telcordia and its parent company Ericsson's financial position and strength noting that Telcordia is extremely well-positioned to endure negative economic impacts as it is backed by a parent with substantial financial wherewithal as demonstrated by considerable revenues, market capitalization and net cash position, and robust cash generating ability. Furthermore, Ericsson has more than proved its longevity as it has withstood every economic downturn over the past 137 years.

2 Technical Criteria

2.1 Introduction

The Telcordia NPAC SMS Solution and Services are built on over 17 years of direct experience working with and delivering products and services to the North American LNP Industry. The Solution offering leverages:

- Our experience as demonstrated in Section 3.3 below
- The latest state of the art
  - Hardware
  - Database
  - Networking
  - Monitoring
  - Reporting
- Flexible software application design
- ITIL-compliant service delivery
- Reliability of a proven data center partner for:
  - Availability,
  - Security,
  - Network services.

Telcordia is delivering a robust, fully compliant Solution to support the Industry's number portability needs as defined in this RFP. [redacted]

As documented in the Technical Requirements Document (TRD) Section 12.1 Summary Response, the Telcordia NPAC SMS Solution is fully compliant with the NPAC SMS Functional Requirements Specification (FRS) and conforms to the NPAC SMS Interoperable Interface Specification (IIS), and the solution will also conform to the NANC 372 XML Based Alternate Interface.

Telcordia is committed to meeting or exceeding all of the current requirements. Through its extensible architecture, the solution is also well-positioned to support future requests in a timely and cost-effective manner.

2.1.1 Architecture and Design

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2.2 Factor 1, Operational Performance

This Section summarizes and amplifies the Telcordia NPAC SMS Solution as described in the TRD Section 12.1 Summary and other RFP response attachments. It demonstrates our understanding of all operational performance aspects of the NPAC ecosystem for the full term of the Master Agreements in each Region. Factors of operational performance include but are not limited to the following:

- Volume/Throughput
- Service Level
- Change Management
- Audit Administration
- Reporting
- Other Operational Performance Aspects

2.2.1 Volume/Throughput/Availability

The following are the FRS requirements and the volume, throughput, and availability SLRs in RFP Section 9 that are expected to be incorporated in the Master Agreements for the regions:

- The Telcordia Solution will meet the 24X7 requirement for interface availability (FRS R6-26)
- The Telcordia Solution will meet or exceed the 99.99% interface reliability requirement (LNP RFP SLR 1, superseding FRS R6-27)
- The Telcordia Solution will meet or exceed 7 transactions/sec/association SOA to NPAC SMS interface transaction rates – sustained (FRS R6-28.1)
- The Telcordia Solution will meet or exceed the peak rate of 10 transactions/sec for 5 min w/in any 60 minute window SOA to NPAC SMS interface transaction rates – peak (FRS R6-28.2)
- The Telcordia Solution will meet or exceed the bandwidth requirement of 70 transactions/sec for a region SOA to NPAC SMS interface transaction rates - total bandwidth (FRS RR6-107)
- The Telcordia Solution will meet or exceed the 7 transactions/sec/association NPAC SMS to Local SMS interface transaction rates – sustained (FRS RR6-108)
- The Telcordia Solution will meet or exceed the currently required 210 transactions/sec for a region NPAC SMS to Local SMS interface transaction rates - total bandwidth (FRS RR6-109)

The initial Solution has been designed to meet or exceed these operational performance volume/throughput/availability requirements.

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2.2.1.1 Telcordia NPAC Performance Test and Measurements

This section summarizes the tested capabilities of the Telcordia NPAC initial software and hardware architecture and the processes used as a base for the Solution Architecture documented in the TRD Section 12.1 Summary. [redacted]

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2.2.1.2 Results

The results of the tests executed are summarized below. [redacted]

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2.2.2 Service Level

2.2.2.1 Service-Level Requirements for Measurement and Reporting

[redacted]

Telcordia understands and acknowledges that the Service-Level Requirements (SLRs) in Section 9 of the LNP RFP survey supersede all SLRs documented in the FRS or elsewhere and that all the SLRs identified in the LNP RFP are to be used for purposes of all responses to the RFP.

2.2.2.2 Adherence to ALL SLRs in RFP Sections 9.4 through 9.24

Telcordia understands the performance aspects of the NPAC ecosystem and the importance of providing a quality service for the Industry. Number Portability has evolved to become an essential part of doing business as a Service Provider in the U.S. Telcordia is committed to providing a cost-effective solution that meets or exceeds the required service levels designated by the Industry.

Telcordia acknowledges adherence to all SLRs shown in the RFP sections 9.4 through 9.24 are incorporated in the proposal and Telcordia's Solution. The SLRs are addressed in the various documents as shown in the following table:

SLR No.	[redacted]	Reference in Section
SLR – 1 Service Availability	[redacted]	Reference TRD Summary Section 5
SLR – 2 Scheduled Service Unavailability	[redacted]	Reference in industry agreement or master agreement

SLR No.	How our solution address the SLR	Reference in Section
SLR – 3 Partial Service Unavailability	[redacted]	Reference TRD Summary Section 5.1
SLR – 4 LSMS Broadcast Time	[redacted]	Reference TRD Summary Section 5.
SLR – 5 SOA to NPAC Interface Rates	[redacted]	Reference TRD Summary Section 5; Operational Performance Section 2.2.2.1.
SLR – 6 NPAC to LSMS Interface Rates	[redacted]	Reference TRD Summary Section 5; Operational Performance Section 2.2.2.1.
SLR – 7 Interface Availability	[redacted]	Reference Reliability and Functionality Section 2.3.6.
SLR – 8 Cutover Time	[redacted]	Reference TRD Section 5.
SLR – 9 Partial Disaster Restoral	[redacted]	Reference TRD Section 5.

SLR No.	How our solution address the SLR	Reference in Section
SLR – 10 Full Disaster Restoral	[redacted]	Reference TRD Section 6.
SLR – 11 Table Administration	[redacted]	Reference Security Section 2.4.3.5.
SLR – 12 Average Speed of Answer	[redacted]	Reference Reliability and Functionality Section 2.3.6.
SLR – 13 Abandoned Call Rate	[redacted]	Reference Reliability and Functionality Section 2.3.6.
SLR – 14 After Hours Call Backs	[redacted]	Reference Reliability and Functionality Section 2.3.4.1
SLR – 15 Commitments Met	[redacted]	Reference Reliability and Functionality Section 2.3.6.
SLR – 16 LTI Logon Creates	[redacted]	Reference Reliability and Functionality Section 2.3.6.
SLR – 17 System Security, Security Error Log	[redacted]	Reference Security Section 2.4.3.6.

SLR No.	How our solution address the SLR	Reference in Section
SLR – 18 Security Corrections	[redacted]	Reference Security Section 2.4.3.3.
SLR – 19 NPA/Mass Split Notice	[redacted]	Reference Reliability and Functionality 3.2.5.2.1.
SLR – 20 Unscheduled Unavailability	[redacted]	Reference Reliability and Functionality Section 2.3.6.
SLR – 21 Unscheduled Unavailability Updates	[redacted]	Reference Reliability and Functionality Section 2.3.4.2.

As demonstrated in the referenced sections, and by the prototype testing above and in Appendix B, the Telcordia Solution exhibits an understanding of and ability to implement the operational performance required by the NPAC ecosystem SLRs.

2.2.3 Change Management

Telcordia provides a practical, user-focused change management plan as part of the NPAC Project Management Plan that is user centric, collaborative, and leverages industry best practices. [redacted]

2.2.3.1 Technology Upgrades

[redacted]

[redacted]

2.2.4 Audit Administration

The RFP Section 4 and Section 11 require the following audits to be performed and administered:

- Gateway Evaluation Process (GEP) Audit
- Neutrality Audit
- Business Continuity Plan Exercise
- LNPA NPAC SMS Data Center Operations Audit
- User Charges Audit
- Benchmarking
- Other LNPA Services Audits

The following demonstrates Telcordia's understanding and ability to meet the operational performance aspects of the audits for the NPAC ecosystem.

2.2.4.1 Gateway Evaluation Process (GEP)

Telcordia agrees to the GEP Audit definitions, terms and requirements as outlined in Question 4.1 of the LNP RFP. The Telcordia Quality Control team will be responsible for administration of and reporting on the audits and all follow on Performance Improvement Plans.

Telcordia acknowledges that it will be audited on all the measurements outlined in RFP 4.1:

- Service Availability Satisfaction including general Service Availability, Partial Service Availability, and Interface Availability,
- Billing Satisfaction including both timeliness of delivery and accuracy,
- Scheduled Service Unavailability Satisfaction,
- Benchmarking Satisfaction,
- Report Satisfaction including both timeliness of delivery and accuracy,
- Root Cause Analysis Satisfaction,
- Problem Escalation Satisfaction

Telcordia will hire a third party auditor and work with the LLC to define the GEP criteria, and the audit plan. The audits will be performed quarterly and reported annually as required. Telcordia acknowledges that agreed-to price reductions, credits or penalties may apply based on audit results.

Telcordia is committed to delivering all of the Gateway Evaluation Process with the tools and framework of our Quality Assurance Approach discussed in RFP Section 12.3 Transition Plan and integrated tools to promote and support the effectiveness of systems, operations, and services.

2.2.4.2 Neutrality

The Telcordia Neutrality Officer will lead the Neutrality Assurance team in working with the agreed-to auditor for Neutrality. Telcordia will work with the LLC and the FCC, as required, to develop an audit plan that provides a review of the elements outlined in Section 4.2 of the RFP. It is expected that the audit will review compliance with the elements provided in the Legal Opinion and compliance with the Code of Conduct. In addition, the review will be expected to cover the following:

1. Does the LNPA, in its operation of the NPAC, provide services under non-discriminatory terms, rates, and conditions?
2. Does the LNPA qualify as an NPAC User as defined by the criteria used to grant User status to any entity?
3. Do any services provided by the LNPA in the operations of non-NPAC businesses utilize User Data not available to any other User?
4. In the LNPA's operations of non-NPAC businesses, is the LNPA's use of the NPAC SMS data consistent with the intended uses of rating, routing, billing, and network maintenance?
5. Are the services provided by the non-NPAC businesses possible only because LNPA operates the NPAC?
6. Could any non-LNPA entity provide services which utilize NPAC SMS Data, identical to those services offered by the non-NPAC LNPA business?
7. Does the LNPA in the operations of non-NPAC businesses disclose any NPAC SMS Data to any entity that would otherwise not be eligible to receive it?
8. Does the LNPA maintain Neutrality in public forums, not favoring the positions of an industry segment or segments, or an industry member or members, over others, as demonstrated in the records of public forums and ex-parte meetings?

The audit will be performed and reported on every six months as required. The Neutrality Officer is responsible for certifying this audit and works with the Neutrality Assurance Team to implement any necessary corrections or improvement plan.

2.2.4.3 Business Continuity Plan Exercise

Telcordia understands the importance of Number Portability to our clients' business and daily operations and the need to provide continuous uninterrupted LNPA and NPAC SMS services. The Solution is architected to avoid service disruptions that could be caused by catastrophic events (e.g., hurricane), ensuring uninterrupted service is provisioned.

Telcordia will meet all of the Requirements in the *RFP Section 4.3*. Per these requirements, Telcordia will prepare a Business Continuity Plan which addresses the entire solution including infrastructure, the NPAC SMS application, and Support Systems as well as Operations and Management. Telcordia's solution and staff fully embrace and understand the Business Continuity Plan. A sample Business Continuity Plan may be found in *RFP Section 4.3* attachments.

Telcordia will conduct periodic unannounced, non-service impacting mock exercises that results in the components of the Business Continuity Plan being executed as noted below on audits. Telcordia will monitor and measure the performance of its solution and staff in executing the Business Continuity Plan during these exercises, and for each exercise, prepare a report for the NAPM LLC analyzing the results of the exercise. If components of the solution failed to provide the expected results of following the Business

Continuity Plan during an exercise, the report to the NAMP LLC will also contain a corrective action plan and implementation schedule to bring all elements of the solution into conformance with the Plan.

The Telcordia Quality Control team will be responsible for implementing the exercises, reporting on the results and implementing any Performance Improvement Plan.

2.2.4.4 LNPA NPAC SMS Data Center Operations Audit

The Telcordia Solution leverages vast experience established in compliance with corporate policies for Data Centers. Our data center solution is overviewed in the TRD Section 12.1 Summary – Section 6. Our data center partner, SunGard, conducts internal audits on a regular basis. The Telcordia Quality Control team will work with the SunGard's Audit Compliance group to develop a customized audit plan that specifically tests

- Accuracy of invoices
- NPAC SMS and facilities security
- Back-up sufficiency
- Disaster recovery procedures, and
- Overall compliance with industry standards for data center operations

The Telcordia Quality Control team working with the SunGard Audit compliance group will provide the report to the LLC and implement any necessary Performance Improvement Plan.

If the LLC procures an independent auditor, the team, Telcordia and SunGard, will provide the support required to conduct that audit as required.

Telcordia will keep all books, records and supporting documentation as required.

2.2.4.5 User Charges Audit

Telcordia acknowledges that the LLC has the right to request an audit of user fees and other charges to Users. The Telcordia Billing Team will work with the LLC auditor to provide the information required to demonstrate accuracy of billing, showing that the Telcordia fee is allocated and properly invoiced to Users per the FCC allocation model and for any other charges to Users (such as charges to PTRS or Other Users). Telcordia acknowledges that refunds, if required, will be provided as a credit on the Users next invoice.

2.2.4.6 Benchmarking Process

The Telcordia Quality Control team will be responsible for implementing the requirement for Benchmarking in RFP Section 4.6. Using the ITIL framework and our Quality Method of Operation (QMO), Telcordia supports continuous improvement efforts such as the benchmark program required.

The NAPM LLC will be engaged in the benchmark planning process to help identify the specific aspects of our operations they may want to benchmark. A third-party consulting firm specializing in particular areas of operational focus will be engaged to deliver unbiased comparisons of IT performance.

Once benchmarks are identified, Telcordia and the selected consulting firm will work to develop and implement the Benchmarking Plan. Then, following the Benchmarking Plan, an audit of our operational area of focus will be performed and results compare with industry standards. An EP Benchmarking Report will be provided with the results of the process.

Within 30 days of the completion of the EP Benchmarking Report the Telcordia Quality Control team will provide the LLC, with an Evaluation Report setting forth the Performance Improvement Plan.

2.2.4.7 Other LNPA Services Audits

The Telcordia Quality Control team will be responsible for managing the audits required for the Intermodal Ported Telephone Number Identification Service and the Enhanced Platform for Law Enforcement Agencies.

In both cases a third party agreeable to both the LLC and Telcordia will be hired by Telcordia to perform the audits. The audits shall include compliance with the requirements and Master Agreement for the Services. In addition to the Services Review for the Enhanced Platform for Law Enforcement Agencies a Cost Review will be performed yearly in accordance with, requirement 19. Both services will be included in the Neutrality Audit and the costs for the audits of these services will be kept separate from the GEP Audit expense.

2.2.4.8 Conclusion

Telcordia recognizes the importance of the audit programs in the operations and performance of the NPAC ecosystem and has teams dedicated to audit and implementation of subsequent performance improvements.

2.2.5 Reporting

Telcordia understands the importance of reporting capabilities in the operational performance of the NPAC. The Telcordia Solution will support all of the currently defined and expected reports. This includes all of the reporting capabilities and reports identified in the NPAC SMS FRS, as well as reports for the NAPM LLC (LNP RFP Section 11.3) and the FCC (LNP RFP Section 11.4). The Solution is extensible to support future reports as required. Reports may be accessible from a single secure website via a single user login process.

The Telcordia team has the right domain expertise required to quickly understand the NPAC business requirements and thereby deliver all the necessary report types and features required to operate the NPAC and maintain NPAC service level requirements.

Telcordia will work with the NAPM LLC and with the Service Provider community to design templates and report formats for each report supported.

Examples of the supported report features include:

- Managing scheduled reports
- Service Provider Administration Report
- Error Log report
- User report
- System Parameter report
- System Statistics report

- Database Report
- Service Element report

User Reports:

- Subscriptions
- Service Provider Profile
- Network Management
- Number Pooling
- Audits

2.2.5.1 NAPM LLC Reports

Telcordia will provide all reports to the NAPM LLC as required. The report formats will be agreed on by both Telcordia and the LLC. Telcordia will develop, to the extent possible, reports with the same look and feel and with all of the same data as reports that are used by the LLC today. In addition, Telcordia would, if desired, make a web portal available for the LLC to get ad-hoc versions of the report data or historical reports.

The following reports as noted in RFP Volume Section 11.3 above would be supported:

- Weekly LLC reports – various SV counts
- Billable transaction reports
- PE Reports
  - Top 10 tickets
  - SLR Performance
  - SLR 1
  - SLR 2
  - SLR 3
  - SLR 7
  - Service Unavailability
  - Billing
  - GEP Penalties
  - SOW Report
  - NPAC SMS Test Platform Services
  - New Customers
  - IntraSP Pooling
  - LERG Pooling
  - (Block) Receipt & Activation
  - (Block) Modification
  - (Block) Pooled-Ported

- Annual Summary

- Performance Results
- Enhanced LEAP Cost Review
- Enhanced LEAP Service Audit Report
- Intermodal Cost Report (WDNC)
- Intermodal Services Audit Report (WDNC)
- NUE Findings for PTRS User Application
- NUE Annual Review
- Neutrality Report (Annual & Quarterly)
- CFO Certification
- Annual Disaster Recovery exercise readout
- RCA reports
- Post-Mortem reports
- Master Agreement and SOWs
- Evidence of NPAC Application Software Escrow
- Evidence of Billing Software Escrow
- Billable Transaction by conventional LRN vs. pseudo LRN
- Capacity Report
- Enhanced LEAP user list
- WDNC user list
- NPAC Customer list
- Misc. project status reports

Telcordia will provide any other additional reports required by the LLC. The flexible reporting methodology and tools being deployed by Telcordia and the detailed ITIL process will allow for reports to be created as needed quickly and easily for any data retained by NPAC SMS.

2.2.5.2 Regulatory Reports

Telcordia will support provision of reports to the FCC and to any State Regulators as required. To the extent the formats that are being used today are made available Telcordia will develop reports with the same look and feel as being provided currently. In addition, Telcordia would if desired make a web portal available for the Regulators to get ad-hoc versions of the report data specific to them or historical reports.

Telcordia understands that the FCC is, for example, minimally provided with: SVs remaining in NPAC at the end of a period, wireline-wireline and wireline-wireless port information, and ports between carrier types by state and number of carriers porting by state for use in their numbering trends report done by the Industry Analysis and Technology Division of the Wireline Competition Bureau.

Telcordia will provide any other additional reports required by the FCC or States as permitted for by the Agreement. The flexible reporting methodology and tools being deployed by Telcordia and the detailed

ITIL process will allow for reports to be created as needed quickly and easily for any data retained by the Telcordia NPAC SMS.

2.2.6 Other Operational Performance Aspects

This section provides details about the following additional aspects of support included in our service offering:

- NPAC Web Content Support
- Interactive Voice Response (IVR) Service
- Enhanced Platform for Law Enforcement and Public Safety
- Intermodal Ported Number Identification Service
- NPAC Knowledge Base and Support Portal Web Page
- Customer Training
- LNPA Process Flows
- User Methods and Procedures

2.2.6.1 NPAC Web Content Support

We include in our offering full-service web administration support that is customized and crafted to meet the industry's NPAC business needs. We will operate in either a multi-LNPA environment in which Telcordia will maintain a separate NPAC website via www.npac.us or assume the maintenance and improvement of the existing site information as a national provider.

Our web application development will address features, functionality, and needs including:

- Enterprise web portal development with a wide range of services for daily NPAC operational support such as online trouble ticket submission, knowledge database search capabilities, business intelligence and analytics capabilities and customizable communications with news and updated support content. Our web portal solution will help organize and conduct daily tasks efficiently and effectively [Requirement 1].
- As the LNPA, Telcordia will maintain, protect and preserve both public and secure intellectual and public property knowledge of all things related to the conversation and development of the number portability through the efforts discussed within the LNPA Working Group. We understand that long-term access to reliable and authentic digital materials is at the heart of delivering this objective and also prepare to help bridge the gaps where fragmentation of knowledge and skills among the community stakeholders exists within the multi-LNPA scenario [Requirement 2].

2.2.6.2 Interactive Voice Response (IVR) Service

Telcordia understands the importance of an NPAC IVR service [RFP Section 6.9] and the important role the service plays not only to carrier lookup by field technicians but also its role in providing services to U.S. law enforcement and public safety agencies.

Telcordia will design and integrate all the necessary call flows and develop all the IVR scripts required to ensure seamless delivery of porting information to our IVR users. We have experience providing similar IVR services that operate 24×7 [Requirement 2] and will have a minimum availability of 99.9%

[Requirement 1]. For this NPAC contract, we will record consistent and professional voice prompts. We understand our users may require access to porting details in single instances or in batches in real-time. To support this need, our experienced technical team will ensure that the data is accessible in real-time and that script updates are fully tested and applied in a timely fashion. As part of our process improvement, as customers navigate the menus, we will gather and analyze usability and efficiency data and recommend script adjustments to enhance this service.

The IVR platform is self sufficient, containing all of the technology necessary to successfully interact with customers via speech or touchtone without operator intervention. The system may also be configured to permit customers to press a button to speak directly to our help desk. Additional features supported are:

- Security access PIN
- Administrative management reports
- Multiple queries on a single access
- Toll-free number access
- Usage and access reporting

Our IVR solution will address requirements in section 6.9, as described in the TRD Section 12.1 Summary Attachment – Section 7.7.

U.S. law enforcement agencies, public safety providers, and 911 Service Providers will be able to utilize our IVR solution to perform the following:

- Search by individual telephone number, up to 20 telephone numbers per access.
- Identify whether the telephone number is ported.
- Identify the current Service Provider and legal point of contact for queried TN.

2.2.6.3 Enhanced Platform for Law Enforcement and Public Safety

Beyond the IVR requirement, Telcordia will also be prepared to provide an enhanced platform for law enforcement agencies and public safety answering point providers to access NPAC data beyond the IVR limitation of 20 telephone numbers per access, as describe in TRD Section 12.1 Summary Attachment – Section 7.8. This enhanced platform will be made available via our web portal and will extend to web-based applications and content to smartphones and other wireless devices.

The enhanced platform will have the following capabilities beyond the IVR offering:

- Provide up-to-date porting history.
- API to retrieve information in bulk based on a range or list of telephone numbers.
- Online access.
- Search by GUI, file upload, or API.
- Provides historical porting detail.
- Number look-up beyond 20 per session.

Telcordia will work the law enforcement user community to ensure that the API interface and report formats meet their needs with a minimum of changes to the potential impact on this user community as discussed in the RFP Section 12.3 Transition Plan.

2.2.6.4 Intermodal Ported Number Identification Service

Telcordia will provide an intermodal ported number identification service as required in RFP Section 11.1 for the purpose of enabling compliance by marketers with the TCPA.

Telcordia agrees that it will provide this service separate from the NPAC SMS service provided to NPAC Users and we will ensure that it does not adversely impact the operation and performance of the NPAC SMS.

We will only provide the service to qualified recipients as defined by the Master Agreement. We will provide a quarterly report listing the applicants for the data in the previous quarter and the recipients as provided in Requirement 3. We will establish a separate contact number for the help desk services for this service and costs for support of that help desk will be associated with that separate project.

Fees for provisioning of the service to its users of the service will be separate and reasonable based on usage and otherwise comply with Requirement 10 and the service will be included in the GEP audit and Neutrality review paid for by Telcordia.

2.2.6.5 Customer Training

Telcordia will not only provide quality instruction in a classroom setting, but also provide post-class support to our NPAC customers in the form of online web-based courses that complement the live class to help reinforce learning.

Beyond the traditional instructor-led training, we'll also provide web-based resources during and after class to help reinforce the live class/training. Any user that completes training will be given access to the training materials. All updates to the content will be available online, providing the student with access to the latest version of the material.

For those looking for further savings, Telcordia will also be offering an online platform to deliver a classroom experience directly to the users via the web. Whether it's in classroom or via the web, Telcordia will provide a complete course on number portability and NPAC user support and training that will encompass but not be limited to [RFP Section 6.2]:

- Uploading ported/pooled TN data and user data,
- Receiving and understanding broadcasts,
- Receiving and understanding error/success messages,
- Requesting, receiving, and understanding mass changes,
- Requesting, receiving, and understanding reports (including billing), and
- Understanding security and encryption measures.

Telcordia NPAC training can be delivered "off-the-shelf," or customized for the learning needs of our users and clients via our on-site training program offerings.

2.2.6.6 NANC LNP Process Flows

The North American Numbering Council (NANC) Local Number Portability (LNP) Process Flows will be supported and consist of a set of graphically described Process Flows and associated Narratives that describe each step in the Process Flows. They cover:

- Port Initiation and Authorization - interactions between Service Providers that currently occur outside of the NPAC/SMS for the New Service Provider to initiate porting activities and obtain authorization from the Old Service Provider for the port to occur.
- Port Initiation and Activation at the NPAC/SMS - interactions between Service Providers and the NPAC SMS for the New and Old Service Provider to initiate, authorize, and activate the port at the NPAC/SMS, as well as additional provisioning activities outside of the NPAC SMS performed by the New and Old SP. This also includes process steps that the NPAC SMS performs, such as running timers and executing tasks when timers expire.
- Additional Provisioning Related Flows – these identify interactions between Service Providers or between Service Providers and the NPAC SMS when a port is placed into conflict and removed from conflict, when a pending port is cancelled or cancellation is removed, or when an existing port is disconnected by the current service provider.
- Miscellaneous Flows – these flows identify the steps followed and NPAC/SMS functions performed when a Service Provider requests the NPAC to perform an audit, a Service Provider opens a new NPA-NXX code to porting, or the NPAC SMS determines that a newly created ported TN or NPA-NXX-X is the first porting related activity occurring in an NPA-NXX.

The NANC LNP Process Flows and associated narratives are supported by the following NPAC/SMS documentation:

- NPAC SMS Functional Requirements Specification (FRS) – the business logic requirements described in the FRS describe the functionality that NPAC SMS provides to support the steps in the NANC LNP Process Flows.
- NPAC SMS Interoperable Interface Specifications (IIS), Part 2 – the message flow specifications describing the messages and their order flowing between Service Provider Local Systems (SOA and LSMS) and the NPAC SMS, including the message flows to support the NANC LNP Process Flows. This document will apply to both the existing CMIP interface and the alternative NPAC SMS interface that is currently being worked and defined by the LNPA WG industry participants.
- NPAC SMS Interoperable Interface Specifications (IIS), Part 1 – describes the security and operation of the CMIP interface between Service Provider's local systems (SOA and LSMS) and the NPAC SMS. The associated GDMO and ASN.1 describe the details for each message supported on the interface.
- The final "NPAC SMS XML INTERFACE SPECIFICATION" when completed and approved.

Telcordia is committed to performing all work in compliance with all NANC Operational flow narratives specified within RFP Specifications and committed to ensuring our implementation conforms to the FRS, IIS, ASN.1 and GDMO standards. As part of the Change Management process, we will keep up to date with the current North American Numbering Council (NANC) Local Number Portability (LNP) process flows.

2.2.6.7 NPAC User Methods and Procedures

Telcordia's commitment to service excellence begins with our ability to deliver consistent and repeatable processes that adhere to industry best practices and that follow our Operational and Management Processes and Programs. We will reinforce and maintain the integrity of the portability workflows in the development of the customized Methods and Procedures required in Section 10 of the RFP.

We will develop and maintain NPAC User Methods and Procedure documents and configuration management processes in our configuration management database (CMDB). The complete list can be found in Table 1. As a part of our administration management we are prepared to:

- Match the current Method and Procedure when available customized to the Telcordia environment.
- Incorporate screen shots and diagrams where doing so will facilitate understanding.
- Coordinate, schedule and facilitate the meetings to review the documents.
- Conduct live run-through or equivalent tabletop exercises for usability by the intended audience.

Our NPAC User M&Ps will be reviewed continually by the Telcordia NPAC SMS Administration team. Users or staff can suggest changes at any time. Telcordia will deliver at least the following M&Ps per the schedule described in the *RFP Section 12.3 Transition Plan*.

Table 1 – Current NPAC User Methods and Procedure List

NPAC User Method and Procedures
New Customers And Service Provisioning
New Customer Set Up Process
Connectivity To The NPAC
Existing User Modifications
NPAC Help Desk
NPAC Help Desk And The Role Of The User Support Analysis
NPAC Help Desk Hours Of Operation
Recognized Holidays
After-Hours Support
NPAC Help Desk Authorization List
Automated Telephone Number Look-Up System
Customer Contact List Management
NPAC Secure Site Access
NPAC Public Site Access
NPAC Help Desk Problem Resolution
Problem Resolution
Mechanized Association Troubleshooting
NPAC Web Port Access Troubleshooting
NPAC Support Services
Billable Contacts
Subscription Version (SV) Provisioning
Subscription Version (SV) Status Descriptions

NPAC SMS Tunables
NPA-NXX Management
LRN Management
NPAC Web Portal Logon Management
Full And Delta Bulk Data Downloads
NPA-NXX Filter Set Up
Emergency NPA-NXX Filters
NPA Splits
NPAC Reports
SFTP Site Requests
Porting In Error/Failure To Port
Mass Modifications
NPAC SMS Operations
NPAC Service Level Requirements
NPAC System Outages
Scheduled Service Unavailability (SSU) Schedule
Service Provider And NPAC Maintenance Notifications
Large Port Notifications
New NPAC Software Releases And Testing
NPAC Software Releases/Upgrades
Testing
Continuing Certification Requirements
NPAC Pooling Operations
Pooling Activities In The NPAC
NPAC Validations
NPAC Billing And Collections
Billing Disputes And Resolution
Other Information
NPAC Websites
Additional Websites

2.3 Factor 2 - Reliability and Functionality

This section demonstrates Telcordia's understanding of and competency in the requirements to operate the system, and our ability to provide the service during the term of the Master Agreements in each region. We demonstrate an understanding of and competency in:

- system availability,
- testing,
- disaster recovery and backup
- help desk requirements

We also provide analysis and examples that demonstrate that the Telcordia NPAC SMS will enable the Respondent to meet all SLRs and other system performance requirements.

[redacted]

[redacted]

We have chosen to utilize ITIL best practices as the IT management governance framework to deliver an effective and mature IT Service Management solution that helps manage reliability and performance and continuous service improvement.

2.3.1 System Availability

This section provides insight to Telcordia's strategy to achieve the system availability required of the NPAC SMS service. Telcordia has long-standing, recognized diligence in hardware and software design for high performance and reliability.

Telcordia NPAC software and servers are designed to deliver extremely high levels of availability. Hardware and software components are constructed to minimize the impact of component, function, or data failure. The maintenance architecture incorporates a multi-faceted ability to diagnose and remedy potential causes of failure, and to enable rapid service restoration when a problem occurs.

[redacted]

- [redacted]
- [redacted]

- [redacted]
- [redacted]

[redacted]

- [redacted]
- [redacted]
  - [redacted]
  - [redacted]
  - [redacted]

2.3.1.1 [redacted]

[redacted]

[redacted]

[redacted]

2.3.1.2 System Availability Conclusion

[redacted]

2.3.1.3 Data Center Facilities and Technology Infrastructure

The following section provides some detail about the data center facilities, technology infrastructure, and telecommunications services that will be used to support the NPAC SMS Program. The facilities and technology proposed will meet the needs of the NPAC SMS service today and will be updated and expanded during the lifetime of the contract to ensure that Telcordia continues to adopt best practices to help ensure that our data center meets or exceeds the requirements of the NPAC SMS Administration.

[redacted]

[redacted]

Telcordia and SunGard, our data center partner, would be glad to arrange a site visit to one of the facilities for LLC review.

[redacted]

[redacted]

2.3.2 Testing Solution

Our Quality Assurance Approach is discussed in the *RFP Section 12.3 Transition Plan*. Telcordia has been actively involved with the development of the industry test suite and flows since the inception of number portability. We have contributed to the industry creation of the current interoperability test suite and the turn-up test suite and continue to actively participate in the development of new methods for testing by providing input to the small team revising the testing procedures at the LNPA WG. We contribute to help improve test suites so that they are not just simulations of cases but allow for flow through testing with Service Provider systems. In addition, Telcordia's testing and software quality procedures have been used in our network database systems which have executed change management for new releases for more than 15 years without a single outage. Telcordia's also has extensive experience in developing test suites and executing application-level compatibility and interoperability tests across 15 distinct NPAC-PLUS implementations internationally requiring end-to-end congruency of business processes, information exchange, and interoperability of technology solutions.

This translates to proven experience and helps positions us as a viable portability partner with the right resources to support the Service Providers and industry testing needs. Our proposed solution allows vendors and carriers to have greater flexibility by providing other options for system testing in addition to those required by the industry standards each LNPA is most likely comply to.

2.3.2.1 Solutions Offering: Comprehensive Test Environment

[redacted]

2.3.2.2 Additional Test Features and Capabilities

In addition to the features mentioned above, our test solution also covers:

- [redacted]
- [redacted]
- [redacted]

[redacted]

- [redacted]

  [redacted]

- [redacted]

  [redacted]

  - [redacted]

    [redacted]

  - [redacted]

    [redacted]

Telcordia's Quality Assurance and Testing Approach demonstrates our understanding of the requirements involving the need for continuous reliable availability of the NPAC SMS and demonstrates our ability to meet the related SLRs.

2.3.3 Disaster Recovery and Backup

Telcordia understands Disaster Recovery, Back Up and Business Continuity, and we have designed the architecture accordingly, and have plans in place to address these areas.

The *TRD Section 12.1 Summary* details the Disaster Recovery Architecture in Section 6.

[redacted]

[redacted]

[redacted]

2.3.3.1 [redacted]

[redacted]

2.3.3.2 [redacted]

[redacted]

[redacted]

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[redacted]

[redacted]

[redacted]

[redacted]

2.3.3.3 Backup and restore capabilities

[redacted]

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- [redacted]

[redacted]

2.3.4 Telcordia Service Desk

This section demonstrates our understanding of the requirements and provides insight to our operational support approach. The Telcordia Service Desk proposal meets and in several instances exceeds the requirements in the RFP as discussed below. The service desk will leverage the latest in custom service management portals using the services of our data center partner SunGard to ensure real time monitoring and incident resolution.

Our approach utilizes the ITIL best practices framework to deliver a consolidated Service Desk solution. As part of this approach, the Telcordia service desk handles a range of services, acting as the single point of contact (SPOC[1]) for 24/7/365 support. [redacted] The Service Desk features a toll-free telephone number for all NPAC support interactions, including trouble ticket escalations and resolutions.

[redacted]

- [redacted]
- [redacted]

[1] Telcordia acknowledges it is required to provide a different Help Desk contact for some of the Other LNPA services such as the Intermodal Ported TN Id Service.

- [redacted]
- [redacted]
- [redacted]

These processes aid in ensuring that we provide consistent, efficient customer service with the agility to adapt immediately to new issues, changing priorities, and unexpected events.

2.3.4.1 NPAC Help Desk

We have designed our NPAC Help Desk to meet or exceed the SLRs as provided in RFP Section 6.5:

- **Requirement 1:** The LNPA shall provide and staff a user Help Desk accessible via a toll-free number to answer and resolve User questions and issues.
- **Requirement 2:** At a minimum, the Help Desk will be staffed with live operators Monday-Friday, from 7am to 7pm Central, excluding holidays designated in the Master Agreements (Help Desk Business Hours).
- **Requirement 3:** Outside of normal staffed Help Desk business hours, at a minimum, 99.0% of all requests for callbacks to users must be made within 15 minutes.
- **Requirement 4:** For service affecting trouble tickets, a minimum of 100% of all commitments to get back to the user after the initial contact will be met.
- **Requirement 5:** A minimum of 90% of the calls during normal staffed business hours must be answered by live operators within 10 seconds. The interval measurement begins when the caller chooses the option to speak with a live agent and ends when a live agent answers the call.
- **Requirement 6:** The Help Desk will maintain an abandoned call rate of less than 1.0%. The interval measurement will begin when the caller chooses the option to speak with a live agent; the interval ends when the caller abandons the call, but only after at least ten seconds has elapsed with no answer.

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- [redacted]

[redacted]

NPAC SMS Admin Support Approach

Telcordia understands that NPAC SMS support is critical and will support it with an NPAC SMS Admin Support team that includes Application experts, number portability experts and security experts as discuss in the NPAC SMS Admin team in Section 3.2.5.2.2 below.

A high-level overview of our NPAC SMS Admin support approach is illustrated in Figure 7.

[redacted]

2.3.5 Telcordia's Ability to Meet All SLRs and Other System Performance Requirements

Telcordia demonstrates our ability to meet or exceed all SLRs and Other System Performance Requirements in several sections of this document:

- Section 2.1 Introduces the Solution Architecture and describes our ability to technically delver the System Performance SLRs.

- Section 2.2.1 describes our ability to meet or exceed the Volume and Throughput SLRs.
- Section 2.2.2 demonstrates via testing the ability of the hardware and software functionality to meet or exceed the FRS volume and throughput requirements.
- Section 2.2.3 Service Level describes Telcordia's compliance with the SLRs for Measurement and Reporting and adherence to all SLRs in RFP Section 9.4-9.24.
- Section 2.2.5.1 describes our compliance with the GEP which provides additional assurance that the SLRs are being met or exceeded.
- Section 2.2.5.6 describes the benchmarking process which provides additional assurance that the service remains best in class from a performance perspective.
- Section 2.3.1 describes the System Availability features and approach to further demonstrate our ability to meet or exceed the availability SLRs.
- Section 2.3.2 describes the Data Center facilities and infrastructure and demonstrates our ability to meet or exceed the Data Center related SLRs.
- Section 2.3.4 describes the Disaster Recovery and Backup and demonstrates our ability to meet or exceed the D/R SLRs.
- Section 2.3.5 describes the Telcordia Service Desk and Help Desk demonstrating our ability to meet or exceed the Help Desk SLRs.

In our experience, in addition to architecture and service design, more is need to meet or exceed SLRs consistently and to deliver ongoing excellent customer service. In order to deliver this, we will also focus on continuous service management through the use of IT Service Management (ITSM) ITIL best practices framework.

[redacted]

[redacted]

[redacted]

[redacted]

Table 2 represents a partial list of NPAC performance service-level requirements that Telcordia will track within our SLM system.

Table 2 – Performance Service-level tracking as a part of our Service Level Management

Performance Standard	Typical Minimum Acceptable Quality Level
Service Availability	Maintain a 99.99% or better level of Service Availability.
Scheduled Service Unavailability	Scheduled Service Unavailability (SSU) that occurs outside of the industry-agreed upon maintenance window.
Partial Service Unavailability	Hardware component failure or any other disruption in the operation of the NPAC SMS that causes at least one user for more than 10 minutes for a reason other than loss of Interface Availability.
LSMS Broadcast Time	Average response time of three seconds from activation request to broadcast.
SOA to NPAC Interface Rates	Maintain a minimum of seven transactions per second per user SOA for 99.9% of the transactions.
NPAC to LSMS Interface Rates	Maintain a minimum of seven transactions per second per user LSMS for 99.9% of the transactions.
Interface Availability	Maintain an Interface Availability at a minimum of 99.99%.
Application Cutover Time	A maximum of 10 minutes to cut over to the backup site.

Performance Standard	Typical Minimum Acceptable Quality Level
NPAC SMS Partial Disaster Restoral Interval	Partial restoration will be equal to or less than four hours. (Partial restoration meaning the capability of receiving, processing and broadcasting updates.)
NPAC SMS Full Disaster Restoral Interval	Full restoration will occur at a maximum of six hours.

Our Service Level Management approach provides for continual identification, monitoring, and review of the operational support levels defined with our Service Level Agreements (SLAs) module within the toolsets. In addition to the SLA monitoring, Figure 9 provides a high-level overview the other modules that will assist in supporting our overall operational solution.

[redacted]

2.3.5.1 Service Delivery and Service Improvements

The Telcordia Solution places a strong emphasis on progress reporting and assessment as the foundation for our corrective action and continuous improvement activities. As discussed in the previous section, we regularly review performance results and the Benchmarking results to assess our progress and expose opportunities for improvement. We then follow sound, established procedures for Change Management as described in the *Section 12.3 Transition Plan* and continuously improve our performance.

Telcordia with its data center partner demonstrates in its Past Performance Experience, in the system architecture and solution design, in the data center and service desk design the ability to deliver the SLR performance for NPAC and this section demonstrates our ability to manage and continuously improve our performance to deliver customer satisfaction.

2.4 Factor 3, Security

2.4.1 Introduction

Telcordia recognizes the importance of proper management of all of the Industry's assets. This ranges from the physical facilities required to manage/operate the NPAC to the data contained within the service. The appropriate security and privacy must be maintained and evolved as new features are implemented (e.g., change order NANC 372, the alternate interface or new feature that may contain more sensitive user data, such as those that support VoIP, LTE and advanced features).

As a local system vendor, Telcordia has many years of experience with supporting the required security implementations and protecting our customers' assets across a large number of US Service Providers. One example of supporting application level security, Telcordia's North American Number Portability Gateway is deployed in individual Service Provider environments and is also deployed in a Service Bureau arrangement supporting over 100 clients, some whom access the system via mechanized interfaces and others who access via a Web-based GUI. The SMG ensures that only authorized clients can access the system through either interfacing mechanism, ensures that users or systems only access and invoke capabilities for which they are authorized, and ensures users or systems can only access and modify their own data with the appropriate logging and notifications.

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2.4.2.2 Additional Security and Security-related Features

Telcordia processes large volumes of sensitive data for many different customers. To protect this data and the equipment used to process it, comprehensive physical security measures have been implemented within our operations data processing and contact center facilities. Purposeful building design works in conjunction with data and personnel security measures to provide seamless and protected delivery of services. Telcordia provides physically secured facilities for its people, equipment, and documentation. The Telcordia Solution also supports the following:

- [redacted]
- [redacted]
- [redacted]

[redacted]

2.4.3 Meeting FRS and IIS Security Requirements

2.4.3.1 Interface Security

This section addresses the primary interface types that are employed in our NPAC SMS solution along with an overview of how we'll address security as it relates to requirements in TRD sections 7.1 and 7.2. The three interface types are: mechanized CMIP interface, mechanized XML alternative interface and web portal access (secure website access to LTI/Admin GUI, knowledge base and other operations tools; sFTP server access). The table below illustrates the OSI protocol stack technologies that are employed for each of the primary interfaces types. Shaded areas represent where primary security management is provided for each of the interface types.

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[redacted] All infrastructure, source and NPAC-related software and data will be housed in Telcordia-controlled data centers within the US.

The following touches upon how we'll ensure integrity for various NPAC SMS components.

[redacted]

- [redacted]

[redacted]

- [redacted]

The NPAC Security Administration Support staff will be notified to investigative all audits exceeding the thresholds of our internal policy and/or the thresholds specified within the FRS.

2.4.3.7 OSI Security

The Telcordia Solution supports the OSI security requirements identified in TRD Section 7.9. [redacted]

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3 Management Criteria

3.1 Introduction

The Telcordia management proposal consists of detailed structures and plans based on decades of experience delivering systems and services to the telecommunications industry. As noted above and in our Transition Plan Telcordia has the systems, processes and procedures, transition plan, staffing plan, and management plan to deliver a service that meets the industry's needs for this critical service at the best value and can assure ongoing satisfaction with continuous service improvement by a company with the financial stability to deliver for the long term. This section reviews and summarizes those plans and qualifications.

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3.2.1 Staff Management Plan

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3.2.5.2.3 Account Management

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3.2.5.3 Industry Relations

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3.2.6 Service Management

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3.2.6.1 New User Evaluation and User Agreement Management

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3.2.6.2 Quality Control

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3.2.6.3 Neutrality Assurance

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3.2.6.4 Regulatory Relations/Legal

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3.2.6.5 Billing

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3.2.7 Proven Customer Service to Wide Range of Clients

The Telcordia Customer Service design is proven by decades of past performance for many service provider customers and for regulators as LNPA. Over 1,000 operators use Telcordia products and services worldwide and several have renewed contracts with Telcordia for more nearly 30 years. Telcordia provides number portability, anti-theft and anti-counterfeit device registries, information services, mobile messaging, and spectrum management services in dozens of countries to a wide range of small, mid-size, and large wireline, wireless, cable, and IP customers. It provides number portability clearinghouse services in over 15 countries, enabling both fixed and mobile number portability.

Telcordia's parent company Ericsson provides services across telecommunications industry segments. Ericsson provides infrastructure services to many of the nation's telecommunications service providers and has over 400 customers for more providing excellent customer service for more than 100 years. Ericsson also provides network infrastructure and services for fixed broadband providers and supports IP-based services and applications, including mobile TV, IPTV, video on demand and content management. Ericsson also provides managed services to a range of telecommunications customers. Additionally, it provides managed services to TV/media and IT systems. More than half of the equipment involved in Ericsson's managed services agreements is provided by other infrastructure vendors. Ericsson also provides operations support services/business support services (OSS/BSS) for a wide range of wireless, wireline, cable, and IP customers.

The Telcordia team data center availability services partner, SunGard Availability Services provides disaster recovery services, managed services, information availability consulting services and business continuity management software to more than 8,000 customers in North America and Europe. With five million square feet of data center and operations space at over 90 facilities in ten countries, SunGard assists IT organizations across virtually all industry and government sectors to prepare for and recover from emergencies by helping them minimize their computer downtime and optimize their uptime. Since pioneering commercial disaster recovery in the 1970s, SunGard has helped customers recover from unplanned interruptions resulting from major disasters including hurricane Sandy in 2012, the Gulf Coast hurricanes in 2008, widespread flooding in the UK in 2007, hurricane Katrina and Gulf Coast hurricanes in 2005, Florida hurricanes in 2004, the Northeast U.S. blackout in 2003, and the terrorist attacks of September 11, 2001.

Both Telcordia and SunGard are using the ITIL best practices framework for service management and have continuous improvement processes in place to help assure continued excellent customer satisfaction as discussed in Appendix A to this document. Those processes include the use of customer satisfaction surveys for both companies. The quality of the both Telcordia and SunGard's implementation of the processes is demonstrated by the quality certifications in the Section 3.3.1 VQS Attachment at section 4.2. See Section 12.2 of the RFP response for more details on the current surveys. Telcordia, for example, has passed 23 consecutive audits of its Quality Method of Operations with no significant findings.

Finally, both Telcordia and SunGard have implemented our systems and services with high customer satisfaction for decades and this is demonstrated below in Section 3.3 as well as in the Section 3.3.1 and 3.3.4 attachments to the VQS and the Performance Surveys themselves.

3.3 Factor 2, Vendor Experience and Performance Summary

As is demonstrated in Sections 3.3.1 and 3.3.4 of Telcordia's VQS response, Telcordia has experience providing LNP gateway systems, NPAC Plus and network database services in all of the NPAC regions and 17 other countries around the world.

Telcordia, with the financial strength of Ericsson, brings together two of the world's leading telecommunications firms with a combined history of delivering excellence in critical telecommunications systems and services working with SunGard, one of the world's leading software and technology services companies, provide low-risk transition at minimum cost and operational impact.

Telcordia past performance demonstrates:

- Providing number portability systems in all NPAC regions since the beginning of LNP
- Providing LNP systems and services in 17 countries; more than any other vendor in the world, and
- Providing network systems and managed service with high availability, high-transaction volume/throughput databases

Telcordia is the leading global supplier with experience in both NPAC systems, services and high availability in-call path network database systems

- A suite of other products and services with thousands of customers demonstrating the technical and management skills to deliver U.S. NPAC services.

Our ability to provide the diversified yet seamless NPAC service is demonstrated by our past performance and references: we have executed this work with exceptional customer service to earn a wealth of customer references, for implementing, transitioning and operating data center solutions in number portability and comparable complex implementations.

3.3.1 LNP Experience Within the Regions

As is discussed in VQS Section 3.3.1, Telcordia has worked since the very first day of number portability in the U.S. Developing the first number portability system in the world for toll-free number portability in 1992 as the neutral number administrator and SMS/800 system and network database provider. Telcordia has been working on the NPAC Functional Requirement Specifications (FRS) and Interoperable Interface Specification (IIS) development since the beginning for US NPAC delivering the first systems to be certified to connect to the NPAC, and those systems have been in service for more than 15 years.

- *Telcordia processed the first service provider port with toll free*
- *Telcordia processed the first U.S. geographic port through its SOA*
- *Telcordia processed the first mobile port through its WICIS Gateway*
- *Telcordia has processed more portability related transactions than NPAC itself.*

Telcordia is the leading Service Order Activation (SOA) provider with multiple deployments of its North American Number Portability Gateway in all NPAC regions. Approximately 90% of wireless number porting transactions goes through Telcordia systems.

The Telcordia North American Number Portability Gateway is based on the ATIS OBF Wireless Intercarrier Communications Interface Specification that includes patented contributions from Telcordia, and this is the enabling technology for U.S. MNP to be the most efficient in the world. In fact because Telcordia systems handle the WICIS and the NPAC SOA transactions as well as the LSMS transactions and Toll-Free portability, Telcordia has likely processed more portability related transactions than NPAC itself.

3.3.2 LNP Experience in Other Countries

Telcordia NP systems provide services to providers with more than 1.5 Billion subscribers, more than any other vendor in the world.

As is discussed in VQS Section 3.3.1, Telcordia is the leading provider of number portability administration systems and services worldwide. The Telcordia Number Portability Clearinghouse (NPC) is an NPAC PLUS system because it includes the base NPAC functions for TN porting PLUS pre-port business rules (like the LSR/FOC or WICIS process). It was the first system to do so in the world. The Telcordia NPAC PLUS design has become the de facto standard of number portability worldwide. Telcordia has deployed NPAC PLUS in 15 countries, more deployments than any other vendor in the world. In addition, the Telcordia Number Portability Gateway (NPG) leverages Telcordia's experience in service provider operations support systems (OSS) and provides a number portability local system gateway (combining SOA and LSMS functionality) between a service provider's back office billing and network systems and the NPAC or NPC in a country, allowing for seamless flow-through porting. Telcordia's systems have interfaces to every major vendor including Neustar, Tekelec and many others. Telcordia has experience developing and testing interfaces with vendors around the world to deliver NP solutions that meet or exceed expectations.

Telcordia continues to innovate in number portability solutions

- *Delivered the first multi-vendor regional NPAC solution in India*
- *Delivered the first NPC with IP/ENUM Query Resolution Service in Thailand.*
- *Delivered the first NPC with Device Registry functionality in Chile*

In India Telcordia delivered the world first NPAC Plus system in a multi-vendor regional environment.

- This brought the ongoing benefits of competition between NPAC vendors to service providers and the end users in India resulting in an advance NP system with a per port cost that is significantly lower than that currently being experienced in the U.S.
- [redacted]
- Works effectively without a single complaint with the other LNPA in India.
- [redacted]

3.3.3 Other Products and Services Successful Performance of functional / technical skills required on LNP activities

As is discussed in VQS Section 3.3.1, Telcordia delivers a suite of solutions agnostically and neutrally to service providers worldwide. The other Telcordia products and services that demonstrate the functional and technical skills required for the full range of LNPA activities for delivery of NPAC services in the U.S. with excellent customer satisfaction include:

- Toll Free System with Portability
- Routing and Number Administration

- Mobile ID
- Message Hub and Resolver Services and
- Hosted Managed Services

Our Past Performance demonstrates excellent on time delivery and customer service, including technical and management skills over decades to deliver the NPAC service in the U.S. Telcordia has the experience, expertise, management systems and with Ericsson the financial strength to provide unparalleled services for NPAC performance in the United States.

Telcordia has new future facing products and services that will bring knowledge and leadership to NPAC services of the future including:

- Query Resolver/ENUM
- Device Registry

Telcordia's data center and service partner, SunGard is one of the world's leading software and technology services companies. They provide software and technology services to financial services, education and public sector organizations. They also provide disaster recovery services, managed services, information availability consulting services and business continuity management software. SunGard serves approximately 25,000 customers in more than 70 countries. Highlights of SunGard capabilities include:

- 5 million square feet of data center and operations space at over 90 facilities in 10 countries,
- Pioneer of commercial disaster recovery services
- Specialization in information availability solutions,
- Vast experience, technology expertise, resource management capabilities, and vendor neutrality
- Quality Metrics, Certification and Continuous Improvement Processes

In addition, SunGard also has significant applicable experience implementing performance surveys demonstrating excellent customer satisfaction.

3.3.4 Customer Benefits from Successful Performance and Proven Results

As is demonstrated in our references in VQS Section 3.3.4 and our Past Performance Questionnaires submitted in response to Section 3.3.5, the Telcordia team provides significant value to its clients in implementing systems and services related to number portability and other mission critical systems and services:

- Enabling Efficient Wireless Number Portability in the U.S. through the North American Number Portability Gateway – 90%+ of the U.S. MNP volume
- Delivery of SP local NP systems that connect with NPAC databases in all 8 regions and worldwide – understanding provider environments and delivering customized features adding value
- Delivery of the first NP system with toll-free – Enabling Toll-Free service in the U.S. delivering billions of calls with no downtime
- Delivery of world's first multi-vendor regional NPAC Plus in India
- Delivery of first NP platform in Latin America – fast deployment with no upfront investment
- Routing Administration in the U.S. – Every

Telcordia has more than 1,000 customers for its products and services enabling porting, routing, message delivery and interconnection to more than 1.5 Billion subscribers worldwide!

service provider's ported and pooled TN references Telcordia data with an LRN

3.3.5 Telcordia Team Past Performance Meets or Exceeds the Evaluation Criteria

The projects in our past performance exemplify our experience and expertise in regional local NPAC SMS systems and services, international NPAC PLUS systems, and the technical, operational and management skills to earn excellence in customer service, as highlighted below.

In addition to the three references required for VQS Section 3.3.4 Telcordia has asked 2 other customers to submit Past Performance Questionnaires for evaluation for a total of 5 references demonstrating our ability to deliver number portability in the U.S., number portability around the world, and demonstrating the technical skills of managing network databases in a managed service.

Telcordia is providing the following references:

- [redacted]

These references demonstrate that Telcordia meets the Past Performance Criteria as outlined in the table below.

Past Performance Criteria	Telcordia Team Depth and Breadth of Relevant Experience
Experience with LNPA or NPAC/SMS services within the Regions	▪ Wireline local systems to support U.S. service providers ▪ Telcordia local systems (WNP, WICIS and SOA) process 90+% of wireless ports resulting in more underlying transactions than the NPAC itself ▪ Enables wireless-to-wireless porting interval to meet the SLAs of our customers ▪ Critical component of delivering fast seamless portability in the U.S. ▪ [redacted]
LNPA or provider of number portability administration in other countries	Telcordia as described in attachment VQS_Section 3.3.1_Experience Description has the most LNP NPAC PLUS equivalent deployments of any vendor: ▪ NP solutions deployed in 18 countries outside the U.S. ▪ Provide NP-related services to providers with nearly 1.5 billion subscribers ▪ Interfaces to hundreds service provides and vendors in 18 countries outside the U.S. ▪ Processed more than three billion number portability transactions worldwide. ▪ [redacted]

Functional/ technical skills required on LNP activities performed for other customers	▪ Provide fully compliant SOA and 8 region LSMS ▪ Leading provider of Availability Services, Data Center, and Managed Recovery exceeds requirements ▪ Demonstrated delivery of high availability network systems and services processing millions queries a day ▪ Demonstrated Service Monitoring and Help Desk Support ▪ [redacted]
Ability to provide excellent customer service	▪ Past Performance Demonstrating High Levels of Customer Satisfaction in o Delivery of U.S. NP requirements in the regions o Delivery of NP services worldwide in 19 countries o Delivery of network managed services supporting high volume high availability services o Delivery of complex new systems on time, on budget and with high customer satisfaction ▪ ***Customer satisfaction is shown in all of our Past Performance references; we have been delivering quality number portability and network services to our customers since the very start of number portability.***
Develop and deploy a comparable automated system; meet schedule/cost	▪ Telcordia SOA and LSMS systems meet all the relevant requirements FRS and the IIS as shown in three of our past performance references. ▪ Telcordia provides a system comparable to NPAC PLUS pre-port functionality in 17 countries around the world including two of our past performance references. ▪ Telcordia provides high availability system and services exceeding the NPAC performance requirements in one of our past performance references. ▪ ***Past Performance in all of our references demonstrates on-time delivery of cost-effective solutions of systems that either represent a significant portion of US NPAC functionality or are for more than comparable systems.***
Staff, manage, and operate an NPAC or comparable service operation;	▪ Telcordia has delivered and operated Number Portability Systems and services since 1992, starting with the delivery of toll-free number portability through developing best practices for service delivery. ▪ SunGard: delivered critical infrastructure data centers, system networks, and help desks for thousands of customers in hundreds of countries. ▪ [redacted]

Communicate with/support organizations, customers, & stakeholders; implement escalation	▪ Telcordia provides escalation points to its customers and commits to providing efficient escalation to managers with the ability to resolve customer issues within the rules, regulations and requirements of number portability administration. The organization is designed to provide customer support and communications at all levels [redacted] ▪ [redacted]
Provide full financial and operational reporting and insight	▪ Telcordia SOA provides transaction reports for financial insight regarding port transaction charges. ▪ Telcordia NPAC PLUS systems provide reports for transaction based financial charges. ▪ All Telcordia systems provide full operational reporting. ▪ [redacted]
Survey users to gain feedback on help desk and user experience	▪ Telcordia has implemented customer satisfaction surveys via its help desk for several of its products and SunGard also provides help desk surveys as part of its services as demonstrated in the referenced projects below. ▪ The Telcordia Quality Method of Operation for continuous improvement includes performance surveys. ▪ Our data center partner, SunGard, as noted below, uses both "in-flight" surveys and annual customer surveys as part of their Continuous Improvement Process. ▪ ***Several of the North American Past Performance references have participated in the Telcordia Customer Satisfaction surveys that are part of our QMO continuous improvement process***.
Meet special requirements for expedited delivery or service	▪ Nearly all of the deployments of Telcordia's NPAC PLUS products included special requirements and customization for delivery all of which were performed on time with expedited delivery schedules. ▪ Telcordia has also delivered specialized features and met specialized customer requirements in the SOA and LSMS delivery. ▪ ***The Past Performance, for all of the Telcordia references, demonstrates Telcordia's ability to meet special requirements for service. In addition, several projects required expedited delivery.*** [redacted]
Past Performance Criteria	**Telcordia Team Depth and Breadth of Relevant Experience**

Experience with LNPA or NPAC/SMS services within the Regions	▪ Wireline local systems to several of the largest U.S. service providers ▪ Telcordia local systems (WNP, WICIS and SOA) process 90+% of wireless ports resulting in more underlying transactions than the NPAC itself ▪ Enables wireless-to-wireless porting interval to meet the SLAs of our customers ▪ Critical component of delivering fast seamless portability in the U.S. ▪ [redacted]
LNPA or provider of number portability administration in other countries	Telcordia as described in attachment VQS_Section 3.3.1_Experience Description has the most LNP NPAC PLUS equivalent deployments of any vendor: ▪ NP solutions deployed in 18 countries outside the U.S. ▪ Provide NP-related services to providers with nearly 1.5 billion subscribers ▪ Interfaces to hundreds service provides and vendors in 18 countries outside the U.S. ▪ Processed more than three billion number portability transactions worldwide. ▪ [redacted]
Functional/ technical skills required on LNP activities performed for other customers	▪ Provide fully compliant SOA and 8 region LSMS ▪ Leading provider of Availability Services, Data Center, and Managed Recovery exceeds requirements ▪ Demonstrated delivery of high availability network systems and services processing millions queries a day ▪ Demonstrated Service Monitoring and Help Desk Support ▪ [redacted]

Ability to provide excellent customer service	▪ Past Performance Demonstrating High Levels of Customer Satisfaction in
	  o Delivery of U.S. NP requirements in the regions
	  o Delivery of NP services worldwide in 19 countries
	  o Deliver of network managed services delivering high volume high availability services
	  o Delivery of complex new systems on time, on budget and with high customer satisfaction
	▪ ***Customer satisfaction is shown in all of five of our Past Performance references; we have been delivering quality number portability and network services to our customers since the very start of number portability.***

Develop and deploy a comparable automated system; meet schedule/cost	▪ Telcordia SOA and LSMS systems meet all the relevant requirements FRS and the IIS as shown in three of our past performance references. ▪ Telcordia provides a system comparable to NPAC PLUS pre-port functionality in 17 countries around the world including two of our past performance references. ▪ Telcordia provides high availability system and services exceeding the NPAC performance requirements in one of our past performance references. ▪ ***Past Performance in all five of our references demonstrates on time delivery of cost-effective solutions of systems that either represent a significant portion of US NPAC functionality or are for more than comparable systems.***
Staff, manage, and operate an NPAC or comparable service operation;	▪ Telcordia has delivered and operated Number Portability Systems and services since 1992, starting with the delivery of toll-free number portability through developing best practices for service delivery. ▪ SunGard: delivered critical infrastructure data centers, system networks, and help desks for thousands of customers in hundreds of countries. ▪ [redacted]
Communicate with/support organizations, customers, & stakeholders; implement escalation	▪ Telcordia provides escalation points to its customers and commits to providing efficient escalation to managers with the ability to resolve customer issues within the rules, regulations and requirements of provision of number portability administration. The organization is designed to provide customer support and communications at all levels [redacted] ▪ [redacted]
Provide full financial and operational reporting and insight	▪ Telcordia SOA provides transaction reports for financial insight regarding port transaction charges ▪ Telcordia NPAC PLUS systems provide reports for transaction based financial charges ▪ All Telcordia systems provide full operational reporting. ▪ [redacted]

Survey users to gain feedback on help desk and user experience	▪ Telcordia has implemented customer satisfaction surveys via its help desk for several of its products and SunGard also provides help desk surveys as part of its services as demonstrated in the in the reference projects below. ▪ The Telcordia Quality Method of Operation for continuous improvement includes performance surveys. ▪ Our data center partner, SunGard, as noted below, uses both "in-flight" surveys and annual customer surveys as part of their Continuous Improvement Process. ▪ ***Several of the N. American past performance references have participated in the Telcordia Customer Satisfaction surveys that are part of our QMO continuous improvement process***.
Meet special requirements for expedited delivery or service	▪ Nearly all of the deployments of Telcordia's NPAC PLUS products included special requirements and customization for delivery all of which were performed on time with expedited delivery schedules. ▪ Telcordia has also delivered specialized features and met specialized customer requirements in the SOA and LSMS delivery. ▪ ***The past performance references for all five of the Telcordia references demonstrate Telcordia meeting special requirements for the services. In addition, several required expedited delivery.*** [redacted]

Telcordia Discriminators

With systems installed that are larger and higher availability than NPAC, the Telcordia Past Performance demonstrates our ability to deliver and operate this critical service.

3.3.5.1 Demonstration of Customer Excellence in Data Center Services and Data Transition Services

Telcordia's partner for data center, availability and help desk services, SunGard, has thousands of customers that can demonstrate past performance of their availability and data center services as well as their proven service management, continuous improvement and importantly their proven methodology to transition large data services.

SunGard has references available for the projects described below for which contact information can be made available on request to demonstrate the technical and management skills to deliver an NPAC data center and related availability services that meet or exceed the performance criteria.

The following table summarizes the reference projects that demonstrate the technical capabilities to meet or exceed the data center, availability and help desk services for LNPA as part of the Telcordia team.

Relevant Project Aspects	Financial Services Payment Processing	Healthcare -- Hospitals	International Financial Services Client
Data Center Hosting	Multiple data centers, including Production, DR and UAT/Dev	4 hosting sites, brand neutral, primary/secondary site configuration, mobile recovery sites as needed.	[redacted]
High Reliability / Availability			
24-hour Operations	24x7	24x7	24x7
Large Volumes of Data	80 TB of data	n/a	Large hosted storage with 50TB of data
Large Volumes of Transactions	Over 124 million ATM/POS – more than 200 million total transactions	n/a	Thousands of daily transactions for International banking end customers
Government / Regulatory	Financial, PCI, SASE, HIPAA	HIPAA	Private
Service Desk	200 tickets per month, ITIL	300 + calls per month, ITIL	100 calls/tkts per month, ITIL
Transition			
Transition Project Management	Phased design, planning and implementation. Proof-of-concept, UAT testing & signoff prior to production implementation and transition to Operations.	"Flip Switch" separation from old to green field environment, Initial proof-of-concept. On-going phased transition management driven by customer's schedule. Exceptional Build and Activate responsiveness to each request. Regularly scheduled weekly checkpoints to provide general support and planning of upcoming needs.	PMI framework for phased design, planning and implementation, followed with failover testing before transition into operations

[redacted]

Relevant Project Aspects	Financial Services Payment Processing	Healthcare -- Hospitals	International Financial Services Client
Users of Service			
End Users	n/a	1,250 hospital systems used in the course of providing care to facilities with over 1,000 beds and 7,000 providers.	Thousands of financial end customers
Large entities (clearinghouse)	[redacted]	4 hospitals with over 1,000 beds and over 60 operating rooms.	1 main regional branch and application access to thousand regional branches
Customer Satisfaction Surveys			
Trailer Surveys		YES	
Annual Surveys	YES	YES	YES

These reference projects demonstrate the technical skills to meet or exceed the relevant requirements for LNPA data center, availability and help desk services.

3.4 Factor 3, Financial Stability

As a wholly owned subsidiary of Ericsson, Telcordia does not issue separate financial statements. Consequently, Telcordia's financial solvency is certified through the consolidated audited financial statements of its parent Ericsson. Telcordia's global market leadership position in number portability and other interconnection solutions is further strengthened by the financial backing and stability of Ericsson, which are shared below.

Ericsson builds its strength on the combination of core assets: technology leadership, services leadership and global scale. With a well-diversified customer base, Ericsson has strong and long-standing customer relationships with over 400 customers in 180 countries, and employs over 100,000 highly skilled and engaged employees. Ericsson, which has been in business for 137 years, boasts a strong balance sheet with a significantly large cash position to ensure the financial flexibility to invest in future growth and to capture new business opportunities, such as this multi-year NPAC contract.

Telcordia is extremely well-positioned to endure negative economic impacts as it is backed by a parent with substantial financial wherewithal as demonstrated by considerable revenues, sizeable market capitalization and net cash position, and robust cash generating ability. Furthermore, Ericsson has more than proved its longevity as it has withstood every economic downturn over the past 137 years.

3.4.1 Financial Strength

In 2010, 2011 and 2012, Ericsson generated consolidated revenues of $31.2, 34.8 and 35.0 billion, respectively, growing revenues by a compounded annual growth rate of 6%. In 2010, 2011 and 2012, Ericsson generated adjusted Earnings Before Interest, Taxes and Depreciation (EBITDA) of $9.0, 9.0 and 9.5 billion, respectively. Ericsson generated $3 billion in 2012 operating cash flow, ended 2012 with a gross cash position of $12 billion, a net cash position (with total cash exceeding total debt) of $6 billion. In 2012 Ericsson's free cash flow (cash flow from operations less capital expenditures) from continuing operations totaled $2.6 billion. Furthermore, Ericsson yielded an operating margin of 9.7%, which remains the highest among its traditional publicly listed telecom competitors and boasted a sizeable March 2013 market capitalization of approximately $40 billion.

Please note that the Ericsson financial metrics shared above were extracted from the attached 2012 Ericsson annual report and converted from the Swedish Krona (SEK) to the U.S. Dollar (USD) based on a 4/1/2013 exchange rate of 6.5154 SEK/USD as posted in the Wall Street Journal.

3.4.2 Annual Reports Including Audited Financials

Ericsson's audited financial statements are included in the three attached Ericsson annual reports to shareholders for the years 2010, 2011 and 2012.

3.4.3 Sub-Contractor: SunGard

3.4.3.1 Overview

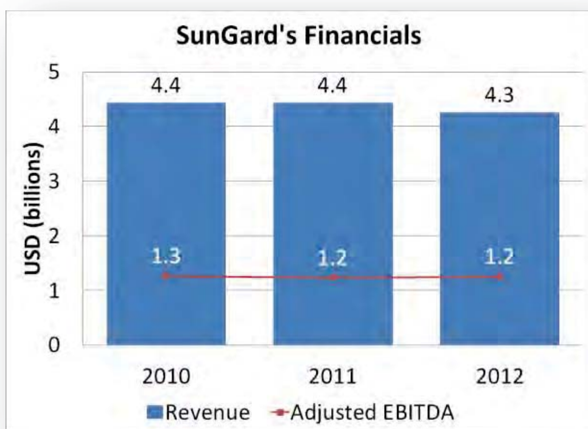
Pioneering disaster recovery in the 1970s, SunGard Data Systems, Inc. is one of the world's leading software and technology services companies. SunGard is the largest privately held software and services company and is ranked 480 on the Fortune 500. They provide software and technology services to financial services, education and public sector organizations. They also provide disaster recovery services, managed services, information availability consulting services and business continuity management software. SunGard serves approximately 25,000 customers in more than 70 countries. SunGard's revenue is highly diversified by customer. During each of the past three fiscal years, no single customer has accounted for more than 3% of total revenue. SunGard's solid liquidity position assures its customers that SunGard is, and will continue to be, a reliable and stable service provider for years to come.

Formerly listed on the NYSE (ticker symbol SDS) on August 11, 2005 the company was acquired by a consortium of seven private equity investment firms in a transaction valued at $11.3 billion. The partners in the acquisition were Silver Lake Partners, Bain Capital, Blackstone Group, Goldman Sachs Capital Partners, Kohlberg Kravis Roberts & Co., Providence Equity Partners, and Texas Pacific Group.

Combining deep domain datacenter and information availability experience, diversified operations and resulting financials with the backing by a consortium of the world's leading private equity firms, ensures long-term strength, wherewithal and stability that should comfort any prospective customer requiring mission critical services.

3.4.3.2 Financial Strength

In 2010, 2011 and 2012, SunGard generated consolidated revenues of $4.4, 4.4 and 4.3 billion, respectively. 70% of the company's revenues is highly recurring due to longer term contracts and significant switching costs. Consolidated adjusted EBITDA for the same time period was $1.3, 1.2 and 1.2 billion.



In 2010, 2011 and 2012, SunGard generated consolidated cash flow from continuing operations of $601, 606 and 645 million, respectively. At the end of 2012 SunGard had cash and equivalents of $546 million. In 2012 SunGard's free cash flow (cash flow from operations less capital expenditures) from continuing operations totaled $385M.

3.4.3.3 Annual Reports Including Audited Financials

SunGard's audited financial statements are included in the three attached SunGard 10Ks or annual reports to the SEC for the years 2010, 2011 and 2012 found in VQS Section 3.2.

Appendix A Telcordia QMO and ITIL

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ITIL Service Management Approach

ITIL is a public framework that describes Best Practice in IT service management. It provides a framework for the governance of IT, the 'service wrap', and focuses on the continual measurement and improvement of the quality of IT service delivered, from both a business and a customer perspective. This focus is a major factor in ITIL's worldwide success and has contributed to its prolific usage and to the key benefits obtained by those organizations deploying the techniques and processes throughout their organizations.

Some of these benefits include:

- Increased user and customer satisfaction with IT services
- Improved service availability, directly leading to increased business profits and revenue
- Financial savings from reduced rework, lost time, improved resource management and usage
- Improved time to market for new products and services
- Improved decision making and optimized risk.

The Telcordia Solution has embraced this framework, and it is also used by our data center partner, to deliver the end-to-end NPAC SMS service to the Industry enabling many of the benefits identified above.

The ITIL Framework defines best practices for 5 core areas (described in 5 books) and 25 processes within those areas. The five areas are: Service Strategy, Service Design, Service Transition, Service Operation and Continual Service Improvement.

Service Strategy is the core governance and business management area and includes Business Relationship Management, Financial Management, and Demand Management processes. The Telcordia Service, Solution features and Management solution used these best practices. Most of these functions are in Business Management group of Telcordia NPAC with participation of experts in the Service Delivery, Service Management teams.

Service Design are the best practices for appropriately designing a new solution, service or feature and include Service Level Management, Capacity Management, Availability Management, Service Continuity Management, Information Security Management, Supplier Management and Design Coordination. The Service Design must take all of these process best practices into consideration to deliver an approved design to *Service Transition*.

Service Transition are the best practices for development, test, transition planning and support. Included are processes for Change Management, Change Evaluation, Release and Deployment Management, Service Asset and Configuration Management, Knowledge Management, Service Validation and Testing, and Transition Planning and Support. The Telcordia QMO practices are important part of implementing these best practices. Once the release is tested, validated, and with change management approval transitioned into production the solution goes into *Service Operation*.

Service Operation are the best practices for operation of the service to provide outstanding customer satisfaction including conformance with all Service Levels committed to in *Service Design*. *Service*

Design has best practices for four Functions (teams) in order to provide these operations. An important part of the best practice is providing a Single Point of Contact for customers for service inquiries, requests and trouble resolution. This is done via the Service Desk function. The Service Desk includes the help desk and provides ingress for the following processes: Request Fulfillment, Access Management, Problem as well as Event and Incident management. *Service Operations* also includes best practices for the following functions: Technical Management, IT Operations Management, and Application Management.

Continual Service Improvement is the best practice concerned with maintaining value for customers through the continual evaluation and improvement of the quality of services. Quality measurements and metrics (including implementation of benchmarking and the GEP and Customer Surveys) will be included in these processes. In addition Telcordia QMO is a key portion of implementing these practices.

This section focus on two of the five core publications of the key principles of IT service management:

- Service Operation
  - The purpose of Service Operation is to deliver agreed levels of service to users and customers, and to manage the applications, technology and infrastructure that support delivery of the services.
- Continual Service Improvement
  - Continual Service Improvement (CSI) is concerned with maintaining value for customers through the continual evaluation and improvement of the quality of services and the overall maturity of the ITSM service lifecycle and underlying processes.

The Telcordia Solution includes the components in the data center infrastructure to support the ITIL V3 library. The infrastructure contains recognized products such as Services Now and Zenoss for operating and monitoring the Service. The product suite and the processes/governance allows for the following ITIL V3 capabilities to support the requirements in the RFP.

- Event Management Process

  An event is a change of state that has significance for the management of a configuration item (CI) or IT service (for example hardware scheduled maintenance). An event may indicate that something is not functioning correctly, leading to an incident being logged. Events may also indicate normal activity, or a need for routine intervention such as changing a tape.

  Event management depends on monitoring, but it is not the same as monitoring. Event management generates and detects notifications, whilst monitoring checks the status of components even when no events are occurring.

  Events may be detected by a CI sending a message, or by a management tool polling the CI. After an event has been detected it may lead to an Incident, Problem or Change, or it may simply be logged in case the information is needed.

  Response to an event may be automated or may require manual intervention. If actions are needed then a trigger, such as an SMS message or an incident being automatically logged, can alert support staff.

- Incident Management Process

  An incident is an unplanned interruption to an IT service, or a reduction in the quality of an IT service. Failure of a configuration item that has not yet impacted service is also an incident.

  The purpose of Incident Management is to restore normal service as quickly as possible, and to minimize the adverse impact on business operations. Incidents are often detected by event management, or by users contacting the service desk. Incidents are categorized to identify who should work on them and for trend analysis, and they are prioritized according to urgency and business impact.

If an incident cannot be resolved quickly, it may be escalated. Functional escalation passes the incident to a technical support team with appropriate skills; hierarchical escalation engages appropriate levels of management. After the incident has been investigated and diagnosed, and the resolution has been tested, the Service Desk should ensure that the user is satisfied before the incident is closed.

- Request Fulfillment Process

  A service request is a request from a user for information or advice, or for a standard change, or for access to an IT service.

  The purpose of Request Fulfillment is to enable users to request and receive standard services; to source and deliver these services; to provide information to users and customers about services and procedures for obtaining them; and to assist with general information, complaints and comments.

  All requests should be logged and tracked. The process should include appropriate approval before fulfilling the request.

- Access Management Process

  The purpose of the Access Management process is to provide the rights for users to be able to access a service or group of services, while preventing access to non-authorized users.

  Access Management helps to manage confidentiality, availability and integrity of data and intellectual property.

  Access Management is concerned with identity (unique information that distinguishes an individual) and rights (settings that provide access to data and services). The process includes verifying identity and entitlement, granting access to services, logging and tracking access, and removing or modifying rights when status or roles change.

- Problem Management Process

  A problem is a cause of one or more incidents. The cause is not usually known at the time a problem record is created, and the problem management process is responsible for further investigation.

  The key objectives of Problem Management are to prevent problems and resulting incidents from happening, to eliminate recurring incidents and to minimize the impact of incidents that cannot be prevented.

  Problem Management includes diagnosing causes of incidents, determining the resolution, and ensuring that the resolution is implemented. Problem Management also maintains information about problems and the appropriate workarounds and resolutions.

  Problems are categorized in a similar way to incidents, but the goal is to understand causes, document workarounds and request changes to permanently resolve the problems. Workarounds are documented in a Known Error Database, which improves the efficiency and effectiveness of Incident Management.

- Common Service Operation Activities

  Service Operation includes a number of activities that are not part of the five processes described. These include:

- Monitoring and control: to detect the status of services and CIs and take appropriate corrective action
- Console management/operations bridge: a central coordination point for monitoring and managing services
- Management of the infrastructure: storage, databases, middleware, directory services, facilities/data center etc.

The processes outlined for our QMO and ITIL best practices that are implemented in the Telcordia team environments are referenced throughout the response, and are more fully documented in the 5 ITIL books and the Telcordia QMO process details that are used to our audits. More detail can be provided upon request.

Appendix B: Performance Test and Measurements Results

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Welcome, Joel Zamlong with Telcordia Technologies Inc Logout

Home > Current Projects > 431766 - LNPA RFP > Project Package > Survey-2015-LNPA-Vendor Qualification

Survey-2015-LNPA-Vendor Qualification
Survey Deadline: 4/22/2013 11:59:59 PM

A survey is a simple way for a project sponsor to gather information about your company to determine the possibility of doing business. These surveys typically include general questions about the company, specifications of goods and services to be provided, expertise, and other questions specific to the sponsor. You have been invited to respond to this survey.

Please note: Your response has been submitted to the sponsor. It is final and may not be edited.

1. GENERAL PROJECT INFORMATION

1.1

STATEMENT:

Introduction and Purpose

Pursuant to the Telecommunications Act of 1996, the Federal Communications Commission (FCC) has adopted a succession of orders implementing Local Number Portability (LNP), which allows consumers to change service providers for telecommunications services at the same location without changing their telephone numbers. Currently, LNP is enabled in the seven United States former Regional Bell Operating Company (RBOC) service areas or regions, including their related Territories (each a "Region" and collectively, the "Regions") through seven databases, one in each Region, collectively referred to as the Number Portability Administration Center/Service Management System (NPAC/SMS). Each Regional database is operated and administered by a Local Number Portability Administrator (LNPA), neutral and independent from Telecommunications Carriers. A separate Master Agreement governs the operation and administration of the NPAC/SMS by the LNPA in each of the seven Regions and specifies the terms and conditions for providing NPAC/SMS services (referred to as the "Services").

All Master Agreements in all Regions are managed by the North American Portability Management LLC (NAPM LLC), and all Master Agreements in all Regions expire on June 30, 2015. The FCC has delegated authority to its advisory committee, the North American Numbering Council (NANC), working in consultation with the NAPM LLC, to implement a vendor selection process for the next-generation NPAC/SMS in all Regions, to commence at the expiration of the current Master Agreements. This vendor selection process includes issuance of a Request For Information (RFI) and a subsequent Request For Proposal (RFP) and will culminate in the selection of the LNPA in each of the seven Regions. The purpose of the NANC is to advise the Commission and to make recommendations, reached through consensus, that foster efficient and impartial number administration. The NANC, a diverse body with consumer, state government, and industry representatives, has established an LNPA Selection Working Group (SWG) to oversee the selection process of the LNPA. See Order, WC Docket No. 09-109 and CC Docket No. 95-116, DA 11-883, (adopted May 16, 2011) for process information and the respective roles of the FCC, NANC, and NAPM LLC. During this process, options for replacement and/or enhancement of the current NPAC/SMS in all Regions may be considered.

The purpose of the RFP is to provide each prospective RFP vendor (referred to as a Respondent or a Bidder) with an opportunity to demonstrate how its proposal satisfies the requirements of the RFP and will benefit Telecommunications Carriers and other qualified parties who will be Users of the NPAC/SMS and who rely upon the NPAC/SMS for the rating, routing, and billing of calls, law enforcement and other parties who may be granted certain limited and special access to NPAC/SMS data for other permissible purposes, and ultimately consumers. Each Respondent is instructed to answer all questions in as concise and complete a manner as possible, and in many instances, the Respondent is provided with an opportunity to elaborate on its answers.

The RFP process is comprised of three surveys, which should be completed in this order: (1) Vendor Qualification, (2) Technical Requirements Document, and (3) the RFP. This Vendor Qualification survey is the first step in the RFP process and is intended to provide uniform Vendor Qualification Criteria and acceptance of key business terms and conditions as a condition for consideration of a Respondent's responses to the RFP survey.

The qualification process will require satisfaction of the following two requirements:

1. Submission of detailed responses to the Vendor Qualification Criteria, set forth in Section 3, by the RFP Response Cut-off Date described in Section 1.5, including representations regarding neutrality (as defined in Section 3.4) and acceptance of key business terms and conditions; and
2. Substantiation of neutrality, pursuant to a legal opinion, delivered on or before the RFP Response Cut-off Date indicated in Section 1.5.

The NAPM LLC has authorized one of its Advisory Committees, the Future of NPAC Subcommittee (hereafter referred to as the FoNPAC) to project manage the RFP process, including the solicitation and evaluation of responses to this Vendor Qualification survey. The Iasta® SmartSource SRM® Tool will be used to gather, evaluate, and weigh all responses to this Vendor Qualification survey as part of the LNPA selection process. The LNPA selection process is expected to conclude around September 2013.

1.2

STATEMENT:

Local Number Portability (LNP)

LNP is the ability of users of telecommunications services, to retain, at the same location, existing telephone numbers without impairment of quality, reliability, or convenience when switching from one Telecommunications Carrier to another. (See 47 USC § 153(37)).

Currently, the LNPA provides a total solution for maintaining, administering, and operating the NPAC/SMS in each of seven United States Regions for the continued operation of LNP. The NPAC/SMS is the system that manages the porting and pooling of telephone numbers (TNs).

The NPAC/SMS in each Region serves as a central coordination point for LNP activity in that Region. The LNPA provides management, administration, and oversight for, as well as integration of, Data Center operations, hardware and software development, and all maintenance related functions. The LNPA is responsible for achieving performance standards established and amended from time to time by the industry, for providing user and technical support services (e.g. Help Desk), for providing off-line testing with service providers' systems and training for industry participants on an ongoing day-to-day basis.

The NPAC/SMS is a hardware and software platform that comprises the database in each Region required to effect the porting/pooling of telephone numbers and proper call routing of telephone numbers and associated advanced calling features in all Regions. In general, the NPAC/SMS receives information from both the old and new service providers (concurrence, routing information, including the new Location Routing Number (LRN)), validates the information received, and broadcasts the new routing information when an "activate" message is received, indicating that the end user customer has been physically connected to the new service provider's network. The NPAC/SMS also contains a record of all ported/pooled telephone numbers and a history file of transactions relating to the porting/pooling of a telephone number. The NPAC/SMS provides the ability to retransmit LNP information to service providers under certain conditions. The NPAC/SMS is not involved in real time call processing, because this function resides solely in the respective networks of the underlying service providers.

The NPAC/SMS interfaces with service providers via their Service Order Activation (SOA) systems and Local Service Management Systems (LSMS). The NPAC/SMS Interoperable Interface Specification (IIS) defines the interface between the NPAC/SMS and the SOA/LSMS systems for a Regional architecture. The NPAC/SMS Functional Requirements Specification (FRS) defines functional and operational requirements for the NPAC/SMS. The Abstract Syntax Notation 1 (ASN.1) describes the data structures for representing, encoding, transmitting, and decoding data. The Guidelines for the Definition of Managed Objects (GDMO) serves as the guideline for defining network objects under the Telecommunications Management Network. The above-referenced current technical documents are posted at the following URL: https://www.napmllc.org/pages/npacrfp/npac_rfp.aspx

1.3

STATEMENT:

Vendor Qualification Response Instructions

1. All responses to this Vendor Qualification survey must be submitted through the Iasta® SmartSource SRM® Tool. The Iasta® SmartSource SRM® Tool is an "on demand" technology that contains product platforms (such as Product Management and Decision Optimization) for sourcing teams.

2. All questions about the Vendor Qualification survey must be posted in the on-line "Forum" in the Iasta® SmartSource SRM® Tool. Questions will be answered by the FoNPAC as quickly as possible. Please note that all questions and answers can be viewed by any User with access to this RFP survey in the Iasta® SmartSource SRM® Tool.

3. Respondents must satisfy the Vendor Qualification Criteria set forth in Section 3 of this Vendor Qualification survey in order for a Respondent's RFP submission to be considered.

4. All responses to this Vendor Qualification survey must be received on or before the RFP Response Cut-off Date as described in Section 1.5 of this Vendor Qualification survey via the Iasta® SmartSource SRM® Tool.

1.4

STATEMENT:

Treatment of Information and Confidentiality

All responses to this Vendor Qualification survey become the property of the NAPM LLC upon submission, and the NAPM LLC and the FoNPAC expressly reserve the right to reject any and all responses to this Vendor Qualification survey after consultation with the FCC, without an explanation. The NAPM LLC and the FoNPAC may engage an independent consultant to assist in the evaluation of responses to this Vendor Qualification survey, and to the RFP survey and the TRD survey and to make recommendations to the NAPM LLC and the FoNPAC. The NAPM LLC and the FoNPAC reserve the right to request additional information or clarification.

The information submitted by each Respondent will be treated as confidential and may be shared ONLY in accordance with the terms of the confidentiality agreements with members of the NANC's SWG, the FoNPAC, and the NAPM LLC and ONLY upon prior confirmation that each member of such groups has executed the confidentiality agreement. The confidentiality agreements may be found on the NAPM website: http://www.napmllc.org/pages/NPACRFP/NPACRFP_refdocs.aspx . A Respondent's information will also be shared with FCC staff in connection with evaluation of a Respondent's RFP response.

All supporting documents related to a Respondent's submission to this Vendor Qualification survey must reference "Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1." Vendor Qualification survey responses must be submitted in accordance with the instructions in Section 1.3 VENDOR QUALIFICATION RESPONSE INSTRUCTIONS. Any Vendor Qualification survey response submitted after the RFP Response Cut-off Date as described in Section 1.5 of this Vendor Qualification survey will not be considered. A Respondent is solely responsible for ensuring that its response is submitted and received by the FoNPAC in accordance with the instructions. All submissions in connection with this RFP, including this Vendor Qualification survey must be complete, truthful, and accurate. Material misrepresentations or omissions may result in disqualification or reductions in scoring.

In exchange for consideration of a Respondent's submission to this Vendor Qualification survey, Respondent agrees by such submission to indemnify and hold harmless the NAPM LLC, the FoNPAC, the SWG, their employees, officers, agents, contractors, consultants, Members, and counsel from and against any and all liabilities, demands, damages, expenses and losses arising from such submission and response and any subsequent award or decision not to award a contract pursuant to the RFP or the vendor selection process. The Respondent shall be solely responsible for any claims, costs, or damages it incurs in connection with all submissions and responses to this Vendor Qualification survey.

1.5

STATEMENT:

RFP Process Time Line

Below is the proposed time line for the vendor selection pursuant to the RFP. The FoNPAC reserves the right to modify or adjust the following dates or to otherwise change or amend the time line, with the consent of the FCC:

RFP:

08/13/2012 - Public Notice published by FCC
02/05/2013 - Vendors may request login credentials to access the Iasta® SmartSource SRM® Tool from the FoNPAC
02/05/2013 - RFP survey, Vendor Qualification survey, and the TRD survey made available on the Iasta® SmartSource SRM® Tool
04/05/2013 - RFP Response Cut-off Date, the date all responses and submissions to the RFP survey, Vendor Qualification survey, and the TRD survey are due
08/05/2013 - LNPA Vendor selection recommendation by the FoNPAC to the SWG
09/20/2013 - Estimated date for FCC approval of Vendor selection for all Regions

1.6

STATEMENT:

Iasta® SmartSource SRM® Tool Training

A Respondent can access on-line training within the Iasta® SmartSource SRM® Tool with Respondent's login credentials. The information in the "Training" section on this project website is easily accessed to learn more about using this tool. A Respondent can find the "Training" link on the left side of the project website.

Abbreviations and Terminology:

Refer to "Glossary of Terms and Abbreviations" document in the Iasta® SmartSource SRM® Tool.

1.7*

QUESTION:

Respondent Acknowledgement

Respondent agrees that the submission of responses to this Vendor Qualification survey constitutes acceptance of all referenced and required terms and conditions set forth in this Vendor Qualification survey.

Acknowledged

2. GENERAL VENDOR COMPANY INFORMATION

2.1*

QUESTION:

Please provide detail of the types of businesses or different lines of business in which the Respondent is engaged, including the percentages and revenues from each such type or lines of business.

Please see the optional attachment.

Optional Attachments:

VQS_Section 2.1_Types and Lines of Business Detail.pdf (147.7 KB)

2.2*

QUESTION:

Please provide the following information about Respondent:

Company Name	Telcordia Technologies, Inc.
Company Address 1	444 Hoes Lane
Company Address 2	(no answer)
City, State and Zip Code	Piscataway, New Jersey 08854
Primary Contact Name	Joel Zamlong
Primary Contact Phone	732 699 8695
Primary Contact Email	jzamlong@telcordia.com
Secondary Contact Name	Tara O'Neill Diaz
Secondary Contact Phone	732 699 2664
Secondary Contact Email	todiaz@telcordia.com

* Red cells are required

2.3*

QUESTION:

Is the above address also the accounts receivable address for the Respondent? If not, please provide the accounts receivable address in the area below.

No, the above address is not the account receivable address. The following is:

[redacted]

2.4*

QUESTION:

Please provide details of the ownership and organizational structure, including affiliates and subsidiaries, of the Respondent, including a listing of all Officers and members of the Board of Directors.

Please see the optional attachment.

Optional Attachments:

VQS_Section 2.4_Ownership and Organizational Structure.pdf (180.7 KB)

2.5*

QUESTION:

How many years has the Respondent been in business? Has the Respondent ever done business under a different name(s), to include mergers and acquisitions? If so, please provide the name(s).

Telcordia has been in business for 29 years since 1984. It was originally Bell Communications Research (Bellcore). In 1997, Bellcore was purchased by SAIC and then renamed as Telcordia in 1999. In 2005 Telcordia was purchased by Warburg Pincus and Providence Equity Partners. In January 2012 Telcordia was purchased by Telefonaktiebolaget LM Ericsson and still operates as an independent wholly owned subsidiary, Telcordia Technologies, Inc.

Ericsson has been in business for 137 years since 1876.

On February 14, 2013, Ericsson announced that Telcordia would do business as iconectiv. Ericsson launched the new iconectiv brand to promote and strengthen the iconectiv business identity and support its portfolio of powerful, trusted, neutral solutions for the telecommunications industry including number portability clearinghouses and gateways, mobile messaging services, anti-theft mobile device registries, spectrum management databases and other interconnection information services.

2.6*

QUESTION:

Is the Respondent publicly traded or privately held?

Public Company

2.7

QUESTION:

If the Respondent is publicly traded, please provide the stock symbol and the exchange where the Respondent's stock is traded.

Telcordia Technologies, Inc.is a wholly owned subsidiary of Ericsson. Telefonaktiebolaget LM Ericsson is traded on the New York NASDAQ and the Stockholm OMX under the symbol ERIC.

2.8*

QUESTION:

What is the total number of employees of the Respondent?

Telcordia Technologies, Inc. currently has approximately 300 employees. Ericsson has approximately 110,000 employees worldwide and 15,000 in North America.

3. VENDOR QUALIFICATION CRITERIA

3.1

STATEMENT:

IN ORDER TO BE CONSIDERED AS A PRIMARY VENDOR FOR THE RFP, PROVIDE DETAILED RESPONSES TO **ALL** OF THE QUESTIONS LISTED IN THIS SECTION 3 AS VENDOR QUALIFICATION CRITERIA.

3.2*

QUESTION:

Financial Responsibility and Stability (capability to perform for the duration of the Master Agreements)

In order to be recommended for selection under the RFP vendor selection process as a Primary Vendor, a Respondent must possess sufficient financial responsibility and stability commensurate with the scope and duration of the Services to be delivered pursuant to the Master Agreements. Please provide a concise description of the financial condition of the Respondent as the Primary Vendor and of all Sub-Contractor(s), if any, that the Respondent will engage or include in providing the Services required by the RFP. In addition to answering all questions in the Vendor Qualification survey, please attach:

- The most recent audited financial statements and annual report for the previous three years of the Respondent and all such Sub-Contractor(s), if any.

- Responses must include all characteristics of the Respondent's (and all such Sub-Contractor(s)', if any) financial strength and wherewithal to demonstrate that they can perform under a multi-year business contract of the magnitude and duration potentially to be awarded under the RFP.

Please see the optional attachments.

Optional Attachments:

- VQS_Section 3.2_Financial Stability of Telcordia and SunGard.pdf (297.3 KB)
- VQS_Section 3.2_Ericsson 2012 Annual Report.pdf (7.2 MB)
- VQS_Section 3.2_Ericsson 2011 Annual Report.pdf (16.1 MB)
- VQS_Section 3.2_Ericsson 2010 Annual Report.pdf (12 MB)
- VQS_Section 3.2_SunGard 2012 Annual Report (Form 10K).pdf (1.3 MB)
- VQS_Section 3.2_SunGard 2011 Annual Report (Form 10K).pdf (1.3 MB)
- VQS_Section 3.2_SunGard 2010 Annual Report (Form 10K).pdf (1.2 MB)

3.3

STATEMENT:

Local Number Portability (LNP) Experience:

In order to be recommended for selection under the RFP vendor selection process as a Primary Vendor, a Respondent must possess sufficient experience and technical and operational capabilities to deliver the Services required by the RFP in a timely, cost-effective, and technically and operationally proficient manner.

3.3.1*

QUESTION:

Provide a description of:

- any experience the Respondent and/or any Sub-Contractor(s) that the Respondent may engage, has as an LNPA or provider of NPAC/SMS services, or knowledge of how LNP is implemented within the Regions;
- any experience the Respondent and/or any Sub-Contractor(s) the Respondent may engage, has as an LNPA or provider of number portability administration that is performed in other countries which may be similar to the way LNP is implemented within the Regions;
- products and services offered, customers served, successful performance of the functional/technical skills required on LNP activities performed for other customers (including contract duration, scope and order of magnitude of contract values);
- customer benefits that resulted from such successful performance; and
- proven results for exceptional customer service.

These responses must include a concise description of the principal business of the Respondent and Sub-Contractor(s), if any, including such items as company background, characteristics of business strength, and any accomplishments and capabilities that demonstrate a strong foundation for managing and operating the NPAC/SMS.

- (Note: A document can be attached with this information.)

Please see the optional attachment.

Optional Attachments:

VQS_Section 3.3.1_LNP Experience Optional Attachment.pdf (749 KB)

3.3.2*	**QUESTION:** Identify and describe all threatened, pending, or concluded lawsuits or proceedings of any kind, (including but not limited to proceedings involving a governmental authority, whether federal, state, local, or foreign), during the immediately preceding five years, asserting or involving terminations, breach or non-performance or deficient performance by the Respondent or such Sub-Contractors that the Respondent has or would engage, under contracts, agreements or other arrangements, and identify and describe all threatened, pending, or concluded proceedings involving neutrality under any contract or arrangement. (Note: a document can be attached, if necessary)

During the immediately preceding five years, Telcordia has no threatened, pending, or concluded lawsuits or proceedings asserting or involving contract terminations, breach or non-performance or deficient performance by Telcordia. Further, Telcordia has no threatened, pending, or concluded proceedings involving neutrality under any contract or arrangement.

As a wholly owned subsidiary of Ericsson, a publicly traded company, any material litigation would be disclosed in the Ericsson Annual Report. See "Legal Proceedings" on page 43 of the Ericsson 2012 annual report for additional information regarding publicly disclosed pending litigation involving the Ericsson group companies. Generally, Telcordia does not make the details of past, pending or current litigation publicly available. However, Telcordia represents that there is no pending litigation which would prevent it from fulfilling its obligations under any contract finally awarded to Telcordia.

As with any global services company with revenues in excess of $1 billion per year, the SunGard Availability Services group may have some number of disputes that are being resolved at any particular time. This is standard operation for any large company. However, SunGard is not aware of any past or pending litigation that would impact its ability to perform all services proposed under SunGard's Agreement. This statement above corroborates with Sungard's statement to the SEC in its 2012 annual report (See attachment in Section 3.2; ITEM 3. LEGAL PROCEEDINGS, p.18) that no current legal proceedings will be material to its business, financial condition or results of operations.

In conclusion, Telcordia attests that there is no threatened, pending or concluded lawsuits that can impact the ability of Telcordia or its subcontractor, Sungard, to deliver this solution.

Optional Attachments:

3.3.3*	**QUESTION:** Identify and explain any other instances of terminations of contracts, agreements or other arrangements within the preceding five years, prior to the completion or full term, whether voluntarily or by action of other parties.

[redacted]

Optional Attachments:

	QUESTION: Provide three current client references that Respondent has been doing business with, for three years or longer. Client references may not include the NAPM LLC itself or any individual that serves as a company representative or consultant for the NAPM LLC,

3.3.4*

FoNPAC or SWG. Include the client or customer's official or registered name, nature of relationship, contact title, phone number, and email address.

	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	

* Red cells are required

Optional Attachments:

VQS_Section 3.3.4_Client References.pdf (372.3 KB)

3.3.5*

QUESTION:

Past Performance Reference Questionnaire

The RFP Respondent shall complete Part I of the Past Performance Reference Questionnaire (see Reference Questionnaire in the Iasta® SmartSource SRM® Tool attachment area). The Respondent shall arrange with its client references, including at least those references identified in section 3.3.4, for completion of PART II of the Questionnaire. Client references may not include the NAPM LLC itself or any individual that serves as a company representative or consultant for the NAPM LLC, FoNPAC or SWG. Respondent must ensure that its references return the completed Part II to the NAPM LLC, in a sealed envelope, by the RFP Response Cut-off Date. Additional instructions are included in the Questionnaire.

Has the Respondent distributed the Past Performance Reference Questionnaires?

Yes

3.3.6*

QUESTION:

List three large client or customer accounts that Respondent has obtained in the past 12 months.

	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]

* Red cells are required

Optional Attachments:

3.3.7*

QUESTION:

Provide three client or customer contacts, including contact information that have terminated business with you or not renewed over the last five years, and specify the length of time services were provided prior to termination and the reasons for termination.

If you do not have any client or customer contacts that fit these criteria, please indicate "none" in each red box.

	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]

* Red cells are required

STATEMENT:

Neutrality

In accordance with law and FCC regulations (FCC 96-286 paras. 89, 92, 93, 98; and in FCC 97-289, paras. 25, 29, 30, 127 and CFR Title 47, Section 52.12(a)), in order to be recommended for selection under the RFP vendor selection process as a Primary Vendor, a Respondent must be a non-governmental entity that is impartial and is not aligned with any particular telecommunications industry segment and that can assure that access to the NPAC/SMS for all qualified Users is at all times evenhanded, impartial and nondiscriminatory. This criterion requires that the Primary Vendor (and all Sub-Contractors that the Primary Vendor will engage or include in providing the Services) must at all times be "Neutral Third Parties." For purposes of being a Neutral Third Party, an entity must satisfy **ALL** of the following criteria:

(1) The entity
a. is not a Telecommunications Service Provider,

b. is not owned by, or does not own, any Telecommunications Service Provider; provided that ownership interests (measured by equity interest in stock, partnership interests, whether general or limited, joint venture participation, or member interests in a limited liability company) or voting power (on any one or more matters) of ten percent (10%) or less (of the total outstanding ownership interests or voting power) shall not be considered ownership for this purpose;

c. and is not an affiliate, by common ownership or otherwise, of a Telecommunications Service Provider. For purposes of this definition, an affiliate is an entity that controls, is controlled by, or is under common direct or indirect control with another entity, and an entity shall be deemed to control another if such entity possesses either directly or indirectly (i) ownership interests (measured by equity interest in stock, partnership interests, whether general or limited, joint venture participation, or member interests in a limited liability company) of greater than ten percent (10%) (of the total outstanding ownership interests), (ii) voting power (on any one or more matters) of greater than ten percent (10%) (of the total outstanding voting power), or (iii) the power to direct or to cause the direction of management and policies of such entity, whether through ownership of or rights to vote, by contract, agreement, or otherwise.

(2) The entity or any Affiliate has not issued a majority of its debt to, nor derive a majority of its revenues (not including the NPAC/SMS) from, any Telecommunications Service Provider. For this purpose, "majority" means greater than 50%, and "debt" means stocks, bonds,

securities, notes, loans or any other instrument of indebtedness.

3.4

(3) The entity is not subject to undue influence by parties with a vested interest in the outcome of numbering administration and activities, and the entity is not involved in a contractual or other arrangement that would impair its ability to administer the NPAC/SMS fairly and impartially as an LNPA or to implement the schedule set forth in the IASTA® SmartSource SRM® Tool, called the FoNPAC Timeline.

For purposes of the above three criteria, a Telecommunications Service Provider is an entity that either (i) possesses the requisite authority to engage in the provision to the public of facilities-based wireline local exchange or CMRS telecommunications services in any State or Territory of the United States, or (ii) is one of the following three classes of interconnected Voice over Internet Protocol ("VoIP") providers: (I) Class 1, a standalone interconnected VoIP provider that obtains numbering resources directly from the North American Numbering Plan Administrator (NANPA) and the Pooling Administrator (PA) and connects directly to the PSTN (i.e., not through a PSTN Telecommunications Service Provider partner); or (II) Class 2, an interconnected VoIP provider that partners with a facilities-based Public Switched Telephone Network (PSTN) Telecommunications Service Provider to obtain numbering resources and connectivity to the PSTN via the Telecommunications Service Provider partner; or (III) Class 3, A non-facilities-based reseller of interconnected VoIP services that utilizes the numbering resources and facilities of another interconnected VoIP provider (analogous to the "traditional" PSTN reseller).

The Respondent must specifically address and demonstrate that as a Primary Vendor it is a Neutral Third Party. This may include a demonstration of how the Respondent will cure any deficiencies in neutrality if it is awarded the LNPA contract. The Respondent must disclose the identity and corporate affiliations of all Sub-Contractor(s) that it will engage or include in providing the Services required by the RFP (including software and hardware Sub-Contractors), if any and all contractual relationships, arrangements or other factors that would enhance or impair the Primary Vendor's and Sub-Contractors' ability to ensure that the LNPA is at all times a Neutral Third Party and that access to the NPAC/SMS for all qualified users is at all times evenhanded, impartial, and nondiscriminatory.

The Respondent must also demonstrate an understanding and willingness to implement policies and procedures that will ensure satisfaction of these criteria and requirements.

The technical requirements for NPAC/SMS are defined in the RFP. It is possible for a Primary Vendor that is precluded from being the NPAC/SMS Administrator may be allowable as another Primary Vendor's Sub-Contractor (hardware/software provider) if that Primary Vendor qualifies as a Neutral Third Party in responding to the RFP.

A Respondent's submission to this Vendor Qualification survey and the RFP must fully disclose the corporate identity or affiliation of its Sub-Contractor(s), if any. Failure to adequately do so may be a basis on which to disqualify the Primary Vendor from the RFP.

QUESTION:

Neutrality Audit

The Respondent must submit a Legal Opinion, at its expense, to substantiate its neutrality per the criteria set forth in section 3.4 of this Vendor Qualification survey. The Legal Opinion must be substantiated with supporting information, and this information shall be delivered to the FCC, NAPM LLC and the FoNPAC. The NAPM LLC will initially decide whether the Respondent satisfies the Neutrality criteria. Prior to award, the FCC will verify neutrality compliance. If the FCC determines that a Respondent is not in compliance with the neutrality criteria, and such noncompliance will not be cured by the start date of the new LNPA contract, the FCC shall disqualify the Respondent from the procurement.

The "Legal Opinion" required to be delivered by every Respondent pursuant to Section 3.5

3.5*

shall mean (1) a written communication, (2) that is delivered to the FCC, NAPM LLC and the FoNPAC expressly for the purpose of responding to this Vendor Qualification survey and for use in connection with evaluation pursuant to the RFP, (3) that is prepared by a person licensed and in good standing to practice law in any state of the United States and who represents the Respondent, (4) that concludes that Respondent is a Neutral Third Party as set forth in Section 3.4, and (5) that constitutes a third party legal opinion governed by and subject to the RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS and the Opinion Accord of the American Bar Association Section of Business Law (1991).

As long as the Respondent submits a Legal Opinion by the RFP Response Cut-Off Date, the submission shall be considered on the merits, pursuant to the Evaluation Criteria in the RFP, and may not be disqualified on neutrality grounds. Failure by a Respondent to deliver a Legal Opinion substantiating Neutrality on or before the RFP Response Cut-Off Date indicated in Section 1.5 will disqualify the Respondent from consideration.

Respondent understands that by submitting a response and attaching a Legal Opinion to this section, it acknowledges and agrees to the foregoing requirement of the delivery of a Legal Opinion substantiating Neutrality.

Agree

Optional Attachments:

VQS_Section 3.5_WG Neutrality Legal Opinion.pdf (13.7 MB)

3.6

STATEMENT:

Acceptance of Key Business Terms and Conditions

Each Respondent submitting Responses to the RFP must submit responses to this Vendor Qualification survey to identify which of the following key business terms and conditions that such Respondent as the Primary Vendor, would agree to or not agree to if selected for recommendation as an LNPA to the SWG, by answering "Agree" or "Disagree" to each business term and condition. These terms and conditions are expected to be included in one or both of each Master Agreement between a successful Primary Vendor as an LNPA and the NAPM LLC in each Region and the uniform User Agreement between a successful Primary Vendor as an LNPA and each User of the NPAC/SMS; however, the following is not a comprehensive or complete listing of all contractual terms and conditions that may be included in those final and definitive agreements.

3.6.1*

QUESTION:

Question 1:

The LNPA shall provide the NPAC/SMS and all Services at or above specified Service Level Requirements, and the Master Agreements and User Agreements shall specify remedies and recourse for any failure by the Primary Vendor to provide the NPAC/SMS and the Services at or above the Service Level Requirements. These remedies and this recourse may include monetary Performance Credits, price reductions, and, in certain specified circumstances, termination.

Agree

3.6.2*

QUESTION:

Question 2:

The LNPA shall be compensated solely and exclusively from payments by Users pursuant to uniform and nondiscriminatory User Agreements and in accordance with applicable regulatory requirements and shall not look to or in any way seek payment from the NAPM LLC.

Agree

3.6.3*

QUESTION:

Question 3:

The LNPA must post a Performance Bond or equivalent Letter of Credit or other instrument in an amount in each Region sufficient to ensure the prompt and faithful performance under the Master Agreements and User Agreements, payable as specifically to be set forth therein and in the Master Agreements, in the event of the termination of the Master Agreements before the term specified therein, for any reason other than a regulatory event, but including by reason of the failure of the LNPA to remain and to be a Neutral Third Party.

Agree

3.6.4*

QUESTION:

Question 4:

The LNPA shall monitor its compliance with all Service Level Requirements specified in the Master Agreements and the Methods and Procedures documents (M&Ps) and certain other specified requirements and functionalities set forth in the Master Agreements and User Agreements and issue reports on such compliance at specified periodic intervals.

Additionally, by submitting response to the RFP, Respondent understands and agrees that any NANC Change Orders implemented in the NPAC/SMS subsequent to the issuance of the RFP, or scheduled for implementation prior to the turn-up of the next-generation NPAC/SMS described in the RFP, MUST be incorporated into the proposed NPAC/SMS platform and ready for implementation at turn-up as part of the Services to be offered under the Master Agreements.

Agree

3.6.5*

QUESTION:

Question 5:

The LNPA must agree to submit to a Gateway Evaluation Process (GEP) detailed in the Master Agreements and M&Ps to monitor enumerated key performance requirements (referred to as GEP Elements), the failure of which will result in remedies in addition to and separate from Performance Credits and the other specific remedies and recourse set forth in the Master Agreements and User Agreements with respect to all Service Level Requirements generally. Pursuant to this GEP, an independent third party (GEP Auditor) compensated by the LNPA shall measure, audit and report on the LNPA's satisfaction of these GEP Elements during specific 12 calendar month periods (each referred to as an "Evaluation Period"). Pursuant to this GEP compliance with these GEP Elements will be reported as either "Pass" or "Fail" and depending on the frequency and number of "Fails" during any specific Evaluation Period, certain reductions in pricing or other remedies under the Master Agreements will apply until the following Evaluation Period and its resulting report. The qualifications of the GEP Auditor, the selection of the GEP Auditor, certain terms regarding the scope of services and terms of a contract between the LNPA and the GEP Auditor, and certain details of the conduct and operation of the GEP shall be determined jointly by the LNPA and the NAPM LLC. If the LNPA and the NAPM LLC cannot agree to these items with specified time periods, the NAPM LLC shall make the relevant determination.

Agree

3.6.6*

QUESTION:

Question 6:

The NAPM LLC shall have the right to terminate each Master Agreement entered into through this RFP with the LNPA for reasons of default as defined in the Master Agreements after a specified cure period has passed, including, but not limited to, unauthorized assignment and failure to provide adequate Services or to satisfy the Service Level Requirements, the failure of the LNPA to remain a Neutral Third Party, the merger into or acquisition of the LNPA by an entity that is not a Neutral Third Party, by an adverse change in the financial stability of the LNPA, including receivership, bankruptcy or assignment for the benefit of creditors, or for any reason or under circumstance required by or related to a change in the law or regulations requiring such termination. Upon such termination, unless Transition Services are provided as required below, Users shall be responsible for paying the LNPA only for Services performed prior to such termination, and Users shall not be liable for anticipated or expected profits, charges or fees on Services not performed. The NAPM LLC shall have absolutely no liability for any payments to the LNPA.

Agree

3.6.7*

QUESTION:

Question 7:

Upon termination for any reason or non-renewal at the conclusion of the term of a Master Agreement, the LNPA shall agree to cooperate with the NAPM LLC, if requested, to effect the orderly transition of Services to a successor LNPA by providing specified Transition Services for a specified period at reasonable rates consistent with the charges in effect prior to termination or non-renewal.

Agree

3.6.8*

QUESTION:

Question 8 :

Because of the possibility that the impartiality of the LNPA could be impaired or could suffer from an appearance that it is impaired, if the LNPA seeks directly or through an Affiliate to qualify as a User of the NPAC/SMS, it must agree to submit to a determination of its eligibility to be a User by an independent third party selected by the NAPM LLC and compensated by the LNPA (the "New User Evaluator" or "NUE") subject to certain dispute resolution procedures set forth in the Master Agreement (the NUE Process). This determination by the NUE shall be made after an evaluation is performed by the NUE for each and every product or service that the LNPA wishes to offer as a result of being a User before such product or service is launched and periodically thereafter and may include considerations or limitations not imposed upon other Users because they are not also acting as the LNPA. The consequences of a determination under this NUE Process that is adverse to the LNPA may be discontinuation or termination of services or products offered or contemplated to be offered by the LNPA. The NUE Process will also be used for other purposes detailed in the Master Agreements and the cost of the NUE for those purposes will also be borne solely by the LNPA.

Agree

3.6.9*

QUESTION:

Question 9:

The NAPM LLC shall be granted appropriate license rights in and to any technology or other intellectual property that is developed for and at the request of NAPM LLC for the NPAC/SMS and for the purposes of providing the Services; and the LNPA and all Sub-

Contractor(s), if any, shall agree to appropriate limitations on their use of any such technology or other intellectual property for purposes other than the express provision of the NPAC/SMS and the Services.

Agree

3.6.10*

QUESTION:

Question 10:

The LNPA and Sub-Contractor(s), if any, shall deposit all technology and other intellectual property (including Source Code and Object Code) and related documentation under its control, that is necessary to the operation of the NPAC/SMS and the provision of these Services, including all billing and collections functions, with a mutually agreeable escrow agent for release to and the use by the NAPM LLC (or its agents or contractors) as a nontransferable licensee, or to allow a successor Primary Vendor as a nontransferable licensee, the ability to operate the NPAC/SMS and to provide Services, in the event of termination or non-renewal of the Master Agreements for a specified time.

Agree

3.6.11*

QUESTION:

Question 11:

The LNPA shall, at its own cost and expense, obtain and maintain all licenses, authorization, permits and permissions required by applicable legislative enactment and regulatory authorizations necessary to operate and maintain the NPAC/SMS in each Region and to offer the Services, to pay all taxes incident thereto (including but not limited to, all applicable sales and use taxes and levies) and to comply with all applicable federal, state, county and local laws, ordinances, regulations and codes in the performance of the obligations under the Master Agreements and the User Agreements, including but not limited to the compliance with all immigration laws, regulations, rulings, and ordinances.

Agree

3.6.12*

QUESTION:

Question 12:

The LNPA shall organize itself by division, profit center or other physical or accounting means, to allow all costs, expenses and revenues from or associated with the NPAC/SMS and providing the Services to be identified and audited, so that use of the NPAC/SMS and the Services are provided and billed in the most cost-effective, non-discriminatory, and transparent means possible.

Agree

3.6.13*

QUESTION:

Question 13:

The LNPA shall be required during the term of the Master Agreements to provide any price enhancements, additions and changes to the NPAC/SMS and to the Services pursuant to specific Statements of Work or other means in accordance with a procedure and process set forth in the Master Agreements.

Agree

QUESTION:

3.6.14*

Question 14:

The LNPA shall be responsible for providing disaster recovery and backup plans with respect to the Data Centers sufficient to ensure that all data on the NPAC/SMS is recoverable at all times. In the event of a disaster, the LNPA shall not increase its charges under the Master Agreements in any Region or User Agreements or charge Users usage fees or other charges in addition to the fees otherwise payable under the Master Agreements and User Agreements. Such disaster recovery and backup process shall be subject to audit and periodic testing.

Agree

3.6.15*

QUESTION:

Question 15:

NPAC/SMS servers and data centers and NPAC/SMS User Data must be maintained and stored in the continental United States. No data relating to any such Service will be stored, at, in, or through a site located outside of the continental United States.

The LNPA must agree and commit that it will not store, maintain, or warehouse, NPAC/SMS User Data in a physical or electronic form, on servers or otherwise, at any location that is not within the continental United States.

Agree

3.6.16*

QUESTION:

Question 16:

The LNPA must agree and acknowledge that the NAPM LLC is not granting any exclusive right to provide Services in any Region.

Agree

3.6.17*

QUESTION:

Question 17:

The LNPA must agree to be bound by a Most Favored Customer provision in the Master Agreement for all Regions, whereby in the event that the LNPA provides porting and pooling services similar in nature, scope and configuration to those provided through the NPAC/SMS (hereinafter a "Comparable Agreement"), on more favorable terms or with more favorable pricing, or both, than those under the Master Agreements and User Agreements (even if there are less favorable terms and pricing as well), then the LNPA must extend those more favorable terms and pricing under the Master Agreements and User Agreements awarded under the RFP. In addition, the LNPA must agree to advise the NAPM LLC in writing when it has entered into a Comparable Agreement and must expressly identify and categorize those terms and pricing arrangements which the LNPA has determined are more favorable and those which are less favorable than those under the Master Agreements and User Agreements.

Agree

3.6.18*

QUESTION:

Question 18:

The LNPA, on behalf of itself and any Sub-Contractors, must agree that User Data shall be maintained as confidential information and may not be used or commercially exploited in any manner other than for the performance of the LNPA's obligations under the Master Agreements and User Agreements, subject to certain regulatory or legal requirements or, in certain cases, upon the consent of the NAPM LLC as set forth in the Master Agreements.

Agree

QUESTION:

3.6.19*

Question 19:

The LNPA and Sub-Contractor(s), if any, agree to indemnify and hold harmless the NAPM LLC, its Members and their parents, subsidiaries, other affiliates, their direct and indirect customers, and the officers, directors, employees, successors, agents, consultants, representatives, attorneys and counsel, successors and assigns of any and all of them (collectively, the "Indemnified Parties"), from and against any and all claims, losses, damages, expenses, liabilities, suits, demands, causes of action, including costs and reasonable attorney's fees, or liens, including without limitation, those based on contract or tort, that arise out of or result from any or all of the following:

(i) Injury or death to persons, or loss or damage to any and all property, including theft, in any way arising directly or indirectly out of, or occasioned by, caused or alleged to have been caused by, or on account of, the performance as the LNPA, or its Sub-contractor(s), if any, or its agents, or any director, officer, employee, agent or representative under the RFP, the Master Agreements or the User Agreements;

(ii) Assertions under Workers Compensation or similar acts made by persons furnished by or employed by the LNPA or Sub-Contractor(s), if any, or by reason of any injuries to such persons; and

(iii) Any failure on the part of the LNPA, or Sub-Contractor(s), if any, to satisfy all claims for labor, equipment, materials and other obligations relating to the performance under the Master Agreements or User Agreements.

The LNPA must agree to defend or settle, at its own expense, any action or suit asserted against the Indemnified Parties, including all proceedings involving income, sales, use, or other taxes, and shall reimburse the Indemnified Parties for reasonable attorneys' fees, interest, costs of suit and all other expenses incurred by the Indemnified Parties in connection therewith.

Agree

QUESTION:

3.6.20*

Question 20:

The LNPA, on behalf of itself and all Sub-Contractor(s), if any, will defend or settle, at its own expense, any and all claims and suits against any of the Indemnified Parties alleging that any products or services furnished pursuant to the Master Agreements or the User Agreements, including any portion of the Services, infringe or constitute a misappropriation of any patent, trade secret, copyright or proprietary interest. The Primary Vendor will also pay all damages and costs that by final judgment or settlement may be assessed against or chargeable to any of the Indemnified Parties due to such infringement or misappropriation.

If a Primary Vendor's products or services, including any portion of the Services, become, or in the NAPM LLC's opinion are likely to become, the subject of a claim of infringement, the Primary Vendor will, at its option: (1) procure for the NAPM LLC the right to continue using the applicable product or service; or (2) replace or modify the product or service to provide the NAPM LLC with a non-infringing product or service that is functionally equivalent in all material respects.

Agree

3.6.21*	QUESTION:

Question 21:

During the term of this Agreement, the LNPA and Sub-Contractor(s), if any, shall obtain and maintain, with financially reputable insurers (i.e., carriers with an A.M. Best rating of A- :VIII, or better) which are licensed to do business in all jurisdictions where any work is performed or the Services are provided and which are reasonably acceptable to NAPM LLC, not less than the following levels of insurance coverage for each Region for which an RFP Contract is awarded:

a.) Worker's Compensation insurance coverage as provided for under any worker's compensation or similar law in any jurisdiction where any work is performed, of not less than the minimum required coverage amount required under the law of any jurisdiction where work is performed, and Employer's Liability insurance coverage of at least $500,000 per each occurrence and in the aggregate;

b.) Commercial General Liability insurance coverage, including coverage for Contractual Liability and Products/Completed Operations Liability, with a limit of not less than $10,000,000 combined single limit per occurrence for bodily injury, property damage and personal injury liability (with contractual exclusion deleted) and in the amount of at least $10,000,000 in the general aggregate, naming NAPM LLC, its members, their directors, officers, employees, agents and/or representatives as additional insured;

c.) Business Auto liability insurance coverage covering the ownership, maintenance or use of any owned, non-owned or hired automobiles with a limit of not less than $2,000,000 combined single limit per accident for bodily injury and property damage liability, naming NAPM LLC, its members, their directors, officers, employees, agents and/or representatives as additional insured;

d.) Umbrella/Excess liability insurance coverage with limits of not less than $15,000,000 combined single limit in excess of the above-referenced Employer's Liability insurance coverage, Commercial General Liability insurance coverage and Business Auto liability insurance coverage naming NAPM LLC, its members, their directors, officers, employees, agents and/or representatives as additional insured;

e.) "All Risk" Property insurance coverage covering not less than the full replacement cost of all Data Centers and personal property at risk, including business interruption or Continuation Insurance coverage sufficient to allow a Primary Vendor to continue to satisfy its obligations as an LNPA under the Master Agreements and User Agreements during the period of any covered loss.

f.) Errors and Omissions Liability insurance coverage in the amount of at least $20,000,000 per claim with an annual aggregate of at least $20,000,000 inclusive of legal defense costs.

Neither the LNPA nor its insurer(s) shall have a right of subrogation against the NAPM LLC based on any loss or liability insured against under the foregoing insurance. Policies for the above-referenced insurance must be endorsed to name the NAPM LLC as an additional insured and state: "North American Portability Management LLC is to be notified in writing at least thirty (30) days prior to cancellation of or any material change in the coverage limits." Also, the LNPA must furnish certificates evidencing the foregoing insurance coverage within thirty (30) days following execution of any Master Agreement and prior to the commencement of any work and prior to the renewal thereof, in form and content to NAPM LLC, evidencing that the above insurance is in force and contains a provision that it will not be canceled or materially altered without first giving NAPM LLC thirty (30) days prior written notice and that all coverage is primary to any insurance carried by NAPM LLC or its Members.

Nothing contained in this section shall limit the LNPA's or Sub-Contractor's, if any, liability to NAPM LLC to the limits of insurance coverage certified or actually carried.

Agree

3.6.22*

QUESTION:

Question 22:

A Respondent shall submit a list of all Sub-Contractor(s), if any are to be engaged by the Respondent as the Primary Vendor, to NAPM LLC with these responses, for review and approval. Any subsequent change in the use of any Sub-Contractor(s) shall require the review and approval of NAPM LLC.

Acknowledged

Optional Attachments:

VQS_Section 3.6.22_Sub-Contractor List.pdf (61.8 KB)

3.6.23*

QUESTION:

Question 23:

The LNPA shall not have the right to assign any obligations, rights, duties or responsibilities under the Master Agreements or User Agreements, without the prior written approval of the NAPM LLC, nor shall the LNPA have the right to assign or to pledge any monies due or accounts received under any Statement of Work or the Master Agreements or User Agreements without the prior written approval of the NAPM LLC.

Agree

3.6.24*

QUESTION:

Question 24:

The governing law under the RFP, the Master Agreements and the User Agreements entered into through the RFP shall be that of the State of Delaware.

Agree

3.6.25*

QUESTION:

Question 25:

The LNPA, on behalf of itself and all Sub-Contractors, if any, must agree with respect to any dispute arising in connection with any Master Agreement in any region or with any User Agreement to be bound by binding arbitration in the state of Colorado in accordance with the procedure agreed to in each Master Agreement.

Agree

3.6.26*

QUESTION:

Question 26:

In the event that the deployment of the NPAC/SMS or any aspect of the Service for any Region does not pass a mutually agreed upon Acceptance Plan set forth in the Master Agreement for that Region, designed to determine the LNPA's compliance with the functional and technical requirements of the RFP, the NAPM LLC shall have the option to terminate the Master Agreement in that Region without any penalties whatsoever to it or its Members, and their parents, subsidiaries, other affiliates, their direct and indirect customers and any Users, and the officers, directors, employees, successors, agents, consultants, representatives, attorneys and counsel, successors and assigns of any and all of them and the LNPA shall be liable for liquidated damages in the amount to be specified for each Region in which the Master Agreement is terminated.

Agree

3.6.27*

QUESTION:

Question 27:

The LNPA, on behalf of itself and any Sub-Contractors must agree to the following limitations on liability under the Master Agreements and User Agreements for each Region:

NEITHER PARTY SHALL BE LIABLE TO THE OTHER FOR ANY INDIRECT, SPECIAL OR CONSEQUENTIAL DAMAGES ARISING OUT OF OR IN CONNECTION WITH THE FURNISHING, PERFORMANCE OR USE OF ANY SOFTWARE OR SERVICES PROVIDED UNDER A MASTER AGREEMENT, THE USER AGREEMENTS OR ANY STATEMENT OF WORK OR THE PERFORMANCE OR NONPERFORMANCE OF OBLIGATIONS UNDERTAKEN. EACH PARTY WAIVES ANY CLAIM TO PUNITIVE DAMAGES AGAINST THE OTHER.

THE LIMITATIONS OR EXCULPATIONS OF LIABILITY SET FORTH IN THE FIRST SENTENCE WILL NOT BE APPLICABLE TO:

(a) INDEMNIFICATION CLAIMS;

(b) LIABILITY RESULTING FROM THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF A PARTY; OR

(c) ANY BREACH OF A PARTY'S CONFIDENTIALITY OBLIGATIONS.

Agree

3.6.28*

QUESTION:

Question 28:

A Respondent must commit to and represent that as an LNPA it possesses the ability to adopt and comply with the RFP's delivery schedule described in the FoNPAC Timeline as shown in the IASTA® SmartSource SRM® Tool.

Agree

4. NEXT STEPS

4.1

STATEMENT:

Conclusion:

Respondents will be notified if their responses to this Vendor Qualification survey are rejected, in whole or in part.

Please note: Your response has been submitted to the sponsor. It is final and may not be edited.

Vendor Qualification Survey (VQS) Section 2 – General Vendor Company Information

VQS_Section 2.1_Types and Lines of Business Detail

Provide detail of the types of businesses or different lines of business in which the Respondent is engaged, including the percentages and revenues from each such type or lines of business.

iconectiv Response

Telcordia Technologies, Inc. (Telcordia), the Respondent, is a wholly owned subsidiary of Telefonaktiebolaget LM Ericsson (Ericsson), doing business as iconectiv, develops market leading solutions that enable operators to interconnect networks, devices, and applications critical to evolving the global telecommunications marketplace. iconectiv's powerful, trusted, neutral solutions for the telecommunications industry includes number portability clearinghouses and gateways, mobile messaging services, anti-theft mobile device registries, spectrum management databases and other interconnection information services. iconectiv's solutions are used by more than 1,000 operators, regulators and content providers and are currently used to provide services to over 1.5 billion end users. Telcordia is the leader in number portability solutions with 19 deployments around the world.

On February 14, 2013, Ericsson announced that Telcordia would do business as iconectiv. Ericsson launched the new iconectiv brand to promote and strengthen the iconectiv business identity and support its portfolio.

As Telcordia is a wholly owned subsidiary of Ericsson, it does not issue separate financial statements. Consequently, Telcordia's financial solvency is certified through the consolidated audited financial statements of its parent, Ericsson. Telcordia's global leadership position in number portability and other interconnection solutions is further strengthened by the financial backing of Ericsson.

Ericsson, which generated $35.0 billion in 2012 revenues, operates its business and reports its financials in the following three business segments:

NETWORKS EQUIPMENT AND SYSTEMS

Networks delivers products and solutions for mobile access, IP and transport networks and core networks. The offering includes:

- Radio access solutions that interconnect with devices such as mobile phones, tablets and PCs.
- IP and transport solutions as well as transmission/backhaul including microwave and optical transmission solutions for mobile and fixed networks
- Switching and IMS solutions for core networks
- Operations Support Systems (OSS), supporting operators' management of existing networks and introduction of new technologies and services.

Networks represented $18.0 billion or 51% of the total 12 months of 2012 revenue.

GLOBAL SERVICES

Globally, 60,000 service professionals enable operators to monetize increasing data traffic and ensure high user experience in networks. Ericsson uses global processes, methods and tools to ensure quality and efficiency in the networks. Global Services include:

- Professional Services; consulting and systems integration, managed services, network design and optimization as well as customer support
- Network Rollout.

Global Services represented $14.9 billion or 43% of the total 12 months of 2012 revenue.

SUPPORT SOLUTIONS

Support Solutions provides enablers and applications for operators. The offering includes:

- Operations and Business Support Systems (OSS and BSS); enabling management of networks and services, customer interaction and revenue management
- TV and Media management; enabling operators, broadcasters and content owners to create multiscreen TV experience on all devices
- M-Commerce; software solutions and hosted services to enable mobile financial services and global interoperability.

Support Solutions represented $2.1 billion or 6% of the total 12 months of 2012 revenue.

Telcordia is part of the Support Solutions business segment.

Vendor Qualification Survey (VQS) Section 2 – General Vendor Company Information

VQS_Section 2.4_Ownership and Organizational Structure

Please provide details of the ownership and organizational structure, including affiliates and subsidiaries, of the Respondent, including a listing of all Officers and members of the Board of Directors.

iconectiv Response

Ownership of Respondent:

Telcordia Technologies, Inc. (Respondent) is 100% owned by TTI Holding Corporation 1 (Delaware corp).

TTI Holding Corporation 1 is 100% owned by Telcordia Holdings, Inc. (Delaware corp)

Telcordia Holdings, Inc. is 100% owned by Ericsson Holdings II Inc. (Delaware corp)

Ericsson Holdings II Inc. is 100% owned by Telefonaktiebolaget LM Ericsson (LM Ericsson) (Swedish company).

Subsidiaries:

The following entities are active subsidiaries of Telcordia Technologies, Inc., the Respondent (either directly or through another subsidiary):

1. Telcordia Technologies International, Inc. (Delaware corp)
2. Telcordia Operations Limited (Ireland)
3. Administradora de la Portablidad Agentina S.A (Argentina Joint Venture/ Respondent owns 90%)
4. Telcordia Italy SRL
5. Telcordia Technologies Chile S.A. (Chile)
6. InterConnect Communications, Ltd. (UK)
7. Telcordia (Thailand) Ltd. (Thailand)
8. MNP Interconnection Telecom Solutions India Private Limited (India Joint Venture/Respondent owns 74%)
9. Telcordia Technologies Mexico S. de R.L. de C.V. (Mexico)
10. Telcordia Technologies, Inc. Greek Branch
11. Telcordia Technologies, Inc. Dubai Branch

In addition, as a result of the transfer of the business units other than the Interconnection Business Unit (which remains in Telcordia Technologies, Inc. dba iconectiv), there are a number of other Respondent subsidiaries in the process of being closed, as they are no longer necessary.

Respondent Officers:

Richard Jacowleff	President and Chief Executive Officer – iconectiv
John G. Fechter Jr.	Executive Vice President and Chief Financial Officer – iconectiv
Tara O'Neill Diaz	Executive Vice President and General Counsel - iconectiv
Chris Drake	Executive Vice President and Chief Technical Officer – iconectiv

Respondent Directors*:

Per Lofgren – Chief Financial Officer, Ericsson Inc.

John Moore – General Counsel, Ericsson Inc.

* As noted in response to Question 3.5, Respondent is committed to reconstituting the Board of Directors such that it will have a majority of independent directors when awarded the contract.

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ERICSSON

TAKE THE WORLD WITH YOU

DRIVING MOBILE BROADBAND

ANNUAL REPORT 2010

ericsson.com

Telcordia05024

Wherever you're going, whatever you're doing, mobile broadband means you take the world with you.






Our friends and families are online. Our workmates too – everyone around us.

We keep our most precious possessions online and we grow our most ambitious ideas. We store our music. We post our photos and stream the films we love. We manage our diaries and nurture our business plans.

We meet people online. We express ourselves and share our experiences. We chat, we network and we trade.

With mobile broadband, you're not tied down by a cable, or even by a wireless hotspot. Wherever you're going, whatever you're doing, you take the world with you.

It could be in your lap, your palm or your pocket. In the city or the country, stationary or on the move. You can access anything, on any screen, any time.

In 2010, 600 million people had this possibility. By 2016 almost 5 billion will.

That's the power of mobile broadband.

CONTENTS

Annual Report 2010

* Chapters covered by the Auditors' Report, constituting the legal annual report.

OUR VISION

Our vision is to be the prime driver in an all-communicating world.

This means a world where everyone can use voice, data, images and video to share ideas and information, wherever and whenever they want.

We aim to make people's lives richer and easier, provide affordable communications for all and enable new ways of doing business.

Annual Publications

The **Annual Report** describes Ericsson's financial and operational performance during 2010. This publication includes a **Corporate Governance Report**.

Ericsson issues a separate **Sustainability and Corporate Responsibility Report**.

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LETTER FROM HANS VESTBERG

"LONG-TERM GROWTH AND PROFITABILITY ARE ERICSSON'S CHARACTERISTICS"

FINANCIAL RESULTS IN SHORT

NET SALES
SEK 203.3 (206.5) billion

OPERATING MARGIN*
12% (12%)

NET INCOME
SEK 11.2 (4.1) billion

NET CASH
SEK 51.3 (36.1) billion

EARNINGS PER SHARE
SEK 3.46 (1.14)

*Excluding restructuring charges and share in earnings of JVs

Dear shareholders,

In 2010, Group sales decreased –2 percent to SEK 203.3 billion. Our operating margin, before JV's and excluding restructuring charges, was flat at 12 percent. Net income increased 172 percent to SEK 11.2 billion, mainly due to improvements in earnings in our joint venture Sony Ericsson and less restructuring charges.

In the first half of 2010, we were still impacted by the economic slowdown in the world. In the latter part of the year, sales of mobile broadband took off, especially in North America and Japan. This was driven by a strong increase in mobile data traffic.

During the year, we struggled with the industry-wide component shortage. While the supply of components has now normalized we are still not fully meeting the increased demand on certain mobile broadband products due to the increased customer demand.

We have four Group targets that should secure increased shareholder value: grow faster than the market, deliver best-in-class margins, cash conversion of more than 70 percent and improved earnings in our JVs.

Early market data indicates that we kept our market shares in our network and services businesses. We delivered the industry's best-in-class margins and achieved a cash conversion of 112 percent. The fourth target, growth in JV earnings, was partly reached thanks to better performance in Sony Ericsson.

2010 was the year when mobile broadband took off. The number of mobile subscriptions increased by more than 60 percent to about 600 million and the number is forecasted to almost double and hit 1 billion this year.

Once you are connected, you want connectivity 24/7, wherever you are.

This will become a reality for more and more people since we will see more smartphones in the market, and also more affordable ones. Embedded mobile broadband modules will become standard in laptops and other devices. To meet this consumer demand, network speed, capacity and quality are prerequisites.

In the networked society, everything that benefits from a connection will be connected. We have spoken about how 50 billion devices will be networked by 2020. We are already today enabling the networked society: from the concept of building future networks in demanding urban settings, to our networks which recently attained speeds of 168 Mbps on HSPA – to our business in TV and media, and our services, which help manage and integrate the complex networks that are behind the networked society.

Of course our joint ventures bring devices into the picture, and we are finding that this is getting more and more personal for consumers. No longer is the device only a tool for them; it is part of themselves that they want to have alongside them during their daily lives.

Finally, I would like to sincerely thank all our highly dedicated and skilled employees for their efforts in 2010. In 2011, we will focus even more on understanding and meeting our customer demand, ultimately seeking increased value for our shareholders. Continued long-term growth and profitability are Ericsson's characteristics, along with a healthy financial position.

Hans V

Hans Vestberg
President and CEO

Telcordia05027

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VQS_Section 3.2_Ericsson 2010 Annual Report.pdf

OUR BUSINESS

Communication technology is positively changing the way we work and live. As a leading provider of communications infrastructure, services and multimedia solutions, Ericsson strives to enable this change. We constantly innovate to empower people, business and society.

Network infrastructure provides the fundamentals for people to communicate. Today, more than 40 percent of the world's mobile traffic passes through networks provided by Ericsson. The networks we support for operators serve more than 2 billion subscriptions.

We are also a global leader in telecom services, which accounts for close to 40 percent of our revenues.

Currently, we serve approximately 400 customers, most of whom are network operators. Our ten largest customers account for 46 percent of our net sales.

New customers include TV and media companies as well as utility companies.

Our total addressable market was estimated at approximately USD 200 billion in 2009 (excluding joint ventures' markets).

To best reflect our business, we report five business segments, two of which are the joint ventures Sony Ericsson and ST-Ericsson.

ERICSSON

NETWORKS

Segment Networks develops and delivers mobile and fixed infrastructure equipment and related software. We pioneered 2G/GSM and 3G/WCDMA mobile technologies. We now provide 4G/LTE as the evolution of mobile broadband and toward all-IP environments. Our portfolio also includes CDMA solutions as well as xDSL, fiber and microwave transmission.

MULTIMEDIA

Segment Multimedia develops and delivers software-based solutions for real-time & on-demand TV, consumer & business applications and Business Support Systems (BSS) for telecom operators. Revenue management, i.e. software based solutions for charging and billing, is part of BSS.

GLOBAL SERVICES

With more than 45,000 services professionals globally, we have robust local capabilities with global expertise in managed services, consulting, systems integration, customer support and network rollout. We manage complex projects with advanced IS/IT competence and multi-vendor experience.

JOINT VENTURES

Sony Ericsson

Sony Ericsson offers mobile phones, accessories, content and applications. Sony Ericsson is a 50/50 joint venture with Sony Corporation.

ST ERICSSON

ST-Ericsson offers wireless platforms and semiconductors for leading handset manufacturers. ST-Ericsson is a 50/50 joint venture with STMicroelectronics.

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OUR SOLUTIONS

We are shifting our focus toward a more solutions-oriented sales process. During the year, we therefore organized our portfolio into seven solution areas to better address customer needs. Here we describe our solutions, the business drivers and the market trends.

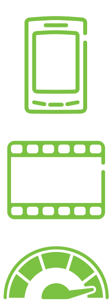
MOBILE BROADBAND

WHAT IS MOBILE BROADBAND?

Mobile broadband is a wireless access technology that offers at least 1 Mbps. It enables high-speed internet access services, such as video streaming.

User trends

1. Smartphones change behavior
2. Soaring video usage
3. Demand for 24/7 internet connectivity



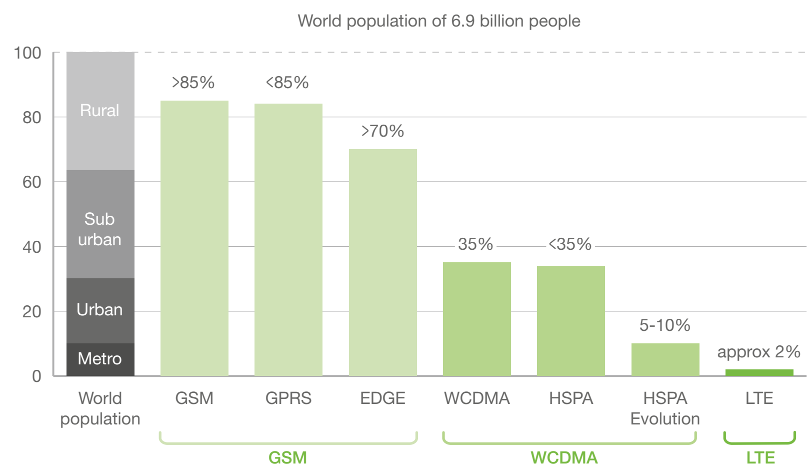
24/7 connectivity to the internet is becoming an essential part of modern life. During the year, we met increased demand for mobile broadband infrastructure and services. The accelerated demand was fuelled by smartphones and notebooks, coupled with sharply rising usage of video services (like YouTube). Mobile data traffic more than doubled in 2010 and is expected to double annually over the coming three years.

Expansion opportunities

Today, we are doing for broadband what we did for voice 20 years ago – making it mobile and affordable for the vast majority of people. Mobile subscriptions worldwide have reached 5.3 billion of which approximately ten percent are now on mobile broadband. We estimate the number of mobile broadband subscriptions to reach almost 5 billion in 2016, the vast majority being for smartphones.

Our broadband solutions not only include equipment but also business advice, systems integration and roll-out service for fast implementation of cost-effective solutions.

COVERAGE
Percentage of population



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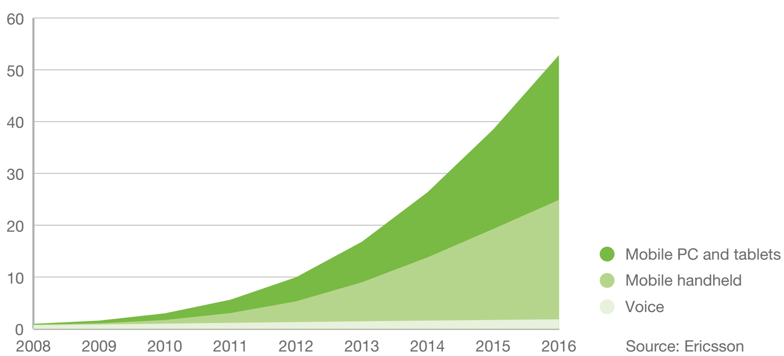
Meeting the need for speed

To accommodate the massive growth in data traffic, operators are turning to us to boost capacity and speed in their networks. Networks are continuously being upgraded as the number of data users and data volume transported increase. All Ericsson-supplied commercial WCDMA networks have now been upgraded to HSPA. Four of our customers have launched 4G/LTE networks in 2010, covering 140 million people, 60 percent of whom are served by Ericsson LTE equipment.

On the devices side, notebooks and other electronic devices are equipped with our latest 3G/HSPA broadband modules, delivering speeds of up to 21 Mbps.

SUBSCRIBER TRAFFIC IN MOBILE ACCESS NETWORKS

Yearly Exabytes (10^{18})



Source: Ericsson

Operators implement tiered pricing

When mobile broadband was introduced, many operators offered flat rates and unlimited usage to encourage fast uptake of service. A challenge for operators today is to secure user experience and increase revenue from mobile broadband. The answer is differentiated service offerings. Tiered pricing and innovative business models are becoming more common. The user can thus select and pay for a subscription with a certain service level. Voice still represents the main source of revenue for operators. Data traffic accounts for approximately 30 percent of total revenues on average and will represent the majority of future growth.

Ramp up of our RBS 6000

The multi-standard radio base station, RBS 6000, can run 2G/GSM, 3G/WCDMA and 4G/LTE technologies in the same unit, using different frequency spectrum bands. The RBS 6000 takes up 25 percent less space and reduces power consumption by up to 65 percent compared to previous-generation RBSs. This is a significant saving as operators may spend up to 50 percent of operating expenses on power. Many operators are therefore looking to modernize their radio networks with the RBS 6000. Modernization projects often involve a high degree of consulting, systems integration and network rollout.

Core networks may also need capacity upgrades to accommodate increasing data traffic and speed. Our 4G/LTE core network, the Evolved Packet Core, is an all-IP network, supporting both mobile and fixed access. Our 2G and 3G packet core networks require only a software upgrade to support 4G/LTE access.

Mobile broadband stimulates GDP growth

High-speed broadband infrastructure (mobile and fixed) is becoming as essential as roads, water and electricity. Studies show a direct correlation between broadband penetration and GDP growth. In emerging markets, many users can access the internet only via mobile devices due to the lack of fixed network infrastructure.

SPEED AND DATA TRAFFIC

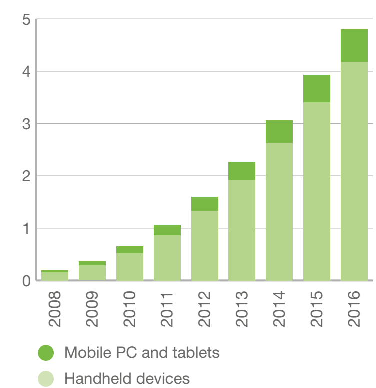
Feature phone user
10 kbps
approx. 10 MB/month

Smartphone user
100-1,000 kbps
approx. 100 MB/month

Mobile PC/tablet user
>1 Mbps
approx. 1 GB/month

MOBILE BROADBAND TREND

Subscriptions (billion)



Source: Ericsson

RBS 6000

Our multi-standard radio base station RBS 6000 can be remotely upgraded with software.

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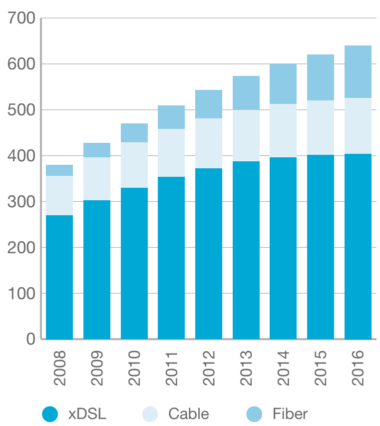
FIXED BROADBAND AND CONVERGENCE

500 MILLION SUBSCRIPTIONS
are connected to fixed broadband networks.
Includes all technologies.

FIXED BROADBAND TREND
Subscriptions (million)



Source: Ericsson.
Includes xDSL, Cable and Fiber.
Other technologies excluded.

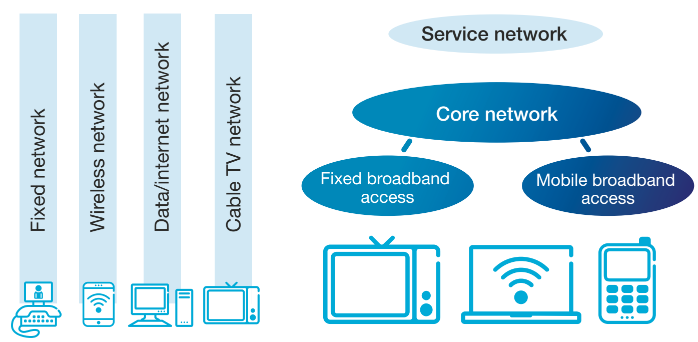
Fixed broadband

In today's mature markets, most data traffic is handled by fixed networks. Operators compete by evolving their networks to provide fast internet speeds, reliable high-definition IPTV and video on demand. We enable this by providing end-to-end broadband access solutions via high-speed fiber (such as GPON) and copper (xDSL).

All-IP networks and convergence

To reduce cost and enable service bundling, fixed traffic can be provided over a multi-service network converging telephony, internet and TV. This multi-service network is IP based, providing lower-cost and higher-performance broadband services. IP starts in the core network. Our Evolved Packet Core (EPC) provides support for multiple access technologies and fixed-mobile convergence. New functionality is introduced through software upgrades. With our breadth of experience, we provide a service, including consulting and systems integration, to manage transformation of networks to all-IP, often involving multiple-vendor equipment.

NETWORK TRANSFORMATION



Different services for devices in separate systems.

Same services irrespective of access device.

COMMUNICATION SERVICES

Communication services are the services people use to interact with each other, such as voice and video calls as well as text and multimedia messaging. These operator-based services are provided globally and are based on industry standards, ensuring interoperability.

As voice and SMS still account for the main part of operator revenues, operators now exploit opportunities to enhance user experience while reducing costs for voice communication.

Users want enriched communication and the ability to instantaneously share experiences and information with family, friends and colleagues – anywhere, anytime and to any device. Our IP Multimedia Subsystem (IMS) makes this possible. Services controlled by IMS are voice (incl. HD-voice), video calls, the Rich Communication Suite (RCS) and messaging. With RCS, consumers get a suite of IMS-based services (e.g. presence information, chat and content sharing) from the address book of a mobile phone or from a broadband connection.

Telcordia05031

MANAGED SERVICES

Network operations have traditionally been seen as core to operators. Today, competitive pressure, rapid technology evolution and changing user demands drive another focus. Many operators now view strategy, marketing and customer retention as being equally important as technology. Our managed services agreements free up in-house resources for this focus, and can reduce network operating costs by as much as 20 percent.

We have a long history of taking on employees from operators. We have invested USD 1 billion in tools, methods and processes to secure capabilities and competence.

750 MILLION

subscribers worldwide are served by networks that we manage.

Improving operators' operational efficiency

The need to improve operational efficiency, reducing both capital expenditures and operating expenses, is a key driver for an operator to change its business. It is estimated that a mature operator spends approximately 5-6 percent of revenues on network equipment and 10-12 percent on operating the network, i.e. operating expenses account for twice the capital expenditures for networks. Our network operations contracts are often multi-year, multi-technology and multi-vendor agreements.

Simplifying network complexity

Another key driver is the increasing complexity of networks as they are transformed and modernized. IT and telecom convergence creates many opportunities for us to act as an advisor, both in streamlining business and operations support systems and helping to quickly and cost-efficiently introduce new services.

Shared networks and shared capacity

The initial growth of managed services was driven by operational efficiency. There is now an increasing demand for business models that support shared capacity and network sharing between two or more operators. This trend also drives structural efficiencies in the networks. Managed services play a decisive role in this evolution.

Outsourcing trends:

- Reduce and control spending
- Focus on key business priorities
- Greater operational efficiency
- Lower risks, reduce complexity
- Shared capacity – structural efficiency

TV AND MEDIA MANAGEMENT

TV is going digital and interactive

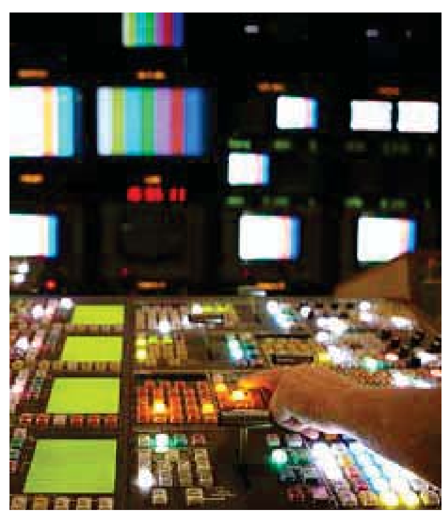
In the converging media landscape, broadcast and broadband are coming together, moving towards a connected world.

The worldwide digital TV market is growing. TV solutions and services enable global media companies and operators (cable, satellite, telecom and terrestrial) to deliver TV content, either directly to consumers or for professional digital video content exchange.

With a broad suite of open standards-based products, we offer high-quality solutions for digital TV, HDTV, video on demand, IPTV, mobile TV, connected home and content management.

High-performance video means large amounts of traffic in the networks. This can be handled with our media distribution (MDN) solution for video delivery over IP, combining a content distribution network with our TV portfolio.

Business consulting, systems integration and implementation ensure a smooth launch of new TV services and infrastructure.



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OPERATIONS AND BUSINESS SUPPORT SYSTEMS

Operations Support Systems – for control

Rising network complexity drives the need for one consolidated "dashboard-style" Operations Support System (OSS). Our OSS includes capabilities for performance monitoring and fault management, configuration and security management as well as systems to optimize performance for efficiency. OSS can also handle multi-vendor equipment.

Business Support Systems – efficient billing and charging

Our Business Support Systems (BSS) support operators in instant provisioning and activation of services, devices and price plans. Our solutions can also provide real-time convergent charging (i.e. the user gets one invoice for both mobile and fixed usage) and billing and data management. With our solutions, operators can capture and secure revenue streams. Users can instantly start using a new service or device and control their spending.

Operators have to handle the increased data traffic in their networks along with many new devices. At the same time, operators introduce tiered pricing and new business models in order to maximize their revenues for mobile broadband services as well as voice traffic. This development requires upgrading of old support systems as well as the introduction of new BSS solutions.

Consulting and systems integration services are vital components of BSS solutions.

CONSUMER AND BUSINESS APPLICATIONS

Interaction and collaboration

To support operators in growing their revenues, we provide new means of interaction and collaboration. Our solutions include messaging, social networks, location-based services, media, advertising, internet commerce and enterprise applications.

We support our customers in the modernization and consolidation of legacy service delivery systems and messaging systems, such as SMS, MMS and video mail.

Our Business Communication Suite (BCS) targets the enterprise market. It enables sharing of voice, video data, messaging and web conferences in a collaborative environment.

Our multimedia brokering solution facilitates payment and distribution of content. We act as the interface between enterprises and multiple mobile operators with consumer data and services such as via SMS.

Several of our solutions can be delivered as cloud services.

Telcordia05033

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OUR ASSETS

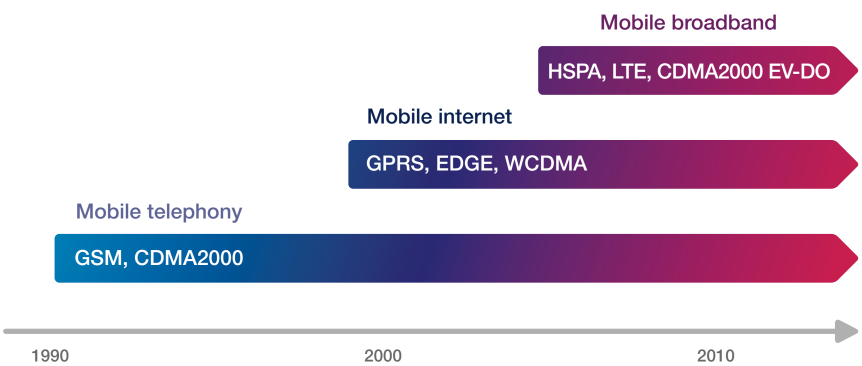
Unique global presence and scale

Our global presence and scale give us a competitive advantage. In the industry consolidation, where operators are merging, we can handle larger cross-border contracts as well as targeted local assignments. It is key for us to stay close to customers, building trust, earning a strong track record and applying our in-depth expertise.

Today, over 1,000 networks in more than 180 countries use equipment supplied by us. Over the years, we have gained local knowledge and experience in network rollouts and systems integration as well as managing, upgrading and modernizing networks.

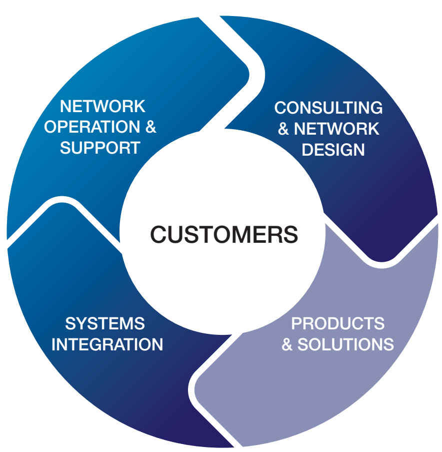
Technology leadership – investing for the future

Our technology leadership is a key asset that we leverage. We focus on early involvement in creating new technologies, strong contribution in technology standardization work, development of intellectual property rights and establishment of licensing agreements. We pioneered the development of digital AXE switching, 2G/GSM, 3G/WCDMA and 4G/LTE, leading to 27,000 granted patents. We invested approximately 15 percent of our total sales into R&D in 2010. At year end, the number of R&D employees was more than 20,000. Over 80 percent of our product development is software related.



Services leadership

Networks are becoming increasingly complex and often include multi-vendor equipment. The knowledge gained from managing networks for 750 million subscribers is an asset. Today our global services organization handles consulting, systems integration, network rollout, network operation, customer support and education. Competence development is further enhanced by insourcing staff from operators and acquiring companies in consulting and systems integration.



Our breadth of experience enables us to offer end-to-end support to our customers.

Ericsson Academy

In 2010 we launched Ericsson Academy and Learning Services. It is an online platform for sharing knowledge and inspiration both internally and externally. The site offers free telecom tutorials, technical snapshots and a forum to exchange smart ideas.
www.ericsson.com/academy

Creating a winning culture

We want to attract and develop the most competent, high-performing and motivated people in the industry. The culture we encourage is innovative, fast moving and responsive, with a business-winning mindset. To get the entire company moving in this direction, we implemented a group wide empowerment program. We also run a leadership training program to promote global diversity and cultivate top talent worldwide.

Putting consumer insight to work

To stay abreast of consumer trends, we use our ConsumerLab market research unit, which conducts more than 40,000 interviews annually. This represents the combined opinions and behavior patterns of more than 1 billion people. Not only do we incorporate these insights into our product development, but we can also make them available to our customers.

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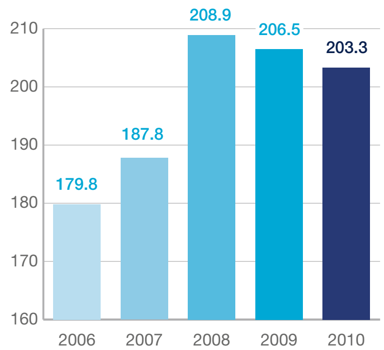
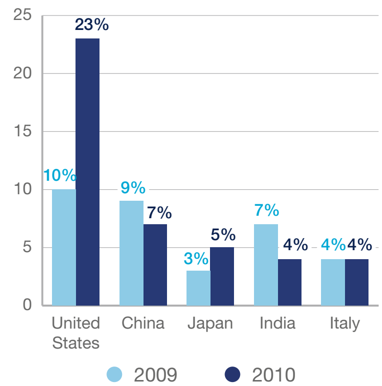
2010 HIGHLIGHTS

FIVE YEAR SALES
SEK billion



TOP FIVE COUNTRIES IN SALES
Percentage of total sales



JANUARY-MARCH

- World record of 84 Mbps HSPA demonstrated.
- TeliaSonera rolls out 4G/LTE in Norway and Sweden, with core network and RBS 6000 from Ericsson. Three more customers have since launched LTE.
- Ericsson delivers LTE network equipment and services to AT&T.
- A world record is set with 1 Gbps for LTE in a live demo.
- Ericsson performs a live demo of the world's first high-speed microwave radio connection with a transporting capacity of 2.5 Gbps.

APRIL-JUNE

- Ericsson increases presence in Korea by acquiring Nortel's stake in the joint venture LG-Nortel. The business is consolidated by Ericsson.
- First managed operations contract in Canada, for Mobilicity's 3G network.
- Indosat, Indonesia, prepares for 4G and launched Asia's fastest network with 42 Mbps.
- Ericsson chosen to operate Telefonica's network operations center in São Paulo.
- Ericsson provides industry's first 3D sports television network, ESPN 3D, with standards-based video processing solution, tuned for 3D and HD broadcasts.

JULY-SEPTEMBER

- Mobile data is growing ten times faster than voice.
- China Mobile Hebei selects Ericsson as its managed services partner.
- MetroPCS launches first 4G/LTE network in the USA, with Ericsson as primary supplier.
- Ericsson gets its largest fiber-to-the-home contract in India.
- Ericsson announces embedded mobile broadband modules – world's first to support 21 Mbps (HSPA) for notebooks and other consumer electronics.
- EMOBILE upgrades its HSPA network with the HSPA Evolution technology – the highest-speed network in Japan with a peak data rate of 42 Mbps.

OCTOBER-DECEMBER

- TeliaSonera renews and expands its managed services contract with Ericsson to include field service for voice and data networks in 29 countries.
- Hans Vestberg, CEO, participated via Telepresence at COP 16 in Mexico, to stress the importance of ICT in addressing climate change.
- Ericsson is selected as key equipment and services provider for next evolution of the Sprint network, supplying radio access, core and IP/Microwave backhaul.
- Ericsson wins managed services contract with China Unicom.
- Verizon Wireless launches the world's largest LTE network with Ericsson as the primary vendor.
- 3 Italia chooses Ericsson for data center consolidation and modernization of IT infrastructure.

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FIVE-YEAR SUMMARY

For definitions of the financial terms used, see Glossary, Financial Terminology and Exchange Rates.

FIVE-YEAR SUMMARY SEK million	2010	Change	2009	2008	2007	2006
Income statement items						
Net sales	**203,348**	–2%	206,477	208,930	187,780	179,821
Operating income	**16,455**	178%	5,918	16,252	30,646	35,828
Financial net	**–672**	–307%	325	974	83	165
Net income	**11,235**	172%	4,127	11,667	22,135	26,436
Year-end position						
Total assets	**281,815**	4%	269,809	285,684	245,117	214,940
Working capital	**105,488**	6%	99,079	99,951	86,327	82,926
Capital employed	**182,640**	1%	181,680	182,439	168,456	142,447
Gross cash	**87,150**	14%	76,724	75,005	57,716	62,280
Net cash	**51,295**	42%	36,071	34,651	24,312	40,728
Property, plant and equipment	**9,434**	–2%	9,606	9,995	9,304	7,881
Stockholders' equity	**145,106**	4%	139,870	140,823	134,112	120,113
Non-controlling interest	**1,679**	45%	1,157	1,261	940	782
Interest-bearing liabilities and post-employment benefits	**35,855**	–12%	40,653	40,354	33,404	21,552
Other information						
Earnings, per share, basic, SEK	**3.49**	203%	1.15	3.54	6.87	8.27
Earnings, per share, diluted, SEK	**3.46**	204%	1.14	3.52	6.84	8.23
Cash dividends per share, SEK	**2.25** [1]	13%	2.00	1.85	2.50	2.50
Stockholders' equity per share, SEK	**45.34**	4%	43.79	44.21	42.17	37.82
Number of shares outstanding (in millions)						
end of period, basic	***3,200***	–	*3,194*	*3,185*	*3,180*	*3,176*
average, basic	***3,197***	–	*3,190*	*3,183*	*3,178*	*3,174*
average, diluted	***3,226***	–	*3,212*	*3,202*	*3,193*	*3,189*
Additions to property, plant and equipment	**3,686**	–8%	4,006	4,133	4,319	3,827
Depreciation and write-downs/impairments of property, plant and equipment	**3,296**	–6%	3,502	3,105	2,914	3,038
Acquisitions/capitalization of intangible assets	**7,246**	–	11,413	1,287	29,838	18,319
Amortization and write-downs/impairments of intangible assets	**6,657**	–23%	8,621	5,568	5,459	4,479
Research and development expenses	**31,558**	–5%	33,055	33,584	28,842	27,533
as percentage of net sales	***15.5%***	–	*16.0%*	*16.1%*	*15.4%*	*15.3%*
Ratios						
Operating margin excluding joint ventures	**8.7%**	–	6.5%	8.0%	12.5%	16.7%
Operating margin	**8.1%**	–	2.9%	7.8%	16.3%	19.9%
EBITA margin	**11.0%**	–	6.7%	9.4%	18.0%	21.0%
Cash conversion	**112%**	–	117%	92%	66%	57%
Return on equity	**7.8%**	–	2.6%	8.2%	17.2%	23.7%
Return on capital employed	**9.6%**	–	4.3%	11.3%	20.9%	27.4%
Equity ratio	**52.1%**	–	52.3%	49.7%	55.1%	56.2%
Capital turnover	**1.1**	–	1.1	1.2	1.2	1.3
Inventory turnover days	**74**	–	68	68	70	71
Trade receivables turnover	**3.2**	–	2.9	3.1	3.4	3.9
Payment readiness, SEK million	**96,951**	9%	88,960	84,917	64,678	67,454
as percentage of net sales	***47.7%***	–	*43.1%*	*40.6%*	*34.4%*	*37.5%*
Statistical data, year-end						
Number of employees	**90,261**	9%	82,493	78,740	74,011	63,781
of which in Sweden	***17,848***	–2%	*18,217*	*20,155*	*19,781*	*19,094*
Export sales from Sweden, SEK million	**100,070**	6%	94,829	109,254	102,486	98,694

[1] For 2010, as proposed by the Board of Directors.

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18% INCREASE IN 2010 OF MARKET CAPITALIZATION

- OMX Stockholm Index increase in 2010: 23 percent
- S&P 500 Index increase in 2010: 13 percent
- Ericsson's total market capitalization at year end: SEK 255 (215) billion

THE ERICSSON SHARE

Share listings

NASDAQ OMX, Stockholm
NASDAQ, New York

Total number of shares outstanding	3,273,351,735
of which Class A shares	261,755,983
of which Class B shares	3,011,595,752
of which Ericsson treasury shares, Class B	73,088,515
Quotient value	SEK 5.00
Market capitalization, December 31, 2010	approx. SEK 255b.
GICs (Global Industry Classification)	45201020

Ticker codes

NASDAQ OMX Stockholm	ERIC A ERIC B
NASDAQ, New York	ERIC
Bloomberg NASDAQ OMX Stockholm	ERICA SS ERICB SS
Bloomberg NASDAQ	ERIC US
Reuters NASDAQ OMX Stockholm	ERICa.ST ERICb.ST
Reuters NASDAQ	ERIC.O
ISIN	
ERIC A	SE0000108649
ERIC B	SE0000108656
ERIC	US2948216088
CUSIP	294821608

SHARE INFORMATION

STOCK EXCHANGE TRADING

The Ericsson Class A and Class B shares are listed on NASDAQ OMX Stockholm. In the United States, the Class B shares are listed on NASDAQ in the form of American Depositary Shares (ADS) evidenced by American Depositary Receipts (ADR) under the symbol ERIC. Each ADS represents one Class B share.

In 2010, approximately 6 (7) billion Ericsson shares were traded, of which about 3.4 billion were traded on NASDAQ OMX Stockholm and about 1.6 billion were traded on NASDAQ. (Note: The approximate total volumes include trading on alternative trading venues such as BATS Europe, Burgundy, Chi-X Europe.)

Trading volume in Ericsson shares decreased by approximately 30 percent on NASDAQ OMX Stockholm and decreased by approximately 7 percent on NASDAQ as compared to 2009.

CHANGES IN NUMBER OF SHARES AND CAPITAL STOCK 2006–2010

		Number of shares	Share capital
2006	December 31 (no changes)	16,132,258,678	16,132,258,678
2007	December 31 (no changes)	16,132,258,678	16,132,258,678
2008	June 2, reverse split 1:5	3,226,451,735	16,132,258,678
2008	July 23, new issue. (Class C shares, later converted to Class B)	19,900,000	99,500,000
2008	December 31	3,246,351,735	16,231,758,678
2009	June 8, new issue (Class C-shares, later converted to Class B)	27,000,000	135,000,000
2009	December 31	3,273,351,735	16,366,758,678
2010	December 31	3,273,351,735	16,366,758,678

PERFORMANCE INDICATORS

	2010	2009	2008	2007 [2]	2006 [2]
Earnings per share, diluted (SEK)	**3.46**	1.14	3.52	6.84	8.23
Operating income per share (SEK) [1]	**7.42**	5.80	7.50	9.64	11.29
Cash flow from operating activities per share (SEK)	**8.31**	7.67	7.54	6.04	5.82
Stockholders' equity per share, basic, end of period (SEK)	**45.34**	43.79	44.21	42.17	37.82
P/E ratio	**22**	57	17	11	17
Total shareholder return (%)	**22**	15	–20	–43	3
Dividend per share (SEK) [3]	**2.25**	2.00	1.85	2.50	2.50

[1] For 2010, 2009 and 2008 excluding restructuring charges.
[2] 2006 and 2007 restated for reverse split 1:5 in 2008.
[3] For 2010 as proposed by the Board of Directors.
For definitions of the financial terms used, see Glossary, Financial Terminology and Exchange Rates.

All performance indicators except Earnings per share, diluted, and Stockholders' equity per share, basic, end of period are calculated on average number of shares outstanding, basic.

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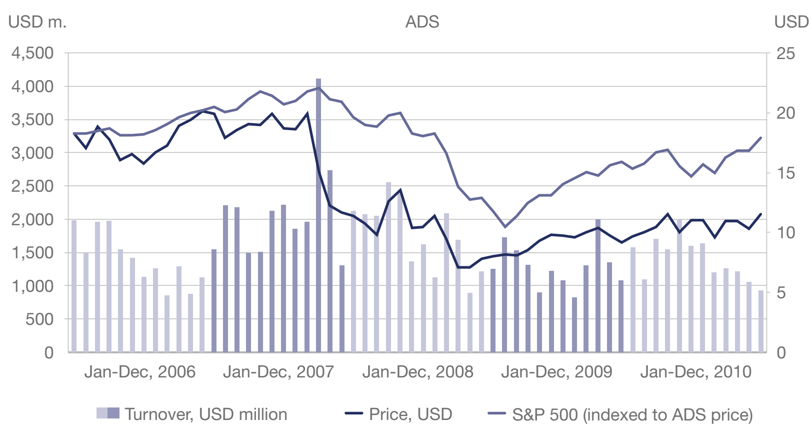
SHARE TREND

In 2010, Ericsson's total market capitalization increased by about 18 (13) percent to SEK 255 billion (SEK 215 billion in 2009). The OMX Stockholm Index on NASDAQ OMX Stockholm increased by 23 percent, the S&P 500 Index increased by 13 percent and the NASDAQ composite index increased by 17 percent.

SHARE TURNOVER AND PRICE TREND, NASDAQ OMX STOCKHOLM

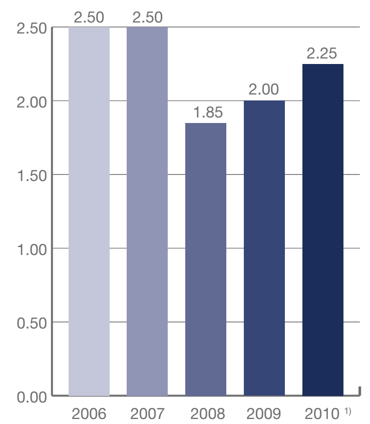
Volumes reflect trading on NASDAQ OMX Stockholm only.

SHARE TURNOVER AND PRICE TREND, US MARKET



DIVIDEND PER SHARE

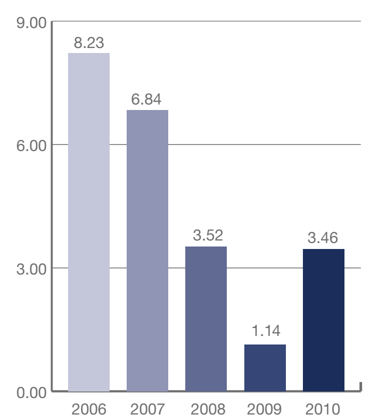
SEK



1) For 2010 as proposed by the Board of Directors.

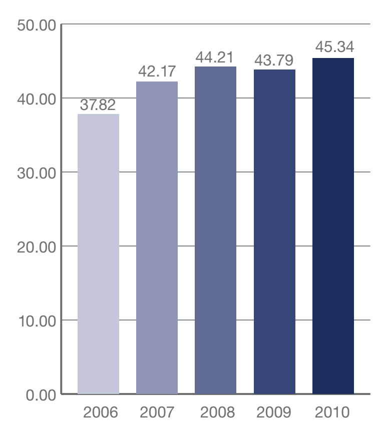
EARNINGS PER SHARE, DILUTED

SEK



STOCKHOLDERS' EQUITY PER SHARE, BASIC

SEK



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OFFER AND LISTING DETAILS

Principal trading market – NASDAQ OMX Stockholm – share prices

The table below states the high and low share prices for our Class A and Class B shares as reported by NASDAQ OMX Stockholm for the last five years. Trading on the exchange generally continues until 5:30 p.m. (CET) each business day. In addition to trading on the exchange there is also trading off the exchange and on alternative venues during trading hours and also after 5:30 p.m. (CET).

NASDAQ OMX Stockholm publishes a daily Official Price List of Shares which includes the volume of recorded transactions in each listed stock, together with the prices of the highest and lowest recorded trades of the day. The Official Price List of Shares reflects price and volume information for trades completed by the members. The equity securities listed on the NASDAQ OMX Stockholm Official Price List of Shares currently comprise the shares of 258 companies.

Host market NASDAQ – ADS prices

The table below states the high and low share prices quoted for our ADSs on NASDAQ for the last five years. The NASDAQ quotations represent prices between dealers, not including retail mark-ups, markdowns or commissions, and do not necessarily represent actual transactions.

SHARE PRICES ON NASDAQ OMX STOCKHOLM

(SEK)	2010	2009	2008	2007 [1]	2006 [1]
Class A at last day of trading	**74.00**	65.00	59.30	76.80	138.00
Class A high for year (June 21, 2010)	**88.40**	78.80	83.60	148.50	154.50
Class A low for year (January 4, 2010)	**65.20**	55.40	40.60	73.00	104.50
Class B at last day of trading	**78.15**	65.90	58.80	75.90	138.25
Class B high for year (June 21, 2010)	**90.45**	79.60	83.70	149.50	155.00
Class B low for year (January 4, 2010)	**65.90**	55.50	40.60	72.65	104.50

[1] 2006 and 2007 restated for reverse split 1:5 in 2008.

SHARE PRICES ON NASDAQ NEW YORK

(USD)	2010	2009	2008	2007 [1]	2006 [1]
ADS at last day of trading	**11.53**	9.19	7.81	11.68	20.12
ADS high for year (April 23, 2010)	**12.39**	10.92	14.00	21.71	20.57
ADS low for year (February 5, 2010)	**9.40**	6.60	5.49	11.12	14.44

[1] 2006 and 2007 restated for reverse split 1:5 in 2008.

SHARE PRICES ON NASDAQ OMX STOCKHOLM AND NASDAQ

	NASDAQ OMX Stockholm				NASDAQ	
	SEK per Class A share		SEK per Class B share		USD per ADS [1]	
Period	High	Low	High	Low	High	Low
Annual high and low						
2006 [2]	154.50	104.50	155.00	104.50	20.57	14.44
2007 [2]	148.50	73.00	149.50	72.65	21.71	11.12
2008	83.60	40.60	83.70	40.60	14.00	5.49
2009	78.80	55.40	79.60	55.50	10.92	6.60
2010	88.40	65.20	90.45	65.90	12.39	9.40
Quarterly high and low						
2009 First Quarter	78.00	55.40	78.70	55.50	9.65	6.60
2009 Second Quarter	78.80	64.10	79.60	64.00	9.92	8.10
2009 Third Quarter	78.60	65.80	79.50	66.10	10.84	9.10
2009 Fourth Quarter	76.25	64.70	76.95	65.25	10.92	8.94
2010 First Quarter	78.70	65.20	80.00	65.90	11.33	9.40
2010 Second Quarter	88.40	73.00	90.45	74.15	12.39	9.51
2010 Third Quarter	86.55	69.00	89.35	70.85	12.20	9.62
2010 Fourth Quarter	77.05	66.95	79.95	68.85	11.71	9.96
Monthly high and low						
August 2010	79.45	69.00	81.05	70.85	11.40	9.62
September 2010	78.50	69.70	80.65	71.85	11.33	9.98
October 2010	74.50	68.80	76.80	70.65	11.60	10.49
November 2010	72.00	66.95	74.20	68.85	11.20	9.96
December 2010	77.05	70.00	79.95	72.45	11.71	10.48
January 2011	78.55	72.50	82.00	74.80	12.61	10.99

[1] One ADS = 1 Class B share.

[2] 2006 and 2007 restated for reverse split 1:5 in 2008.

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SHAREHOLDERS

As of December 31, 2010, the Parent Company had 630,592 shareholders registered at Euroclear Sweden AB (the Central Securities Depository – CSD), of which 1,334 holders had a US address. According to information provided by Citibank, there were 262,814,956 ADSs outstanding as of December 31, 2010, and 4,888 registered holders of such ADSs. A significant number of Ericsson ADSs are held by banks, broker and/or nominees for the accounts of their customer. As of December 31, 2010, the number of bank, broker and/or nominee accounts holding Ericsson ADSs was 196,360.

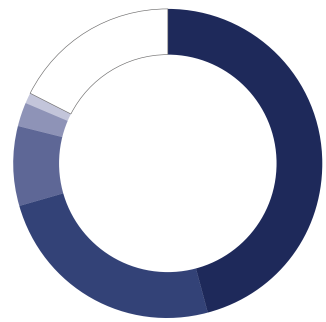
According to information known at year-end 2010, almost 78 percent of our Class A and Class B shares were owned by institutions, Swedish and international.

Our major shareholders do not have different voting rights than other shareholders holding the same classes of shares.

As far as we know, the Company is not directly or indirectly owned or controlled by another corporation, by any foreign government or by any other natural or legal person(s) separately or jointly.

FIVE LARGEST COUNTRIES

Percent of capital



- Sweden: 45.85% (47.17%)
- United States: 24.94% (24.29%)
- United Kingdom: 8.17% (7.33%)
- Norway: 2.45% (2.63%)
- Singapore: 1.34% (0.58%)
- Other countries: 17.25% (18.00%)

Source: Capital Precision

TOP EXECUTIVES AND BOARD MEMBERS, OWNERSHIP

	Number of Class A shares	Number of Class B shares	Voting rights, percent
Top executives and Board members as a group (31 persons)	2,416	3,937,920	0.07

For individual holdings, see Corporate Governance Report.

The table shows the total number of shares in the Parent Company owned by top executives and Board members (including Deputy employee representatives) as a group as of December 31, 2010.

The following table shows share information, as of December 31, 2010, with respect to our 15 largest shareholders, ranked by voting rights, as well as percentage of voting rights as of December 31, 2010, 2009 and 2008.

LARGEST SHAREHOLDERS, DECEMBER 31, 2010 AND PERCENTAGE OF VOTING RIGHTS, DECEMBER 31, 2010, 2009 AND 2008

Identity of person or group [1]	Number of Class A shares	Of total Class A shares, percent	Number of Class B shares	Of total Class B shares, percent	2010 Voting rights, percent	2009 Voting rights, percent	2008 Voting rights, percent
Investor AB	102,664,038	39.22	61,414,664	2.04	19.33	19.33	19.42
AB Industrivärden	77,680,600	29.68	0	0.00	13.80	13.62	13.28
Handelsbankens Pensionsstiftelse	19,800,000	7.56	0	0.00	3.52	3.52	3.00
Skandia Liv	15,719,072	6.01	10,745,693	0.36	2.98	3.02	2.89
Swedbank Robur Fonder AB	1,495,549	0.57	138,868,343	4.61	2.73	3.07	2.44
Pensionskassan SHB Försäkringsföreningen	11,672,000	4.46	0	0.00	2.07	2.25	2.26
BlackRock Fund Advisors	0	0.00	81,187,654	2.70	1.44	1.81	0.00
Dodge & Cox, Inc.	0	0.00	80,330,400	2.67	1.43	1.05	0.98
AMF Pensionsförsäkring AB	800,000	0.31	67,174,148	2.23	1.34	1.30	1.55
OppenheimerFunds, Inc.	0	0.00	72,416,412	2.40	1.29	1.29	1.31
Handelsbanken Fonder AB	1,340	0.00	59,260,630	1.97	1.05	0.94	1.02
Gamla Livförsäkringsbolaget SEB Trygg Liv	4,675,919	1.79	12,275,600	0.41	1.05	0.98	1.04
Aberdeen Asset Managers Ltd.	0	0.00	56,648,517	1.88	1.01	0.71	0.38
SEB Investment Management AB	498,441	0.19	50,604,935	1.68	0.99	0.89	0.98
PRIMECAP Management Co.	0	0.00	52,241,292	1.73	0.93	0.83	0.56
Others	26,749,024	10.21	2,268,427,464	75.32	45.04	45.39	48.89
Total	**261,755,983**	**100.00**	**3,011,595,752**	**100.00**	**100.00**	**100.00**	**100.00**

[1] Source: Capital Precision.

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LETTER FROM MICHAEL TRESCHOW

Dear shareholders,

When I summarized year 2009, I wrote that the key future opportunities for the industry and Ericsson would be increased mobile traffic. In 2010 we saw massive data traffic uptake, driven by laptops and smartphones. The global mobile data traffic actually more than doubled. As a consequence, Ericsson saw a growing demand for mobile broadband.

The telecom industry has for a very long time been characterized by rapid technology development and consolidation. Along with the introduction of new technologies, Ericsson's business is becoming more and more services and software-related. Management has taken action to adapt the Company to this change and the implementation of a new organization has so far been smooth. This is an important foundation for Ericsson's future growth.

In 2010, Ericsson acquired companies to the value of SEK 3.3 billion. Many new employees came aboard during the year, 5,250 joined through acquisitions and about 1,300 through managed services contracts. The Board closely follows the integration of acquired businesses and the insourcing of new employees from operators via managed services contracts. Ericsson has a well-established integration process and a culture where new colleagues quickly become a part of the Company.

During the year, The Board has continued to monitor the Company's remuneration principles. The Board is of the opinion that Ericsson has a well-balanced and competitive compensation structure which rewards performance. We think it is beneficial that senior executives invest in shares and we hope the new long-term variable remuneration (LTV) program will prove to be motivational.

Ericsson has a strong financial position with net cash of SEK 51.3 billion. A strong cash position is important since it gives the Company the ability to play a role in industry consolidation and to strengthen its assets in areas such as systems integration and consulting.

At my very first Board meeting in April 2002, Ericsson was in a quite different situation. The Company was in a financial crisis and at that meeting, we took the decision to propose a rights offering of SEK 30 billion. Since then we have paid back about SEK 41.9 billion in dividends to our shareholders, including the proposed dividend for 2010. In 2002 the share price declined below the subscription price of SEK 3.80 per B-share. Following the rights offering the share price saw sustained growth until 2007. Since then the share price has underperformed.

It has been an exciting journey for me to help to steer Ericsson and shape the industry during my years as Chairman of the Board. I have introduced two new CEOs and their management teams. We have seen the services part of the Company grow to represent close to 40 percent of revenues. Ericsson and the industry are now in the initial phase of rolling out mobile broadband on a large scale.

It is an exciting future ahead for Ericsson. Taking into account the Company's strong market and financial position, it is well positioned to continue to lead the industry.

After nine years in this position it is time to hand over to my successor. I wish the new chairman and Ericsson all the best.

Michael Treschow

Michael Treschow
Chairman of the Board

BOARD OF DIRECTORS' REPORT

CONTENTS

This Board of Directors' Report is based on Ericsson's consolidated financial statements, prepared in accordance with IFRS as endorsed by the EU. The application of reasonable but subjective judgments, estimates and assumptions to accounting policies and procedures affects the reported amounts of assets and liabilities and contingent assets and liabilities at the balance sheet date as well as the reported amounts of revenues and expenses during the reporting period. These amounts could differ materially under different judgments, assumptions and estimates. Please see Note C2 – "Critical Accounting Estimates and Judgments" (p. 54).

Also non-IFRS measures are used to provide meaningful supplemental information to the IFRS results. Non-IFRS measures are designed to facilitate analysis by indicating Ericsson's underlying performance. However, these measures should not be viewed in isolation or as substitutes to the IFRS measures. A reconciliation of non-IFRS measures with the IFRS results can be found on page 22.

This report includes forward-looking statements subject to risks and uncertainties. Actual developments could differ materially from those described or implied. Please see "Forward-Looking Statements" (p. 126) and "Risk Factors" (p. 119).

The external auditors review the quarterly interim reports, perform audits of the Annual Report and report their findings to the Board and its Audit Committee.

The terms "Ericsson", "the Group", and unless the context reasonably requires otherwise also "the Company", all refer to Telefonaktiebolaget LM Ericsson and its subsidiaries. The "Parent Company" solely refers to Telefonaktiebolaget LM Ericsson. Unless otherwise noted, numbers in parentheses refer to the previous year (i.e. 2009).

NET SALES SEK 203.3 (206.5) BILLION

Sales decreased –2%.

OPERATING MARGIN 12% (12%)

EXCL. JOINT VENTURES AND RESTRUCTURING CHARGES

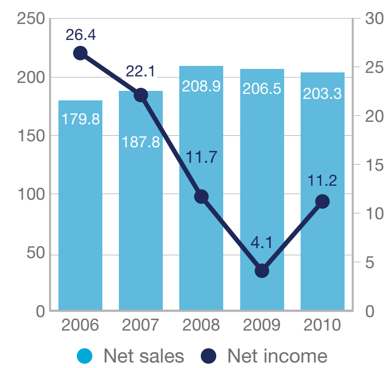
Operating income was 24.4 (24.6) billion.

CASH FLOW SEK 29.8 (28.7) BILLION

Cash flow is adjusted for cash outlays for restructuring of SEK 3.3 (4.2) billion.

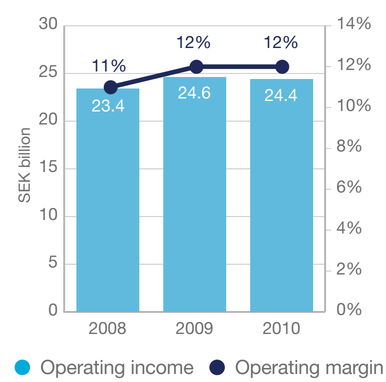
NET SALES AND NET INCOME

SEK billion



OPERATING INCOME AND OPERATING MARGIN

Excluding restructuring charges and share in earnings of JVs



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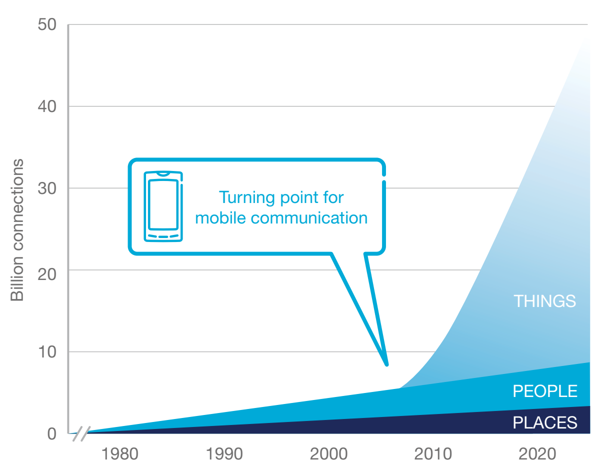
VISION

Ericsson's vision is to be the prime driver in an all-communicating world. The vision of an all-communicating world is rapidly becoming a reality as there are more than 5.3 billion subscriptions today for mobile telecommunications. Ericsson envisions a continued evolution, from having connected 5 billion people to connecting 50 billion "things". The Company envisions that anything that can benefit from being connected will be connected, mainly via mobile broadband.

50 BILLION CONNECTIONS IN 2020



STRATEGY

By leveraging global presence and scale as well as technology and services leadership, Ericsson will continue to be the prime driver in the telecom industry.

Global presence and scale

Ericsson has today business in more than 180 countries. The Company is the largest provider of operator equipment and with 45,000 service professionals, the Company has secured scale advantages.

Going forward, Ericsson intends to increase its market share in the solution areas: Communication Services, Consumer and Business Applications, Fixed Broadband and Convergence, Managed Services, Mobile Broadband, Operations and Business Support Systems and Television and Media Management.

With its strong financial position, the Company intends to grow also through acquisitions, targeting small and medium-sized companies.

Ericsson sees opportunities to increase its footprint, i.e. installed equipment base, mainly in Europe, where its market share is lower than the overall global position. By outperforming its competitors, there is an opportunity for the Company to grow footprint by achieving a larger part of a roll-out project than initially assigned by the customer.

MARKET INDICATORS

In understanding where the market is heading, Ericsson follows different drivers.

For segment Networks the Company monitors the traffic development in the networks and the evolution of the installed equipment. These parameters vary between countries and regions. Operators' total capital expenditure is not a key indicator since only around 50 percent of the cost is related to telecom. Of the telecom part, about 10-15 percent is designated for telecom equipment. Accordingly, operator capital expenditure can therefore decrease without necessarily impacting Ericsson sales.

For segment Global Services, it is relevant to study operators' operating expenses, since Ericsson offers services and solutions to reduce their operating cost.

Multimedia is more fragmented, with a number of parameters for different parts of the business.

BUSINESS MIX

Ericsson's Group margins depend to a high degree on the business mix with the proportion of services, software and hardware content as well as type of projects. Rolling out a new network, increasing coverage, or modernizing a network, means deploying hardware, i.e. radio base stations (RBSs) and controllers, on a large scale. These projects are often won in open tenders in a highly competitive environment. Later, after deployment, the hardware will be regularly upgraded with software to enable for example higher data speeds and new functionality/features. These upgrades normally provide the Company with more even revenue streams. The initial large projects are a necessary first step to secure future software and services business when upgrades and/or expansions of the networks take place.

Technology leadership

By continuing to invest in research and development (R&D), the Company will secure its technology leadership. The objectives are to deliver superior performance and to be the thought leader in the industry.

Ericsson has one of the industry's largest organizations for R&D.

RESEARCH AND DEVELOPMENT

The Company's total spend on R&D was SEK 29.9 (27.0) billion excluding restructuring charges. More than 20,000 people work in developing products and solutions. With approximately 600 research engineers, research accounts for about three percent of the overall investment in R&D.

All research is closely connected to future solutions and products. The applied research usually targets products that will reach the market within three to five years. Research performed in the areas of multimedia and user services target products and solutions which are closer in time. An increasing part of the solutions are software based which requires a different mode of operation in R&D. During the last years, developing

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the Company's software capabilities has been important and a key part of this has been to implement new ways of working. An agile engineering method has been implemented, allowing quick response to market changes. The new ways of working as well as product packaging, enable online delivery of software, and new customization possibilities. The strategy to develop software-based solutions also means new business models in the customer engagement, such as software subscription or software-as-a-service.

The research activities are performed in-house as well as in collaboration with research institutes and universities. An essential part of the research work is performed in parallel with standardization work. Standardization is performed together with peers in different industry bodies. Open standards are a foundation for the industry in order to secure ecosystems and interoperability.

To speed up the transfer of knowledge and research concepts into product development, research engineers responsible for the initial project usually move along to the product development units. To fill the gap in the research organization, Ericsson continuously recruits talented research engineers with the task to take on new projects.

When developing new technologies such as 3G/WCDMA or 4G/LTE, the project cycles have normally been longer, up to ten years. However, when developing new services or applications other project models have been created with shorter lead-times, sometimes only a few months. In order to shorten the time from idea to product, Ericsson has introduced beta tests with up to 1,000 users trying out new services and applications. A focus area for Ericsson is now how to support the commercialization of these ideas into new solutions.

Every quarter, the executive team in Ericsson reviews the project portfolio in R&D. Return on investment is calculated as net present value for the different projects.

Read more about Ericsson's R&D in 2010 on page 20.

INTELLECTUAL PROPERTY RIGHTS AND LICENSING

The intellectual property rights (IPR) are licensed to other companies (infrastructure equipment suppliers, embedded module suppliers, handset suppliers and mobile application developers) in return for royalty payments and/or access to their IPRs. The Company is of the opinion that it has access to all essential patents that are material to the business in part or in whole. The net revenue from IPRs was about SEK 4.6 (4.5) billion in 2010.

Services leadership

With 45,000 service professionals across the world, the Company has the industry's largest services organization. The Company provides managed services, consulting and systems integration, customer support and network rollout.
The services organization, with its broad skills and experiences, provides a competitive advantage for sales of infrastructure.

Drawing on the experiences gained in providing services related to the infrastructure business, the Company is also able to offer new, more advanced and stand-alone services, such as managing data centers. A key area is to develop new business models such as network sharing and new ways of bundling technology and services. The Company has over the years strengthened its competence in services through the insourcing of staff from telecom operators and acquiring small and medium-sized companies in the field of consulting and systems integration.

Moving into new industry segments

Ericsson has in 2010 taken the decision to increase its efforts to approach customers in new segments, such as governments, health industry, transport and utilities. These are industries with either similar business models as telecom operators and/or obvious benefits from mobile broadband.

Guiding principles

The basic principles for Ericsson's strategy are:

- Customer intimacy; highly qualified employees working closely with the customer to create effective solutions
- Continuous process improvements and innovation in all areas
- Scale in delivery and technical solutions.

BUSINESS FOCUS

Meeting demand for mobile broadband worldwide

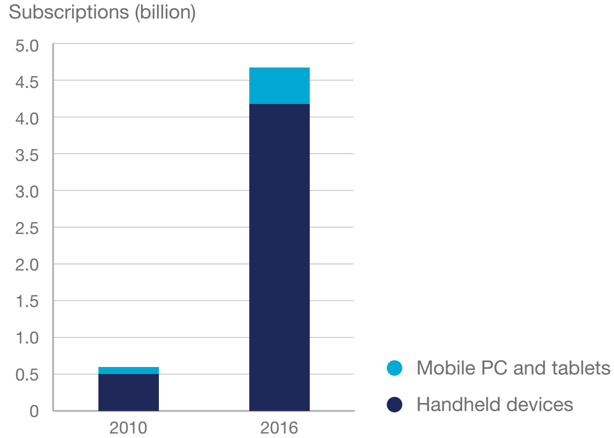
The business focus in 2010 has been to provide operators with mobile broadband. The most obvious driver of this development was the massive data traffic growth, especially in the US and Japan.

Recently introduced mobile devices such as smartphones and tablets drive data traffic and the need for higher speeds and enhanced capacity in the networks.

Telecom operators across the world see an increasing part of their revenues emerging from data, although voice still is the main source for sales revenues. For some operators in Japan, mobile data represents more than 50 percent of total revenues. In many countries, such as the US, operators have introduced tiered pricing for mobile data services, further spurring demand for data services. In addition, quality of service has become a

MOBILE BROADBAND GROWTH

Subscriptions (billion)



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differentiator for operators, driving investments for expansions and upgrades.

For Ericsson, this resulted in an increasing demand for mobile broadband and quicker than expected ramp-up of volumes of the new radio-base station RBS 6000. During the first half of 2010, Ericsson was still impacted by the cautious operator investments that started in the second half of 2009. The Company also put a lot of focus on mitigating the effects of the industry-wide component shortage that occurred mid 2010. While the supply of components has now normalized, we are still not fully meeting the increased demand on certain mobile broadband products. The total global number of mobile subscriptions is 5.3 billion. In 2010, mobile broadband subscriptions increased more than 60 percent to approximately 600 million, still only representing some 10 percent of total mobile subscriptions. Ericsson expects the strong uptake for mobile broadband to continue in 2011. Already in 2011, the number of mobile broadband subscriptions is expected to hit one billion. This development is mainly driven by the use of smartphones. Devices with embedded modules such as tablets are also expected to show continuously strong growth.

Increasing market share

In 2010, focus was also on increasing footprint in Europe and to secure footprint in the rollout of 3G networks in India. In Europe, approximately 800,000 radio-base stations are expected to be replaced. These base stations were installed before 2004 and consume 30 percent more energy than new equipment. Since energy represents a significant part of the total operating expenses of a radio site, replacement is a good business case. Ericsson has seen the initial modernization of networks in Europe and has so far managed to gain contracts in countries where the Company previously had a weaker position. However, modernization projects typically last for a couple of years, so it is still too early to conclude what the Company's market position will be. Ericsson has in general a lower market share in Europe than in the rest of the world. This was a result of the 3G rollouts that took place in Europe approximately eight years ago. Ericsson was then in a financially turbulent situation and lost out on certain 3G deals.

In India, 3G rollouts started in 2010 and Ericsson has maintained a market share in line with its 2G position.

Ericsson also acquired companies to strengthen its market position:

- Nortel's GSM business in North America with 350 employees
- Nortel's share in LG-Nortel in Korea with 1,300 employees.

Ericsson also signed agreements to acquire GDNT, a Chinese R&D and services company with 1,100 employees, and the Nortel multi-service switch business. These two businesses were not consolidated in 2010.

Technology

Ericsson invested SEK 29.9 (27.0) billion in R&D in 2010, excluding restructuring charges. The increase is mainly a result of consolidation of acquired companies.

Of the total cost for development of new products in 2010, the majority was spent on further enhancements of 3G/WCDMA/HSPA as well as 4G/LTE. Resources are also spent on further adaptations of 2G/GSM although at lower levels compared to previous years.

The complexity in the industry with a number of technologies installed, new solutions and services as well as more frequencies used, requires continued efforts in R&D to secure Ericsson's technology leadership also in coming years.

Current radio research focus is on ensuring that radio networks can handle the massive data growth that we have experienced since introducing mobile broadband technologies.

Ericsson held 27,000 (25,000) granted patents globally as of December 31, 2010. The Company is expected to hold approximately 25 percent of all essential patents in LTE.

The Company has a number of essential patents relating to GSM, Edge, WCDMA, HSPA, TD-SCDMA, CDMA2000, WiMAX and LTE. Ericsson also holds patents in other areas, including IMS, voice-over-IP, ATM, messaging, WAP, Bluetooth, SDH/SONET, WDM and carrier Ethernet.

Read more about Ericsson's R&D strategy and IPR's on page 18.

Increasing services business

In 2010, 54 (30) managed services contracts were signed, with fixed, mobile and cable operators and for enterprise networks. 26 (9) of the contracts were extensions or expansions.

The year was also characterized by further acquisitions. The Company acquired companies in the area of consulting and systems integrations:

- Pride in Italy with 1,000 employees
- InCode, a US strategy and consulting firm with 45 employees
- Optimi, a US-Spanish network management and optimization company with 200 employees.

Competence and skills

Ericsson introduced a new go-to-market model in 2010. The Company set up ten regions, replacing the former 23 market units. The regions approach customers with solutions, covering services, software and hardware. By this, Ericsson will move from a product-led to a solutions-led sales approach, selling the full breadth of the portfolio. The Company also started up projects in the regions, developing solutions for new customer segments.

At year end, Ericsson had 90,261 (82,493) employees. In 2010, 5,250 individuals joined Ericsson through acquisitions and about 1,300 through managed services contracts. Approximately 5,000 were made redundant and 6,000 were recruited. The vast majority of recruitments took place in India, China and Brazil. These new recruitments were primarily made within the areas of R&D and service delivery.

Half of the workforce, 45,000 people, are service professionals. The competence and capabilities of the Company's employees is increasingly service and software oriented.

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OPERATIONAL GOALS AND RESULTS

Ericsson's overall goal is to create shareholder value. Management uses four metrics to monitor the Company's overall performance: faster than market sales growth, a best-in-class margin, a strong cash conversion and growth in JV earnings.

Shareholder value creation

OBJECTIVES

- GROW FASTER THAN THE MARKET
- BEST IN CLASS OPERATING MARGINS
- STRONG CASH CONVERSION >70%
- GROWTH IN JV EARNINGS

GROW FASTER THAN THE MARKET

The Company is the largest provider of operator equipment. In the market for 4G/LTE, the Company's market share is higher than for earlier radio technology generations since Ericsson has managed to get a good start in the rollout of 4G/LTE. The 4G/LTE market is still small though, since it is in its initial phase. When including CDMA in the operator equipment market, Ericsson increased its market share in 2010 due to the acquired Nortel business. In professional services, the company is estimated to have kept or slightly increased its market share. The overall market position for segment Multimedia is difficult to assess, as the market is fragmented.

BEST-IN-CLASS OPERATING MARGIN

The operating margin for the Company, excluding joint ventures and restructuring charges, was 12 (12) percent. Based on reported results for 2010, the margin remains the highest among the Company's traditional telecom competitors that are publicly listed.

CASH CONVERSION OF OVER 70 PERCENT

The cash conversion rate for 2010 was 112 (117) percent, reflecting a strong focus on cash flow and a higher net income. Cash conversion is defined as cash flow from operating activities divided by net income reconciled to cash.

GROWTH IN JV EARNINGS

JV earnings improved in 2010 to SEK –0.7 (–6.1) billion, excluding restructuring charges. Ericsson's share in earnings in Sony Ericsson was SEK 0.9 (–4.8) billion, excluding restructuring charges, and in ST-Ericsson SEK –1.5 (–1.3) billion, excluding restructuring charges. Sony Ericsson's improved results were driven by a streamlined product portfolio focused on higher-end smartphones and an improved cost structure. ST-Ericsson is on its way of completing the transition program and has new products coming.

Other performance indicators

Ericsson believes that satisfied customers and motivated employees are key to success.

CUSTOMER SATISFACTION

Every year, an independent customer satisfaction survey is performed. In 2010, approximately 10,000 representatives, in different professions, of Ericsson customers around the world were polled to assess their satisfaction with Ericsson, compared to its main competitors. Over the past five years, Ericsson has maintained a level of excellence. The goal is to increase this level further.

EMPLOYEE ENGAGEMENT

In 2004 Ericsson began measuring motivation among its employees. This survey is conducted by an independent company. In 2010, 87 (91) percent of all employees across the world responded to the survey. The human capital index, which measures employee contribution in adding value for customers and meeting business goals, was 72 (69). This is a high level, but as with customer satisfaction, the objective is to further increase employee engagement and motivation.

CUSTOMER SATISFACTION AND EMPLOYEE ENGAGEMENT

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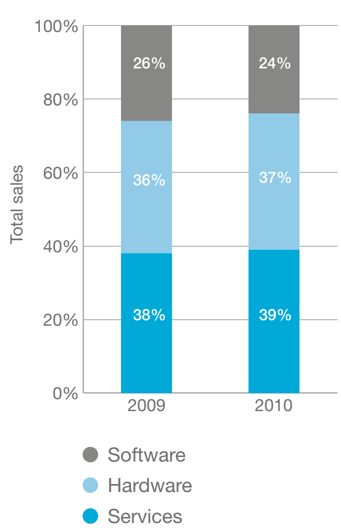
FINANCIAL RESULTS OF OPERATIONS

ABBREVIATED INCOME STATEMENT WITH RECONCILIATION IFRS – NON-IFRS MEASURES

SEK billion	IFRS 2010	IFRS 2009	IFRS 2008	Restructuring charges 2010	Restructuring charges 2009	Restructuring charges 2008	Non-IFRS measures 2010	Non-IFRS measures 2009	Percent change	Non-IFRS measures 2008
Net sales	**203.3**	206.5	208.9				**203.3**	206.5	–2%	208.9
Cost of sales	**–129.1**	–136.3	–134.6	**–3.4**	–4.2	–2.5	**–125.7**	–132.1	–5%	–132.1
Gross income	**74.3**	70.2	74.3	**–3.4**	–4.2	–2.5	**77.6**	74.4	4%	76.8
Gross margin %	**36.5%**	34.0%	35.5%				**38.2%**	36.0%		36.8%
Operating expenses	**–58.6**	–60.0	–60.6	**–3.5**	–7.1	–4.2	**–55.2**	–52.9	4%	–56.4
Operating expenses as % of sales	**28.8%**	29.0%	29.0%				**27.1%**	25.6%		27.0%
Other operating income and expenses	**2.0**	3.1	3.0	**–**	–	–	**2.0**	3.1	–35%	3.0
Operating income before share in earnings of JVs and associated companies	**17.6**	13.3	16.7	**–6.8**	–11.3	–6.7	**24.4**	24.6	–1%	23.4
Operating margin % before share in earnings of JVs and associated companies	**8.7%**	6.5%	8.0%				**12.0%**	11.9%		11.2%
Share in earnings of JVs and associated companies	**–1.2**	–7.4	–0.4	**–0.5**	–1.3	–0.9	**–0.7**	–6.1		0.4
Operating income	**16.5**	5.9	16.3	**–7.3**	–12.6	–7.6	**23.7**	18.5	28%	23.9
Operating margin %	**8.1%**	2.9%	7.8%				**11.7%**	9.0%		11.4%
Financial income and expense, net	**–0.7**	0.3	1.0							
Taxes	**–4.5**	–2.1	–5.6							
Net income	**11.2**	4.1	11.7							
EPS diluted (SEK)	**3.46**	1.14	3.52							

Non-IFRS measures are used in the income statement as supplemental information to the IFRS results. Since there were significant restructuring costs during 2008, 2009 and 2010 and consequently significant impact on reported results and margins, non-IFRS measures excluding restructuring charges are presented to facilitate analysis by indicating Ericsson's underlying performance. However, these measures should not be viewed in isolation or as substitutes to the IFRS measures. For more details on the restructuring activities and corresponding charges, please see Note C5 – "Expenses by Nature".

SOFTWARE, HARDWARE AND SERVICES SHARE OF SALES



Financial results of operations

Growth of sales, operating margin and net income are the overriding targets. In 2010, sales did not increase despite the strong demand for mobile broadband in the second half of the year. However, net income improved significantly, mainly due to improvements in Sony Ericsson earnings and less restructuring charges. For 2011, the main objectives remain. To achieve these targets, an essential ingredient is a continued focus on cost and internal efficiency work.

Sales

The cautious operator investments that started to impact in the second half of 2009 continued during the first half 2010. In the second half of 2010 demand for mobile broadband started to increase. During part of the year, the Company struggled with the industry-wide component shortage. At year end, the supply of components had normalized. Despite necessary inflow of components, the Company could at year-end not fully meet the increased demand on certain mobile broadband products. In 2010, voice related sales decreased and the increase in demand for mobile broadband products and services could not fully compensate for that decline.

Sales were also negatively impacted by the strong SEK. Sales for comparable units, adjusted for currency exchange rate effects and hedging, decreased –7 percent.

In 2010, the Company saw the share of software sales decline to 24 (26) percent of sales. The portion of hardware increased to 37 (36) percent. The increase in hardware is a result of demand for mobile broadband products. In the short term, the software share might continue to decrease due to a higher portion of projects with a lot of hardware. Longer term, the software part should increase following more expansions and upgrades of networks.

Seasonality

The Company's quarterly sales, income and cash flow from operations are seasonal in nature, 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	–21%	9%	–5%	30%
Share of annual sales	22%	25%	23%	30%

Gross margin

Gross margin, excluding restructuring, improved to 38 (36) percent due to business mix with a higher proportion of network upgrades and expansions. Cost of sales was also reduced as a result of efficiency work.

Operating expenses

To secure continued technology leadership, focus is on innovation and R&D. R&D expenses amounted to SEK 29.9 (27.0) billion. Spending on R&D as a percentage of sales was 15 (13) percent. The increase is a result of lower sales, higher investments in certain R&D areas and the acquired Nortel and LG-Ericsson operations. In 2011, R&D expenses of SEK 31-33 billion is estimated, including restructuring charges. The amount might fluctuate due to currency exchange rate effects.

Selling and administrative expenses, excluding restructuring charges, was stable in relation to sales 12 (13) percent. The amount was SEK 25.3 (25.9) billion. In the year, there were positive effects from efficiency work along with the strong SEK. However, costs for the integration of acquired companies impacted negatively. The Company also conducted a growing number of LTE trials across the world which increased selling and administrative expenses.

Operating margin before JVs

Despite the improved gross margin, operating margin, before share in JV earnings and excluding restructuring charges, was flat at 12 (12) percent. This was an effect of increased R&D expenses.

Share in earnings of JVs

Sony Ericsson returned to profit in 2010, after two years of losses. The turnaround has been possible thanks to restructuring and a streamlined product portfolio focused on higher-end smartphones.

ST-Ericsson is still reporting a loss. The company is on its way of completing the transition program and has new products coming. Ericsson's share in Sony Ericsson's income before tax was SEK 0.9 (–4.8) billion, excluding restructuring charges. Ericsson's share in ST-Ericsson's income before tax, adjusted to IFRS, was SEK –1.5 (–1.3) billion, excluding restructuring charges.

Operating income

Operating income increased significantly, due to improved earnings in Sony Ericsson.

Financial net

The financial net was SEK –0.7 (0.3) billion. The difference is mainly attributable to a negative impact of around SEK 0.6 billion due to foreign exchange currency revaluation effects and lower interest net of SEK 0.3 billion compared to 2009.

Taxes

The tax expense for the year was SEK 4.5 (2.1) billion or 28.8 (33.9) percent of income after financial items. The tax rate may vary between years depending on business and geographic mix. The tax rate excluding joint ventures and associated companies was 25.7 (25.7) percent due to lower tax rate from the loss-making joint venture.

Net income

Net income increased SEK 7.1 billion to SEK 11.2 (4.1) billion as a result of improved earnings in Sony Ericsson and less restructuring charges.

Earnings per share, diluted

Earnings per share increased by SEK 2.32 to SEK 3.46 (1.14), as a result of improved net income. The Board of Directors proposes a dividend of SEK 2.25 (2.00).

Restructuring charges

Total restructuring charges were SEK 6.8 (11.3) billion. Cash outlays was SEK 3.3 (4.2) billion. A cost reduction program was initiated in 2009 and completed by the second quarter 2010. Charges of SEK 4.2 billion were taken in 2010 related to the program. In the second half of the year, an additional SEK 2.6 billion in charges were taken. These charges primarily relate to efficiency activities in service delivery, product development and administration. At the end of the year, cash outlays of SEK 3.2 billion remain to be made. In 2011, restructuring charges of approximately SEK 2 billion are estimated.

RESEARCH AND DEVELOPMENT PROGRAM

	2010	2009	2008
Expenses (SEK billion) [1]	**29.9**	27.0	30.9
As percent of Net sales	**14.7%**	13.1%	14.8%
Employees within R&D as at December 31 [2]	**20,800**	18,300	19,800
Patents [2]	**27,000**	25,000	24,000

[1] Excluding restructuring charges.

[2] The number of employees and patents are approximate.

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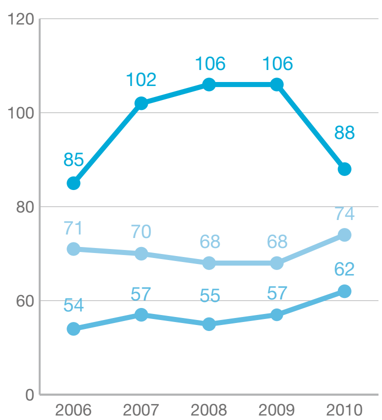
FINANCIAL POSITION

CONSOLIDATED BALANCE SHEET (ABBREVIATED)

December 31, SEK billion	2010	2009	2008		2010	2009	2008
ASSETS				**EQUITY AND LIABILITIES**			
Non-current assets, total	**83.4**	87.4	87.2	Equity	**146.8**	141.0	142.1
of which intangible assets	***46.8***	*48.2*	*48.2*	*Non-current liabilities*	***38.3***	*43.3*	*39.5*
of which property, plant and equipment	***9.4***	*9.6*	*10.0*	*of which post-employment benefits*	***5.1***	*8.5*	*9.9*
of which financial assets	***14.5***	*15.3*	*14.1*	*of which borrowings*	***27.0***	*30.0*	*24.9*
of which deferred tax assets	***12.7***	*14.3*	*14.9*	*of which other non-current liabilities*	***6.2***	*4.8*	*4.7*
Current assets, total	**198.4**	182.4	198.5	Current liabilities	**96.8**	85.5	104.1
of which inventory	***29.9***	*22.7*	*27.8*	*of which provisions*	***9.4***	*12.0*	*14.0*
of which trade receivables	***61.1***	*66.4*	*75.9*	*of which current borrowings*	***3.8***	*2.1*	*5.5*
of which other receivables/financing	***20.2***	*16.6*	*19.8*	*of which trade payables*	***25.0***	*18.9*	*23.5*
of which short-term investments, cash and cash equivalents	***87.2***	*76.7*	*75.0*	*of which other current liabilities*	***58.6***	*52.5*	*61.0*
Total assets	**281.8**	269.8	285.7	**Total equity and liabilities** [1]	**281.8**	269.8	285.7

[1] Of which interest-bearing liabilities and post-employment benefits SEK 35.9 billion (SEK 40.7 billion in 2009).

KEY RATIOS



Days sales outstanding
Target is less than 90 days

Inventory turnover days
Target is less than 65 days

Payable days
Target is more than 60 days

Ericsson's strategy is to maintain a strong balance sheet including a sufficiently large cash position to ensure the financial flexibility to operate freely and to capture business opportunities. This has been particularly important during the past years' difficult macroeconomic and financial market situation.

By maintaining a strong cash position, the Company can also maintain an active strategy for mergers and acquisitions. During 2010, Ericsson made five acquisitions and strengthened its market position in the USA and Korea along with adding competencies in consulting and systems integration.

An important focus area is the release of working capital. Major efforts have been made during the year in order to reduce days sales outstanding and inventory turnover days as well as to increase payable days. The target for inventory turnover days was not met, while the other two were achieved. The efforts to release further working capital will continue in 2011.

At year end, the strong SEK impacted net operating assets positively when translating assets denominated in foreign currencies into SEK.

The Board of Directors will propose to the Annual General Meeting 2011 a dividend of SEK 2.25 per share. In 2010, the dividend was SEK 2.00 per share. When considering the level of dividend, the Board of Directors take into account the need to secure a continued strong cash position as well as capital needed in order to secure a healthy business going forward.

Current assets

Inventory levels have been higher than expected due to the industry-wide component shortage and supply chain bottlenecks. At year end, inventory was SEK 29.9 (22.7) billion. The higher inventory level followed a higher level of work in progress in the regions. This was an effect from delayed project implementations within network rollout due to the component shortage earlier in the year. Effects from component shortage and supply chain bottlenecks were eliminated at year end while there was still an impact of slightly higher component inventories. The target of inventory turnover days less than 65 days was not reached and improvement efforts will continue in 2011.

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Trade receivables: Days sales outstanding reached high levels in parts of the year, but had improved significantly at year end, reaching 88 (106) days at year end. The improvement was mainly due to a strong collection and positive effects from a stronger SEK. The Company's nominal credit losses have historically been low and continued to be so in 2010.

Net cash increased to SEK 51.3 (36.1) billion, mainly due to a strong operating cash flow. Read more about changes in cash on page 26.

Equity

Equity increased by SEK 5.8 billion to SEK 146.8 (141.0) billion. Net income was SEK 11.2 (4.1) billion and a dividend of SEK 6.7 (6.3) billion was paid during the year. The equity ratio was maintained at a healthy level of 52 (52) percent.

Return on equity increased to 7.8 (2.6) percent, primarily due to improved earnings in the joint venture Sony Ericsson and less restructuring charges.

Return on capital employed (ROCE) improved to 9.6 (4.3) percent. Excluding restructuring charges, ROCE would have been 13.6 (11.2) percent.

Non-current liabilities

Post-employment benefits related to defined benefit plans declined to SEK 5.1 (8.5) billion. The year 2010 was characterized by a general increase in discount rates and plan assets yielded higher than expected. Consequently, the Company experienced a decrease in the net pension liability and the funded ratio (plan assets as percentage of defined benefit obligations) increased to 89 (76) percent.

Current liabilities

Provisions declined to SEK 9.4 (12.0) billion. SEK 3.2 (4.3) billion were related to restructuring. The cash outlays of provisions were SEK 7.2 billion. The lower amount of provisions is mainly a result of business mix with more upgrades and expansions. There is also an effect of improved project management as well as geographical mix. Provisions will fluctuate over time, depending on business mix, market mix and technology shifts.

Payable days increased by five days to 62 (57) days. The target of payable days of above 60 days was met.

Non-current borrowings decreased to SEK 27.0 (30.0) billion. No major changes were made in the debt maturity profile during 2010. Debt of SEK 3.4 billion is maturing in 2012 and SEK 5.4 billion in 2013. The Company also has unutilized committed credit facilities of USD 2.0 billion available, maturing in 2014.

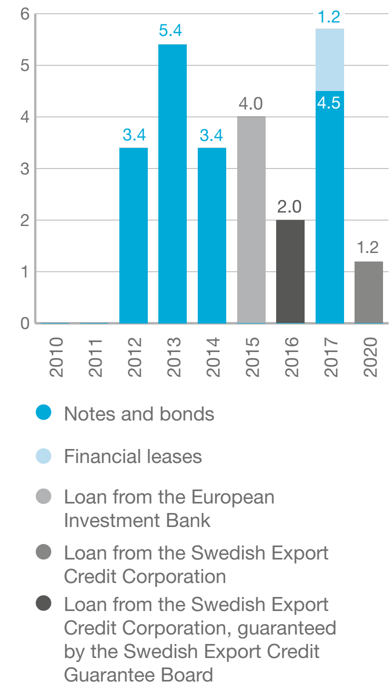
Credit ratings at "solid investment grade"

Credit ratings were unchanged during 2010, remaining at "solid investment grade": Moody's at Baa1 and Standard & Poor's at BBB+, both with stable outlook.

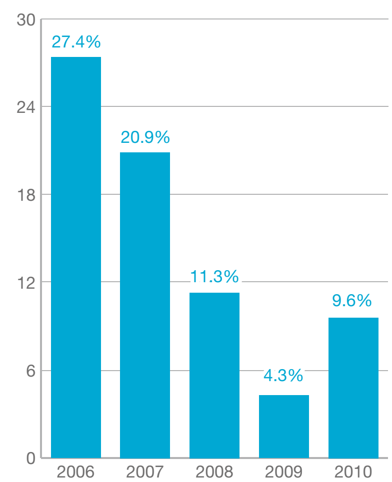
Off-balance sheet arrangements

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

DEBT MATURITY PROFILE
SEK billion



RETURN ON CAPITAL EMPLOYED
Percent



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CASH FLOW

CASH FLOW (ABBREVIATED) JANUARY-DECEMBER			
SEK billion	2010	2009	2008
Net income	**11.2**	4.1	11.7
Income reconciled to cash	**23.7**	21.0	26.0
Changes in operating net assets	**2.9**	3.5	–2.0
Cash flow from operating activities	**26.6**	24.5	24.0
Adjusted operating cash flow [1]	**29.8**	28.7	22.1
Cash flow from investing activities	**–12.5**	–37.5	–8.5
of which capital expenditures, sales of PP&E, product development	***–5.2***	*–4.9*	*–4.1*
of which acquisitions/divestments, net	***–2.8***	*–18.1*	*1.8*
of which short-term investments for cash management purposes and other investing activities	***–4.5***	*–14.5*	*–6.2*
Cash flow before financing activities	**14.0**	–13.0	15.5
Cash flow from financing activities	**–5.7**	–1.7	–7.2
Cash conversion (Cash flow from operating activities divided by income reconciled to cash)	**112%**	117%	92%
Gross cash (Cash, cash equivalents and short-term investments)	**87.1**	76.7	75.0
Net cash (Gross cash less interest-bearing liabilities and post-employment benefits)	**51.3**	36.1	34.7

[1] Cash flow from operations excl. restructuring cash outlays that have been provided for.

At the end of the year, gross cash had increased by SEK 10.4 billion to SEK 87.2 (76.7) billion. The increase was mainly attributed to a strong cash flow from operating activities of SEK 26.6 (24.5) billion, offsetting investing activities of SEK 12.5 (37.5) billion and a dividend to shareholders of SEK 6.7 (6.3) billion.

Net cash increased to SEK 51.3 (36.1) billion.

Cash flow from operating activities

The adjusted operating cash flow was positively impacted by improved net income as well as released working capital.

Cash flow from operating activities tends to fluctuate between quarters. This is due to changes in trade receivables where there is a seasonal effect from project completion. There is also an effect from seasonal purchase patterns of network operators. The cash flow is therefore evaluated on a yearly basis.

Cash flow from investing activities

Cash outlays for recurring investing activities increased slightly to SEK –5.2 (–4.9) billion.

Acquisitions and divestments during the year were net SEK –2.8 (–18.1) billion, with the major items being the Nortel stake in the LG-Nortel joint venture and Nortel's GSM business in North America. Divestments were SEK 0.5 (1.2) billion.

Cash outflow for short-term investments for cash management purposes and other investing activities was net SEK –4.5 (–14.5) billion, largely attributable to SEK –3.0 (–17.1) billion of short-term investments.

Capital expenditures

Annual capital expenditures are normally around two percent of sales and are expected to remain at this level. This corresponds to the needs for keeping and maintaining the current capacity level, including the introduction of new technology and methods. The expenditures are largely related to test equipment in R&D units, network operations centers as well as manufacturing and repair operations.

The Board of Directors reviews the Company's investment plans and proposals.

The Company has sufficient cash and cash generation capacity to fund expected capital expenditures as well as acquisitions without external borrowings in 2011.

We believe that the Company's property, plant and equipment and the facilities the Company occupies are suitable for its present needs in most locations. As of December 31, 2010, no material land, buildings, machinery or equipment were pledged as collateral for outstanding indebtedness.

CAPITAL EXPENDITURES 2006–2010					
SEK billion	2010	2009	2008	2007	2006
Capital expenditures	**3.7**	4.0	4.1	4.3	3.8
of which in Sweden	***1.4***	*1.3*	*1.6*	*1.3*	*1.0*
as percent of net sales	**1.8%**	1.9%	2.0%	2.3%	2.2%

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Cash flow from financing activities

Dividends paid in the amount of SEK –6.7 (–6.3) billion, were partly offset by increased borrowings of SEK 1.1 billion and other financing activities of SEK –0.1 billion.

Cash conversion

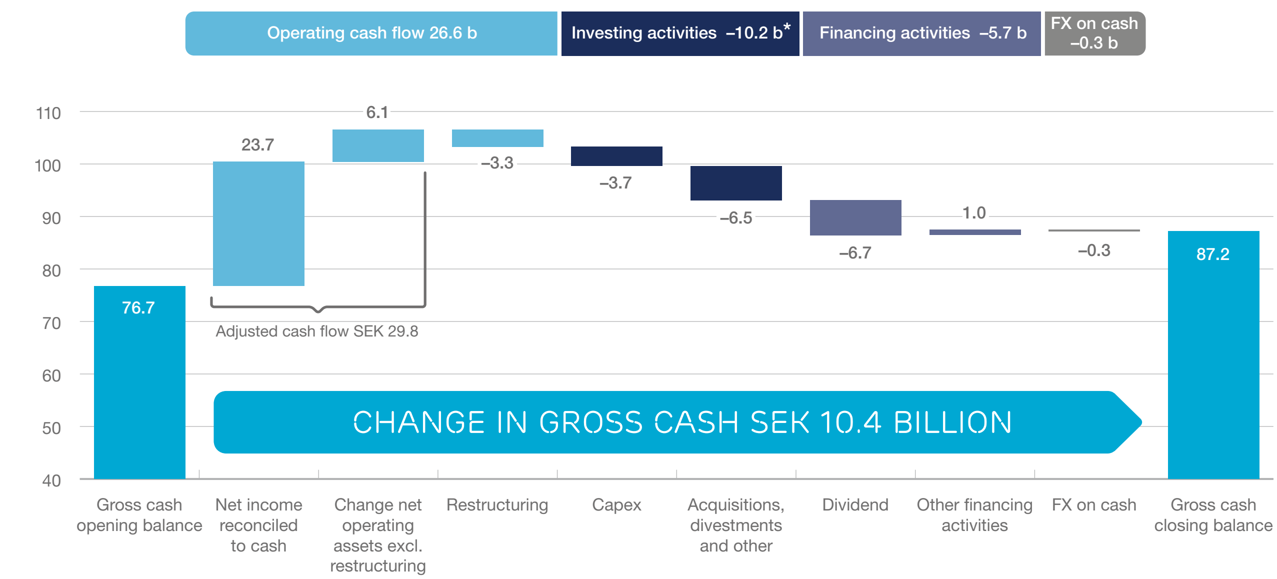
Cash conversion was 112 (117) percent, well above the target of 70 percent. Over the past three years, cash conversion has been above target.

The cash conversion was largely attributable to the strong improvement in net operating assets and the lower income reconciled to cash.

Restricted cash

Cash balances in certain countries with restrictions on transfers of funds to the Parent Company as cash dividends, loans or advances amounted to SEK 10.8 (8.9) billion.

CHANGE IN GROSS CASH 2010
SEK billion



* As disclosed under Financial Terminology, Gross Cash is defined as cash, cash equivalents and short-term investments. Cash, as presented in the balance sheet and related notes includes cash, cash equivalents and short-term investments of a maturity less than three months. Due to different treatment of cash in the above table and related foreign currency impact, the amounts differ from those in other presentations of cash flows.

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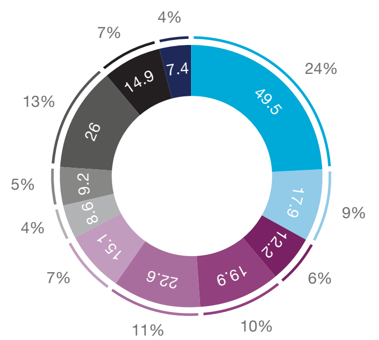
SALES BY REGION 2010

Net sales (SEK billion and percent)



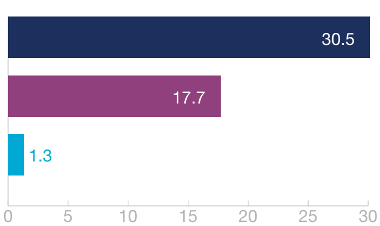
- North America
- Latin America
- Northern Europe and Central Asia
- Western and Central Europe
- Mediterranean
- Middle East
- India
- Sub-Saharan Africa
- China and North East Asia
- South East Asia and Oceania
- Other*

The contracts mentioned are a selection of deals signed by Ericsson in 2010. Ericsson normally publicly announces only a part of its wins. Typically only agreements that have some kind of significance in terms of strategy or value are announced via a press release. Ericsson also always seeks for customer approval for any contract release.

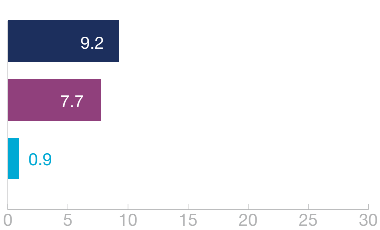
SALES PER REGION AND SEGMENT 2010

SEK billion

NORTH AMERICA



LATIN AMERICA



● Networks ● Global Services ● Multimedia

BUSINESS RESULTS

Regional development

The regions are the Company's primary sales channels. As of January 1, 2010, Ericsson has changed its geographical reporting. Instead of the five geographical areas reported in previous years, ten regions are reported, mirroring the new internal geographical organization.

SALES PER REGION AND SEGMENT 2010

SEK billion	Networks	Global Services	Multi-media	Total	Percent change
North America	30.5	17.7	1.3	**49.5**	107%
Latin America	9.2	7.7	0.9	**17.9**	–11%
Northern Europe & Central Asia	7.2	4.3	0.6	**12.2**	2%
Western & Central Europe	8.3	10.5	1.0	**19.9**	–12%
Mediterranean	10.6	10.6	1.4	**22.6**	–10%
Middle East	7.2	6.6	1.4	**15.1**	–17%
Sub-Saharan Africa	3.6	4.6	1.0	**9.2**	–40%
India	5.1	2.8	0.7	**8.6**	–43%
China & North East Asia	17.1	8.3	0.5	**26.0**	0%
South East Asia & Oceania	7.8	6.5	0.6	**14.9**	–29%
Other*	6.0	0.5	1.1	**7.4**	4%
Total	112.7	80.1	10.5	**203.3**	–2%
Share of total	56%	39%	5 %	**100%**	
Percent change	–1%	1%	–21%	**–2%**	

*Other – This includes sales of e.g. mobile broadband modules, cables, power modules as well as licensing and IPR. Mobile broadband modules are sold directly by business unit Networks to PC/netbook manufacturers. A central IPR unit manages sales of licenses to equipment vendors or others who wish to use Ericsson's patented technology. TV solutions are sold both through other equipment vendors as resellers and directly by business unit Multimedia to cable-TV operators.

NORTH AMERICA

Sales was positively impacted by the acquired Nortel businesses and negatively affected by the strong SEK. Ericsson became the largest player in the region, driven by organic growth as well as acquisitions. The main growth drivers were the managed services agreement with Sprint, data traffic driven network expansions and the initial build out of LTE networks. Ericsson is a leading supplier of WCDMA/CDMA and LTE to Verizon, AT&T and MetroPCS. MetroPCS and Verizon commercially launched their LTE networks in 2010. North America is Ericsson's largest market measured in sales and its second largest after Sweden measured in number of employees.

Sprint announced Ericsson as key partner in their network evolution strategy "Network vision" program.

LATIN AMERICA

The region was characterized by major mergers between regional operators. Lower cost smartphones have created continuous growth in mobile broadband usage, driving operators to invest in networks and services. The services business developed favorably, especially managed services. LTE trials are ongoing in the region.

The world's first solution to connect public buses to mobile broadband was provided by Dataprom and Ericsson in Brazil. Ericsson was also selected to manage Telefonica's network operation center in São Paulo with core, transmission and fixed-access equipment.

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NORTHERN EUROPE AND CENTRAL ASIA

In the eastern part of the region, both 2G expansions and mobile broadband buildouts are taking place. In Scandinavia, focus is on 4G/LTE deployments. 4G/LTE trials are planned or ongoing across the region. Operators have operational efficiency high on the agenda, which creates good demand for managed services. Denmark's leading operator TDC is about to upgrade to 4G/LTE and has chosen Ericsson to supply and manage its nationwide network. Ericsson was also chosen to provide the broadband access network based on VDSL2 technology to TeliaSonera.

WESTERN AND CENTRAL EUROPE

Mobile broadband usage continues to increase in the region. Following conclusions of auctions for 4G/LTE in several markets, Ericsson has been selected for a number of 4G/LTE trials now being implemented with major operators. Ericsson is also supporting operators in connection with data capacity and modernization projects. Operators' focus on efficiency continued to drive strong interest for managed services, network sharing and network transformation leading to opportunities in both services and networks. The UK is at the forefront of network sharing. Ericsson has completed the consolidation of shared sites (over 12,000) for Mobile Broadband Network Ltd (MBNL). Ericsson also extended the managed services business through extensions of existing contracts. This includes a three-year extension with Netia Poland, as well as a renewed and expanded multi-country managed services contract with TeliaSonera International Carrier for field operation services for voice and data networks, built on multi-vendor equipment. Ericsson also signed a five-year managed field service contract for Vodafone in Germany.

MEDITERRANEAN

Operator investments especially in Spain and Greece were cautious due to the overall economic environment and price competition among operators. In order to meet demand for mobile broadband services, operators continued to focus on network modernization. Operational efficiency continues to be high on the agenda, creating good momentum for managed services and consulting in networks as well as in all ICT areas.

Ericsson signed a seven-year managed services contract with 3 Italia for data center consolidation and modernization of IT infrastructure.

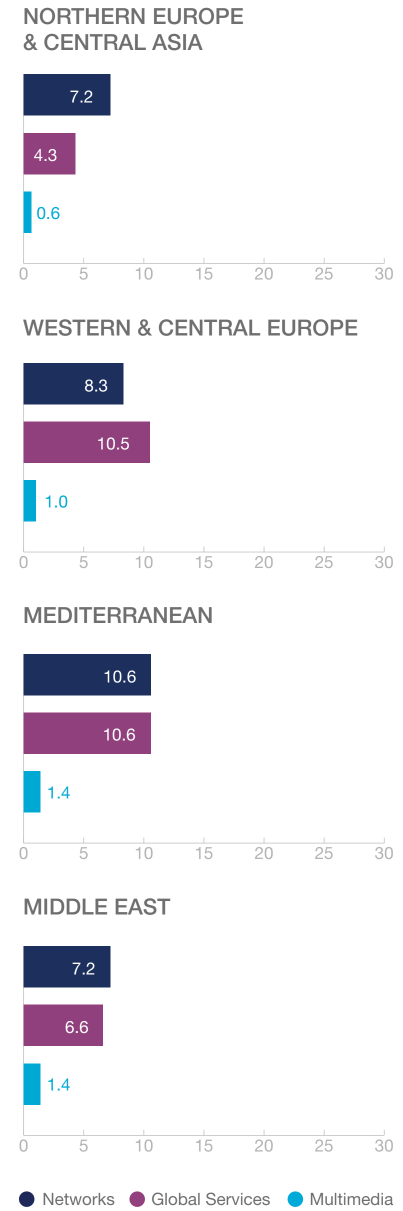
The largest utility company in Spain, Endesa, selected Ericsson to operate its corporate telecommunication network.

MIDDLE EAST

The sales drop was caused by cautious operator investments in parts of the region. Development in the region showed large variations where the Gulf countries continued to show good momentum, while most other parts of the region were slow. Services continues to be a large part of the business, representing 43 percent of total sales. Operators are starting to show interest in 4G/LTE with several trials going on throughout the region. Mobile subscriptions in the region are developing positively with net additions for both voice and broadband services.

To offer innovative services to its customers, the Qtel Group chose Ericsson's Service Delivery Platform. Its customers across the Middle East, North Africa and South East Asia get access to new multimedia services such as social networking and mobile music.

SALES PER REGION AND SEGMENT 2010
SEK billion



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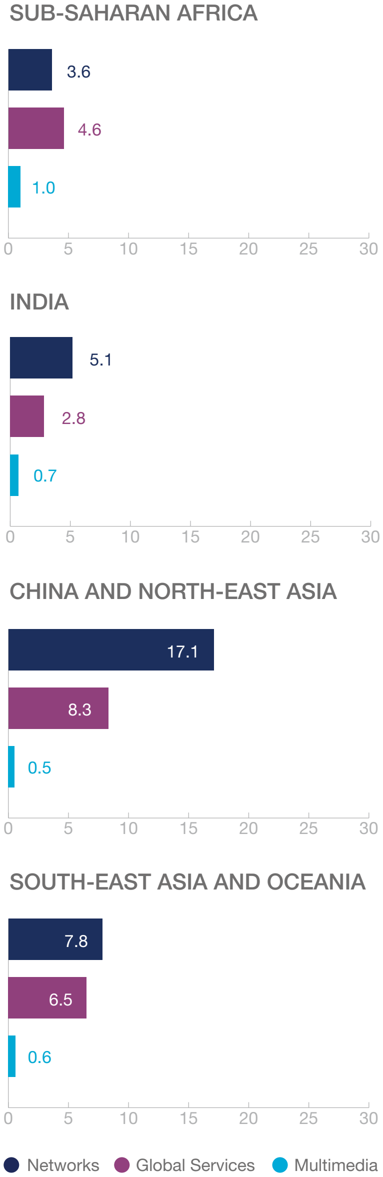
SALES PER REGION AND SEGMENT 2010
SEK billion



SUB-SAHARAN AFRICA

The region was impacted by the global economic downturn with a tight credit environment as well as operator consolidation. The region is predominately a market where 2G rollouts are in focus. However, demand for mobile broadband is emerging throughout the region, although at a low pace. Services sales increased and now represents 50 percent of total sales.

INDIA

India sales were impacted by 3G auctions and security clearance in the first half of the year. In the middle of the year, Ericsson got security clearance for deliveries of equipment. In the fall, contracts for 3G deployments were signed. Ericsson has a market share for 3G which is in line with its 2G position. Throughout the year, the recurring services business maintained good development. Radius Infratel signed a fiber-to-the-home contract with Ericsson, providing more than half a million subscribers with fixed broadband.

CHINA AND NORTH-EAST ASIA

While operators on mainland China are still focused on successful 3G launches, operators across the region also now have 4G/LTE on the agenda. In Japan, demand for mobile broadband had a positive effect on sales.

Ericsson won a managed services contract with China Unicom for field maintenance of radio base station sites, fixed network and transmission as well as a contract with China Mobile for field maintenance of radio base station sites. Leading Japanese operator SoftBank Mobile invested in capacity by upgrading its HSPA radio access network with Ericsson's RBS 6000. Increased use of smartphones and advanced mobile applications boost data traffic and in order to ensure continued user quality, EMOBILE has enhanced its network with 3G/HSPA 42 Mbps supplied by Ericsson.

On June 30, the acquisition of Nortel's part of LG-Nortel was completed. This positions Ericsson as a leading vendor in Korea. Another milestone was the showcase of the first complete TD-LTE solution with end-to-end-capabilities, together with ST-Ericsson in China.

SOUTH-EAST ASIA AND OCEANIA

Sales of network equipment were weaker overall due to cautious investment in a number of markets. Investment highlights include network expansions in Bangladesh and Indonesia. Access to spectrum for 3G and 4G/LTE remains a limitation in several markets. Overall there is an increasing interest for managed services among operators in several countries.

The region includes a mix of markets focused on long-term government-sponsored fiber deployments as well as operator investment in 3G/HSPA upgrades and 4G/LTE trials. Other markets in the region are continuing to expand in 2G and mobile broadband.

Indonesian GSM and 3G operator AXIS extended its managed services contract with Ericsson. Ericsson will be responsible for AXIS' network operations, field maintenance, support services and spare parts management in Greater Jakarta and Northern Sumatra. Indosat has commissioned Ericsson to modernize its network and launched Asia's fastest mobile network, based on Ericsson's 3G/HSPA 42 Mbps.

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Networks

Network sales declined –1 percent to SEK 112.7 (114.0) billion. Sales were positively impacted by the acquisition of Nortel businesses. There was a negative impact from the industry-wide component shortage during the year.

In November 2009, Nortel's CDMA and LTE business were consolidated in Networks. Nortel's GSM business was consolidated on March 31, 2010. On June 30, 2010, the former LG-Nortel business, now named LG-Ericsson, was consolidated in Networks.

Mobile broadband sales increased during the year, especially driven by demand in North America and Japan. The increased demand related to radio, backhaul and packet core. Voice-related sales, i.e. 2G radio and core, was slow in the year and could not be compensated for by the increase in mobile broadband.

The operating margin was 15 (14) percent. The improvement is due to cost reductions as well as business mix in the first half of the year with a higher proportion of network upgrades and expansions.

Sales to network operators are normally based on multi-year frame agreements after an initial tender. During the frame agreement, software, equipment, services and spare parts are called off according to price lists.

The value of the market for operator equipment was approximately USD 100 billion in 2009. Market data shows that Ericsson has a market share of approximately 40 percent in GSM/WCDMA radio base stations.

To grow market share organically Ericsson is striving to increase footprint, especially in Europe where the Company has a lower market share than elsewhere. Network modernization projects, along with the 3G rollouts in India, puts initial pressure on gross margin. However, these projects are essential parts of the Company's strategy to build a good platform for continued long-term growth and profitability.

Ericsson has focus on operational excellence and cost efficiencies. For hardware, cost efficiencies can be gained by using more standardized components, merging platforms and using more land transportation etc. In software development and implementation, efficient programming, project execution and re-use of platforms are key to keeping costs down. Measures to secure these cost efficiencies are an element of every operation.

In 2010, Ericsson commercially launched its multi-standard radio base station RBS 6000 which is now shipping in large volumes. A number of commercial 4G/LTE launches took place in the US and Sweden, with Ericsson as a supplier. Operators have launched 4G/LTE covering more than 140 million people, of whom 60 percent are served by Ericsson 4G/LTE equipment. The Company could thus secure early volume deliveries of 4G/LTE. These activities should give the Company competitive scale advantages.

An industry-wide component shortage hit the Company in 2010, making it difficult for the Company to meet the increased demand for mobile broadband related products. Ericsson ramped up production of its new radio base station RBS 6000 much quicker and with less quality issues than expected. To mitigate the effects of the industry-wide component shortage, internal measures were taken to re-design products and to secure a reduced degree of customized components. In the fourth quarter, the supply of components had normalized.

In the Networks segment, Ericsson competes mainly with large and well-established telecommunication equipment suppliers. The most significant competitors include Alcatel-Lucent, Huawei, Nokia Siemens Networks, Cisco, ZTE and Juniper. The Company also competes with local and regional manufacturers and providers of telecommunications equipment.

NETWORKS SALES SEK 112.7 (114.0) BILLION

> Good demand for mobile broadband

> Voice sales slow

> 40% market share

15% operating margin excl. restructuring charges

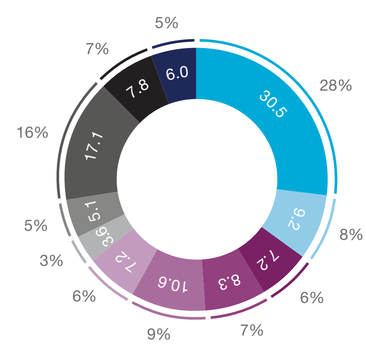
–1% sales growth

NETWORKS SALES OF TOTAL 2010

- Networks
- Global Services
- Multimedia

NETWORKS SALES BY REGION 2010

Net sales (SEK billion and percent)



- North America
- Latin America
- Northern Europe and Central Asia
- Western and Central Europe
- Mediterranean
- Middle East
- Sub-Saharan Africa
- India
- China and North East Asia
- South East Asia and Oceania
- Other

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GLOBAL SERVICES SALES SEK 80.1 (79.2) BILLION

> Strong growth in managed services
> Supports 2 billion people 24/7

11% operating margin excl. restructuring charges

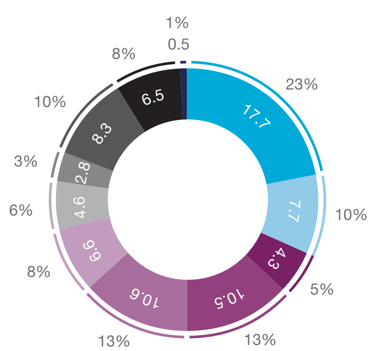
1% sales growth

GLOBAL SERVICES SALES OF TOTAL 2010

- Networks
- Global Services
- Multimedia

GLOBAL SERVICES SALES BY REGION 2010

Net sales (SEK billion and percent)



- North America
- Latin America
- Northern Europe and Central Asia
- Western and Central Europe
- Mediterranean
- Middle East
- Sub-Saharan Africa
- India
- China and North East Asia
- South East Asia and Oceania
- Other

Global Services

Global Services sales increased 1 percent to SEK 80.1 (79.2) billion. Operating margin was 11 (11) percent. Global Services includes Professional Services and Network Rollout.

Professional Services consists of managed services, consulting and systems integration, customer support and education. Professional Services increased 4 percent to SEK 58.5 (56.1) billion and in local currencies 9 percent, in line with previous years' growth pace. Managed Services increased 21 percent to SEK 21.1 (17.4) billion. The increase was primarily driven by the contract with the US-based operator Sprint, which started in September 2009. The contract value was USD 5.5 billion for seven years at the time of the announcement.

Two thirds of Professional Services' revenues are recurring, mainly managed services and customer support. Contracts are often long, five to seven years, and payments are made in advance. Consulting and systems integration deals are by nature shorter and paid after fulfillment of contract.

Network Rollout decreased –7 percent to SEK 21.6 (23.1) billion. Network rollout includes turnkey projects with a large part of third party sourcing, making it a lower-margin business.

Ericsson's services offering covers all areas within an operator's operational scope. Ericsson can be provided the opportunity to design, plan, build and manage a core network or operate all field operations for an operator's business support system, service, core, transmission and access network. Most often however, operators turn to Ericsson for support in a certain part of its operation. Ericsson has three assignments where the Company is responsible for everything within an operator's operational scope. Those agreements are with Sprint in the US, 3 in the UK and 3 in Italy. Ericsson manages networks, or parts of networks, with 450 million subscribers. If also field operations and spare parts management contracts are included, the figure is 750 million subscribers.

Over the past years, Ericsson has seen a growing interest from operators for sharing the access networks. Through this, operators can reduce cost for the so called passive equipment at a site, like rental costs for towers, power and cooling. Execution of a sharing plan requires complex integration of multi-vendor systems, which is one of Ericsson's key competencies.

The total global telecom services market was valued at USD 239-249 billion in 2009 (see graph on next page). Roughly two thirds is operator-internal operating spending. Services handled by suppliers represented a third of the total market. Over the years 2005-2009 the total services market grew in average by about 11 percent annually.

Ericsson estimates its market share in telecom services at over 10 percent. Due to the fragmented market, Ericsson is by far the largest player. The Company has 45,000 professionals across the world. Over the years, the Company has insourced more than 20,000 employees from operators.

Services is a local business and all competitors therefore basically have the same cost structure. In order to gain synergies and cost efficiencies, global methods, processes and tools are a prerequisite. Over the past years, Ericsson has invested USD 1 billion in developing methods, processes and tools, securing efficiencies and cost advantages. As telecom is becoming more and more of a software industry, monitoring and maintenance of networks as well as upgrading of software can be done remotely. Ericsson today has four global network operations service centers in Mexico, Romania, India and China. The Company secures the operation of networks around the clock, throughout the year, for 2 billion subscribers.

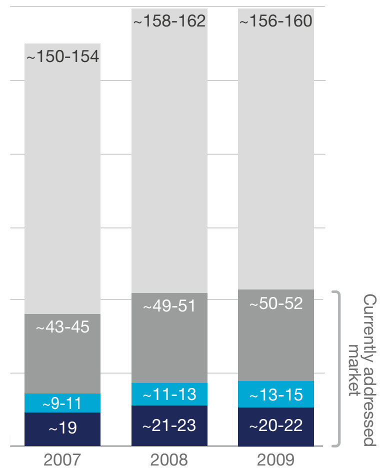
In managed services, Ericsson can insource employees from the customer. In the transition period, restructuring costs are taken, for e.g. replacement of

IS/IT-systems, migration of employees into new systems and premises. All this to transform operations to standardized processes, methods and tools. In this process, management's leadership and communication skills are of utmost importance. Ericsson has a culture of putting individuals in focus, showing respect and giving employees the opportunities to develop. In the transformation phase, following the transition, scale synergies are carried through.

Of operators' internal operating expenditures a large part relates to IS/IT. With solutions for Operations Support Systems (OSS) and Business Support Systems (BSS), Ericsson targets also this IS/IT-oriented part of the market. OSS/BSS are software-based solutions, but require a lot of integration work on the customer's site, both for IS/IT and telecom systems. Systems integration business is also important to the Business Support System's (BSS) area within segment Multimedia.

Competition in the Global Services segment includes many of the traditional telecommunication equipment suppliers. Since a lot of business in Global Services is about moving up the value chain, the Company competes with large companies from other industry sectors, such as Accenture, HP, IBM, Oracle and India-based off-shore companies, e.g. Tata Consultancy Services and Tech Mahindra. Among competition is also a large number of smaller but specialized companies operating on a local or regional basis.

GLOBAL TELECOM SERVICES MARKET
USD billion



CAGR 2005-2009: approx 11%

- Operator-internal services spending
- Professional services, excluding Managed Services
- Managed Services
- Network roll-out services

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MULTIMEDIA SALES SEK 10.5 (13.3) BILLION

> Weak sales for revenue management

> Good development in TV

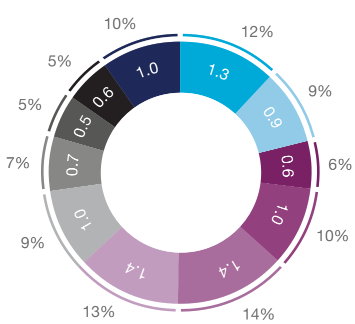
−4% operating margin excl. restructuring charges

−21% sales growth for comparable units

MULTIMEDIA SALES OF TOTAL 2010

MULTIMEDIA SALES BY REGION 2010

Net sales (SEK billion and percent)



Multimedia

Multimedia sales declined –21 percent to SEK 10.5 (13.3) billion. Operating margin was –4 (8) percent. The segment showed a strong recovery in the last quarter, mainly as a result of increased operator investments in revenue management as well as continued good development for TV solutions.

In 2010, a program for return to profitability was initiated. The program includes phase-out of products, reduction of sourcing and supply costs and decoupling of software and hardware using commercial off-the-shelf hardware. Increased volumes at the end of the year resulted in a recovery in the last quarter.

Operations within Multimedia are divided into three areas with their specific market drivers.

Business Support Systems is the segment's largest market with a total value of about USD 35 billion in 2009. Within this market, the revenue management market is the largest. The Company is the market leader and more than 1.2 billion subscribers are charged and billed via Ericsson's solutions.

The decline in Multimedia's total sales 2010 was mainly related to revenue management. Segment Multimedia in general and revenue management in particular has a large exposure to markets such as India, Middle East and Sub-Saharan Africa where operators postponed investments mainly due to operator consolidation. Going forward, there is growth potential as operators want to modernize their business support systems to capture the full revenue potential of mobile broadband and to merge billing and charging systems into one solution.

The second largest operation in Multimedia is Television and Media Management which developed well in 2010. The compression business continues to grow. Ericsson is the leading player with a market share of 25 percent in compression and 40 percent in IPTV head-ends. The worldwide digital TV market showed strong growth, with digital TV homes expected to double in the next five years.

The third operation is Consumer and Business Applications. A key aim is to support operators in modernizing their legacy value-added services environment, by providing for example messaging systems and service delivery systems. With a market share of 40 percent in mobile positioning and more than 10 percent in service delivery platforms, Ericsson holds a leading position. The Business Communication Suite targets the enterprise market. It combines unified communication with mobility, providing business communities with a collaboration and multimedia solution.

Multimedia is mainly a software business. The solutions often require local adaptations in customers' networks. Therefore Multimedia sales also drive sales of systems integration services.

The market for the Multimedia segment is rather fragmented. Competitors vary widely depending on the solution being offered. They include many of the traditional telecommunication equipment and IT suppliers, such as Amdocs and Comverse, as well as companies from other industries, such as Harmonic, Oracle and Thompson.

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Joint Ventures

SONY ERICSSON

Sony Ericsson is a 50/50 joint venture between Sony Corporation and Ericsson, established in 2001. Sony Ericsson is accounted for according to the equity method.

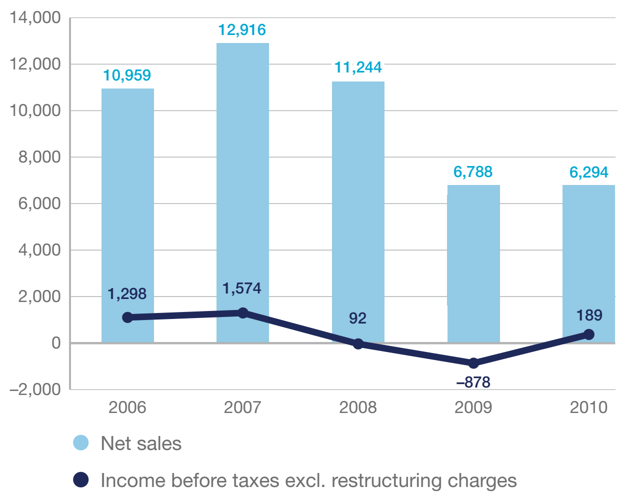
The global handset market is believed to have increased slightly in volume to almost 1.2 billion units. Sony Ericsson's market share in the total global handset market 2010 was approximately 4 percent in units and 6 percent in value. Sony Ericsson focuses on the smartphone segment and the Android operating system.

Units shipped declined by –25 percent to 43.1 (57.1) million while the average selling price increased by 23 percent to EUR 146 (119). Sales decreased by –7 percent to EUR 6.3 (6.8) billion. Gross margin improved during the year to 29 (15) percent as benefits of cost reductions and new smartphones materialized.

Income before taxes, excluding restructuring charges, was EUR 0.2 (–0.9) billion. Income increased during the year thanks to improved gross margin and reduced operating expenses. Ericsson's share in Sony Ericsson's income before taxes was SEK 0.7 (–5.7) billion.

Sony Ericsson's primary competitors include Apple, HTC, LG, Motorola, Nokia, RIM and Samsung.

SONY ERICSSON NET SALES AND ADJUSTED INCOME BEFORE TAXES
Euro million



ST-ERICSSON

ST-Ericsson is a 50/50 joint venture between STMicroelectronics and Ericsson, which started in February, 2009. ST-Ericsson is accounted for according to the equity method. It has one of the industry's strongest product offering in semiconductors and platforms for mobile devices. ST-Ericsson is a key supplier to top handset manufacturers. In 2010, ST-Ericsson continued its transition, merging three operations. Its focus today is to deliver new products to the market.

Sales declined –9 percent to USD 2.3 (2.5) billion. The operating loss for the year, adjusted for restructuring costs, was USD –0.4 (–0.4) billion.

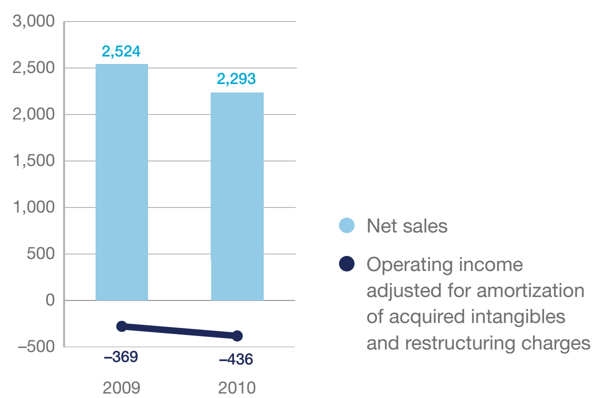
ST-Ericsson is reporting in US-GAAP. Ericsson's share in ST-Ericsson's income before taxes, adjusted to IFRS, was SEK –1.8 (–1.8) billion. Adjustments for IFRS-compliance mainly consist of capitalization of R&D expenses for hardware development.

The Company's net financial position was USD –82 (229) million at year-end. In the fourth quarter 2010, a short-term credit facility of USD 150 million made available on a 50:50 basis by parent companies was utilized.

During 2010, two restructuring plans of USD 345 million were finalized. The first one of USD 230 million gave full impact from third quarter and the second plan of USD 115 million was completed by year end.

ST-Ericsson's largest competitor is Qualcomm. The market is growing in complexity as several new operating systems for handsets and other devices have been launched, e.g. Google's Android, Microsoft's Windows and Samsung's Bada.

ST-ERICSSON NET SALES AND ADJUSTED OPERATING INCOME
USD million



All figures in accordance with reported adjusted US GAAP figures

LEGAL AND TAX PROCEEDINGS

Together with most of the mobile communications industry, Ericsson has been named a defendant in two class action lawsuits in the US in which plaintiffs allege that adverse health effects could be associated with mobile phone usage. The cases are currently pending in federal court in Pennsylvania and the Superior Court of the District of Columbia. In September 2008, the federal court in Pennsylvania dismissed the plaintiffs' claims as preempted by federal law. The Third Circuit Court of Appeals subsequently affirmed this ruling. In July 2010, the D.C. Superior Court granted in part and denied in part the defendants' motion to dismiss. In September 2010, the plaintiff filed a third amended complaint. In October 2010, the defendants moved to dismiss the District of Columbia case.

In April 2007, an Australian company, QPSX Developments Pty Ltd., filed a patent infringement lawsuit against Ericsson and other defendants in the US, alleging that Ericsson infringed a patent related to Asynchronous Transfer Mode (ATM) technology. The lawsuit was stayed in August 2009 pending the resolution of a reexamination proceeding in the US Patent and Trademark Office (PTO). The stay was lifted in November 2010 after all the asserted patent claims were confirmed as valid by the PTO. The trial is scheduled for September 2011.

Swedish fiscal authorities have disallowed deductions for sales commission payments via external service companies to sales agents in certain countries. Most of the taxes have already been paid. The decision covering the fiscal year 1999 was appealed. In December 2006, the County Administrative Court in Stockholm rendered a judgment in favor of the fiscal authorities. The Administrative Court of Appeal in Stockholm affirmed the County Administrative Court's judgment. The judgment has been appealed to the Administrative Supreme Court. For more information on risks related to litigations, see chapter Risk Factors.

In January 2011, a US company SynQor filed a patent infringement lawsuit against Ericsson Inc. in the Eastern District of Texas alleging that Ericsson infringes five U.S. patents related to bus converters. In February 2011, SynQor filed a motion for preliminary injunction seeking to prevent Ericsson from manufacturing, using, selling, and offering for sale in the U.S. and/or importing into the U.S. certain unregulated and semi-regulated bus converters and any Ericsson products that contain those bus converters. SynQor also seeks to prevent Ericsson from selling the accused bus converters to companies that in-turn sell products incorporating the bus converters in or into the U.S.

MATERIAL CONTRACTS

Material contractual obligations are outlined in Note C32 "Contractual obligations". These are primarily related to operating leases for office and production facilities, purchase contracts for outsourced manufacturing, R&D and IT operations, and the purchase of components for the Company's own manufacturing.

Ericsson is party to certain agreements, which include provisions that may take effect or be altered or invalidated by a change in control of the Company as a result of a public takeover offer. However, none of the agreements currently in effect would entail any material consequence to Ericsson due to a change in control of the Company.

CORPORATE GOVERNANCE

In accordance with the Annual Accounts Act (1995:1554 Chapter 6, Section 6), a separate Corporate Governance Report, including an Internal Control section, has been prepared.

Continued Compliance with the Swedish Corporate Governance Code

The Company applies the Swedish Corporate Governance Code. The Company is committed to complying with best-practice corporate governance standards on a global level wherever possible. This includes continued compliance with the corporate governance provisions expressed by this Code without deviations.

An ethical business

Ericsson's Code of Business Ethics summarizes the Group's fundamental policies and directives governing its relationships internally, with its stakeholders and with others. It also sets out how the Group works to achieve and maintain its high standards. There have been no amendments or waivers to Ericsson's Code of Business Ethics for any Director, member of management or other employee.

Board of Directors 2010/2011

The Annual General Meeting on April 13, 2010, re-elected Michael Treschow as Chairman of the Board and Roxanne S. Austin, Sir Peter L. Bonfield, Börje Ekholm, Ulf J. Johansson, Sverker Martin-Löf, Nancy McKinstry, Anders Nyrén, Carl-Henric Svanberg and Marcus Wallenberg as Directors of the Board. The Annual General Meeting elected Hans Vestberg and Michelangelo Volpi as new members of the Board. Anna Guldstrand, Jan Hedlund and Karin Åberg were appointed as union representatives with Pehr Claesson, Kristina Davidsson and Karin Lennartsson as deputies.

Management

Hans Vestberg was appointed President and CEO, succeeding Carl-Henric Svanberg, as of January 1, 2010. The President and CEO is supported by the Executive Leadership Team which, in addition to the President and CEO, consists of heads of Group Functions, heads of business units, two heads of region and the Chief Brand Officer. A management system is implemented to ensure that the business is well controlled and able to fulfill the objectives of major stakeholders within established risk limits. The system also monitors internal control and compliance with applicable laws, listing requirements and governance codes.

Remuneration

Fees to the members of the Board of Directors and the remuneration of Group management as well as the 2010 guidelines for remuneration to senior management are reported in Notes to the Consolidated Financial Statements – Note C29, "Information Regarding Members of the Board of Directors, the Group management and Employees".

As of December 31, 2010, there were no loans outstanding from and no guarantees issued to or assumed by Ericsson for the benefit of any member of the Board of Directors or senior management.

All relevant information regarding remuneration can be found in chapter Remuneration Report.

The Board of Directors' proposal for guidelines for remuneration to senior management

The Board of Directors proposes that the current guidelines for remuneration and other employment terms for the senior management (Remuneration Policy) remain unchanged for the period up to the 2012 Annual General Meeting.

Details of how Ericsson delivers on these principles and policy, including information on previously decided long-term variable remuneration that has not yet become due for payment, can be found Note C29, "Information regarding Members of the Board of Directors, the Group management and Employees".

RISK MANAGEMENT

Risks are broadly categorized into operational and financial risks. Ericsson's risk management is based on the following principles, which apply universally across all business activities and risk types:

- Risk management is an integrated part of the Ericsson Group Management System
- Each operational unit is accountable for owning and managing its risks according to policies, directives and process tools. Decisions are made or escalated according to defined delegation of authority. Financial risks are coordinated through Group Function Finance
- Risks are dealt with during the strategy process, the annual planning and target setting, the continuous monitoring through monthly and quarterly steering group meetings and during operational processes by transaction (customer bid/contract, acquisition, investment and product development projects). They are subject to various controls such as decision tollgates and approvals.

A central security unit coordinates management of certain risks, such as business interruption, information security and physical security. A Crisis Management Council deals with ad hoc events of serious nature.

For information of risks that could impact the fulfillment of the targets and form the basis for mitigating activities, see the other sections of the Board of Directors' Report, Notes C14, "Trade receivables and customer finance", C19, "Interest-bearing liabilities", C20, "Financial risk management and financial instruments" and chapter Risk Factors on page 119.

SOURCING AND SUPPLY

Ericsson's hardware largely consists of electronics, such as circuit boards, radio frequency (RF) modules, antennas etc. For manufacturing, the Company purchases customized and standardized components, services etc. from several global providers as well as from numerous local and regional suppliers. Certain types of components, such as power modules and cables, are produced in-house.

The production of electronic modules and sub-assemblies is mostly outsourced to manufacturing services companies, of which the vast majority is in low-cost countries. Node production is largely done in-house and on-demand. This consists of assembly, testing of modules and integrating them into complete radio base stations, mobile switching centers etc.

Where possible Ericsson relies on alternative supply sources. When selecting a new supplier, the supplier code of conduct should be met. Variations in market prices for raw materials generally have a limited effect on total cost of goods sold.

SUSTAINABILITY AND CORPORATE RESPONSIBILITY

The Company has implemented strong social, environmental and ethical standards supporting risk management and value creation. This commitment generates positive business impacts that benefit society.

Ericsson's approach to Sustainability and Corporate Responsibility (CR) is integrated into its core business operations and in its relationships with stakeholders. The Board of Directors considers these aspects in governance decision-making. Group level policies and directives ensure consistency across global operations.

Ericsson publishes an annual Sustainability and CR Report which provides additional information.

Minimizing risk

RESPONSIBLE BUSINESS PRACTICES

Ericsson supports the UN Global Compact and endorses its ten principles regarding human and labor rights, anti-corruption and environmental protection. The Ericsson Group Management System includes policies and directives that cover responsible business practices, such as the Code of Business Ethics, Code of Conduct (CoC), anti-corruption and environmental management. It is reinforced by training, workshops and monitoring, including a global assessment program run by an external assurance provider in which CR criteria represent approximately 20 percent of the total areas assessed. During 2010, Ericsson launched a new Sustainability Policy and an e-learning program on Sustainability and CR for all employees.

SUPPLY CHAIN

Suppliers must comply with Ericsson's CoC. Some 150 employees, covering all regions, are trained as supplier CoC auditors and the Company performs regular audits and works with suppliers to ensure measurable and continuous improvements. Findings are followed up to ensure that lasting improvements are made. As a complement to the audits, a free web-based CoC training is now available for all suppliers in 13 languages. To effectively address the issue of conflict minerals, Ericsson participates in the Global e-Sustainability Initiative (GeSI) work group for conflict minerals.

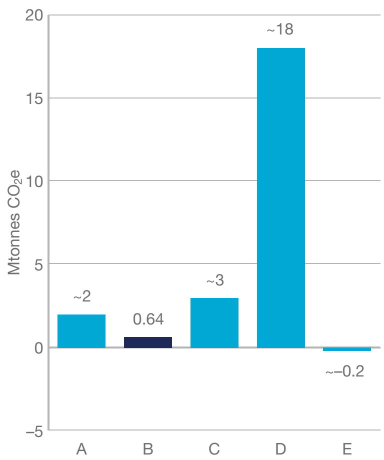
DESIGN FOR ENVIRONMENT

Processes and controls are in place to ensure compliance with relevant product related environmental, customer and regulatory requirements. The areas covered are energy efficiency and materials management. To better meet the rapidly changing legal requirements on materials management a new materials declarations tool was released in 2010.

TAKE-BACK

Ericsson Ecology Management and Product Take-back is a global initiative to take responsibility of products at the end of their life. More than 95 percent of decommissioned equipment is recycled, exceeding the EU Waste Electronic Electrical Equipment Directive (WEEE) stipulation of 75 percent. During 2010 more than 2,500 tonnes of e-waste were collected. This is less than 2009 due to there being a fewer number of operator change-outs of equipment. During 2010, Ericsson has continued to improve its capabilities to handle WEEE in Latin America and the Middle East as well as in production facilities in Sweden, India and China. Alignment of the process in order to comply with the Indian WEEE Directive has also begun.

ERICSSON LIFE-CYCLE ASSESSMENT CARBON FOOTPRINT 2010



Activities in 2010
A = Supply chain
B = Ericsson's own activities

Future (lifetime) operation of products delivered 2010
C = Operator activities
D = Products operation
E = End-of-life treatment

● Direct emissions (Ericsson own activities)
● Indirect emissions (all other life-cycle related emissions)

~ = approximately

Ericsson received recognition and a number of prestigious awards for its sustainability and corporate responsibility achievements. Vodafone presented Ericsson with its Corporate Responsibility supplier award.

Greenpeace named Ericsson one of the best ICT companies in its Cool IT Leaderboard. Ericsson's focus and accomplishment on sustainability and life-cycle management was awarded the InfoWorld Green Award. Gartner has also recognized Ericsson for its sustainability leadership.

Ericsson is a partner in the Ghana E-waste project. Its goal is to establish local recycling capabilities and transform informal e-waste recycling into a formal business and thereby help to alleviate poverty. This is being coordinated by the Raw Materials Group in cooperation with the Ghana Environmental Protection Agency and financed by the Nordic Development Fund.

RADIO WAVES AND HEALTH

Ericsson provides public information on radio waves and health, and supports independent research to further increase knowledge in this area. Ericsson has co-sponsored over 90 studies related to electromagnetic fields, radio waves and health since 1996. Independent expert groups and public health authorities, including the World Health Organization, have reviewed the total amount of research and consistently concluded that the balance of evidence does not demonstrate any health effects associated with radio wave exposure from either mobile phones or radio base stations.

Creating value

THE ENVIRONMENTAL OPPORTUNITY

Information and Communication Technology (ICT) represents about two percent of global CO_2 emissions, but can potentially offset a significant portion of the remaining 98 percent from other sectors. Ericsson takes active measures to ensure that its own carbon footprint will be continuously reduced. A carbon footprint reduction target was set in 2008, to reduce emissions relative to products sold by 40 percent over five years, from in-house activities and the life-cycle impacts of products. In 2010, Ericsson met the annual 10 percent reduction target:

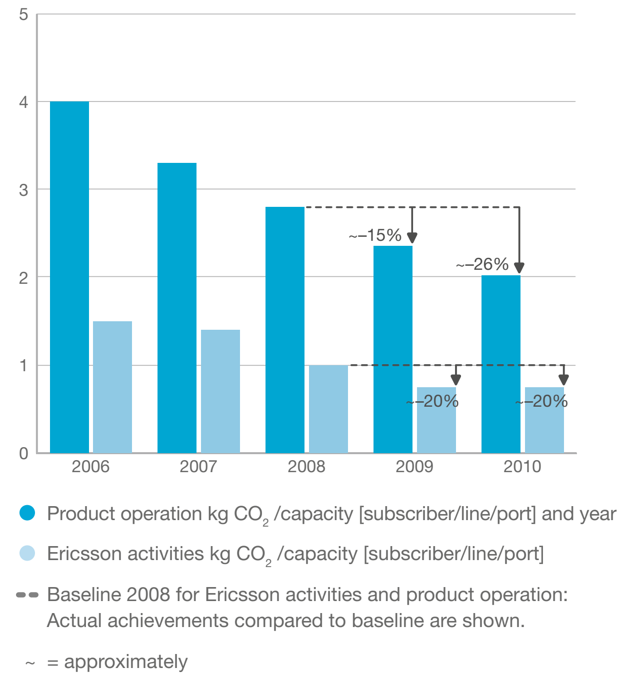
- There was a slight increase in direct emissions from Ericsson's in-house activities. Component shortages have led to an increase in shipping by air, and business travel has increased somewhat due to increased number of employees
- A 14 percent reduction was achieved in indirect emissions from products in operation per capacity, resulting in 26 percent total from 2008. This improvement was mainly due to the introduction of the radio base station RBS 6000 family.

In addition, part of Ericsson's sustainability strategy is to focus on the role that broadband can play in helping to offset global CO_2 emissions. Ericsson focused on sustainable city solutions, and has actively engaged in global climate policy, including the Guadalajara ICT Declaration and Global e-Sustainability Initiative publication "Evaluating the Carbon-Reducing Impacts of ICT".

MEETING THE MILLENNIUM DEVELOPMENT GOALS

Mobile connectivity fuels economic growth, which is particularly vital for the billions of people living at the base of the economic pyramid – the markets of the future. Ericsson is committed to using its technology and competence to help achieve the UN Millennium Development Goals (MDGs), and customer engagement is part of its strategy to meet this aim.

CARBON FOOTPRINT TARGET RESULT 2010



In 2010, Ericsson and its partners, The Earth Institute, Columbia University and Millennium Promise, launched a global education initiative, Connect To Learn, as an extension of its commitment to the MDGs.

ERICSSON RESPONSE

Ericsson Response is a global employee volunteer initiative with the aim to rapidly roll out communication solutions and provide telecommunications experts to assist disaster relief operations. Ericsson Response cooperates with the UN Office for the Coordination of Humanitarian Affairs (UNOCHA), the UN World Food Programme (WFP), the UN Children's fund (UNICEF) and other International Organizations and Non-Governmental Organizations (NGO) like the International Federation of Red Cross and Red Crescent Societies (IFRC) and Save the Children.

In 2010, support was provided to WFP and UNICEF working in Haiti, Port-au-Prince, during six months of on-site work by 19 volunteers. This is one of the longest disaster response deployments of Ericsson Response's history. This year also marked the tenth anniversary and a decade of relief work provided by Ericsson Response.

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PARENT COMPANY

The Parent Company business consists mainly of corporate management, holding company functions and internal banking activities. It also handles customer credit management, performed on a commission basis by Ericsson Credit AB. The Parent Company is the owner of a substantial part of Ericsson's intellectual property rights. It manages the patent portfolio, including patent applications, licensing and crosslicensing of patents and defending of patents in litigations. The Parent Company has 6 (6) branch offices. In total, the Group has 68 (65) branch and representative offices.

Financial information

Net sales for the year amounted to SEK 0.0 (0.3) billion and income after financial items was SEK 6.8 (8.1) billion. Exports accounted for 100 (100) percent of net sales. The Parent Company had no sales in 2010 or 2009 to subsidiaries, while 45 (45) percent of total purchases of goods and services were from such companies.

Major changes in the Parent Company's financial position for the year included:

- Investments in LG-Ericsson of SEK 1.9 billion
- Decreased current and non-current receivables from subsidiaries of SEK 8.3 billion
- Increased other current receivables of SEK 1.6 billion
- Increased cash, cash equivalents and short-term investments of SEK 9.2 billion
- Increased current and non-current liabilities to subsidiaries of SEK 4.7 billion
- Decreased other current liabilities of SEK 0.2 billion.

At year end, cash, cash equivalents and short-term investments amounted to SEK 71.6 (62.4) billion.

Share information

As per December 31, 2010, the total number of shares was 3,273,351,735, of which 261,755,983 were Class A shares, each carrying one vote, and 3,011,595,752 Class B shares, each carrying one tenth of one vote. The two largest shareholders at year end were Investor and Industrivärden holding 19.33 and 13.80 percent respectively of the voting rights in the Parent Company.

Both classes of shares have the same rights of participation in the net assets and earnings.

In accordance with the conditions of the Long-Term Variable Remuneration Program (LTV) for Ericsson employees, 5,890,018 treasury shares were sold or distributed to employees in 2010. The quotient value of these shares was SEK 29.4 million, representing less than 1 percent of capital stock, and compensation received amounted to SEK 59.8 million. The holding of treasury stock at December 31, 2010 was 73,088,515 Class B shares. The quotient value of these shares is SEK 365.4 million, representing 2.2 percent of capital stock, and the related acquisition cost amounts to SEK 622.2 million.

Proposed disposition of earnings

The Board of Directors proposes that a dividend of SEK 2.25 (2.00) per share be paid to shareholders duly registered on the record date April 18, 2011, and that the Parent Company shall retain the remaining part of non-restricted equity.

The Class B treasury shares held by the Parent Company are not entitled to receive a dividend. Assuming that no treasury shares remain on the record date, the Board of Directors proposes that earnings be distributed as follows:

Amount to be paid to the shareholders	SEK 7,365,041,404
Amount to be retained by the Parent Company	SEK 35,608,440,926
Total non-restricted equity of the Parent Company	SEK 42,973,482,330

As a basis for its dividend proposal, the Board of Directors has made an assessment in accordance with Chapter 18, Section 4 of the Swedish Companies Act of the Parent Company's and the Group's need for financial resources as well as the Parent Company's and the Group's liquidity, financial position in other respects and long-term ability to meet their commitments. The Group reports an equity ratio of 52 (52) percent and a net cash amount of SEK 51.3 (36.1) billion.

The Board of Directors has also considered the Parent Company's result and financial position and the Group's position in general. In this respect, the Board of Directors has taken into account known commitments that may have an impact on the financial positions of the Parent Company and its subsidiaries.

The proposed dividend does not limit the Group's ability to make investments or raise funds, and it is our assessment that the proposed dividend is well-balanced considering the nature, scope and risks of the business activities as well as the capital requirements for the Parent Company and the Group.

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BOARD ASSURANCE

The Board of Directors and the President declare that the consolidated financial statements have been prepared in accordance with IFRS, as adopted by the EU, and give a fair view of the Group's financial position and results of operations. The financial statements of the Parent Company have been prepared in accordance with generally accepted accounting principles in Sweden and give a fair view of the Parent Company's financial position and results of operations.

The Board of Directors' Report for the Ericsson Group and the Parent Company provides a fair view of the development of the Group's and the Parent Company's operations, financial position and results of operations and describes material risks and uncertainties facing the Parent Company and the companies included in the Group.

Stockholm February 21, 2011
Telefonaktiebolaget LM Ericsson (publ)
Org. no. 556016-0680

Sverker Martin-Löf
Deputy Chairman

Michael Treschow
Chairman

Marcus Wallenberg
Deputy Chairman

Roxanne S. Austin
Member of the Board

Sir Peter L. Bonfield
Member of the Board

Börje Ekholm
Member of the Board

Ulf J. Johansson
Member of the Board

Nancy McKinstry
Member of the Board

Anders Nyrén
Member of the Board

Carl-Henric Svanberg
Member of the Board

Hans Vestberg
President, CEO and member of the Board

Michelangelo Volpi
Member of the Board

Anna Guldstrand
Member of the Board

Jan Hedlund
Member of the Board

Karin Åberg
Member of the Board

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CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

CONSOLIDATED INCOME STATEMENT

Years ended December 31, SEK million	Notes	2010	2009	2008
Net sales	C3, C4	**203,348**	206,477	208,930
Cost of sales		**–129,094**	–136,278	–134,661
Gross income		**74,254**	70,199	74,269
Gross margin (%)		**36.5%**	34.0%	35.5%
Research and development expenses		**–31,558**	–33,055	–33,584
Selling and administrative expenses		**–27,072**	–26,908	–26,974
Operating expenses		**–58,630**	–59,963	–60,558
Other operating income and expenses	C6	**2,003**	3,082	2,977
Operating income before shares in earnings of joint ventures and associated companies		**17,627**	13,318	16,688
Operating margin before shares in earnings of joint ventures and associated companies (%)		**8.7%**	6.5%	8.0%
Share in earnings of joint ventures and associated companies	C12	**–1,172**	–7,400	–436
Operating income		**16,455**	5,918	16,252
Financial income	C7	**1,047**	1,874	3,458
Financial expenses	C7	**–1,719**	–1,549	–2,484
Income after financial items		**15,783**	6,243	17,226
Taxes	C8	**–4,548**	–2,116	–5,559
Net income		**11,235**	4,127	11,667
Net income attributable to:				
Stockholders of the Parent Company		**11,146**	3,672	11,273
Non-controlling interest		**89**	455	394
Other information				
Average number of shares, basic (million)	C9	**3,197**	3,190	3,183
Earnings per share attributable to stockholders of the Parent Company, basic (SEK) [1]	C9	**3.49**	1.15	3.54
Earnings per share attributable to stockholders of the Parent Company, diluted (SEK) [1]	C9	**3.46**	1.14	3.52

[1] Based on Net income attributable to stockholders of the Parent Company.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Years ended December 31, SEK million	Notes	2010	2009	2008
Net income		**11,235**	4,127	11,667
Other comprehensive income				
Actuarial gains and losses, and the effect of the asset ceiling, related to pensions	C16	**3,892**	–633	–4,019
Revaluation of other investments in shares and participations				
Fair value remeasurement	C16	**7**	–2	–6
Cash Flow hedges				
Gains/losses arising during the period	C16	**966**	665	–5,116
Reclassification adjustments for gains/losses included in profit or loss	C16	**–238**	3,850	1,192
Adjustments for amounts transferred to initial carrying amount of hedged items	C16	**–136**	–1,029	–
Changes in cumulative translation adjustments	C16	**–3,259**	–1,067	7,314
Share of other comprehensive income on joint ventures and associated companies	C16	**–434**	–259	1,253
Tax on items relating to components of Other comprehensive income	C16	**–1,120**	–1,040	2,330
Total other comprehensive income		**–322**	485	2,948
Total comprehensive income		**10,913**	4,612	14,615
Total Comprehensive Income attributable to:				
Stockholders of the Parent Company		**10,814**	4,211	13,988
Non-controlling interest		**99**	401	627

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CONSOLIDATED BALANCE SHEET

December 31, SEK million	Notes	2010	2009
ASSETS			
Non-current assets			
Intangible assets	C10		
Capitalized development expenses		**3,010**	2,079
Goodwill		**27,151**	27,375
Intellectual property rights, brands and other intangible assets		**16,658**	18,739
Property, plant and equipment	C11, C26, C27	**9,434**	9,606
Financial assets			
Equity in joint ventures and associated companies	C12	**9,803**	11,578
Other investments in shares and participations	C12	**219**	256
Customer finance, non-current	C12	**1,281**	830
Other financial assets, non-current	C12	**3,079**	2,577
Deferred tax assets	C8	**12,737**	14,327
		83,372	87,367
Current assets			
Inventories	C13	**29,897**	22,718
Trade receivables	C14	**61,127**	66,410
Customer finance, current	C14	**3,123**	1,444
Other current receivables	C15	**17,146**	15,146
Short-term investments	C20	**56,286**	53,926
Cash and cash equivalents	C25	**30,864**	22,798
		198,443	182,442
TOTAL ASSETS		**281,815**	269,809
EQUITY AND LIABILITIES			
Equity			
Stockholders' equity	C16	**145,106**	139,870
Non-controlling interest in equity of subsidiaries	C16	**1,679**	1,157
		146,785	141,027
Non-current liabilities			
Post-employment benefits	C17	**5,092**	8,533
Provisions, non-current	C18	**353**	461
Deferred tax liabilities	C8	**2,571**	2,270
Borrowings, non-current	C19, C20	**26,955**	29,996
Other non-current liabilities		**3,296**	2,035
		38,267	43,295
Current liabilities			
Provisions, current	C18	**9,391**	11,970
Borrowings, current	C19, C20	**3,808**	2,124
Trade payables	C22	**24,959**	18,864
Other current liabilities	C21	**58,605**	52,529
		96,763	85,487
TOTAL EQUITY AND LIABILITIES [1)]		**281,815**	269,809

[1)] Of which interest-bearing liabilities and post-employment benefits SEK 35,855 million (SEK 40,653 million in 2009).

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CONSOLIDATED STATEMENT OF CASH FLOWS

January–December, SEK million	Notes	2010	2009	2008
Operating activities				
Net income		**11,235**	4,127	11,667
Adjustments to reconcile net income to cash	C25	**12,490**	16,856	14,318
		23,725	20,983	25,985
Changes in operating net assets				
Inventories		**–7,917**	5,207	–3,927
Customer finance, current and non-current		**–2,125**	598	549
Trade receivables		**4,406**	7,668	–11,434
Trade payables		**5,964**	–3,522	4,794
Provisions and post-employment benefits		**–2,739**	–2,950	3,830
Other operating assets and liabilities, net		**5,269**	–3,508	4,203
		2,858	3,493	–1,985
Cash flow from operating activities		**26,583**	24,476	24,000
Investing activities				
Investments in property, plant and equipment	C11	**–3,686**	–4,006	–4,133
Sales of property, plant and equipment		**124**	534	1,373
Acquisitions of subsidiaries and other operations	C25, C26	**–3,286**	–19,321	–74
Divestments of subsidiaries and other operations	C25, C26	**454**	1,239	1,910
Product development	C10	**–1,644**	–1,443	–1,409
Other investing activities		**–1,487**	2,606	944
Short-term investments		**–3,016**	–17,071	–7,155
Cash flow from investing activities		**–12,541**	–37,462	–8,544
Cash flow before financing activities		**14,042**	–12,986	15,456
Financing activities				
Proceeds from issuance of borrowings		**2,580**	14,153	5,245
Repayment of borrowings		**–1,449**	–9,804	–4,216
Sale of own stock and options exercised		**51**	69	3
Dividends paid		**–6,677**	–6,318	–8,240
Other financing activities		**–175**	199	–
Cash flow from financing activities		**–5,670**	–1,701	–7,208
Effect of exchange rate changes on cash		**–306**	–328	1,255
Net change in cash		**8,066**	–15,015	9,503
Cash and cash equivalents, beginning of period		**22,798**	37,813	28,310
Cash and cash equivalents, end of period	C25	**30,864**	22,798	37,813

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Capital stock	Additional paid in capital	Revaluation of other investments in shares and participations	Cash flow hedges	Cumulative translation adjustments	Retained earnings	Stockholders' equity	Non-controlling interest (NCI)	Total equity
January 1, 2010		16,367	24,731	–4	78	663	98,035	**139,870**	1,157	**141,027**
Total comprehensive income	C16	–	–	4	440	–3,808	14,178	**10,814**	99	**10,913**
Transactions with owners										
Stock issue		–	–	–	–	–	–	**–**	–	**–**
Sale of own shares		–	–	–	–	–	52	**52**	–	**52**
Stock Purchase Plans		–	–	–	–	–	762	**762**	–	**762**
Dividends paid		–	–	–	–	–	–6,391	**–6,391**	–286	**–6,677**
Business combinations		–	–	–	–	–	–	**–**	708	**708**
December 31, 2010		**16,367**	**24,731**	**–**	**518**	**–3,145**	**106,636**	**145,106**	**1,679**	**146,785**
January 1, 2009		16,232	24,731	–1	–2,356	2,124	100,093	**140,823**	1,261	**142,084**
Total comprehensive income	C16	–	–	–3	2,434	–1,461	3,241	**4,211**	401	**4,612**
Transactions with owners										
Stock issue		135	–	–	–	–	–	**135**	–	**135**
Sale of own shares		–	–	–	–	–	75	**75**	–	**75**
Repurchase of own shares		–	–	–	–	–	–135	**–135**	–	**–135**
Stock Purchase and Stock Option Plans		–	–	–	–	–	658	**658**	–	**658**
Dividends paid		–	–	–	–	–	–5,897	**–5,897**	–421	**–6,318**
Business combinations		–	–	–	–	–	–	**–**	–84	**–84**
December 31, 2009		**16,367**	**24,731**	**–4**	**78**	**663**	**98,035**	**139,870**	**1,157**	**141,027**
January 1, 2008		16,132	24,731	5	307	–6,345	99,282	**134,112**	940	**135,052**
Total comprehensive income	C16	–	–	–6	–2,663	8,469	8,188	**13,988**	627	**14,615**
Transactions with owners										
Stock issue		100	–	–	–	–	–	**100**	–	**100**
Sale of own shares		–	–	–	–	–	88	**88**	–	**88**
Repurchase of own shares		–	–	–	–	–	–100	**–100**	–	**–100**
Stock Purchase and Stock Option Plans		–	–	–	–	–	589	**589**	–	**589**
Dividends paid		–	–	–	–	–	–7,954	**–7,954**	–286	**–8,240**
Business combinations		–	–	–	–	–	–	**–**	–20	**–20**
December 31, 2008		**16,232**	**24,731**	**–1**	**–2,356**	**2,124**	**100,093**	**140,823**	**1,261**	**142,084**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTENTS

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C1 SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements comprise Telefonaktiebolaget LM Ericsson, the Parent Company, and its subsidiaries ("the Company") and the Company's interests in joint ventures and associated companies. The Parent Company is domiciled in Sweden at Torshamnsgatan 23, SE-164 83 Stockholm.

The consolidated financial statements for the year ended December 31, 2010, have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU and RFR 1 "Additional rules for Group Accounting", related interpretations issued by the Swedish Financial Reporting Board (Rådet för finansiell rapportering), and the Swedish Annual Accounts Act. For the financial reporting of 2010, the Company has applied IFRS as issued by the IASB (IFRS effective as per December 31, 2010) and without any early application. There is no difference between IFRS effective as per December 31, 2010, and IFRS as endorsed by the EU, nor is RFR 1 related interpretations issued by the Swedish Financial Reporting Board (Rådet för Finansiell Rapportering) or the Swedish Annual Accounts Act in conflict with IFRS.

The financial statements were approved by the Board of Directors on February 21, 2011. The balance sheets and income statements are subject to approval by the annual meeting of shareholders.

New standards, amendments of standards and interpretations, effective as from January 1, 2010, changing presentation or disclosure:

- IFRS 3 Business Combinations (revised with prospective application) The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, the definition of a business and a business combination has been expanded, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent cash payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition related costs shall be expensed as incurred.
- IAS 27 Consolidated and separate financial statements (revised with prospective application). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains or losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognized in income statement.

The following new or amended standards and interpretations have also been adopted:

- IFRIC17, Distributions of Non-Cash Assets to Owners (Issued November 27, 2008)
- IFRS 2, amendment, Group Cash-settled Share-based Payment Transactions (issued June 18, 2009)
- Improvements to IFRSs (Issued April 16, 2009).

None of the new or amended standards and interpretations has had any significant impact on the financial result or position of the Company. However, the impact on business combination accounting due to the revised IFRS 3 Business Combinations is dependent on type and size of any future arrangement involving a business combination.

For information on "New standards and interpretations not yet adopted" please see page 54.

Changes in financial reporting structure

CHANGE IN SEGMENTS

As of January 1, 2010, Ericsson reports the following segments: Networks, Global Services, Multimedia, Sony Ericsson and ST-Ericsson.

The only change compared to previous years is that Network Rollout is now included in Global Services instead of Networks. All other segments are unchanged. With this change the external reporting is aligned with the new internal reporting structure.

Segments as of January 1, 2010:

- Networks
- Global Services
  - Of which Professional Services
    - Of which Managed Services
  - Of which Network Rollout
- Multimedia
- Sony Ericsson
- ST-Ericsson

CHANGE IN GEOGRAPHICAL BREAK DOWN

As of January 1, 2010, the geographical reporting structure is changed. Instead of five geographical areas, ten regions are reported, mirroring the new internal geographical organization. A part called "Other" is also reported, consisting of business not reported in the geographical structure, e.g. embedded modules, cables, power modules as well as intellectual property rights and licenses.

Regions as of January 1, 2010:

- North America
- Latin America
- Northern Europe and Central Asia
- Western and Central Europe
- Mediterranean
- Middle East
- Sub-Saharan Africa
- India
- China and Northeast Asia
- South East Asia and Oceania
- Other

In 2008 and 2009 Ericsson reported top 15 countries in sales. As of January 1, 2010, top five countries are reported.

Basis of presentation

The financial statements are presented in millions of Swedish Krona (SEK). They are prepared on a historical cost basis, except for certain financial assets and liabilities that are stated at fair value: derivative financial instruments, financial instruments held for trading, financial instruments classified as available-for-sale and plan assets related to defined benefit pension plans.

Basis of consolidation

The consolidated financial statements are prepared in accordance with the purchase method. Accordingly, consolidated stockholders' equity includes equity in subsidiaries, joint ventures and associated companies earned only after their acquisition.

Subsidiaries are all companies in which Ericsson has an ownership interest, directly or indirectly, including effective potential voting rights, has the power to govern the financial and operating policies generally associated with ownership of more than one half of the voting rights or in which Ericsson by agreement has control. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and any unrealized income and expense arising from intra-group transactions are fully eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Business combinations

BUSINESS COMBINATIONS FROM JANUARY 1, 2010

At the acquisition of a business, the cost of the acquisition, being the purchase price, is measured as the fair value of the assets given, and liabilities incurred or assumed at the date of exchange, including any cost related to contingent consideration. Transaction costs attributable to the acquisition are expensed as incurred. The acquisition cost is allocated to acquired assets, liabilities and contingent liabilities based upon appraisals made, including assets and liabilities that were not recognized on the acquired entity's balance sheet, for example intangible assets such as customer relations, brands, patents and financial liabilities. Goodwill arises when the purchase price exceeds the fair value of recognizable acquired net assets. Final amounts are established within one year after the transaction date at the latest.

In case there is a put option for non-controlling interest in a subsidiary a corresponding financial liability is recognized.

BUSINESS COMBINATIONS BEFORE JANUARY 1, 2010

At the acquisition of a business, the cost of the acquisition, being the purchase price, was measured as the fair value of assets acquired, and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. The acquisition cost was allocated to acquired assets, liabilities and contingent liabilities based upon appraisals made, including assets that were not recognized on the acquired entity's balance sheet, for example intangible assets such as customer relations, brands and patents. Goodwill arose when the purchase price exceeded the fair value of recognizable acquired net assets. Final amounts had to be established within one year after the transaction date.

Non-controlling interest

ACQUISITIONS FROM JANUARY 1, 2010

The Company treats transactions with non-controlling interests as transactions with equity owners of the Company. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Company ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest in an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Company had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

At acquisition, there is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

ACQUISITIONS BEFORE JANUARY 1, 2010

The Company treated transactions with non-controlling interests (formerly minority interests) as transactions with external parties. Disposals of minority interests were recognized as gains and losses in the income statement. Purchases from non-controlling interests resulted in goodwill if there were differences between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary. The non-controlling interest in the acquiree was measured at the non-controlling interests proportionate share of the acquiree's net assets.

Joint ventures and associated companies

Investments in joint ventures and associated companies, i.e. where voting stock interest, including effective potential voting rights, is at least 20 percent but not more than 50 percent, or where a corresponding influence is obtained through agreement, are accounted for in accordance with the equity method. Under the equity method, the investment in an associate is initially recognized at cost and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition.

Ericsson's share of income before taxes is reported in item "Share in earnings of joint ventures and associated companies", included in Operating Income. This is due to that these interests are held for operating rather than investing or financial purposes. Ericsson's share of income taxes related to joint ventures and associated companies is reported under the line item Taxes in the income statement.

Unrealized gains on transactions between the Company and its associated companies and joint ventures are eliminated to the extent of the Company's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Shares in earnings of joint ventures and associated companies included in consolidated equity which are undistributed are reported in Retained earnings in the balance sheet.

Impairment testing as well as recognition or reversal of impairment of investments in each joint venture is performed in the same manner as for intangible assets other than goodwill. The entire carrying amount of each investment, including goodwill, is tested as a single asset. See also description under "Intangible assets other than goodwill" below.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

Foreign currency remeasurement and translation

Items included in the financial statements of each entity of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Swedish Krona (SEK), which is the Parent Company's functional and presentation currency.

TRANSACTIONS AND BALANCES

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, unless deferred in Other Comprehensive Income (OCI) under the hedge accounting practices as described below.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortized cost are recognized in profit or loss, and other changes in the carrying amount are recognized in OCI.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss.

Group companies

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates; and
- all resulting net exchange differences are recognized as a separate component of OCI.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are accounted for in OCI. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in OCI are recognized in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

There is no significant impact due to a currency of a hyperinflationary economy.

Statement of cash flows

The statement of cash flow is prepared in accordance with the indirect method. Cash flows in foreign subsidiaries are translated at the average exchange rate during the period. Payments for subsidiaries acquired or divested are reported as cash flow from investing activities, net of cash and cash equivalents acquired or disposed of, respectively.

Cash and cash equivalents consist of cash, bank, and short-term investments that are highly liquid monetary financial instruments with a remaining maturity of three months or less at the date of acquisition.

Revenue recognition

The Company offers a comprehensive portfolio of telecommunication and data communication systems, multimedia solutions and professional services, covering a range of technologies.

The contracts are of four main types:

- delivery-type.
- contracts for various types of services, for example multi-year managed services contracts.
- license agreements for the use of the Company's technology or intellectual property rights, not being a part of another product.
- construction-type.

The majority of the Company's products and services are sold under delivery-type contracts including multiple elements, such as base stations, base station controllers, mobile switching centers, routers, microwave transmission links, various software products and related installation and integration services. Such contract elements generally have individual item prices in agreed price lists per customer.

Sales are recorded net of value added taxes, goods returned, trade discounts and rebates. Revenue is recognized with reference to all significant contractual terms when the product or service has been delivered, when the revenue amount is fixed or determinable, and when collection is reasonably assured. Specific contractual performance and acceptance criteria may impact the timing and amounts of revenue recognized.

The profitability of contracts is periodically assessed, and provisions for any estimated losses are made immediately when losses are probable.

For sales between consolidated companies, associated companies, joint ventures and segments, the Company applies arm's length pricing.

DEFINITIONS OF CONTRACT TYPES AND RELATED MORE SPECIFIC REVENUE RECOGNITION CRITERIA

Different revenue recognition methods, based on either IAS 18 "Revenue" or IAS 11 "Construction contracts", are applied based on the solutions provided to customers, the nature and sophistication of the technology involved and the contract conditions in each case.

The contract types that are accounted for in accordance with IAS 18 are:

- Delivery-type contracts, i.e. contracts for delivery of a product or a combination of products to form a whole or a part of a network as well as delivery of stand-alone products. Medium-size and large delivery type contracts generally include multiple elements. Such elements are normally standardized types of equipment or software as well as services, such as network rollout.
  Revenue is recognized when risks and rewards have been transferred to the customer, normally stipulated in the contractual terms of trade. For delivery-type contracts with multiple elements, revenue, including the impact of any discount or rebate, is allocated to each element based on relative fair values. If there are undelivered elements essential to the functionality of delivered elements, the Company defers recognition of revenue until all elements essential to the functionality have been delivered.
- Contracts for services include various types of services such as: training, consulting, engineering, installation, multi-year managed services and hosting. Revenue is generally recognized when the services have been provided. Revenue for managed service contracts and other services contracts covering longer periods is recognized pro rata over the contract period.
- Contracts generating license fees from third parties for the use of the Company's technology or intellectual property rights. Revenue is normally recognized based on sales of products sold to the customer/licensee.

The contract type that is accounted for in accordance with IAS 11 is:

- Construction-type contracts. In general, a construction-type contract is a contract where the Company supplies to a customer, a complete network, which to a large extent is based upon new technology or includes major components which are specifically designed for the customer. Revenues from construction-type contracts are recognized according to stage of completion, generally using the milestone output method.

Earnings per share

Basic earnings per share are calculated by dividing net income attributable to stockholders of the Parent Company by the weighted average number of shares outstanding (total number of shares less treasury stock) during the year.

Diluted earnings per share are calculated by dividing net income attributable to stockholders of the Parent Company, when appropriate adjusted by the sum of the weighted average number of ordinary shares outstanding and dilutive potential ordinary shares. Potential ordinary shares are treated as dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share.

Stock options and rights to matching shares are considered dilutive when the actual fulfillment of any performance conditions as of the reporting date would give a right to ordinary shares. Furthermore, stock options are considered dilutive only when the exercise price is lower than the period's average share price.

Financial assets

Financial assets are recognized when the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of financial assets are recognized on the settlement date.

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Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Separate assets or liabilities are recognized if any rights and obligations are created or retained in the transfer.

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the income statement.

The fair values of quoted financial investments and derivatives are based on quoted market prices or rates. If official rates or market prices are not available, fair values are calculated by discounting the expected future cash flows at prevailing interest rates. Valuations of FX options and Interest Rate Guarantees (IRG) are made by using a Black-Scholes formula. Inputs to the valuations are market prices for implied volatility, foreign exchange and interest rates.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling or repurchasing in the near term.

Derivatives are classified as held for trading, unless they are designated as hedges. Assets in this category are classified as current assets.

Gains or losses arising from changes in the fair values of the "financial assets at fair value through profit or loss"-category (excluding derivatives) are presented in the income statement within Financial income in the period in which they arise. Derivatives are presented in the income statement either as cost of sales, other operating income, financial income or financial expense, depending on the intent with the transaction.

LOANS AND RECEIVABLES

Receivables are subsequently measured at amortized cost using the effective interest rate method, less allowances for impairment charges. Trade receivables include amounts due from customers. The balance represents amounts billed to customer as well as amounts where risk and rewards have been transferred to the customer but the invoice has not yet been issued.

Collectability of the receivables is assessed for purposes of initial revenue recognition.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Dividends on available-for-sale equity instruments are recognized in the income statement as part of financial income when the Company's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analyzed between translation differences resulting from changes in amortized cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognized in profit or loss; translation differences on non-monetary securities are recognized in OCI. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognized in OCI. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments previously recognized in OCI are included in the income statement.

IMPAIRMENT

At each balance sheet date, the Company assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an evidence that the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from OCI and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement.

An assessment of impairment of receivables is performed when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the income statement within selling expenses. When a trade receivable is finally established as uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to selling expenses in the income statement.

Financial Liabilities

Financial liabilities are recognized when the Company becomes bound to the contractual obligations of the instrument.

Financial liabilities are derecognized when they are extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expires.

BORROWINGS

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

TRADE PAYABLES

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

DERIVATIVES AT FAIR VALUE THROUGH PROFIT OR LOSS

Certain derivative instruments do not qualify for hedge accounting and are accounted for at fair value through profit or loss. Changes in the fair value of these derivative instruments that do not qualify for hedge accounting are recognized immediately in the income statement either as cost of sales, other operating income, financial income or financial expense, depending on the intent of the transaction.

Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value at trade date and subsequently re-measured at fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company designates certain derivatives as either:

a) **fair value hedge:** a hedge of the fair value of recognized liabilities;
b) **cash flow hedge:** a hedge of a particular risk associated with a highly probable forecast transaction; or
c) **net investment hedge:** a hedge of a net investment in a foreign operation.

At the inception of the hedge, the Company documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of the hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note C20, “Financial Risk Management and Financial Instruments”. Movements in the hedging reserve in OCI are shown in Note C16, “Equity and OCI”.

The fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as current assets or liabilities.

FAIR VALUE HEDGES

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Company only applies fair value hedge accounting for hedging fixed interest risk on borrowings. Both gains and losses relating to the interest rate swaps hedging fixed rate borrowings and the changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk are recognized in the income statement within Financial expenses. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortized to profit or loss over the remaining period to maturity.

CASH FLOW HEDGES

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in OCI. The gain or loss relating to an ineffective portion is recognized immediately in the income statement within financial income or expense.

Amounts deferred in OCI are recycled in the income statement in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place), either in Net Sales or Cost of Sales. When the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets), the gains and losses previously deferred in OCI are transferred from OCI and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognized in Cost of Sales in case of inventory or in Depreciation in case of fixed assets. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss which at that time remains in OCI is recognized in the income statement when the forecast transaction is ultimately recognized. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in OCI is immediately transferred to the income statement within financial income or expense.

NET INVESTMENT HEDGES

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in OCI. A gain or loss relating to an ineffective portion is recognized immediately in the income statement within financial income or expense. Gains and losses deferred in OCI are included in the income statement when the foreign operation is partially disposed of or sold.

Financial guarantees

Financial guarantee contracts are initially recognized at fair value (i.e. usually the fee received). Subsequently, these contracts are measured at the higher of:

- the amount determined as the best estimate of the net expenditure required to settle the obligation according to the guarantee contract, and
- the recognized contractual fee less cumulative amortization when amortized over the guarantee period, using the straight-line-method.

The best estimate of the net expenditure comprises future fees and cash flows from subrogation rights.

Inventories

Inventories are measured at the lower of cost or net realizable value on a first-in, first-out (FIFO) basis.

Risks of obsolescence have been measured by estimating market value based on future customer demand and changes in technology and customer acceptance of new products.

Intangible assets

INTANGIBLE ASSETS OTHER THAN GOODWILL

Intangible assets other than goodwill comprise capitalized development expenses and acquired intangible assets, such as patents, customer relations, trademarks and software. At initial recognition, capitalized development expenses are stated at cost while acquired intangible assets related to business combinations are stated at fair value. Subsequent to initial recognition, both capitalized development expenses and acquired intangible assets are stated at initially recognized amounts less accumulated amortization and any impairment. Amortization and any impairment losses are included in Research and development expenses, mainly for capitalized development expenses and patents, in Selling and administrative expenses, mainly for customer relations and brands, and in Cost of sales.

Costs incurred for development of products to be sold, leased or otherwise marketed or intended for internal use are capitalized as from when technological and economical feasibility has been established until the product is available for sale or use. These capitalized expenses are mainly generated internally and include direct labor and directly attributable overhead. Amortization of capitalized development expenses begins when the product is available for general release. Amortization is made on a product or platform basis according to the straight-line method over periods not exceeding five years. Research and development expenses directly related to orders from customers are accounted for as a part of Cost of sales. Other research and development expenses are charged to income as incurred.

Amortization of acquired intangible assets, such as patents, customer relations, brands and software, is made according to the straight-line method over their estimated useful lives, not exceeding ten years. However, if the economic benefit related to an item of intangible assets is front-end loaded the amortization method reflects this. Thus, the amortization for such an item is amortized on a digressive curve basis and the asset value decreases with higher amounts in the beginning of the useful life compared to the end.

The Company has not recognized any intangible assets with indefinite useful life other than goodwill.

Impairment tests are performed whenever there is an indication of possible impairment. However, intangible assets not yet available for use are tested annually. An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The recoverable amount is the higher of the value in use and the fair value less costs to sell. In assessing value in use, the estimated future cash flows after tax are discounted to their present value using an after-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Application of after tax amounts in calculation, both in relation to cash flows and discount rate is applied due to that available models for calculating discount rate include a tax component. The after tax discounting, applied by the Company is not materially different from a discounting based on before-tax future cash flows and before-tax discount rates, as required by IFRS.

Corporate assets have been allocated to cash-generating units in relation to each unit's proportion of total net sales. The amount related to corporate assets is not significant. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amounts and if the recoverable amount is higher than the carrying value. An impairment loss is reversed only to the extent that the asset's carrying amount after reversal does not exceed the carrying amount, net of amortization, which would have been reported if no impairment loss had been recognized.

GOODWILL

As from the acquisition date, goodwill acquired in a business combination is allocated to each cash-generating unit (CGU) of the Company expected to benefit from the synergies of the combination. Ericsson's five operating segments have been identified as CGUs. Goodwill is assigned to four of them, Networks, Professional Services, Multimedia and ST-Ericsson.

An annual impairment test for the CGUs to which goodwill has been allocated is performed in the fourth quarter, or when there is an indication of impairment. Impairment testing as well as recognition of impairment of goodwill is performed in the same manner as for intangible assets other than goodwill, see description under "Intangible assets other than goodwill" above. An impairment loss in respect of goodwill is not reversed.

Additional disclosure is required in relation to goodwill impairment testing, see Note C2, "Critical Accounting Estimates and Judgments" below and in Note C10, "Intangible Assets".

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

Depreciation is charged to income, generally on a straight-line basis, over the estimated useful life of each component of an item of property, plant and equipment, including buildings. Estimated useful lives are, in general, 25–50 years for real estate and 3–10 years for machinery and equipment. Depreciation and any impairment charges are included in Cost of sales, Research and development or Selling and administrative expenses.

The Company recognizes in the carrying amount of an item of property, plant and equipment the cost of replacing a component and derecognizes the residual value of the replaced component.

Impairment testing as well as recognition or reversal of impairment of property, plant and equipment is performed in the same manner as for intangible assets other than goodwill, see description under "Intangible assets other than goodwill" above.

Gains and losses on disposals are determined by comparing the proceeds less cost to sell with the carrying amount and are recognized within Other operating income and expenses in the income statement.

Leasing

LEASING WHEN THE COMPANY IS THE LESSEE

Leases on terms in which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that type of asset, although the depreciation period must not exceed the lease term.

Other leases are operating leases, and the leased assets under such contracts are not recognized on the balance sheet. Costs under operating leases are recognized in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

LEASING WHEN THE COMPANY IS THE LESSOR

Leasing contracts with the Company as lessor are classified as finance leases when the majority of risks and rewards are transferred to the lessee, and otherwise as operating leases. Under a finance lease, a receivable is recognized at an amount equal to the net investment in the lease and revenue is recognized in accordance with the revenue recognition principles.

Under operating leases the equipment Is recorded as property, plant and equipment and revenue as well as depreciation is recognized on a straight-line basis over the lease term.

Income taxes

Income taxes in the consolidated financial statements include both current and deferred taxes. Income taxes are reported in the income statement unless the underlying item is reported directly in equity or OCI. For those items, the related income tax is also reported directly in equity or OCI. A current tax liability or asset is recognized for the estimated taxes payable or refundable for the current year or prior years.

Deferred tax is recognized for temporary differences between the book values of assets and liabilities and their tax values and for tax loss carry forwards. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and tax loss carry forwards can be utilized. Deferred tax is not recognized for the following temporary differences: goodwill not deductible for tax purposes, for the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and for differences related to investments in subsidiaries when It Is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is measured at the tax rate that is expected to be applied to the temporary differences when they reverse, based on the tax laws that have been enacted or substantively enacted by the reporting date. An adjustment of deferred tax asset/liability balances due to a change in the tax rate is recognized in the income statement, unless it relates to a temporary difference earlier recognized directly in equity or OCI, in which case the adjustment is also recognized in equity or OCI.

The measurement of deferred tax assets involves judgment regarding the deductibility of costs not yet subject to taxation and estimates regarding sufficient future taxable income to enable utilization of unused tax losses in different tax jurisdictions. All deferred tax assets are subject to annual review of probable utilization. The largest amounts of tax loss carry forwards relate to Sweden, with indefinite period of utilization.

Provisions

Provisions are made when there are legal or constructive obligations as a result of past events and when it is probable that an outflow of resources will be required to settle the obligations and the amounts can be reliably estimated. When the effect of the time value of money is material, discounting is made of estimated outflows. However, the actual outflows as a result of the obligations may differ from such estimates.

The provisions are mainly related to warranty commitments, restructuring, customer projects and other obligations, such as unresolved income tax and value added tax issues, claims or obligations as a result of patent infringement and other litigations, supplier claims and customer finance guarantees.

Product warranty commitments consider probabilities of all material quality issues based on historical performance for established products and expected performance for new products, estimates of repair cost per unit, and volumes sold still under warranty up to the reporting date.

A restructuring obligation is considered to have arisen when the Company has a detailed formal plan for the restructuring (approved by management), which has been communicated in such a way that a valid expectation has been raised among those affected.

Project related provisions include estimated losses on onerous contracts, contractual penalties and undertakings. For losses on customer contracts, a provision equal to the total estimated loss is recorded when a loss from a contract is anticipated and possible to estimate reliably. These contract loss estimates include any probable penalties to a customer under a loss contract.

Other provisions include provisions for unresolved tax issues, litigations, supplier claims, customer finance and other provisions. The Company provides for estimated future settlements related to patent infringements based on the probable outcome of each infringement. The ultimate outcome or actual cost of settling an individual infringement may vary from the Company's estimate.

The Company estimates the outcome of any potential patent infringement made known to the Company through assertion and through the Company's own monitoring of patent-related cases in the relevant legal systems. To the extent that the Company makes the judgment that an identified potential infringement will more likely than not result in an outflow of resources, the Company records a provision based on the Company's best estimate of the expenditure required to settle with the counterpart.

In the ordinary course of business, the Company is subject to proceedings, lawsuits and other unresolved claims, including proceedings under laws and government regulations and other matters. These matters are often resolved over a long period of time. The Company regularly assesses the likelihood of any adverse judgments in or outcomes of these matters, as well as potential ranges of possible losses. Provisions are recognized when it is probable that an obligation has arisen and the amount can be reasonably estimated based on a detailed analysis of each individual issue.

Certain present obligations are not recognized as provisions as it is not probable that an economic outflow will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. Such obligations are reported as contingent liabilities. For further detailed information, see Note C24, "Contingent liabilities".

Post-employment benefits

Pensions and other post-employment benefits are classified as either defined contribution plans or defined benefit plans. Under a defined contribution plan, the Company's only obligation is to pay a fixed amount to a separate entity (a pension trust fund) with no obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits. The related actuarial and investment risks fall on the employee. The expenditures for defined contribution plans are recognized as expenses during the period when the employee provides service. Under a defined benefit plan, it is the Company's obligation to provide agreed benefits to current and former employees. The related actuarial and investment risks fall on the Company.

The present value of the defined benefit obligations for current and former employees is calculated using the Projected Unit Credit Method. The discount rate for each country is determined by reference to market yields on high-quality corporate bonds that have maturity dates approximating the terms of the Company's obligations. In countries where there is no deep market in such bonds, the market yields on government bonds are used. The calculations are based upon actuarial assumptions, assessed on a quarterly basis, and are as a minimum prepared annually. Actuarial assumptions are the Company's best estimate of the variables that determine the cost of providing the benefits. When using actuarial assumptions, it is possible that the actual results will differ from the estimated results or that the actuarial assumptions will change from one period to another. These differences are reported as actuarial gains and losses. They are for example caused by unexpectedly high or low rates of employee turnover, changed life expectancy, salary changes, changes in the discount rate and differences between actual and expected return on plan assets. Actuarial gains and losses are recognized in OCI in the period in which they occur. The Company's net liability for each defined benefit plan consists of the present value of pension commitments less the fair value of plan assets and is recognized net on the balance sheet. When the result is a net benefit to the Company, the recognized asset is limited to the total of any cumulative past service cost and the present value of any future refunds from the plan or reductions in future contributions to the plan.

The net of return on plan assets and interest on pension liabilities is reported as financial income or expense, while the current service cost and any other items in the annual pension cost are reported as operating income or expense.

Payroll taxes related to actuarial gains and losses are included in determining actuarial gains and losses.

Share-based compensation to employees and the Board of Directors

Share-based compensation is related to remuneration to all employees, including key management personnel and the Board of Directors.

Under IFRS, a company shall recognize compensation costs for share-based compensation programs based on a measure of the value to the company of services received under the plans.

This value is based on the fair value of, for example free shares at grant date, measured as stock price as per each investment date. The value at grant date is charged to the income statement as any other remuneration over the service period. For example, value at grant date is 90. Given the normal service period of three years within Ericsson, 30 are charged per year during the service period.

The amount charged to the income statement is reversed in equity each time of the income statement charge.

The reason for this accounting principle of IFRS is that compensation cost is a cost with no direct cash flow impact. The purpose of share-based accounting according to IFRS (IFRS 2) is to present an impact of share based programs, being part of the total remuneration, in the income statement.

COMPENSATION TO EMPLOYEES

Stock purchase plans

For stock purchase plans, compensation costs are recognized during the vesting period, based on the fair value of the Ericsson share at the employee's investment date. The fair value is based upon the share price at investment date, adjusted for the fact that no dividends will be received on matching shares prior to matching and other features that are non-vesting conditions. The employee pays a price equal to the share price at investment date for the investment shares. The investment date is considered as the grant date. In the balance sheet, the corresponding amounts are accounted for as equity. Vesting conditions are non-market based and affect the number of shares that Ericsson will match. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services. In the period when an employee takes a refund of previously made contributions

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(and stops making further contributions) all remaining compensation expense is recognized. Non-vesting conditions would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. When calculating the compensation costs for shares under performance-based matching programs, the Parent Company at each reporting date assesses the probability that the performance targets are met. Compensation expenses are based on estimates of the number of shares that will match at the end of the vesting period. When shares are matched, social security charges are to be paid in certain countries on the value of the employee benefit. The employee benefit is generally based on the market value of the shares at the matching date. During the vesting period, estimated amounts for such social security charges are accrued.

COMPENSATION TO THE BOARD OF DIRECTORS

During 2008, the Parent Company introduced a share-based compensation program as a part of the remuneration to the Board of Directors. The program gives non-employed Directors elected by the General Meeting of Shareholders a right to receive part of their remuneration as a future payment of an amount which corresponds to the market value of a share of class B in the Parent Company at the time of payment, as further disclosed in Note C29, "Information Regarding Members of the Board of Directors, the Group Management and Employees". The cost for cash settlements is measured and recognized based on the estimated costs for the program on a pro rata basis during the service period, being one year. The estimated costs are remeasured during and at the end of the service period.

Segment reporting

An operating segment is a component of a company whose operating results are regularly reviewed by the Company's chief operating decision maker, (CODM), to make decisions about resources to be allocated to the segment and assess its performance. Within the Company, the Group Management Team is defined as the CODM function.

The segment presentation, as per each segment is based on the accounting policies as disclosed in this note. The arm's length principle is applied in transactions between the segments.

The Company's segment disclosure about geographical areas is based on in which country transfer of risks and rewards occur.

Borrowing costs

The Company capitalizes borrowing costs in relation to qualifying assets, for the Company normally being internally generated intangible assets as capitalized development expenses. All other borrowing costs are expensed as incurred.

Government grants

Government grants are recognized when there is a reasonable assurance of compliance with conditions attached to the grants and that the grants will be received.

For the Company, government grants are linked to performance of research or development work or to capital expenditures that are subsidized as governmental stimulus to employment or investments in a certain country or region. Government grants linked to research and development are normally deducted in reporting the related expense, whereas grants related to assets are accounted for deducting the grant when establishing the acquisition cost of the asset.

New standards and interpretations not yet adopted

A number of issued new standards, amendments to standards and interpretations are not yet effective for the year ended December 31, 2010, and have not been applied in preparing these consolidated financial statements:

Below is a list of standards/interpretations that have been issued, except for amendments related to IFRS 1, 'First time adoption of International Financial Reporting Standards' and are effective for the periods starting as from January 1, 2011.

- **Amendment to IAS 32, 'Financial instruments: Presentation – Classification of rights issues'**
  The IASB amended IAS 32 to allow rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments.
- **IFRIC 19, 'Extinguishing financial liabilities with equity instruments'**
  Clarifies the requirements of IFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially.
- **IAS 24, 'Related party disclosures' (revised 2009)**
  Amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities, associated companies and joint ventures.
- **Amendments to IFRS 7**
  Amends disclosures in relation to transfers of financial assets.
- **Amendment to IFRIC 14, IAS 19 – 'The limit on a defined benefit asset, minimum funding requirements and their interaction'**
  Removes unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. This results in prepayments of contributions in certain circumstances being recognized as an asset rather than an expense.
- **IFRS 9, 'Financial instruments'**
  IFRS 9 is the first standard issued as part of a wider project to replace IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply.
- **Improvements to IFRSs 2010.**

The amendments are generally applicable for annual periods beginning at January 1, 2011, except for Amendments to IFRS 7 that is applicable as from January 1, 2012, and IFRS 9 that is applicable as from January 1, 2013. The EU has not endorsed Amendments to IFRS 7, IFRS 9 or Improvements to IFRSs.

None of the amendments effective as from January 1, 2011, are expected to have a significant impact on the Company's financial result or position. The impact of amendments to IFRS 7 and IFRS 9 have not yet been evaluated.

C2 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements and application of accounting standards often involve management's judgment and the use of estimates and assumptions deemed to be reasonable at the time they are made. However, other results may be derived with different judgments or using different assumptions or estimates, and events may occur that could require a material adjustment to the carrying amount of the asset or liability affected. Following are the accounting policies subject to such judgments and the key sources of estimation uncertainty that the Company believes could have the most significant impact on the reported results and financial position.

The information in this note is grouped as per:

- Key sources of estimation uncertainty.
- Judgments management has made in the process of applying the Company's accounting policies.

Revenue recognition

Key sources of estimation uncertainty

Estimates are necessary in evaluation of contractual performance and estimated total contract costs for assessing whether any loss provisions are to be made or if customers will reach conditional purchase volumes triggering contractual discounts to be given.

Judgments made in relation to accounting policies applied

Parts of the Company's sales are generated from large and complex customer contracts. Managerial judgment is applied regarding, among other aspects, conformance with acceptance criteria and if transfer of risks and rewards to the buyer has taken place to determine if revenue and costs should be recognized in the current period, degree of completion and the customer credit standing to assess whether payment is likely or not to justify revenue recognition.

Trade and customer finance receivables

Key sources of estimation uncertainty

The Company monitors the financial stability of its customers and the environment in which they operate to make estimates regarding the likelihood that the individual receivables will be paid. Total allowances for estimated losses as of December 31, 2010, were SEK 1.1 (1.7) billion or 1.6 (2.4) percent of gross trade and customer finance receivables.

Credit risks for outstanding customer finance credits are regularly assessed as well, and allowances are recorded for estimated losses.

Inventory valuation

Key sources of estimation uncertainty

Inventories are valued at the lower of cost and net realizable value. Estimates are required in relation to forecasted sales volumes and inventory balances. In situations where excess inventory balances are identified, estimates of net realizable values for the excess volumes are made. Inventory allowances for estimated losses as of December 31, 2010, amounted to SEK 3.1 (3.0) billion or 10 (12) percent of gross inventory.

Investments in joint ventures and associated companies

Key sources of estimation uncertainty

Impairment testing is performed after initial recognition whenever there is an indication of impairment.

At December 31, 2010, the amount of joint ventures and associated companies amounted to SEK 9.8 (11.6) billion.

Deferred taxes

Key sources of estimation uncertainty

Deferred tax assets are recognized for temporary differences between the carrying amounts for financial reporting purposes of assets and liabilities and the amounts used for taxation purposes and for tax loss carry-forwards. The largest amounts of tax loss carry-forwards are reported in Sweden, with an indefinite period of utilization (i.e. with no expiry date). The valuation of tax loss carry-forwards, deferred tax assets and the Company's ability to utilize tax losses is based upon management's estimates of future taxable income in different tax jurisdictions. For further detailed information, please refer to Note C8, "Taxes".

At December 31, 2010, the value of deferred tax assets amounted to SEK 12.7 (14.3) billion. The deferred tax assets related to loss carryforwards are reported as non-current assets.

Accounting for income-, value added- and other taxes

Key sources of estimation uncertainty

Accounting for these items is based upon evaluation of income-, value added- and other tax rules in all jurisdictions where we perform activities. The total complexity of rules related to taxes and the accounting for these require management's involvement in judgments regarding classification of transactions and in estimates of probable outcomes of claimed deductions and/or disputes.

Capitalized development expenses

Key sources of estimation uncertainty

Impairment testing is performed after initial recognition whenever there is an indication of impairment. Intangible assets not yet available for use are tested annually. The impairment testing amounts are based on estimates of future cash flows for the respective products.

At December 31, 2010, the capitalized development expenses amounted to SEK 3.0 (2.1) billion. An impairment charge of SEK 0 (0.2) billion was recognized as a part of the restructuring program. Under this program decisions were taken to phase out certain products. The impairment charge relates to balances for these products.

Judgments made in relation to accounting policies applied

Development costs that meet IFRS' intangible asset recognition criteria for products that will be sold, leased or otherwise marketed as well as those intended for internal use are capitalized. The starting point for capitalization is based upon management's judgment that technological and economical feasibility is confirmed, usually when a product development project has reached a defined milestone according to the Company's established project management model. Capitalization ceases and amortization of capitalized development costs begin when the product is available for general release.

The definition of amortization periods and the evaluation of impairment indicators also require management's judgment.

Acquired intellectual property rights and other intangible assets, including goodwill

Key sources of estimation uncertainty

At initial recognition, future cash flows are estimated, to ensure that the initial carrying values do not exceed the expected discounted cash flows for the items of this type of assets. After initial recognition impairment testing is performed whenever there is an indication of impairment, except for goodwill for which impairment testing is performed at least once per year. Negative deviations in actual cash flows compared to estimated cash flows as well as new estimates that indicate lower future cash flows might result in recognition of impairment charges. One source of uncertainty related to future cash flows is long-term movements in exchange rates.

The market capitalization of the Company as per year-end 2010 well exceeded the value of the Company's net assets.

For further discussion on goodwill, see Note C1, "Significant Accounting Policies" and C10, "Intangible Assets". Estimates related to acquired intangible assets are based on similar assumptions and risks as for goodwill.

At December 31, 2010, the amount of acquired intellectual property rights and other intangible assets amounted to SEK 43.8 (46.1) billion, including goodwill of SEK 27.2 (27.4) billion. The Company has also recognized goodwill in ST-Ericsson of SEK 1.4 (1,3) billion, as disclosed in note C12, "Financial Assets, Non-Current". An impairment charge of SEK 0.9 (4.3) billion was recognized as a part of the restructuring program. Under this program decisions were taken to phase out certain products. The impairment charge relates to balances for these products.

Judgments made in relation to accounting policies applied

At initial recognition and subsequent remeasurement, management judgments are made, both for key assumptions and regarding impairment indicators. In the purchase price allocation made for each acquisition, the purchase price shall be assigned to the identifiable assets, liabilities and contingent liabilities based on fair values for these assets. Any remaining excess value is reported as goodwill. This allocation requires management judgment as well as the definition of cash generating units for impairment testing purposes. Other judgments might result in significantly different results and financial position in the future.

Provisions

WARRANTY PROVISIONS

Key sources of estimation uncertainty

Provisions for product warranties are based on current volumes of products sold still under warranty and on historic quality rates for mature products as well as estimates and assumptions on future quality rates for new products and estimates of costs to remedy the various qualitative issues that might occur. Total provisions for product warranties as of December 31, 2010, amounted to SEK 2.5 (2.5) billion.

PROVISIONS OTHER THAN WARRANTY PROVISIONS

Key sources of estimation uncertainty

Provisions, other than warranty provisions, mainly comprise amounts related to contractual obligations and penalties to customers and estimated losses on customer contracts, restructuring, risks associated with patent and other litigations, supplier or subcontractor claims and/or disputes, as well as provisions for unresolved income tax and value added tax issues. The estimates related to the amounts of provisions for penalties, claims or losses receive special attention from the management. At December 31, 2010, provisions other than warranty commitments amounted to SEK 7.3 (9.9) billion. For further detailed information, see Note C18, "Provisions".

Judgments made in relation to accounting policies applied

Whether a present obligation is probable or not requires judgment. The nature and type of risks for these provisions differ and management's judgment is applied regarding the nature and extent of obligations in deciding if an outflow of resources is probable or not.

Pension and other post-employment benefits

Key sources of estimation uncertainty

Accounting for the costs of defined benefit pension plans and other applicable post-employment benefits is based on actuarial valuations, relying on key estimates for discount rates, expected return on plan assets, future salary increases, employee turnover rates and mortality tables. The discount rate assumptions are based on rates for high-quality fixed-income investments with durations as close as possible to the Company's pension plans. Expected returns on plan assets consider long-term historical returns, allocation of assets and estimates of future long-term investment returns. At December 31, 2010, defined benefit obligations for pensions and other post-employment benefits amounted to SEK 28.7 (30.7) billion and fair value of plan assets to SEK 25.4 (23.2) billion. For more information on estimates and assumptions, see Note C17, "Post-Employment Benefits".

Financial instruments, hedge accounting and foreign exchange risks

Key sources of estimation uncertainty

Foreign exchange risk in highly probable sales and purchases in future periods are hedged using foreign exchange derivative instruments designated as cash-flow hedges. Forecasts are based on estimations of future transactions, a forecast is therefore per definition uncertain to some degree.

Judgments made in relation to accounting policies applied

Establishing highly probable sales and purchases volumes involve gathering and evaluating sales and purchases estimates for future periods as well as analyzing actual outcome versus estimates on a regular basis in order to fulfill effectiveness testing requirements for hedge accounting. Changes in estimates of sales and purchases might result in that hedge accounting is discontinued.

For further information regarding risks in financial instruments, see Note C20, "Financial Risk Management and Financial Instruments".

C3 SEGMENT INFORMATION

Operating segments

When determining our operating segments, we have looked at which markets and what type of customers our products and services aim to attract as well as what distribution channels they are sold through. We have also considered commonality regarding technology, research and development. To best reflect our business focus and to facilitate comparability with peers, we report five operating segments:

- Networks
- Professional Services
- Multimedia
- Sony Ericsson
- ST-Ericsson

Networks delivers products and solutions for mobile and fixed broadband access, core networks, and transmission. The offering includes:

- Radio access solutions that interconnect with devices such as mobile phones, notebooks and PCs, supporting all major standardized mobile technologies.
- Fixed access solutions for both fiber and copper, such as GPON and DSL, increase the customers' ability to modernize fixed networks to enable IP-based services with high bandwidth.
- IP core network solutions (switching, routing and control) include softswitches, IP infrastructure for edge- and core routing, IP Multimedia Subsystem (IMS) and media gateways.
- Transmission/backhaul; microwave (MINI-LINK) and optical transmission solutions for mobile and fixed networks.
- Network management tools; supporting operators' management of existing networks as well as introduction of new network architectures, technologies and services. This includes tools for configuration, performance monitoring, security management, inventory management and software upgrades.

Global Services delivers managed services, consulting and systems integration, customer support and network rollout services. The offering includes:

- Managed services comprise solutions for network design and planning, network operations (the management of day-to-day operations of customer networks), field operations and site maintenance and shared solutions such as hosting of platforms and applications.
- Consulting and Systems integration; technology and operational consulting, integration of multi-vendor equipment, design and integration of new solutions and handling of technology change and transformation programs, learning services and optimization services ensuring the best possible user experience. Industry-specific solutions for vertical industries are also included.
- Customer support; staff world-wide provide around-the-clock support and advice to ensure network uptime and performance.
- Network rollout services, deploying new networks, modernizing and expanding existing networks.

Multimedia provides enablers and applications for operators. The offering includes:

- TV solutions; a suite of open, standards-based digital TV solutions in HD, 3G or standard quality (real- time and on- demand), combined with interactive services. The offering includes IPTV solutions, video compression, on-demand solutions, content management systems, advertising and interactive TV applications for operators, service providers, advertisers and content providers.
- Consumer and business applications; solutions for the consumer include service delivery platforms, Rich Communication Suite (RCS), messaging, a social media portal, and location-based services. Enterprise market solutions include converged business communication solutions such as Ericsson Business Communication Suite (BCS). Brokering solutions facilitate payment and distribution of content.
- Business Support Systems includes Revenue Management (Pre-paid, Post-paid, convergent Charging and Billing), Customer Care, Provisioning, Device Management and Analytics.

Sony Ericsson, the joint venture delivers innovative and feature-rich mobile phones and accessories. The JV forms an essential part of our end-to-end capability for mobile multimedia services.

ST-Ericsson, the joint venture develops semiconductors and wireless platforms for GSM, EDGE, WCDMA, HSPA, TD-SCDMA and LTE to handset manufacturers, as well as to mobile operators and device manufacturers.

Sony Ericsson's and ST-Ericsson's results are reported according to the equity method under "Share in earnings of joint ventures and associated companies" in the income statement.

Unallocated

Some revenues, costs, assets and liabilities are not identified as part of any operating segment and are therefore not allocated. Examples of such items are costs for corporate staff, IT costs and general marketing costs.

Regions

Our Regions are our primary sales channel. The Company operates world-wide and reports its operations divided into ten regions. Other includes sales of for example embedded modules, cables, power modules as well as licensing and IPR.

- North America
- Latin America
- Northern Europe & Central Asia
- Western and Central Europe
- Mediterranean
- Middle East
- Sub-Saharan Africa
- India
- China & North East Asia
- South East Asia & Oceania
- Other

Major customers

The Company does not have any customer for which revenues from transactions have exceeded 10 percent of the Company's total revenues for the years 2010, 2009 or 2008.

We derive most of our sales from large, multi-year agreements with a limited number of significant customers. Out of a customer base of approximately 400, mainly network operators, the 10 largest customers account for 46 (42) percent of our net sales. Our largest customer accounted for approximately 8 (5) percent of sales in 2010. For more information, see Risk Factors, "Market, Technology and Business Risks".

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OPERATING SEGMENTS

2010	Networks	Global Services	Multi-media	Sony Ericsson	ST-Ericsson	Total Segments	Unallo-cated	Elimi-nations [1]	Group
Segment sales	111,459	80,117	10,504	60,118	13,116	275,314	–	–73,234	202,080
Inter-segment sales	1,249	6	13	60	3,403	4,731	–	–3,463	1,268
Net sales	**112,708**	**80,123**	**10,517**	**60,178**	**16,519**	**280,045**	**–**	**–76,697**	**203,348**
Operating income	**12,481**	**6,513**	**–643**	**1,523**	**–3,527**	**16,347**	**–805**	**913**	**16,455**
Operating margin (%)	11%	8%	–6%	3%	–21%	6%	–	–	8%
Financial income									1,047
Financial expenses									–1,719
Income after financial items									**15,783**
Taxes									–4,548
Net income									**11,235**
Other segment items									
Share in earnings of joint ventures and associated companies	–64	–17	–2	664	–1,763	–1,182	10	–	–1,172
Amortization	–4,554	–303	–806	–25	–930	–6,618	–	955	–5,663
Depreciation	–2,600	–555	–144	–731	–1,022	–5,052	–	1,753	–3,299
Impairment losses	–675	–276	–52	–	–61	–1,064	–	61	–1,003
Reversals of impairment losses	9	2	1	–	–	12	–	–	12
Restructuring expenses	–3,915	–2,675	–207	–402	–536	–7,735	–17	469	–7,283
Gains/losses from divestments	154	53	92	–	–	299	59	–	358

[1] Sony Ericsson and ST-Ericsson are accounted for in accordance with the equity method. The difference between what is reported to the CODM and externally is eliminated in the Eliminations column.

REGIONS

2010	Net sales	Non-current assets [3]
North America	49,473	7,251
Of which the United States	*46,104*	*6,977*
Latin America	17,882	1,998
Northern Europe & Central Asia [1) 2)]	12,171	42,112
Western & Central Europe [2)]	19,868	8,629
Mediterranean	22,628	1,523
Middle East	15,099	84
Sub-Saharan Africa	9,194	51
India	8,626	262
China & North East Asia	25,965	3,795
Of which China	*14,633*	*1,013*
South East Asia & Oceania	14,902	351
Other [1) 2)]	7,540	–
Total	**203,348**	**66,056**
[1)] *Of which Sweden*	*4,237*	*41,683*
[2)] *Of which EU*	*43,707*	*46,563*

[3)] *Total non-current assets excluding financial instruments, deferred tax assets, and post-employment benefit assets.*

For employee information, see Note C29, “Information Regarding Members of the Board of Directors, the Group Management and Employees”.

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OPERATING SEGMENTS

2009	Networks [1]	Global Services [1]	Multimedia	Sony Ericsson	ST-Ericsson	Total Segments	Unallocated	Eliminations [2]	Group
Segment sales	113,339	79,038	12,996	71,984	13,535	290,892	–	–85,519	205,373
Inter-segment sales	746	82	276	164	5,731	6,999	–	–5,895	1,104
Net sales	**114,085**	**79,120**	**13,272**	**72,148**	**19,266**	**297,891**	**–**	**–91,414**	**206,477**
Operating income	**7,598** [3]	**6,271** [4]	**655**	**–10,820**	**–2,615**	**1,089**	**–855**	**5,684**	**5,918**
Operating margin (%)	7%	8%	5%	–15%	–14%	0%	–	–	3%
Financial income									1,874
Financial expenses									–1,549
Income after financial items									**6,243**
Taxes									–2,116
Net income									**4,127**
Other segment items									
Share in earnings of joint ventures and associated companies	37	33	–1	–5,693	–1,762	–7,386	–14	–	–7,400
Amortization	–2,673	–574	–910	–165	–828	–5,150	–	941	–4,209
Depreciation	–2,768	–627	–155	–1,124	–997	–5,671	–	2,121	–3,550
Impairment losses	–4,333 [3]	–	–80	–	–46	–4,459	–	46	–4,413
Reversals of impairment losses	38	9	2	–	–	49	–	–	49
Restructuring expenses	–8,358 [3]	–2,434	–385	–1,754	–890	–13,821	–82	1,322	–12,581
Gains/losses from divestments	10	777 [4]	41	–	47	875	–32	–	843

[1] Amounts for 2009 and 2008 have been restated to be consistent with the segment allocation method applied as from 2010.

[2] Sony Ericsson and ST-Ericsson are accounted for in accordance with the equity method. The difference between what is reported to the CODM and externally is eliminated in the Eliminations column.

[3] Including impairment losses related to restructuring activities of SEK 4.3 billion.

[4] In Q2 2009, the TEMS business was divested, resulting in a capital gain of SEK 0.8 billion.

REGIONS

2009	Net sales	Non-current assets [3]
North America	23,912	8,359
Of which the United States	*21,538*	*8,100*
Latin America	20,025	2,066
Northern Europe & Central Asia [1] [2]	11,981	44,091
Western & Central Europe [2]	22,459	11,713
Mediterranean	25,161	1,352
Middle East	18,250	115
Sub-Saharan Africa	15,341	49
India	15,262	225
China & North East Asia	25,960	988
Of which China	*18,455*	*903*
South East Asia & Oceania	20,849	417
Other [1] [2]	7,277	–
Total	**206,477**	**69,375**
[1] *Of which Sweden*	*4,096*	*43,574*
[2] *Of which EU*	*49,313*	*49,158*

[3] *Total non-current assets excluding financial instruments, deferred tax assets, and post-employment benefit assets.*

For employee information, see Note C29, "Information Regarding Members of the Board of Directors, the Group Management and Employees".

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OPERATING SEGMENTS

2008	Networks [1]	Global Services [1]	Multimedia [2]	Sony Ericsson	Total Segments	Unallocated	Eliminations [3]	Group
Segment sales	120,504	70,467	12,614	108,492	312,077	–	–108,492	203,585
Inter-segment sales	16	41	5,288	261	5,606	–	–261	5,345
Net sales	**120,520**	**70,508**	**17,902**	**108,753**	**317,683**	**–**	**–108,753**	**208,930**
Operating income	**12,540**	**4,951**	**–118**	**–1,094**	**16,279**	**–618**	**591**	**16,252**
Operating margin (%)	10%	7%	–1%	0%	5%	–	–	8%
Financial income								3,458
Financial expenses								–2,484
Income after financial items								**17,226**
Taxes								–5,559
Net income								**11,667**
Other segment items								
Share in earnings of joint ventures and associated companies	–25	91	1	-503	–436	–	–	–436
Amortization	–3,210	–368	–1,429	–53	–5,060	1	53	–5,006
Depreciation	–2,347	–532	–228	–1,138	–4,245	–1	1,138	–3,108
Impairment losses	–547	–	–19	–	–566	–	–	–566
Reversals of impairment losses	6	1	–	–	7	–	–	7
Restructuring expenses	–4,870	–1,533	–337	–1,692	–8,432	–20	846	–7,606
Gains/losses from divestments	9	–16	992	–	985	113	–	1,098

[1] Amounts for 2009 and 2008 have been restated to be consistent with the segment allocation method applied as from 2010.

[2] Multimedia figures include the Mobile Platforms business which from 2009 is part of ST-Ericsson.

[3] Sony Ericsson is accounted for in accordance with the equity method. The difference between what is reported to the CODM and externally is eliminated in the Eliminations column.

REGIONS

2008	Net sales	Non-current assets [3]
North America	15,538	8,917
Of which the United States	*14,132*	*8,829*
Latin America	22,897	1,676
Northern Europe & Central Asia [1,2]	14,854	47,037
Western & Central Europe [2]	21,502	5,537
Mediterranean	29,559	1,499
Middle East	17,844	70
Sub-Saharan Africa	15,339	54
India	15,204	156
China & North East Asia	22,081	816
Of which China	*15,068*	*688*
South East Asia & Oceania	20,978	464
Other [1,2]	13,134	–
Total	**208,930**	**66,226**
[1] *Of which Sweden*	*8,876*	*46,458*
[2] *Of which EU*	*57,601*	*52,945*

[3] *Total non-current assets excluding financial instruments, deferred tax assets, and post-employment benefit assets.*

For employee information, see Note C29, "Information Regarding Members of the Board of Directors, the Group Management and Employees".

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C4 NET SALES

NET SALES	2010	2009	2008
Sales of products and network rollout services	**140,222**	145,873	150,846
Of which:			
Delivery-type contracts	***140,156***	*144,908*	*148,358*
Construction-type contracts	***66***	*965*	*2,488*
Professional Services sales	**58,529**	56,123	48,978
License revenues [1]	**4,597**	4,481	9,106
Net sales	**203,348**	206,477	208,930
Export sales from Sweden	**100,070**	94,829	109,254

[1] The ST-Ericsson joint venture was formed in February 2009, figures for 2008 include licenses revenues from Mobile Platforms.

C5 EXPENSES BY NATURE

EXPENSES BY NATURE	2010	2009	2008
Goods and services	**130,725**	124,627	138,298
Amortization and depreciation	**8,962**	7,759	8,114
Impairments and obsolescence allowances, net of reversals	**966**	5,637	2,680
Employee remunerations	**57,183**	54,877	51,297
Interest expenses	**1,719**	1,549	2,484
Taxes	**4,548**	2,116	5,559
Expenses incurred	**204,103**	196,565	208,432
Less:			
Inventory changes [1]	**8,465**	–4,784	3,761
Additions to Capitalized development	**1,647**	1,443	1,409
Expenses charged to the Income Statement	**193,991**	199,906	203,262

[1] The inventory changes are based on changes of gross inventory values prior to obsolescence allowances.

The cost reduction program, initiated in first quarter 2009, has been completed by the second quarter 2010. Total restructuring charges in 2010 were SEK 6.8 (11.3) b. Cost and capital efficiency remain high on the company agenda and efficiency work will continue also in 2011. This primarily relates to service delivery, product development and administration. Restructuring charges are included in the expenses presented above.

RESTRUCTURING CHARGES BY FUNCTION	2010	2009	2008
Cost of sales	**3,354**	4,180	2,540
R&D expenses	**1,682**	6,045	2,648
Selling and administrative expenses	**1,778**	1,034	1,572
Total restructuring charges	**6,814**	11,259	6,760

C6 OTHER OPERATING INCOME AND EXPENSES

OTHER OPERATING INCOME AND EXPENSES	2010	2009	2008
Gains on sales of intangible assets and PP&E	**301**	193	302
Losses on sales of intangible assets and PP&E	**–422**	–126	–190
Gains on sales of investments and operations	**577**	962	1,236
Losses on sales of investments and operations	**–219**	–119	–138
Capital gains/losses, net	**237**	910	1,210
Other operating revenues	**1,766**	2,172	1,767
Total other operating income and expenses	**2,003**	3,082	2,977

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C7 FINANCIAL INCOME AND EXPENSES

FINANCIAL INCOME AND EXPENSES

	2010 Financial income	2010 Financial expenses	2009 Financial income	2009 Financial expenses	2008 Financial income	2008 Financial expenses
Contractual interest on financial assets	**811**	**–**	1,287	–	2,938	–
Of which on financial assets at fair value through profit or loss	***304***	**–**	*814*	–	*2,282*	–
Contractual interest on financial liabilities	**–**	**–1,315**	–	–1,616	–	–2,023
Of which on financial liabilities at fair value through profit or loss	**–**	**–**	–	–	–	–
Net gain/loss on:						
Instruments at fair value through profit or loss [1]	**295**	**–206**	635	155	322	280
Of which included in fair value hedge relationships	**–**	***151***	–	*155*	–	*–32*
Available for sale	**–**	**–**	–	–	–	–
Loans and receivables	**–68**	**–**	–53	–	191	–
Liabilities at amortized cost	**–**	**–4**	–	–2	–	–656
Other financial income and expenses	**9**	**–194**	5	–86	7	–85
Total	**1,047**	**–1,719**	1,874	–1,549	3,458	–2,484

[1] Excluding net gain from operating assets and liabilities, SEK 1,528 million (net gain of SEK 2,247 million in 2009, net loss of SEK 4,234 million in 2008), reported as Cost of Sales.

C8 TAXES

The Company's expense for 2010 was SEK 4,548 (2,116) million or 28.8 (33.9) percent of the income after financial items. The tax rate may vary between years depending on business and geography mix. The tax rate excluding joint ventures and associated companies was 25.7 (25.7) percent mainly due to a lower tax rate on losses made by the joint venture.

INCOME TAXES RECOGNIZED IN THE INCOME STATEMENT

	2010	2009	2008
Current income taxes for the year	**–4,635**	–4,605	–5,574
Current income taxes related to previous years	**–35**	441	167
Deferred tax income/expense (–)	**307**	661	–297
Sub total	***–4,363***	*–3,503*	*–5,704*
Share of taxes in joint ventures and associated companies	**–185**	1,387	145
Taxes	**–4,548**	–2,116	–5,559

A reconciliation between actual tax expense for the year and the theoretical tax expense that would arise when applying statutory tax rate in Sweden, 26.3 percent, on income before taxes is shown in the table below.

RECONCILIATION OF SWEDISH INCOME TAX TO THE ACTUAL INCOME TAX

	2010	2009	2008
Tax rate in Sweden (26.3%)	**–4,150**	–1,643	–4,823
Effect of foreign tax rates	**–405**	–812	22
Of which joint ventures and associated companies	***–467***	*–550*	*1*
Current income taxes related to previous years	**–35**	441	167
Recognition/remeasurement of tax losses related to previous years	**–257**	8	–169
Recognition/remeasurement of deductible temporary differences related to previous years	**172**	267	62
Tax effect of non-deductible expenses	**–830**	–1,155	–986
Tax effect of non-taxable income	**880**	630	327
Tax effect of changes in tax rates	**77**	148	–159
Taxes	**–4,548**	–2,116	–5,559

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Deferred tax balances

Tax effects of temporary differences and tax loss carryforwards are attributable as shown in the table below:

TAX EFFECTS OF TEMPORARY DIFFERENCES AND TAX LOSS CARRYFORWARDS

			2010			2009
	Deferred tax assets	Deferred tax liabilities	Net balance	Deferred tax assets	Deferred tax liabilities	Net balance
Intangible assets and property, plant and equipment	543	3,725		359	3,096	
Current assets	3,398	110		2,481	53	
Post-employment benefits	976	636		852	472	
Provisions	2,019	12		2,240	–	
Equity	781	–		1,901	–	
Other	3,395	–		4,343	459	
Loss carryforwards	3,537	–		3,961	–	
Deferred tax assets/liabilities	14,649	4,483		16,137	4,080	
Netting of assets/liabilities	–1,912	–1,912		–1,810	–1,810	
Net deferred tax balances	12,737	2,571	10,166	14,327	2,270	12,057

CHANGES IN DEFERRED TAXES, NET

	2010	2009
Opening balance, net	12,057	12,120
Recognized in income statement	307	661
Recognized in OCI	–1,120	–1,040
Acquisitions/disposals of subsidiaries	–606	186
Translation differences	–472	130
Closing balance, net	10,166	12,057

Tax effects reported directly in Other Comprehensive Income amount to SEK –1,120 (–1,040) million, of which actuarial gains and losses related to pensions SEK –836 (173) million, cash flow hedges SEK –183 (–1,059) million and deferred tax on gains/losses on hedges on investments in foreign entities SEK –101 (–154) million.

Deferred tax assets are only recognized in countries where the Company expects to be able to generate corresponding taxable income in the future to benefit from tax reductions.

Significant tax loss carryforwards are related to countries with long or indefinite periods of utilization, mainly Sweden and the US. Of the total deferred tax assets for tax loss carryforwards, SEK 3,537 million, SEK 2,222 million relate to Sweden with indefinite time of utilization. Due to the Company's strong current financial position and taxable income during 2010, Ericsson has been able to utilize part of its tax loss carryforwards during the year. The assessment is that Ericsson will be able to generate sufficient income in the coming years to also utilize the remaining parts.

Deferred tax assets for Sony Ericsson and ST-Ericsson are not included, as they are accounted for in accordance with the equity method. Sony Ericsson has in its annual report deferred tax assets of EUR 574 million. The major part of the tax assets relates to the Swedish company.

INVESTMENTS IN SUBSIDIARIES

Due to losses in certain subsidiary companies, the book value of certain investments in those subsidiaries are less than the tax value of these investments. Since deferred tax assets have been reported with respect also to losses in these companies, and due to the uncertainty as to which deductions can be realized in the future, no additional deferred tax assets are reported.

TAX LOSS CARRYFORWARDS

Deferred tax assets regarding tax loss carryforwards are reported to the extent that realization of the related tax benefit through future taxable profits is probable also when considering the period during which these can be utilized, as described below.

At December 31, 2010, the available tax loss carryforwards amounted to SEK 13,030 (14,493) million. The tax effect of these tax loss carryforwards are reported as an asset.

The final years in which these loss carryforwards can be utilized are shown in the following table:

TAX LOSS CARRYFORWARDS YEAR OF EXPIRATION

Year of expiration	Tax loss carryforwards	Tax effect
2011	0	0
2012	32	7
2013	299	80
2014	898	244
2015	498	119
2016 or later	11,303	3,087
Total	13,030	3,537

Tax loss carryforwards for Sony Ericsson and ST-Ericsson are not included, as they are accounted for in accordance with the equity method.

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C9 EARNINGS PER SHARE

EARNINGS PER SHARE 2008–2010	2010	2009	2008
Basic			
Net income attributable to stockholders of the Parent Company (SEK million)	**11,146**	3,672	11,273
Average number of shares outstanding, basic (millions)	**3,197**	3,190	3,183
Earnings per share, basic (SEK)	**3.49**	1.15	3.54
Diluted			
Net income attributable to stockholders of the Parent Company (SEK million)	**11,146**	3,672	11,273
Average number of shares outstanding, basic (millions)	**3,197**	3,190	3,183
Dilutive effect for stock option plans	**–**	–	1
Dilutive effect for stock purchase plans	**29**	22	18
Average number of shares outstanding, diluted (millions)	**3,226**	3,212	3,202
Earnings per share, diluted (SEK)	**3.46**	1.14	3.52

C10 INTANGIBLE ASSETS

INTANGIBLE ASSETS 2010	Capitalized development expenses				Goodwill	Intellectual property rights (IPR), trademarks and other intangible assets		
		For internal use						
	To be marketed	Acquired costs	Internal costs	Total	Total	Trademarks, customer relationships and similar rights	Patents and acquired R&D	Total
Accumulated acquisition costs								
Opening balance	5,221	2,060	1,376	**8,657**	**27,375**	10,624	24,898	**35,522**
Acquisitions/capitalization	1,389	153	102	**1,644**	**–**	521	–	**521**
Balances regarding acquired businesses [1]	–	–	–	**–**	**1,256**	2,800	1,025	**3,825**
Sales/disposals	–	–	–	**–**	**–**	–	–55	**–55**
Contribution to joint ventures	–	–	–	**–**	**–**	–	–	**–**
Translation difference	–	–	–	**–**	**–1,480**	–363	–538	**–901**
Closing balance	**6,610**	**2,213**	**1,478**	**10,301**	**27,151**	**13,582**	**25,330**	**38,912**
Accumulated amortization								
Opening balance	–2,104	–1,630	–1,087	**–4,821**	**–**	–2,639	–9,875	**–12,514**
Amortization	–422	–145	–97	**–664**	**–**	–1,450	–3,549	**–4,999**
Sales/disposals	–	–	–	**–**	**–**	–	27	**27**
Translation difference	–	–	–	**–**	**–**	152	294	**446**
Closing balance	**–2,526**	**–1,775**	**–1,184**	**–5,485**	**–**	**–3,937**	**–13,103**	**–17,040**
Accumulated impairment losses								
Opening balance	–1,665	–55	–37	**–1,757**	**–**	–	–4,269	**–4,269**
Impairment losses [2]	–49	–	–	**–49**	**–**	–	–945	**–945**
Closing balance	**–1,714**	**–55**	**–37**	**–1,806**	**–**	**–**	**–5,214**	**–5,214**
Net carrying value	**2,370**	**383**	**257**	**3,010**	**27,151**	**9,645**	**7,013**	**16,658**

[1] For more information on acquired businesses, see Note C26 “Business Combinations”.

[2] The write-down (impairment charge) of SEK 0,9 billion is a consequence of the restructuring program decision to phase out certain products.

The goodwill is allocated to the operating segments Networks SEK 16.5 (16.5) billion, Global Services SEK 4.1 (3.7) billion and Multimedia SEK 6.6 (7.2) billion.

The recoverable amounts for cash-generating units are established as the present value of expected future cash flows. Estimation of future cash flows includes assumptions mainly for the following key financial parameters:

- Sales growth
- Development of operating income (based on operating margin or cost of goods sold and operating expenses relative to sales)
- Development of working capital and capital expenditure requirements.

The assumptions regarding revenue growth, approved by group management and each operating segment’s management, are based on industry sources and projections made within the Company for the development 2011–2015 for key industry parameters:

- The number of global mobile subscriptions is estimated to grow from 5.3 billion by the end of 2010 (6 billion by the end of 2011) to approximately 8 billion by the end of 2015. Of these, some hundred millions (approximately 450 million 2015) will have mobile PC connections, while more than 3 billion 2015 will have a mobile broadband connection.

  Mobile PC includes USB dongles and embedded modules for CDMA2000 EV-DO, HSPA, LTE, Mobile WiMax and TDSCDMA and can also be used for fixed applications.

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Mobile Broadband includes CDMA2000 EV-DO, HSPA, LTE, Mobile WiMax and TDSCDMA. It includes handsets, USB dongles and embedded modules. The vast majority is handsets.

- Fixed broadband subscriptions will grow from around 500 million (470 in 2010 and 510 in 2011) to around 600 million in the same time perspective. Fixed broadband includes Fiber, Cable and xDSL
- Mobile traffic volume is estimated to increase (around 15 times 2010–2015, around 8 times 2011–2015), while the fixed Internet traffic is estimated to increase (around 6 times 2010–2015, around 4 times 2011–2015), however from a much larger base.

The demand for multimedia solutions is driven by the opportunities for new types of service offerings enabled by IP technology and high-speed broadband. There is strong IPTV subscriber growth, rapid growth in digital viewing and on-demand services. The development and build out of Mobile Broadband networks and increasing number of mobile broadband subscriptions drives growth in service introduction and traffic. This puts high demand on charging and payment systems. The Business Support Systems' growth is driven by introduction of new services, new business models and price plans.

The demand for professional services is also driven by an increasing business and technology complexity. Therefore, operators review their business models and look for vendor partners that can take on a broader responsibility, including outsourcing of network operations.

The assumptions are also based upon information gathered in the Company's long-term strategy process, including assessments of new technology, the Company's competitive position and new types of business and customers, driven by the continued integration of telecom, data and media industries.

The impairment testing is based on specific estimates for the first five years and with a reduction of nominal annual growth rate to an average GDP growth of 3 (3) percent per year thereafter. The impairment tests for goodwill did not result in any impairment.

A number of sensitivity tests have been made, for example applying lower levels of revenue and operating income. Also when applying these estimates no goodwill impairment is indicated.

As per year end 2010, the market capitalization of the Company well exceeded the value of the Company's net assets.

An after-tax discount rate of 8 (12) percent has for all cash generating units been applied for the discounting of projected after-tax cash flows. The assumptions for 2009 are disclosed in note C10 in the Annual Report of 2009.

The Company´s discounting is based on after-tax future cash flows and after-tax discount rates. This discounting is not materially different from a discounting based on before-tax future cash flows and before-tax discount rates, as required by IFRS.

In Note C1, "Significant Accounting Policies", and Note C2, "Critical Accounting Estimates and Judgments", further disclosures are given regarding goodwill impairment testing.

INTANGIBLE ASSETS 2009

	Capitalized development expenses				Goodwill	Intellectual property rights (IPR), trade-marks and other intangible assets		
		For internal use						
	To be marketed	Acquired costs	Internal costs	Total	Total	Trademarks, customer relationships and similar rights	Patents and acquired R&D	Total
Accumulated acquisition costs								
Opening balance	5,518	1,821	1,217	**8,556**	**24,877**	9,429	20,450	**29,879**
Acquisitions/capitalization	1,045	239	159	**1,443**	**–**	602	2	**604**
Balances regarding divested/ acquired businesses [1]	–	–	–	**–**	**3,534**	811	5,021	**5,832**
Sales/disposals	–	–	–	**–**	**–21**	–142	–	**–142**
Contribution to joint ventures	–1,342	–	–	**–1,342**	**–**	–	–	**–**
Translation difference	–	–	–	**–**	**–1,015**	–76	–575	**–651**
Closing balance	**5,221**	**2,060**	**1,376**	**8,657**	**27,375**	**10,624**	**24,898**	**35,522**
Accumulated amortization								
Opening balance	–1,570	–1,562	–1,042	**–4,174**	**–**	–2,425	–6,853	**–9,278**
Amortization	–534	–68	–45	**–647**	**–**	–360	–3,202	**–3,562**
Sales/disposals	–	–	–	**–**	**–**	131	–	**131**
Translation difference	–	–	–	**–**	**–**	15	180	**195**
Closing balance	**–2,104**	**–1,630**	**–1,087**	**–4,821**	**–**	**–2,639**	**–9,875**	**–12,514**
Accumulated impairment losses								
Opening balance	–1,508	–55	–37	**–1,600**	**–**	–	–14	**–14**
Impairment losses [2]	–157	–	–	**–157**	**–**	–	–4,255	**–4,255**
Closing balance	**–1,665**	**–55**	**–37**	**–1,757**	**–**	**–**	**–4,269**	**–4,269**
Net carrying value	**1,452**	**375**	**252**	**2,079**	**27,375**	**7,985**	**10,754**	**18,739**

[1] During 2009, Ericsson acquired Nortel SEK 8.7 billion.

[2] The write-down (impairment charge) of SEK 4.3 billion is a consequence of the restructuring program decision to phase out certain products.

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C11 PROPERTY, PLANT AND EQUIPMENT

PROPERTY, PLANT AND EQUIPMENT 2010	Real estate	Machinery and other technical assets	Other equipment, tools and installations	Construction in process and advance payments	Total
Accumulated acquisition costs					
Opening balance	4,217	5,298	18,087	578	28,180
Additions	283	411	1,480	1,512	3,686
Balances regarding divested/acquired businesses	14	4	473	–5	486
Sales/disposals	–102	–543	–1,449	–148	–2,242
Reclassifications	87	190	817	–1,094	–
Translation difference	–261	–356	–832	–29	–1,478
Closing balance	**4,238**	**5,004**	**18,576**	**814**	**28,632**
Accumulated depreciation					
Opening balance	–1,692	–3,557	–13,058	–	–18,307
Depreciation	–361	–629	–2,309	–	–3,299
Balances regarding divested businesses	–2	–3	–297	–	–302
Sales/disposals	60	553	1,384	–	1,997
Reclassifications	4	9	–13	–	–
Translation difference	122	250	598	–	970
Closing balance	**–1,869**	**–3,377**	**–13,695**	**–**	**–18,941**
Accumulated impairment losses					
Opening balance	–45	–91	–131	–	–267
Impairment losses	–	–6	–3	–	–9
Reversals of impairment losses	–	–	12	–	12
Sales/disposals	–	–	–	–	–
Translation difference	2	2	3	–	7
Closing balance	**–43**	**–95**	**–119**	**–**	**–257**
Net carrying value	**2,326**	**1,532**	**4,762**	**814**	**9,434**

Contractual commitments for the acquisition of property, plant and equipment as per December 31, 2010, amounted to SEK 303 (236) million.

The reversal of impairment losses have been reported under Cost of sales.

PROPERTY, PLANT AND EQUIPMENT 2009	Real estate	Machinery and other technical assets	Other equipment, tools and installations	Construction in process and advance payments	Total
Accumulated acquisition costs					
Opening balance	4,054	6,131	18,058	795	29,038
Additions	362	657	1,699	1,288	4,006
Balances regarding divested/acquired businesses	–	–183	–95	–1	–279
Sales/disposals	–282	–1,241	–2,184	–148	–3,855
Reclassifications	240	151	947	–1,338	–
Translation difference	–157	–217	–338	–18	–730
Closing balance	**4,217**	**5,298**	**18,087**	**578**	**28,180**
Accumulated depreciation					
Opening balance	–1,545	–4,211	–12,967	–	–18,723
Depreciation	–303	–735	–2,512	–	–3,550
Balances regarding divested businesses	–	112	191	–	303
Sales/disposals	174	1,188	1,873	–	3,235
Reclassifications	–75	–51	126	–	–
Translation difference	57	140	231	–	428
Closing balance	**–1,692**	**–3,557**	**–13,058**	**–**	**–18,307**
Accumulated impairment losses					
Opening balance	–47	–125	–148	–	–320
Impairment losses	–	–	–1	–	–1
Reversals of impairment losses	–	33	16	–	49
Sales/disposals	–	–	–	–	–
Translation difference	2	1	2	–	5
Closing balance	**–45**	**–91**	**–131**	**–**	**–267**
Net carrying value	**2,480**	**1,650**	**4,898**	**578**	**9,606**

Contractual commitments for the acquisition of property, plant and equipment as per December 31, 2009, amounted to SEK 236 (229) million.

The reversal of impairment losses have been reported under Cost of sales.

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C12 FINANCIAL ASSETS, NON-CURRENT

EQUITY IN JOINT VENTURES AND ASSOCIATED COMPANIES

	Joint ventures 2010	Joint ventures 2009	Associated companies 2010	Associated companies 2009	Total 2010	Total 2009
Opening balance	**10,317**	6,694	**1,261**	1,294	**11,578**	7,988
Share in earnings	**–1,099**	–7,455	**–73**	55	**–1,172**	–7,400
Taxes	**–181**	1,388	**–4**	–1	**–185**	1,387
Translation difference	**–391**	–277	**–47**	–17	**–438**	–294
Change in hedge reserve	**22**	6	**–**	–	**22**	6
Pensions	**–20**	21	**–**	–	**–20**	21
Dividends	**–**	–	**–119**	–70	**–119**	–70
Contributions to joint ventures and associated companies	**–**	9,941 [1]	**138**	2	**138**	9,943
Reclassification	**–**	–1	**–1**	–2	**–1**	–3
Closing balance	**8,648** [2]	10,317 [2]	**1,155** [3]	1,261	**9,803**	11,578

[1] Including contribution of SEK 5.0 billion paid to STMicroelectronics.

[2] Including goodwill for ST-Ericsson of SEK 1,381 million (SEK 1,341 million in 2009).

[3] Goodwill, net, amounts to SEK 16 million (SEK 16 million in 2009).

ERICSSON'S SHARE OF ASSETS, LIABILITIES AND INCOME IN JOINT VENTURE SONY ERICSSON MOBILE COMMUNICATIONS

	2010	2009	2008
Non-current assets	**3,622**	4,003	3,228
Current assets	**9,904**	12,790	21,190
Non-current liabilities	**592**	130	157
Current liabilities	**10,533**	14,675	17,593
Net assets	**2,401**	1,988	6,668
Net sales	**30,089**	36,074	54,377
Income after financial items	**705**	–5,540	–400
Income taxes	**–231**	1,252	151
Net income	**474**	–4,288	–249
Net income attributable to:			
Stockholders of the Parent Company	**433**	–4,441	–353
Non-controlling interest	**41**	153	104
Assets pledged as collateral	**–**	182	–
Contingent liabilities	**16**	17	20

ERICSSON'S SHARE OF ASSETS, LIABILITIES AND INCOME IN JOINT VENTURE ST-ERICSSON

	2010	2009
Non-current assets	**6,673**	7,238
Current assets	**2,249**	3,856
Non-current liabilities	**214**	129
Current liabilities	**2,519**	2,691
Net assets	**6,189**	8,274
Net sales	**8,260**	9,633
Income after financial items	**–1,762**	–1,762
Income taxes	**50**	136
Net income	**–1,712**	–1,626
Net income attributable to:		
Stockholders of the Parent Company	**–1,713**	–1,626
Non-controlling interest	**1**	–
Assets pledged as collateral	**3**	–
Contingent liabilities	**–**	6

ERICSSON'S SHARE OF ASSETS, LIABILITIES AND INCOME IN ASSOCIATED COMPANY ERICSSON NIKOLA TESLA D.D. [1]

	2010	2009	2008
Non-current assets	**92**	311	394
Current assets	**749**	754	695
Non-current liabilities	**2**	3	6
Current liabilities	**209**	240	253
Net assets	**630**	822	830
Net sales	**784**	994	1,182
Income after financial items	**17**	90	139
Income taxes	**–1**	1	–5
Net income	**16**	91	134
Net income attributable to:			
Stockholders of the Parent Company	**16**	91	134
Non-controlling interest	**–**	–	–
Assets pledged as collateral	**4**	5	5
Contingent liabilities	**43**	151	172

[1] Ericsson's share is 49.07 percent.

All three companies apply IFRS in the reporting to Ericsson.

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OTHER FINANCIAL ASSETS, NON–CURRENT

	Other investments in shares and participations		Customer finance, non-current		Derivatives, non-current		Other financial assets, non-current	
	2010	2009	2010	2009	2010	2009	2010	2009
Accumulated acquisition costs								
Opening balance	**1,660**	1,783	**1,232**	1,082	**843**	2,814	**3,197**	3,557
Additions	**114**	1	**3,562**	408	**–**	–	**683**	389
Business combinations	**–33**	–	**–**	–	**–**	–	**–**	–
Disposals/repayments/deductions	**–**	–36	**–3,322**	–258	**–**	–	**–35**	–244
Change in value in funded pension plans [1]	**–**	–	**–**	–	**–**	–	**726**	–521
Reclassifications	**–**	–1	**–**	–	**–**	–	**–**	–
Revaluation	**–**	–	**–**	–	**–843**	–1,971	**–**	–
Translation difference	**–134**	–87	**2**	–	**–**	–	**–189**	16
Closing balance	**1,607**	1,660	**1,474**	1,232	**–**	843	**4,382**	3,197
Accumulated impairment losses/allowances								
Opening balance	**–1,404**	–1,474	**–402**	–236	**–**	–	**–1,463**	–1,454
Impairment losses/allowance	**–75**	–3	**2**	–222	**–**	–	**–7**	–74
Business combinations	**–**	–	**–**	–	**–**	–	**–**	–
Disposals/repayments/deductions	**–26**	–	**206**	56	**–**	–	**–**	–
Translation difference	**117**	73	**1**	–	**–**	–	**167**	65
Closing balance	**–1,388**	–1,404	**–193**	–402	**–**	–	**–1,303**	–1,463
Net carrying value	**219**	256	**1,281**	830	**–**	843	**3,079**	1,734

[1] This amount includes asset ceiling. For further information, see Note C17, "Post-employment benefits".

C13 INVENTORIES

INVENTORIES

	2010	2009
Raw materials, components, consumables and manufacturing work in progress	**8,509**	6,190
Finished products and goods for resale	**11,894**	6,621
Contract work in progress	**9,494**	9,907
Inventories, net	**29,897**	22,718

Contract work in progress includes amounts related to delivery-type contracts, service contracts and construction-type contracts with ongoing work in progress.

Reported amounts are net of obsolescence allowances of SEK 3,090 (2,961) million.

The increase in inventories during 2010 is due to higher level of working progress in the regions. During the year it has been industry component shortages and supply chain bottlenecks.

MOVEMENTS IN OBSOLESCENCE ALLOWANCES

	2010	2009	2008
Opening balance	**2,961**	3,493	2,752
Additions, net	**250**	562	1,553
Utilization	**–165**	–1,297	–1,039
Translation difference	**–46**	2	250
Balances regarding acquired/divested businesses	**90**	201	–23
Closing balance	**3,090**	2,961	3,493

The amount of inventories recognized as expense and included in Cost of sales was SEK 47,415 (52,255) million.

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C14 TRADE RECEIVABLES AND CUSTOMER FINANCE

TRADE RECEIVABLES AND CUSTOMER FINANCE

	2010	2009
Trade receivables excluding associated companies and joint ventures	**61,609**	67,133
Allowances for impairment	**–766**	–924
Trade receivables, net	**60,843**	66,209
Trade receivables related to associated companies and joint ventures	**284**	201
Trade receivables, total	**61,127**	66,410
Customer finance	**4,725**	3,046
Allowances for impairment	**–321**	–772
Customer finance, net	**4,404**	2,274
Of which short term	***3,123***	*1,444*
Credit commitments for customer finance	**3,282**	3,027

Days Sales Outstanding were 88 (106) in December, 2010.

MOVEMENTS IN ALLOWANCES FOR IMPAIRMENT

	Trade receivables			Customer finance		
	2010	2009	2008	2010	2009	2008
Opening balance	**924**	1,471	1,351	**772**	326	275
Additions	**282**	388	651	**25**	595	90
Utilization	**–285**	–583	–492	**–87**	–67	–3
Reversal of excess amounts	**–169**	–312	–81	**–359**	–37	–74
Reclassification	**33**	10	–69	**–**	–	–
Translation difference	**–19**	–43	115	**–30**	–45	38
Balances regarding acquired/divested business	**–**	–7	–4	**–**	–	–
Closing balance	**766**	924	1,471	**321**	772	326

AGING ANALYSIS AS PER DECEMBER 31, 2010

				of which past due in the following time intervals		of which past due and impaired in the following time intervals	
	Amount	of which neither impaired nor past due	of which impaired, not past due	less than 90 days	90 days or more	less than 90 days	90 days or more
Trade receivables excluding associated companies and joint ventures	61,609	54,510	52	2,227	1,500	418	2,902
Allowances for impairment of receivables	–766	–	–16	–	–	–90	–660
Customer finance	4,725	3,804	528	62	85	18	228
Allowances for impairment of customer finance	–321	–	–75	–	–	–18	–228

AGING ANALYSIS AS PER DECEMBER 31, 2009

				of which past due in the following time intervals		of which past due and impaired in the following time intervals	
	Amount	of which neither impaired nor past due	of which impaired, not past due	less than 90 days	90 days or more	less than 90 days	90 days or more
Trade receivables excluding associated companies and joint ventures	67,133	58,727	43	2,962	2,081	774	2,546
Allowances for impairment of receivables	–924	–	–8	–	–	–180	–736
Customer finance	3,046	1,292	1,314	9	1	145	285
Allowances for impairment of customer finance	–772	–	–342	–	–	–145	–285

Credit risk

Credit risk is divided into three categories: credit risk in trade receivables, customer finance risk and financial credit risk (see C20, Financial Risk Management and Financial Instruments).

Credit risk in trade receivables

Credit risk in trade receivables is governed by a policy applicable for all legal entities in Ericsson. The purpose of the policy is to:

- Avoid credit losses through establishing internal standard credit approval routines in all Ericsson legal entities
- Ensure monitoring and risk mitigation of defaulting accounts, i.e. events of non-payment and/or delayed payments from customers
- Ensure efficient credit management within the Company and thereby improve Days Sales Outstanding and Cash Flow
- Ensure payment terms are commercially justifiable
- Define escalation path and approval process for payment terms and customer credit limits.

The credit worthiness of all customers is regularly assessed and a credit limit is set. Through credit management system functionality, credit checks are performed every time a sales order or an invoice is generated in the source system. This is based on the credit risk set on the customer. Credit blocks appear if the credit limit set on customer is exceeded or if past due receivables are higher than permitted levels. Release of a credit block requires authorization.

Letters of credits are used as a method for securing payments from customers operating in emerging markets, in particular in markets with unstable political and/or economic environment. By having banks confirming the letters of credit, the political and commercial credit risk exposures to Ericsson are mitigated.

Trade receivables amounted to SEK 61,609 (67,133) million as of December 31, 2010. Provisions for expected losses are regularly assessed and amounted to SEK 766 (924) million as of December 31, 2010. Ericsson's nominal credit losses have, however, historically been low. The amounts of trade receivables closely follow the distribution of Ericsson's sales and do not include any major concentrations of credit risk by customer or by geography. The five largest customers represent 29 (26) percent of the total trade receivables.

Customer finance credit risk

All major commitments to finance customers are made only after the approval by the Finance Committee of the Board of Directors according to the established credit approval process.

Prior to the approval of new facilities reported as customer finance, an internal credit risk assessment is conducted in order to assess the credit rating of each transaction (for political and commercial risk). The credit risk analysis is made by using an assessment tool, where the political risk rating is identical to the rating used by all Export Credit Agencies within the OECD. The commercial risk is assessed by analyzing a large number of parameters, which may affect the level of the future commercial credit risk exposure. The output from the assessment tool for the credit rating also include an internal pricing of the risk. This is expressed as a risk margin per annum over funding cost. The reference pricing for political and commercial risk, on which the tool is based, is reviewed using information from Export Credit Agencies and prevailing pricing in the bank loan market for structured financed deals. The objective is that the internally set risk margin shall reflect the assessed risk and that the pricing is as close as possible to the current market pricing. A reassessment of the credit rating for each customer finance facility is made on a regular basis.

Risk provisions related to customer finance risk exposures are only made upon events which occur after the financing arrangement has become effective and which are expected to have a significant adverse impact on the borrower's ability and/or willingness to service the outstanding debt. These events can be political (normally outside the control of the borrower) or commercial, e.g. a borrower's deteriorated creditworthiness.

As of December 31, 2010, Ericsson's total outstanding exposure related to customer finance was SEK 4,725 (3,046) million. As of December 31, 2010, Ericsson also had unutilized customer finance commitments of SEK 3,282 (3,027) million. During 2010 Ericsson transferred certain customer finance assets to third parties, and continues to recognize a part of such assets corresponding to the extent of its continuing involvement. The total carrying amount of the original assets transferred is SEK 3,808 (560) million, the amount of the assets that Ericsson continues to recognize is SEK 190 (28) million, and the carrying amount of the associated liabilities is SEK 190 (28) million. Customer finance is arranged for infrastructure projects in different geographic markets and for a large number of customers. As of December 31, 2010, there were a total of 74 (68) customer finance arrangements originated by or guaranteed by Ericsson. The five largest facilities represented 44 (43) percent of the total credit exposure.

Of Ericsson's total outstanding customer finance exposure as of December 31, 2010, 66 (57) percent was related to Central and Eastern Europe, Middle East and Africa, 11 (15) percent to the Americas, 9 (14) percent to Western Europe, and 14 (14) percent to Asia Pacific.

The effect of risk provisions and reversals for customer finance affecting the income statement amounted to a net positive impact of SEK 331 million compared to a negative impact of SEK 480 million in 2009. Credit losses amounted to SEK 87 (67) million. A credit loss reported in 2005 was partly recovered in 2010 for the amount of SEK 136 million.

Security arrangements for customer finance facilities normally include pledges of equipment, pledges of certain assets belonging to the borrower and pledges of shares in the operating company. Restructuring efforts for cases of troubled debt may lead to temporary holdings of equity interests. If available, third-party risk coverage is as a rule arranged. "Third-party risk coverage" means that a financial payment guarantee covering the credit risk has been issued by a bank, an export credit agency or other financial institution. A credit risk transfer under a sub participation arrangement with a bank can also be arranged. In this case the entire credit risk and the funding is taken care of by the bank for the part that they cover. A credit risk cover from a third party may also be issued by an insurance company. During 2010, Ericsson has not taken possession of any collateral it holds as security or called on any other credit enhancement.

Information about guarantees related to customer finance is included in note C24, "Contingent Liabilities".

The table below summarizes Ericsson's outstanding customer finance as of December 31, 2010 and 2009.

OUTSTANDING CUSTOMER FINANCE

	2010	2009
Total customer finance	4,725	3,046
Accrued interest	69	57
Less third-party risk coverage	–1,409	–382
Ericsson's risk exposure	3,385	2,721

C15 OTHER CURRENT RECEIVABLES

OTHER CURRENT RECEIVABLES	2010	2009
Prepaid expenses	**2,369**	2,403
Accrued revenues	**1,850**	1,538
Advance payments to suppliers	**881**	776
Derivatives with a positive value [1]	**3,042**	1,760
Taxes	**5,439**	4,830
Other	**3,565**	3,839
Total	**17,146**	15,146

[1] Also see Note C20 "Financial Risk Management and Financial Instruments"

C16 EQUITY AND OTHER COMPREHENSIVE INCOME

Capital stock 2010

Capital stock at December 31, 2010, consisted of the following:

CAPITAL STOCK Parent Company	Number of shares	Capital stock
Class A shares	261,755,983	1,309
Class B shares	3,011,595,752	15,058
Total	**3,273,351,735**	**16,367**

The capital stock of the Parent Company is divided into two classes: Class A shares (quota value SEK 5.00) and Class B shares (quota value SEK 5.00). Both classes have the same rights of participation in the net assets and earnings. Class A shares, however, are entitled to one vote per share while Class B shares are entitled to one tenth of one vote per share.

At December 31, 2010, the total number of treasury shares was 73,088,516 (78,978,533 in 2009 and 61,066,097 in 2008) Class B shares. Ericsson did not repurchase shares in 2010, in relation to the Stock Purchase Plan.

RECONCILIATION OF NUMBER OF SHARES	Number of shares	Capital stock
Number of shares Jan 1, 2010	3,273,351,735	16,367
Number of shares Dec 31, 2010	3,273,351,735	16,367

For further information about number of shares, see chapter Share information.

Dividend proposal

The Board of Directors will propose to the Annual General Meeting 2011 a dividend of SEK 2.25 per share (2.00 in 2010 and 1.85 in 2009).

Additional paid in capital

Relates to payments made by owners and includes share premiums paid.

Revaluation of other investments in shares and participations

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognized or impaired.

Cash flow hedges

The cash flow hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash-flow-hedging instruments related to hedged transactions that have not yet occurred.

Cumulative translation adjustments

The cumulative translation adjustments comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, changes regarding revaluation of goodwill in local currency as well as from the translation of liabilities that hedge the Company's net investment in foreign subsidiaries.

Retained earnings

Retained earnings, including net income for the year, comprise the earned profits of the Parent Company and its share of net income in subsidiaries, joint ventures and associated companies. Actuarial gains and losses related to pensions are included in retained earnings.

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EQUITY AND OTHER COMPREHENSIVE INCOME 2010

2010	Capital stock	Additional paid in capital	Revaluation of other investments in shares and participations	Cash flow hedges	Cumulative translation adjustments	Retained earnings	Stockholders' equity	Non-controlling interest (NCI)	Total equity
January 1, 2010	16,367	24,731	–4	78	663	98,035	**139,870**	1,157	**141,027**
Net income									
Group	–	–	–	–	–	12,503	**12,503**	89	**12,592**
Joint ventures and associated companies	–	–	–	–	–	–1,357	**–1,357**	–	**–1,357**
Other comprehensive income									
Actuarial gains and losses, and the effect of the asset ceiling, related to pensions									
Group	–	–	–	–	–	3,892	**3,892**	–	**3,892**
Joint ventures and associated companies	–	–	–	–	–	–27	**–27**	–	**–27**
Revaluation of other investments in shares and participations									
Fair value remeasurement									
Group	–	–	7	–	–	–	**7**	–	**7**
Joint ventures and associated companies	–	–	–	–	–	–	**–**	–	**–**
Cash flow hedges									
Gains/losses arising during the year									
Group	–	–	–	966	–	–	**966**	–	**966**
Joint ventures and associated companies	–	–	–	31	–	–	**31**	–	**31**
Reclassification adjustments for gains/losses included in profit or loss	–	–	–	–238 [1]	–	–	**–238**	–	**–238**
Adjustments for amounts transferred to initial carrying amount of hedged items	–	–	–	–136	–	–	**–136**	–	**–136**
Changes in cumulative translation adjustments									
Group	–	–	–	–	–3,269 [2]	–	**–3,269**	10	**–3,259**
Joint ventures and associated companies	–	–	–	–	–438	–	**–438**	–	**–438**
Tax on items relating to components of OCI [3]	–	–	–3	–183	–101 [4]	–833	**–1,120**	–	**–1,120**
Total other comprehensive income	–	–	4	440	–3,808	3,032	**–332**	10	**–322**
Total comprehensive income	**–**	**–**	**4**	**440**	**–3,808**	**14,178**	**10,814**	**99**	**10,913**
Transactions with owners									
Stock issue	–	–	–	–	–	–	**–**	–	**–**
Sale of own shares	–	–	–	–	–	52	**52**	–	**52**
Stock Purchase Plan									
Group	–	–	–	–	–	762	**762**	–	**762**
Joint ventures and associated companies	–	–	–	–	–	–	**–**	–	**–**
Dividends paid	–	–	–	–	–	–6,391	**–6,391** [5]	–286	**–6,677**
Business combinations	–	–	–	–	–	–	**–**	708	**708**
December 31, 2010	**16,367**	**24,731**	**–**	**518**	**–3,145**	**106,636**	**145,106**	**1,679**	**146,785**

[1] SEK 1,139 million is recognized in Net Sales, SEK –586 million is recognized in Cost of Sales and SEK –315 million is recognized in R&D expenses.

[2] Changes in cumulative translation adjustments include changes regarding revaluation of goodwill in local currency of SEK –1,480 million (SEK –1,015 million in 2009, SEK 2,993 million in 2008), gain/loss from hedging activities of foreign entities, SEK 385 million (SEK 586 in 2009, SEK –660 million in 2008) and SEK 140 million (SEK 10 million in 2009, SEK 13 million in 2008) of realized gain/losses net from sold/liquidated companies.

[3] For further disclosures, see note C8 "Taxes".

[4] Deferred tax on gains/losses on hedges on investments in foreign entities.

[5] Dividends paid per share amounted to SEK 2.25 (SEK 2.00 in 2009 and SEK 1.85 in 2008).

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EQUITY AND OTHER COMPREHENSIVE INCOME 2009

	Capital stock	Additional paid in capital	Revaluation of other investments in shares and participations	Cash flow hedges	Cumulative translation adjustments	Retained earnings	Stockholders' equity	Non-controlling interest (NCI)	Total equity
January 1, 2009	16,232	24,731	–1	–2,356	2,124	100,093	**140,823**	1,261	**142,084**
Net income									
Group	–	–	–	–	–	9,685	**9,685**	455	**10,140**
Joint ventures and associated companies	–	–	–	–	–	–6,013	**–6,013**	–	**–6,013**
Other comprehensive income									
Actuarial gains and losses, and the effect of the asset ceiling, related to pensions									
Group	–	–	–	–	–	–633	**–633**	–	**–633**
Joint ventures and associated companies	–	–	–	–	–	28	**28**	–	**28**
Revaluation of other investments in shares and participations									
Fair value remeasurement									
Group	–	–	–2	–	–	–	**–2**	–	**–2**
Joint ventures and associated companies	–	–	–	–	–	–	**–**	–	**–**
Cash flow hedges									
Gains/losses arising during the year									
Group	–	–	–	665	–	–	**665**	–	**665**
Joint ventures and associated companies	–	–	–	7	–	–	**7**	–	**7**
Reclassification adjustments for gains/losses included in profit or loss	–	–	–	3,850	–	–	**3,850**	–	**3,850**
Adjustments for amounts transferred to initial carrying amount of hedged items	–	–	–	–1,029	–	–	**–1,029**	–	**–1,029**
Changes in cumulative translation adjustments									
Group	–	–	–	–	–1,013	–	**–1,013**	–54	**–1,067**
Joint ventures and associated companies	–	–	–	–	–294	–	**–294**	–	**–294**
Tax on items relating to components of OCI	–	–	–1	–1,059	–154	174	**–1,040**	–	**–1,040**
Total other comprehensive income	–	–	–3	2,434	–1,461	–431	**539**	–54	**485**
Total comprehensive income	**–**	**–**	**–3**	**2,434**	**–1,461**	**3,241**	**4,211**	**401**	**4,612**
Transactions with owners									
Stock issue	135	–	–	–	–	–	**135**	–	**135**
Sale of own shares	–	–	–	–	–	75	**75**	–	**75**
Repurchase of own shares	–	–	–	–	–	–135	**–135**	–	**–135**
Stock Purchase and Stock Option Plans									
Group	–	–	–	–	–	658	**658**	–	**658**
Joint ventures and associated companies	–	–	–	–	–	–	**–**	–	**–**
Dividends paid	–	–	–	–	–	–5,897	**–5,897**	–421	**–6,318**
Business combinations	–	–	–	–	–	–	**–**	–84	**–84**
December 31, 2009	**16,367**	**24,731**	**–4**	**78**	**663**	**98,035**	**139,870**	**1,157**	**141,027**

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EQUITY AND OTHER COMPREHENSIVE INCOME 2008

	Capital stock	Additional paid in capital	Revaluation of other investments in shares and participations	Cash flow hedges	Cumulative translation adjustments	Retained earnings	Stockholders' equity	Non-controlling interest (NCI)	Total equity
January 1, 2008	16,132	24,731	5	307	–6,345	99,282	**134,112**	940	**135,052**
Net income									
Group	–	–	–	–	–	11,564	**11,564**	394	**11,958**
Joint ventures and associated companies	–	–	–	–	–	–291	**–291**	–	**–291**
Other comprehensive income									
Actuarial gains and losses related to pensions									
Group	–	–	–	–	–	–4,019	**–4,019**	–	**–4,019**
Joint ventures and associated companies	–	–	–	–	–	4	**4**		**4**
Revaluation of other investments in shares and participations									
Fair value remeasurement									
Group	–	–	–6	–	–	–	**–6**	–	**–6**
Joint ventures and associated companies	–	–	–1	–	–	–	**–1**	–	**–1**
Cash flow hedges									
Gains/losses arising during the year									
Group	–	–	–	–5,116	–	–	**–5,116**	–	**–5,116**
Joint ventures and associated companies	–	–	–	36	–	–	**36**	–	**36**
Reclassification adjustments for gains/losses included in profit or loss	–	–	–	1,192	–	–	**1,192**	–	**1,192**
Adjustments for amounts transferred to initial carrying amount of hedged items	–	–	–	–	–	–	**–**	–	**–**
Changes in cumulative translation adjustments									
Group	–	–	–	–	7,081	–	**7,081**	233	**7,314**
Joint ventures and associated companies	–	–	–	–	1,214	–	**1,214**	–	**1,214**
Tax on items relating to components of OCI	–	–	1	1,225	174	930	**2,330**	–	**2,330**
Total other comprehensive income	–	–	–6	–2,663	8,469	–3,085	**2,715**	233	**2,948**
Total comprehensive income	**–**	**–**	**–6**	**–2,663**	**8,469**	**8,188**	**13,988**	**627**	**14,615**
Transactions with owners									
Stock issue	100	–	–	–	–	–	**100**	–	**100**
Sale of own shares	–	–	–	–	–	88	**88**	–	**88**
Repurchase of own shares	–	–	–	–	–	–100	**–100**	–	**–100**
Stock Purchase and Stock Option Plans									
Group	–	–	–	–	–	589	**589**	–	**589**
Joint ventures and associated companies	–	–	–	–	–	–	**–**	–	**–**
Dividends paid	–	–	–	–	–	–7,954	**–7,954**	–286	**–8,240**
Business combinations	–	–	–	–	–	–	**–**	–20	**–20**
December 31, 2008	**16,232**	**24,731**	**–1**	**–2,356**	**2,124**	**100,093**	**140,823**	**1,261**	**142,084**

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C17 POST-EMPLOYMENT BENEFITS

Ericsson sponsors a number of post-employment benefit plans throughout the Company, which are in line with market practice in each country. The year 2010 was characterized by the overall increase in discount rates, and a higher than expected return on plan assets. Consequently, the Company experienced a decrease in the net pension liability, and an actuarial gain.

CONTENTS

Section One: Amount Recognized in the Consolidated Balance Sheet

AMOUNT RECOGNIZED IN THE CONSOLIDATED BALANCE SHEET

	Sweden	UK	Euro zone	US	Other	Total
2010						
Defined benefit obligation (DBO) [1]	14,980	5,437	3,163	2,693	2,437	**28,710**
Fair value of plan assets [2]	12,389	5,691	2,514	2,048	2,793	**25,435**
Deficit/Surplus (+/–)	2,591	–254	649	645	–356	**3,275**
Unrecognized past service costs	–	–	5	–	–60	**–55**
Closing balance	2,591	–254	654	645	–416	**3,220**
Plans with net surplus excluding asset ceiling [3]	–	290	643	–	939	**1,872**
Provision for post-employment benefits [4]	**2,591**	**36**	**1,297**	**645**	**523**	**5,092**
2009						
Defined benefit obligation (DBO) [1]	16,150	5,688	3,840	2,781	2,258	**30,717**
Fair value of plan assets [2]	10,927	5,336	2,406	1,974	2,563	**23,206**
Deficit/Surplus (+/–)	5,223	352	1,434	807	–305	**7,511**
Unrecognized past service costs	–	–	–14	–	–79	**–93**
Closing balance	5,223	352	1,420	807	–384	**7,418**
Plans with net surplus excluding asset ceiling [3]	–	190	29	–	896	**1,115**
Provision for post-employment benefits [4]	**5,223**	**542**	**1,449**	**807**	**512**	**8,533**

[1] For details on DBO, please refer to section three of this note.
[2] For details on plan assets, please refer to section four of this note.
[3] Plans with a net surplus, i.e. where plan assets exceed DBO, are reported as Other financial assets, non-current (please see Note C12 "Financial Assets").
[4] Plans with net liabilities are reported in the balance sheet as Post-employment benefits, non-current.

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Section Two: Total Pension Expenses Recognized in the Income Statement

The expenses for post-employment benefits within Ericsson are distributed between defined contribution plans and defined benefit plans, with a trend toward defined contribution plans.

PENSION COSTS FOR DEFINED CONTRIBUTION PLANS AND DEFINED BENEFIT PLANS

	Sweden	UK	Euro zone	US	Other	Total
2010						
Pension cost for defined contribution plans	1,037	95	433	244	192	**2,001**
Pension cost for defined benefit plans [1]	762	153	159	30	–14	**1,090**
Total	**1,799**	**248**	**592**	**274**	**178**	**3,091**
Total pension cost expressed as a percentage of wages and salaries						**7.1%**
2009						
Pension cost for defined contribution plans	1,686	73	385	124	185	**2,453**
Pension cost for defined benefit plans [1]	674	66	202	49	144	**1,135**
Total	**2,360**	**139**	**587**	**173**	**329**	**3,588**
Total pension cost expressed as a percentage of wages and salaries						**8.7%**
2008						
Pension cost for defined contribution plans	1,607	40	345	114	72	**2,178**
Pension cost for defined benefit plans [1]	625	156	179	35	33	**1,028**
Total	**2,232**	**196**	**524**	**149**	**105**	**3,206**
Total pension cost expressed as a percentage of wages and salaries						**8.3%**

[1] See cost details in table below.

COST DETAILS FOR DEFINED BENEFIT PLANS RECOGNIZED IN THE INCOME STATEMENT

	Sweden	UK	Euro zone	US	Other	Total
2010						
Current service cost	631	161	129	32	140	**1,093**
Interest cost	643	314	182	159	172	**1,470**
Expected return on plan assets	–511	–322	–141	–130	–253	**–1,357**
Past service cost	–	–	33	–	9	**42**
Curtailments, settlements and other	–1	–	–44	–31	–82	**–158**
Total	**762**	**153**	**159**	**30**	**–14**	**1,090**
2009						
Current service cost	594	205	138	35	131	**1,103**
Interest cost	590	284	194	171	155	**1,394**
Expected return on plan assets	–366	–270	–125	–156	–208	**–1,125**
Past service cost	–	–	5	–	25	**30**
Curtailments, settlements and other	–144	–153	–10	–1	41	**–267**
Total	**674**	**66**	**202**	**49**	**144**	**1,135**
2008						
Current service cost	539	186	141	29	122	**1,017**
Interest cost	549	299	160	142	133	**1,283**
Expected return on plan assets	–431	–310	–143	–137	–201	**–1,222**
Past service cost	–	–	11	–	8	**19**
Curtailments, settlements and other	–32	–19	10	1	–29	**–69**
Total	**625**	**156**	**179**	**35**	**33**	**1,028**

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Sections three to six focus on the defined benefit plans
Section Three: Change in the Defined Benefit Obligation, DBO

The DBO is the gross pension liability.

CHANGE IN THE DEFINED BENEFIT OBLIGATION

	Sweden	UK	Euro zone	US	Other	Total
2010						
Opening balance	16,150	5,688	3,840	2,781	2,258	**30,717**
Current service cost	631	161	129	32	140	**1,093**
Interest cost	643	314	182	159	172	**1,470**
Employee contributions	–	11	4	–	5	**20**
Pension payments	–159	–99	–82	–169	–194	**–703**
Actuarial gain/loss (–/+)	–2,285	–157	–569	46	104	**–2,861**
Settlements	–	–	–14	–	–104	**–118**
Curtailments	–1	–	–30	–38	–93	**–162**
Business combinations [1]	–	–	74	–	148	**222**
Other	1	–20	95	30	8	**114**
Translation difference	–	–461	–466	–148	–7	**–1,082**
Closing balance	**14,980**	**5,437**	**3,163**	**2,693**	**2,437**	**28,710**
Of which medical benefit schemes	–	–	–	*594*	–	***594***
2009						
Opening balance	14,866	4,867	3,557	2,789	1,931	**28,010**
Current service cost	594	205	138	35	131	**1,103**
Interest cost	590	284	194	171	155	**1,394**
Employee contributions	–	14	4	–	12	**30**
Pension payments	–107	–108	–90	–172	–142	**–619**
Actuarial gain/loss (–/+)	351	543	204	143	–120	**1,121**
Settlements	–	–	–	–	–1	**–1**
Curtailments	–144	–153	–14	–	–	**–311**
Business combinations	–	–	–	–	–13	**–13**
Other	–	–13	74	26	40	**127**
Translation difference	–	49	–227	–211	265	**–124**
Closing balance	**16,150**	**5,688**	**3,840**	**2,781**	**2,258**	**30,717**
Of which medical benefit schemes	–	–	–	*631*	–	***631***

[1] Business combinations in 2010 are related to the acquisition of LG-Nortel and Pride Spa.

FUNDED STATUS

The funded ratio, defined as total plan assets in relation to the total defined benefit obligation (DBO), was 88.6 percent in 2010, compared to 75.5 percent in 2009.

The following table summarizes the value of the DBO per geographical area based on whether there are plan assets wholly or partially funding each pension plan.

VALUE OF THE DEFINED BENEFIT OBLIGATION

	Sweden	UK	Euro zone	US	Other	Total
2010						
DBO, closing balance	14,980	5,437	3,163	2,693	2,437	**28,710**
Of which partially or fully funded	*14,527*	*5,437*	*2,086*	*2,072*	*1,998*	***26,120***
Of which unfunded	*453*	–	*1,077*	*621*	*439*	***2,590***
2009						
DBO, closing balance	16,150	5,688	3,840	2,781	2,258	**30,717**
Of which partially or fully funded	*15,660*	*5,688*	*2,659*	*2,119*	*1,813*	***27,939***
Of which unfunded	*490*	–	*1,181*	*662*	*445*	***2,778***

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Section Four: Change in the Plan Assets

A majority of pension plans have assets managed by local Pension Trust funds, whose sole purpose is to secure the future pension payments to the employees.

CHANGE IN THE PLAN ASSETS

	Sweden	UK	Euro zone	US	Other	Total
2010						
Opening balance	10,927	5,336	2,406	1,974	2,563	**23,206**
Expected return on plan assets	511	322	141	130	253	**1,357**
Actuarial gain/loss (+/–)	222	265	105	103	–42	**653**
Employer contributions	729	343	173	58	93	**1,396**
Employee contributions	–	11	3	–	5	**19**
Pension payments	–	–119	–43	–103	–119	**–384**
Settlements	–	–	–	–	–104	**–104**
Business combinations [1]	–	–	–	–	164	**164**
Other	–	–	53	–	–4	**49**
Translation difference	–	–467	–324	–114	–16	**–921**
Closing balance	**12,389**	**5,691**	**2,514**	**2,048**	**2,793**	**25,435**
2009						
Opening balance	8,181	4,407	2,330	2,289	1,830	**19,037**
Expected return on plan assets	366	270	125	156	208	**1,125**
Actuarial gain/loss (+/–)	1,076	342	–136	–253	162	**1,191**
Employer contributions	1,305	387	213	49	122	**2,076**
Employee contributions	–	14	4	–	12	**30**
Pension payments	–	–122	–75	–115	–125	**–437**
Settlements	–	–	–	–	–	**–**
Business combinations	–	–	–1	–	–11	**–12**
Other	–1	–	90	–	–2	**87**
Translation difference	–	38	–144	–152	367	**109**
Closing balance	**10,927**	**5,336**	**2,406**	**1,974**	**2,563**	**23,206**

[1] Business combinations in 2010 are related to the acquisition of LG-Nortel.

Refunds from or reductions in future contributions to plan assets are recognized if they are available and firmly decided.

ACTUAL RETURN ON PLAN ASSETS

	Sweden	UK	Euro zone	US	Other	Total
2010	733	587	246	233	211	**2,010**
2009	1,441	612	–10	–97	370	**2,316**

ASSET ALLOCATION

	Sweden	UK	Euro zone	US	Other	Total
2010						
Equities	4,326	2,028	1,277	1,134	458	**9,223**
Interest-bearing securities	7,508	3,207	970	870	1,837	**14,392**
Other	555	456	267	44	498	**1,820**
Total	**12,389**	**5,691**	**2,514**	**2,048**	**2,793**	**25,435**
Of which Ericsson securities	–	–	–	–	–	–
2009						
Equities	3,824	1,825	1,094	1,069	394	**8,063**
Interest-bearing securities	7,103	2,801	1,051	741	1,747	**13,586**
Other	–	710	261	164	422	**1,557**
Total	**10,927**	**5,336**	**2,406**	**1,974**	**2,563**	**23,206**
Of which Ericsson securities	–	–	–	–	–	–

Equity instruments amount to 36 (35) percent of the total assets, interest bearing instruments amount to 57 (59) percent of the total assets, and other instruments amount to 7 (6) percent of the total assets.

The contributions to the defined benefit plans for the upcoming year will be based on the development of the financial markets as well as on the growth of the pension liability, and how these developments affect the target funding ratio of the Company.

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Section Five: Actuarial Gains and Losses Reported Directly in Other Comprehensive Income

ACTUARIAL GAINS AND LOSSES REPORTED DIRECTLY IN OTHER COMPREHENSIVE INCOME	2010	2009
Cumulative gain/loss (–/+) at beginning of year	**5,326**	5,402
Recognized gain/loss (–/+) during the year	**–3,514**	–70
Translation difference	**37**	–6
Cumulative gain/loss (–/+) at end of year	**1,849**	5,326

Since January 1, 2006, Ericsson applies immediate recognition of actuarial gains and losses directly in the statement of Other Comprehensive Income. Actuarial gains and losses may arise from either a change in actuarial assumptions or in deviations between estimated and actual outcome.

Actuarial gains/losses (–/+) related to IFRIC 14 “The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction”, had an effect on other comprehensive income amounting to SEK 29 million in 2010 (SEK 662 million in 2009). For further details, see Note C12, “Financial Assets, Non-Current”.

MULTI-YEAR SUMMARY	2010	2009	2008	2007	2006
Plan assets	**25,435**	23,206	19,037	20,236	18,395
DBO	**28,710**	30,717	28,010	25,226	24,612
Deficit/Surplus (–/+)	**–3,275**	–7,511	–8,973	–4,990	–6,217
Actuarial gains and losses (–/+)					
Experience-based adjustments of pension obligations	**177**	310	57	–76	232
Experience-based adjustments of plan assets	**–653**	–1,191	2,952	59	–358

Section Six: Actuarial Assumptions

ACTUARIAL ASSUMPTIONS	Sweden	UK	Euro zone [1]	US [1]	Other [1]
2010					
Discount rate	4.80%	5.40%	5.59%	5.73%	8.55%
Expected return on plan assets for the year	4.55%	6.00%	6.27%	7.00%	9.91%
Future salary increases	3.25%	4.50%	2.91%	4.50%	5.70%
Inflation	2.00%	3.50%	2.00%	2.50%	3.50%
Health care cost inflation, current year	n/a	n/a	n/a	9.00%	n/a
Life expectancy after age 65 in years, males	21	22	22	18	19
Life expectancy after age 65 in years, females	24	24	25	20	22
2009					
Discount rate	4.00%	5.60%	5.26%	5.89%	8.91%
Expected return on plan assets for the year	4.55%	6.00%	6.31%	7.00%	9.34%
Future salary increases	3.25%	4.90%	2.92%	4.50%	6.77%
Inflation	2.00%	3.60%	2.17%	2.50%	3.80%
Health care cost inflation, current year	n/a	n/a	n/a	9.00%	n/a
Life expectancy after age 65 in years, males	21	21	22	18	18
Life expectancy after age 65 in years, females	24	24	25	20	22

[1] Weighted average.

- Actuarial assumptions are assessed on a quarterly basis.
- The discount rate for each country is determined by reference to market yields on high-quality corporate bonds.
- The overall expected long-term return on plan assets is a weighted average of each asset category’s expected rate of return. The expected return on interest-bearing investments is set in line with each country’s market yield. Expected return on equities is derived from each country’s risk free rate with the addition of a risk premium.
- Salary increases are partially affected by fluctuations in inflation rate.
- The net periodic pension cost and the present value of the DBO for current and former employees are calculated using the Projected Unit Credit (PUC) actuarial cost method, where the objective is to spread the cost of each employee’s benefits over the period that the employee works for the Company.

SENSITIVITY ANALYSIS FOR MEDICAL BENEFIT SCHEMES

The effect (in SEK million) of a one percentage point change in the assumed trend rate of medical cost would have the following effect:

SENSITIVITY ANALYSIS FOR MEDICAL BENEFIT SCHEMES	1 percent increase	1 percent decrease
Net periodic post-employment medical cost	3	–3
Accumulated post-employment benefit obligation for medical costs	54	–46

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Section Seven: Information on issues affecting the Net Pension Liability for the year

SWEDEN

In 2010, The Swedish defined benefit obligation has been calculated using a discount rate based on yields of covered bonds, which is higher than a discount rate based on yields of government bonds. The Swedish covered bonds are considered high quality bonds, mainly AAA-rated, as they are secured with assets, and the market for covered bonds is considered deep and liquid, thereby meeting IAS19 requirements.

As before, Ericsson has secured the disability- and survivors' pension part of the ITP Plan through an insurance solution with the insurance company Alecta. Although this part of the plan is classified as a multi-employer defined benefit plan, it has not been possible for Ericsson to get sufficient information to apply defined benefit accounting, and therefore, it has been accounted for as a defined contribution plan.

Alecta has a collective funding ratio which is a buffer for its insurance commitments to protect against fluctuations in investment return and insurance risks. Alecta's target ratio is 140 percent and reflects the fair value of Alecta's plan assets as a percentage of plan commitments, then measured in accordance with Alecta's actuarial assumptions, which are different from those in IAS 19. Alecta's collective funding ratio was 146 in 2010 (141 in 2009).

C18 PROVISIONS

PROVISIONS

	Warranty	Restructuring	Project related	Other	Total
2010					
Opening balance	2,533	4,299	1,694	3,905	**12,431**
Additions	1,743	2,640	1,285	1,046	**6,714**
Reversal of excess amounts	–297	–335	–353	–869	**–1,854**
Negative effect on Income Statement					***4,860***
Cash out/Utilization	–1,466	–3,261	–1,547	–880	**–7,154**
Balances regarding divested/acquired businesses	182	–	28	–	**210**
Reclassification	–182	176	62	–200	**–144**
Translation differences	–44	–289	–64	–62	**–459**
Closing balance	**2,469**	**3,230**	**1,105**	**2,940**	**9,744**
2009					
Opening balance	1,931	3,830	3,794	4,795	**14,350**
Additions	2,141	4,920	1,952	2,129	**11,142**
Reversal of excess amounts	–171	–210	–451	–915	**–1,747**
Negative effect on Income Statement					***9,395***
Cash out/Utilization	–1,427	–4,248	–3,459	–1,595	**–10,729**
Balances regarding divested/acquired businesses	96	–	–	16	**112**
Reclassification	19	146	–128	–595	**–558**
Translation differences	–56	–139	–14	70	**–139**
Closing balance	**2,533**	**4,299**	**1,694**	**3,905**	**12,431**

Provisions will fluctuate over time depending on business mix, market mix as well as technology shifts. Risk assessment in the ongoing business is performed monthly to identify the need for new additions and reversals. Management uses its best judgment to estimate provisions based on this assessment. In certain circumstances, provisions are no longer required due to more favorable outcomes than anticipated, which affect the provisions balance as a reversal. In other cases the outcome can be negative, and if so, a charge is recorded in the income statement.

For 2010, new or additional provisions amounting to SEK 6.7 billion were made, and SEK 1.9 billion were reversed. The actual cash outlays for 2010 was SEK 7.2 billion compared with the estimated SEK 8 billion. The expected cash outlays in 2011 is approximately SEK 8 billion.

Of the total provisions, SEK 353 (461) million are classified as non-current. For more information, see Note C1, "Significant Accounting Policies" and Note C2, "Critical Accounting Estimates and Judgments".

Warranty provisions

Warranty provisions are based on historic quality rates for established products as well as estimates regarding quality rates for new products and costs to remedy the various types of faults predicted. The actual cash outlays for 2010 was SEK 1.5 billion and in line with the expected SEK 2 billion. Provisions amounting to SEK 1.7 billion were made and due to more favorable outcomes in certain cases reversals of SEK 0.3 billion were made. The cash outlays of warranty provisions during year 2011 is estimated to approximately SEK 2 billion.

Restructuring provisions

The cost reduction program initiated in the first quarter 2009 was completed by the second quarter 2010. The total restructuring charges for the program was SEK 15.5 billion of which SEK 6.9 billion were provided for as restructuring provisions. In the second half of the year the cost reduction continued and primarily relates to continuous efficiency activities in service delivery and development, transformation in managed services contracts and product rationalization. In 2010 SEK 2.6 billion (4.9) in provision were made. The cash outlays were 3.3 billion (4.2) for the full year and SEK 0.7 billion were related to restructuring programs before 2009. The cash outlay for 2011 is estimated to approximately SEK 3 billion.

Project related provisions

Project provisions relate to estimated losses on onerous contracts, including probable contractual penalties. The cash outlays of project related provisions were SEK 1.5 billion and in line with the estimated SEK 1 billion. Provisions amounting to SEK 1.3 billion were made and SEK 0.4 billion were reversed due to a more favorable outcome than expected. The cash outlays for 2011 is estimated to be approximately SEK 1 billion.

Other provisions

Other provisions include provisions for tax issues, litigations, supplier claims, and other. The cash outlays was SEK 0.9 billion in 2010 compared to the estimate of SEK 2 billion. During 2010, new provisions amounting to SEK 1.0 billion were made and SEK 0.9 billion were reversed during the year due to a more favorable outcome. For 2011, the estimated cash outlays is approximately SEK 2 billion.

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Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1.
VQS_Section 3.2_Ericsson 2010 Annual Report.pdf

C19 INTEREST-BEARING LIABILITIES

As of December 31, 2010, Ericsson's outstanding interest-bearing liabilities were SEK 30.8 (32.1) billion.

INTEREST-BEARING LIABILITIES

	2010	2009
Borrowings, current		
Current part of non-current borrowings [1]	760	684
Other current borrowings	3,048	1,440
Total current borrowings	3,808	2,124
Borrowings, non-current		
Notes and bond loans	20,646	23,801
Other borrowings, non-current	6,309	6,195
Total non-current interest-bearing liabilities	26,955	29,996
Total interest-bearing liabilities	30,763	32,120

[1] Including notes and bond loans of SEK 0 (0) million.

All outstanding notes and bond loans are issued by the Parent Company under its Euro Medium-Term Note (EMTN) program. Bonds issued at a fixed interest rate are swapped to a floating interest rate using interest rate swaps, resulting in a weighted average interest rate of 2.65 (2.88) percent at December 31, 2010. These bonds are revalued based on changes in benchmark interest rates according to the fair value hedge methodology stipulated in IAS 39.

On December 23, 2010, the USD 625 million bilateral loan with Swedish Export Credit Corporation (SEK) was renegotiated to reduce interest expense and to prolong the maturity profile. USD 325 million was amortized. The remaining USD 300 million will mature in 2016 according to the original plan. At the same time a new bilateral bond of USD 170 million was issued with maturity 2020. Consequently gross cash was reduced by USD 155 million. The new bond is not guaranteed by EKN (The Swedish Export Credit Guarantee Board).

In 2008 Ericsson signed a seven year loan of SEK 4.0 billion with the European Investment Bank. The loan supports Ericsson's R&D activities to develop the next generation of mobile broadband technology at sites in Kista, Gothenburg and Linköping in Sweden.

NOTES AND BOND LOANS

Issued–maturing	Nominal amount	Coupon	Currency	Book value (SEK m.)	Maturity date (yy-mm-dd)	Unrealized hedge gain/ loss (incl. in book value)
2004–2012	450	2.420%	SEK	450	12-12-07 [2]	
2007–2012	1,000	5.100%	SEK	1,035	12-06-29	–35
2007–2012	2,000	2.200%	SEK	2,000	12-06-29 [3]	
2007–2014	375	1.314%	EUR	3,383	14-06-27 [4]	
2007–2017	500	5.380%	EUR	5,059 [1]	17-06-27	–571
2009–2013	600	5.000%	EUR	5,521 [1]	13-06-24	–129
2009–2016	300	3.35281%	USD	2,041	16-06-23 [5]	
2010–2020	170	2.69281%	USD	1,157	20-12-23 [6]	
Total				**20,646**		**–735**

[1] Interest rate swaps are designated as fair value hedges.
[2] Next contractual repricing date 2011-06-03 (semi annual).
[3] Next contractual repricing date 2011-03-25 (quarterly).
[4] Next contractual repricing date 2011-03-24 (quarterly).
[5] Next contractual repricing date 2011-03-21 (quarterly).
[6] Next contractual repricing date 2011-03-18 (quarterly).

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C20 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Ericsson's financial risk management is governed by a policy approved by the Board of Directors. The Finance Committee of the Board of Directors is responsible for overseeing the capital structure and financial management of the Company and approving certain matters (such as acquisitions, investments, customer finance commitments, guarantees and borrowing) and is continuously monitoring the exposure to financial risks.

Ericsson defines its managed capital as the total Company equity. For Ericsson, a robust financial position with a strong equity ratio, investment grade rating, low leverage and ample liquidity is deemed important. This provides financial flexibility and independence to operate and manage variations in working capital needs as well as to capitalize on business opportunities.

Ericsson's overall capital structure should support the financial targets: to grow faster than the market, deliver best-in-class margins and generate a healthy cash flow. The capital structure is managed by balancing equity, debt financing and liquidity in such a way that the Company secure funding of operations at a reasonable cost of capital. Regular borrowings are complemented with committed credit facilities to give additional flexibility to manage unforeseen funding needs. Ericsson strive to finance growth, normal capital expenditures and dividends to shareholders by generating sufficient positive cash flows from operating activities.

Ericsson's capital objectives are:

- An equity ratio above 40 percent.
- A cash conversion rate above 70 percent.
- To maintain a positive net cash position.
- To maintain a solid investment grade rating by Moody's and Standard & Poor's.

CAPITAL OBJECTIVES RELATED INFORMATION

	2010	2009
Capital (SEK billion)	**147**	141
Equity ratio (percent)	**52**	52
Cash conversion rate (percent)	**112**	117
Positive net cash (SEK billion)	**51.3**	36.1
Credit rating		
Moody's	**Baa1**	Baa1
Standard & Poor's	**BBB+**	BBB+

Ericsson has a treasury function with the principal role to ensure that appropriate financing is in place through loans and committed credit facilities, to actively manage the Company's liquidity as well as financial assets and liabilities, and to manage and control financial risk exposures in a manner consistent with underlying business risks and financial policies. Hedging activities, cash management and insurance management are largely centralized to the treasury function in Stockholm.

Ericsson also has a customer finance function with the main objective to find suitable third-party financing solutions for customers and to minimize recourse to Ericsson. To the extent customer loans are not provided directly by banks, the Parent Company provides or guarantees vendor credits. The customer finance function monitors the exposure from outstanding vendor credits and credit commitments.

Ericsson classifies financial risks as:

- Foreign exchange risk
- Interest rate risk
- Credit risk
- Liquidity and refinancing risk
- Market price risk in own and other equity instruments.

The Board of Directors has established risk limits for defined exposures to foreign exchange and interest rate risks as well as to political risks in certain countries.

For further information about accounting policies, please see Note C1, "Significant Accounting Policies".

Foreign exchange risk

Ericsson is a global company with sales mainly outside Sweden. Revenues and costs are to a large extent in currencies other than SEK and therefore the financial results of the Company are impacted by currency fluctuations.

Ericsson reports the financial accounts in SEK and movements in exchange rates between currencies will affect:

- Specific line items such as Net sales and Operating income.
- The comparability of our results between periods.
- The carrying value of assets and liabilities.
- Reported cash flows.

Net sales and Operating Income are affected by changes in foreign exchange rates from two different kinds of exposures, translation exposure and transaction exposure. In the Operating Income we are primarily exposed to transaction exposure which is partially addressed by hedging.

CURRENCY EXPOSURE

Exposure currency	Translation exposure	Transaction exposure	Net exposure	Net exposure, percent of total
Net sales				
USD	46.6	40.8	87.4	43%
EUR	27.4	10.5	37.9	19%
CNY	13.5	–0.3	13.2	6%
JPY	8.8	0.6	9.4	5%
INR	8.3	–1.1	7.2	4%
GBP	7.8	–1.5	6.3	3%
BRL	5.9	–0.2	5.7	3%
SEK	41.7	–37.6	4.1	2%
Other	42.2	–11.2	31.0	15%
Pre-hedge total	**202.2**	**0.0**	**202.2**	**100%**
Hedge			1.1	
Total Net sales			**203.3**	
Net cost				
USD	–45.9	–14.7	–60.6	33%
SEK	–32.8	–15.3	–48.1	26%
EUR	–25.8	–4.5	–30.3	16%
CNY	–12.8	1.1	–11.7	6%
INR	–9.0	3.6	–5.4	3%
BRL	–5.9	0.7	–5.2	3%
JPY	–8.4	4.3	–4.1	2%
GBP	–7.5	6.8	–0.7	0%
Other	–37.9	18.0	–19.9	11%
Pre-hedge total	**–186.0**	**0.0**	**–186.0**	**100%**
Hedge			–0.8	
Total Net cost			**–186.8**	
Operating income			**16.5**	

TRANSLATION EXPOSURE

Translation exposure relates to Sales and Cost of Sales in foreign entities when translated into SEK upon consolidation. These exposures can not be addressed by hedging, but as the Income Statement is translated using average rate, the impact of volatility in foreign currency rates is reduced.

TRANSACTION EXPOSURE

Transaction exposure relates to Sales and Cost of sales in non-reporting currencies in individual group companies. Foreign exchange risk is as far as possible concentrated to Swedish group companies, primarily Ericsson AB. Sales to foreign subsidiaries are normally denominated in the functional currency of the receiving entity, and export sales from Sweden to external customers are normally denominated in USD or other foreign currency. In order to limit the exposure toward exchange rate fluctuations on future revenues and costs, committed and forecasted future sales and purchases in major currencies are hedged, for the coming 6–12 months.

According to Company policy, transaction exposure in subsidiaries' balance sheets (i.e. trade receivables and payables and customer finance receivables) should be fully hedged, except for non-tradable currencies. Group Treasury has a mandate to leave selected transaction exposures in subsidiaries' balance sheets unhedged up to an aggregate Value at Risk (VaR) of SEK 20 million, given a confidence level of 99 percent and a 1-day horizon.

Foreign exchange exposures in balance sheet items are hedged through offsetting balances or derivatives.

As of December 31, 2010, outstanding foreign exchange derivatives hedging transaction exposures had a net market value of SEK 0.6 (0.3) billion. The market value is partly deferred in the hedge reserve in OCI to offset the gains/losses on hedged future sales in foreign currency.

Cash flow hedges

The purpose of hedging forecasted revenues and costs is to reduce volatility in the income statement. Hedging is done by selling or buying foreign currencies against the functional currency of the hedging entity using FX forwards.

Hedging is done based on a rolling 12-month exposure forecast. Ericsson uses a layered hedging approach, where the closest quarters are hedged to a higher degree than later quarters. Each consecutive quarter is hereby hedged on several occasions and is covered by an aggregate of hedging contracts initiated at various points in time, which supports the objective of reducing volatility in the income statement from changes in foreign exchange rates.

TRANSLATION EXPOSURE IN NET ASSETS

Ericsson has many subsidiaries operating outside Sweden with other functional currencies than SEK. The results and net assets of such companies are exposed to exchange rate fluctuations, which affect the consolidated income statement and balance sheet when translated to SEK. Translation risk related to forecasted results from foreign operations can not be hedged, but net assets can be addressed by hedging.

Translation exposure in foreign subsidiaries is hedged according to the following policy established by the Board of Directors:

Translation risk related to net assets in foreign subsidiaries is hedged up to 20 percent in selected companies. The translation differences reported in OCI during 2010 were negative, SEK 3.7 billion, including hedging gain of SEK 0.4 billion.

Interest rate risk

Ericsson is exposed to interest rate risk through market value fluctuations in certain balance sheet items and through changes in interest revenues and expenses. The net cash position was SEK 51.3 (36.1) billion at the end of 2010, consisting of cash, cash equivalents and short-term investments of SEK 87.2 (76.7) billion and interest-bearing liabilities and post-employment benefits of SEK 35.9 (40.7) billion.

Ericsson manages the interest rate risk by (i) matching fixed and floating interest rates in interest-bearing balance sheet items and (ii) avoiding significant fixed interest rate exposure in Ericsson's net cash position. The policy is that interest-bearing assets shall have an average interest duration between 10 and 14 months and interest-bearing liabilities an average interest duration shorter than 6 months, taking derivative instruments into consideration. Treasury has a mandate to deviate from the asset management benchmark given by the Board and take FX positions up to an aggregate risk of VaR SEK 30 million given a confidence level of 99 percent and a 1-day horizon.

As of December 31, 2010, 97 (88) percent of Ericsson's interest-bearing liabilities and 90 (61) percent of Ericsson's interest-bearing assets had floating interest rates, i.e. interest periods of less than 12 months.

When managing the interest rate exposure, Ericsson uses derivative instruments, such as interest rate swaps. Derivative instruments used for converting fixed rate debt into floating rate debt are designated as fair value hedges.

Fair value hedges

The purpose of fair value hedges is to hedge the variability in the fair value of fixed-rate debt (issued bonds) from changes in the relevant benchmark yield curve for its entire term by converting fixed interest payments to a floating rate (e.g. STIBOR or LIBOR) by using interest rate swaps (IRS). The credit risk/spread is not hedged.

The fixed leg of the IRS is matched against the cash flows of the hedged bond. Hereby the fixed-rate bond/debt is converted into a floating-rate debt in accordance with the policy.

OUTSTANDING DERIVATIVES [1)]

		2010		2009
Fair value	Asset	Liability	Asset	Liability
Currency derivatives				
Maturity within 3 months	**581**	**1,086**	580	500
Maturity between 3 and 12 months	**945**	**505**	910	423
Maturity 1 to 3 years	**2**	**21**	90	44
Maturity 3 to 5 years	**–**	**–**	84	–
Maturity more than 5 years	**–**	**–**	3	–
Total currency derivatives	**1,528**	**1,613** [2)]	1,666 [3)]	967
Of which designated in cash flow hedge relations	***662***	***–***	*96*	*–*
Of which designated in net investment hedge relations	***–***	***3***	*–*	*62*
Interest rate derivatives				
Maturity within 3 months	**6**	**28**	–	–
Maturity between 3 and 12 months	**76**	**61**	28	40
Maturity 1 to 3 years	**544**	**118**	49	151
Maturity 3 to 5 years	**184**	**34**	175	40
Maturity more than 5 years	**705**	**87**	685	58
Total interest rate derivatives	**1,515**	**329** [2)]	937 [3)]	289
Of which designated in fair value hedge relations	***862***	***–***	*845*	*–*

[1)] Some of the derivatives with short maturities are recognized in the balance sheet as non-current due to hedge accounting.

[2)] Of which SEK 902 million is reported as non-current liabilities.

[3)] Of which SEK 843 million is reported as non-current assets.

Sensitivity analysis

Ericsson uses the VaR methodology to measure foreign exchange and interest rate risks in portfolios managed by Treasury. This statistical method expresses the maximum potential loss that can arise with a certain degree of probability during a certain period of time. For the VaR measurement, Ericsson has chosen a probability level of 99 percent and a 1-day time horizon. The daily VaR measurement uses market volatilities and correlations based on historical daily data (one year).

The average VaR calculated for 2010 was for the interest rate mandate SEK 20.3 (14.3) million and for the transaction exposure mandate SEK 9.8 (13.9) million. No VaR-limits were exceeded during 2010.

Financial credit risk

Financial instruments carry an element of risk in that counterparts may be unable to fulfill their payment obligations. This exposure arises in the investments in cash, cash equivalents, short-term Investments and from derivative positions with positive unrealized results against banks and other counterparties.

Ericsson mitigates these risks by investing cash primarily in well-rated securities such as treasury bills, government bonds, commercial papers, and mortgage covered bonds with short-term ratings of at least A-1/P-1 and long-term ratings of AAA. Separate credit limits are assigned to each counterpart in order to minimize risk concentration. We have had no sub-prime exposure in our investments. All derivative transactions are covered by ISDA netting agreements to reduce the credit risk. No credit losses were incurred during 2010, neither on external investments nor on derivative positions.

At December 31, 2010, the credit risk in financial cash instruments was equal to the instruments' carrying value. Credit exposure in derivative instruments was SEK 3.0 (2.6) billion.

Liquidity risk

Liquidity risk is that Ericsson is unable to meet its short-term payment obligations due to insufficient or illiquid cash reserves.

Ericsson minimizes the liquidity risk by maintaining a sufficient net cash position. This is managed through centralized cash management, investments in highly liquid interest-bearing securities, and by having sufficient committed credit lines in place to meet potential funding needs. For information about contractual obligations, please see Note C32, "Contractual obligations". The current cash position is deemed to satisfy all short-term liquidity requirements.

During 2010, cash and bank and short-term investments increased by SEK 10.5 billion to SEK 87.2 billion. The increase was mainly due to positive operating cash flow.

CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

	Remaining time to maturity				
(SEK billion)	< 3 months	< 1 year	1–5 years	>5 years	Total
Bank Deposits	29.4	0.1	–	–	29.5
Type of issuer/ counterpart					
Governments	–	9.3	23.5	2.9	35.7
Banks	1.5	–	4.0	–	5.5
Corporations	–	–	–	–	–
Mortgage institutes	–	–	15.3	1.2	16.5
2010	**30.9**	**9.4**	**42.8**	**4.1**	**87.2**
2009	31.8	2.6	34.4	7.9	76.7

The instruments are either classified as held for trading or as assets available for sale with maturity less than one year and therefore short-term investments. Cash, Cash Equivalents and short-term investments are mainly held in SEK unless off-set by EUR-funding.

REFINANCING RISK

Refinancing risk is the risk that Ericsson is unable to refinance outstanding debt at reasonable terms and conditions, or at all, at a given point in time.

REPAYMENT SCHEDULE OF LONG-TERM BORROWINGS [1]

Nominal amount (SEK billion)	Current maturities of long-term debt	Notes and bonds (non-current)	Liabilities to financial institutions (non-current)	Total
2011	0.8	–	–	**0.8**
2012	–	3.5	0.9	**4.4**
2013	–	5.4	–	**5.4**
2014	–	3.4	–	**3.4**
2015	–	–	4.1	**4.1**
2016	–	2.0	–	**2.0**
2017	–	4.5	–	**4.5**
2018	–	–	–	**–**
2019	–	–	–	**–**
2020	–	1.2	–	**1.2**
Total	**0.8**	**20.0**	**5.0**	**25.8**

[1] Excluding finance leases reported in Note C27, "Leasing".

Debt financing is mainly carried out through borrowing in the Swedish and international debt capital markets.

Bank financing is used for certain subsidiary funding and to obtain committed credit facilities.

FUNDING PROGRAMS [1]

	Amount	Utilized	Unutilized
Euro Medium-Term Note program (USD million)	5,000	3,003	1,997
Euro Commercial Paper program (USD million)	1,500	–	1,500
Swedish Commercial Paper program (SEK million)	5,000	–	5,000
Long-term Committed Credit facility (USD million)	2,000	–	2,000
Indian Commercial Paper program (INR million)	5,000	3,200	1,800

[1] There are no financial covenants related to these programs.

At year-end, Ericsson's credit ratings remained at Baa1 (Baa1) by Moody's and BBB+ (BBB+) by Standard & Poor's, both considered to be "Solid Investment Grade".

Financial instruments carried at other than fair value

The fair value of the majority of the Company's financial instruments are determined based on quoted market prices or rates. In the following tables, carrying amounts and fair values of financial instruments that are carried in the financial statements at other than fair values are presented. Assets valued at fair value through profit or loss showed a net gain of SEK 1.1 billion. For further information about valuation principles, please see Note C1, "Significant accounting policies".

FINANCIAL INSTRUMENTS CARRIED AT OTHER THAN FAIR VALUE [1]

	Carrying amount		Fair value	
SEK billion	2010	2009	2010	2009
Current maturities of non-current borrowings	**0.8**	0.7	**0.8**	0.7
Notes and bonds	**20.6**	23.8	**20.5**	22.8
Other borrowings non-current	**5.1**	4.8	**5.0**	4.0
Total	**26.5**	29.3	**26.3**	27.5

[1] Excluding finance leases reported in Note C27, "Leasing".

Financial instruments excluded from the tables, such as trade receivables and payables, are carried at amortized cost which is deemed to be equal to fair value. When a market price is not readily available and there is insignificant interest rate exposure affecting the value, the carrying value is considered to represent a reasonable estimate of fair value.

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Market price risk in own shares and other listed equity investments

RISK RELATED TO OUR OWN SHARE PRICE

Ericsson is exposed to the development of its own share price through stock option and stock purchase plans for employees and synthetic share-based compensations to the Board of Directors. The obligation to deliver shares, or pay compensation amounts, under these plans is covered by holding Ericsson Class B shares as treasury stock and warrants for issuance of new Ericsson Class B shares or provisions. An increase in the share price will result in social security charges, which represents a risk to both income and cash flow. The cash flow exposure is fully hedged through the holding of Ericsson Class B shares as treasury stock to be sold to generate funds to cover also social security payments, and through the purchase of call options on Ericsson Class B shares. For further information about the stock option and stock purchase plans, please see note C29, "Information Regarding Members of the Board of Directors, the Group Management and Employees".

FINANCIAL INSTRUMENTS, CARRYING AMOUNTS

SEK billion	Customer finance C14	Trade receivables C14	Short-term investments	Cash equivalents	Borrowings C19	Trade payables C22	Other financial assets C12	Other current receivables C15	Other current liabilities C21	Other non-current liabilities	2010	2009
Assets at fair value through profit or loss	–	–	56.3	1.5	–	–	–	3.0	–1.0	–0.9	**58.9**	56.0
Loans and receivables	4.4	61.1	–	2.1	–	–	2.7	–	–	–	**70.3**	73.7
Available for sale assets	–	–	–	–	–	–	–	–	–	–	**–**	–
Financial liabilities at amortized cost	–	–	–	–	–30.8	–25.0	–	–	–	–	**–55.8**	–51.0
Total	**4.4**	**61.1**	**56.3**	**3.6**	**–30.8**	**–25.0**	**2.7**	**3.0**	**–1.0**	**–0.9**	**73.4**	**78.7**

C21 OTHER CURRENT LIABILITIES

OTHER CURRENT LIABILITIES

	2010	2009
Income tax liabilities	**2,228**	1,890
Advances from customers	**5,946**	4,903
Liabilities to associated companies and joint ventures	**115**	152
Accrued interest	**349**	378
Accrued expenses, of which	**31,463**	29,957
Employee related	***10,063***	*10,137*
Supplier related	***12,273***	*10,769*
Other [1]	***9,127***	*9,051*
Deferred revenues	**11,415**	8,267
Derivatives with a negative value [2]	**1,039**	1,255
Other [3]	**6,050**	5,727
Total	**58,605**	52,529

[1] Major balance relates to accrued expenses for customer projects.

[2] See Note C20, "Financial Risk Management and Financial Instruments".

[3] Includes items such as VAT and withholding tax payables and other payroll deductions, and liabilities for goods received where invoice is not yet received.

C22 TRADE PAYABLES

TRADE PAYABLES

	2010	2009
Payables to associated companies and joint ventures	**157**	1,186
Other	**24,802**	17,678
Total	**24,959**	18,864

C23 ASSETS PLEDGED AS COLLATERAL

ASSETS PLEDGED AS COLLATERAL

	2010	2009
Chattel mortgages	**191**	167
Bank deposits	**467**	383
Total	**658**	550

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C24 CONTINGENT LIABILITIES

CONTINGENT LIABILITIES	2010	2009
Contingent liabilities	875	1,245
Total	**875**	1,245

Contingent liabilities assumed by Ericsson include guarantees of loans to other companies of SEK 25 (76) million. Ericsson has SEK 413 (542) million issued to guarantee the performance of a third party. All ongoing legal and tax proceedings have been evaluated, their potential economic outflows and probability estimated and necessary provisions made.

Financial guarantees for third party amounted to SEK 191 (52) million as of December 31, 2010. Maturity date for major part of the issued guarantees occurs in 2019 at latest.

Sony Ericsson Mobile Communications AB (SEMC) has been granted term loans and credit facilities of SEK 3,157 million, of which SEK 2,106 million were utilized as of December 31, 2010. The parent companies of Ericsson and Sony Corporation have issued guarantees for these term loans and credit facilities on a 50/50 basis, without joint responsibility. Thus Ericsson's guaranteed amount is maximum SEK 1,579 million excluding interest. As of December 31, 2010, Ericsson's part of the outstanding amount is SEK 1,037 million excluding accrued interest of SEK 16 million. Maturity dates for the issued guarantees are 2011 (SEK 1,128 million) and 2012 (SEK 451 million). See also Note C30, "Related Party Transactions".

C25 STATEMENT OF CASH FLOWS

Interest paid in 2010 was SEK 977 million (SEK 772 million in 2009, SEK 1,689 million in 2008) and interest received was SEK 1,083 million (SEK 1,900 million in 2009, SEK 2,375 million in 2008). Taxes paid, including withholding tax, were SEK 4,808 million (SEK 4,427 million in 2009, SEK 4,274 million in 2008).

Cash and cash equivalents includes cash of SEK 27,231 million (SEK 18,372 million in 2009) and temporary investments of SEK 3,633 million (SEK 4,426 million in 2009). For more information regarding the disposition of cash and cash equivalents and unutilized credit commitments, see Note C20, "Financial Risk Management and Financial Instruments".

Cash restricted due to currency regulations or other legal restrictions in certain countries amounted to SEK 10,836 million (SEK 8,907 million in 2009, SEK 8,197 million in 2008).

ADJUSTMENTS TO RECONCILE NET INCOME TO CASH	2010	2009	2008
Property, plant and equipment			
Depreciation	**3,299**	3,550	3,108
Impairment losses/reversals of impairments	**–3**	–48	–3
Total	**3,296**	3,502	3,105
Intangible assets			
Amortization			
Capitalized development expenses	**664**	647	1,726
Intellectual Property Rights, brands and other intangible assets	**4,999**	3,562	3,280
Total amortization	**5,663**	4,209	5,006
Impairments			
Capitalized development expenses	**49**	157	562
Intellectual Property Rights, brands and other intangible assets	**945**	4,255	–
Total	**6,657**	8,621	5,568
Total depreciation, amortization and impairment losses on property, plant and equipment and intangible assets	**9,953**	12,123	8,673
Taxes	**351**	–1,011	1,032
Dividends from joint ventures/associated companies [1]	**119**	70	3,863
Undistributed earnings in joint ventures/associated companies [1]	**1,357**	6,013	291
Gains/losses on sales of investments and operations, intangible assets and PP&E, net [2]	**–237**	–910	–1,210
Other non-cash items [2] [3]	**947**	571	1,669
Total adjustments to reconcile net income to cash	**12,490**	16,856	14,318

[1] See also note C12, "Financial Assets, Non-Current".
[2] See also note C26, "Business Combinations".
[3] Refers mainly to unrealized foreign exchange, gains/losses on financial instruments.

ACQUISITIONS/DIVESTMENTS OF SUBSIDIARIES AND OTHER OPERATIONS	Acquisitions	Divestments
2010		
Cash flow from business combinations [1]	–3,286	454
Total	**–3,286**	**454**
2009		
Cash flow from business combinations [1]	–9,633	1,239
Capital contribution to joint venture	–9,688	–
Total	**–19,321**	**1,239**
2008		
Cash flow from business combinations [1]	–74	654
Other investments	–	1,256
Total	**–74**	**1,910**

[1] See also note C26, "Business Combinations".

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C26 BUSINESS COMBINATIONS

Acquisitions and divestments

ACQUISITIONS

ACQUISITIONS 2008–2010	2010	2009	2008
Cash	3,789	9,633	74
Total consideration	3,789	9,633	74
Acquisition-related costs	67 [1]	–	–
Net asset acquired			
Cash and cash equivalents	570	5	–
Property, plant and equipment	205	297	–
Intangible assets	3,825	5,832	–209
Investments in associates	138	–	–
Other assets	2,506	1,235	887
Provision, incl. post-employment benefits	–390	–	–
Other liabilities	–3,573	–1,270	278
Total identifiable net assets	3,281	6,099	956
Non-controlling interest	–748	–	–
Goodwill	1,256	3,534	–882
	3,789	9,633	74

[1] Acquisition-related costs are included in Selling and administrative expenses in the consolidated income statement.

In 2010, Ericsson made acquisitions with a cash flow effect amounting to SEK 3,286 (9,633) million, primarily:

- **inCode:** On September 7, 2010, the Company announced that it had entered into an asset purchase agreement to acquire certain assets of inCode's Strategy and Technology Group, a premier professional services firm providing strategic business and consulting services to leading North American telecommunications clients. inCode is consolidated by the Company as of September 30 2010. The purchase price was USD 12 million on a cash and debt free basis. The acquisition includes certain assets of inCode's Strategy and Technology Group, including contracts, technology and intellectual property, and about 45 employees throughout the US and Canada.
- **LG-Nortel:** On April 21, 2010, the Company announced that it had entered into a share purchase agreement to acquire Nortel's majority shareholding (50 percent + 1 share) in LG-Nortel, the joint venture of LG Electronics and Nortel Networks. In 2009, LG-Nortel generated approximately USD 650 million of sales. The purchase price was USD 234 million on a cash and debt free basis. The acquisition has significantly expanded the Company's footprint in the Korean market and provided well established sales channel and strong R&D capability in the country. Furthermore, the acquisition provided the Company with an industrial base and the ability to build new customer relationships. Part of the acquisition costs is recognized as goodwill due to the competence acquired. The non-controlling interest is measured at the non-controlling interest's share of the acquiree's net assets. Net Sales for acquired LG-Nortel business amounted to approximately SEK 2,322 million for the period July 1 – December 31, 2010. If LG-Nortel had been consolidated from January 1, 2010, the sales had amounted to approximately SEK 3,820 million. The acquired LG-Nortel business had a positive impact on the result. Approximately 1,300 employees were transferred. LG-Nortel is consolidated by the Company as of June 30, 2010, and is included in segment Networks. The new name of the joint venture is LG-Ericsson. Transaction costs for the acquisition amounted to SEK 24 million.
- **Nortel GSM:** On November 25, 2009, the Company announced it had entered to acquire certain assets of the Carrier Networks division of Nortel relating to Nortel's GSM business in the US and Canada. Nortel GSM was consolidated by the Company as of March 31, 2010. The acquisition further strengthens the Company's ability to serve North Americas leading wireless operators. The purchase was structured as an asset sale at a cash purchase price of USD 79 million on a cash and debt free basis. Approximately 350 employees were transferred to Ericsson. Transaction costs for the acquisition amounted to SEK 22 million
- **Optimi:** On December 22, 2010, the Company announced the acquisition of Optimi Corporation, a US-Spanish telecommunications vendor providing products and services within the networks optimization and management sector to leading clients in telecommunications. The purchase price was USD 99 million on a cash and debt free basis. Approximately 200 highly skilled professionals and a complete portfolio of services and tools were transferred to the Company. Optimi is consolidated by the Company as of December 31.
- **Pride:** On January 12, 2010, the Company announced it had acquired all shares in Italian Pride Spa, a consulting and systems integration company, operating in Italy. The purchase price was EUR 66 million on a cash and debt free basis. The aim was to further strengthen the Company's offering in the systems integration and consultancy field. Pride employs about 1,000 employees. Goodwill is related to business footprint and critical mass in Systems Integration. Pride is consolidated by the Company as of January 29, 2010.

The preliminary purchase price allocation made in 2009 related to Nortel CDMA were finalized 2010 with the following effects: An increase in inventory of SEK 114 million, a decrease in other assets of SEK 191 million, an increase of other liabilities of SEK 67 million, an increase of intangible assets of SEK 281 MSEK and a decrease in goodwill of SEK 137 million.

NORTEL CDMA BUSINESS (2009) Net assets acquired	Book value	Fair value adjustments	Fair value
Intangible assets			
Intellectual property rights	–	4,979	4,979
Customer relationships	–	811	811
Goodwill	–	2,957	2,957
Other assets and liabilities			
Inventory	187	–	187
Property, plant and equipment	261	–	261
Other assets	392	–	392
Other liabilities	–1,242	–	–1,242
Total purchase price			8,345
Less:			
Cash and cash equivalents	–	–	–
Cash flow effect			**8,345**

The determination of purchase price allocation and fair values of assets acquired and liabilities assumed is based on preliminary appraisal; therefore, these values may be subject to adjustments.

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DIVESTMENTS

DIVESTMENTS 2008–2010

	2010	2009	2008
Cash	**454**	1,239	654
Net assets disposed of			
Property, plant and equipment	**21**	5	3
Other assets	**372**	586	1,005
Other liabilities	**–183**	–38	–456
	210	553	552
Net gains from divestments	**357**	780	296
Less Cash and cash equivalents	**–113**	–94	–194
Cash flow effect	**454**	1,239	654

In 2010, the Company made divestments with a cash flow effect amounting to SEK 454 (1,239) million.

- **Ericsson Federal Inc. (EFI):** On January 3, 2011, the Company announced the completion of the sale of 100 percent of the shares in EFI to Tailwind Capital, a private equity firm focused on growing companies. EFI was consolidated by the Company until the sale in the end of December 2010. The sale resulted in a gain amounting to SEK 216 million and a cash flow effect of SEK 360 million.

Divestments in 2009 refer mainly to TEMS with a gain amounting to SEK 777 million and a cash flow effect of SEK 926 million.

TEMS BUSINESS (2009)

Net assets disposed of	2009
Property, plant and equipment	5
Other assets	276
Other liabilities	–38
	243
Net gains from divestments	777
Less:	
Cash and cash equivalents	94
Cash flow effect	**926**

ACQUISITIONS 2008–2010

Company	Description	Date of announcement
Optimi	A US-Spanish telecommunications vendor providing products and services within the networks optimization and management sector with around 200 employees.	Dec 22, 2010
inCode	An asset purchase agreement of certain assets with around 45 employees. A premier professional services firm providing strategic business and consulting services.	Sep 7, 2010
LG-Nortel	Nortel's majority shareholding (50 percent + 1 share) in LG-Nortel with around 1,300 employees.	Apr 21, 2010
Pride	Italian consulting and systems integration company with around 1,000 employees.	Jan 12, 2010
Nortel GSM	An asset purchase agreement of the Carrier Networks division of Nortel relating to GSM business.	Nov 25, 2009
Nortel	An asset purchase agreement of the Carrier networks division of Nortel relating to CDMA and LTE technology.	Nov 13, 2009
Elcoteq	Estonian electronics manufacturing service company with around 1,200 employees.	June 17, 2009
Bizitek	Turkish systems integrator of business support systems with around 116 employees.	May 28, 2009
Mobeon	Swedish company. Acquisition of shares.	Mar 31, 2008

DIVESTMENTS 2008–2010

Company	Description	Date of announcement
EFI	Sale of Ericsson Federal Inc. (EFI).	Jan 3, 2011
TEMS	Tools for air interface monitoring and radio network planning.	Mar 23, 2009
Enterprise	PBX solutions business.	May 1, 2008

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C27 LEASING

Leasing with the Company as lessee

Assets under finance leases, recorded as property, plant and equipment, consist of:

FINANCE LEASES	2010	2009
Acquisition costs		
Real estate	**1,846**	1,942
Machinery	**3**	4
	1,849	1,946
Accumulated depreciation		
Real estate	**–687**	–662
Machinery	**–3**	–4
	–690	–666
Accumulated impairment losses		
Real estate	**–54**	–49
Net carrying value	**1,105**	1,231

As of December 31, 2010, future minimum lease payment obligations for leases were distributed as follows:

FUTURE MINIMUM LEASE PAYMENT OBLIGATIONS FOR LEASES	Finance leases	Operating leases
2011	155	3,097
2012	153	2,586
2013	151	1,754
2014	230	1,203
2015	131	722
2016 and later	997	2,216
Total	**1,817**	**11,578**
Future finance charges [1]	–568	n/a
Present value of finance lease liabilities	1,249	11,578

[1] Average effective interest rate on lease payables is 5.87 percent.

Expenses in 2010 for leasing of assets were SEK 3,675 (3,839) million, of which variable expenses were SEK 51 (0) million. The leasing contracts vary in length from 1 to 18 years.

The Company's lease agreements normally do not include any contingent rents. In the few cases they occur, they relate to charges for heating linked to the oil price index. Most of the leases of real estate contain terms of renewal, giving the company the right to prolong the agreement in question for a predefined period of time. All of the finance leases of facilities contain purchase options. Only a very limited number of the Company's lease agreements contain restrictions on stockholders' equity or other means of finance. The major agreement contains a restriction stating that the Parent Company must maintain a stockholders' equity of at least SEK 25 billion.

Leases with the Company as lessor

Leasing income mainly relates to subleasing of real estate. These leasing contracts vary in length from 1 to 11 years.

At December 31, 2010, future minimum payment receivables were distributed as follows:

FUTURE MINIMUM PAYMENT RECEIVABLES	Finance leases	Operating leases
2011	–	52
2012	–	13
2013	–	13
2014	–	13
2015	–	13
2016 and later	–	38
Total	**–**	**142**
Unearned financial income	–	n/a
Uncollectible lease payments	–	n/a
Net investments in financial leases	**–**	**n/a**

Leasing income in 2010 was SEK 94 (181) million.

C28 TAX ASSESSMENT VALUES IN SWEDEN

TAX ASSESSMENT VALUES IN SWEDEN	2010	2009
Land and land improvements	**65**	58
Buildings	**295**	265
Total	**360**	323

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C29 INFORMATION REGARDING MEMBERS OF THE BOARD OF DIRECTORS, THE GROUP MANAGEMENT AND EMPLOYEES

CONTENTS

Remuneration to the Board of Directors

REMUNERATION TO MEMBERS OF THE BOARD OF DIRECTORS

	Board fees	Number of synthetic shares/portion of Board fee	Value at grant date of synthetic shares allocated 2010	Number of previously allocated synthetic shares	Net change in value of allocated synthetic shares [1]	Committee fees	Total fees paid in cash [2]	Total remuneration 2010
			A		B		C	(A+B+C)
Board member								
Michael Treschow	3,750,000	32,856/75%	2,812,474	79,070.80	948,927	250,000	1,359,509 [3]	5,120,910
Marcus Wallenberg	750,000	2,190/25%	187,464	5,270.80	63,256	125,000	687,500	938,220
Sverker Martin-Löf	750,000	0/0%	–	–	–	–	750,000	750,000
Roxanne S. Austin	750,000	6,571/75%	562,478	15,813.60	189,779	250,000	437,500	1,189,756
Sir Peter L. Bonfield	750,000	2,190/25%	187,464	5,270.80	63,256	250,000	812,500	1,063,220
Börje Ekholm	750,000	6,571/75%	562,478	15,813.60	189,779	125,000	312,500	1,064,756
Ulf J. Johansson	750,000	6,571/75%	562,478	15,813.60	189,779	350,000	615,357 [3]	1,367,613
Nancy McKinstry	750,000	4,380/50%	374,928	13,097.60	167,534	125,000	500,000	1,042,462
Anders Nyrén	750,000	0/0%	–	–	–	125,000	875,000	875,000
Carl-Henric Svanberg	750,000	4,380/50%	374,928	–	–32,631	–	375,000	717,297
Hans Vestberg	–	–	–	–	–	–	–	–
Michelangelo Volpi	750,000	4,380/50%	374,928	–	–32,631	–	375,000	717,297
Employee Representatives								
Monica Bergström	4,500	–	–	–	–	–	4,500	4,500
Pehr Claesson	15,000	–	–	–	–	–	15,000	15,000
Kristina Davidsson	15,000	–	–	–	–	–	15,000	15,000
Anna Guldstrand	15,000	–	–	–	–	–	15,000	15,000
Jan Hedlund	15,000	–	–	–	–	–	15,000	15,000
Karin Lennartsson	10,500	–	–	–	–	–	10,500	10,500
Karin Åberg	15,000	–	–	–	–	–	15,000	15,000
Total	**11,340,000**	**70,089**	**5,999,618**	**150,150.80**	**1,747,048**	**1,600,000**	**7,189,866**	**14,936,533** [4]

[1] The difference in value as of December 31, 2010, compared to December 31, 2009 (for synthetic shares allocated 2008 and 2009), and compared to grant date 2010 (for synthetic shares allocated 2010). The value of synthetic shares allocated in 2008 and 2009 includes respectively SEK 1.85 and SEK 2.00 per share in compensation for dividends resolved by the Annual General Meetings 2009 and 2010.

[2] Committee fee and cash portion of the Board fee.

[3] Including an amount corresponding to statutory social charges in respect of the part of the fee that has been invoiced through a limited liability company.

[4] Excluding social security charges in the amount of SEK 3,077,266

Comments to the table

- The Chairman of the Board was entitled to a Board fee of SEK 3,750,000 and a fee of SEK 125,000 for each Board committee on which he served.
- The other Directors appointed by the Annual General Meeting were entitled to a fee of SEK 750,000 each. In addition, each non-employed Director serving on a Board committee received a fee of SEK 125,000 for each committee. However, the Chairman of the Audit Committee received a fee of SEK 350,000 and the other non-employed members of the Audit Committee received a fee of SEK 250,000 each.
- Members of the Board, who are not employees of the Company, have not received any remuneration other than the fees and synthetic shares as above. None of the directors have entered into a service contract with the Parent Company or any of its subsidiaries, providing for termination benefits.
- Members and Deputy Members of the Board who are Ericsson employees received no remuneration or benefits other than their entitlements as employees. However, a fee of SEK 1,500 per attended Board meeting was paid to each employee representative on the Board and their deputies.
- According to new rules it has been possible for Board members fulfilling certain criteria to invoice the amount of the Board and Committee fee. The Board member is allowed to add to the invoice an amount corresponding to social charges. The social charges thus included in the

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invoiced amount are not higher than the general payroll tax that would otherwise have been paid by the Company. The entire amount, e.g. the cash portion of the Board fee and the committee fee, including social charges, constitutes the invoiced Board fee

- The Annual General Meeting 2010 resolved that non-employed Directors may choose to receive the Board fee, (i.e. exclusive of committee fee) as follows: i) 25 percent of the Board fee in cash and 75 percent in the form of synthetic shares, with a value corresponding to 75 percent of the Board fee at the time of allocation, ii) 50 percent in cash and 50 percent in the form of synthetic shares, or iii) 75 percent in cash and 25 percent in the form of synthetic shares. Directors may also choose not to participate in the synthetic share program and receive 100 percent of the Board fee in cash. Committee fees are always paid in cash.

The number of synthetic shares is based on a volume-weighed average of the market price of Ericsson Class B shares on the NASDAQ OMX Stockholm exchange during the five trading days immediately following the publication of Ericsson's interim report for the first quarter of 2010: SEK 85.60. The number of synthetic shares is rounded down to the nearest whole number of shares.

The synthetic shares are vested during the Directors' term of office and the right to receive payment with regard to the allocated synthetic shares occurs after the publication of the Company's year-end financial statement during the fifth year following the Annual General Meeting which resolved on the synthetic share program, i.e. in 2015.

The amount payable shall be determined based on the volume-weighed average price for shares of Class B during the five trading days immediately following the publication of the year-end financial statement.

Synthetic shares were allocated to members of the Board for the first time 2008, on equal terms and conditions as resolved 2009 and 2010. Payment based on synthetic shares may thus occur for the first time in 2013 with respect to the synthetic shares allocated 2008. The value of all outstanding synthetic shares fluctuates in line with the market value of Ericsson's Class B share and may differ from year to year compared to the original value on their respective grant dates. The change in value of the outstanding synthetic shares is established each year and affects the total recognized costs that year. As per December 31, 2010 the total number of synthetic shares under the programs is 220,239.80 and the total accounted debt is SEK 17,649,112.

Remuneration to the Group management

REMUNERATION COSTS

The total remuneration to the President and CEO and to other members of the Group management, hereafter presented as the Executive Leadership Team (ELT) includes fixed salary, short-term and long-term variable remuneration, pension and other benefits. These remuneration elements are based on the guidelines for remuneration and other employment conditions for senior management as approved at AGM 2010, see the approved guidelines in section "2010 Remuneration Policy".

REMUNERATION COSTS INCURRED DURING 2010 FOR THE PRESIDENT AND CEO AND OTHER MEMBERS OF EXECUTIVE LEADERSHIP TEAM

SEK	The President	Other members of ELT	Total 2010	Total 2009
Salary	12 573 789	84 697 698	**97 271 487**	61 653 309
Provisions for annual variable remuneration earned 2010 to be paid 2011	6 737 556	26 592 809	**33 330 365**	21 364 557
Long-term variable remuneration provision	1 253 262	6 467 584	**7 720 846**	3 172 351
Pension costs	5 586 760	24 994 073	**30 580 833**	47 573 897
Other benefits	80 962	4 142 484	**4 223 446**	2 423 437
Social charges and taxes	7 842 186	30 246 918	**38 089 103**	36 674 431
Total	**34 074 515**	**177 141 565**	**211 216 080**	**172 861 982**

Comments to the table

- As of January 1, 2010, Hans Vestberg was appointed President and CEO.
- During 2010, there were two Executive Vice Presidents, appointed by the Board of Directors. None of them has acted as deputy to the President and CEO during the year. The Executive Vice Presidents are included in the group "Other members of ELT".
- The group "Other members of ELT" comprises the following persons: Jan Frykhammar, Johan Wibergh, Jan Wäreby, Magnus Mandersson, Cesare Avenia, Carl Olof Blomqvist, Håkan Eriksson, Douglas Gilstrap, Henry Sténson, Marita Hellberg (up to June 30), Torbjörn Possne (up to September 30), Rima Qureshi (from February 1), Mats H. Olsson (from February 8), Angel Ruiz (from February 8) and Bina Chaurasia (from November 15).
- Included in "salary" for the President and CEO is vacation pay and a one-off cost of SEK 2 million in connection with changing the terms and conditions of the President and CEO's long-term variable remuneration arrangements 2010.
- The ELT has a significantly different composition compared to 2009, with more diversity as to nationalities, gender and experience, both on local contracts as well as expatriate contracts. To be able to attract and retain, decisions on long-term compensation commitments have been made during 2010, cost for these commitments are included in salary for other members of ELT. For 2009 there were no such commitments.
- The salary stated in the table for other members of the ELT includes vacation pay paid during 2010 as well as other contracted compensation which were paid during 2010 or provisioned for 2010. Deferred salary, earned 2010 to be paid 12 months or later after period end amounts to SEK 6,097,404.
- "Long-term variable remuneration provisions" refers to the compensation costs during 2010 for all outstanding share-based plans. For a description of compensation cost, including accounting treatment, see Note C1, "Significant Accounting Policies", section Share-based compensation to employees and the Board of Directors.
- For the President and CEO and other members of ELT employed in Sweden a supplementary plan is applied in addition to the occupational pension plan for salaried staff on the Swedish labor market (ITP) with pension from 60 years. These pension plans are not conditional upon future employment at Ericsson.
- Ericsson's commitments for benefit based pensions per December 31, 2010, under IAS 19 amounted to SEK 5,177,173 for the President and CEO which includes ITP plan and temporary disability and survivor's pension. For other members of ELT the Company's commitments amounted to SEK 45,368,650 of which SEK 35,087,673 refers to the

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ITP plan and the remaining SEK 10,280,977 to temporary disability and survivor's pensions.

- For previous Presidents and CEOs, the Company has made provisions for defined benefit pension plans in connection with their active service periods within the Company.

OUTSTANDING MATCHING RIGHTS

As per December 31, 2010 Number of Class B shares	The President	Other members of ELT
Stock Purchase Plans 2007, 2008, 2009 and 2010 and Executive Performance Stock Plans 2008, 2009 and 2010	142,373	687,562

Comments to the table

- For the definition of matching rights, see description in section "Long-term variable remuneration".
- The number of matching rights is based on maximum performance matching under Executive Performance Stock Plans, 2008, 2009 and 2010 for all members of ELT during 2010.
- 2007 award lapsed for the Performance Stock Plan, so for 2007 only the matching under the Stock Purchase Plan is included in outstanding matching rights.
- During 2010, the President and CEO received 2,314 matching shares and other members of ELT 17,093 matching shares.

2010 REMUNERATION POLICY

Remuneration at Ericsson is based on the principles of performance, competitiveness and fairness. These principles and good practice in Sweden guide our policy to:

- Attract and retain highly competent, performing and motivated people that have the ability, experience and skill to deliver on the Ericsson strategy.
- Encourage behavior consistent with Ericsson's culture and core values of professionalism, respect and perseverance.
- Ensure fairness in reward by delivering total remuneration that is appropriate but not excessive.
- Ensure a total compensation mix of fixed and variable remuneration and benefits that reflects the Company's principles and is competitive where Ericsson competes for talent.
- Encourage variable remuneration which, first, aligns employees with clear and relevant targets, second, reinforces performance and, third, enables flexible remuneration costs.
- Ensure that all variable remuneration plans have maximum award and vesting limits.
- Encourage employees to deliver sustained performance and build up a personal shareholding in Ericsson, aligning the interests of shareholders and employees.
- Communicate clearly to both employees and shareholders how Ericsson translates remuneration principles and policy into practice.

Group Management

For senior management consisting of the Executive Leadership Team, including the President and CEO, in the following referred to as the "Group Management", total remuneration consists of fixed salary, short- and long-term variable remuneration, pension and other benefits. Furthermore, the following guidelines apply for Group Management:

- Variable remuneration is through cash and stock-based programs awarded against specific business targets derived from the long-term business plan approved by the Board of Directors. Targets may include financial targets at either corporate or unit level, operational targets, employee motivation targets and customer satisfaction targets.
- With the current composition of Group Management, the Company's cost during 2010 for the variable remuneration of Group Management can, at a constant share price, amount to between 0 and 140 percent of the aggregate fixed salary cost, all excluding social security costs.
- All benefits, including pension benefits, follow the competitive practice in the home country taking total compensation into account. The retirement age is normally 60 to 65 years of age.
- By way of exception, additional arrangements can be made when deemed required. Such additional arrangement shall be limited in time and shall not exceed a period of 36 months and two times the remuneration that the individual concerned would have received had no additional arrangement been made.
- The mutual notice period may be no more than six months. Upon termination of employment by the Company, severance pay amounting to a maximum of 18 months fixed salary is paid. Notice of termination given by the employee due to significant structural changes, or other events that in a determining manner affect the content of work or the condition for the position, is equated with notice of termination served by the Company.

Long-Term Variable Remuneration

THE STOCK PURCHASE PLAN

The Stock Purchase Plan is designed to offer an incentive for all employees to participate in the Company where practicable, which is consistent with industry practice and with our ways of working. For the 2010 plan employees are able to save up to 7.5 percent (President and CEO 10 percent) of gross fixed salary (President and CEO gross fixed salary and annual variable remuneration) for purchase of Class B contribution shares at market price on the NASDAQ OMX Stockholm or ADS's (American Depositary Share) at NASDAQ (contribution shares) during a twelve-month period (contribution period). If the contribution shares are retained by the employee for three years after the investment and the employment with the Ericsson Group continues during that time, the employee's shares will be matched with a corresponding number of Class B shares or ADS's free of consideration. Employees in 94 countries participate in the plans.

The table below shows the contribution periods and participation details for ongoing plans as of December 31, 2010.

STOCK PURCHASE PLANS

Plan	Contribution period	Number of participants at launch	Take-up rate – percent of all employees
Stock Purchase plan 2007	August 2007 – July 2008	19,000	26%
Stock Purchase plan 2008	August 2008 – July 2009	19,000	25%
Stock Purchase plan 2009	August 2009 – July 2010	18,000	25%
Stock Purchase plan 2010	August 2010 – July 2011	22,000	27%

Participants save each month, beginning with August payroll, towards quarterly investments. These investments (in November, February, May and August) are matched on the third anniversary of each such investment, subject to continued employment, and hence the matching spans over two financial years and two tax years.

THE KEY CONTRIBUTOR RETENTION PLAN

The Key Contributor Retention Plan is part of Ericsson's talent management strategy and is designed to give recognition for performance, critical skills and potential as well as encourage retention of key employees. Under the program, up to 10 percent of employees (2010: 7,201 employees) are selected through a nomination process that identifies individuals according to performance, critical skills and potential. Participants selected obtain one extra matching share in addition to the ordinary one matching share for each contribution share purchased under the Stock Purchase Plan during a twelve-month program period.

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EXECUTIVE PERFORMANCE STOCK PLANS

Plan	Base year EPS [1]	Target average annual EPS growth range [2]	Matching share vesting range [3]	Maximum opportunity as percentage of fixed salary [4]
Executive Performance Stock Plan 2007 [5]	8.83	5% to 15%	0.67 to 4 1 to 6 1.33 to 8	30% 45% 72%
Executive Performance Stock Plan 2008	4.43	5% to 15%	0.67 to 4 1 to 6 1.33 to 8	30% 45% 72%
Executive Performance Stock Plan 2009	2.90	5% to 15%	0.67 to 4 1 to 6 1.33 to 8	30% 45% 72%
Executive Performance Stock Plan 2010	1.14	5% to 15%	0.67 to 4 1 to 6 1.5 to 9	30% 45% 162%

[1] Sum of four quarters up to June 30 of plan years, up to and including 2009. For 2010 plan the sum of 4 quarters up to December 31, 2010.

[2] EPS range found from three-year average EPS of the twelve quarters to the end of the performance period and corresponding growth targets.

[3] Corresponding to EPS range (no Performance Share Plan matching below this range). Matching shares per contribution share invested in addition to Stock Purchase Plan matching according to program of up to 4, 6 or 9 matching shares.

[4] At full investment, full vesting and constant share price. Excludes Stock Purchase Plan matching.

[5] The 2007 Executive Performance Stock Plan did not vest. All awards have also lapsed for the matching share vesting range 1.33 to 8 shares for the 2008 and 2009 plans following the only participant, the former President and CEO, leaving the Company.

THE EXECUTIVE PERFORMANCE STOCK PLAN

The Executive Performance Stock Plan is designed to focus the management on driving earnings and provide competitive remuneration. Senior executives, including ELT, are selected to obtain up to four or six extra shares (performance matching shares) in addition to the ordinary one matching share for each contribution share purchased under the Stock Purchase Plan. Up to 0.5 percent of employees (2010: 264 executives) are offered to participate in the plan. The President and CEO is allowed to invest up to 10 percent of fixed salary and Short-Term Variable Remuneration in contribution shares and may obtain up to nine performance matching shares in addition to the Stock Purchase Plan matching share for each contribution share. The performance matching is subject to the fulfillment of a performance target of average annual Earnings per Share (EPS) growth. The table shows all Executive Performance Stock Plans as per December 31, 2010.

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SHARES FOR ALL PLANS

Plan (million shares)	Originally designated [1]	Outstanding beginning of 2010	Awarded during 2010	Exercised/ matched during 2010	Forfeited/ expired during 2010	Outstanding end of 2010	Compensation costs charged during 2010 (MSEK)
	A	B	C	D	E	F=B+C-D-E	G
2006 Stock Purchase Plan, Key Contributor Retention Plan and Executive Performance Stock Plans	6.4	3.3	–	2.7	0.6	–	18 [3]
2007 Stock Purchase Plan, Key Contributor Retention Plan and Executive Performance Stock Plans	9.7	8.6	–	1.4	0.1	7.1 [2]	130 [3]
2008 Stock Purchase Plan, Key Contributor Retention Plan and Executive Performance Stock Plans	16.5	11.3	–	0.1	0.2	11.0 [2]	247 [3]
2009 Stock Purchase Plan, Key Contributor Retention Plan and Executive Performance Stock Plans	22.4	2.5	7.6	0.1	0.1	9.9 [2]	351 [3]
2010 Stock Purchase Plan, Key Contributor Retention Plan and Executive Performance Stock Plans	19.4	–	3.0	–	–	3.0 [2]	11 [3]
Total	**74.4**	**25.7**	**10.6**	**4.3**	**1.0**	**31.0**	**757** [4]

[1] Adjusted for rights offering and reverse split when applicable.

[2] Presuming maximum performance matching under the Executive Performance Stock Plans. The 2006 and 2007 plans have lapsed.

[3] Fair value is calculated as the share price on the investment date, reduced by the net present value of the dividend expectations during the three-year vesting period. Net present value calculations are based on data from external party. Fair value is also adjusted for participants failing to keep hold of their contribution shares during the vesting period. For shares under the Executive Performance Stock Plans, the Company assesses the probability of meeting the performance targets when calculating the compensation cost. Fair value of the Class B share at each investment date during 2010 was: February 15 SEK 64.47, May 15 SEK 75.26, August 15 SEK 67.44 and November 15 SEK 62.57.

[4] Total compensation costs charged during 2009: SEK 529 million, 2008: SEK 572 million.

SHARES FOR ALL PLANS

All plans are funded with treasury stock and are equity settled. Treasury stock for all plans has been issued in directed cash issues of Class C shares at the quotient value and purchased under a public offering at the subscription price plus a premium corresponding to the subscribers' financing costs, and then converted to Class B shares.

For all plans, additional shares have been allocated for financing of social security expenses. Treasury stock is sold on the NASDAQ OMX Stockholm to cover social security payments when arising due to matching of shares. During 2010, 669,700 shares were sold at an average price of SEK 77.09. Sale of shares is recognized directly in equity.

If, as of December 31, 2010, all shares allocated for future matching under the Stock Purchase Plan were transferred, and shares designated to cover social security payments were disposed of as a result of the exercise and the matching, approximately 50 million Class B shares would be transferred, corresponding to 1.5 percent of the total number of shares outstanding, 3,200 million. As of December 31, 2010, 73 million Class B shares were held as treasury stock.

The table above shows how shares (representing matching rights but excluding shares for social security expenses) are being used for all outstanding plans. From left to right the table includes (A) the number of shares originally approved by the Annual General Meeting, adjusted for reverse split where applicable; (B) the number of originally designated shares that were outstanding at the beginning of 2010; (C) the number of shares awards that were granted during 2010; (D) the number of shares matched during 2010; (E) the number of shares forfeited by participants or expired under the plan rules during 2010; (F) the balance left as outstanding at the end of 2010, having added new awards to the shares outstanding at the beginning of the year and deducted the shares related to awards matched, forfeited and expired. The final column (G) shows the compensation costs charged to the accounts during 2010 for each plan, calculated as fair value in SEK.

For a description of compensation cost, including accounting treatment, see Note C1, "Significant Accounting Policies", section Share-based compensation to employees and the Board of Directors.

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Employee numbers, wages and salaries

EMPLOYEE NUMBERS

AVERAGE NUMBER OF EMPLOYEES

			2010			2009
	Men	Women	Total	Men	Women	Total
North America	**11,005**	**2,770**	**13,775**	9,366	2,358	11,724
Latin America	**5,326**	**1,328**	**6,654**	5,876	1,254	7,130
Northern Europe & Central Asia [1) 2)]	**15,227**	**5,821**	**21,048**	16,271	6,082	22,353
Western & Central Europe [2)]	**9,338**	**1,817**	**11,155**	10,003	2,021	12,024
Mediterranean [2)]	**9,034**	**2,670**	**11,704**	7,956	2,403	10,359
Middle East	**3,544**	**468**	**4,012**	3,541	428	3,969
Sub Saharan Africa	**1,331**	**359**	**1,690**	1,716	412	2,128
India	**5,783**	**835**	**6,618**	3,818	370	4,188
China & North East Asia	**6,867**	**2,948**	**9,815**	4,897	2,113	7,010
South East Asia & Oceania	**3,976**	**1,378**	**5,354**	4,155	1,320	5,475
Total	**71,431**	**20,394**	**91,825**	67,599	18,761	86,360
[1)] *Of which Sweden*	***13,066***	***4,355***	***17,421***	*13,930*	*4,591*	*18,521*
[2)] *Of which EU*	***32,045***	***9,843***	***41,888***	*32,970*	*10,055*	*43,025*

NUMBER OF EMPLOYEES AT YEAR END

	2010	2009
Employees by region		
North America	**13,498**	11,222
Latin America	**7,181**	6,055
Northern Europe & Central Asia [1) 2)]	**21,425**	21,993
Western & Central Europe [2)]	**10,818**	11,622
Mediterranean [2)]	**10,795**	9,509
Middle East	**3,982**	3,744
Sub Saharan Africa	**1,626**	2,104
India	**6,710**	4,184
China & North East Asia	**9,807**	6,894
South East Asia & Oceania	**4,419**	5,166
Total	**90,261**	82,493
[1)] *Of which Sweden*	***17,848***	*18,217*
[2)] *Of which EU*	***40,743***	*41,396*

EMPLOYEES BY GENDER AND AGE AT YEAR END 2010

	Female	Male	Percent of total
Under 25 years old	1,385	3,911	6%
26–35 years old	6,976	24,369	35%
36–45 years old	7,317	26,135	37%
46–55 years old	3,264	12,668	18%
Over 55 years old	908	3,328	5%
Percent of total	22%	78%	100%

NUMBER OF EMPLOYEES RELATED TO COST OF SALES AND OPERATING EXPENSES

	2010	2009	2008
Cost of sales	**45,628**	41,521	35,717
Operating expenses	**44,633**	40,972	43,023
Total	**90,261**	82,493	78,740

EMPLOYEE MOVEMENTS

	2010	2009
Head count at year-end	**90,261**	82,493
Employees who have left the Company	**10,066**	9,147
Employees who have joined the Company	**17,834**	12,900
Temporary employees	**978**	693

EMPLOYEE WAGES AND SALARIES

WAGES AND SALARIES AND SOCIAL SECURITY EXPENSES

	2010	2009
Wages and salaries	**43,390**	41,247
Social security expenses	**13,793**	13,630
Of which pension costs	***3,091***	*3,588*

Amounts related to the President and CEO and the Group Management Team are included.

WAGES AND SALARIES PER REGION

	2010	2009
North America [3)]	**10,236**	6,358
Latin America	**2,269**	2,181
Northern Europe & Central Asia [1) 2)]	**11,464**	11,918
Western & Central Europe [2)]	**6,153**	7,063
Mediterranean [2)]	**5,053**	5,619
Middle East	**1,680**	1,865
Sub Saharan Africa	**849**	974
India	**881**	674
China & North East Asia	**2,923**	2,393
South East Asia & Oceania	**1,882**	2,202
Total	**43,390**	41,247
[1)] *Of which Sweden*	***10,086***	*10,324*
[2)] *Of which EU*	***21,858***	*23,734*
[3)] *Of which the United States*	***8,098***	*4,928*

Remuneration in foreign currency has been translated to SEK at average exchange rates for the year.

REMUNERATION TO BOARD MEMBERS AND PRESIDENTS IN SUBSIDIARIES

	2010	2009
Salary and other remuneration	**289**	315
Of which annual variable remuneration	***43***	*42*
Pension costs	**29**	34

BOARD MEMBERS, PRESIDENTS AND GROUP MANAGEMENT BY GENDER AT YEAR END

		2010		2009
	Females	Males	Females	Males
Parent Company				
Board members and President	**33%**	**67%**	38%	62%
Group Management	**14%**	**86%**	8%	92%
Subsidiaries				
Board members and Presidents	**10%**	**90%**	10%	90%

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C30 RELATED PARTY TRANSACTIONS

During 2010, various related party transactions were executed pursuant to contracts based on terms customary in the industry and negotiated on an arm's length basis. For information regarding equity and Ericsson's share of assets, liabilities and income in joint ventures and associated companies, see Note C12, "Financial Assets, Non-Current". For information regarding transactions with senior management, see Note 29, "Information Regarding Members of the Board of Directors, the Group Management and Employees".

Sony Ericsson Mobile Communications AB (SEMC)

In October 2001, SEMC was established as a joint venture between Sony Corporation and Ericsson, and a substantial portion of Ericsson's handset operations was sold to SEMC. The joint venture is headquartered in London, United Kingdom. As part of the formation of the joint venture, contracts were entered into between Ericsson and SEMC.

Major transactions are as follows:

- **License revenues.** Both owners of SEMC, Sony Corporation and Ericsson, receive license revenues for SEMC's usage of trademarks and intellectual property rights. The decline in license revenues during 2009 is a consequence of the formation of ST-Ericsson.
- **Purchases.** Ericsson purchases mobile phones from SEMC to support contracts with a number of customers for mobile systems which also include limited quantities of phones.
- **Dividends.** Both owners of SEMC receive dividends, when so decided by the board of directors. During 2010 Ericsson received no dividends from SEMC.

SONY ERICSSON MOBILE COMMUNICATIONS

	2010	2009	2008
Related party transactions			
License revenues	**1,255**	1,746	5,856
Purchases	**61**	164	261
Ericsson's share of dividends	**–**	–	3,627
Related party balances			
Receivables	**258**	369	1,002
Liabilities	**8**	14	176

SEMC has been granted term loans and credit facilities of SEK 3,157 million, of which SEK 2,106 million were utilized as of December 31, 2010. The parent companies of Ericsson and Sony Corporation have issued guarantees for these term loans and credit facilities on a 50/50 basis, without joint responsibility. Thus Ericsson's guaranteed amount is maximum SEK 1,579 million excluding interest. As of December 31, 2010, Ericsson's part of the outstanding amount is SEK 1,037 million excluding accrued interest of SEK 16 million. Maturity dates for the issued guarantees are 2011 (SEK 1,128 million) and 2012 (SEK 451 million). See also Note C24, "Contingent Liabilities".

ST-Ericsson

ST-Ericsson, the joint venture between Ericsson and STMicroelectronics, was formed on February 2, 2009, by merging Ericsson Mobile Platforms with ST-NXP Wireless. The joint venture is equally owned by Ericsson and STMicroelectronics. ST-Ericsson is an industry leader in design, development and the creation of cutting-edge mobile platforms and wireless semiconductors. ST-Ericsson is a key supplier to four of the industry's top five handset manufacturers, who together represent about 80 percent of global handset shipments, as well as to other leading companies in the industry. The joint venture is headquartered in Geneva, Switzerland, and employs approximately 8,000 persons.

Major transactions are as follows:

- **Sales.** Ericsson provides ST-Ericsson with services in the areas of R&D, HR, IT and facilities.
- **Purchases.** Major part of Ericsson's purchases from ST-Ericsson consists of chipsets and R&D services.
- **Dividends.** Both owners of ST-Ericsson receive dividends, when so decided by the board of directors. During 2010 Ericsson received no dividends from ST-Ericsson.

ST-ERICSSON

	2010	2009
Related party transactions		
Sales	**403**	740
Purchases	**629**	624
Ericsson's share of dividends	**–**	–
Related party balances		
Receivables	**53**	244
Liabilities	**48**	365

ST-Ericsson has been granted a revolving credit facility of USD 200 million, which is equally shared by Ericsson and STMicroelectronics. As of December 31, 2010, the amount drawn on the facility was SEK 1,030 million. Each parent lent SEK 515 million.

Ericsson does not have any contingent liabilities, assets pledged as collateral or guarantees towards ST-Ericsson.

Ericsson Nikola Tesla d.d.

Ericsson Nikola Tesla d.d. is a joint stock company for design, sales and service of telecommunication systems and equipment, and an associated member of the Ericsson Group. Ericsson Nikola Tesla d.d. is located in Zagreb, Croatia. Ericsson holds 49.07 percent of the shares.

Major transactions are as follows:

- **Sales.** Ericsson sells telecommunication equipment to Ericsson Nikola Tesla d.d.
- **License revenues.** Ericsson receives license revenues for Ericsson Nikola Tesla d.d.'s usage of trademarks.
- **Purchases.** Ericsson purchases development resources from Ericsson Nikola Tesla d.d.
- **Dividends.** Ericsson received dividends from Ericsson Nikola Tesla d.d. during 2010.

ERICSSON NIKOLA TESLA D.D.

	2010	2009	2008
Related party transactions			
Sales	**563**	654	1,020
License revenues	**2**	7	9
Purchases	**566**	569	547
Ericsson's share of dividends	**104**	66	227
Related party balances			
Receivables	**120**	93	85
Liabilities	**75**	70	58

Ericsson does not have any contingent liabilities, assets pledged as collateral or guarantees toward Ericsson Nikola Tesla d.d.

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C31 FEES TO AUDITORS

FEES TO AUDITORS

	PwC	Others	Total
2010			
Audit fees	79	5	84
Audit related fees	17	1	18
Tax services fees	16	2	18
Other fees	7	2	9
Total	**119**	**10**	**129**
2009			
Audit fees [1]	88	3	91
Audit related fees [1]	18	–	18
Tax services fees	16	2	18
Other fees [1]	3	2	5
Total	**125**	**7**	**132**
2008			
Audit fees [1]	88	4	92
Audit related fees [1]	15	–	15
Tax services fees	14	2	16
Other fees [1]	2	5	7
Total	**119**	**11**	**130**

[1] Allocation of fees to auditors is based on the requirements in the Swedish Annual Accounts Act. 2008 and 2009 figures are restated for comparability.

During the period 2008–2010, in addition to audit services, PwC provided certain audit related services, tax and other services to the Company. The audit related services include quarterly reviews, SAS 70 reviews and services in connection with issuing of certificates and opinions. The tax services include general expatriate services and corporate tax compliance work. Other services include consultation on financial accounting, services related to acquisitions, operational effectiveness and assessments of internal control.

Audit fees to other auditors largely consist of local statutory audits for minor companies.

C32 CONTRACTUAL OBLIGATIONS

CONTRACTUAL OBLIGATIONS 2010

	Payment due by period				
SEK billion	<1 year	1–3 years	3–5 years	>5 years	Total 2010
Long-term debt [1] [2]	1.6	10.7	7.9	8.1	**28.3**
Finance lease obligations [3]	0.1	0.3	0.4	1.0	**1.8**
Operating leases [3]	3.1	4.3	1.9	2.2	**11.5**
Other non-current liabilities	0.0	0.4	0.2	1.8	**2.4**
Purchase obligations [4]	7.7	–	–	–	**7.7**
Trade Payables	25.0	–	–	–	**25.0**
Commitments for customer financing [5]	3.3	–	–	–	**3.3**
Total	**40.8**	**15.7**	**10.4**	**13.1**	**80.0**

[1] Including interest payments.
[2] See also Note C20, "Financial Risk Management and Financial Instruments".
[3] See also Note C27, "Leasing".
[4] The amounts of purchase obligations are gross, before deduction of any related provisions.
[5] See also Note C14, "Trade Receivables and Customer Financing".

For information about financial guarantees, see Note C24, "Contingent Liabilities"

Except for those transactions described in this report, Ericsson has not been a party to any material contracts over the past three years other than those entered into during the ordinary course of business.

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PARENT COMPANY INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

PARENT COMPANY INCOME STATEMENT

Years ended December 31, SEK million	Notes	2010	2009 [1]	2008
Net sales [1]	P2	**33**	300	5,086
Cost of sales		**–29**	–21	–669
Gross income		**4**	279	4,417
Selling expenses		**–1,370**	–1,399	–1,113
Administrative expenses		**–1,586**	–1,738	–1,271
Operating expenses		**–2,956**	–3,137	–2,384
Other operating income and expenses	P3	**3,118**	2,977	3,065
Operating income		**166**	119	5,098
Financial income	P4	**7,474**	9,358	24,131
Financial expenses	P4	**–829**	–1,396	–9,791
Income after financial items		**6,811**	8,081	19,438
Transfers to (–)/from untaxed reserves				
Changes in depreciation in excess of plan	P15	**–100**	417	–251
Changes in other untaxed reserves	P15	**–**	485	–227
		–100	902	–478
Taxes	P5	**–117**	–804	–1,733
Net income		**6,594**	8,179	17,227

[1] Effective January 1, 2009, the right to all license revenues from third parties was transferred to Ericsson AB, a wholly owned subsidiary.

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

Years ended December 31, SEK million	Notes	2010	2009	2008
Net income		**6,594**	8,179	17,227
Other comprehensive income				
Cash Flow hedges				
Gains/losses arising during the period		**136**	612	773
Amounts transferred to initial carrying amount of hedged items		**–136**	–1,385	–
Tax on items relating to components of OCI		**–**	204	–204
Total other comprehensive income		**–**	–569	569
Total comprehensive income		**6,594**	7,610	17,796

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PARENT COMPANY BALANCE SHEET

December 31, SEK million	Notes	2010	2009
ASSETS			
Fixed assets			
Intangible assets	P6	**1,046**	2,219
Tangible assets	P7, P26	**527**	527
Financial assets			
Investments			
Subsidiaries	P8, P9	**77,566**	75,540
Joint ventures and associated companies	P8, P9	**13,066**	13,066
Other investments	P8	**84**	10
Receivables from subsidiaries	P8, P12	**6,666**	10,316
Customer finance, non-current	P8, P11	**1,027**	846
Deferred tax assets	P5	**302**	387
Other financial assets, non-current	P8	**302**	1,179
		100,586	104,090
Current assets			
Inventories	P10	**57**	61
Receivables			
Trade receivables	P11	**36**	42
Customer finance, current	P11	**1,479**	590
Receivables from subsidiaries	P12	**15,385**	20,035
Current income taxes		**355**	360
Other current receivables	P13	**4,299**	2,677
Short-term investments	P19	**56,148**	53,926
Cash and cash equivalents	P19	**15,439**	8,477
		93,198	86,168
TOTAL ASSETS		**193,784**	190,258

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PARENT COMPANY BALANCE SHEET (CONTINUED)

December 31, SEK million	Notes	2010	2009
STOCKHOLDERS' EQUITY, PROVISIONS AND LIABILITIES			
Stockholders' equity	P14		
Capital stock		**16,367**	16,367
Revaluation reserve		**20**	20
Statutory reserve		**31,472**	31,472
Restricted equity		**47,859**	47,859
Retained earnings		**36,380**	33,774
Net income		**6,594**	8,179
Non-restricted equity		**42,974**	41,953
		90,833	89,812
Untaxed reserves	P15	**1,015**	915
Provisions			
Pensions	P16	**389**	372
Other provisions	P17	**571**	697
		960	1,069
Non-current liabilities			
Notes and bond loans	P18	**20,646**	23,801
Liabilities to credit institutions	P18	**4,000**	4,000
Liabilities to subsidiaries	P12	**26,862**	28,966
Other non-current liabilities		**1,334**	244
		52,842	57,011
Current liabilities			
Current maturities of long-term borrowings	P18	**–**	–
Trade payables	P21	**399**	335
Liabilities to subsidiaries	P12	**45,956**	39,135
Other current liabilities	P20	**1,779**	1,981
		48,134	41,451
TOTAL STOCKHOLDERS' EQUITY, PROVISIONS AND LIABILITIES		**193,784**	190,258
Assets pledged as collateral	P22	**658**	550
Contingent liabilities	P23	**13,783**	13,072

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PARENT COMPANY STATEMENT OF CASH FLOWS

Years ended December 31, SEK million	Notes	2010	2009	2008
Operating activities				
Net income		6,594	8,179	17,227
Adjustments to reconcile net income to cash	P24	1,288	–3,831	5,146
		7,882	4,348	22,373
Changes in operating net assets				
Inventories		4	20	4
Customer finance, current and non-current		–1,070	193	–478
Trade receivables		283	261	–464
Trade payables		331	–132	16
Provisions and pensions		–109	–4	–49
Other operating assets and liabilities, net		1,954	–685	2,252
		1,393	-347	1,281
Cash flow from operating activities		9,275	4,001	23,654
Investing activities				
Investments in tangible assets		–160	–124	–388
Sales of tangible assets		9	109	8
Investments in shares and other investments		–2,178	–11,015	–305
Divestments of shares and other investments		42	1,134	2,122
Lending, net		8,973	6,663	1,541
Other investing activities		–287	–9	31
Short-term investments		–2,940	–14,436	–6,760
Cash flow from investing activities		3,459	–17,678	–3,751
Cash flow before financing activities		12,734	–13,677	19,903
Financing activities				
Changes in current liabilities to subsidiaries		3,503	4,755	–470
Proceeds from new borrowings		–	11,532	4,000
Repayment of borrowings		–1,055	–8,910	–3,119
Sale of own shares and options exercised		–	68	89
Dividends paid		–6,391	–5,897	–7,954
Settled contributions from/to (–) subsidiaries		–209	–1,363	–7,582
Other financing activities		–310	–	–7
Cash flow from financing activities		-4,462	185	–15,043
Effect from remeasurement in cash		–1,310	–79	629
Net change in cash and cash equivalents		6,962	–13,571	5,489
Cash and cash equivalents, beginning of period		8,477	22,048	16,559
Cash and cash equivalents, end of period	P19	15,439	8,477	22,048

From 2008, the effect from remeasurement in cash and other adjustments to reconcile net income to cash have been included. From 2009, Short-term investments with remaining maturity greater than three months have been moved to Investing activities from cash and short-term investments, and 2008 have been restated accordingly.

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PARENT COMPANY STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

	Capital stock	Revaluation reserve	Statutory reserve	Total restricted equity	Disposition reserve	Fair value reserves	Other retained earnings	Non-restricted equity	Total
January 1, 2010	16,367	20	31,472	47,859	100	–	41,853	41,953	**89,812**
Total comprehensive income	–	–	–	–	–	–	6,594	6,594	**6,594**
Transactions with owners	–	–	–	–	–	–	–	–	**–**
Stock issue	–	–	–	–	–	–	–	–	**–**
Sale of own shares	–	–	–	–	–	–	52	52	**52**
Stock Purchase Plans	–	–	–	–	–	–	8	8	**8**
Repurchase of own shares	–	–	–	–	–	–	–	–	**–**
Contribution from/to (–) subsidiary companies	–	–	–	–	–	–	1,029	1,029	**1,029**
Tax on contributions	–	–	–	–	–	–	–271	–271	**–271**
Dividends paid	–	–	–	–	–	–	–6,391	–6,391	**–6,391**
December 31, 2010	**16,367**	**20**	**31,472**	**47,859**	**100**	**–**	**42,874**	**42,974**	**90,833**
January 1, 2009	16,232	20	31,472	47,724	100	569	41,285	41,954	**89,678**
Total comprehensive income	–	–	–	–	–	–569	8,179	7,610	**7,610**
Transactions with owners	–	–	–	–	–	–	–	–	**–**
Stock issue	135	–	–	135	–	–	–	–	**135**
Sale of own shares	–	–	–	–	–	–	75	75	**75**
Stock Purchase and Stock Option Plans	–	–	–	–	–	–	139	139	**139**
Repurchase of own shares	–	–	–	–	–	–	–135	–135	**–135**
Contribution from/to (–) subsidiary companies	–	–	–	–	–	–	–2,403	–2,403	**–2,403**
Tax on contributions	–	–	–	–	–	–	610	610	**610**
Dividends paid	–	–	–	–	–	–	–5,897	–5,897	**–5,897**
December 31, 2009	**16,367**	**20**	**31,472**	**47,859**	**100**	**–**	**41,853**	**41,953**	**89,812**

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NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

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P1 SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Parent Company, Telefonaktiebolaget LM Ericsson, have been prepared in accordance with RFR 2 "Reporting in separate financial statements". RFR 2 requires the Parent Company to use the same accounting principles as for the Group, i.e. IFRS to the extent allowed by RFR 2.

The main deviations between accounting policies adopted for the Group and accounting policies for the Parent Company are:

Subsidiaries, associated companies and joint ventures

The investments are accounted for according to the acquisition cost method. Investments are carried at cost and only dividends are accounted for in the income statement. An impairment test is performed annually and write-downs are made when permanent decline in value is established.

Contributions to/from subsidiaries and shareholders' contributions are accounted for according to UFR 2 issued by the Swedish Financial Reporting Board. Contributions to/from Swedish subsidiaries are reported directly in equity, net of taxes, as these transactions are aimed at reducing Swedish taxes. Shareholders' contributions increase the Parent Company's investments.

Classification and measurement of financial instruments

IAS 39 Financial Instruments: Recognition and Measurement is adopted, except regarding financial guarantees where the exception allowed in RFR 2 is chosen. Financial guarantees are included in Contingent liabilities.

Leasing

The Parent Company has one rental agreement which is accounted for as a finance lease in the consolidated statements and as an operating lease in the Parent Company financial statements.

Deferred taxes

The accounting of untaxed reserves in the balance sheet results in different accounting of deferred taxes as compared to the principles applied in the consolidated statements. Swedish GAAP and tax regulations require a company to report certain differences between the tax basis and book value as an untaxed reserve in the balance sheet of the stand-alone financial statements. Changes to these reserves are reported as an addition to, or withdrawal from, untaxed reserves in the income statement.

Pensions

Pensions are accounted for in accordance with the recommendation FAR SRS RedR 4 "Accounting for pension liability and pension cost" from the Institute for the Accountancy Profession in Sweden. According to RFR 2, IAS 19 shall be adopted regarding supplementary disclosures when applicable.

Segment information

Segment information is reported according to requirements in the Swedish Annual Accounts Act regarding net sales for business segments and geographical areas.

Borrowing costs

All borrowing costs in relation to qualifying assets are expensed as incurred.

Business combinations

Transaction costs attributable to the acquisition are included in the cost of acquisition in the parent company statements compared to Group Statements where these costs are expenses as incurred.

Critical accounting estimates and judgments

See Notes to the Consolidated Financial Statements – Note C2, "Critical Accounting Estimates and Judgments". Major critical accounting estimates and judgments applicable to the Parent Company include "Trade and customer finance receivables" and "Acquired intellectual property rights and other intangible assets, excluding goodwill".

P2 SEGMENT INFORMATION

NET SALES

	2010	2009	2008
North America	–	99	2,192
Of which the United States	–	–7	–
Latin America	**33**	47	37
Northern Europe & Central Asia [1)] [2)]	–	–56	1,506
Western & Central Europe [2)]	–	12	97
Mediterranean [2)]	–	31	–
Middle East	–	–	–
Sub-Saharan Africa	–	–	–
India	–	–	–
China & North East Asia	–	167	1,254
Of which China	–	38	50
South East Asia & Oceania	–	–	–
Other	–	–	–
Total	**33**	300	5,086
[1)] *Of which Sweden*	–	*–56*	*1,506*
[2)] *Of which EU*	–	*–13*	*1,603*

Parent Company net sales in 2010 relate to business segment Networks. (Parent Company net sales in 2009 and 2008 in Sweden were mainly related to business segment Multimedia and the remaining part of net sales were related to business segment Networks).

P3 OTHER OPERATING INCOME AND EXPENSES

OTHER OPERATING INCOME AND EXPENSES

	2010	2009	2008
License revenues and other operating revenues			
Subsidiary companies	**2,305**	2,433	2,407
Other	**815**	532	659
Net gains/losses (–) on sales of tangible assets	**–2**	12	–1
Total	**3,118**	2,977	3,065

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P4 FINANCIAL INCOME AND EXPENSES

FINANCIAL INCOME AND EXPENSES	2010	2009	2008
Financial Income			
Result from participations in subsidiary companies			
Dividends	**6,369**	5,732	14,465
Net gains on sales	**8**	1,087	676
Result from participations in joint ventures and associated companies			
Dividends	**104**	66	3,854
Net gains on sales	**–**	1	–
Result from other securities and receivables accounted for as fixed assets			
Net gains on sales	**26**	–	807
Other interest income and similar profit/loss items			
Subsidiary companies	**221**	386	1,233
Other	**746**	2,086	3,096
Total	**7,474**	9,358	24,131
Financial Expenses			
Losses on sales of participations in subsidiary companies	**–**	–27	–
Write-down of investments in subsidiary companies	**–82**	–551	–7,027
Write-down of participations in other companies	**–**	–1	–
Interest expenses and similar profit/loss items			
Subsidiary companies	**–95**	–150	–1,068
Other	**–612**	–630	–1,655
Other financial expenses	**–40**	–37	–41
Total	**–829**	–1,396	–9,791
Financial net	**6,645**	7,962	14,340

Interest expenses on pension liabilities are included in the interest expenses shown above.

P5 TAXES

Income taxes recognized in the income statement

The following items are included in Taxes:

TAXES	2010	2009	2008
Current income tax on contributions, net	**271**	–610	–1,155
Other current income taxes for the year	**–288**	–250	–250
Current income taxes related to prior years	**–15**	–47	–21
Deferred tax income/expense (–) related to temporary differences	**–85**	103	–307
Taxes	**–117**	–804	–1,733

A reconciliation between actual tax expense for the year and the theoretical tax expense that would arise when applying the statutory tax rate in Sweden, 26.3 percent (starting from January 1, 2009), on income before taxes shown in the the table below.

RECONCILIATION OF ACTUAL INCOME TAX RATE TO THE ACTUAL INCOME TAX RATE	2010	2009	2008
Tax rate in Sweden (26.3%)	**–1,765**	–2,363	–5,309
Current income taxes related to prior years	**–15**	–47	–21
Tax effect of non-deductible expenses	**–91**	–77	–83
Tax effect of non-taxable income	**1,776**	1,828	5,630
Tax effect related to write-downs of investments in subsidiary companies	**–22**	–145	–1,968
Tax effect of change in deferred tax rate	**–**	–	18
Actual tax cost (–)	**–117**	–804	–1,733

Deferred tax balances

Tax effects of temporary differences have resulted in deferred tax assets as follows:

DEFERRED TAX ASSETS	2010	2009
Deferred tax assets	**302**	387

Deferred tax assets refer mainly to costs related to customer finance and provisions for restructuring costs.

P6 INTANGIBLE ASSETS

PATENTS, LICENSES, TRADEMARKS AND SIMILAR RIGHTS	2010	2009
Accumulated acquisition costs		
Opening balance	**3,888**	3,888
Sales/disposals	**–**	–
Closing balance	**3,888**	3,888
Accumulated amortization		
Opening balance	**–1,669**	–1,284
Amortization	**–228**	–385
Sales/disposals	**–**	–
Closing balance	**–1,897**	–1,669
Accumulated impairment losses		
Opening balance	**–**	–
Impairment losses	**–945**	–
Closing balance	**–945**	–
Net carrying value	**1,046**	2,219

The balances relate mainly to Marconi and Redback trademarks acquired during 2006 and 2007. The useful life and amortization period for these trademarks has been set to 10 years. The write-down (impairment charge) of SEK 945 million is a consequence of the restructuring program decision to phase out certain products.

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P7 TANGIBLE ASSETS

TANGIBLE ASSETS	Land and buildings	Other equipment and installations	Construction in process and advance payments	Total
2010				
Accumulated acquisition costs				
Opening balance	13	1,050	67	**1,130**
Additions	–	26	135	**161**
Sales/disposals	–	–50	–	**–50**
Reclassifications	–	76	–76	**–**
Closing balance	**13**	**1,102**	**126**	**1,241**
Accumulated depreciation				
Opening balance	–	–603	–	**–603**
Depreciation	–	–149	–	**–149**
Sales/disposals	–	38	–	**38**
Closing balance	–	–714	–	**–714**
Net carrying value	**13**	**388**	**126**	**527**
2009				
Accumulated acquisition costs				
Opening balance	13	1,113	140	**1,266**
Additions	–	22	100	**122**
Sales/disposals	–	–258	–	**–258**
Reclassifications	–	173	–173	**–**
Closing balance	**13**	**1,050**	**67**	**1,130**
Accumulated depreciation				
Opening balance	–	–571	–	**–571**
Depreciation	–	–193	–	**–193**
Sales/disposals	–	161	–	**161**
Closing balance	**–**	**–603**	**–**	**–603**
Net carrying value	**13**	**447**	**67**	**527**

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P8 FINANCIAL ASSETS

INVESTMENTS IN SUBSIDIARY COMPANIES, JOINT VENTURES AND ASSOCIATED COMPANIES

	Subsidiary companies		Joint ventures		Associated companies	
	2010	2009	2010	2009	2010	2009
Opening balance	75,540	74,571	12,736	4,136	330	330
Acquisitions and stock issues	2,083	1,480	–	8,384	–	–
Shareholders' contribution	25	508	–	209	–	–
Write-downs	–82	–551	–	–	–	–
Disposals	–	–461	–	–	–	–
Reclassification	–	–7	–	7	–	–
Closing balance	77,566	75,540	12,736	12,736	330	330

OTHER FINANCIAL ASSETS

	Other investments in shares and participations		Receivables from subsidiaries, non-current		Customer finance, non-current [1]		Other financial assets, non-current	
	2010	2009	2010	2009	2010	2009	2010	2009
Accumulated acquisition costs								
Opening balance	19	19	10,316	15,781	1,093	974	1,179	3,030
Additions	81	–	651	–	406	363	4	178
Disposals/repayments/deductions	–7	–	–55	–1	–136	–84	–38	–2,029
Reclassifications	–	–	–4,212	–5,464	–241	–111	–843	–
Translation difference	–	–	–34	–	–49	–49	–	–
Closing balance	93	19	6,666	10,316	1,073	1 093	302	1,179
Accumulated write-downs/allowances								
Opening balance	–9	–8	–	–	–247	–64	–	–
Write-downs/allowances	–	–1	–	–	–	–208	–	–
Disposals/repayments/deductions	–	–	–	–	197	22	–	–
Translation difference	–	–	–	–	4	3	–	–
Closing balance	–9	–9	–	–	–46	–247	–	–
Net carrying value	84	10	6,666	10, 316	1,027	846	302	1,179

[1] From time to time, customer finance amounts may include equity instruments or equity-related instruments in our customers due to reconstruction activities of troubled receivables. We sometimes receive such instruments as security for our receivable and our policy is to sell them as soon as feasible.

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P9 INVESTMENTS

The following listing shows certain shareholdings owned directly and indirectly by the Parent Company as of December 31, 2010. A complete listing 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

Type	Company	Reg. No.	Domicile	Percentage of ownership	Par value in local currency, million	Carrying value, SEK million
Subsidiary companies						
I	Ericsson AB	556056-6258	Sweden	100	50	20,731
I	Ericsson Shared Services AB	556251-3266	Sweden	100	361	2,216
I	Netwise AB	556404-4286	Sweden	100	2	306
II	AB Aulis	556030-9899	Sweden	100	14	6
III	Ericsson Credit AB	556326-0552	Sweden	100	5	5
	Other (Sweden)			–	–	2,083
I	Ericsson Austria GmbH		Austria	100	4	115
I	Ericsson Danmark A/S		Denmark	100	90	216
I	Oy LM Ericsson Ab		Finland	100	13	196
II	Ericsson Participations France SAS		France	100	26	524
I	Ericsson GmbH		Germany	100	20	4,227
I	Ericsson Hungary Ltd.		Hungary	100	1,301	120
II	LM Ericsson Holdings Ltd.		Ireland	100	2	15
I	Ericsson Telecomunicazioni S.p.A.		Italy	53 [1]	23	3,151
II	Ericsson Holding International B.V.		The Netherlands	100	222	3,200
I	Ericsson A/S		Norway	100	75	114
II	Ericsson Television AS		Norway	100	161	1,788
I	Ericsson Corporatia AO		Russia	100	5	5
I	Ericsson AG		Switzerland	100	–	–
II	Ericsson Holding Ltd.		United Kingdom	100	328	4,094
	Other (Europe, excluding Sweden)			–	–	428
II	Ericsson Holding II Inc.		United States	100	2,830	29,006
I	Cía Ericsson S.A.C.I.		Argentina	95 [2]	41	178
I	Ericsson Telecom S.A. de C.V.		Mexico	100	n/a	1,550
	Other (United States, Latin America)			–	–	61
II	Teleric Pty Ltd.		Australia	100	20	100
I	Ericsson Ltd.		China	100	2	2
I	Ericsson (China) Company Ltd.		China	100	65	475
I	Ericsson India Private Ltd.		India	100	725	147
I	Ericsson India Global Services PVT. Ltd		India	100	389	65
I	LG-Ericsson Ltd.		Korea	50	100	1,943
I	Ericsson (Malaysia) Sdn. Bhd.		Malaysia	70	2	4
I	Ericsson Telecommunications Pte. Ltd.		Singapore	100	2	1
I	Ericsson South Africa PTY. Ltd		South Africa	100	10	108
I	Ericsson Taiwan Ltd.		Taiwan	80	240	20
I	Ericsson (Thailand) Ltd.		Thailand	49 [3]	90	17
	Other countries (the rest of the world)			–	–	349
	Total				**–**	**77,566**
Joint ventures and associated companies						
I	Sony Ericsson Mobile Communications AB	556615-6658	Sweden	50	50	4,136
II	ST-Ericsson SA		Switzerland	50	436	8,325
III	ST-Ericsson AT SA		Switzerland	51	5	275
I	Ericsson Nikola Tesla d.d.		Croatia	49	65	330
	Total				**–**	**13,066**

Key to type of company

I Manufacturing, distribution and development companies
II Holding companies
III Finance companies

[1] Through subsidiary holdings, total holdings amount to 100% of Ericsson Telecomunicazioni S.p.A.
[2] Through subsidiary holdings, total holdings amount to 100% of Cia Ericsson S.A.C.I.
[3] Through subsidiary holdings, total holdings amount to 100% of Ericsson (Thailand) Ltd.

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SHARES OWNED BY SUBSIDIARY COMPANIES

Type	Company	Reg. No.	Domicile	Percentage of ownership
Subsidiary companies				
II	Ericsson Cables Holding AB	556044-9489	Sweden	100
I	Ericsson France SAS		France	100
I	LHS Telekommunikation GmbH & Co. KG [1)]		Germany	100
I	LM Ericsson Ltd.		Ireland	100
II	Ericsson Nederland B.V.		The Netherlands	100
I	Ericsson Telecommunicatie B.V.		The Netherlands	100
I	Ericsson España S.A.		Spain	100
I	Ericsson Telekomunikasyon A.S.		Turkey	100
I	Ericsson Ltd.		United Kingdom	100
I	Ericsson Canada Inc.		Canada	100
I	Ericsson Inc.		United States	100
I	Ericsson IP Infrastructure Inc.		United States	100
I	Ericsson Services Inc.		United States	100
I	Drutt Corporation Inc.		United States	100
I	Optimi Corporation		United States	100
I	Redback Networks Inc.		United States	100
I	Ericsson Telecomunicações S.A.		Brazil	100
I	Ericsson Australia Pty. Ltd.		Australia	100
I	Ericsson (China) Communications Co. Ltd.		China	100
I	Nanjing Ericsson Panda Communication Co. Ltd.		China	51
I	Nippon Ericsson K.K.		Japan	100
I	Ericsson Communication Solutions Pte Ltd.		Singapore	100

Key to type of company

I Manufacturing, distribution and development companies
II Holding companies

[1)] **Disclosures Pursuant to Section 264b of the German Commercial Code (Handelsgesetzbuch – HGB)**
Applying Section 264b HGB, LHS Holding GmbH & Co. KG, LHS Communication GmbH & Co. KG and LHS Telekommunikation GmbH & Co. KG, all 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.

P10 INVENTORIES

	2010	2009
Finished products and goods for resale	57	61
Inventories	57	61

P11 TRADE RECEIVABLES AND CUSTOMER FINANCE

Credit risk management is governed on a Group level.

For further information, see Notes to the Consolidated Financial Statements – Note C14, "Trade Receivables and Customer Finance" and Note C20, "Financial Risk Management and Financial Instruments".

TRADE RECEIVABLES AND CUSTOMER FINANCE

	2010	2009
Trade receivables excluding associated companies and joint ventures	57	70
Allowances for impairment	–24	–37
Trade receivables, net	33	33
Trade receivables related to associated companies and joint ventures	3	9
Trade receivables, total	**36**	**42**
Customer finance	2,599	1,829
Allowances for impairment	–93	–393
Customer finance, net	**2,506**	**1,436**

MOVEMENTS IN ALLOWANCES FOR IMPAIRMENT

	Trade receivables		Customer finance	
	2010	2009	2010	2009
Opening balance	37	2	393	94
Additions	–	38	–	355
Utilization	–	–	–87	–12
Reversal of excess amounts	–10	–	–206	–20
Translation difference	–3	–3	–7	–24
Closing balance	**24**	**37**	**93**	**393**

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AGING ANALYSIS AS PER DECEMBER 31, 2010

	Amount	Of which neither impaired nor past due	Of which impaired not past due	Of which past due in the following time intervals: less than 90 days	Of which past due in the following time intervals: 90 days or more	Of which past due and impaired in the following time intervals: less than 90 days	Of which past due and impaired in the following time intervals: 90 days or more
Trade receivables excluding associated companies and joint ventures	57	16	–	4	13	1	23
Allowances for impairment of receivables	–24	–	–	–	–	–1	–23
Trade receivables related to associated companies and joint ventures	3	3	–	–	–	–	–
Customer finance	2,599	2,020	516	24	–	18	21
Allowances for impairment of customer finance	–93	–	–54	–	–	–18	–21

AGING ANALYSIS AS PER DECEMBER 31, 2009

	Amount	Of which neither impaired nor past due	Of which impaired not past due	Of which past due in the following time intervals: less than 90 days	Of which past due in the following time intervals: 90 days or more	Of which past due and impaired in the following time intervals: less than 90 days	Of which past due and impaired in the following time intervals: 90 days or more
Trade receivables excluding associated companies and joint ventures	70	12	–	18	3	1	36
Allowances for impairment of receivables	–37	–	–	–	–	–1	–36
Trade receivables related to associated companies and joint ventures	9	5	–	4	–	–	–
Customer finance	1,829	709	1,043	1	–	20	56
Allowances for impairment of customer finance	–393	–	–317	–	–	–20	–56

OUTSTANDING CUSTOMER FINANCE

	2010	2009
On-balance sheet customer finance	**2,599**	1,829
Financial guarantees for third parties	**212**	135
Total customer finance	**2,811**	1,964
Accrued interest	**34**	18
Less third-party risk coverage	**–1,353**	–382
Parent Company's risk exposure	**1,492**	1,600
On-balance sheet credits, net carrying value	**2,506**	1,436
Of which short term	***1,479***	*590*
Credit commitments for customer finance	**1,104**	762

During 2010 the Parent Company transferred certain customer finance assets to third parties, and continues to recognize a part of such assets corresponding to the extent of its continuing involvement. The total carrying amount of the original assets transferred is SEK 3,808 million, the amount of the assets that the Parent Company continues to recognize is SEK 190 million, and the carrying amount of the associated liabilities is SEK 190 million. Maturity date for major part of the issued guarantees occurs in 2019 the latest.

P12 RECEIVABLES AND LIABILITIES – SUBSIDIARY COMPANIES

RECEIVABLES AND LIABILITIES – SUBSIDIARY COMPANIES

	Total 2010	Payment due by period: < 1 year	1–5 years	>5 years	Total 2009
Non-current receivables [1]					
Financial receivables	**6,666**	4	613	6,049	10,316
Current receivables					
Trade receivables	**882**	882	–	–	2,358
Financial receivables	**14,503**	14,503	–	–	17,677
Total	**15,385**	15,385	–		20,035
Non-current liabilities [1]					
Financial liabilities	**26,862**	–	–	26,862	28,966
Current liabilities					
Trade payables	**828**	828	–	–	560
Financial liabilities	**45,128**	45,128	–	–	38,575
Total	**45,956**	45,956	–	–	39,135

[1] Including non interest-bearing receivables and liabilities, net, amounting to SEK –20,196 million in 2010 (SEK –18,650 million in 2009).

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P13 OTHER CURRENT RECEIVABLES

OTHER CURRENT RECEIVABLES	2010	2009
Receivables from associated companies and joint ventures	69	88
Prepaid expenses	590	430
Accrued revenues	246	125
Derivatives with a positive value	3,038	1,762
Other	356	272
Total	**4,299**	2,677

P14 STOCKHOLDERS' EQUITY

Capital stock 2010

Capital stock at December 31, 2010, consisted of the following:

CAPITAL STOCK	Number of shares	Capital stock
Class A shares [1]	261,755,983	1,309
Class B shares [1]	3,011,595,752	15,058
Total	**3,273,351,735**	**16,367**

[1] Class A shares (quotient value SEK 5.00) and Class B shares (quotient value SEK 5.00).

CHANGES IN STOCKHOLDERS' EQUITY 2010

	Capital stock	Revaluation reserve	Statutory reserve	Total restricted equity	Disposition reserve	Fair value reserves	Other retained earnings	Non-restricted equity	Total
2010									
January 1, 2010	16,367	20	31,472	47,859	100	–	41,853	41,953	89,812
Net income	–	–	–	–	–	–	6,594	6,594	6,594
Other comprehensive income									
Cash flow hedges									
Gains/losses arising during the period	–	–	–	–	–	136	–	136	136
Amounts transferred to initial carrying amount of hedged items	–	–	–	–	–	–136	–	–136	–136
Tax on items relating to components of OCI	–	–	–	–	–	–	–	–	–
Total other comprehensive income	–	–	–	–	–	–	–	–	–
Total comprehensive income	–	–	–	–	–	–	6,594	6,594	6,594
Transactions with owners									
Stock issue	–	–	–	–	–	–	–	–	–
Sale of own shares	–	–	–	–	–	–	52	52	52
Stock Purchase Plans	–	–	–	–	–	–	8	8	8
Repurchase of own shares	–	–	–	–	–	–	–	–	–
Contribution from/to (–) subsidiary companies							1,029	1,029	1,029
Tax on contributions							–271	–271	–271
Dividends paid	–	–	–	–	–	–	–6,391	–6,391	–6,391
December 31, 2010	**16,367**	**20**	**31,472**	**47,859**	**100**	**–**	**42,874**	**42,974**	**90,833**

CHANGES IN STOCKHOLDERS' EQUITY 2009

	Capital stock	Revaluation reserve	Statutory reserve	Total restricted equity	Disposition reserve	Fair value reserves	Other retained earnings	Non-restricted equity	Total
2009									
January 1, 2009	16,232	20	31,472	47,724	100	569	41,285	41,954	89,678
Net income	–	–	–	–	–	–	8,179	8,179	8,179
Other comprehensive income									
Cash flow hedges									
Gains/losses arising during the period	–	–	–	–	–	612	–	612	612
Amounts transferred to initial carrying amount of hedged items	–	–	–	–	–	–1,385	–	–1,385	–1,385
Tax on items relating to components of OCI	–	–	–	–	–	204	–	204	204
Total other comprehensive income	–	–	–	–	–	–569	–	–569	–569
Total comprehensive income	–	–	–	–	–	–569	8,179	7,610	7,610
Transactions with owners									
Stock issue	135	–	–	135	–	–	–	–	135
Sale of own shares	–	–	–	–	–	–	75	75	75
Stock Purchase and Stock Option plans	–	–	–	–	–	–	139	139	139
Repurchase of own shares	–	–	–	–	–	–	–135	–135	–135
Contribution from/to (–) subsidiary companies							–2,403	–2,403	–2,403
Tax on contributions							610	610	610
Dividends paid	–	–	–	–	–	–	–5,897	–5,897	–5,897
December 31, 2009	**16,367**	**20**	**31,472**	**47,859**	**100**	**–**	**41,853**	**41,953**	**89,812**

P15 UNTAXED RESERVES

UNTAXED RESERVES

2010	Jan 1	Additions/ withdrawals (–)	Dec 31
Accumulated depreciation in excess of plan			
Intangible assets	875	56	931
Tangible assets	40	44	84
Total accumulated depreciation in excess of plan	915	100	1,015
Total untaxed reserves	**915**	**100**	**1,015**

Change in depreciation in excess of plan of intangible assets relates mainly to Marconi and Redback trademarks. Deferred tax liability on untaxed reserves, not accounted for in deferred taxes, amounts to SEK 267 million (SEK 241 million in 2009).

P16 PENSIONS

The Parent Company has two types of pension plans:

> Defined contribution plans: post-employment benefit plans where the Parent Company pays fixed contributions into separate entities and has no legal or constructive obligation to pay further contributions if the entities do not hold sufficient assets to pay all employee benefits relating to employee service. The expenses for defined contribution plans are recognized during the period when the employee provides service.

> Defined benefit plans: post-employment benefit plans where the Parent Company's undertaking is to provide predetermined benefits that the employee will receive on or after retirement. The FPG/PRI plan for the Parent Company is partly funded. FPG is a Swedish credit insurance company for pension obligations and PRI is a pension registration institute. Pension obligations are calculated annually, on the balance sheet date, based on actuarial assumptions.

DEFINED BENEFIT OBLIGATION – AMOUNT RECOGNIZED IN THE BALANCE SHEET

	2010	2009
Present value of wholly or partially funded pension plans [1)]	**618**	582
Fair value of plan assets	**–714**	–640
Unfunded/net surplus(-) of funded pension plans	**–96**	–58
Present value of unfunded pension plans	**389**	372
Excess from plan assets not accounted for	**96**	58
Closing balance provision for pensions	**389**	372

[1)] This FPG/PRI obligation is covered by the Swedish law on safeguarding of pension commitments.

The defined benefit obligations are calculated based on the actual salary levels at year-end and based on a discount rate of 3.7 percent. Weighted average life expectancy after the age of 65 is 24 years for women and 21 years for men.

In 2005, SEK 524 million was transferred into the Swedish pension trust and in 2010 an additional transfer of SEK 31 million was made.

The Parent Company utilizes no assets held by the pension trust. Return on plan assets for 2010 is 17.4 percent (16.5 percent).

PLAN ASSETS ALLOCATION

	2010	2009
Equities	**249**	224
Interest-bearing securities	**-**	416
Fixed income	**433**	-
Other	**32**	–
Total	**714**	640
Of which Ericsson securities	**–**	–

CHANGE IN THE DEFINED BENEFIT OBLIGATION

	2010	2009
Opening balance	**372**	403
Payment to pension trust	**–31**	–23
Pension costs, excluding taxes, related to defined benefit obligations accounted for in the income statement	**98**	63
Pension payments	**–44**	–42
Return on plan assets for the year	**–102**	–87
Return on plan assets not accounted for	**96**	58
Previous excess from plan assets reclassified	**–**	–
Closing balance provision for pensions	**389**	372

Estimated pension payments for 2011 are SEK 49 million.

TOTAL PENSION COST AND INCOME RECOGNIZED IN THE INCOME STATEMENT

	2010	2009
Defined benefit obligations		
Costs excluding interest and taxes	**54**	28
Interest cost	**44**	35
Credit insurance premium	**–2**	2
Total cost defined benefit plans excluding taxes	**96**	65
Defined contribution plans		
Pension insurance premium	**96**	107
Total cost defined contribution plans excluding taxes	**96**	107
Return on plan assets	**–5**	–29
Total pension cost, net excluding taxes	**187**	143

Of the total pension cost SEK 149 million (SEK 137 million in 2009) is included in operating expenses and SEK 38 million (SEK 6 million in 2009) in the financial net.

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P17 OTHER PROVISIONS

OTHER PROVISIONS

	Warranty commitments	Restructuring	Customer finance	Other	Total other provisions [1]
2010					
Opening balance	–	349	95	253	**697**
Additions	–	70	2	–	**72**
Reversal of excess amounts	–	–9	–6	–13	**–28**
Utilization/Cash out	–	–92	–	–78	**–170**
Reclassification	–	–	–	–	**–**
Closing balance	**–**	**318**	**91**	**162**	**571**
2009					
Opening balance	1	109	162	384	**656**
Additions	–	297	–	295	**592**
Reversal of excess amounts	–	–7	–16	–303	**–326**
Utilization/Cash out	–1	–50	–51	–123	**–225**
Reclassification	–	–	–	–	**–**
Closing balance	**–**	**349**	**95**	**253**	**697**

[1] Of which SEK 203 million (SEK 230 million in 2009) are expected to be utilized within one year.

P18 INTEREST-BEARING LIABILITIES

As per December 31, 2010, the Parent Company's outstanding interest-bearing liabilities, excluding liabilities to subsidiaries, were SEK 24.6 billion.

INTEREST-BEARING LIABILITIES

	2010	2009
Borrowings, current		
Current maturities of long-term borrowings	–	–
Total current borrowings	–	–
Borrowings, non-current		
Notes and bond loans	**20,646**	23,801
Liabilities to credit institutions	**4,000**	4,000
Total non-current interest-bearing liabilities	**24,646**	27,801
Total interest-bearing liabilities	**24,646**	27,801

NOTES AND BOND LOANS

Issued–maturing	Nominal amount	Coupon	Currency	Book value (SEK million)	Maturity date (yy-mm-dd)	Unrealized hedge gain/loss (incl. in book value)
2004–2012	450	2.420%	SEK	450	12-12-07 [2]	
2007–2012	1,000	5.100%	SEK	1,035	12-06-29	–35
2007–2012	2,000	2.200%	SEK	2,000	12-06-29 [3]	
2007–2014	375	1.314%	EUR	3,383	14-06-27 [4]	
2007–2017	500	5.380%	EUR	5,059 [1]	17-06-27	–571
2009–2013	600	5.000%	EUR	5,521 [1]	13-06-24	–129
2009–2016	300	3.35281%	USD	2,041	16-06-23 [5]	
2010–2020	170	2.69281%	USD	1,157	20-12-23 [6]	
Total				**20,646**		**–735**

[1] Interest rate swaps are designated as fair value hedges.
[2] Next contractual repricing date 2011-06-03 (semi annual).
[3] Next contractual repricing date 2011-03-25 (quarterly).
[4] Next contractual repricing date 2011-03-24 (quarterly).
[5] Next contractual repricing date 2011-03-21 (quarterly).
[6] Next contractual repricing date 2011-03-18 (quarterly).

All outstanding notes and bond loans are issued under the Euro Medium-Term Note (EMTN) program. Bonds issued at a fixed interest rate are swapped to a floating interest rate using interest rate swaps, resulting in a weighted average interest rate of 2.65 (2.88) percent at December 31, 2010. These bonds are revalued based on changes in benchmark interest rates according to the fair value hedge methodology stipulated in IAS 39.

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On December 23, 2010, the USD 625 million bilateral loan with Swedish Export Credit Corporation (SEK) was renegotiated to reduce interest expense and to prolong the maturity profile. USD 325 million was amortized. The remaining USD 300 million will mature in 2016 according to the original plan. At the same time a new bilateral bond of USD 170 million was issued with maturity 2020. Consequently gross cash was reduced by USD 155 million. The new bond is not guaranteed by EKN (The Swedish Export Credit Guarantee Board).

In 2008 Ericsson signed a seven year loan of SEK 4.0 billion with the European Investment Bank. The loan supports Ericsson's R&D activities to develop the next generation of mobile broadband technology at sites in Kista, Gothenburg and Linköping in Sweden.

P19 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Financial risk management

Ericsson's financial risk management is governed on a Group level. For further information see Notes to the Consolidated Financial Statements – Note C20, "Financial Risk Management and Financial Instruments".

OUTSTANDING DERIVATIVES

	2010		2009	
Fair value	Asset	Liability	Asset	Liability
Currency derivatives				
Maturity within 3 months	600	1,031	606	531
Maturity between 3 and 12 months	945	1,291	1,039	817
Maturity 1 to 3 years	10	27	134	44
Maturity 3 to 5 years	–	–	84	–
Maturity more than 5 years	–	–	3	–
Total currency derivatives	1,556 [1]	2,350 [2)3)]	1,866 [4]	1,392
Of which designated in cash flow hedge relations	–	–	–	–
Interest rate derivatives				
Maturity within 3 months	6	28	–	–
Maturity between 3 and 12 months	76	61	28	40
Maturity 1 to 3 years	544	118	49	151
Maturity 3 to 5 years	184	34	175	40
Maturity more than 5 years	705	87	685	58
Total interest rate derivatives	1,515	329 [3]	937 [4]	289
Of which designated in fair value hedge relations	*862*	–	*845*	–

1) Of which internal counterparts SEK 33 million.
2) Of which internal counterparts SEK 817 million.
3) Of which SEK 902 million is reported as non-current liabilities for 2010.
4) Of which SEK 843 million is reported as non-current assets for 2009

CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

	Remaining time to maturity					
SEK billion	< 3 months	< 1 year	1–5 years	> 5 years	2010	2009
Bank deposits	13.9	–	–	–	13.9	6.9
Type of issuer/ counterpart						
Governments	–	9.3	23.5	2.9	35.7	36.9
Banks	1.5	–	4.0	–	5.5	3.1
Corporations	–	–	–	–	–	0.2
Mortgage institutes	–	–	15.3	1.2	16.5	15.3
Total	15.4	9.3	42.8	4.1	71.6	62.4

The instruments are classified as held for trading and are therefore short-term investments.

During 2010, cash, cash equivalents and short-term investments increased by SEK 9.2 billion to SEK 71.6 billion.

REPAYMENT SCHEDULE OF LONG-TERM BORROWINGS

Nominal amount SEK billion	Current maturities of long-term debt	Borrowings (non-current)	Total
2011	–	–	–
2012	–	3.5	3.5
2013	–	5.4	5.4
2014	–	3.4	3.4
2015	–	4.0	4.0
2016 and later	–	7.7	7.7
Total	–	24.0	24.0

Debt financing is mainly carried out through borrowing in the Swedish and international debt capital markets.

FUNDING PROGRAMS [1]

	Amount	Utilized	Unused
Euro Medium-Term Note program (USD million)	5,000	3,003	1,997
Euro Commercial Paper program (USD million)	1,500	–	1,500
Swedish Commercial Paper program (SEK million)	5,000	–	5,000
Long-Term Committed Credit facility (USD million)	2,000	–	2,000

1) There are no financial covenants related to these programs.

At year-end Ericsson's credit rating remained at Baa1 (Baa1) by Moody's and BBB+ (BBB+) by Standard & Poor's, both considered to be "Solid Investment Grade".

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Financial instruments carried at other than fair value

In the following tables, carrying amounts and fair values of financial instruments that are carried in the financial statements at other than fair values are presented. Assets valued at fair value through profit and loss had a net gain of SEK 0.3 billion. For further information about valuation principles, see Notes to the Consolidated Financial Statements – Note C1, "Significant Accounting Policies".

FINANCIAL INSTRUMENTS CARRYING AMOUNT

SEK billion	Trade receiv-ables P11	Short-term invest-ments	Receiv-ables and liabilities subsidia-ries P12	Borrow-ings P18	Trade payables P21	Financial assets P8	Other current receiv-ables P13	Other current liabilities P20	Other non-current liabilities	2010	2009
Assets at fair value through profit or loss	–	57.6	–0.8	–	–	–	3.0	–1.0	–0.9	**58.0**	56.7
Loans and receivables	2.5	–	22.0	–	–	–	0.1	–	–	**24.6**	31.8
Available for sale assets	–	–	–	–	–	–	–	–	–	**–**	–
Financial liabilities at amortized cost	–	–	–72.0	–24.6	–0.4	–	–	–	–	**–97.0**	–95.7
Total	**2.5**	**57.6**	**–50.8**	**–24.6**	**–0.4**	**–**	**3.1**	**–1.0**	**–0.9**	**–14.5**	–9.7

FINANCIAL INSTRUMENTS CARRIED AT OTHER THAN FAIR VALUE

	Carrying amount		Fair value	
SEK billion	2010	2009	2010	2009
Current maturities of long-term borrowings	–	–	–	–
Borrowings non-current	**24.6**	27.8	**24.5**	26.0
Total	**24.6**	27.8	**24.5**	26.0

Financial instruments excluded from the tables, such as trade receivables and payables, are carried at amortized cost which is deemed to be equal to fair value. When a market price is not readily available and there is insignificant interest rate exposure affecting the value, the carrying value is considered to represent a reasonable estimate of a fair value.

P20 OTHER CURRENT LIABILITIES

OTHER CURRENT LIABILITIES

	2010	2009
Accrued interest	**320**	341
Accrued expenses, of which	**362**	327
Employee related	***294***	*283*
Other	***68***	*44*
Deferred revenues	**12**	23
Derivatives with a negative value	**960**	1,143
Other current liabilities	**125**	147
Total	**1,779**	1,981

P21 TRADE PAYABLES

TRADE PAYABLES

	2010	2009
Trade payables excluding associated companies and joint ventures	**399**	335
Total	**399**	335

All trade payables fall due within 90 days.

P22 ASSETS PLEDGED AS COLLATERAL

ASSETS PLEDGED AS COLLATERAL

	2010	2009
Bank deposits	**658**	550
Total	**658**	550

The major item in bank deposits is the internal bank's clearing and settlement commitments of SEK 467 million (SEK 383 million in 2009)

P23 CONTINGENT LIABILITIES

CONTINGENT LIABILITIES

	2010	2009
Total contingent liabilities	**13,783**	13,072

Contingent liabilities include pension commitments of SEK 11,004 million (SEK 10,797 million in 2009) and guarantees for Sony Ericsson Mobile Communications AB's borrowing from financial institutions of SEK 1,053 million (SEK 779 million in 2009).

In accordance with standard industry practice, Ericsson enters into commercial contract guarantees related to contracts for the supply of telecommunication equipment and services. Total amount for 2010 was SEK 19,691 million (SEK 18,001 million in 2009). Potential payments due under these bonds are related to Ericsson's performance under applicable contracts.

For information about financial guarantees, see Note P11, "Trade Receivables and Customer Finance"

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P24 STATEMENT OF CASH FLOWS

Interest paid in 2010 was SEK 657 million (SEK 508 million in 2009 and SEK 2,376 million in 2008) and interest received was SEK 816 million (SEK 2,083 million in 2009 and SEK 3,520 million in 2008). Income taxes paid were SEK 269 million (SEK 341 million in 2009 and SEK 370 million in 2008).

ADJUSTMENTS TO RECONCILE NET INCOME TO CASH	2010	2009	2008
Tangible assets			
Depreciation	**149**	193	127
Total	**149**	193	127
Intangible assets			
Amortization	**228**	385	385
Impairment losses	**945**	–	–
Total	**1,173**	385	385
Total depreciation and amortization on tangible and intangible assets	**1, 322**	578	512
Taxes	**–152**	463	1,363
Write-downs and capital gains (–)/ losses on sale of fixed assets, excluding customer finance, net	**50**	–521	5,545
Additions to/withdrawals from (–) untaxed reserves	**100**	–902	478
Unsettled dividends	**–**	–1,254	–5
Other non-cash items	**86**	–2,195	–2,747
Total adjustments to reconcile net income to cash	**1,288**	–3,831	5,146

P25 LEASING

Leasing with the Parent Company as lessee

At December 31, 2010, future payment obligations for leases were distributed as follows:

FUTURE PAYMENT OBLIGATIONS FOR LEASES	Operating leases
2011	927
2012	826
2013	605
2014	650
2015	299
2016 and later	1,045
Total	**4,352**

Leasing with the Parent Company as lessor

At December 31, 2010, future minimum payment receivables were distributed as follows:

FUTURE MINIMUM PAYMENT RECEIVABLES	Operating leases
2011	15
2012	2
2013	1
2014	1
2015	1
2016 and later	1
Total	**21**

The operating lease income is mainly income from sublease of real estate. See Notes to the Consolidated Financial Statements – Note C27, "Leasing".

P26 TAX ASSESSMENT VALUES IN SWEDEN

TAX ASSESSMENT VALUES IN SWEDEN	2010	2009
Land and land improvements	8	8
Total	8	8

P27 INFORMATION REGARDING EMPLOYEES

AVERAGE NUMBER OF EMPLOYEES	2010			2009		
	Men	Women	Total	Men	Women	Total
Northern Europe & Central Asia [1) 2)]	**198**	**148**	**346**	194	147	341
Middle East	**121**	**14**	**135**	108	15	123
Total	**319**	**162**	**481**	302	162	464
[1)] *Of which Sweden*	***198***	***148***	***346***	*194*	*147*	*341*
[2)] *Of which EU*	***198***	***148***	***346***	*194*	*147*	*341*

ABSENCE DUE TO ILLNESS Percent of working hours	2010	2009
Absence due to illness for men	**1%**	0%
Absence due to illness for women	**2%**	2%
Employees 30–49 years old	**1%**	1%
Employees 50 years or older	**1%**	1%
Long-term absence due to illness total [1)]	**1%**	1%

[1)] Defined as absence during a consecutive period of time of 60 days or more. Information Absence due to illness regards employees employed in Sweden.

Remuneration

WAGES AND SALARIES AND SOCIAL SECURITY EXPENSES	2010	2009
Wages and salaries	**518**	480
Social security expenses	**384**	421
Of which pension costs	**210**	*174*

WAGES AND SALARIES PER GEOGRAPHICAL AREA	2010	2009
Northern Europe & Central Asia [1) 2)]	**409**	380
Middle East	**109**	100
Total	**518**	480
[1)] *Of which Sweden*	***409***	*380*
[2)] *Of which EU*	***409***	*380*

Remuneration in foreign currency has been translated to SEK at average exchange rates for the year.

Remuneration policy and remuneration to the Board of Directors and the President and CEO

See Notes to the Consolidated Financial Statements – Note C29, "Information Regarding Members of the Board of Directors, the Group Management and Employees".

Long-term variable remuneration

THE STOCK PURCHASE PLAN

Compensation costs for all employees of the Parent Company amounted to SEK 8.0 million in 2010 (SEK 9.1 million in 2009).

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REDACTED – FOR PUBLIC INSPECTION

Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1.
VQS_Section 3.2_Ericsson 2010 Annual Report.pdf

P28 RELATED PARTY TRANSACTIONS

During 2010, various transactions were executed pursuant to contracts based on terms customary in the industry and negotiated on an arm's length basis.

Sony Ericsson Mobile Communications AB (SEMC)

In October 2001, SEMC was organized as a joint venture between Sony Corporation and Ericsson. A substantial portion of Ericsson's handset operations was sold to SEMC. As part of the formation of the joint venture, contracts were entered into between the Parent Company and SEMC.

For the Parent Company, the major transactions are license revenues for SEMC's usage of trademarks and patents and received dividends.

SEMC has been granted a long-term loan with a maximum amount of SEK 3,606 million. The Parent Company and Sony Corporation have issued guarantees for this loan on a 50/50 basis, without joint responsibility. As of December 31, 2010, the Parent Company´s share of the outstanding principle and accrued interest, in the total amount of SEK 1,053 million, has been reported as a contingent liability in the Parent Company.

SONY ERICSSON MOBILE COMMUNICATIONS	2010	2009
Related party transactions		
License revenues	296	293
Dividends	–	–
Related party balances		
Receivables	69	90

Ericsson Nikola Tesla d.d.

Ericsson Nikola Tesla d.d. is a joint stock company for design, sales and service of telecommunications systems and equipment and an associated member of the Ericsson Group. The Parent Company holds 49.07 percent of the shares.

For the Parent Company, the major transactions are license revenues for Ericsson Nikola Tesla d.d.'s usage of trademarks and received dividends.

ERICSSON NIKOLA TESLA D.D.	2010	2009
Related party transactions		
License revenues	2	7
Dividends	104	66
Related party balances		
Payables	–	3

The Parent Company does not have any contingent liabilities, assets pledged as collateral or guarantees toward Ericsson Nikola Tesla d.d.

ST-Ericsson

ST-Ericsson was formed on February 2, 2009, by merging Ericsson Mobile Platforms with STMicroelectronics' wireless business. It is an industry leader in design, development and the creation of cutting-edge mobile platforms and wireless semiconductors.

The Parent Company holds 49.99 percent of shares in ST-Ericsson SA and 51 percent in ST-Ericsson AT SA, both in Switzerland.

ST-Ericsson has been granted a revolving credit facility of USD 200 million which is equally shared by LME and STMicroelectronics. As per December, 2010, the amount drawn on the facility was SEK 1,030 million, SEK 515 million lent per parent. The Parent Company's accrued interest towards ST-Ericsson amounted of SEK 1.7 million.

The Parent Company does not have any contingent liabilities, assets pledged as collateral or guarantees toward ST-Ericsson.

ST-ERICSSON	2010	2009
Related party transactions		
License revenues	–	–
Dividends	–	–
Related party balances		
Receivables	3	–

Other related parties

For information regarding the remuneration of management, see Notes to the Consolidated Financial Statements – Note C29, "Information Regarding Members of the Board of Directors, the Group Management and Employees".

P29 FEES TO AUDITORS

FEES TO AUDITORS	PwC
2010	
Audit fees	19
Audit related fees	12
Tax services fees	1
Other fees	3
Total	**35**
2009	
Audit fees	23
Audit related fees	12
Tax services fees	2
Other fees	1
Total	**38**
2008	
Audit fees	23
Audit related fees	11
Tax services fees	1
Other fees	1
Total	**36**

Allocation of fees to auditors is based on the requirements in the Swedish Annual Accounts Act. 2008 and 2009 figures are restated for comparability.

During the period 2008–2010, in addition to audit services, PwC provided certain audit related services, tax and other services to the Parent Company. The audit related services include quarterly reviews, SAS 70 reviews and services in connection with issuing of certificates and opinions. The tax services include general expatriate services and corporate tax compliance work. Other services include consultation on financial accounting, services related to acquisitions, operational effectiveness and assessments of internal control.

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RISK FACTORS

You should carefully consider all the information in this Annual Report and in particular the risks and uncertainties outlined below. Any of the factors described below, or any other risk factors discussed elsewhere in this report, could have a material negative effect on our business, operational and after-tax results, financial position, cash flow, liquidity, credit rating, brand and/or our share price. Furthermore, our operational results may have a greater variability than in the past and we may have difficulties in accurately predicting future developments. See also "Forward-Looking Statements".

CONTENTS

MARKET, TECHNOLOGY AND BUSINESS RISKS

Demand is difficult to predict

Adverse economic conditions could cause network operators to postpone investments or initiate other cost-cutting initiatives to improve their financial position. This could result in significantly reduced expenditures for network infrastructure and services, in which case our operating results would suffer. We have established flexibility to cost-effectively accommodate fluctuations in demand. However, if demand were to fall in the future, we may experience material adverse effects on our revenues, cash flow, capital employed and value of our assets and we may even incur operating losses. If demand is significantly weaker or more volatile than expected, this may have a material adverse impact on our credit rating, borrowing opportunities and costs as well as on the trading price of our shares. When deemed necessary, we undertake specific restructuring or cost saving initiatives, however, there are no guarantees that such initiatives are sufficient, successful or executed in time to deliver necessary improvements in earnings.

Some of the risk factors we are exposed to may exacerbate in an adverse condition in the financial market. Most of our customers are financially stable and have networks with good utilization. However, some operators, in particular in markets with weak currencies, may incur borrowing difficulties and lower traffic than expected, which may affect their investment plans. The potential adverse effects of an economic downturn include:

- Reduced demand for products and services, resulting in increased price competition or deferrals of purchases, with lower revenues not being possible to compensate with reduced costs.
- Risks of excess and obsolete inventories and excess manufacturing capacity and risk of financial difficulties or failures among our suppliers.
- Increased demand for customer finance, difficulties in collection of accounts receivable and increased risk of counterpart failures.
- Risk of impairment losses related to our intangible assets as a result of lower forecasted sales of certain products.
- Increased difficulties in forecasting sales and financial results as well as increased volatility in our reported results.
- Decline in the value of the assets in the Company's pension plans.

Short-term volatility has an impact

Our sales to network operators represent a mix of equipment, software and services, which normally generate different gross margins. Third party products normally have lower margins than own products. As a consequence, reported gross margin in a specific period will be affected by the overall mix of products and services as well as the relative content of third party products. Network expansions and upgrades have much shorter lead times for delivery than initial network buildouts. Such orders are normally placed with short notice by customers, i.e. less than a month, and consequently variations in demand are difficult to forecast. As a result, changes in our product and service mix may affect our ability to accurately forecast sales and margins or detect in advance whether actual results will deviate from market consensus.

Convergence brings opportunity and risk

We are affected by market conditions within the telecom industry, including the convergence of the telecom, data and media industries. The convergence is largely driven by technological development related to IP-based communications. This change increases our addressable market, changes the competitive landscape, and affects our objective setting, risk assessment and strategies. If we fail to understand the market development, acquire the necessary competence or develop and market products, services and solutions that are competitive in this changing market, our future results will suffer.

We depend on growth and the success of new services

Most of our business depends on continued growth in mobile communications in terms of both number of subscriptions and usage per subscriber, which in turn requires the continued deployment and evolution of our network systems by customers. If operators are not successful in their attempts to increase the number of subscribers and/or stimulate increased usage, our business and operational results could be materially adversely affected. Also, if operators experience a decline in ARPU or profitability despite the introduction of new non-voice services, their willingness for further investments will be reduced and thus adversely affect our business.

Fixed and mobile networks converge and new technologies, such as IP and broadband, enable operators to deliver a range of new types of services in both fixed and mobile networks. We are dependent upon the market acceptance of such services, e.g. music, internet and navigation in the handset, and on the outcome of regulatory and standardization activities in this field, such as spectrum allocation. If delays in standardization or market acceptance occur, this could adversely affect our business and operational results.

We operate in a highly competitive industry

The markets we operate in are highly competitive in price, functionality and service quality as well as in the timing of development and introduction of new products and services.

We face intense competition from significant competitors and Chinese companies in particular have become relatively stronger in recent years. Our competitors may implement new technologies before we do, offer more attractively priced or enhanced products, services or solutions, or they may offer other incentives that we do not provide. Some of our competitors may have greater resources in certain business segments or geographic markets than we do. We may also encounter increased competition from new market entrants, alternative technologies or evolving industry standards. The rapid technological change also results in shorter life-cycles for products, increasing the risk in all product investments.

Continuous price erosion is a symptom of this rapid technological change and we must counteract this by introducing new products to the market and by continuously enhancing the functionality while reducing the cost of new and existing products. Our operating results depend largely on our ability to compete in this market environment.

Vendor consolidation may lead to a new competitive landscape

Industry convergence and consolidation among equipment suppliers could potentially result in stronger competitors that are competing as end-to-end suppliers as well as competitors more specialized in particular areas. Consolidation may also result in competitors with greater resources than we have or in reduction of our current scale advantages. This could have a material adverse effect on our business, operating results, and financial condition.

Operator consolidation may increase our dependence on a limited number of customers

We derive most of our business from large, multi-year agreements with a limited number of significant customers. Although no single customer currently represents more than 5 percent of sales, a loss of or a reduced role with a key customer could have a significant adverse impact on sales, profit and market share for an extended period.

In recent years, network operators have undergone significant consolidation, resulting in a large number of operators with activities in several countries. This trend is expected to continue, and also intra-country consolidation is likely to accelerate as a result of competitive pressure.

A market with fewer and larger operators will increase our reliance on key customers and may negatively impact our bargaining position and profit margins. Moreover, if the combined companies operate in the same geographic market, networks may be shared and less network equipment and associated services will be required. Another possible consequence of customer consolidation could be a delay in network investments pending negotiations of e.g. merger/acquisition agreements, securing necessary approvals, or integration of their businesses. Recently, network operators have started to share parts of their network infrastructure through cooperation agreements rather than legal consolidations, which may adversely affect demand for network equipment.

Long-term frame agreements can expose us to risk

Long-term agreements are typically awarded on a competitive bidding basis. In some cases, such agreements also include commitments to future price reductions. In order to maintain the gross margin with such price reductions, we continuously strive to reduce the costs of our products. We reduce costs through design improvements, negotiation of better purchase prices, allocation of more production to low-cost countries and increased productivity in our own production. However, there can be no assurance that our actions to reduce costs will be sufficient or quick enough to maintain our gross margin in such contracts.

Transforming into a more service-based company

Operators are increasingly outsourcing parts of their operations as a way to reduce cost and focus on new services. This has opened up a market which we have addressed. The growth rate is difficult to forecast and each new contract carries a risk that transformation and integration of the operations is not as fast or smooth as planned. Early contract margins are generally lower and the mix of new/old contracts may affect reported results negatively in a given period. Contracts normally cover several years and revenues are of a recurring nature. However, sometimes contract scopes are reduced with negative impact on sales and earnings. Ericsson is the market leader in managed services but competition in this area is increasing, which may have adverse effects on growth and profitability.

Success of R&D investments is uncertain

To be a player in our industry requires large investments in technology and creates exposure to rapid technological and market changes. We spend significant amounts and resources in innovation work for new technology, products and solutions. In order for us to be successful, those technologies, products and solutions must be accepted by relevant standardization bodies and by the industry as a whole. If we invest in the development of technologies, products and solutions that do not function as expected, are not adopted by the industry, are not ready in time or are not successful in the marketplace our sales and earnings may suffer.

Acquisitions and divestments

In addition to in-house innovation efforts, we make strategic acquisitions in order to obtain various benefits, e.g. to reduce time-to-market, to gain access to technology and/or competence, to increase our scale or to broaden our product portfolio or expand our customer base. From time to time we also divest parts of our operations to optimize our product portfolio or operations. There are no guarantees that such acquisitions or divestments are successful or that we will succeed in integrating the acquired entities to gain the expected benefits within the time frame we expect or at all.

Joint ventures and partnerships

If our partnering arrangements fail to perform as expected (whether through an incorrect assessment of our needs or the capabilities or financial stability of our strategic partners), our ability to work with these partners or develop new products and solutions may be constrained and this may harm our competitive position in the market. Additionally, our share of any losses from, or commitments to contribute additional capital to, such partnerships may adversely affect our results of operations or financial position.

A limited number of suppliers of components, production capacity and R&D and IT services

Our ability to deliver according to market demands and contractual commitments depends significantly on obtaining timely and adequate supply of materials, components and production capacity and other vital services on competitive terms. Although we strive to avoid single-source supplier solutions, this is not always possible. Failure by any of our suppliers could interrupt our product supply or operations and significantly limit our sales or increase our costs. To find an alternative supplier or re-design products to replace components may take significant time. If we fail to anticipate customer demand properly, an over/under-supply of components and production capacity could occur. In many cases, some of our competitors utilize the same contract manufacturers and if they have purchased capacity ahead of us we could be blocked from acquiring the needed products. This factor could limit our ability to supply our customers or could increase our costs. At the same time, we commit to certain capacity levels or component quantities, which, if unused, will result in charges for unused capacity or scrapping costs. We are also exposed to financial counterpart risks to suppliers where we pay in advance. We conduct regular supplier audits and evaluations to mitigate the risks mentioned as well as brand risks related to the suppliers' compliance with e.g. labor and environmental regulations.

Product or service quality issues

Sales contracts normally include warranty undertakings for faulty products and often also provisions regarding penalties and/or termination rights in the event of a failure to deliver ordered products or services on time or with required quality. Although we undertake a number of quality assurance measures to reduce such risks, product quality or service performance issues may affect our results negatively.

Significant foreign exchange exposures

With the majority of our cost base in SEK and a very large share of sales in other currencies, and significant operations outside Sweden, our foreign exchange exposures are significant. Currency exchange rate fluctuations affect our consolidated income statement, balance sheet and cash flows when foreign currencies are exchanged or translated to SEK, which increases volatility in reported results.

As market prices are predominantly established in USD or EUR, and with a net revenue exposure in foreign currencies, a stronger SEK exchange rate would generally have a negative effect on our reported results. Our attempts to reduce the effects of exchange rate fluctuations through a variety of hedging activities may not be sufficient or successful, resulting in an adverse impact on our results.

Intellectual property rights (IPR)

Although we have a large number of patents, there can be no assurance that they will not be challenged, invalidated, or circumvented, or that any rights granted in relation to our patents will in fact provide competitive advantages to us.

In 2005, the European Union considered placing restrictions on the patentability of software. Although the European Union ultimately rejected this proposal, we cannot guarantee that they will not revisit this issue in the future. We rely on many software patents, and any limitations on the patentability of software may materially affect our business.

We utilize a combination of trade secrets, confidentiality policies, non-disclosure and other contractual arrangements in addition to relying on patent, copyright and trademark laws to protect our intellectual property rights. However, these measures may not be adequate to prevent or deter infringement or other misappropriation. Moreover, we may not be able to detect unauthorized use or take appropriate and timely steps to establish and enforce our proprietary rights. In fact, existing laws of some countries in which we conduct business offer only limited protection of intellectual property rights, if at all.

Our solutions may also require us to license technologies from third parties. It may be necessary in the future to seek or renew licenses and there can be no assurance that they would be available on acceptable terms, or at all. Moreover, the inclusion in our products of software or other intellectual property licensed from third parties on a non-exclusive basis could limit our ability to protect proprietary rights in our products.

Many key aspects of telecommunications and data network technology are governed by industry-wide standards usable by all market participants. As the number of market entrants and the complexity of technology increases, the possibility of functional overlap and inadvertent infringement of intellectual property rights also increases. Third parties have asserted, and may assert in the future, claims, directly against us or indirectly against our customers, alleging infringement of their intellectual property rights. Defending such claims may be expensive, time-consuming and divert the efforts of our management and/or technical personnel. As a result of litigation, we could be required to pay damages and other compensation directly or indemnifying our customers for such damages and other compensation, develop non-infringing products/technology or enter into royalty or licensing agreements. However, we cannot be certain that such licenses will be available to us on commercially reasonable terms or at all.

Litigations

In the normal course of our business we are involved in legal proceedings. Litigation can be expensive, lengthy and disruptive to normal business operations. Moreover, the results of complex legal proceedings are difficult to predict. An unfavorable resolution of a particular lawsuit could have a material adverse effect on our business, reputation, operating results, or financial condition.

As a publicly listed company, Ericsson may be exposed to lawsuits, in which plaintiffs allege that the Company or its officers have failed to comply with securities laws, stock market regulation or other laws, regulations or requirements. Whether or not there is merit to such claims, the time and costs incurred to defend the Company and its officers and the potential settlement or compensation to the plaintiffs may have significant impact on our reported results and reputation. For additional information regarding certain of the lawsuits in which we are involved, see “Legal and Tax Proceedings” in the Board of Directors’ Report.

Business interruption

Our business operations rely on complex operations and communications networks, which are vulnerable to damage or disturbance from a variety of sources. Having outsourced a significant portion of our IT operations, we depend partly on security and reliability measures of external companies. Regardless of protection measures, essentially all systems and communications networks are susceptible to disruption due to failure, vandalism, computer viruses, security breaches, natural disasters, power outages and other events. We also have a concentration of operations on certain sites, e.g. for R&D, production, network operation centers, logistic centers and shared services centers, where business interruptions could cause material damage and costs. Transport of goods from suppliers, and to customers, could also be hampered for the reasons stated above. Although we have assessed these risks, implemented controls, performed business continuity planning and selected reputable companies for outsourced services, we cannot be sure that interruptions with material adverse effects will not occur.

Attract and retain highly qualified employees

We believe that our future success largely depends on our continued ability to hire, develop, motivate and retain engineers and other qualified personnel needed to develop successful new products, support our existing product range and provide services to our customers. Competition for skilled personnel and highly qualified managers in the telecommunications industry remains intense. We are continuously developing our corporate culture, remuneration, promotion and benefit policies as well as other measures aimed at empowering our employees and reducing employee turnover. However, there are no guarantees that we will be successful in attracting and retaining employees with appropriate skills in the future.

Access to short-term and long-term capital

If we do not generate sufficient amounts of capital to support our operations, service our debt and continue our research and development and customer finance programs, or if we cannot raise sufficient amounts of capital at the times and on the terms required by us, our business is likely to be adversely affected. Access to short-term funding may decrease or become more expensive as a result of our operational and financial condition and market conditions or due to deterioration in our credit rating. We cannot assure that additional sources of funds that we from time to time may need will be available or available on reasonable terms.

REGULATORY, COMPLIANCE AND CORPORATE GOVERNANCE RISKS

Regulatory environment changes

Telecommunications is an industry subject to particular regulation and regulatory changes affect both our customers' and our own operations. For example, regulations imposing more stringent, time-consuming or costly planning and zoning requirements or building approvals for radio base stations and other network infrastructure could adversely affect the timing and costs of network construction or expansion, and ultimately the commercial launch and success of these networks. Similarly, tariff and roaming regulations or rules on network neutrality could also affect operators' ability or willingness to invest in network infrastructure, which in turn could affect the sales of our systems and services. Also radio frequency spectrum allocation between different types of usage may affect operator spending adversely or force us to develop new products to be able to compete.

License fees, environmental, health and safety, privacy and other regulatory changes, in general or particular to our industry, may increase costs and restrict operations for network operators and service providers or us. Also indirect impacts of such changes could affect our business adversely even though the specific regulations may not apply directly to our products or us.

Country-specific political, economic and regulatory risks

We conduct business throughout the world and are subject to the effects of general global economic conditions as well as conditions unique to a specific country or region. We conduct business in more than 180 countries, with a significant proportion of our sales to emerging markets in Asia Pacific, Latin America, Eastern Europe, the Middle East and Africa. We expect that sales to such emerging markets will represent an increasing portion of total sales, as developing nations and regions around the world increase their investments in telecommunications. We already have extensive operations in many of these countries, which involve certain risks, including volatility in gross domestic product, civil disturbances, economic and political instability, nationalization of private assets and the imposition of exchange controls.

Changes in regulatory requirements, tariffs and other trade barriers, price or exchange controls or other governmental policies in the countries where we do business could limit our operations and make the repatriation of profits difficult. In addition, the uncertainty of the legal environment in some regions could limit our ability to enforce our rights. In addition we must comply with the export control regulations of the countries and any trade embargoes in force at the time of sale and/or delivery. Although we seek to comply with all such regulations, even unintentional violations could have material adverse effects on our business, operational results and brand.

Compliance with high standards of corporate governance

Ericsson applies mandatory corporate governance statutes and rules, such as the Swedish Corporate Governance Code and is also committed to several corporate responsibility and environmental initiatives. To ensure that our operations are executed in accordance with these requirements, our management system includes a robust corporate culture and a Code of Business Ethics as well as policies and directives to govern our processes and operations. We regularly perform communication and training in these areas, and we monitor and audit internal compliance with the policies and directives as well as our suppliers' adherence to our Supplier Code of Conduct. There is however no guarantee that violations will not occur, which could have material adverse effects on our brand, reputation and business.

Compliance with environmental, health and safety regulations

We are subject to certain environmental, health and safety laws and regulations that affect our operations, facilities and products in each of the jurisdictions in which we operate. We believe that we are in compliance with all material laws and regulations. However, there is a risk that we may have to incur expenditures to cover environmental and health liabilities to maintain compliance with current or future laws and regulations or to undertake any necessary remediation. It is difficult to reasonably estimate the future impact of environmental matters, including potential liabilities. This is due to several factors, particularly the length of time often involved in resolving such matters.

Potential health risks related to electromagnetic fields

The mobile telecommunications industry is subject to claims that mobile handsets and other devices that generate electromagnetic fields expose users to health risks. At present, a substantial number of scientific studies conducted by various independent research bodies have indicated that electromagnetic fields, at levels within the limits prescribed by public health authority safety standards and recommendations, cause no adverse effects to human health. However, any perceived risk or new scientific findings of adverse health effects of mobile communication devices and equipment could adversely affect us through a reduction in sales or through liability claims. Although Ericsson's products are designed to comply with all current safety standards and recommendations regarding electromagnetic fields, we cannot guarantee that we or the jointly owned Sony Ericsson Mobile Communications or ST-Ericsson will not become the subject of product liability claims or be held liable for such claims or be required to comply with future regulatory changes that may have an adverse effect on our business.

RISKS ASSOCIATED WITH OWNING ERICSSON SHARES

Our share price has been and may continue to be volatile

Our share price has been volatile partly due to the high volatility in the securities markets generally and for telecommunications and technology companies in particular. The share price is also likely to be affected by the development in our market, our reported financial results and the expectations of financial analysts, as well as statements and market speculation regarding our future prospects or the timing or content of any profit warning by us or our competitors.

Factors other than our financial results that may affect our share price include, but are not limited to:

- A weakening of our brand name or other circumstances with adverse effects on our reputation
- Announcements by our customers, competitors or us regarding capital spending plans of network operators
- Financial difficulties for our customers
- Awards of large supply or service contracts
- Speculation in the press or investment community about the business level or growth in the market for mobile communications
- Technical problems, in particular those relating to the introduction and viability of new network systems like LTE/4G and new platforms such as the RBS 6000 (multi-standard radio base station) platform
- Actual or expected results of ongoing or potential litigation
- Announcements concerning bankruptcy or investigations into the accounting procedures of other telecommunications companies, even if we are not involved
- Our ability to forecast and communicate our future results in a manner consistent with investor expectations.

Currency fluctuations may adversely affect share value or value of dividends

Because our shares are quoted in SEK on NASDAQ OMX Stockholm (our primary stock exchange), but in USD on NASDAQ (ADSs), fluctuations in exchange rates between SEK and USD may affect the value of your investment. In addition, because we pay cash dividends in SEK, fluctuations in exchange rates may affect the value of distributions if arrangements with your bank, broker or depositary call for distributions to you in currencies other than SEK. An increasing part of the trade in our shares is carried out on alternative exchanges or markets, which may lead to less accurate share price information on NASDAQ OMX Stockholm or NASDAQ,

AUDITORS' REPORT

To the Annual General Meeting of the shareholders of Telefonaktiebolaget LM Ericsson (publ), organization number 556016-0680

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the President and CEO of Telefonaktiebolaget LM Ericsson (publ) for the year 2010. (The Company's annual accounts are included in the printed version on pages 17–124). The Board of Directors and the President and CEO are responsible for these accounts and the administration of the Company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the President and CEO and significant estimates made by the Board of Directors and the President and CEO when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the Company in order to be able to determine the liability, if any, to the Company of any Board Member or the President and CEO. We also examined whether any Board Member or the President and CEO has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the Company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with international financial reporting standards, IFRSs, as adopted by the EU and the Annual Accounts Act and give a true and fair view of the group's financial position and results of operations. The Board of Directors' report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the annual general meeting of shareholders that the income statements and balance sheets of the Parent Company and the Group be adopted, that the profit of the Parent Company be dealt with in accordance with the proposal in the Board of Directors' report and that the members of the Board of Directors and the President and CEO be discharged from liability for the financial year.

Stockholm, February 21, 2011

Peter Clemedtson

Authorized Public Accountant
PricewaterhouseCoopers AB

FORWARD-LOOKING STATEMENTS

This Annual Report includes forward-looking statements, including statements reflecting management's current views relating to the growth of the market, future market conditions, future events and expected operational and financial performance. The words "believe", "expect", "foresee", "anticipate", "assume", "intend", "may", "could", "plan", "estimate", "will", "should", "could", "aim", "target", "might" or, in each case, their negative, and similar words are intended to help identify forward-looking statements. Forward-looking statements may be found throughout this document, but in particular in the chapter "Board of Directors' Report" and include statements regarding:

- our goals, strategies and operational or financial performance expectations;
- development of corporate governance standards, stock market regulations and related legislation;
- the growth of the markets in which we operate;
- our liquidity, capital resources, capital expenditures, our credit ratings and the development in the capital markets, affecting our industry or us;
- the expected demand for our existing as well as new products and services;
- the expected operational or financial performance of our joint ventures and other strategic cooperation activities;
- the time until acquired entities will be accretive to income;
- technology and industry trends including regulatory and standardization environment, competition and our customer structure;
- our plans for new products and services including research and development expenditures.

Although we believe that the expectations reflected in these and other forward-looking statements are reasonable, we cannot assure you that these expectations will materialize. Because forward-looking statements are based on assumptions, judgments and estimates, and are subject to risks and uncertainties, actual results could differ materially from those described or implied herein. Important factors that could affect whether and to what extent any of our forward-looking statements materialize include, but are not limited to:

- our ability to respond to changes in the telecommunications market and other general market conditions in a cost effective and timely manner;
- developments in the political, economic or regulatory environment affecting the markets in which we operate, including trade embargoes, changes in tax rates, changes in patent protection regulations, allegations of health risks from electromagnetic fields, cost of radio licenses for our customers, allocation of radio frequencies for different purposes and results of standardization activities;
- the effectiveness of our strategies and their execution, including partnerships, acquisitions and divestments;
- financial risks, including changes in foreign exchange rates or interest rates, lack of liquidity or access to financing, changes in tax liabilities, credit risks in relation to counterparties, customer defaults under significant customer finance arrangements and risks of confiscation of assets in foreign countries;
- the impact of the consolidation in the industry, and the resulting (i) reduction in the number of customers, and adverse consequences of a loss of, or significant decline in, our business with a major customer; (ii) increased strength of a competitor or the establishment of new competitors;
- the impact of changes in product demand, price erosion, competition from existing or new competitors or new technologies or alliances between vendors of different types of technology and the risk that our products and services may not sell at the rates or levels we anticipate;
- the product mix and margins of our sales;
- the volatility of market demand and difficulties to forecast such demand;
- our ability to develop commercially viable products, systems and services, to acquire licenses of necessary technology, to protect our intellectual property rights through patents and trademarks and to license them to others and defend them against infringement, and the results of patent litigation;
- supply constraints, including component or production capacity shortages, suppliers' abilities to cost effectively deliver quality products on time and in sufficient volumes, and risks related to concentration of proprietary or outsourced production in a single facility or sole source situations with a single vendor;
- our ability to successfully manage operators' networks to their satisfaction with satisfactory margins;
- our ability to maintain a strong brand and good reputation and to be acknowledged for good corporate governance;
- our ability to recruit and retain qualified management and other key employees.

Certain of these risks and uncertainties are described further in "Risk Factors". We undertake no obligation to publicly update or revise any forward-looking statements included in this Annual Report, whether as a result of new information, future events or otherwise, except as required by applicable law or stock exchange regulation.

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REMUNERATION REPORT

CONTENTS

INTRODUCTION

This report outlines how the remuneration policy is implemented throughout Ericsson in line with corporate governance best practice, with specific references to Group management. To begin with, the work of the Remuneration Committee 2010 and the remuneration policy are explained, followed by descriptions of plans and approaches. This report also includes information on how the remuneration programs have been evaluated and conclusions from that. More details of the remuneration of Group management and Board members' fees can be found in the Notes to the Consolidated Financial Statements – Note C29, "Information regarding members of the Board of Directors, the Group management and employees" ("Note C29").

THE REMUNERATION COMMITTEE

The Remuneration Committee advises the Board of Directors on an ongoing basis on the remuneration of the Group management, hereafter referred to as the Executive Leadership Team (ELT). This includes fixed salaries, pensions, other benefits and short-term and long-term variable remuneration, all in the context of pay and employment conditions throughout Ericsson. The Remuneration Committee also approves variable remuneration outcomes, prepares remuneration related proposals for Board and shareholder approval and develops and monitors the remuneration policy, strategies and general guidelines for employee remuneration.

The Remuneration Committee's work is the foundation for the governance of our remuneration processes together with our internal systems and audit controls. The Committee is chaired by Michael Treschow and its other members are Nancy McKinstry, Börje Ekholm and Karin Åberg. All the members are non-executive directors, independent (except for the employee representative) as required by the Swedish Corporate Governance Code and have relevant knowledge and experience of remuneration matters.

The Company's General Counsel acts as secretary to the Committee. The Chief Executive Officer, the Senior Vice President Human Resources & Organization and the Vice President Compensation & Benefits attend the Remuneration Committee meetings by invitation and assist the Committee in its considerations, except when issues relating to their own remuneration are being discussed.

The Remuneration Committee has appointed an independent expert advisor, Gerrit Aronson, to assist and advise the Committee. Gerrit Aronson provided no

REMUNERATION POLICY

Remuneration at Ericsson is based on the principles of performance, competitiveness and fairness. Our remuneration policy together with the mix of remuneration elements are designed to reflect these remuneration principles by creating a balanced remuneration package. The policy for 2010 can be found in Note C29. The auditors' opinion on how we have followed our policy during 2010 is posted on the website.

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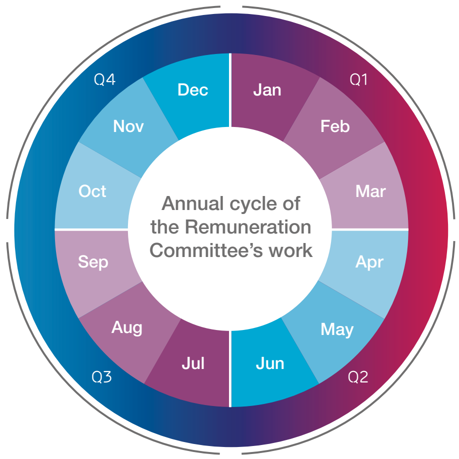
ANNUAL CYCLE OF THE REMUNERATION COMMITTEE'S WORK

AUGUST–OCTOBER
- Review of committee working arrangements
- Issues, trends and market practice analyses
- Review of Executive Performance Stock Plan target achievement and vesting decision
- Review of risks associated with remuneration
- Review of remuneration policy, package construction and design of individual elements

MAY–JULY
- Review of appropriateness of targets



NOVEMBER–FEBRUARY
- Salary review for Executive Leadership Team (ELT) and other senior executives
- Review of target achievements for Short-Term Variable plan, vesting and target setting decisions
- Target setting for Long-Term Variable plan
- Proposals for AGM
- Communications to investors, including Annual Report
- Review of total remuneration outcomes and costs

- MARCH–APRIL
- Annual General Meeting of shareholders

other services to the Company during 2010. The Remuneration Committee is also provided with national and international pay data collected from external survey providers and can call on other independent expertise, should it so require. The Chairman continues to ensure that contact is maintained, as necessary and appropriate, with principal shareholders on the subject of remuneration.

The purpose and function of the Remuneration Committee will continue going forward and its responsibilities can be found on the Ericsson website (www.ericsson.com). These responsibilities, together with the remuneration policy, are reviewed and evaluated annually in light of matters such as changes to corporate governance best practice or changes to accounting, legislation, political opinion or business practices among peers. This helps to ensure that the policy continues to provide Ericsson with a competitive remuneration strategy. The policy for Group management remuneration is, in accordance with Swedish law, brought to shareholders annually for approval.

REMUNERATION 2010

The Remuneration Committee met nine times during the year. The winter meetings focused on following-up results from the 2009 variable remuneration programs and preparing proposals to shareholders for the 2010 Annual General Meeting (AGM). During winter and spring the committee considered the new Regional organization and new members in the Executive Leadership Team (ELT). In the fall the work began with a review of the remuneration strategy with focus on the Long-Term Variable remuneration, the Short-Term Variable remuneration plans and levels of fixed compensation. Feedback from meetings with investors, market analysis and global trend analyses served as input to the remuneration strategy discussion. As is illustrated above, the Committee has also considered market trends, existing and potential remuneration risks, target setting, its working arrangements and corporate governance.

Evaluation of remuneration policy and plans

The Remuneration Committee has supported the Board with the review and evaluation of the remuneration policy and practice. As described later in this report, all remuneration elements and levels are evaluated through benchmarking against market data provided by external sources. Analyses of market data, as well as of attrition data, show that Ericsson is in general competitive in local markets and that total remuneration is appropriate but not excessive.

The remuneration policy is evaluated annually in light of the long-term strategy and the Remuneration Committee's overview of total remuneration and each individual remuneration element. The Committee has concluded and the Board has decided that the remuneration policy remains valid and right for Ericsson and should not be materially changed for 2011.

Evaluation through employee surveys show that the common understanding of Ericsson's remuneration policy could

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be improved. To enhance the understanding of how Ericsson translates remuneration principles and policy into practice, a Remuneration website has been launched in January 2011. This is a training program containing e-learning and training targeted at line managers to support more informed decisions and better communication to the wider employee population.

Extensive analyses of local market data for each position in the Executive Leadership Team have been conducted and decisions on budget and increases for ELT have been taken by Remuneration Committee. The work is also reviewed by the independent advisor to the Committee.

The evaluation of Long-Term Variable remuneration plans concluded that the objectives of the Stock Purchase Plan to promote “One Ericsson” and align the interests of employees with those of shareholders have been successful. The participation rate has increased from 25 percent to 27 percent over the year. The evaluation conducted also confirms that the Key Contributor Retention Plan meets the purpose to retain our key employees, the voluntary attrition rate among Key Contributors being about two thirds compared to total number of employees.

A survey of Ericsson’s managers in January 2011 verified that over half of managers think the Long-Term Variable and Short-Term Variable remuneration plans are “effective” or “very effective” in meeting the purpose of the plans.

This confirms earlier third-party research that has shown that the Long-Term Variable plans drive the right values and enhance retention. The plans remain competitive by Swedish standards. The participation rate among Key Contributors remains high compared with international benchmarks.

However, the evaluation has also shown that the Executive Performance Stock Plan has had limited success in terms of meeting the purpose of rewarding long-term financial performance. The performance target has proved to be more binary than anticipated, where the 2004 program vested in full and the programs for 2005, 2006 and 2007 did not vest. Extensive work has been conducted to define how the plan should be developed and this has identified the need to secure clear targets that are more aligned with strategy and value creation. Based on this, the Board has evaluated targets and target levels to identify those that best support the long-term strategy and value creation of the company and will propose these targets for the 2011 Executive Performance Stock Plan to the AGM.

SUMMARIES OF 2010 SHORT- AND LONG-TERM VARIABLE REMUNERATION

What we call it	What is it?	What is the objective?	Who participates?	How is it earned?
Short-term: Remuneration delivered over 12 months or less				
Fixed salary	Fixed remuneration paid at set times	Attract and retain employees, delivering part of annual remuneration in a predictable format	All employees	Market appropriate levels set according to position and evaluated according to individual performance
Short-Term Variable remuneration (STV)	A variable plan that is measured and paid over a single year	Align employees with clear and relevant targets, providing an earnings opportunity in return for performance and flexible cost	Managers, including Executive Leadership Team	Achievements against set targets. Reward can increase to up to twice the target level and decrease to zero, depending on performance
Local and Sales Incentive Plans	Tailored versions of the STV	As for STV, tailored for local or business requirements, such as sales	Most employees	Similar to STV. All plans have maximum award and vesting limits
Long-term: Remuneration delivered over 3 years or more				
Stock Purchase Plan (SPP)	All-employee stock-based plan	Reinforce a “One Ericsson” and align employees’ interests with those of shareholders	All employees are eligible	Buy one share and it will be matched by one share after 3 years if still employed
Key Contributor Retention Plan (KC)	Share-based plan for selected individuals	Recognize, retain and motivate key contributors for performance, critical skills and potential	Up to 10 percent of employees	If selected, get one more matching share in addition to the SPP one
Executive Performance Stock Plan (EPSP)	Share-based plan for senior executives	Remuneration for long-term commitment and earnings performance	Senior executives, including Executive Leadership Team	Get up to 4, 6 or, for CEO, 9 further matching shares to the SPP one for long-term performance.

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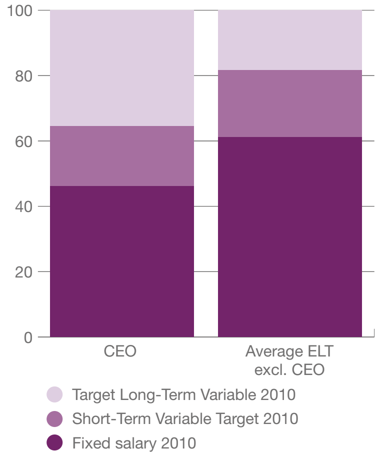
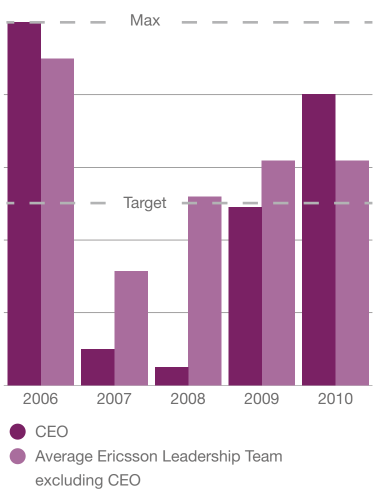
FIXED SALARY, SHORT-TERM AND LONG-TERM VARIABLE REMUNERATION AS PERCENT OF TOTAL TARGET REMUNERATION



SHORT-TERM VARIABLE REMUNERATION PAYOUTS AND TARGET LEVELS



TOTAL REMUNERATION

When we consider the remuneration of an individual, it is the total remuneration that matters. We first consider the total annual cash compensation, looking at target level of short-term variable remuneration plus fixed salary. We then add target long-term variable remuneration to get total target remuneration and, finally, pension and other benefits to arrive at the total package.

For the ELT, remuneration consists of fixed salary, short-term and long-term variable remuneration, pension and other benefits. If the size of any one of these elements is increased or decreased, at least one other element has to change where the competitive position should remain unchanged.

The remuneration costs for the CEO and the ELT are reported in Note C29.

Fixed salary

Fixed salaries are set to be competitive within an individual's home market. When setting fixed salaries the Remuneration Committee considers the impact on total remuneration, including pension and associated costs. The absolute levels are determined by the size and complexity of the position and the year-to-year performance of the individual. Together with other elements of remuneration, the ELT salaries are subject to an annual review by the Remuneration Committee, which considers external pay data to ensure that levels of pay remain competitive and appropriate to the remuneration policy.

Variable remuneration

At Ericsson we strongly believe that, where possible, we should encourage variable compensation as integral part of total target remuneration approach. First and foremost this aligns employees with clear and relevant targets but it also enables more flexible payroll costs and emphasizes the link between performance and pay. All variable remuneration plans have maximum award and vesting limits.

SHORT-TERM VARIABLE REMUNERATION

The annual variable remuneration is delivered through cash-based programs. Specific business targets are derived from the annual business plan approved by the Board of Directors and, in turn, defined by the Company's long-term strategy. Ericsson strives to grow faster than the market with best-in-class margins and strong cash conversion and therefore the starting point is to have these as three core targets:

- Sales Growth
- Operating Income
- Cash Flow

For the ELT, targets are thus predominantly financial targets at either Group level or at the individual unit level and may also include operational targets like customer satisfaction and employee motivation. Targets are cascaded to all managers and will vary depending on the specific position. All variable remuneration targets have to be objective and measurable and typically refer to a result that is achieved on a collective basis. Each target is, in accordance with our strict governance instructions, defined in a "target specification" and measured over the calendar year. The target setting process is fully integrated with the strategy work and target levels are tested against plans and forecasts up until they are finalized around the turn of the year. The Board of Directors and the Remuneration Committee decide on all Ericsson Group targets, which are cascaded to unit-related targets throughout the Company, always subject to a two levels of management approval process. The Remuneration Committee monitors the appropriateness and fairness of Group target levels throughout

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SHORT-TERM VARIABLE REMUNERATION STRUCTURE

	Short-Term Variable remuneration as percentage of Fixed Salary			Percentage of Short-Term Variable remuneration opportunity		
	Target level	Maximum level	Actual paid for 2010	Group Financial Targets	Unit/Functional Financial Targets	Non-Financial Targets
CEO 2010	40%	80%	64%	90%	0%	10%
CEO 2011	40%	80%	–	90%	0%	10%
Average ELT 2010 [1]	31%	62%	46%	73%	16%	11%
Average ELT 2011 [1]	34%	68%	–	61%	23%	16%

[1] Excludes CEO – differences in target and maximum levels from year to year are due to changes in the composition of the ELT.

the performance year and has the authority to revise them should they cease to be relevant, stretching and/or enhance shareholder value.

During 2010, approximately 75,000 employees participated in short-term variable plans. Of these 8,000 were in the global Short-Term Variable remuneration plan ("STV") for management, including the ELT, and 4,000 were in the global Sales Incentive Plan ("SIP"). Local plans vary in design according to local competitive practice but typically mirror the STV.

The chart on page 130 illustrates how payouts to the ELT have varied with performance over the past five years.

LONG-TERM VARIABLE REMUNERATION

Share-based long-term variable remuneration plans are submitted each year for approval by shareholders at the AGM. All long-term variable remuneration plans are designed to form part of a well-balanced total remuneration and span over a minimum of three years. As these are variable plans, outcomes are unknown and rewards depend on long-term personal investment, corporate performance and resulting share price performance. During 2010, share-based remuneration was made up of three different but linked plans: The all-employee Stock Purchase Plan, the Key Contributor Retention Plan and the Executive Performance Stock Plan.

THE STOCK PURCHASE PLAN

The all-employee Stock Purchase Plan is designed to offer, where practicable, an incentive for all employees to participate, reinforcing a "One Ericsson" aligned with shareholder interests. Employees can save up to 7.5 percent (CEO 10 percent) of gross fixed salary (CEO, gross fixed salary and annual variable remuneration) for purchase of Class B shares at market price on NASDAQ OMX Stockholm or ADSs on NASDAQ (contribution shares) over a twelve-month period. If the contribution shares are retained by the employee for three years after the investment and employment with the Ericsson Group continues during that time, the employee's shares will be matched with a corresponding number of Class B shares or ADSs. The plan was introduced in 2002 and employees in 94 countries participate. In December 2010 the number of participants was in excess of 22,000 or approximately 27 percent of eligible employees.

Participants save each month, beginning with August payroll, towards quarterly investments. These investments (in November, February, May and August) are matched on the third anniversary of each such investment and hence the matching spans over two financial years and two tax years.

THE KEY CONTRIBUTOR RETENTION PLAN

The Key Contributor Retention Plan is part of Ericsson's talent management strategy and is designed to give individuals recognition for performance, critical skills and potential as well as encourage retention of key employees. Under the program, operating units around the world are given quotas that total no more than 10 percent of employees world-wide. Each unit nominates individuals that have been identified according to performance, critical skills and potential. The nominations are calibrated in management teams locally and reviewed by both local and corporate Human Resources to ensure that there is a minimum of bias and a strong belief in the system. Participants selected obtain one extra matching share in addition to the one matching share for each contribution share purchased under the Stock Purchase Plan during a twelve-month program period. The plan was introduced in 2004.

THE EXECUTIVE PERFORMANCE STOCK PLAN

The Executive Performance Stock Plan was also first introduced in 2004. The plan is designed to focus management on driving long-term financial performance and provide market competitive remuneration. Senior executives, including the ELT, are selected to obtain up to four or six extra shares (performance matching shares). This is in addition to the one matching share for each contribution share purchased under the all employee Stock Purchase Plan and the performance matching is subject to the fulfillment of an Earnings per Share (EPS) performance target. Since 2010, the CEO may obtain up to nine performance matching shares in addition to the Stock Purchase Plan matching share for each contribution share.

The Remuneration Committee has been satisfied that the use of an EPS performance target has been an appropriate measure to date. However, following its evaluation, the Remuneration Committee and the Board have decided to propose to the 2011 AGM a new set of performance measures for the 2011 Executive Performance Stock Plan.

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The performance targets are not capable of being retested after the end of the three-year performance period. If the minimum required performance is not achieved, all matching shares subject to performance will lapse. The Board may also reduce the number of performance matching shares, if deemed appropriate, considering the Company's financial results and position, conditions on the stock market and other relevant circumstances at the time of matching. The Remuneration Committee analyzes the financial results against those of competitors in the industry.

Benefits and terms of employment

Pension benefits follow the competitive practice in the employee's home country and may contain various supplementary plans, in addition to any national system for social security. Where possible, pension plans are operated on a defined contribution basis. Under these plans, Ericsson pays contributions into a plan but does not guarantee the ultimate benefit, unless local regulations or legislation prescribe that defined benefit plans that do give such guarantees have to be offered.

For the CEO and other members of the ELT employed in Sweden a supplementary pension plan is applied in addition to the occupational pension plan for salaried staff on the Swedish labor market (ITP). The pension age is according to local practice, for ELT members normally 60 years. The pensionable salary for ELT members on local contract in Sweden consists of the annual fixed salary including vacation pay and the target value of the Short-Term Variable remuneration. For members of the ELT who are not employed in Sweden, local market competitive pension arrangements apply.

Other benefits, such as company car and medical insurance, are also set to be competitive in the local market. ELT members may not receive loans from the Company.

ELT members locally employed in Sweden have a mutual notice period of up to six months. Upon termination of employment by the Company, severance pay can amount to up to 18 months fixed salary. For other ELT members different notice period and severance pay agreement apply, however no agreements exceeds the notice period of 6 months or the severance pay of 18 months.

REMUNERATION OF THE BOARD OF DIRECTORS

The remuneration of Directors not employed by Ericsson is handled separately by the Nomination Committee and approved by the Annual General Meeting of shareholders. The remuneration consists of fees for Board and committee work, part of which can be delivered under a synthetic share program. The synthetic shares, which are valued in line with Ericsson's Class B shares, vest in cash after the publication of the year-end financial statement during the fifth year after award.

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CORPORATE GOVERNANCE REPORT 2010

CONTENTS

Corporate governance is not only about efficient and reliable controls and procedures. We believe that adherence to a strong ethos of ethical business practice by all people in our organization – starting at the top and permeating to all employees – is essential to maintaining a sound and reliable corporate governance structure.

As Chairman of the Board it lies at the core of my responsibilities to ensure that the Board work is conducted in an optimal manner and in line with the principles and processes in the work procedure of the Board of Directors. It is crucial that the Board is at all times well informed in order to efficiently and in a constructive manner promote open and meaningful debates on important issues. The Board work is constantly scrutinized and improved to ensure that the Board has the best possible basis for its resolutions.

The Board has two key roles: firstly to be a good supporter to the Company management, and, secondly, to exercise a critical review and raise difficult questions. These two roles must be well-balanced. It is crucial to ensure that the Board and the executive management at all times have an open and straight-forward dialogue.

Good corporate governance is the basis for building robust corporate culture. It will further promote sustainable business practice which in turn generates shareholder value.

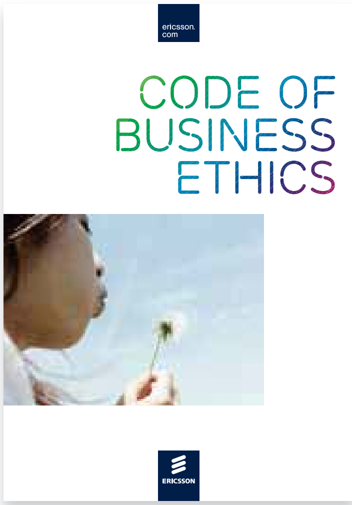
Michael Treschow
Chairman of the Board of Directors

HIGHLIGHTS OF 2010

- Hans Vestberg (President & CEO) and Michelangelo Volpi were elected new Board members
- New organization – 23 Market Units became 10 Regions
- Four new members joined the Executive Leadership Team

Corporate governance describes the ways in which rights and responsibilities are distributed among the various corporate bodies according to the laws, rules and processes to which they are subject. It defines the decision-making systems and structure through which owners directly or indirectly control a company.

This Corporate Governance Report is rendered as a separate report added to the Annual Report in accordance with the Annual Accounts Act (1995:1554 Chapter 6, Section 6) and the Swedish Corporate Governance Code. The report has been reviewed by Ericsson's auditor in accordance with the Annual Accounts Act and a separate report from the auditor is appended hereto.



The Code of Business Ethics can be found at www.ericsson.com/article/code-of-business-ethics_429026570_c

Information on the Ericsson website does not form part of this Report.

REGULATION AND COMPLIANCE

External rules

As a Swedish public limited liability company with securities quoted on NASDAQ OMX Stockholm as well as on NASDAQ New York, Ericsson is subject to a variety of rules that affect its governance. Major external rules include:

- The Swedish Companies Act
- Rulebook for issuers of NASDAQ OMX Stockholm
- The Swedish Corporate Governance Code (the "Code") which is found on the website of the Swedish Corporate Governance Board who administrates the Code (www.corporategovernanceboard.se)
- NASDAQ New York Stock Market Rules – including applicable NASDAQ New York corporate governance requirements, subject to certain exemptions principally reflecting mandatory Swedish legal requirements
- Applicable requirements of the US Securities and Exchange Commission.

Internal rules

In addition, to ensure compliance with legal and regulatory requirements and the high ethical standards that we set for ourselves, Ericsson has internal rules that include:

- Code of Business Ethics
- Group Steering Documents including Group policies and directives, instructions and business processes for approval, control and risk management
- Code of Conduct to be applied in the product development, production, supply and support of Ericsson products and services worldwide.

The Board of Directors has also included internal rules in its work procedure.

Compliance with the Swedish Corporate Governance Code

The Code has been applied by Ericsson since July 2005. Ericsson is committed to complying with best-practice corporate governance on a global level wherever possible. This includes continued compliance with the Code. Ericsson has not deviated from any of the provisions of the Code.

Compliance with applicable stock exchange rules

There has been no infringement of applicable stock exchange rules and Ericsson has complied with good stock market practice.

Code of Business Ethics

Ericsson's Code of Business Ethics sets out how the Group achieves and maintains its high ethical standards. It summarizes the Group's fundamental policies and directives.

The ethical code has been translated into 25 languages. This ensures that it is accessible to all employees and underpins the importance of ethical conduct in all business activities. During recruitment, employees sign a form to acknowledge that they are aware of the principles of the Code of Business Ethics. This procedure is repeated at regular intervals throughout the term of employment.

Through this process, Ericsson strives to ensure that high ethical standards are continuously upheld. All employees have an individual responsibility to ensure that business practice adheres to the rules of the Code of Business Ethics.

SHAREHOLDERS

Ownership structure

As of December 31, 2010 Telefonaktiebolaget LM Ericsson (the "Parent Company"), had 630,592 shareholders (according to the share register kept by Euroclear Sweden AB). Institutions, both Swedish and international, own almost 78 percent of the shares. The largest shareholders are Industrivärden, holding 19.39 percent of the votes (together with Handelsbankens Pensionsstiftelse and Pensionskassan SHB Försäkringsförening) and Investor, holding 19.33 percent of the votes.

A significant number of the shares held by foreign investors are nominee-registered, i.e. held off-record by banks, brokers and/or nominees. This means that the actual shareholder is not displayed in the share register or included in the shareholding statistics.

More information on Ericsson's shareholders can be found in the chapter "Share Information" in the Annual Report.

Shares and voting rights

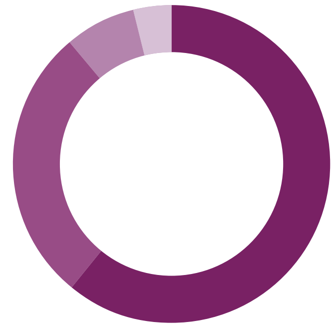
The share capital of the Parent Company consists of two classes of listed shares: A and B. Each Class A share carries one vote and each Class B share carries one tenth of one vote. Class A and B shares entitle the holder to the same proportion of assets and earnings. They also carry equal rights in terms of dividends.

The Parent Company may also issue Class C shares in order to create treasury stock to hedge variable remuneration programs resolved by the General Meeting. The Class C shares are converted into Class B shares before they are transferred to participants of the variable remuneration programs.

The members of the Board of Directors and the Executive Leadership Team have the same voting rights on shares as other shareholders.

GOVERNANCE STRUCTURE

OWNERSHIP PERCENTAGE (VOTING RIGHTS)



- Swedish institutions. 60.90%, of which:
  - – Investor: 19.33%
  - – Industrivärden: 19.39%
- Foreign investors: 28.07%
- Retail Swedish investors: 7.40%
- Other: 3.63%

Source: Capital Precision

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GENERAL MEETING OF SHAREHOLDERS

Decision making at General Meetings

The decision-making rights of Ericsson's shareholders are exercised at General Meetings. Most resolutions at General Meetings are passed by a simple majority. However, the Swedish Companies Act requires qualified majorities in certain cases, for example:

- Amending the articles of association
- The resolution to transfer own shares to employees participating in employee share plans

The Annual General Meeting of Shareholders

The Annual General Meeting (AGM) is held in Stockholm. The date and venue for the meeting is announced on the Ericsson website no later than in conjunction with the release of the third-quarter report.

Shareholders who cannot participate in person may be represented by proxy. Only named shareholders registered in the share register have voting rights. Nominee-registered shareholders who wish to vote may request to be entered into the share register by the record date for the AGM.

The AGM is held in Swedish and is simultaneously interpreted into English. All documentation provided by the Company is available in both Swedish and English.

The AGM gives shareholders the opportunity to raise questions relating to the operations of the Group. Ericsson always strives to ensure that the members of the Board of Directors and the Group management (the Executive Leadership Team) are present to answer such questions. Shareholders and other interested parties may also correspond in writing with the Company at any time.

The auditor is always present at the AGM.

Ericsson's Annual General Meeting 2010

1,836 shareholders attended the AGM held on April 13, 2010, including shareholders represented by proxy, representing approximately 62 percent of the votes.

The meeting was also attended by the Board of Directors, members of the Executive Leadership Team and the external auditor.

Decisions of the AGM 2010 included:

- Payment of a dividend of SEK 2.00 per share for 2009
- Re-election of Chairman of the Board of Directors, Michael Treschow
- Re-election of members of the Board of Directors, Roxanne S. Austin, Sir Peter L. Bonfield, Börje Ekholm, Ulf J. Johansson, Sverker Martin-Löf, Marcus Wallenberg, Nancy McKinstry, Anders Nyrén and Carl-Henric Svanberg
- Election of Hans Vestberg and Michelangelo Volpi as new members of the Board of Directors
- Board of Directors' fees to remain unchanged:
  – Chairman: SEK 3,750,000
  – Other non-employed Board members: SEK 750,000 each
  – Chairman of the Audit Committee: SEK 350,000
  – Other non-employed members of the Audit Committee: SEK 250,000 each
  – Chairmen and other non-employed members of the Finance and Remuneration committees: SEK 125,000 each
- Approval for part of the Directors' fees to be paid in the form of synthetic shares
- Approval of the remuneration policy for senior management
- Implementation of a Long-Term Variable Remuneration Program.

The minutes of the AGM 2010 are available at: www.ericsson.com/res/investors/docs/2010/agm/101119_minutes_agm.pdf. (Information on the Ericsson website does not form part of this Report).

ANNUAL GENERAL MEETING 2011

Ericsson's Annual General Meeting 2011 will take place on April 13, at the Annex to the Ericsson Globe Arena in Stockholm.

Shareholders who wish to have a matter considered at the AGM should make a written request to the Board in due time before the AGM. Further information on Ericsson's website.

HOW TO CONTACT THE BOARD OF DIRECTORS

Telefonaktiebolaget LM Ericsson
The Board of Directors' Secretariat
SE-164 83 Stockholm, Sweden
boardsecretariat@ericsson.com

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NOMINATION COMMITTEE

A Nomination Committee was elected by the AGM for the first time in 2001. Since then, each AGM has appointed a Nomination Committee, or resolved on the procedure for appointing the Nomination Committee.

The AGM 2010 resolved that the Nomination Committee shall consist of:

- Representatives of the four largest shareholders by voting power by the end of the month in which the AGM was held
- The Chairman of the Board of Directors.

However, as described in the procedure for appointing members, the Nomination Committee may include additional members following a request by a shareholder. The request must be justified by changes in the shareholder's share ownership and be received by the Nomination Committee no later than December 31.

Members of the Nomination Committee

In addition to the Chairman of the Board of Directors, the current Nomination Committee consists of the four representatives appointed by the four shareholders with the largest voting power as of April 30, 2010:

- Jacob Wallenberg (Investor AB, Chairman of the Nomination Committeee)
- Carl-Olof By (AB Industrivärden, Svenska Handelsbankens Pensionsstiftelse and Pensionskassan SHB Försäkringsförening)
- Caroline af Ugglas (Livförsäkringsaktiebolaget Skandia)
- Marianne Nilsson (Swedbank Robur Fonder).

The tasks of the Nomination Committee

Over the years the tasks of the Nomination Committee have evolved to comply with the requirements of the Code. However, the main task of the Committee remains to propose candidates for election to the Board of Directors. In doing this, the Committee must not only orientate itself on the Company's strategy and future challenges to be able to assess the competence and experience that is required by the Board, but also consider all applicable rules on the independence of the Board of Directors.

It also prepares remuneration proposals for resolution by the AGM for:

- Non-employed Directors elected by the AGM
- The auditor
- Members of the Nomination Committee.

To date, the Committee has not proposed that it should be paid any fees. When proposing auditors, the Nomination Committee selects candidates in cooperation with the Audit Committee of the Board.

The Committee also proposes a candidate for election of the Chairman of General Meetings.

Work of the Nomination Committee for the AGM 2011

The Nomination Committee starts its work by going through a checklist of all its duties according to the Code and its procedure resolved by the AGM. It also sets a time plan for its work ahead. As understanding of Ericsson's business is paramount to the members of the Committee, both the Chairman of the Board and the President and CEO have presented their views to the Committee on the Company's position and strategy.

The Committee has also been thoroughly informed of the results of the evaluation of the Board work and procedures, including the performance of the Chairman of the Board. From this basis the Committee is able to make assessments on the competence and experience required by the Board members.

The Committee has also acquainted itself with the assessments made by the Company and the Audit Committee in terms of quality and efficiency of external auditor work, including recommendations regarding auditors and audit fees. Following the Chairman of the Boards' announcement of his intention to resign from the Board, one main focus for the Nomination Committee this year has been to nominate a successor. As of February 21, 2011 the Nomination Committee has held 8 meetings.

Shareholders may submit proposals to the Nomination Committee at any time, but should do so in due time before the AGM to ensure that they are considered by the Committee. Further information is available on Ericsson's website.

HOW TO CONTACT THE NOMINATION COMMITTEE

Telefonaktiebolaget LM Ericsson
The Nomination Committee
c/o General Counsel's Office
SE-164 83 Stockholm, Sweden
nomination.committee@ericsson.com

BOARD OF DIRECTORS

The Board of Directors is ultimately responsible for the organization of Ericsson and the management of its operations. It develops guidelines and instructions for day-to-day operations, managed by the President and CEO. In turn, the President and CEO ensures the Board is updated regularly on events of importance to the Group. This includes business development, results, financial position and the liquidity of the Group.

According to the Articles of Association, the Board of Directors shall consist of no less than 5 and no more than 12 directors, with no more than 6 deputies. In addition, under Swedish law, trade unions have the right to appoint three directors and their deputies to the Board.

Directors will serve from the close of one AGM to the close of the next, but can serve any number of consecutive terms.

While the President and CEO may be elected as a director of the Board, the Swedish Companies Act prohibits the President of a public company from being elected Chairman of the Board.

Rules and regulations

Ericsson strictly follows rules and regulations regarding conflicts of interest. Directors are disqualified from participating in any decision regarding agreements between themselves and Ericsson. The same applies for agreements between Ericsson and any third party or legal entity in which the Board member has an interest.

In order to ensure compliance with NASDAQ Stock Market Rules, the Audit Committee has implemented a procedure on related-party transactions. Furthermore, the Audit Committee has established a pre-approval process for non-audit services carried out by the external auditor.

Composition of the Board of Directors

The Board of Directors consists of 12 Directors, including the Chairman of the Board, elected by the shareholders at the AGM 2010, for the period until the close of the AGM 2011. It also includes three employee representatives, each with a deputy, appointed by the trade unions for the same period of time. The President and CEO, Hans Vestberg, is the only Board member who was also a member of Ericsson's management during 2010.

Work procedure

Pursuant to the Swedish Companies Act, the Board of Directors has adopted a work procedure that outlines rules for the distribution of tasks between the Board and its Committees as well as between the Board, its Committees and the President and CEO. This complements the regulation in the Swedish Companies Act and the Articles of Association of the Company. The work procedure is reviewed, evaluated and adopted by the Board at least once a year as required.

Independence

The Board of Directors and its Committees are subject to a variety of independence requirements. Ericsson applies independence rules in applicable Swedish law, the Swedish Corporate Governance Code, the NASDAQ Stock Market Rules and in the Sarbanes-Oxley Act of 2002. However, Ericsson has sought and received exemptions from certain requirements in the Sarbanes-Oxley Act and in the NASDAQ Stock Market Rules that are contrary to Swedish law.

The composition of the Board of Directors meets all applicable independence criteria.

The Nomination Committee concluded before the AGM 2010 that, for the purposes of the Code, at least six of the persons nominated to the Board were independent of Ericsson, its senior management and its major shareholders. These were Roxanne S. Austin, Sir Peter L. Bonfield, Ulf J. Johansson, Nancy McKinstry, Michael Treschow and Michelangelo Volpi.

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Structure of the work of the Board of Directors

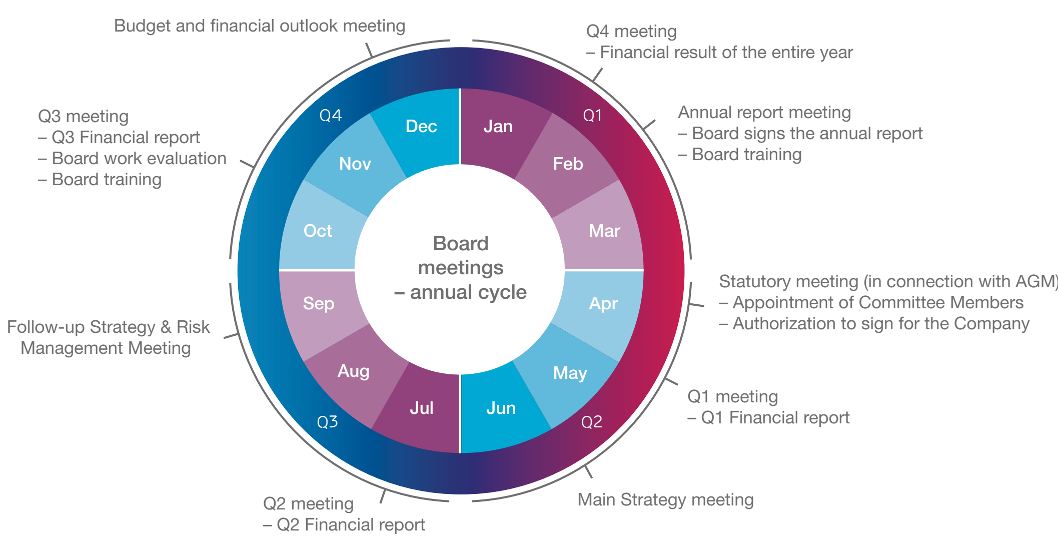
The work of the Board follows a yearly cycle in order to address each of the duties of the Board appropriately and to be able to keep strategy, risk assessment and value creation high on the agenda.

- **Statutory Meeting**
  The yearly cycle starts with the statutory Board meeting which is held in connection with the AGM. At this meeting, members of each of the three Committees are appointed and the Board resolves on matters such as signatory power.
- **First Interim Report Meeting**
  At the next ordinary meeting, the Board handles the first interim report for the year.
- **Main Strategy Meeting**
  Various strategic issues are addressed in most of the Board meetings. However, in accordance with the annual cycle for the strategy process, this Board meeting is in essence dedicated to short and long-term strategies of the Group. Following the Board's input and approval of the overall strategy, the strategy is cascaded throughout the entire organization, starting at the Global Leadership Summit with the top 250 managers in Ericsson.
- **Second Interim Report Meeting**
  In July, the Board convenes to handle the interim report for the second quarter of the year.
- **Follow-up on Strategy & Risk Management Meeting**
  Following the summer, this meeting addresses particular strategy matters in further detail and finally confirms the Group strategy. The meeting also addresses the overall risk management of the Group.
- **Third Interim Report Meeting and Board Evaluation**
  A Board meeting is held at the end of October to handle the third-quarter interim report.
  The results of the Board evaluation are presented and discussed by the Board during this meeting.
- **Budget and Financial Outlook Meeting**
  The last meeting of the calendar year addresses budget and financial outlook and a further analysis of internal and external risks.
- **Full-Year Financial Results Meeting**
  At the first meeting of the calendar year the Board focuses on the financial result of the entire year and handles the fourth-quarter report.
- **Annual Report Meeting**
  At the second Board meeting in February, which closes the yearly cycle of work, the Board concludes the Annual Report.

As the Board is responsible for financial oversight, financials are presented and evaluated at each Board meeting. Each Board meeting generally also includes reports on committee work by the Chairman of each committee. In addition, minutes from the committee meetings are distributed to all Directors prior to the Board meeting.

At each Board meeting the President and CEO reports on business and market developments as well as the financial performance of the Company. The Board is regularly informed of developments in legal and regulatory matters of importance.

THE BOARD'S ANNUAL WORK CYCLE



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Auditor involvement

The Board meets with Ericsson's external auditor at least once a year to receive and consider the auditor's observations. The auditor prepares reports for the management on the accounting and financial reporting practices of the Group.

The Audit Committee also meets with the auditor to receive and consider observations on the interim reports. The auditor has been instructed to report on whether the accounts, the management of funds and the general financial position of the Group are well controlled in all material respects.

The Board also reviews and assesses the process for financial reporting, as described later in "Internal control over financial reporting 2010". Combined with the internal controls, the Board's and the auditor's review of interim and annual reports are deemed to give reasonable assurance on the quality of the financial reporting.

Training of the Board of Directors

All new Directors receive comprehensive training tailored to their individual requirements. Introductory training typically includes meetings with the heads of the major businesses and functions and training arranged by NASDAQ OMX Stockholm on listing issues and insider rules. In addition, full-day training sessions are held twice a year for all Directors. The sessions enhance their knowledge of specific operations and issues as appropriate to ensure that the Board has knowledge and understanding at the forefront of technical development.
As a rule, the Board receives Sustainability and Corporate Responsibility training at least once a year.
Key focus areas in Board training 2010 were:

› Radio Technology, including R&D strategy and intellectual property rights
› Major trends impacting the competitive landscape.

Work of the Board of Directors in 2010

Ten Board meetings were held in 2010. For attendance at Board meetings see the table on page 143. Among the matters addressed by the Board this year (apart from regular matters in the annual Board work cycle) were :

› A more consolidated and efficient go-to-market model with 10 Regions instead of 23 Market Units
› A redefined management team, the Executive Leadership Team, including two regional heads
› Continued effects of the general financial uncertainty in the market
› The causes and consequences of the general shortage of components that telecom equipment providers, including Ericsson, have experienced during the year
› The rollout of the multi-standard radio base station RBS 6000 – Ericsson's first multi-standard base station.
› A number of acquisitions and divestments, including the acquisition of Nortel's stake in the joint venture LG-Nortel.

Board work evaluation

A key objective of the Board evaluation is to ensure that the Board is functioning well. This includes gaining an understanding of the issues which the Board thinks warrant greater scope and determining areas within the Board where additional competence is needed. The evaluation also serves as guidance for the work of the Nomination Committee.

Each year, the Chairman of the Board initiates and leads the evaluation of Board and Committee work and procedures. The evaluation tools include detailed questionnaires, interviews and discussions.

In 2010, the Chairman held individual meetings with all the Directors, following their response to two separate written questionnaires, one covering the Board work in general and the other the Chairman's performance. The Chairman was not involved in the development, compilation or evaluation of the questionnaire which related to his performance, nor was he present when his performance was evaluated. The evaluations were thoroughly discussed and an action plan was developed in order to further improve the work of the Board.

COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors has established three Committees: the Audit Committee, the Finance Committee and the Remuneration Committee. Members of each Committee are appointed for one year amongst the Board members in accordance with the principles set forth in the Swedish Companies Act and the Code.

The work of the Committees is mainly to prepare matters for final resolution by the Board. However, the Board has authorized each Committee to determine certain issues in limited areas. It may also on occasion provide extended authorization to determine specific matters.

If deemed appropriate, the Board of Directors and each Committee have the right to engage external expertise, either in general or in respect to specific matters.

Prior to every Board meeting, each Committee submits, in addition to minutes, a written summary to the Board on the issues handled or resolved since the previous ordinary Board meeting. In addition to the minutes and the written summary, the Chairman of the Committee also reports on the Committee work at each Board meeting.

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Audit Committee

On behalf of the Board, the Audit Committee monitors the following:

- The scope and correctness of the financial statements
- Compliance with legal and regulatory requirements
- Internal control over financial reporting
- Risk management.

The Audit Committee also reviews the annual and interim financial reports and oversees the external audit process, including audit fees. This involves:

- Reviewing, with management and the external auditor, the financial statements. This includes conformity with generally accepted accounting principles
- Reviewing, with management, the reasonableness of significant estimates and judgments made in preparing the financial statements, as well as the quality of the disclosures in the financial statements
- Reviewing matters arising from reviews and audits performed.

The Audit Committee itself does not perform audit work. Ericsson has an internal audit function which reports to the Audit Committee and performs independent audits.

When applicable, the Committee is also involved in the preparatory work of proposing candidates for the election of the auditor. It also monitors Group transactions and the ongoing performance and independence of the auditor. This avoids conflicts of interest.

In order to ensure the auditor's independence, the Audit Committee has established pre-approval policies and procedures for non-audit related services to be performed by the external auditor. Pre-approval authority may not be delegated to management.

Also in place are the following:

- A process for reviewing transactions with related parties
- A whistleblower procedure for the reporting of violations relating to accounting, internal control and auditing matters.

ORGANIZATION OF THE BOARD WORK

Board of Directors
15 Directors

Audit Committee (4 Directors)	Finance Committee (4 Directors)	Remuneration Committee (4 Directors)
> Oversight over financial reporting	> Financing	> Remuneration policy
> Oversight over internal control	> Investing	> Long-Term Variable Remuneration
> Oversight over auditing	> Customer credits	> Executive compensation

Alleged violations are investigated by Ericsson's internal audit function in conjunction with the relevant Group Function. Information regarding any incidents are reported to the Audit Committee. The report includes measures taken, details of the responsible Group Function and the status of any investigation.

MEMBERS OF THE AUDIT COMMITTEE

The Audit Committee consists of four Board members appointed by the Board. In 2010, the Audit Committee comprised Ulf J. Johansson (Chairman of the Committee), Roxanne S. Austin, Sir Peter L. Bonfield and Jan Hedlund.

All members are independent from the Company and senior management, except Jan Hedlund, who is appointed Board member by the unions pursuant to Swedish mandatory law. Each member is financially literate and familiar with the accounting practices of an international company such as Ericsson. At least one member must be an audit committee financial expert, in accordance with the Sarbanes-Oxley Act, Section 407. The Board of Directors has determined that Ulf J. Johansson, Roxanne S. Austin and Sir Peter L. Bonfield all satisfy this requirement.

Former authorized public accountant, Peter Markborn, is appointed external expert advisor to assist and advise the Audit Committee.

WORK OF THE AUDIT COMMITTEE

The Audit Committee held eight meetings in 2010. Directors' attendance is reflected in the table on page 143. During the year, the Audit Committee reviewed the scope and results of external financial audits and the independence of the external auditor. It also monitored the external audit fees and approved non-audit services performed by the external auditor.

Certain additional non-audit services performed by the external auditor were approved by the Audit Committee Chairman under the Committee's pre-approval policies and procedures. The Committee approved the annual audit plan for the internal audit function and reviewed its reports. Prior to publishing, the Committee also reviewed and discussed each interim report with the external auditor.

The Committee monitored the continued compliance with the Sarbanes-Oxley Act and the internal control and risk management process. It has also reviewed certain related-party transactions in accordance with its established process.

Finance Committee

The Finance Committee is primarily responsible for:

- Handling matters related to acquisitions and divestments
- Handling capital contributions to companies inside and outside the Ericsson Group
- Raising of loans, issuances of guarantees and similar undertakings, and the approval of financial support to customers and suppliers
- Continuously monitoring the Group's financial risk exposure.

The Finance Committee is authorized to determine matters such as:

- Direct or indirect financing
- Provision of credits
- Granting of securities and guarantees
- Certain investments, divestments and financial commitments.

MEMBERS OF THE FINANCE COMMITTEE

The Finance Committee consists of four Board members as appointed by the Board. In 2010, the Finance Committee comprised: Marcus Wallenberg (Chairman of the Committee), Anna Guldstrand, Anders Nyrén and Michael Treschow.

WORK OF THE FINANCE COMMITTEE IN 2010

The Finance Committee held nine meetings in 2010. Directors' attendance is reflected in the table on page 143. During the year the Finance Committee has approved numerous customer finance and credit facility arrangements with a continued focus on capital structure, cash flow and cash generating ability. It has also continuously monitored Ericsson's financial position and credit exposure.

Remuneration Committee

The Remuneration Committee's main responsibility is to prepare for resolution by the Board of Directors matters regarding salary and other remuneration. This includes pension benefits of the President and CEO, the Executive Vice Presidents and other officers who report directly to the President and CEO. Other responsibilities include:

- Developing, monitoring and evaluating strategies and general guidelines for employee remuneration, including short-term variable remuneration and pension benefits
- Reviewing the results of short-term variable remuneration plans before pay out
- Preparation of the long-term variable remuneration program for referral to the Board and resolution by the General Meeting
- Preparation of targets for short-term variable remuneration for the following year, for resolution by the Board.

To achieve this, the Committee holds annual remuneration reviews with Company representatives. These reviews determine the strategic direction, and align program designs and pay policies with the business objectives.

MEMBERS OF THE COMMITTEES

Members of the Committees of the Board of Directors 2010

Audit Committee	Finance Committee	Remuneration Committee
Ulf J Johansson (Chairman)	Marcus Wallenberg (Chairman)	Michael Treschow (Chairman)
Roxanne S. Austin	Anna Guldstrand	Börje Ekholm
Sir Peter L. Bonfield	Anders Nyrén	Nancy McKinstry
Jan Hedlund	Michael Treschow	Karin Åberg

Consideration is given to trends in remuneration, legislative changes, disclosure rules and the general global environment surrounding executive pay. The Committee reviews salary survey data before approving any salary adjustment for CEO direct reports. In addition the Committee prepares salary adjustments for the President and CEO for resolution by the Board.

MEMBERS OF THE REMUNERATION COMMITTEE

The Remuneration Committee consists of four Board members as appointed by the Board. In 2010, the Remuneration Committee comprised: Michael Treschow (Chairman of the Committee), Börje Ekholm, Nancy McKinstry, and Karin Åberg.

Gerrit Aronson is appointed by the Remuneration Committee as an independent expert advisor to assist the Committee, particularly regarding international trends and developments.

WORK OF THE REMUNERATION COMMITTEE IN 2010

The Remuneration Committee held eight meetings in 2010. Directors' attendance is reflected in the table on page 143.

The Committee reviewed and prepared for resolution by the Board a proposal for the Long-Term Variable Remuneration Program 2010. This was approved by the AGM 2010. The Committee further resolved on salaries and short term variable pay for 2010 for CEO direct reports and prepared for resolution by the Board remuneration to the President and CEO, Hans Vestberg. The Committee also prepared a remuneration policy which was subsequently referred by the Board to the AGM for approval.

Towards the end of the year, the Committee concluded its analysis of the current long-term variable remuneration structure and remuneration policy. The resulting proposals will be referred to the AGM 2011 for resolution.

For further information on remuneration, fixed and variable pay, please see Note C29 "Information Regarding Members of the Board of Directors, the Group management and Employees" in the Annual Report and the "Remuneration Report" included the Annual Report.

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REMUNERATION TO BOARD MEMBERS

Remuneration to Board members not employed by the Company is proposed by the Nomination Committee for resolution by the Annual General Meeting.

The Annual General Meeting 2010 approved the Nomination Committee's proposal for fees to the non-employed Board members for Board and Committee work. For information on Board of Directors' fees 2010, please refer to Notes to the Consolidated Financial Statements – Note C29 "Information Regarding Members of the Board of Directors, the Group Management and Employees" in the Annual Report. The Annual General Meeting 2010 also approved the Nomination Committee's proposal that Board members may be paid part of their Board fee in the form of synthetic shares.

A synthetic share gives the right to receive a future cash payment of an amount which corresponds to the market value of a class B share in Ericsson at the time of payment. The purpose of paying part of the Board of Director's fee in the form of synthetic shares is to further align the Directors' interest with shareholder interest. For more information on the terms and conditions of the synthetic shares, please refer to the notice convening the Annual General Meeting 2010 at www.ericsson.com/thecompany/investors/general-meetings. (Information on the Ericsson website does not form part of this document.)

DIRECTORS' ATTENDANCE AND FEES 2010

	Fees resolved by the AGM 2010		Number of Board/Committee meetings attended			
Board member	Board fees [1]	Committee fees	Board	Audit Committee	Finance Committee	Remuneration Committee
Michael Treschow	3,750,000	250,000	10		9	8
Sverker Martin-Löf	750,000		10			
Marcus Wallenberg	750,000	125,000	9		9	
Roxanne S. Austin	750,000	250,000	7	6		
Sir Peter L. Bonfield	750,000	250,000	10	8		
Börje Ekholm	750,000	125,000	9			7
Ulf J. Johansson	750,000	350,000	10	8		
Nancy McKinstry	750,000	125,000	10			7
Anders Nyrén	750,000	125,000	10		9	
Carl-Henric Svanberg	750,000		8			
Hans Vestberg	–		8			
Michelangelo Volpi [2]	750,000		6			
Anna Guldstrand	*15,000* [5]		10		9	
Jan Hedlund	*15,000* [5]		10	8		
Karin Åberg	*15,000* [5]		10			8
Monica Bergström [3]	*4,500* [5]		3			
Pehr Claesson	*15,000* [5]		10			
Kristina Davidsson	*15,000* [5]		10			
Karin Lennartsson [4]	*10,500* [5]		7			
Total number of meetings			**10**	**8**	**9**	**8**

[1] Non-employed Directors can choose to receive part of their Board fee (exclusive of Committee fees) in the form of synthetic shares.
[2] Elected as Board member as of April 13, 2010.
[3] Resigned as Deputy employee representative as of April 13, 2010.
[4] Deputy employee representative as of April 13, 2010.
[5] Employee representative Board members and their deputies are not entitled to a Board fee but a compensation in the amount of SEK 1,500 per attended Board meeting.

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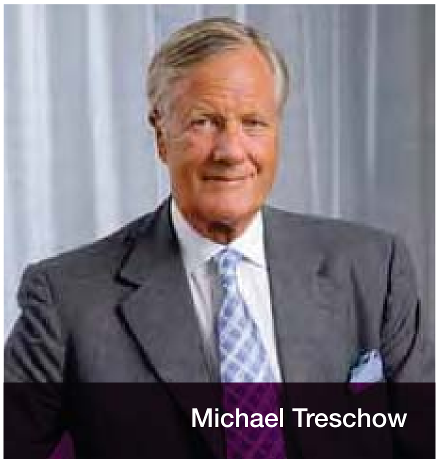
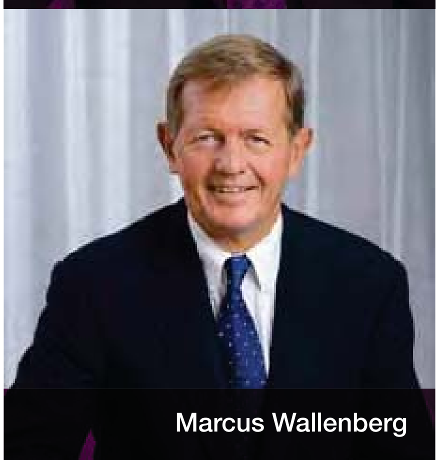

Michael Treschow


Marcus Wallenberg


Sverker Martin-Löf


Roxanne S. Austin

MEMBERS OF THE BOARD OF DIRECTORS

Board members elected by the Annual General Meeting 2010

Michael Treschow (first elected 2002). *Chairman of the Board of Directors. Chairman of the Remuneration Committee. Member of the Finance Committee.*
Born 1943. Master of Science, Lund Institute of Technology, Sweden.
Board Chairman: Unilever NV, and Unilever PLC.
Board Member: ABB Ltd and the Knut and Alice Wallenberg Foundation.
Holdings in Ericsson [1]**:** 164,008 Class B shares.
Principal work experience and other information: Board Chairman of the Confederation of Swedish Enterprise 2004–2007. President and CEO of AB Electrolux 1997–2002 and Chairman of its Board of Directors 2004–2007. Earlier experience includes positions in Atlas Copco, where he served as President and CEO 1991–1997. Member of the Royal Academy of Engineering Sciences.

Marcus Wallenberg (first elected 1996). *Deputy Chairman of the Board of Directors. Chairman of the Finance Committee.*
Born 1956. Bachelor of Science of Foreign Service, Georgetown University, USA.
Board Chairman: Skandinaviska Enskilda Banken, Saab AB and AB Electrolux.
Board Member: AstraZeneca PLC, Stora Enso Oy, the Knut and Alice Wallenberg Foundation and Temasek Holdings Limited.
Holdings in Ericsson [1]**:** 1,200 Class A shares and 140,800 Class B shares.
Principal work experience and other information: Positions in Investor AB, where he served as President and CEO 1999–2005. Prior to this he was Executive Vice President at Investor. Previous employers include Stora Feldmühle AG, Citicorp, Citibank and Deutsche Bank.

Sverker Martin-Löf (first elected 1993). *Deputy Chairman of the Board of Directors.*
Born 1943. Doctor of Technology and Master of Engineering, Royal Institute of Technology, Stockholm.
Board Chairman: Skanska AB, Svenska Cellulosa Aktiebolaget SCA, SSAB and AB Industrivärden.
Board Member: Svenska Handelsbanken.
Holdings in Ericsson [1]**:** 10,400 Class B shares.
Principal work experience and other information: President and CEO of Svenska Cellulosa Aktiebolaget SCA 1990–2002, where he was employed 1977–1983 and 1986–2002. Previous positions at Sunds Defibrator and Mo och Domsjö AB.

Roxanne S. Austin (first elected 2008). *Member of the Audit Committee.*
Born 1961. B.B.A. in Accounting, University of Texas, San Antonio, USA.
Board Member: Abbott Laboratories, Teledyne Technologies Inc. and Target Corporation.
Holdings in Ericsson [1]**:** 3,000 Class B shares.
Principal work experience and other information: President of Austin Investment Advisors since 2004. President and CEO of Move Networks Inc. 2009–2010. President and CEO of DIRECTV 2001–2003. Corporate Senior Vice President and Chief Financial Officer of Hughes Electronics Corporation 1997–2000, which she joined in 1993. Previously a partner at Deloitte & Touche. Member of the board of trustees of the California Science Center. Member of the California State Society of certified Public Accountants and the American Institute of Certified Public Accountants.

Sir Peter L. Bonfield (first elected 2002). *Member of the Audit Committee.*
Born 1944. Honors degree in Engineering, Loughborough University, Leicestershire, UK.
Board Chairman: NXP Semiconductors.
Deputy Chairman: British Quality Foundation.
Board Member: Mentor Graphics Inc., Sony Corporation, TSMC and Actis Capital LLP.
Holdings in Ericsson [1)]: 4,400 Class B shares.
Principal work experience and other information: CEO and Chairman of the Executive Committee of British Telecommunications plc. 1996–2002. Chairman and CEO of ICL plc 1990–1996. Positions with STC plc and Texas Instruments Inc. Member of the Advisory Boards of New Venture Partners LLP, the Longreach Group and Apax Partners LLP. Board Mentor of CMi. Senior Advisor, Rothschild, London. Fellow of the Royal Academy of Engineering.

Börje Ekholm (first elected 2006) *Member of the Remuneration Committee.*
Born 1963. Master of Science in Electrical Engineering, Royal Institute of Technology, Stockholm. Master of Business Administration, INSEAD, France.
Board Chairman: Royal Institute of Technology, Stockholm.
Board Member: Investor AB, AB Chalmersinvest, EQT Partners AB, Husqvarna AB, Lindorff Group AB, the Royal Institute of Technology, Stockholm and Scania.
Holdings in Ericsson [1)]: 30,760 Class B shares.
Principal work experience and other information: President and CEO of Investor AB since 2005. Formerly Head of Investor Growth Capital Inc. and New Investments. Previous positions at Novare Kapital AB and McKinsey & Co Inc.

Ulf J. Johansson (first elected 2005) *Chairman of the Audit Committee.*
Born 1945. Doctor of Technology and Master of Science in Electrical Engineering, Royal Institute of Technology, Stockholm.
Board Chairman: Acando AB, Eurostep Group AB, Novo A/S, Novo Nordisk Foundation, and Trimble Navigation Ltd.
Board Member: Jump Tap Inc.
Holdings in Ericsson [1)]: 6,435 Class B shares.
Principal work experience and other information: Founder of Europolitan Vodafone AB, where he was the Chairman of the Board 1990–2005. Previous positions at Spectra-Physics AB as President and CEO and at Ericsson Radio Systems AB. Member of the Royal Academy of Engineering Sciences.

Nancy McKinstry (first elected 2004) *Member of the Remuneration Committee.*
Born 1959. Master of Business Administration in Finance and Marketing, Columbia University, USA. Bachelor of Arts in Economics, University of Rhode Island, USA.
Board Chairman: CEO and Chairman of the Executive Board of Wolters Kluwer n.v.
Board Member: TiasNimbas Business School.
Holdings in Ericsson [1)]: 4,000 Class B shares.
Principal work experience and other information: CEO and Chairman of the Executive Board of Wolters Kluwer n.v. President and CEO of CCH Legal Information Services 1996–1999. Previous positions at Booz, Allen & Hamilton, and New England Telephone Company. Member of the Advisory Board of the University of Rhode Island, the Advisory Council of the Amsterdam Institute of Finance, the Dutch Advisory Council of INSEAD, the Board of Overseers of Columbia Business School and the Advisory Board of the Harrington School of Communication and Media.


Sir Peter L. Bonfield


Börje Ekholm


Ulf J. Johansson


Nancy McKinstry

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Anders Nyrén

Anders Nyrén (first elected 2006) *Member of the Finance Committee.*
Born 1954. Graduate of Stockholm School of Economics, Master of Business Administration from Anderson School of Management, UCLA, USA.
Board Chairman: Sandvik AB. Vice Chairman Svenska Handelsbanken.
Board Member: Svenska Cellulosa Aktiebolaget SCA, AB Industrivärden, SSAB, AB Volvo, Ernströmgruppen and Stockholm School of Economics.
Holdings in Ericsson [1]: 6,686 Class B shares.
Principal work experience and other information: President and CEO of Industrivärden since 2001. CFO and EVP of Skanska AB 1997–2001. Director Capital Markets of Nordbanken 1996–1997. CFO and EVP of Securum AB 1992–1996. Managing Director of OM International AB 1987–1992. Earlier positions at STC Scandinavian Trading Co AB and AB Wilhelm Becker.

Carl-Henric Svanberg

Carl-Henric Svanberg (first elected 2003)
Born 1952. Master of Science, Linköping Institute of Technology. Bachelor of Science in Business Administration, University of Uppsala.
Board Chairman: BP p.l.c.
Board Member: Melker Schörling AB and University of Uppsala.
Holdings in Ericsson [1]: 3,234,441 Class B shares.
Principal work experience and other information: President and CEO of Telefonaktiebolaget LM Ericsson 2003-2009. President and CEO of Assa Abloy AB 1994–2003. Various positions within Securitas AB 1986–1994 and Asea Brown Boveri (ABB) 1977–1985. Member of the Steering Committee of the Global Alliance for Information and Communication Technologies and Development (GAID), the External Advisory Board of the Earth Institute at Columbia University and the Advisory Board of Harvard Kennedy School. Holds Honorary Doctorates at Luleå University of Technology and Linköping University and is the recipient of the King of Sweden's medal for his contribution to Swedish industry.

Hans Vestberg

Hans Vestberg (first elected 2010)
Born 1965. Bachelor of Business Administration and Economics, University of Uppsala.
Board Chairman: ST-Ericsson and Svenska Handbollförbundet.
Board Member: Sony Ericsson Mobile Communications AB and Thernlunds AB.
Holdings in Ericsson [1]: 54,368 Class B shares.
Principal work experience and other information: President and CEO as of January 1, 2010. First Executive Vice President until December 31, 2009. Chief Financial Officer and Head of Group Function Finance until October 31, 2009. Previously Executive Vice President and Head of Business Unit Global Services. Has held various positions in the Company since 1988, including Vice President and Head of Market Unit Mexico and Head of Finance and Control in USA, Brazil and Chile.

Michelangelo Volpi

Michelangelo Volpi (first elected 2010)
Born 1966. Bachelor of Science in Mechanical Engineering and Masters in Manufacturing Systems Engineering from Stanford University, USA. MBA from the Stanford Graduate School of Business, USA.
Board Member: None.
Holdings in Ericsson [1]: None.
Principal work experience and other information: Partner at Index Ventures since July 2009. Previously CEO of Joost Inc.. Employed by Cisco from 1994-2007 in positions including Senior Vice President & General Manager of the Routing and Service Provider Technology Group and Chief Strategy Officer. Has also worked for Hewlett Packard in the optoelectronics division.

MEMBERS OF THE BOARD OF DIRECTORS

Board members and deputies appointed by the unions

Jan Hedlund (first appointed 1994)
Employee representative, *Member of the Audit Committee*
Born 1946. Appointed by the IF Metall union.
Holdings in Ericsson [1]: 964 Class B shares.
Employed since 1982. Previously working with model production mechanics within Business Unit Networks and currently working full time as union representative.

Anna Guldstrand (first appointed 2004)
Employee representative, Member of the Finance Committee
Born 1964. Appointed by the union The Swedish Association of Graduate Engineers.
Holdings in Ericsson [1]: 1,667 Class B shares.
Employed since 1996. Working as knowledge manager within Business Unit Global Services.

Karin Åberg (first appointed 2007)
Employee representative, *Member of the Remuneration Committee*
Born 1959. Appointed by the union Unionen.
Holdings in Ericsson [1]: 1,900 Class B shares.
Employed since 1995. Working as Service Engineer within Business Unit Global Services.

Kristina Davidsson (first appointed 2006)
Deputy employee representative
Born 1955. Appointed by the IF Metall union.
Holdings in Ericsson [1]: 1,146 Class B shares.
Employed since 1995. Previously working as repairman within Business Unit Networks and currently working full time as union representative.

Pehr Claesson (first appointed 2008)
Deputy employee representative
Born 1966. Appointed by the union The Swedish Association of Graduate Engineers.
Holdings in Ericsson [1]: 619 Class B shares
Employed since 1997. Working with marketing and communication for Consulting and Systems Integration within Business Unit Global Services.

Karin Lennartsson (first appointed 2010)
Deputy employee representative
Born 1957. Appointed by the Unionen union.
Holdings in Ericsson [1]: 328 Class B shares.
Employed since 1976. Working as Process Expert within Group Function Finance – Process and Quality.

Hans Vestberg was the only Director who held an operational management position at Ericsson in 2010. No Director has been elected pursuant to an arrangement or understanding with any major shareholder, customer, supplier or other person.

[1] The number of Class B shares (and Class A shares, if applicable) includes holdings by related natural or legal persons and American Depositary Receipts, where applicable.


Jan Hedlund


Anna Guldstrand


Karin Åberg


Kristina Davidsson


Pehr Claesson


Karin Lennartsson

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COMPANY MANAGEMENT

The President/CEO and Group management

The Board of Directors appoints the President and CEO and the Executive Vice Presidents. The President and CEO is responsible for the management of day-to-day operations and is supported by the Group management, called the Executive Leadership Team (ELT). In addition to the President and CEO, the ELT consists of heads of Group functions, heads of business units, two regional heads and the Chief Brand Officer. The role of the ELT is to:

- Establish a long-term vision, a strong corporate culture and group strategies and policies, all based on objectives stated by the Board
- Determine targets for operational units, allocate resources and monitor unit performance
- Secure operational excellence and realize global synergies through efficient organization of the Group.

Remuneration of the Executive Leadership Team

A Remuneration policy including guidelines on remuneration and other employment terms for the ELT were approved by the AGM 2010. For further information on fixed and variable remuneration, see the Remuneration Report and Notes to the Consolidated Financial Statements – Note C29, "Information Regarding Members of the Board of Directors, the Group management and Employees" in the Annual Report.

The Ericsson Group Management System

The CEO and heads of Group functions have implemented a management system to ensure that the business is managed:

- So that the objectives of Ericsson's major stakeholders (customers, shareholders, employees) are fulfilled
- Within established risk limits and with reliable internal control
- So the Company is compliant with applicable laws, listing requirements and governance codes and fulfills its corporate social responsibilities.

Ericsson is ISO 9001 (quality) and ISO 14001 (environment) globally certified and ISO 27001 (information security) certified in selected units. Certification to OHSAS 18001 (health & safety) is ongoing. The management system is an important foundation and is continuously evaluated and improved in line with ISO requirements.

The Ericsson Group Management System comprises three elements:

- Management and control: corporate culture, objective setting, strategy formulation and steering documents such as Group policies and directives
- Operational processes and IT tools: to support operational excellence and leverage Ericsson's scale advantages
- Organization and resources.

Risk management is an integrated part of the Ericsson Group Management System.

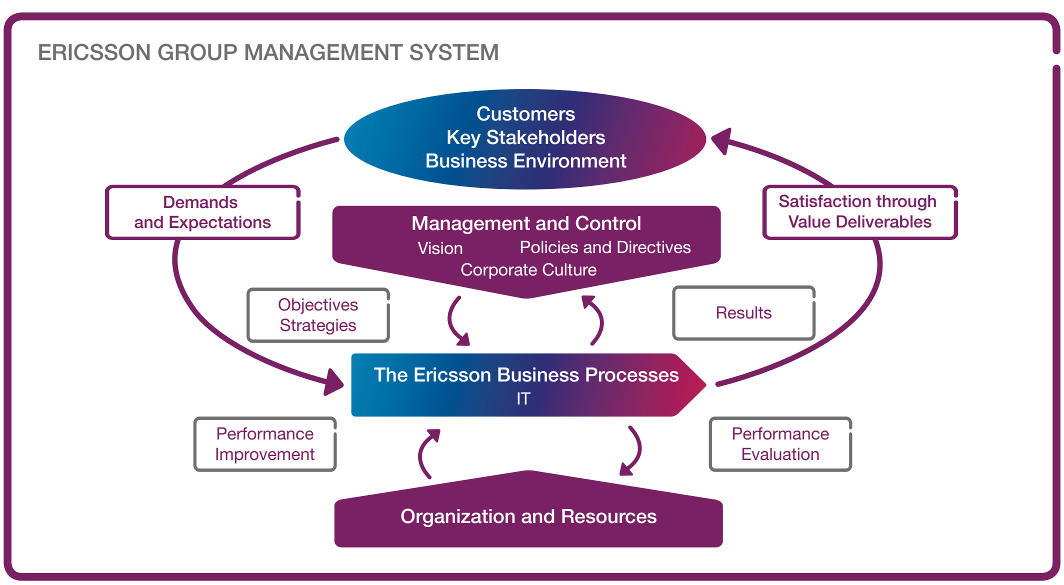
MANAGEMENT AND CONTROL

Strategy, targets and monitoring

Ericsson uses balanced scorecards as tools for translating strategic objectives into a set of performance indicators for its operational units. These focus primarily on:

- Market and customer performance
- Competitive position
- Internal efficiency
- Financial performance
- Employee satisfaction and empowerment.

Based on the annual strategy work, these scorecards are updated with targets for each unit for the next year and communicated throughout the organization. The balanced scorecard is also used as a management tool to align operating unit and individual goals to Company goals, follow up progress and monitor identified risks.



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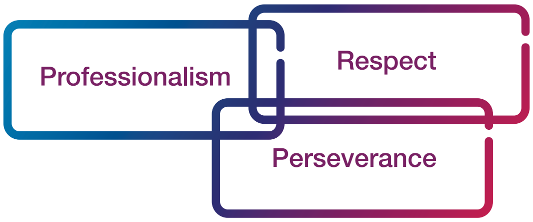
ERICSSON'S CORE VALUES



Corporate culture

Corporate culture has long been acknowledged as an important factor for driving behavior, not only for compliance but also in communication, decision making, efficiency and reaching objectives. Respect, professionalism and perseverance are the values that underpin Ericsson's culture, guiding daily work, relationships and business. Consequently, executive management makes the communication and development of Ericsson's culture a key task in the management of the Group.

Group policies and directives

Group-wide policies and directives govern how the organization works. These include a Code of Business Ethics, policies on roles and responsibilities, segregation of duties, capital expenditures, management of intellectual property rights, financial reporting, environmental matters, and risk management.

Operational processes and IT tools

As a market leader, Ericsson tries to utilize the competitive advantages that are gained through scale and has implemented common processes and IT tools across all its operational units. Through management and continuous improvement of these processes and IT tools, Ericsson reduces costs with standardized internal controls and performance indicators.

Organization and resources

Ericsson is operated in two dimensions:

- Legal entities: more than 200 companies in more than 100 countries
- Operational units: Four business units and ten regions.

In addition, Group functions coordinate Ericsson's strategies, operations and resource allocation and define the necessary directives, processes and organization for the effective governance of the Group.

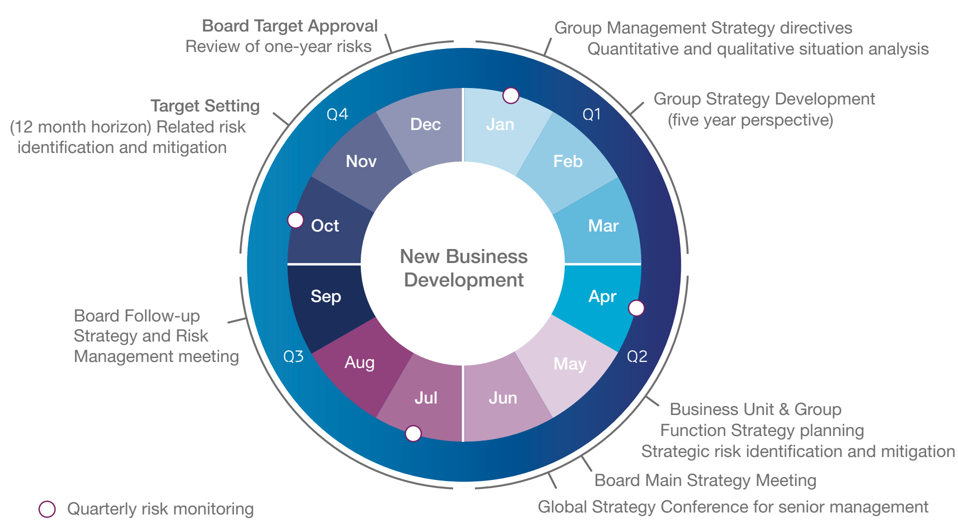
Risk management

Ericsson's risk management is integrated with the business and its operational processes and is a part of the Ericsson Group Management System to ensure accountability, effectiveness, efficiency, business continuity and compliance with corporate governance, legal and other requirements. The Board of Directors is also actively engaged in the Company's risk management. Risks related to set long-term objectives are discussed and strategies are formally approved by the Board as part of the annual strategy process. Risks related to annual targets for the Company are also reviewed by the Board and then monitored continuously during the year. Certain transactional risks require specific Board approval, e.g. acquisitions, management remuneration, borrowing or customer finance in excess of pre-defined limits.

STRATEGIC AND TACTICAL RISKS

Strategic risks constitute the highest risk to the Company if not managed properly as they could have a long-term impact. Ericsson therefore reviews its long-term objectives, main strategies and business scope on an annual basis and continuously works on the tactics to reach these objectives and mitigate any risks identified.

STRATEGIC, TARGET SETTING AND RISK MANAGEMENT CYCLE



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In the annual strategy and target setting process, objectives are set for the next five years, risks and opportunities are assessed and strategies are developed to achieve the objectives. The strategy process in the Company is well established and involves regions, business units and Group functions. The strategy is finally summarized and discussed in a yearly senior management meeting with approximately 250 managers from all parts of the business. By involving all parts of the business in the process, potential risks are identified early and mitigating actions can be incorporated in the strategy and in the annual target process following the finalization of the strategy.

Technology development, industry and market fundamentals as well as the development of the economy are key components in the evaluation of risks related to Ericsson's long-term objectives.

The outcome from the strategy process forms the basis for the annual target process which involves regions, business units and Group functions. Risks and opportunities linked to the targets are identified as part of this process together with actions to mitigate the identified risks. Follow-up of targets, risks and mitigating actions are reported and discussed continuously in business unit and region steering groups as well as being reviewed by the Board of Directors.

The Company has been using the Balanced Scorecard concept to structure its targets, risks and opportunities for many years. For 2010 risks and opportunities were identified and analyzed in the five balanced scorecard perspectives. For more information on risks related to Ericsson's business, see Risk Factors.

OPERATIONAL AND FINANCIAL RISKS

Operational risks are owned and managed by operational units. Risk management is embedded in various process controls, such as decision tollgates and approvals. Certain cross-process risks, such as information security/IT, corporate responsibility & business continuity and insurable risks are centrally coordinated. Financial risk management is governed by a Group policy and carried out by the Treasury and Customer Finance functions, both supervised by the Finance Committee. The policy governs risk exposures related to foreign exchange, liquidity/financing, interest rates, credit risk and market price risk in equity instruments. For further information on financial risk management, see Notes to the Consolidated Financial Statements – Note C14, "Trade Receivables and Customer Finance", Note C19, "Interest-Bearing Liabilities" and Note C20, "Financial Risk Management and Financial Instruments".

COMPLIANCE RISKS

Ericsson has implemented Group policies and directives to ensure compliance with applicable laws and regulations, including a Code of Business Ethics and a Code of Conduct. Risk management is integrated in the Company's business processes. Policies and controls are implemented to ensure compliance with financial reporting standards and stock market regulations, e.g. the US Sarbanes-Oxley Act.

MONITORING AND AUDITS

Company management monitors the compliance with policies, directives and processes through internal self-assessment within all units. This is complemented by internal and external audits. External financial audits are performed by PwC, and ISO/management system audits by Det Norske Veritas, DNV. Internal audits are performed by the company's internal audit function which reports to the Audit Committee. Audits of suppliers are also conducted in order to secure compliance with agreed key performance indicators and Ericsson's Code of Conduct which is mandatory for suppliers to the Ericsson Group.

PROCESS TO IDENTIFY AND MANAGE OPERATIONAL RISKS FOR REGIONS AND BUSINESS UNITS

Leadership Team meeting and workshop

Preparations

Compile input:
- Business plan/Growth plan SWOT and risks
- Previously identified risks
- Scorecard and target descriptions
- Preparatory meeting/ workshop
- BCM for local operation

Establish gross list

Consider each scorecard perspective
Consider risk areas to make additions to list:
- External environment (e.g. political risk)
- Customers
- Competitors
- Suppliers/subcontractors
- Internal operations
- Competence
- Contractual conditions
- Product roadmaps

Prioritize risks

- Group similar risks together
- Rank
- Prioritize

Assign responsibility

Assign responsibility for managing each top risk to a Leadership Team member

Manage risks

Develop mitigation actions (Leadership Team member)
Secure risk reviews in connection with performance reviews

MEMBERS OF THE EXECUTIVE LEADERSHIP TEAM

A Angel Ruiz
B Carl Olof Blomqvist
C Douglas L. Gilstrap
D Bina Chaurasia
E Magnus Mandersson
F Hans Vestberg
G Jan Wäreby
H Mats H. Olsson
I Jan Frykhammar
J Rima Qureshi
K Cesare Avenia
L Henry Sténson
M Johan Wibergh
N Håkan Eriksson

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A
Angel Ruiz

Head of Region North America (since 2010).
Born 1956.
Bachelor's degree in Electrical Engineering from University of Central Florida and a Master's degree in Management Science and Information Systems from Johns Hopkins University, USA.
Holdings in Ericsson [1]**:** 21,688 Class B shares.
Background: Previously Head of Market Unit North America. He joined Ericsson in 1990 and has held a variety of sales and managerial positions within the company, including heading up the global account teams for Cingular/SBC/BellSouth (now AT&T). Appointed President of Ericsson North America in 2001.

B
Carl Olof Blomqvist

Senior Vice President, General Counsel and Head of Group Function Legal Affairs (since 1999).
Born 1951.
Master of Law, LLM, University of Uppsala.
Holdings in Ericsson [1]**:** 1,216 Class A shares and 38,914 Class B shares.
Background: Previously partner of Mannheimer Swartling law firm.

C
Douglas L. Gilstrap

Senior Vice President and Head of Group Function Strategy (since 2009).
Born 1963.
Bachelor in accounting from the University of Richmond, Master of Business Administration, Emory University, Atlanta.
Holdings in Ericsson [1]**:** 2,643 Class B shares.
Background: CFO and Co-Founder of Asia Pacific Exploration Consolidated (APEC), Has also held various global managerial positions in different companies within the telecommunications and IT sector for more than 15 years.

D
Bina Chaurasia

Senior Vice President and Head of Group Function Human Resources and Organization
(since November 2010).
Born 1962.
Holds a Master of Science in Management and Human Resources from the Ohio State University and a Masters of Arts in Philosophy from the University of Wisconsin.
Holdings in Ericsson [1]**:** 11,627 Class B shares.
Background: Joined Ericsson from Hewlett Packard, where she was the Vice President of Global Talent Management. Has also held senior HR leadership roles at Gap, Sun Microsystems and PepsiCo/Yum.

E
Magnus Mandersson

Senior Vice President and Head of Business Unit Global Services (since 2010).
Born 1959.
Bachelor of Business Administration, University of Lund.
Holdings in Ericsson [1]**:** 8,605 Class B shares.
Background: Previously Head of Business Unit CDMA, Head of Market Unit Northern Europe and Global Customer Account Deutsche Telekom AG.

F
Hans Vestberg

President and CEO (since January 1, 2010).
Born 1965.
Bachelor of Business Administration, University of Uppsala.
Board member: Sony Ericsson Mobile Communications AB and Thernlunds AB.
Chairman: ST-Ericsson and Svenska Handbollförbundet.
Holdings in Ericsson [1]**:** 54,368 Class B shares.
Background: Chief Financial Officer and Head of Group Function Finance until October 31, 2009. Previously Executive Vice President and Head of Business Unit Global Services. Has held various positions in the Company since 1988, including Vice President and Head of Market Unit Mexico and Head of Finance and Control in USA, Brazil and Chile.

G
Jan Wäreby

Senior Vice President and Head of Business Unit Multimedia (since 2007).
Born 1956.
Master of Science, Chalmers University, Göteborg.
Board member: Sony Ericsson Mobile Communications AB, ST-Ericsson.
Holdings in Ericsson [1]**:** 47,551 Class B shares.
Background: Executive Vice President and Head of Sales and Marketing for Sony Ericsson Mobile Communications from 2002-2006.

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H

Mats H. Olsson

Head of Region China & North East Asia (since 2010).
Born 1954.
Master of Business Administration from the Stockholm School of Economics.
Holdings in Ericsson [1]: 43,088 Class B shares.
Background: Previously Head of Market Unit Greater China and has held various positions in Asia for Ericsson. Appointed President of Ericsson Greater China in 2004, with overall responsibility for Mainland China, Hong Kong, Macao and Taiwan.

I

Jan Frykhammar

Executive Vice President and Chief Financial Officer and Head of Group Function Finance (since 2009).
Born 1965.
Bachelor of Business Administration and Economics, University of Uppsala.
Board member: Sony Ericsson Mobile Communications AB, ST-Ericsson.
Holdings in Ericsson [1]: 3,650 Class B shares.
Background: Previously Senior Vice President and Head of Business Unit Global Services. Has held various positions within Ericsson such as Sales and Business Control in Business Unit Global Services, CFO in North America and Vice President, Finance and Commercial within the Global Customer Account for Vodafone.

J

Rima Qureshi

Senior Vice President and Head of Business Unit CDMA Mobile Systems (since 2010).
Born 1965.
Holds a Bachelor's degree of Information Systems and a Master's degree of administration, McGill University, Montreal, Canada.
Holdings in Ericsson [1]: 2,662 Class B shares
Background: Also serves as head of Ericsson Response. Previously head of the AT&T Improvement Program within Market Unit North America.

K

Cesare Avenia

Chief Brand Officer (since 2010).
Born 1950.
Bachelor's degree of Electronics engineering, University of Naples, Italy.
Board member: Member of the Steering Committee for Innovation and Technology Services within the Association of Telecom service providers within Confindustria, the National Association of Industralists in Italy.
Holdings in Ericsson [1]: 11,618 Class B shares.
Background: Previously Head of Market Unit Italy.

L

Henry Sténson

Senior Vice President and Head of Group Function Communications (since 2002).
Born 1955.
Studied law, sociology and political science, Linköping University and at the Swedish War Academy, Karlberg, Stockholm.
Board member: Stronghold Invest AB.
Holdings in Ericsson [1]: 27,855 Class B shares.
Background: Previously Head of SAS Group Communication.

M

Johan Wibergh

Executive Vice President (since January 1, 2010) **and Head of Business Unit Networks** (since 2008).
Born 1963.
Master of Computer Science, Linköping Institute of Technology.
Holdings in Ericsson [1]: 19,967 Class B shares.
Background: President of Ericsson Brazil. Has also been President of Market Unit Nordic and Baltics, Vice President and Head of Sales at Business Unit Global Services.

N

Håkan Eriksson

Senior Vice President, Chief Technology Officer, Head of Group Function Technology & Portfolio Management (since 2003) and Head of Ericsson in Silicon Valley (since January 1, 2010).
Born 1961.
Master of Science and Honorary Ph D, Linköping Institute of Technology.
Board member: Vestas.
Holdings in Ericsson [1]: 32,130 Class B shares.
Background: Previously Senior Vice President and Head of Research and Development. Has held various positions within Ericsson since 1986.

AUDITORS

According to the Articles of Association, the Parent Company shall have no less than one and no more than three registered public accounting firms as external independent auditors. The auditors have been elected by the shareholders at the Annual General Meeting for periods of four years. However, according to a recent change in the Swedish Companies Act, the mandate period of the Auditors shall be one year, unless the Articles of Association provides for a longer mandate period up to four years. The auditors report to the shareholders at General Meetings.

The auditors:

- Update the Board of Directors regarding the planning, scope and content of the annual audit
- Examine the interim and year-end financial statements to assess accuracy and completeness of the accounts and adherence to accounting standards and policies
- Advise the Board of Directors of non-audit services performed, the consideration paid and other issues that determine the auditors' independence.

For further information on the contacts between the Board and the auditors, please see "Work of the Board of Directors" earlier in the report.

All Ericsson's quarterly reports are reviewed by the auditors.

Current auditor

PricewaterhouseCoopers AB was elected at the Annual General Meeting 2007 for a period of four years until the close of the Annual General Meeting 2011.

PricewaterhouseCoopers AB has appointed Peter Clemedtson, Authorized Public Accountant, to serve as auditor in charge. Peter Clemedtson is also auditor in charge of Skandinaviska Enskilda Banken.

Fees to the auditor

Ericsson paid the fees (including expenses) for audit-related and other services listed in the table in Notes to the Consolidated Financial Statements – Note C31, "Fees to Auditors" in the Annual Report.

INTERNAL CONTROL OVER FINANCIAL REPORTING 2010

This section has been prepared in accordance with the Annual Accounts Act and the Swedish Corporate Governance Code and is limited to internal control over financial reporting.

Since Ericsson is listed in the United States, the requirements outlined in the Sarbanes-Oxley Act (SOX) apply. These regulate the establishment and maintenance of internal controls over financial reporting as well as management's assessment of the effectiveness of the controls.

In order to comply with SOX, the Company has implemented detailed documented controls and testing and reporting procedures based on the COSO framework for internal control. The COSO framework is issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Management's internal control report according to SOX will be included in Ericsson's Annual Report on Form 20-F and filed with the SEC in the United States.

During 2010, the Company has included operations of acquired entities as well as continued to improve the design and execution of its financial reporting controls.

Disclosure policies

Ericsson's financial disclosure policies aim to ensure transparent, relevant and consistent communication with the equity and debt investors on a fair and equal basis. This will support a fair market value for Ericsson shares. Ericsson wants current and potential investors to have a good understanding of how the Company works, including operational performance, prospects and potential risks.

To achieve these objectives, financial reporting and disclosure must be:

- Transparent – enhancing understanding of the economic drivers and operational performance of the business, building trust and credibility
- Consistent – comparable in scope and level of detail to facilitate comparison between reporting periods
- Simple – to support understanding of business operations and performance and to avoid misinterpretations
- Relevant – with focus on what is relevant to Ericsson's stakeholders or required by regulation or listing agreements, to avoid information overload
- Timely – with regular scheduled disclosures as well as ad-hoc information, such as press releases on important events, performed on a timely basis
- Fair and equal – where all material information is published via press releases to ensure the whole investor community receives the information at the same time
- Complete, free from material errors and a reflection of best practice – disclosure is compliant with applicable financial reporting standards and listing requirements and in line with industry norms.

Ericsson's website (www.ericsson.com/investors) comprises comprehensive information on the Group, including:

- An archive of annual and interim reports
- On-demand access to recent news
- Copies of presentations given by senior management at industry conferences.

(Information on the Ericsson website does not form part of this Report).

Disclosure controls and procedures

Ericsson has controls and procedures in place to ensure timely information disclosure under the US Securities Exchange Act of 1934 and under agreements with NASDAQ and NASDAQ OMX Stockholm. These procedures also ensure that such information is provided to management, including the CEO and CFO, so timely decisions can be made regarding required disclosure.

The Disclosure Committee comprises 15 members with various expertise. It assists managers in fulfilling their responsibility regarding disclosures made to the shareholders and the investment community. One of the main tasks of the committee is to monitor the integrity and effectiveness of the disclosure controls and procedures.

Ericsson has investments in certain entities that the Company does not control or manage. With respect to such entities, disclosure controls and procedures are substantially more limited than those maintained with respect to subsidiaries.

During the year, Ericsson's President and CEO and the CFO evaluated the disclosure controls and procedures and concluded that they were effective at a reasonable assurance level as at December 31, 2010.

During the period covered by the Annual Report 2010, there were no changes to the disclosure controls and procedures that have materially affected, or are likely to materially affect, the internal control over financial reporting.

Internal control over financial reporting

Ericsson has integrated risk management and internal control into its business processes. As defined in the COSO framework, internal control includes components such as a control environment, risk assessment, control activities, information and communication and monitoring.

Control environment

The Company's internal control structure is based on the division of labor between the Board of Directors and its Committees and the President and CEO. The Company has implemented a management system that is based on:

- Steering documents, such as policies, directives and a Code of Business Ethics
- A strong corporate culture
- The Company's organization and mode of operations, with well-defined roles and responsibilities and delegations of authority
- Several well-defined group-wide processes for planning, operations and support.

The most essential parts of the control environment relative to financial reporting are included in steering documents and processes for accounting and financial reporting. These steering documents are updated regularly to include, among other things:

- Changes to laws
- Financial reporting standards and listing requirements, such as IFRS and SOX.

The processes include specific controls to be performed to ensure high quality reports. The management of each reporting legal entity, region and business unit is supported by a financial controller function with execution of controls related to transactions and reporting. A financial controller function is also established on Group level, reporting to the CFO.

Risk assessment

Risks of material misstatements in financial reporting may exist in relation to recognition and measurement of assets, liabilities, revenue and cost or insufficient disclosure. Other risks related to financial reporting include fraud, loss or embezzlement of assets and undue favorable treatment of counterparties at the expense of the Company.

Policies and directives regarding accounting and financial reporting cover areas of particular significance to support correct, complete and timely accounting, reporting and disclosure.

Identified types of risks are mitigated through well-defined business processes with integrated risk management activities, segregation of duties and appropriate delegation of authority. This requires specific approval of material transactions and ensures adequate asset management.

Control activities

The Company's business processes include financial controls regarding the approval and accounting of business transactions. The financial closing and reporting process has controls regarding recognition, measurement and disclosure. These include the application of critical accounting policies and estimates, in individual subsidiaries as well as in the consolidated accounts.

Regular analyses of the financial results for each subsidiary, region and business unit cover the significant elements of assets, liabilities, revenues, costs and cash flow. Together with further analysis of the consolidated financial statements performed at Group level, this ensures that the financial reports do not contain material errors.

For external financial reporting purposes, additional controls performed by the Disclosure Committee ensure that all disclosure requirements are fulfilled.

The Company has implemented controls to ensure that the financial reports are prepared in accordance with its internal accounting and reporting policies and IFRS as well as with relevant listing regulations. It maintains detailed documentation on internal controls related to accounting and financial reporting. It also keeps records on the monitoring of the execution and results of such controls. This ensures that the CEO and CFO can assess the effectiveness of the controls in a way that is compliant with SOX.

Entity-wide controls, focusing on the control environment and compliance with the financial reporting policies and directives, are implemented in all subsidiaries. Detailed process controls and documentation of controls performed are also implemented in almost all subsidiaries, covering all items with significant materiality and risk.

To ensure efficient and standardized accounting and reporting processes, the Company operates several shared services centers. Based on a common IT platform, a common chart of account and common master data, the centers perform accounting and financial reporting services for most subsidiaries.

Information and communication

The Company's information and communication channels support complete, correct and timely financial reporting by making all relevant internal process instructions and policies accessible to all the employees concerned. Regular updates and briefing documents regarding changes in accounting policies, reporting and disclosure requirements are also supplied.

Subsidiaries and operating units prepare regular financial and management reports to internal steering groups and Company management. These include analysis and comments on financial performance and risks. The Board of Directors receives financial reports monthly. The Audit Committee of the Board has established a whistleblower procedure for reporting violations in accounting, internal controls and auditing matters.

Monitoring

The Company's process for financial reporting is reviewed annually by the management. This forms a basis for evaluating the internal management system and internal steering documents to ensure that they cover all significant areas related to financial reporting. The shared service center management continuously monitors accounting quality through a set of performance indicators. Compliance with policies and directives is monitored through annual self-assessments and representation letters from heads and controllers in all subsidiaries as well as in business units and regions.

The Company's financial performance is also reviewed at each Board meeting. The committees of the Board fulfill important monitoring functions regarding remuneration, borrowing, investments, customer finance, cash management, financial reporting and internal control. The Audit Committee and the Board of Directors review all interim and annual financial reports before they are released to the market. The Company's internal audit function, which reports to the Audit Committee, performs independent audits. The Audit Committee also receives regular reports from the external auditor. The Audit Committee follows up on any actions taken to improve or modify controls.

THE BOARD OF DIRECTORS

Stockholm, February 21, 2011
Telefonaktiebolaget LM Ericsson (publ)
Org. no. 556016–0680

AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE REPORT

To the annual meeting of the shareholders in Telefonaktiebolaget LM Ericsson (publ), corporate identity number 556016-0680

It is the Board of Directors who is responsible for the corporate governance report for the year 2010 and that it has been prepared in accordance with the Annual Accounts Act.

As a basis for our opinion that the corporate governance report has been prepared and is consistent with the annual accounts and the consolidated accounts, we have read the corporate governance report and assessed its statutory content based on our knowledge of the company.

In our opinion, the corporate governance report has been prepared and its statutory content is consistent with the annual accounts and the consolidated accounts.

Stockholm 21 February, 2011

Peter Clemedtson
Authorized Public Accountant
PricewaterhouseCoopers AB

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Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1.
VQS_Section 3.2_Ericsson 2010 Annual Report.pdf

GLOSSARY

2G
First digital generation of mobile systems, includes GSM, TDMA, PDC and cdmaOne.

3G
3rd generation mobile system, includes WCDMA/HSPA, EDGE, CDMA2000 and TD-SCDMA.

4G
See LTE.

All-IP
A single, common IP infrastructure that can handle all network services, including fixed and mobile communications, for voice and data services and also video services such as TV.

ATM
(Asynchronous Transfer Mode) A communication standard for transmission and management of high-speed packet-switched networks.

Backhaul
Transmission between radio base stations and the core network.

Broadband
Data speeds that are high enough to allow transmission of multimedia services with good quality.

Capex
Capital expenditure.

CDMA
(Code division multiple access) The cdmaOne (2G) and CDMA2000 (3G) mobile communication standards are both based on CDMA.

EDGE
A 3G mobile standard, developed as an enhancement of GSM. Enables the transmission of data at speeds up to 250 kbps.

Emerging market
Defined as a country that has a GNP per capita index below the World Bank average and a mobile subscription penetration below 60 percent.

Evo RAN
A Radio Access Network (RAN) solution to run GSM, WCDMA and LTE as a single network.

Exabyte
= billion gigabytes.

FTTH
(Fiber-to-the-home) refers to fiber optic broadband connections to individual homes.

GDP
Gross domestic product the total annual cost of all finished goods and services produced within a country.

GPON
(Gigabit Passive Optical Network) Used for fiber-optic communication to the home (FTTH).

GPRS
(General Packet Radio Service) A packet-switched technology (2.5G) that enables GSM networks to handle mobile data communications at rates up to 115 kbps.

HSPA
(High Speed Packet Access) Enhancement of 3G/WCDMA that enables mobile broadband.

ICT
Information and Communication Technology.

IMS
(IP Multimedia Subsystem) A standard for offering voice and multimedia services over mobile and fixed networks using internet technology (IP).

IP
(Internet Protocol) Defines how information travels between network elements across the internet.

IPTV
(IP Television) A technology that delivers digital television via fixed broadband access.

JV
(Joint venture) A business enterprise in which two or more companies enter a partnership.

LTE
(Long-Term Evolution) The next evolutionary step of mobile technology beyond HSPA, allowing data rates above 100 Mbps.

Managed services
Management of operator networks and/or hosting of their services.

Opex
Operating expenses.

Penetration
The number of subscriptions divided by the population in a geographical area.

Softswitch
A software-based system for handling call management functionality. Integrates IP-telephony and the legacy circuit-switched part of the network.

TDM
Time division multiplexing, legacy technology for circuit switching.

WCDMA
(Wideband Code Division Multiple Access) A 3G mobile communication standard. WCDMA builds on the same core network infrastructure as GSM.

xDSL
Digital Subscriber Line technologies for broadband multimedia communications in fixed line networks. Examples: IP-DSL, ADSL and VDSL.

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FINANCIAL TERMINOLOGY

Capital employed
Total assets less non-interest-bearing provisions and liabilities.

Capital turnover
Net sales divided by average Capital employed.

Cash conversion
Cash flow from operating activities divided by net income reconciled to cash – expressed in percent.

Cash dividends per share
Dividends paid divided by average number of shares, basic.

Compound annual growth rate (CAGR)
The year-over-year growth rate over a specified period of time.

Days sales outstanding (DSO)
Trade receivables balance at quarter end divided by Net Sales in the quarter and multiplied by 90 days. If the amount of trade receivables is larger than last quarter's sales, the excess amount is divided by Net Sales in the previous quarter and multiplied by 90 days, and total days outstanding (DSO) are the 90 days of the most current quarter plus the additional days from the previous quarter.

Earnings per share
Basic earnings per share; profit or loss attributable to stockholders of the Parent Company divided by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share; the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential ordinary shares.

EBITA margin
Earnings Before Interest, Taxes, Amortization and write-downs of acquired intangibles, as a percentage of Net Sales.

Equity ratio
Equity, expressed as a percentage of total assets.

Gross Cash
Cash and cash equivalents plus short-term investments.

Inventory turnover days (ITO-days)
365 divided by inventory turnover, calculated as total adjusted cost of sales divided by the average inventories for the year (net of advances from customers).

Net cash
Cash and cash equivalents plus short-term investments less interest-bearing liabilities and post-employment benefits.

Payable days
The average balance of Trade payables at the beginning and at the end of the year divided by Cost of sales for the year, and multiplied by 365 days.

Payment readiness
Cash and cash equivalents and short-term investments less short-term borrowings plus long-term unused credit commitments. Payment readiness is also shown as a percentage of Net Sales.

Return on capital employed
The total of Operating income plus Financial income as a percentage of average capital employed (based on the amounts at January 1 and December 31).

Return on equity
Net income attributable to stockholders of the Parent Company as a percentage of average Stockholders' equity (based on the amounts at January 1 and December 31).

Stockholders' equity per share
Stockholders' equity divided by the number of shares outstanding at end of period, basic.

Total Shareholder Return (TSR)
The increase or decrease in share price during the period plus dividends paid, expressed as a percentage of the share price at the start of the period.

Trade receivables turnover
Net sales divided by average Trade receivables.

Value at Risk (VaR)
A statistical method that expresses the maximum potential loss that can arise with a certain degree of probability during a certain period of time.

Working capital
Current assets less current non-interest-bearing provisions and liabilities.

EXCHANGE RATES

EXCHANGE RATES USED IN THE CONSOLIDATION	January–December	
	2010	2009
SEK/EUR		
Average rate	9.56	10.63
Closing rate	9.02	10.30
SEK/USD		
Average rate	7.20	7.63
Closing rate	6.80	7.18

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SHAREHOLDER INFORMATION

FOR PRINTED PUBLICATIONS, CONTACT:

A printed copy of the Annual Report is provided on request.

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  the Annual Report:
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  http://proxy.georgeson.com/
  annualreport/ericsson.htm

WHERE YOU CAN FIND OUT MORE:

It is our ambition to provide our shareholder with up to date information about Ericsson and its development. Information is available on Ericsson's website:
www.ericsson.com

On the website, the Annual Report is available as either an online version or as a pdf document. Previous Annual and Quarterly reports and other relevant shareholder information can be found on:
www.ericsson.com/investors

By publishing the Annual Report on the web, we will not only reduce the cost for print and distribution, but also the impact on the environment.

The Annual Report on Form 20-F (filed with the Securities and Exchange Commission, SEC) is also available
www.ericsson.com/investors

Telefonaktiebolaget LM Ericsson's shareholders are invited to participate in the Annual General Meeting to be held on Wednesday, April 13, 2011, at 3 p.m. at the Annex to the Ericsson Globe, Globentorget, Stockholm.

Registration and notice of attendance

Shareholders who wish to attend the Annual General Meeting must

- be recorded in the share register kept by Euroclear Sweden AB (the Swedish Securities Registry) on Thursday, April 7, 2011, and
- give notice of attendance to the Company at the latest on Thursday, April 7, 2011. Notice of attendance can be given on Ericsson's website: www.ericsson.com/investors, by telephone: +46 8 402 90 54 on weekdays between 10 a.m. and 4 p.m. or by fax: +46 8 402 9256.

Notice of attendance may also be given in writing to:
Telefonaktiebolaget LM Ericsson
General Meeting of Shareholders
Box 7835, SE-103 98 Stockholm, Sweden

When giving notice of attendance, please state name, date of birth, address, telephone number and number of assistants.

The meeting will be conducted in Swedish and simultaneously interpreted into English.

Shares registered in the name of a nominee

In addition to giving notice of attendance, shareholders who have their shares registered in the name of a nominee must request the nominee to temporarily enter the shareholder into the share register in order to be entitled to attend the meeting. In order for such registration to be effective on Thursday, April 7, 2011, shareholders should contact their nominee well before that day.

Proxy

Shareholders represented by proxy shall submit to the Company a power of attorney for the representative. A power of attorney issued by a legal entity must be accompanied by a copy of the entity's certificate of registration (should no such certificate exist, a corresponding document of authority must be submitted). Such documents must be no more than one year old. In order to facilitate the registration at the Annual General Meeting, the power of attorney in original, certificates of registration and other documents of authority should be sent to the Company in advance. All documents should be sent to the Company at the address above for receipt by Tuesday, April 12, 2011. Forms of power of attorney in Swedish and English are available on Ericsson's website: www.ericsson.com/investors.

Dividend

The Board of Directors has decided to propose the Annual General Meeting to resolve on a dividend of SEK 2.25 per share for the year 2010 and that Monday, April 18, 2011 will be the record day for dividend.

Financial information from Ericsson

Interim reports 2011:

- April 27, 2011 (Q1)
- July 21, 2011 (Q2)
- October 20, 2011 (Q3)
- January 25, 2012 (Q4)

Annual Report 2011: March, 2012
2010 Form 20-F for the US market: March, 2011

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Ericsson headquarters at Torshamnsgatan 23 in Kista, Sweden.

CONTACT INFORMATION

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Kista
Sweden

Registered office
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Sweden

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For questions on the Company, please contact Investor Relations:

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  Telephone: +46 10 719 00 00
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- Investor Relations for the Americas:
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  1114 Ave of the Americas, Suite #3410
  New York, NY 10036, USA
  Telephone: +1 212 685 40 30
  Email: investor.relations@ericsson.com

UNCERTAINTIES IN THE FUTURE

Some of the information provided in this material is or may contain forward-looking information such as statements about expectations, assumptions about future market conditions, projections or other characterizations of future events. The words “believe”, “expect”, “anticipate”, “intend”, “may”, “plan”, the negative of such terms, and similar expressions are intended to identify these statements. Although we believe that the expectations reflected in these and other forward-looking statements are reasonable, we can give no assurance that these expectations will prove to be correct and actual results may differ materially. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law or stock exchange regulation. We advise you that Ericsson is subject to risks both specific to our industry and specific to our company that could cause the actual results to differ materially from those contained in our projections or forward-looking statements, including, among others, changing conditions in the telecommunications industry, political economic and regulatory developments in our markets, our management’s ability to develop and execute a successful strategy, various financial risks such as interest rate changes and exchange rate changes, erosion of our market position, structure and financial strength of our customer base, our credit ratings, product development risks, supply constraints, and our ability to recruit and retain quality staff.

ERICSSON ANNUAL REPORT 2010:

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Ericsson Investor Relations

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Hans Berggren

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ERICSSON

SHAPING THE NETWORKED SOCIETY

Annual Report 2011

WITH EVERYTHING CONNECTED, OUR WORLD CHANGES.

Starting with voice, telecommunication began by connecting places. It let homes and businesses communicate better, making lives easier. Later, mobile telephony untied all those possibilities from a fixed place.

Now, the same has happened to broadband. It too has gone mobile, meaning greater efficiency, more freedom, and more fun too.

In the future, we see a world where everything that can benefit from being connected is connected. That means all people in all places – but it means connecting things as well. Today, this includes power meters and emergency services vehicles. Eventually, it could be anything and everything.

This will transform individual lives. It will revolutionize individual businesses. But more than that, it will have a profound impact on our entire society, changing the whole world for good.

There's a long way to go. But that just means more potential – for us and for our customers. Everyone is part of the networked society. Our role is to make it possible.

CONTENTS

Annual Report 2011

* Chapters covered by the Auditors' Report, constituting the legal annual report.

Annual Publications

The Annual Report describes Ericsson's financial and operational performance during 2011. This publication includes a Corporate Governance Report. Ericsson issues a separate Sustainability and Corporate Responsibility Report.

Find our Annual Report online: www.ericsson.com/annualreport2011

2011 AT A GLANCE

SALES INCREASED BY 12% TO SEK 226.9 (203.3) BILLION

NET INCOME OF SEK 12.6 (11.2) BILLION

STRONG FINANCIAL POSITION WITH A NET CASH OF SEK 39.5 (51.3) BILLION

EARNINGS PER SHARE (DILUTED) OF SEK 3.77 (3.46)

MOBILE BROADBAND BUILDOUT AND EXPANSION IN ALL REGIONS

70 NEW OR RENEWED MANAGED SERVICES CONTRACTS

INCREASED INTEREST IN OPERATIONS AND BUSINESS SUPPORT SYSTEMS

ANNOUNCED DIVESTMENT OF SONY ERICSSON JOINT VENTURE

ACQUISITION OF TELCORDIA TO STRENGTHEN ERICSSON IN OSS/BSS

LETTER FROM HANS VESTBERG

Dear shareholders,

The world is entering a new communications era. Technology is enabling us to interact, innovate and share knowledge in entirely new ways – creating a dynamic shift in mindset. At Ericsson, we are just beginning to explore the possibilities of what we call the networked society.

At its foundation, three forces must come together: mobility, broadband and the cloud. When these combine, you can get access to anything, anytime, anywhere. But the networked society is about much more than what the individual can achieve. Eventually, everything that benefits from being connected will be connected – and this will fundamentally change our world. It is amazing what is happening around us, global mobile broadband subscriptions grew by 60% to reach a total of almost 1 billion at year-end. We forecast almost 5 billion mobile broadband subscriptions by 2016.

At the same time, the data consumed by smartphone users is surging. Across all devices, mobile data traffic is expected to grow 10 times between 2011 and 2016. Increasing subscription numbers and traffic levels drive increased complexity in networks. In turn this puts further demand on our ability to deliver cutting-edge solutions and to understand our customers' needs.

Prime driver and thought leader

I believe that Ericsson has the necessary assets and strengths to be the prime driver and thought leader in the networked society. Our key assets are technology and services leadership, as well as global presence and scale.

We focus on early involvement in creating new technologies, strong contributions to standardization work and development of intellectual property rights. We pioneered the development of digital AXE switching, GSM, WCDMA/HSPA and LTE, resulting in 30,000 granted patents. In 2011, we increased our investment in R&D to further strengthen our technology leadership and we currently have more than 22,000 employees in R&D.

Today, customers in more than 180 countries use our solutions and services. In 2010, we started delivery of our multi-standard radio base station RBS 6000. We have carried out the quickest product ramp-up in our history and by the end of 2011 the RBS 6000 accounted for almost all our radio base station deliveries. This gives us significant scale advantages.

Our services offering covers all areas within the operational scope of a telecom operator. We have 56,000 services professionals around the globe and we manage networks that serve more than 900 million subscribers. We estimate our market share in telecom services at over 10%, making us the leader in this market.

Sustainability and Corporate Responsibility

We continue to be strongly committed to Sustainability and Corporate Responsibility. We remain focused on our ambitious targets, including our carbon footprint intensity reduction goals. Over the last decade we have increased 3G/4G radio base station energy efficiency by over 85%. The result is that despite the growing bandwidth demands of the networked society, we are able to keep the energy consumption per subscriber at a low and constant level.

We see an increasing interest from customers to drive energy efficiency in their networks, and to use broadband to shape the low carbon economy of the future.

Such diverse events during 2011 as the Arab Spring and the publication of the UN guidelines on Business and Human Rights, show the increasing importance and relevance of human rights in our business. Our policies remain strong and we are committed to high levels of governance standards wherever we do business in the world. We will continue to give people in all parts of the world access to communications, improving quality of life. Our separate Sustainability and Corporate Responsibility Report will provide additional information on these topics.

Leading ICT player

We are a leading Information and Communications Technology (ICT) player. Many people are surprised when they discover that we are the world's fifth largest software company. The vast majority of our R&D engineers are engaged in software development.

Our long-term ambitions are to grow faster than the market, deliver the industry's best-in-class margins, grow earnings in joint ventures and generate strong cash conversion. The Annual General Meeting approved the transformation of these ambitions into clear targets in the Executive Performance Stock Plan.

We have identified three growth levers. The first is portfolio momentum in mobile broadband, managed services and operations and business support systems (OSS/BSS). The second is to gain market share. The third is mergers, acquisitions and partnering.

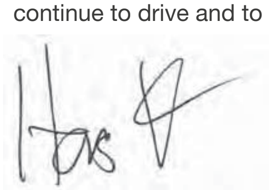
In 2011, we grew revenues by 12% to SEK 227 billion and sales for comparable units, adjusted for currency effects, increased by 19%. Early internal market data indicates that we increased market share in mobile network equipment by 6 percentage points to 38%. This makes us the world leader, twice as big as the second largest player. We gained market share through our strategy to capture footprint when networks are modernized in Europe, by preserving our relationships with the most successful operators and by gaining market share with new customers. During the year, we announced the acquisition of Telcordia, a leading player in OSS and BSS. We also announced the divestment to Sony Corporation of our share in the 50/50 joint venture Sony Ericsson. The transaction is a logical strategic step that makes it possible for us to focus on enabling connectivity for all devices, handsets and beyond.

Gross margin declined due to a changed business mix with more coverage projects, modernization projects in Europe, and a higher share of services sales. Net income increased to SEK 12.6 billion. Our JVs had a tough 2011 and both reported losses. Ericsson has a strong financial position with a net cash position of SEK 39.5 billion.

Solid industry fundamentals

We carefully monitor the potential impact from increased economic uncertainties around the world. Short-term, we expect operators to continue to be cautious with spending, reflecting factors such as macroeconomic and political uncertainty.

With the move towards the networked society, we remain confident that the fundamentals for longer-term positive development in the industry remain solid. With strong customer relationships and one of the world's largest and best pools of industry talent, we believe Ericsson is well positioned to continue to drive and to benefit from this development.



Hans Vestberg
President and CEO

FINANCIAL RESULTS IN SHORT

NET SALES AND NET INCOME

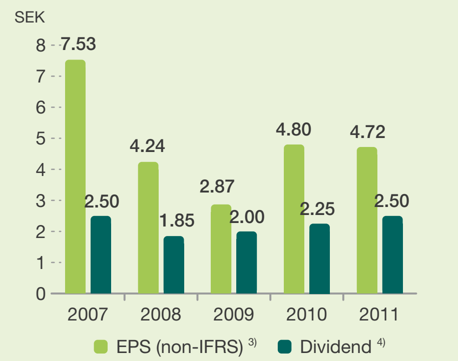
NET SALES
SEK 226.9 (203.3) billion, +12%

OPERATING MARGIN [1)]
9.6% (12.0%)

NET INCOME
SEK 12.6 (11.2) billion, +12%

NET CASH [2)]
SEK 39.5 (51.3) billion

EARNINGS PER SHARE (non-IFRS) [3)] AND DIVIDEND [4)]



EPS (non-IFRS) [3)]
SEK 4.72 (4.80), –2%

DIVIDEND [4)]
SEK 2.50 (2.25), +11%

1) Excl. share in earnings of JVs. For 2011 incl. restructuring charges and for 2010 excl. restructuring charges.

2) Cash and cash equivalents plus short-term investments less interest-bearing liabilities and post-employment benefits.

3) EPS, diluted, excl. amortizations and write-downs of acquired intangible assets, SEK.

4) Dividend for 2011 as proposed by the Board of Directors.

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THE MARKET

Telecom trends

Everything is going mobile. This evolution is driven by video, cloud-based services, the internet and machine-to-machine (M2M) connectivity. It changes how consumers behave and how they leverage mobility to communicate and to improve their daily lives, through existing and new services. Users now demand connectivity anywhere and anytime.

Enterprises are also beginning to exploit the new opportunities provided by mobility, both to improve efficiency, such as by streamlining processes, and to find new business models.

Important driving forces are new, more affordable smartphones, and the many new connected devices on the market. The total number of mobile subscriptions globally (excluding M2M) reached approximately 6 billion at year end 2011, of which close to 1 billion were for mobile broadband. Approximately 30% of all handsets sold during 2011 were smartphones compared to around 20% for 2010. Out of the installed base of subscriptions worldwide only around 10% use smartphones.

Globally, the average mobile PC user currently generates about 2 Gbytes of data per month, while a high-traffic smartphone user generates approximately 500 Mbytes per month. Usage has been increasing over time. With all these devices and 24/7 connectivity, we expect global mobile data traffic to grow tenfold by the end of 2016.

Operators are capitalizing on this changing market, enabling users and machines to leverage connectivity in new ways. During 2011 various operators started to introduce tiered pricing, to provide price plans, such as volume, time or speed-based plans, which are better aligned to users' needs. As a result of that, operators are able to create various business models to capitalize on different consumer and enterprise segments.

In order to enable these new services, improve user experience and provide tiered pricing, operators are investing in and transforming their operations and business support systems (OSS and BSS). These systems monitor and optimize network performance for customer relations handling and subscriber support. OSS/BSS investments also enable operators to optimize operations and reduce costs.

To accommodate for the increase in data traffic, operators are putting in new equipment and upgrading their networks for greater efficiency and better revenue capture. Network capacity can be increased through additional features, such as software upgrades, as well as through additional equipment, such as radio base stations and transmission.

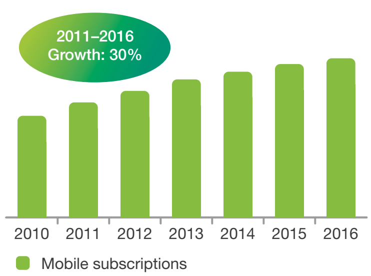
In today's competitive markets, speed and capacity alone are not enough to ensure best user experience and provide differentiation. Quality of service is becoming an important way for operators to differentiate.

Our customers

Our business is defined by long-term relationships mainly with large telecom operators around the world. We serve approximately 400 customers, most of whom are network operators. Our ten largest customers, of which half are multinational, account for 44% of net sales. Our customers operate in a wide range of local economies and are at various technology stages. They have different business focuses depending on the maturity of the mobile broadband market.

We set up a new go-to-market model in 2010, with ten regions which approach customers with solutions and services. With this, we are moving towards a solutions-led sales approach, selling the full breadth of the portfolio.

TOTAL NUMBER OF MOBILE SUBSCRIPTIONS

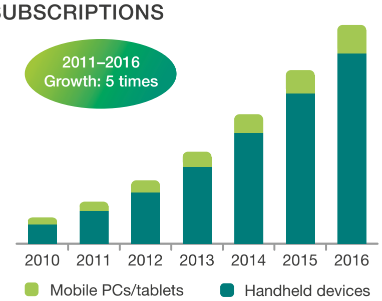


2011: approximately 6 billion mobile subscriptions
2016: reaching more than 8 billion

Source: Ericsson estimate, April 2011

APPROXIMATELY 6 BILLION MOBILE SUBSCRIPTIONS UP >10% 2011

NUMBER OF MOBILE BROADBAND SUBSCRIPTIONS

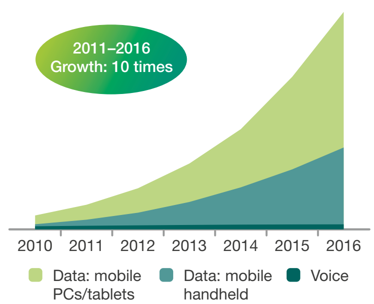


2011: approximately 970 million mobile broadband subscriptions
2016: reaching almost 5 billion

Source: Ericsson estimate, April 2011

APPROXIMATELY 970 MILLION MOBILE BROADBAND SUBSCRIPTIONS, UP 60% IN 2011

MOBILE TRAFFIC – DATA AND VOICE



2011: smartphone traffic tripled

Source: Ericsson estimate, April 2011

MOBILE DATA TRAFFIC EXPECTED TO HAVE MORE THAN DOUBLED IN 2011

Telcordia05193

OUR BUSINESS

Our mission is to innovate to empower people, business and society. We are a world-leading provider of network infrastructure, telecom services and multimedia solutions, which in combination meet a broad range of operator needs. To best reflect our business, we report five business segments, two of which are the joint ventures Sony Ericsson and ST-Ericsson.

	NETWORKS	GLOBAL SERVICES	MULTIMEDIA
	Segment Networks develops and delivers mobile and fixed infrastructure equipment and software. We are a market leader in 2G/GSM and 3G/WCDMA mobile technologies. We now provide all-IP 4G/LTE networks as the evolution of mobile broadband. Our portfolio also includes CDMA solutions, as well as xDSL, fiber and microwave transmission.	With more than 56,000 services professionals globally, we deliver managed services, consulting and systems integration, customer support and network rollout. We manage complex projects with advanced IS/IT competence and multi-vendor experience, using a mix of local knowledge and global expertise.	Segment Multimedia develops and delivers software-based solutions for operations and business support systems (OSS and BSS), real-time, multi-screen and on-demand TV and consumer and business applications. Revenue management, i.e. software based solutions for charging and billing, is part of BSS.
NET SALES (SHARE OF TOTAL)	**SEK 132.4 billion (58% of total sales)**	**SEK 83.9 billion (37% of total sales)**	**SEK 10.6 billion (5% of total sales)**
MARKET SHARE ESTIMATES	38% in mobile network equipment. Twice the size of the second largest competitor	More than 10%. Larger than any of our competitors	Three markets with different dynamics and players
MARKET POSITION	Number 1 in mobile networks	Number 1 in telecom services	Number 1 in real-time charging & billing

Joint ventures

Our joint ventures focus on enabling superior user devices. Sony Ericsson's and ST-Ericsson's results are reported according to the equity method.

In October 2011, we announced that Sony would acquire Ericsson's 50% share in Sony Ericsson. The transaction took place on February 15, 2012.

	SONY ERICSSON	ST-ERICSSON
	A 50/50 joint venture with Sony Corporation, Sony Ericsson offers mobile phones, accessories, content and applications.	A 50/50 joint venture with STMicroelectronics, ST-Ericsson offers wireless platforms and semiconductors for leading handset manufacturers.
NET SALES	**EUR 5,212 million**	**USD 1,650 million**
MARKET POSITION	10% market share in the Android smartphone market	Number 3 in thin modems

HOW WE STAY AHEAD

Principles

We interact with our customers based on the following principles:

- **A customer-first perspective:** we work hard to understand operators' needs, objectives and constraints. This allows us to function as a partner, sharing our global expertise through the solutions we deliver.
- **Innovation:** our solutions are forward-looking and future proof. A scalable portfolio means that we can always offer the right solutions for the customer, based on market and position, helping our customers to create new revenue streams.
- **Delivering cost-efficiency:** we ensure that the solutions we offer reduce our customers' operating expenses.

Assets

Throughout our business, we leverage Ericsson's key competitive advantages:

- **Technology leadership:** we always strive to lead, innovate and set the agenda for the industry. We drive the creation of interoperable ecosystems. We have 30,000 granted patents and with over 90 license agreements we are a net receiver of royalties. We provide superior-performance networks through a unique combination of hardware and software design.
- **Services leadership:** we have 56,000 services professionals worldwide operating from our ten regional service centers and four global service centers, using the same processes, methods and tools. Combining global scale advantages with local presence is what makes us unique.
- **Global presence and scale:** we have established relationships with every major operator in the world and we are present in more than 180 countries.

BUILDING COVERAGE – TRANSFORMING NETWORKS

Extensive mobile network coverage forms the building blocks of operator business. We start by helping customers to build out coverage. When that is in place, we offer additional services and solutions that enable expansions and enhancements of the network.

This means that once operators have built a base of subscribers, they can differentiate their services, based both on quality and innovation, to retain competitive positions as markets develop.

REPLICATING SUCCESS IN SERVICES

We scale our business by replicating successes globally. This entails working closely with customers to develop new solutions. Once a successful case is proven we can roll out the same practice all over the world.

Local competence, with intimate knowledge of the business environment, works hand-in-hand with global expertise, sharing common processes, methods and tools. This ensures quality and efficiency.

Growth levers

We have identified three key levers for growth where we believe we have strong assets to meet market demand:

- **Portfolio momentum:** focusing on the areas where we have the most growth potential. These are mobile broadband, managed services and OSS and BSS. We expect the majority of growth to come from portfolio momentum.
- **Market share gain:** building presence in markets that are investing more and where we see technology shifts.
- **Mergers, acquisitions and partnering:** filling portfolio gaps and entering new growth areas, such as connected devices.

PORTFOLIO MOMENTUM

- Mobile broadband
  - Strengthened market position in mobile networks
- Managed services
  - 70 new contracts in 2011
- OSS and BSS
  - Another 200 million subscribers served by our charging and billing systems

+

MARKET SHARE GAIN

- Increase market share in technology shift
  - LTE and network modernization
  - New radio base station RBS 6000 in almost all deliveries

+

MERGERS & ACQUISITIONS AND PARTNERING

- Fill portfolio gaps
  - Telcordia for OSS/BSS (announced 2011)
- New growth areas
  - M2M (Telenor Connexion platform)
  - Public safety (Motorola partnership)
  - Mobile cloud accelerator (Akamai partnership)

USER-DRIVEN BUSINESS

In some industries, companies have to persuade their users to adopt their innovations. For operators, it's the other way around.

We understand the complexities involved in mobile networks. With that expertise, our customers can continue to satisfy the demands of their users.

OPERATOR PORTFOLIO

Our offering is divided into seven solution areas, each of which involves one or more of our businesses. Many of our contracts involve several solution areas. For example, services often form an important part of network projects.

MOBILE BROADBAND

Increasing user demands

Mobile broadband now accounts for approximately 15% of all mobile subscriptions. Mobile data traffic is expected to have more than doubled in 2011, mainly due to new smartphone launches and the uptake of apps. PC and tablet users generate even more data traffic, and total mobile data traffic is estimated to grow tenfold by end of 2016, mainly driven by video.

Operators need to put certain pre-requisites in place to ensure they can capitalize on mobile broadband. These include enhancing network quality, by increasing speed and capacity, and providing service differentiation.

3G/WCDMA and 4G/LTE

We expect 3G/WCDMA to be the predominant mobile broadband technology for many years to come. During the year, we demonstrated a new HSPA world speed record in a commercial network, at 168Mbps downlink. Operators will be able to take a stepped approach towards this from 42Mbps, currently the fastest service offered over commercial networks.

The next technology is LTE, which is in its initial phase. LTE covers only a few percent of the world's population today. In five years' time, it is expected that LTE will have roughly 35% population coverage.

The RBS 6000 family

The multi-standard radio base station RBS 6000 supports GSM/EDGE, WCDMA/HSPA, LTE and CDMA in a single unit. It offers cost-effective deployment and a future-proof evolution in capacity and functionality.

The RBS 6000 family now accounts for close to 100% of our radio base station deliveries. A typical deployment project, comprising mainly hardware, is followed by an upgrade and expansion phase, which involves mostly software and services. During 2011 we launched the Antenna Integrated Radio (AIR), as part of the RBS 6000 family. This product significantly reduces integration and installation time as well as energy consumption.

MULTI-STANDARD **RBS 6000**
GSM, WCDMA, LTE, CDMA
>1,000% more capacity
>20% better radio performance
80% lower energy consumption per subscriber
100% better MTBF*
75% less space needed

Compared to previous generations.
* Mean Time Between Failures

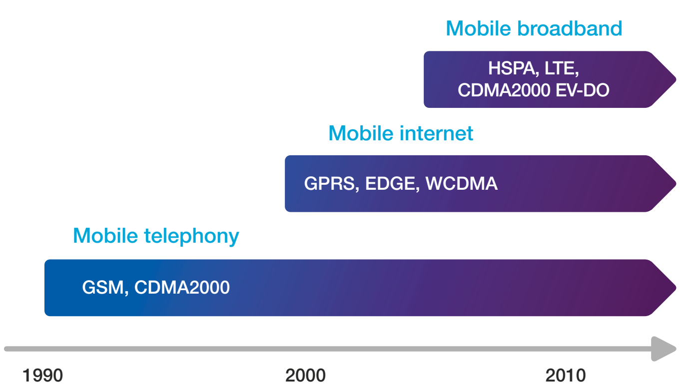
Smart Services Routers

Network performance is the key operator differentiator when it comes to user experience. In 2011, we launched the SSR 8000 family, a series of Smart Services Routers. They support delivery of services across fixed and mobile networks and enable faster introduction of new user services. For operators, the SSR 8000 family provides a simple, smart and scalable solution. For users, it means access to advanced services, with telecom-grade quality from any device anywhere.

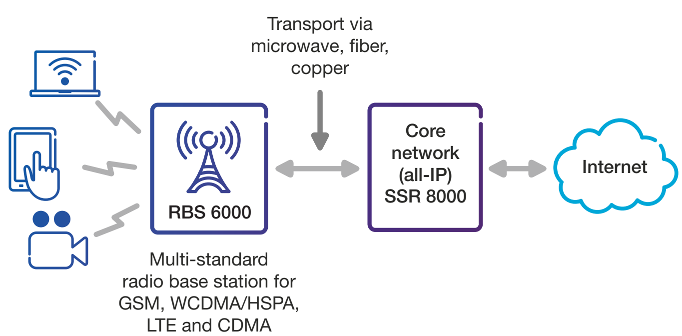
Heterogeneous networks (HetNets)

By 2016, densely populated urban areas representing less than 1% of the Earth's total land area are expected to generate around 60% of total mobile traffic. In order to increase network capacity in these areas, we will build HetNets. Powerful macro radio base stations are complemented by smaller radio base stations (pico and micro) which provide extra capacity for areas where demand is particularly high.

THE EVOLUTION TO MOBILE BROADBAND



END-TO-END LEADERSHIP IN MOBILE BROADBAND



MANAGED SERVICES

Telecom operators look to reduce costs and manage complexity. Therefore, they review their business models and look for partners that can take on a broader responsibility. In managed services agreements, Ericsson handles complex issues such as convergence, quality and capacity management, while freeing up operators' resources to focus more on strategy, marketing and customer care. We can also help operators to scale quickly and cost-effectively.

We manage networks with a total of more than 900 million subscribers, of which 500 million are in network operation contracts. Winning this business has involved insourcing employees from operators around the world. This provides us with a unique insight into the operator mindset.

The networks we manage are typically complex multi-vendor, multi-technology environments, and over 50% of the equipment involved is non-Ericsson. Managed services contracts normally span five to seven years and often involve operational and process consulting.

We provide efficiency by drawing on our global scale. Our four global service centers all house global network operation centers (GNOCs) for remote delivery of network management. These are based in Romania, India, Mexico and China. As an example, more than 20 European operator networks are run from the GNOC in Romania.

Shared networks and shared capacity

To drive structural efficiencies in the networks, there is an increasing demand for business models that support shared networks and capacity between two or more operators. Managed services play a decisive role in this evolution.

Adjacent sectors

We also address sectors with similar requirements to telecom operators where we can reuse our assets and expertise. We constantly look to expand operational synergies by increasing the scope of our managed services business in each country where we operate.

OPERATIONS AND BUSINESS SUPPORT SYSTEMS

Service differentiation

In order to monetize the increasing amount of data traffic in their networks, operators are beginning to adopt new business models with tiered pricing plans. This involves finding more ways to meet user needs than one-size-fits-all monthly subscriptions. Operators introduce 'buckets' of data – a fixed quantity that a user can utilize over a certain amount of time – or different speeds and quality guarantees. These new business models often require operators to evolve their OSS and BSS solutions.

Operators also seek to manage increasing network complexity, while retaining efficiency and simplicity in operational processes, by consolidating their systems. These OSS and BSS transformation projects are large undertakings which involve consulting and systems integration alongside the provision of our software solutions.

Control and monitoring

Ericsson's operations support systems (OSS) include solutions for monitoring network performance and the delivery of services for best user experience. OSS tools are also used in the planning, building and optimization of networks.

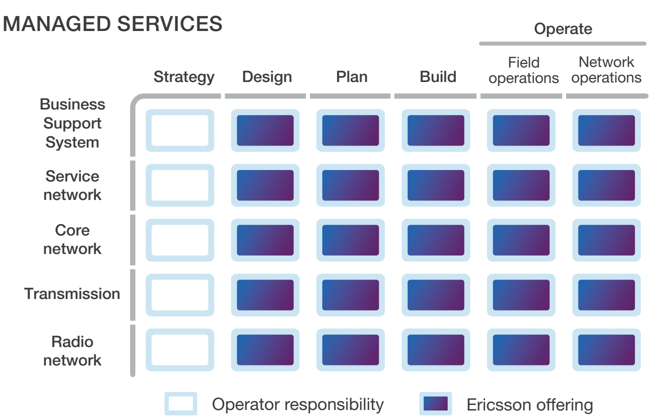
During 2011, Ericsson announced the acquisition of Telcordia, a provider of software and services for OSS and BSS. This allows us to enhance our capabilities to handle multi-vendor systems.

Provisioning and charging

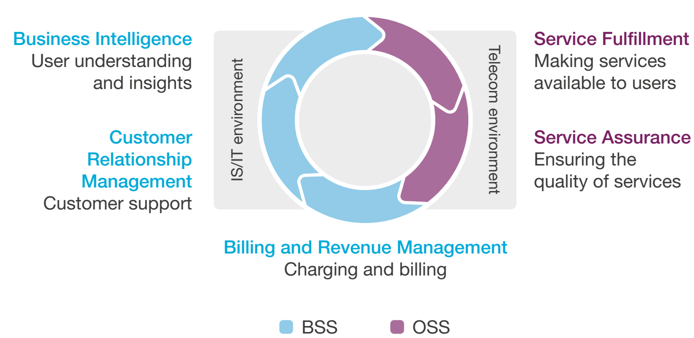
Our business support systems (BSS) include solutions for revenue management and customer care. With our convergent real-time charging solution the user gets one invoice for all services. Over 1.4 billion subscribers are charged and billed through Ericsson's systems.

With our solutions, operators can more efficiently capture and secure revenue streams. Users benefit too, gaining the ability to start using a new service or device immediately after signing up, as well as greater control over their spending.

MANAGED SERVICES



OPERATIONS AND BUSINESS SUPPORT SYSTEMS



COMMUNICATION SERVICES

Communication services are the services people use to interact with each other, such as voice and video calls as well as text and multimedia messaging. These operator-based services are provided globally and are based on industry standards, ensuring interoperability.

Users expect their communication services to provide a seamless, instantaneous experience across all devices and all subscriptions. This shift requires operators to provide new functionality and richer offerings.

Enhancing user experience

Voice still accounts for, on average, 65% of operator revenue. Operators now exploit opportunities to enhance user experience while reducing costs for voice communication. Our IP Multimedia Subsystem (IMS) makes this possible. Services controlled by IMS are voice (including HD voice), video calls, the Rich Communication Suite (RCS) and messaging.

HD voice

HD voice significantly improves quality of voice communication with more natural sound and improved intelligibility. It is expected to play a key role in ensuring that voice continues to provide revenue streams for operators of both fixed and mobile networks.

Voice over LTE

Currently in its trial stage, Voice over LTE (VoLTE) will enable operators to offer voice services over their all-IP LTE networks. It also brings with it new services such as HD video and richer multimedia services.

FIXED BROADBAND AND CONVERGENCE

Strong growth in data traffic drives a need for higher capacity solutions, based on IP and Ethernet technologies.

Operators compete by evolving their networks to provide fast internet speeds, reliable high-definition IPTV and video on demand. We enable this by providing end-to-end broadband access solutions via high-speed fiber (such as GPON) and copper (xDSL).

Convergence and transformation

To reduce cost and enable service bundling, fixed traffic can be provided over a multiservice network converging telephony, internet and TV. Our converged networks are IP-based, providing lower-cost and higher-performance services.

TELEVISION AND MEDIA MANAGEMENT

TV is going digital and interactive

In the converging media landscape, broadcast and broadband are coming together. The number of IPTV subscriptions worldwide is now more than 50 million. China, France and the US have particularly high IPTV subscription numbers today. We believe that the uneven spread of IPTV subscriptions in different regions is going to continue.

The worldwide digital TV market is growing rapidly.

With a broad suite of open standards-based products, we offer high-quality solutions for digital TV, HDTV, video on demand, IPTV, mobile TV, connected home and content management.

High-performance solutions

High-performance video means large amounts of traffic in the networks. This can be handled with our media distribution solution for video delivery over IP, combining a content distribution network with our TV portfolio.

Our IPTV network infrastructure offers a verified end-to-end solution from video headend to broadband access, optimized for multi-stream HD-IPTV and on-demand video services. The solution also offers support for video to mobile handsets over HSPA and LTE networks.

Ericsson's multiscreen TV solution combines the full features of IPTV, mobile TV and web TV with a common user interface. It fully integrates fixed line and wireless media for the first time.

Business consulting, systems integration and implementation ensure a smooth launch of new TV infrastructure and services.

CONSUMER AND BUSINESS APPLICATIONS

In today's environment, basic services come under pressure from competition. To secure differentiation and profitability, we help operators to enhance revenues and subscriber retention. Our solutions include messaging, service exposure, connectivity to social media, location-based services, media, brokering, internet commerce and enterprise applications.

Interaction and collaboration

Our Business Communication Suite (BCS) is a software-as-a-service, targeting the enterprise market. It enables the sharing of voice, data and messaging in a collaborative environment.

Ericsson Money Services offers end-to-end mobile financial services. It enables people to store, transfer and withdraw money, as well as making payments, via their mobile handsets.

Our multimedia brokering solution facilitates payment and distribution of content. We act as the interface between enterprises and multiple mobile operators with consumer data and services such as SMS.

EFFICIENCY ALWAYS WINS

Operators are constantly thinking about the competition. Will the big beat the small? The fast beat the slow? Who will prevail?

One thing is for sure: efficiency always wins. That's where we come in.

20%

MANAGED SERVICES CAN REDUCE NETWORK OPERATING EXPENSES BY 20%.

2011 HIGHLIGHTS

JANUARY-MARCH

- World speed record on a commercial HSPA network is set, at 168Mbps downlink and 24Mbps in the uplink.
- Ericsson is selected by Telefónica O2 UK to perform network modernization in the North of the UK.
- du in the UAE signs a five-year managed services contract with Ericsson to deliver application development and maintenance for its IT application landscape.
- Ericsson, Verizon Wireless and Samsung demonstrate Voice over LTE (VoLTE), a global, interoperable voice solution for LTE mobile broadband networks.
- The new Antenna Integrated Radio (AIR) product is launched. It cuts operational costs substantially and ensures a smooth introduction of new technologies and frequency bands.
- Ericsson announces a new generation IP networking portfolio. The first product is the Smart Services Router (SSR 8000) family for fixed and mobile broadband.
- Akamai and Ericsson announce a strategic alliance, focused on bringing to market mobile cloud acceleration solutions.

APRIL-JUNE

- Ericsson announces the acquisition of Telenor Connexion's M2M technology platform, a solution which will drive the market for M2M (machine-to-machine).
- Ericsson signs a multi-year agreement with Rogers, Canada to deliver an end-to-end LTE network.
- Clearwire in the US selects Ericsson for managed services: network engineering, operations and maintenance for core, transmission and access networks.
- Ericsson's first contract in the gaming industry is awarded by Mindark. The IMS solution enables live, high-quality voice communication between players while gaming.
- Ericsson announces the acquisition of Telcordia, a global provider of OSS/BSS software and services.
- LG U+, the first LTE service provider in Korea, places a contract with Ericsson to build an ultra-high speed LTE network.

JULY-SEPTEMBER

- Bharti Airtel signs a five-year managed services agreement with Ericsson to manage and optimize its mobile networks in Africa, as well as a separate two-year network coverage and upgrade contract.
- A consortium of technology companies, of which Ericsson is a part, wins the bid for all of Nortel's approximately 6,000 remaining patents and patent applications.
- SoftBank Mobile in Japan chooses Ericsson as sole supplier for next-generation packet core network (EPC) based on IP.
- Slovak Telekom, part of the Deutsche Telekom Group signs a five-year fixed line managed-services contract with Ericsson for field maintenance and network operations.
- MobiFone in Vietnam signs a contract with Ericsson for mobile video optimization, enabling high-quality video.
- Ericsson announces a contract with Taiwan's Chunghwa Telecom to deploy and integrate a new IPTV platform that will deliver multi-screen interactive multimedia services.
- Ericsson announces further investment in competence in the global service center in India, providing operators with support and operations of IT services.
- EastLink, Canada selects Ericsson to build a mobile broadband network for HSPA+.

OCTOBER-DECEMBER

- Augere awards India's first 4G/TD-LTE contract to Ericsson. The agreement includes an end-to-end TD-LTE solution, managed services and network operations.
- Ericsson and Open Mobile sign Latin America's first 4G/LTE contract in Puerto Rico. The deal also includes managed services.
- Ericsson and Sony announce that Sony will acquire Ericsson's 50% stake in Sony Ericsson.
- Bharti Airtel renews and expands its managed services agreement with Ericsson for its operations in India. Under the five-year agreement, Ericsson will operate, maintain and provide services for 2G and 3G in Bharti Airtel's multi-vendor network in India.

FIVE-YEAR SUMMARY

For definitions of the financial terms used, see Glossary, Financial Terminology and Exchange Rates.

FIVE-YEAR SUMMARY

SEK million	2011	Change	2010	2009	2008	2007
Income statement items						
Net sales	**226,921**	12%	203,348	206,477	208,930	187,780
Operating income	**17,900**	9%	16,455	5,918	16,252	30,646
Financial net	**221**	–	–672	325	974	83
Net income	**12,569**	12%	11,235	4,127	11,667	22,135
Year-end position						
Total assets	**280,349**	–1%	281,815	269,809	285,684	245,117
Working capital	**109,552**	4%	105,488	99,079	99,951	86,327
Capital employed	**186,307**	2%	182,640	181,680	182,439	168,456
Gross cash	**80,542**	–8%	87,150	76,724	75,005	57,716
Net cash	**39,505**	–23%	51,295	36,071	34,651	24,312
Property, plant and equipment	**10,788**	14%	9,434	9,606	9,995	9,304
Stockholders' equity	**143,105**	–1%	145,106	139,870	140,823	134,112
Non-controlling interest	**2,165**	29%	1,679	1,157	1,261	940
Interest-bearing liabilities and post-employment benefits	**41,037**	14%	35,855	40,653	40,354	33,404
Other information						
Earnings per share, basic, SEK	**3.80**	9%	3.49	1.15	3.54	6.87
Earnings per share, diluted, SEK	**3.77**	9%	3.46	1.14	3.52	6.84
Earnings per share (non-IFRS), SEK	**4.72**	–2%	4.80	2.87	4.24	7.53
Cash flow from operating activities per share, SEK	**3.11**	–63%	8.31	7.67	7.54	6.04
Cash dividends per share, SEK	**2.50** [1]	11%	2.25	2.00	1.85	2.50
Stockholders' equity per share, SEK	**44.57**	–2%	45.34	43.79	44.21	42.17
Number of shares outstanding (in millions)						
end of period, basic	***3,211***	–	3,200	*3,194*	*3,185*	*3,180*
average, basic	***3,206***	–	3,197	*3,190*	*3,183*	*3,178*
average, diluted	***3,233***	–	3,226	*3,212*	*3,202*	*3,193*
Additions to property, plant and equipment	**4,994**	35%	3,686	4,006	4,133	4,319
Depreciation and write-downs/impairments of property, plant and equipment	**3,546**	8%	3,296	3,502	3,105	2,914
Acquisitions/capitalization of intangible assets	**2,748**	–	7,246	11,413	1,287	29,838
Amortization and write-downs/impairments of intangible assets	**5,490**	–18%	6,657	8,621	5,568	5,459
Research and development expenses	**32,638**	3%	31,558	33,055	33,584	28,842
as percentage of net sales	***14.4%***	–	15.5%	*16.0%*	*16.1%*	*15.4%*
Ratios						
Operating margin excluding joint ventures	**9.6%**	–	8.7%	6.5%	8.0%	12.5%
Operating margin	**7.9%**	–	8.1%	2.9%	7.8%	16.3%
EBITA margin	**9.9%**	–	11.0%	6.7%	9.4%	18.0%
Cash conversion	**40%**	–	112%	117%	92%	66%
Return on equity	**8.5%**	–	7.8%	2.6%	8.2%	17.2%
Return on capital employed	**11.3%**	–	9.6%	4.3%	11.3%	20.9%
Equity ratio	**51.8%**	–	52.1%	52.3%	49.7%	55.1%
Capital turnover	**1.2**	–	1.1	1.1	1.2	1.2
Inventory turnover days	**78**	–	74	68	68	70
Trade receivables turnover	**3.6**	–	3.2	2.9	3.1	3.4
Payment readiness, SEK million	**86,570**	–11%	96,951	88,960	84,917	64,678
as percentage of net sales	***38.1%***	–	47.7%	*43.1%*	*40.6%*	*34.4%*
Statistical data, year-end						
Number of employees	**104,525**	16%	90,261	82,493	78,740	74,011
of which in Sweden	***17,500***	–2%	17,848	*18,217*	*20,155*	*19,781*
Export sales from Sweden, SEK million	**116,507**	16%	100,070	94,829	109,254	102,486

[1] For 2011, as proposed by the Board of Directors.

Telcordia05202

SHARE INFORMATION

STOCK EXCHANGE TRADING

The Ericsson Class A and Class B shares are listed on NASDAQ OMX Stockholm. In the United States, the Class B shares are listed on NASDAQ New York in the form of American Depositary Shares (ADS) evidenced by American Depositary Receipts (ADR) under the symbol ERIC. Each ADS represents one Class B share.

In 2011, approximately 6 (6) billion Ericsson shares were traded, of which about 3.4 billion were traded on NASDAQ OMX Stockholm and about 1.6 billion were traded on NASDAQ New York. Trading volume in Ericsson shares decreased by approximately 2% on NASDAQ OMX Stockholm and decreased by approximately 2% on NASDAQ New York compared to 2010.

(Note: The approximate total volumes include trading on alternative trading venues such as BATS Europe, Burgundy, Chi-X Europe.)

THE ERICSSON SHARE

Share listings	
NASDAQ OMX Stockholm	
NASDAQ New York	
Share data	
Total number of shares in issue	3,273,351,735
of which Class A shares	261,755,983
of which Class B shares	3,011,595,752
Ericsson treasury shares, Class B	62,846,503
Quotient value	SEK 5.00
Market capitalization, December 31, 2011	approx. SEK 230 b.
GICs (Global Industry Classification)	45201020
Ticker codes	
NASDAQ OMX Stockholm	ERIC A ERIC B
NASDAQ New York	ERIC
Bloomberg NASDAQ OMX Stockholm	ERICA SS ERICB SS
Bloomberg NASDAQ	ERIC US
Reuters NASDAQ OMX Stockholm	ERICa.ST ERICb.ST
Reuters NASDAQ	ERIC.O
ISIN	
ERIC A	SE0000108649
ERIC B	SE0000108656
ERIC	US2948216088
CUSIP	294821608

CHANGES IN NUMBER OF SHARES AND CAPITAL STOCK 2007–2011

		Number of shares	Share capital
2007	December 31	16,132,258,678	16,132,258,678
2008	June 2, reverse split 1:5	3,226,451,735	16,132,258,678
2008	July 23, new issue (Class C shares, later converted to Class B)	19,900,000	99,500,000
2008	December 31	3,246,351,735	16,231,758,678
2009	June 8, new issue (Class C shares, later converted to Class B)	27,000,000	135,000,000
2009	December 31	3,273,351,735	16,366,758,678
2010	December 31	3,273,351,735	16,366,758,678
2011	December 31	3,273,351,735	16,366,758,678

SHARE PERFORMANCE INDICATORS

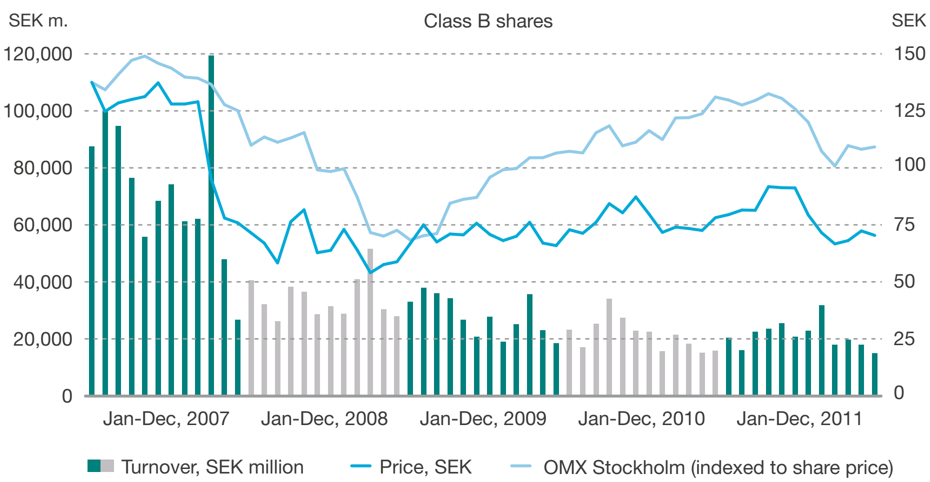
	2011	2010	2009	2008	2007 [1]
Earnings per share, diluted (SEK) [2]	**3.77**	3.46	1.14	3.52	6.84
Earnings per share, diluted non-IFRS (SEK) [3]	**4.72**	4.80	2.87	4.24	7.53
Operating income per share (SEK) [4] [5]	**5.58**	7.42	5.80	7.50	9.64
Cash flow from operating activities per share (SEK) [4]	**3.11**	8.31	7.67	7.54	6.04
Stockholders' equity per share, basic, end of period (SEK) [6]	**44.57**	45.34	43.79	44.21	42.17
P/E ratio	**19**	22	57	17	11
Total shareholder return (%)	**–7**	22	15	–20	–43
Dividend per share (SEK) [7]	**2.50**	2.25	2.00	1.85	2.50

1) 2007 restated for reverse split 1:5 in 2008.
2) Calculated on average number of shares outstanding, diluted.
3) EPS, diluted, excluding amortizations and write-downs of acquired intangible assets, SEK.
4) Calculated on average number of shares outstanding, basic.
5) For 2010, 2009 and 2008 excluding restructuring charges.
6) Calculated on number of shares, end of period.
7) For 2011 as proposed by the Board of Directors.
For definitions of the financial terms used, see Glossary, Financial Terminology and Exchange Rates.

SHARE TREND

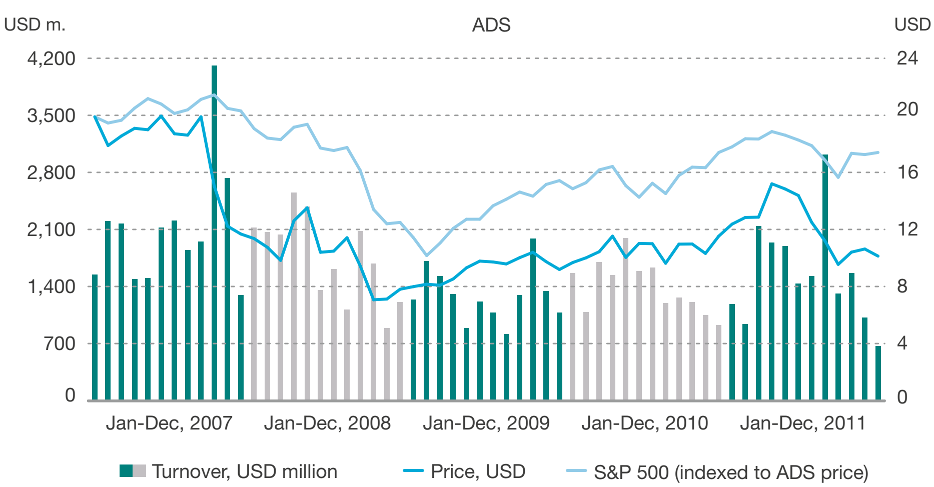
In 2011, Ericsson's total market capitalization decreased by about 10% to SEK 230 billion, compared to an increase by 18% reaching SEK 255 billion in 2010. The OMX Stockholm Index on NASDAQ OMX Stockholm decreased by 17% and the NASDAQ composite index decreased by 2%. The S&P 500 Index remained at the same level as in 2010.

SHARE TURNOVER AND PRICE TREND, NASDAQ OMX STOCKHOLM



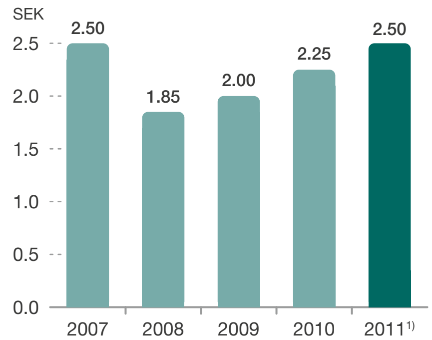
Volumes reflect trading on NASDAQ OMX Stockholm only.

SHARE TURNOVER AND PRICE TREND, US MARKET



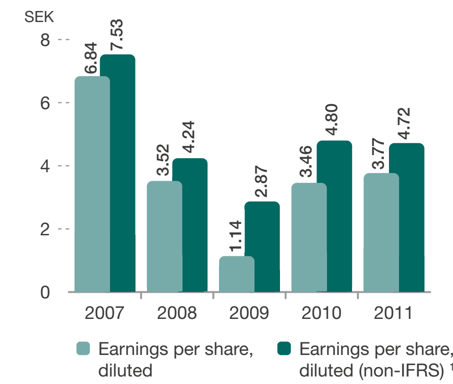
Volumes reflect trading on NASDAQ New York only.

DIVIDEND PER SHARE



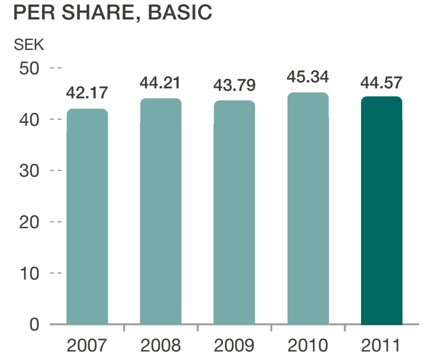
[1] For 2011 as proposed by the Board of Directors.

EARNINGS PER SHARE, DILUTED



[1] EPS, diluted, excl. amortizations and write-downs of acquired intangible assets, SEK.

STOCKHOLDERS' EQUITY PER SHARE, BASIC



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OFFER AND LISTING DETAILS

Principal trading market – NASDAQ OMX Stockholm – share prices

The table below states the high and low share prices for our Class A and Class B shares as reported by NASDAQ OMX Stockholm for the last five years. Trading on the exchange generally continues until 5:30 p.m. (CET) each business day. In addition to trading on the exchange there is also trading off the exchange and on alternative venues during trading hours and also after 5:30 p.m. (CET).

NASDAQ OMX Stockholm publishes a daily Official Price List of Shares which includes the volume of recorded transactions in each listed stock, together with the prices of the highest and lowest recorded trades of the day. The Official Price List of Shares reflects price and volume information for trades completed by the members. The equity securities listed on the NASDAQ OMX Stockholm Official Price List of Shares currently comprise the shares of 259 companies.

Host market NASDAQ New York – ADS prices

The table below states the high and low share prices quoted for our ADSs on NASDAQ New York for the last five years. The NASDAQ New York quotations represent prices between dealers, not including retail mark-ups, markdowns or commissions, and do not necessarily represent actual transactions.

SHARE PRICES ON NASDAQ OMX STOCKHOLM

(SEK)	2011	2010	2009	2008	2007 [1]
Class A at last day of trading	**69.55**	74.00	65.00	59.30	76.80
Class A high (May 16, 2011)	**93.60**	88.40	78.80	83.60	148.50
Class A low (October 4, 2011)	**59.05**	65.20	55.40	40.60	73.00
Class B at last day of trading	**70.40**	78.15	65.90	58.80	75.90
Class B high (May 12, 2011)	**96.65**	90.45	79.60	83.70	149.50
Class B low (October 4, 2011)	**61.70**	65.90	55.50	40.60	72.65

[1] 2007 restated for reverse split 1:5 in 2008.

SHARE PRICES ON NASDAQ NEW YORK

(USD)	2011	2010	2009	2008	2007 [1]
ADS at last day of trading	**10.13**	11.53	9.19	7.81	11.68
ADS high (May 10, 2011)	**15.44**	12.39	10.92	14.00	21.71
ADS low (October 4, 2011)	**8.83**	9.40	6.60	5.49	11.12

[1] 2007 restated for reverse split 1:5 in 2008.

SHARE PRICES ON NASDAQ OMX STOCKHOLM AND NASDAQ NEW YORK

	NASDAQ OMX Stockholm				NASDAQ New York	
	SEK per Class A share		SEK per Class B share		USD per ADS [1]	
Period	High	Low	High	Low	High	Low
Annual high and low						
2007 [2]	148.50	73.00	149.50	72.65	21.71	11.12
2008	83.60	40.60	83.70	40.60	14.00	5.49
2009	78.80	55.40	79.60	55.50	10.92	6.60
2010	88.40	65.20	90.45	65.90	12.39	9.40
2011	93.60	59.05	96.65	61.70	15.44	8.83
Quarterly high and low						
2010 First Quarter	78.70	65.20	80.00	65.90	11.33	9.40
2010 Second Quarter	88.40	73.00	90.45	74.15	12.39	9.51
2010 Third Quarter	86.55	69.00	89.35	70.85	12.20	9.62
2010 Fourth Quarter	77.05	66.95	79.95	68.85	11.71	9.96
2011 First Quarter	80.05	70.50	83.00	73.25	13.06	10.99
2011 Second Quarter	93.60	73.00	96.65	75.30	15.44	12.06
2011 Third Quarter	91.80	60.50	93.80	63.15	14.82	9.33
2011 Fourth Quarter	71.50	59.05	72.55	61.70	11.25	8.83
Monthly high and low						
August 2011	78.50	60.80	81.40	63.15	12.75	10.08
September 2011	70.10	60.50	73.30	63.65	11.51	9.33
October 2011	69.95	59.05	72.20	61.70	11.25	8.83
November 2011	71.25	62.00	72.55	64.35	10.88	9.16
December 2011	71.50	65.60	71.85	64.75	10.54	9.27
January 2012	72.00	59.25	71.90	58.15	10.53	8.58

[1] One ADS = 1 Class B share.
[2] 2007 restated for reverse split 1:5 in 2008.

SHAREHOLDERS

As of December 31, 2011, the Parent Company had 592,542 shareholders registered at Euroclear Sweden AB (the Central Securities Depository – CSD), of which 1,320 holders had a US address. According to information provided by Citibank, there were 211,822,341 ADSs outstanding as of December 31, 2011, and 4,702 registered holders of such ADSs. A significant number of Ericsson ADSs are held by banks, broker and/or nominees for the accounts of their customer. As of January 12, 2012, the total number of bank, broker and/or nominee accounts holding Ericsson ADSs was 168,430.

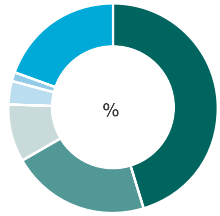
According to information known at year-end 2011, approximately 80% of our Class A and Class B shares were owned by institutions, Swedish and international.

Our major shareholders do not have different voting rights than other shareholders holding the same classes of shares.

As far as we know, the Company is not directly or indirectly owned or controlled by another corporation, by any foreign government or by any other natural or legal person(s) separately or jointly.

GEOGRAPHIC OWNERSHIP BREAKDOWN

Percent of capital



Geographical breakdown of share capital including retail shareholders and treasury shares.
Source: Capital Precision

THE EXECUTIVE LEADERSHIP TEAM AND BOARD MEMBERS, OWNERSHIP

	Number of Class A shares	Number of Class B shares	Voting rights, percent
The Executive Leadership Team and Board members as a group (32 persons)	750	3,712,484	0.07

For individual holdings, see Corporate Governance Report.

The table shows the total number of shares in the Parent Company owned by the Executive Leadership Team and Board members (including Deputy employee representatives) as a group as of December 31, 2011.

The following table shows share information, as of December 31, 2011, with respect to our 15 largest shareholders, ranked by voting rights, as well as percentage of voting rights as of December 31, 2011, 2010 and 2009.

LARGEST SHAREHOLDERS, DECEMBER 31, 2011 AND PERCENTAGE OF VOTING RIGHTS, DECEMBER 31, 2011, 2010 AND 2009

Identity of person or group [1]	Number of Class A shares	Of total Class A shares, percent	Number of Class B shares	Of total Class B shares, percent	2011 Voting rights, percent	2010 Voting rights, percent	2009 Voting rights, percent
Investor AB	115,018,707	43.94	58,709,995	1.95	21.48	19.33	19.33
AB Industrivärden	80,708,520	30.83	0	0.00	14.34	13.80	13.62
Handelsbankens Pensionsstiftelse	23,648,790	9.03	0	0.00	4.20	3.52	3.52
Swedbank Robur Fonder AB	1,501,376	0.57	141,913,401	4.71	2.79	2.73	3.07
AFA Försäkring AB	11,423,000	4.36	15,779,975	0.52	2.31	0.45	0.47
Blackrock Fund Advisors	26,316	0.01	82,156,094	2.73	1.46	1.44	1.81
Pensionskassan SHB Försäkringsförening	7,798,000	2.98	0	0.00	1.39	2.07	2.25
Skandia Liv	6,327,567	2.42	13,372,958	0.44	1.36	2.98	3.02
AMF Pensionsförsäkring AB	0	0.00	75,600,000	2.51	1.34	1.34	1.30
Norges Bank Investment Management	0	0.00	69,572,027	2.31	1.24	0.89	0.89
OppenheimerFunds, Inc.	0	0.00	67,628,249	2.25	1.20	1.29	1.29
Aberdeen Asset Managers Ltd.	0	0.00	58,953,636	1.96	1.05	1.01	0.71
Dodge & Cox, Inc.	0	0.00	54,067,771	1.80	0.96	1.43	1.05
Handelsbanken Fonder AB	0	0.00	54,063,621	1.80	0.96	1.05	0.94
SEB Investment Management AB	119,860	0.05	48,162,614	1.60	0.88	0.99	0.89
Others	15,183,847	5.80	2,271,615,411	75.43	43.05	45.68	45.84
Total	**261,755,983**	**100.00**	**3,011,595,752**	**100.00**	**100.00**	**100.00**	**100.00**

[1] Source: Capital Precision.

LETTER FROM LEIF JOHANSSON

Dear shareholders,

Thank you for electing me Chairman of the Board of Ericsson. I have spent my first year here improving my understanding of Ericsson's competitive advantages.

With my engineering background and passion for the field, I thought I had a reasonably good understanding of how a mobile network operates. Over the past year, I have been fascinated to realize that the architecture of a mobile system is much deeper and more complex than I imagined. This is especially true in areas where mobile systems connect with the internet. Ericsson has managed to strengthen its leading position in this industry which proves the Company's unique technology leadership.

Ericsson is not only a high-tech, skilled software and engineering company. The Company also has genuine skills in broader communication systems, processes and of course services operations. The Board is pleased that Ericsson emerged from 2011 as a stronger competitor and with its clear vision on how to be part of and where to take the industry, Ericsson is positioned to continue to be its global thought leader.

Close to the customer

Over the past year, the Board of Directors has spent time reviewing Ericsson's strategy as well as the development of the industry. Key topics have included how telecom operators' business models are transforming, with new traffic patterns, driven by devices such as smartphones and tablets. Another important topic has been how our organizational structure can secure that Ericsson always stays close to the customer. A key competitive advantage for Ericsson is its ability to really understand and support telecom operators in developing their business models and optimizing their assets.

The economic environment, and its potential impact on Ericsson and its customers, has of course also been a part of our meetings. It is important for the Board of Directors to follow the contingency plans that the management team has prepared to be able to adapt quickly to tougher times when needed. We are confident that such plans are in place and operating where appropriate.

Divestment of Sony Ericsson

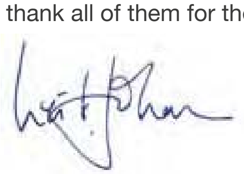
In 2011, we took the decision to divest our 50% share in Sony Ericsson to Sony Corporation. The transaction is a logical strategic step that makes it possible for Ericsson to focus on enabling connectivity for all devices.

The Board of Directors continued to monitor the Company's remuneration principles during the year. We believe that Ericsson has a well-balanced and competitive compensation structure which rewards performance. At the Annual General Meeting 2011 the incentive targets for the Executive Performance Stock Plan were changed. They now relate to top-line growth as well as operating income and cash flow performance. This Performance Plan runs for three years, so it is too early to evaluate it. However, our impression is that the Plan targets are clear, relevant and have the desired effect of focusing everyone on the same key goals for Ericsson.

Strong financial position

An essential part of the Board's responsibilities is to manage the Company's financial position. The Company has a strong balance sheet today and we believe it is appropriate to be fairly conservative under the present economic conditions. We want to use cash on hand to further develop the Company, making investments in own product and business development. In addition, we will, as before, consider selective acquisitions. The Company's dividend policy takes into account last year's earnings and balance sheet structure, as well as coming years' business plans and economic development.

I have greatly enjoyed my first year at Ericsson. I have been kindly welcomed and I have liked interacting with everyone at Ericsson. It is never by chance that companies become successful. I am impressed with the professionalism and perseverance I have found among Ericsson people and want to thank all of them for their dedication and hard work.



Leif Johansson
Chairman of the Board

BOARD OF DIRECTORS' REPORT

CONTENTS

The non-IFRS financial measures presented herein are not recognized measures of financial performance under IFRS, but rather are measures reported to facilitate analysis by indicating Ericsson's underlying performance excluding impact from restructuring. Non-IFRS measures have limitations as analytical tools and should not be viewed in isolation or as substitutes to the IFRS measures. A reconciliation of non-IFRS measures with the IFRS results can be found on page 26.

TARGETS AND PERFORMANCE

Ericsson's overall goal is to create shareholder value.

Management uses four metrics to evaluate the Company's long-term ambitions: sales growth faster than the market, a best-in-class operating margin, growth in joint ventures' earnings and a strong cash conversion. The Board of Directors has translated these metrics into three performance criteria in the Executive Performance Stock Plan, included in the Company's Long-Term Variable (LTV) remuneration program. These performance criteria have also been approved by the Annual General Meeting.

Long-term ambitions

GROW FASTER THAN THE MARKET

Early internal market data indicates that Ericsson increased its market share in mobile network equipment by 6 percentage points to 38% in 2011, reaching twice the market size of the second largest supplier in this market. This includes the technologies GSM/EDGE, WCDMA/HSPA, CDMA and LTE.

LTE technology is in an early build-out phase. Ericsson estimates its market share in LTE at more than 60%. This makes Ericsson the largest supplier of LTE.

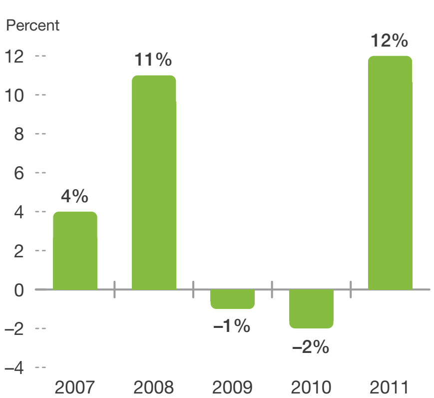
With its CDMA offering, Ericsson has a strong position in North America, where the Company increased its market share in 2011.

In telecom services, internal market data indicates that the Company at least kept its market share of more than 10% and is larger than any of its competitors in this fragmented market.

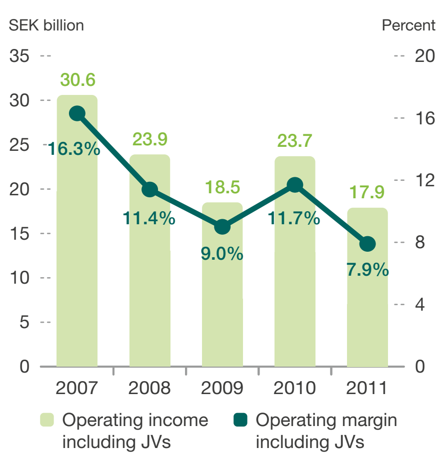
BEST-IN-CLASS OPERATING MARGIN

The Company's operating margin before share in JV earnings was 9.6% (12.0%). The 2010 number excludes restructuring charges. In 2010, operating margin was 8.7% before share in JV

REVENUE GROWTH

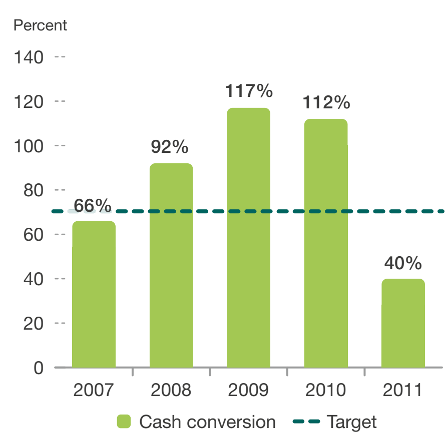


PROFITABILITY



2008–2010, excluding restructuring charges
2007 and 2011 including restructuring charges

CAPITAL EFFICIENCY



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earnings and including restructuring charges. Based on reported results for 2011, the operating margin remains the highest among the Company's traditional publicly listed telecom competitors.

GROWTH IN JV EARNINGS

Joint ventures' earnings decreased to SEK –3.8 (–0.7) billion. The figure for 2011 includes restructuring charges of SEK 0.6 billion, while 2010 excludes restructuring charges of SEK 0.5 billion. Ericsson's share in earnings from Sony Ericsson was SEK –1.2 (0.9) billion, including restructuring charges in 2011 and excluding restructuring charges in 2010. The share in earnings in ST-Ericsson was SEK –2.7 (–1.5) billion, including restructuring charges in 2011 and excluding restructuring charges in 2010.

Sony Ericsson's loss related to intense competition, price erosion, restructuring charges and supply chain issues following the earthquake and tsunami in Japan. In October 2011, Ericsson announced the divestment of its 50% share in Sony Ericsson to Sony Corporation.

ST-Ericsson is in a transitional phase, moving from legacy products to new products.

STRONG CASH CONVERSION

The cash conversion rate was 40% (112%), negatively impacted by higher working capital.

Cash conversion is defined as cash flow from operating activities divided by net income reconciled to cash.

Executive Performance Stock Plan

The Company has a Long-Term Variable (LTV) remuneration program. The program builds on a common platform, but consists of three separate plans, targeting all employees, key contributors and senior managers respectively. The LTV program is designed to encourage long-term value creation in alignment with shareholders' interests.

The aim of the plan for senior managers is to attract, retain and motivate executives in a competitive market through performance-based share related incentives and to encourage the build-up of significant equity stakes. The performance criteria for senior management, i.e. the Executive Performance Stock Plan, are revised yearly and approved by the Annual General Meeting. Performance criteria for the 2012 Executive Performance Stock Plan will be communicated in the notice to the Annual General Meeting.

In the 2011 Executive Performance Stock Plan the performance criteria are:

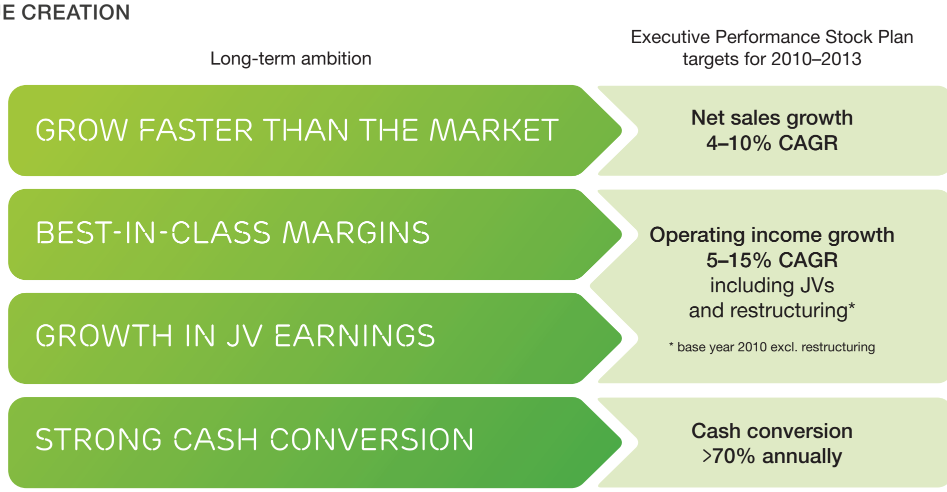
1. Up to one third of the award will vest if the compound annual growth rate of consolidated net sales is 4–10% from 2010 to 2013.
2. Up to one third of the award will vest if the compound annual growth rate of consolidated operating income, including earnings in joint ventures and restructuring, is 5–15% from 2010 to 2013. Base year 2010 is calculated excluding restructuring of SEK 6.8 billion.
3. Up to one third of the award will vest if cash conversion is at or above 70% during each of the years 2011–2013, vesting one ninth of the total award for each year if the target is achieved. The target was not reached in 2011.

The Board of Directors will consider the impact of larger acquisitions, divestments, the creation of joint ventures and any other significant capital event on the three targets on a case-by-case basis. This consideration will be made in the evaluation of the program after it closes.

Working capital targets

Ericsson's working capital targets are described on pages 28–29. The targets remain for 2012.

SHAREHOLDER VALUE CREATION



Other performance indicators

Ericsson believes that satisfied customers and motivated employees are key to success.

CUSTOMER SATISFACTION

Every year, an independent customer satisfaction survey is performed. In 2011 approximately 10,000 representatives of Ericsson customers, in different positions around the world, were polled to assess their satisfaction with Ericsson, compared to its main competitors. Over the past five years, Ericsson has maintained a level of excellence. The goal is to increase this level further.

EMPLOYEE ENGAGEMENT

In order to measure employee engagement, an annual survey is conducted by an independent company. In 2011, 90% (87%) of all employees across the world responded to the survey.

In the Employee Engagement Index, Ericsson scored 77, which is 10% higher than the worldwide average. This is a globally-recognized benchmark which is used by more than 190 companies with over 7 million respondents. It incorporates measurements of motivation, satisfaction and commitment.

VISION AND MISSION

Ericsson's vision and mission are the motivation behind everything the Company does.

Vision

The Company's vision is to be the prime driver in an all-communicating world. Ericsson envisions a continued evolution, from having connected 6 billion people to connecting 50 billion 'things'. The Company envisions that anything that can benefit from being connected will be connected, mainly via mobile broadband.

Mission

The Company's mission is "Innovating to empower people, business and society".

CORE VALUES

Respect, professionalism and perseverance are the values that are the foundation of the Ericsson culture. They guide all employees in their daily work, how they relate to people and how they do business.

TRENDS AND DRIVERS

The general industry trend in 2011 was the focus on high performance broadband networks. This includes the mobile broadband business case for customers, meeting increased user demands and the strong uptake of mobile devices such as tablets and smartphones.

Prices of smartphones continued to decline and in high growth markets, smartphones at a retail price of less than USD 100 were introduced. Operators started to look into tiered pricing and new business models for mobile broadband, as well as the introduction of cloud-based services. In Europe, operators started to modernize their mobile networks, while it became an increasing interest among operators globally to transform their Operations Support Systems (OSS) and Business Support Systems (BSS).

When forecasting the market and developing internal plans, Ericsson looks at a number of parameters. These include:

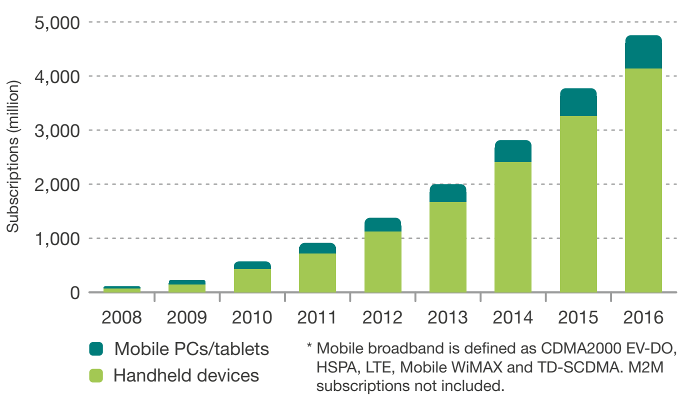
- High-traffic smartphone subscriptions, as percentage of total subscriptions
- Average data traffic, measured in Mbytes per subscription per month
- Mobile broadband subscriptions as percentage of total mobile subscriptions.

Out of the installed base of subscriptions worldwide only around 10% use smartphones. With cheaper smartphones being introduced, this number is expected to grow.

Ericsson estimates that overall mobile data traffic more than doubled in 2011. Mobile data traffic is expected to grow tenfold by end of 2016, mainly driven by video.

Traffic per subscriber partly relates to the screen size of the device. On average, a mobile PC user generates about 2

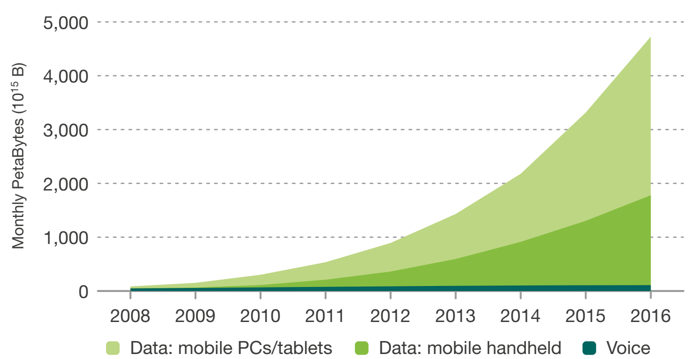
MOBILE BROADBAND SUBSCRIPTIONS TO REACH ALMOST 5 BILLION BY END OF 2016



* Mobile broadband is defined as CDMA2000 EV-DO, HSPA, LTE, Mobile WiMAX and TD-SCDMA. M2M subscriptions not included.

Source: Ericsson estimate, April 2011

VOICE AND DATA TRAFFIC TO INCREASE 10 TIMES BY END OF 2016



Source: Ericsson estimate, April 2011

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Gbytes of data per month, while a high-traffic smartphone user generates approximately 500 Mbytes per month.

The coverage of the world's mobile networks is constantly increasing as more radio base stations are being deployed. GSM/EDGE is the technology that by far has the widest reach, and today covers more than 85% of the world's population. WCDMA/HSPA covered about 35% of the population in 2010 and now covers more than 45% of the world's population.

Further build out of WCDMA/HSPA coverage will be driven by the availability of affordable smartphones, the surge in mobile broadband services and faster speeds, as well as regulators' requirements to connect unconnected people. By end of 2016, the Company estimates that 80% of the world's population will have WCDMA/HSPA coverage.

The combined 2G and 3G population coverage for CDMA is estimated to be above 50%. CDMA coverage is expected to grow slightly, and most large CDMA operators have announced a migration plan to LTE.

Several major operators have started LTE deployments but in terms of population coverage LTE has a long way to go. In five years' time, it is expected that LTE will have a population coverage of about 35%. In terms of global operator investments, WCDMA/HSPA is expected to remain the leading mobile access technology for many years.

From a geographical perspective, GSM only lacks coverage in certain rural areas, while there are still large densely populated areas lacking WCDMA/HSPA coverage.

GSM/EDGE, WCDMA/HSPA and LTE are all expected to increase both in terms of population and land coverage. LTE is expected to have an even faster adoption rate than previous technologies.

STRATEGY

By capitalizing on, investing in, developing and combining the Company's key competitive assets of technology leadership, services leadership and global presence and scale, Ericsson aims to continue to be the prime driver in the evolving telecom industry and a leading player in the ICT industry.

The installed base of radio access is the foundation for Ericsson's business. From the installed base, the Company believes it can expand the product base to other domains such as IP, core, OSS and BSS. Over the past ten years, the Company has built a significant services business, representing 37% of total revenues in 2011.

The services strategy starts with the product base and product-near services. By being successful in areas such as managed services (i.e. operators outsourcing network operations to the Company), consulting and systems integration, the Company gets yet another entry point to the market, which is an opportunity to generate more business.

Cost awareness is an everyday component in the Company. Keeping up with competition from low cost countries has required Ericsson to focus on operational efficiency in every part of the business.

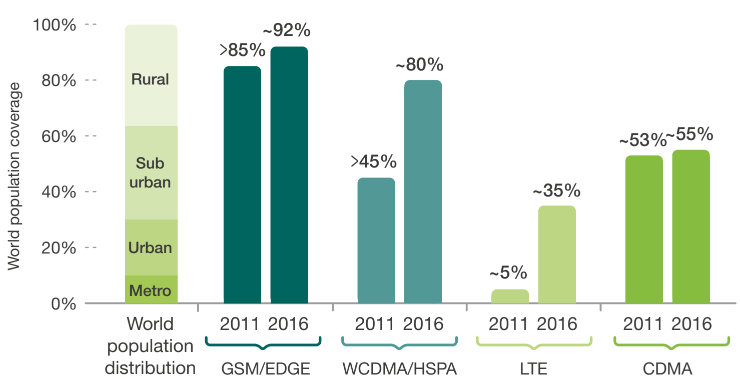
Global presence and scale

With business in more than 180 countries, the Company has a strong global presence. Ericsson does business with all major operators. Ericsson's customers have, to a large extent, multi-country presence. All this, in combination with its leading market position, gives Ericsson important scale advantages.

The Company has secured a mobile network market share of 43% in the world's 100 largest cities. This is important for future business, since close to 60% of the world's traffic in mobile networks is estimated to be generated in metro and urban areas by 2016.

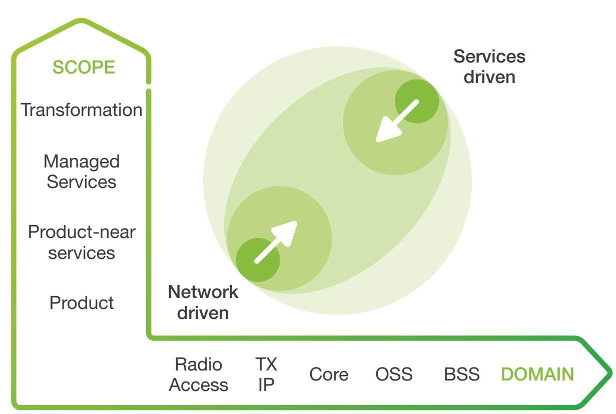
Ericsson has established common ways of working across the Company. These include global IT tools, one sales channel across all segments and global knowledge sharing, which creates efficiencies and enable quick responses to customer requests.

COVERAGE GROWTH IN WCDMA/HSPA AND LTE



Source: Ericsson estimate, December 2011

GROWING BY LEVERAGING INSTALLED BASE



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Technology leadership

Key for success in the telecom industry is the delivery of future-proof, high-quality networks and solutions. The consumer experience is crucial for any operator. In addition, telecom operators want suppliers who can guarantee the entire eco-system, from applications, solutions and networks to handsets and mobile broadband modules.

To keep its technology leadership, Ericsson invested SEK 32.6 billion, including restructuring charges, in R&D in 2011. This compares with SEK 29.9 billion in 2010, excluding restructuring charges. The Company took a strategic decision to increase R&D spending in 2011 in order to develop its new family of Smart Services Router (SSR 8000) products, TD-LTE and a CDMA unit for the radio base station RBS 6000.

Ericsson focuses on optimizing networks and making them function well under high traffic loads. Every product and device from any supplier must be optimized for best network performance.

Most of the Company's R&D investment is in software development. With smarter software, algorithms, processes and designs, Ericsson secures that its networks and solutions have the industry's best performance.

By investing in R&D, the Company maintains its position as the key contributor in the development of open telecom standards. Ericsson believes it is the strongest holder of essential patents in the wireless industry. Since these standards are developed in industry-wide collaboration to ensure multi-vendor interoperability, patent holders waive their monopolies and commit to licensing their part of the technology to others wanting to use it. The Company complies with fair, reasonable and non-discriminatory licensing (FRAND). This fair return licensing provides incentive to make further investments in R&D, while also allowing for new entrants to commercialize the technology at a reasonable cost. International standards and FRAND licensing are fundamental for the telecom ecosystem and are a prerequisite for the global success of mobile communications.

In R&D as well as in other areas, Ericsson has high cost awareness. Over several years, the Company has developed common software and hardware stacks as well as common components and platforms, all of which reduce cost.

Services leadership

Local services competence and highly skilled project leaders are both prerequisites for success in telecom services. Ericsson has invested USD 1 billion in processes, methods and tools in order to secure common global frameworks and ways of working. Standardization of services, tools harmonization, centralization of deliveries and high competence in the delivery organization are all essential in order to drive quality and profitability.

Employees

Ericsson strives to have the best talent base in the industry. To achieve this, the Company has four objectives:

- **To attract the best talent**
  Ericsson is strengthening its employer brand, to ensure fast, effective recruitment processes.
- **To have the right talent in the right place**
  The Company is developing a holistic career and competence model to help employees understand available career paths. Ericsson encourages more rotation to allow employees to take on new challenges.
- **To ensure high performance at all times**
  Ericsson has clear goals and objectives and conveys an understanding of how each individual can contribute to reach these goals. Managers and employees alike should give and receive feedback.
- **To maintain a strong leadership bench**
  Ericsson has clear processes in place to identify talent. Today's managers have a responsibility to cultivate tomorrow's leaders, and are encouraged to do so.

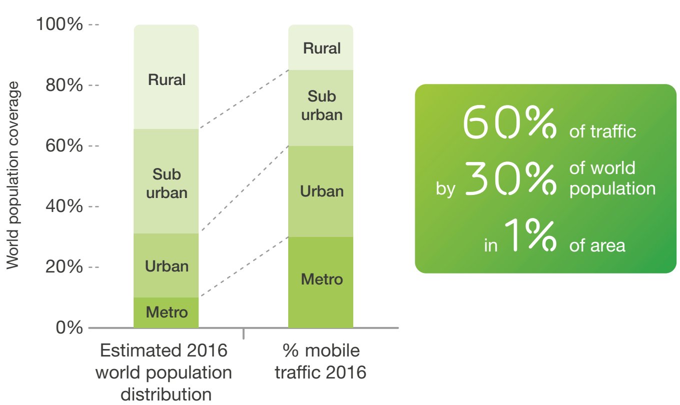
BUSINESS FOCUS 2011

Portfolio momentum

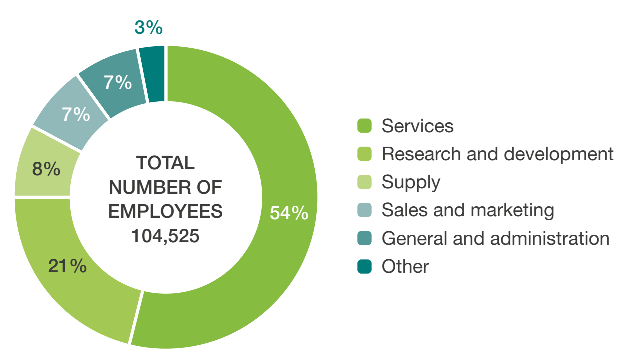
MEETING DEMAND FOR MOBILE BROADBAND

In 2011, there was a high demand for mobile broadband-related equipment including packet core, IP routers and microwave-based backhaul. Ericsson continued its ramp-up of the multi-standard radio base station RBS 6000. At year-end, the

CITIES EXPECTED TO GENERATE MOST FUTURE MOBILE TRAFFIC GROWTH



EMPLOYEES BY PROFESSION



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RBS 6000 represented close to 100% of all deliveries of GSM/WCDMA/LTE radio base stations. This is the quickest product introduction ever in the Company's history. The introduction has been smooth.

In March 2011, Japan was hit by the tragic earthquake and tsunami. To mitigate effects on the business, Ericsson took action immediately such as securing component supply from new sources and re-designing products. By the third quarter, all remaining supply chain effects had been eliminated and lead time was back to normal.

MOMENTUM FOR MANAGED SERVICES

Recognizing that quality of service is becoming increasingly important, operators saw the need to differentiate themselves from competition by deploying superior, scalable networks emphasizing better user experience and quality. This also drove demand for services which target the operational efficiency of operators, such as managed services.

MOMENTUM IN OSS AND BSS

Operators focused on transforming their BSS solutions, including customer segmentation models, and ways to handle data growth and tiered pricing. Many operators started looking into the transformation of their OSS solutions, although few have reached the deployment phase.

Market share gain

Early internal market data indicates that Ericsson gained market share in mobile network equipment by 6 percentage points to 38%, thanks to a combination of winning new customers and growing existing customers.

In Europe, network modernization is under way. Ericsson took a strategic decision to increase its market share in Europe when operators started to look into modernizing their networks, despite initial pressure on Group margins. The mobile networks in Europe are the world's oldest and the reduced power consumption in modern equipment alone makes it a good business case for operators to replace old equipment with new. When operators in Europe deployed 3G some ten years ago, Ericsson could not afford the customer financing requirements and lost market share in 3G versus 2G. In the European network modernization, Ericsson's strategy in 2011 has been to win back 3G market share.

Acquisitions, partnerships and divestments

- Telcordia, announced acquisition for USD 1.15 billion in an all cash consideration, filling portfolio gaps in OSS and BSS
- Akamai, partnership in mobile cloud accelerator
- Sony Ericsson, divestment of the 50% share to Sony
- Telenor Connexion, acquisition of machine-to-machine platform
- Nortel, acquisition of GDNT in China, of patents in partnership with other companies and acquisition of their Multi-Service Switch (MSS) business.

Monetizing on the patent portfolio

In the networked society, Ericsson envisions that anything that benefits from being connected will be connected. In this scenario, Ericsson foresees new entrants to the connectivity markets, both from device and equipment manufacturers and from other industries. Since Ericsson is the strongest holder of essential patents in the wireless industry, any company that uses connectivity today requires a license to Ericsson's patents.

Ericsson has over 90 license agreements and is a net receiver of royalties. The Company's portfolio is well-licensed and gives customers good protection.

COMPETITIVE ASSETS

Global presence and scale as assets

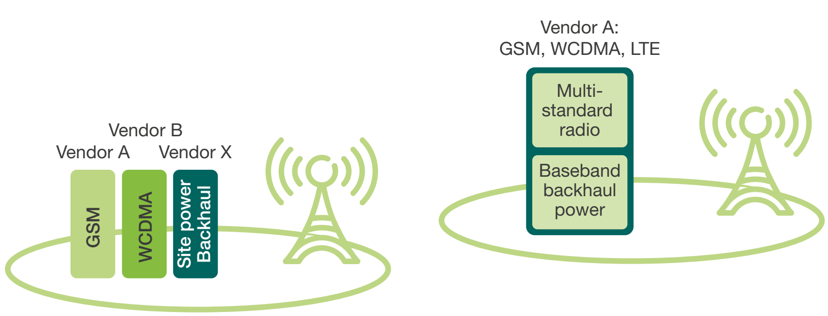
Ericsson has customers in more than 180 countries. Of 104,525 employees across the world, 56,000 are services professionals. This makes Ericsson a true global player.

Ericsson's market share in mobile network equipment makes it twice that of the number two player. This provides scale advantages.

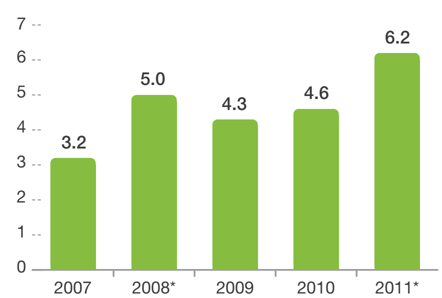
The Company has a mobile network equipment market share of 43% in the world's 100 largest cities.

More than 1.4 billion consumers are charged and billed through Ericsson's solutions. In the OSS and BSS market, the Company is aspiring to a leading position.

MULTI-STANDARD RADIO



IPR REVENUES (NET)



* One-off patent sales included

Difference between IPR revenues and reported license revenues for 2007–2009 are related to Ericsson Mobile Platforms' (EMP) revenues

Technology leadership as an asset

Ericsson has more than 22,000 employees in R&D. Measured in software revenues, Ericsson is the world's fifth largest software company. The Company has 30,000 granted patents covering all generations of mobile technologies. Ericsson believes it has the industry's strongest wireless IPR portfolio. In LTE, Ericsson expects to hold approximately 25% of all essential patents. IPR revenues were SEK 6.2 (4.6) billion in 2011.

The Company's unique combination of software and hardware provides superior performance in live networks. Measurements in live networks show that Ericsson networks have higher performance than its competitors. Ericsson's software design targets stability and optimized commercial performance in networks. In radio, The Company's software is run on proprietary hardware while in OSS and BSS the software is largely independent of hardware. In both areas, the strategy is to make the products configurable and flexible to integrate with a common platform strategy.

In 2011, Ericsson introduced its new Smart Services Router (SSR 8000) family. Volume deliveries are expected in 2012. It is the first router ever to be built on a common platform for fixed and mobile applications.

Services leadership as an asset

Ericsson estimates its market share in telecom services at over 10%, making the Company the leader in this highly fragmented market. Of Ericsson's 56,000 services professionals, some 12,000 are involved in consulting and systems integration. Many employees have been transferred from telecom operators in managed services deals over the recent years and represent an important experience base.

Ericsson provides support to networks that serve more than two billion subscribers 24/7, and has global service centers in China, India, Mexico and Romania. The Company also has ten regional service centers across the world.

In 2011, Ericsson participated in 1,200 major deployment projects, of which 100 were large and complex turnkey projects. The Company was also involved in 1,300 consulting and systems integration projects.

Ericsson has more than 15 years of experience in managed services and manages networks with 900 million subscribers.

BUSINESS MIX DYNAMICS

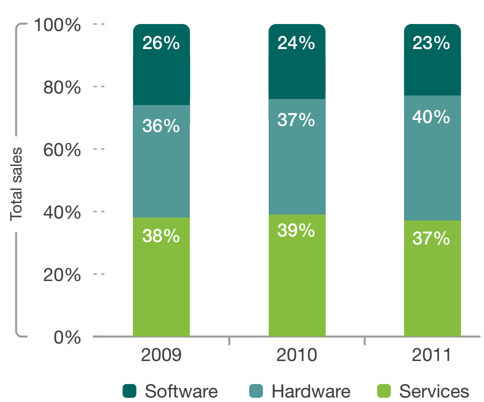
Ericsson's gross margin and the amount of capital tied up by projects vary with project type. Typically, there are two types of projects: coverage and capacity/expansions. These are to a high degree related to the mobile networks' technology cycles, which are long, normally 10 to 20 years. Coverage projects are frequent in the initial phases of a technology cycle whereas capacity/expansion projects typically occur towards the later stages of a cycle.

The initial phase of a technology cycle includes a higher degree of coverage buildouts and more rollout services. In many parts of the world, such as in Europe where networks are now being modernized, the projects are often of a turnkey character and civil works are sometimes part of the commitment. There is more hardware involved resulting in lower gross margin and a larger tie-up of capital in equipment.

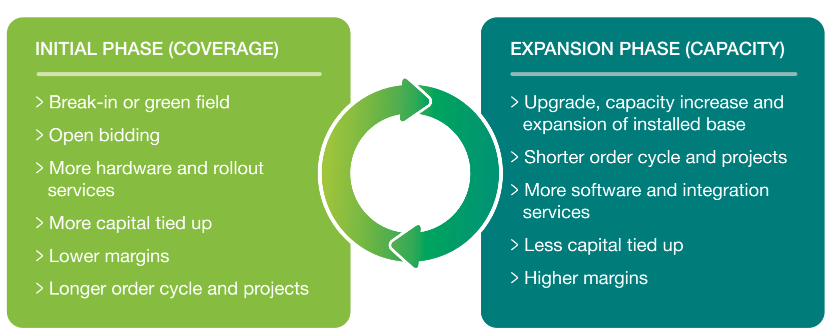
When coverage has been built and traffic in the network increases, the operator moves into the capacity/expansion phase. In this phase, capacity is increased, either by expanding a radio base station with software upgrades to higher speeds or by adding more sites. In capacity/expansion projects, the Company sells a larger share of software and integration services, which yields higher gross margins, and ties up less capital.

Ericsson is now in a phase when there is more hardware in the business mix. This is due to the technology cycle where WCDMA/HSPA, i.e. mobile broadband, is being rolled out. To a high degree, operators now deploy the new multi-standard radio base station RBS 6000. This means that a limited amount of hardware installations will be needed when operators upgrade to LTE in the future.

SOFTWARE, HARDWARE AND SERVICES: SHARE OF TOTAL SALES



BUSINESS MIX IMPACTING GROSS MARGIN



FINANCIAL RESULTS OF OPERATIONS

ABBREVIATED INCOME STATEMENT WITH RECONCILIATION IFRS – NON-IFRS MEASURES

SEK billion	IFRS 2011	IFRS 2010	IFRS 2009	Restructuring charges 2011	Restructuring charges 2010	Restructuring charges 2009	Non-IFRS measures 2011	Non-IFRS measures 2010	Non-IFRS measures 2009
Net sales	**226.9**	203.3	206.5				**226.9**	203.3	206.5
Cost of sales	**–147.2**	–129.1	–136.3	**–1.2**	–3.4	–4.2	**–146.0**	–125.7	–132.1
Gross income	**79.7**	74.3	70.2	**–1.2**	–3.4	–4.2	**80.9**	77.6	74.4
Gross margin %	**35.1%**	36.5%	34.0%				**35.7%**	38.2%	36.0%
Operating expenses	**–59.3**	–58.6	–60.0	**–2.0**	–3.5	–7.1	**–57.3**	–55.2	–52.9
Operating expenses as % of sales	**26.1%**	28.8%	29.0%				**25.3%**	27.1%	25.6%
Other operating income and expenses	**1.3**	2.0	3.1	**–**	–	–	**1.3**	2.0	3.1
Operating income before share in earnings of JVs and associated companies	**21.7**	17.6	13.3	**–3.2**	–6.8	–11.3	**24.9**	24.4	24.6
Operating margin % before share in earnings of JVs and associated companies	**9.6%**	8.7%	6.5%				**11.0%**	12.0%	11.9%
Share in earnings of JVs and associated companies	**–3.8**	–1.2	–7.4	**–0.6**	–0.5	–1.3	**–3.2**	–0.7	–6.1
Operating income	**17.9**	16.5	5.9	**–3.7**	–7.3	–12.6	**21.6**	23.7	18.5
Operating margin %	**7.9%**	8.1%	2.9%				**9.5%**	11.7%	9.0%
Financial income and expense, net	**0.2**	–0.7	0.3						
Taxes	**–5.6**	–4.5	–2.1						
Net income	**12.6**	11.2	4.1						
EPS diluted (SEK)	**3.77**	3.46	1.14				**4.72** [1]	4.80 [1]	2.87 [1]

[1] EPS, diluted (non-IFRS), excluding amortizations and write-downs of acquired intangible assets, SEK.

The non-IFRS financial measures presented herein are not recognized measures of financial performance under IFRS, but rather are measures used as supplemental information to the IFRS results. Since there were restructuring costs during 2009 and 2010 with significant impact on reported results and margins, certain income statement line items excluding restructuring charges, are presented as non-IFRS measures to facilitate analysis by indicating Ericsson's underlying performance. Non-IFRS measures have limitations as analytical tools and should not be viewed in isolation or as substitutes to the IFRS measures, and do not necessarily indicate whether cash flow will be sufficient or available to meet Ericsson's requirements, and may not be indicative of our historical operating results, nor are such measures meant to be predictive of future results. Non-IFRS measures for 2011 have also been included to facilitate comparison with previous years. For more details on the restructuring activities and corresponding charges, please see Note C5 – "Expenses by Nature".

Sales

2011 was a year with strong sales growth of 12%, driven by strong demand for mobile broadband along with network rollout services. Sales were negatively impacted by the strong SEK. Sales for comparable units, adjusted for currency exchange rate effects and hedging, increased 19%.

NET SALES, OPERATING INCOME AND OPERATING MARGIN INCLUDING JVS

* 2008–2010, excluding restructuring charges.
2007 and 2011 including restructuring charges.

In 2011, the Company executed on its strategy to leverage its strengths in the growth areas mobile broadband, managed services, OSS and BSS. Due to the technology cycle where mobile broadband is being rolled out, the business mix shifted to more coverage projects. Ericsson also implemented its strategy to capture new market share in the network modernization projects in Europe, despite their initial lower margins.

In 2011, seven out of ten regions grew. In the year, there was an impact from slower operator spending after a period of high investments in capacity, especially in North America and Russia, as well as political unrest in certain countries. In the last quarter of the year, the Company also noticed some increased operator cautiousness due to uncertainties such as economic development and continued political unrest in certain countries.

In 2011, the share of software sales declined to 23% (24%) of sales while the portion of hardware increased to 40% (37%). The increase in hardware is a result of demand for mobile broadband products. In the short term, the software share might continue to decrease due to a higher portion of projects with a lot of hardware. Longer term, the software part should increase following more expansions and upgrades of networks.

Services sales amounted to 37% (39%) in 2011.

Seasonality

The Company's quarterly sales, income and cash flow from operations are seasonal in nature, 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	–21%	8%	–4%	27%
Share of annual sales	23%	24%	23%	30%

Financial numbers in this section are reported:
- for 2011, including restructuring charges
- for 2010, excluding restructuring charges.

Gross margin

Gross margin declined to 35.1% (38.2%) due to higher share of coverage projects, network modernization projects in Europe and 3G rollouts in India. Gross margin in 2010, including restructuring charges, amounted to 36.5%.

Operating expenses

To secure continued technology leadership, focus is on innovation and R&D. R&D expenses amounted to SEK 32.6 (29.9) billion. Spending on R&D as a percentage of sales was 14.4% (14.7%). In 2010, R&D spend including restructuring charges was SEK 31.6 billion or 15.5% of sales. The increase in absolute number is a result of planned higher investments in radio, such as TD-LTE, IP and the acquired LG-Ericsson operations. In 2012, R&D expenses of SEK 29–31 billion is estimated. The estimate includes amortizations/write-downs of intangible assets related to major acquisitions previously made. However, currency effects may cause this to change.

Selling and administrative expenses represented 11.8% of sales compared to 12.4% in 2010. The amount was SEK 26.7 (25.3) billion. In 2010, the amount including restructuring charges was SEK 27.1 billion, representing 13.3% of sales. In the year, there were positive effects from efficiency work along with the strong SEK.

Operating margin before JVs

Operating margin before share in JV earnings decreased to 9.6% (12.0%). However, in 2010, operating margin before share in JV earnings and including restructuring charges amounted to 8.7%.

Share in earnings of JVs

In 2011, Sony Ericsson reported a loss. The loss reflects intense competition, price erosion, restructuring charges and supply chain issues following the earthquake and tsunami in Japan. Ericsson's share in Sony Ericsson's income before tax was SEK –1.2 (0.9) billion. In 2010, Ericsson's share amounted to SEK 0.7 billion including restructuring charges.

ST-Ericsson reported a loss also in 2011. ST-Ericsson is currently in a shift from legacy to new products. Ericsson's share in ST-Ericsson's income before tax, adjusted to IFRS, was SEK –2.7 (–1.5) billion. In 2010, the loss amounted to SEK –1.8 billion including restructuring charges.

Operating income

Operating income was SEK 17.9 (23.7) billion. However, in 2010, operating income including restructuring charges amounted to SEK 16.5 billion.

Financial net

The financial net was SEK 0.2 (–0.7) billion. The difference is mainly attributable to a higher interest net of SEK 0.8 billion compared to 2010.

Taxes

The tax expense for the year was SEK 5.6 (4.5) billion or 30.6% (28.8%) of income after financial items. The tax rate may vary between years depending on business and geographic mix. The tax rate excluding joint ventures and associated companies was 26.4% (25.7%) due to lower tax rates from the loss-making joint ventures.

Net income

Net income increased 12% to SEK 12.6 (11.2) billion driven by higher sales and lower restructuring charges.

Earnings per share, diluted

Earnings per share increased 9% to SEK 3.77 (3.46). Earnings per share, non-IFRS, decreased –2% to SEK 4.72 (4.80). The Board of Directors proposes a dividend of SEK 2.50 (2.25). This represents an increase of 11%.

Restructuring charges

Total restructuring charges were SEK 3.2 (6.8) billion, excluding joint ventures. Cash outlays that have been provided for were SEK 3.2 (3.3) billion. At the end of the year, cash outlays of SEK 1.3 billion remain to be made. In 2012, restructuring charges of approximately SEK 4 billion are estimated.

Ericsson's share in Sony Ericsson's restructuring charges amounted to SEK 0.4 (0.2) billion. Ericsson's share in ST-Ericsson's restructuring charges was SEK 0.1 (0.3) billion.

RESEARCH AND DEVELOPMENT PROGRAM

	2011	2010	2009
Expenses (SEK billion) [1]	**32.6**	29.9	27.0
As percent of Net sales	**14.4%**	14.7%	13.1%
Employees within R&D as of December 31 [2]	**22,400**	20,800	18,300
Patents [2]	**30,000**	27,000	25,000

[1] Excluding restructuring charges for 2009 and 2010.
[2] The number of employees and patents are approximate.

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FINANCIAL POSITION

CONSOLIDATED BALANCE SHEET (ABBREVIATED)

December 31, SEK billion	2011	2010	2009		2011	2010	2009
ASSETS				**EQUITY AND LIABILITIES**			
Non-current assets, total	**81.5**	83.4	87.4	Equity	**145.3**	146.8	141.0
of which intangible assets	***44.0***	*46.8*	*48.2*	Non-current liabilities	**38.1**	38.3	43.3
of which property, plant and equipment	***10.8***	*9.4*	*9.6*	*of which post-employment benefits*	***10.0***	*5.1*	*8.5*
of which financial assets	***13.7***	*14.5*	*15.3*	*of which borrowings*	***23.3***	*27.0*	*30.0*
of which deferred tax assets	***13.0***	*12.7*	*14.3*	*of which other non-current liabilities*	***4.8***	*6.2*	*4.8*
Current assets, total	**198.8**	198.4	182.4	Current liabilities	**97.0**	96.8	85.5
of which inventory	***33.1***	*29.9*	*22.7*	*of which provisions*	***6.0***	*9.4*	*12.0*
of which trade receivables	***64.5***	*61.1*	*66.4*	*of which current borrowings*	***7.8***	*3.8*	*2.1*
of which other receivables/financing	***20.7***	*20.2*	*16.6*	*of which trade payables*	***25.3***	*25.0*	*18.9*
of which short-term investments, cash and cash equivalents	***80.5*** [2]	*87.2*	*76.7*	*of which other current liabilities*	***58.0***	*58.6*	*52.5*
Total assets	**280.3**	281.8	269.8	**Total equity and liabilities** [1]	**280.3**	281.8	269.8

[1] Of which interest-bearing liabilities and post-employment benefits SEK 41.0 (35.9) billion.
[2] Including loan to ST-Ericsson of SEK 2.8 billion.

Ericsson's strategy is to maintain a strong balance sheet including a sufficiently large cash position to ensure the financial flexibility to operate freely and to capture business opportunities. This has been particularly important during the past years' difficult macroeconomic and financial market situation.

By maintaining a strong cash position, the Company can also maintain an active strategy for strategic mergers and acquisitions.

An important focus area is the monitoring of working capital. Major efforts have been made during the year in order to reduce days sales outstanding and inventory turnover days as well as to increase payable days. The target for payable days was met, while the other two targets were not achieved. The efforts to further reduce working capital will continue in 2012 and the working capital targets are the same as previous years.

In 2011, the dividend was SEK 2.25 per share. The Board of Directors will propose to the Annual General Meeting 2012 a dividend of SEK 2.50 per share. This represents a total dividend of approximately SEK 8.2 billion. The proposal reflects year 2011's earnings and balance sheet structure, as well as coming years' business plans and expected economic development.

Non-current assets

Intellectual property rights, brands and other intangible assets decreased to SEK 13.1 (16.7) billion due to amortizations.

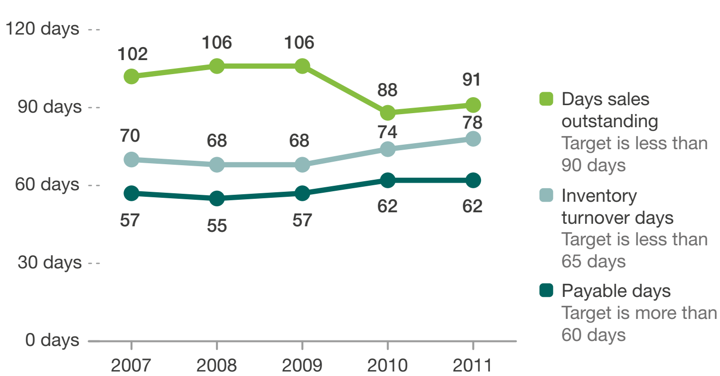
Customer financing, current and non-current, decreased slightly to SEK 4.2 (4.4) billion.

Current assets

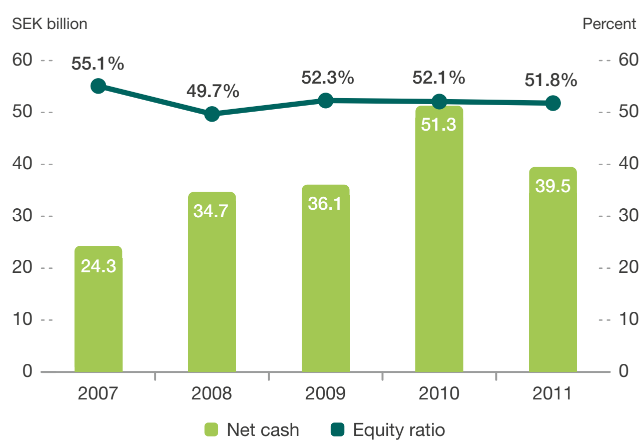
Inventory levels increased during the year by SEK 3.2 billion due to higher sales and increased share of coverage projects. At year end, inventory was SEK 33.1 (29.9) billion. The higher inventory level followed a higher level of work in progress in the regions. The target of inventory turnover days less than 65 days was not reached and improvement efforts will continue in 2012.

Trade receivables: Days sales outstanding reached 91 (88) days at year-end. This reflects a higher portion of coverage projects and higher sales volumes. The Company's nominal credit

WORKING CAPITAL TARGETS



NET CASH AND EQUITY RATIO



losses have historically been low and continued to be so in 2011.

Net cash decreased to SEK 39.5 (51.3) billion, mainly due to a negative change in net operating assets, investing and dividend paid to shareholders. Pension liabilities increased due to lower discount rate and this impacted net cash negatively. For a more detailed discussion on changes in cash, see pages 30–31.

Equity

Equity decreased by SEK –1.5 billion to SEK 145.3 (146.8) billion. Net income was SEK 12.6 (11.2) billion and dividends of SEK 7.5 (6.7) billion was paid during the year. The equity ratio was maintained at a healthy level of 52% (52%).

Return on equity increased to 8.5% (7.8%), primarily due to higher sales and lower restructuring charges.

Return on capital employed (ROCE) was 11.3% (9.6%). In 2010, ROCE excluding restructuring charges was 13.6%.

Non-current liabilities

Post-employment benefits related to defined benefit plans increased to SEK 10.0 (5.1) billion. In 2011 there was a decrease in discount rates, and plan assets yielded lower than expected. Consequently, the Company experienced an increase in the net pension liability and the funded ratio (plan assets as percentage of defined benefit obligations) decreased to 77% (89%).

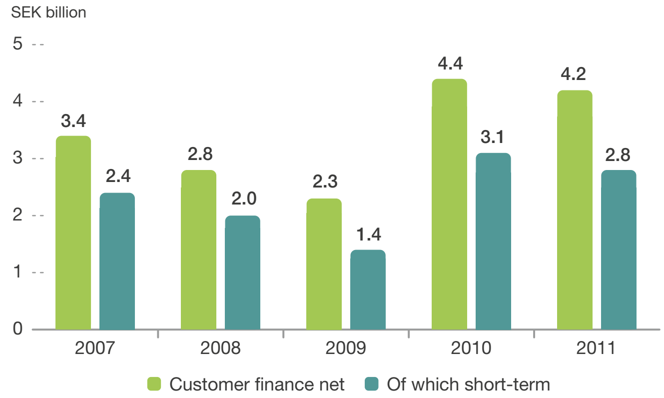
Current liabilities

Provisions declined to SEK 6.0 (9.4) billion. SEK 1.3 (3.2) billion were related to restructuring. The cash outlays of provisions were SEK 6.0 (7.2) billion. The lower amount of provisions is mainly due to lower restructuring. In addition, the business mix with more coverage projects as well as good performance in both hardware and software for new products introduced decreased the need for warranty provisions. There is also an effect of improved project management as well as geographical mix. Provisions will fluctuate over time, depending on business mix, market mix and technology shifts.

Payable days was unchanged at 62 (62) days. The target of payable days of above 60 days was met.

Non-current borrowings decreased to SEK 23.3 (27.0) billion. No major changes were made in the debt maturity profile during 2011. Debt of SEK 3.4 billion is maturing in 2012 and SEK 5.4 billion in 2013. The Company also has unutilized committed credit facilities of USD 2.0 billion available, maturing in 2014.

CUSTOMER FINANCE



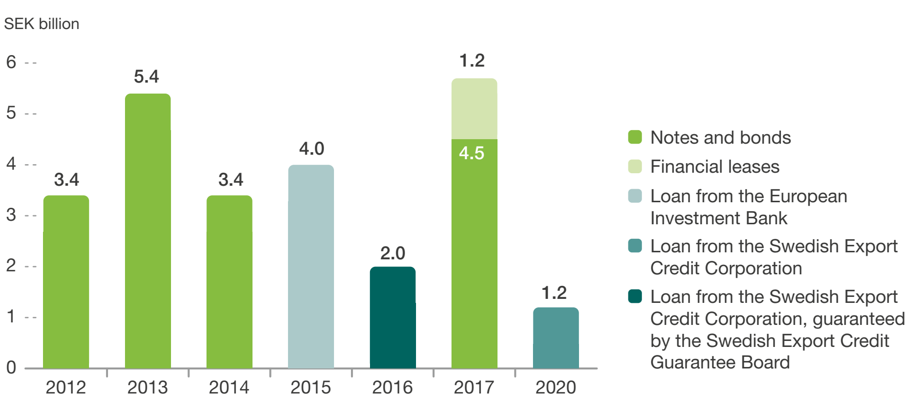
Credit ratings at "solid investment grade"

On June 10, 2011, Moody's upgraded Ericsson's rating to A3 from Baa1, with a stable outlook. Standard & Poor's rating at BBB+ with stable outlook was unchanged.

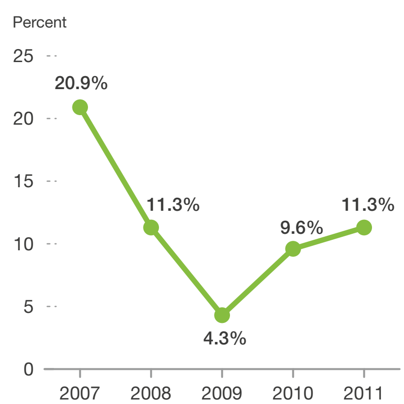
Off-balance sheet arrangements

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

DEBT MATURITY PROFILE



RETURN ON CAPITAL EMPLOYED



CASH FLOW

CASH FLOW (ABBREVIATED) JANUARY-DECEMBER

SEK billion	2011	2010	2009
Net income	**12.6**	11.2	4.1
Income reconciled to cash	**25.2**	23.7	21.0
Changes in operating net assets	**–15.2**	2.9	3.5
Cash flow from operating activities	**10.0**	26.6	24.5
Adjusted operating cash flow [1]	**13.2**	29.8	28.7
Cash flow from investing activities	**4.5**	–12.5	–37.5
of which capital expenditures, sales of PP&E, product development	***–6.1***	*–5.2*	*–4.9*
of which acquisitions/divestments, net	***–3.1***	*–2.8*	*–18.1*
of which short-term investments for cash management purposes and other investing activities	***13.8***	*–4.5*	*–14.5*
Cash flow before financing activities	**14.5**	14.0	–13.0
Cash flow from financing activities	**–6.5**	–5.7	–1.7
Cash conversion (Cash flow from operating activities divided by income reconciled to cash)	**40%**	112%	117%
Gross cash (Cash, cash equivalents and short-term investments)	**80.5** [2]	87.2	76.7
Net cash (Gross cash less interest-bearing liabilities and post-employment benefits)	**39.5**	51.3	36.1

[1] Cash flow from operations excl. restructuring cash outlays that have been provided for.
[2] Including loan to ST-Ericsson of SEK 2.8 billion.

In 2011, gross cash decreased by SEK 6.6 billion to SEK 80.5 (87.2) billion. The net income reconciled to cash of SEK 25.2 billion was offset by a change in net operating assets of SEK –15.2 billion and investing activities of SEK –9.9 billion. Dividends to shareholders amounted to SEK –7.5 (–6.7) billion.

Net cash decreased to SEK 39.5 (51.3) billion.

Cash flow from operating activities

The adjusted operating cash flow was negatively impacted by higher working capital.

During 2011, cash flow was negatively impacted by a significant increase in working capital as a result of higher sales and more projects.

Cash flow from investing activities

Cash outlays for regular investing activities increased to SEK –6.1 (–5.2) billion.

Acquisitions and divestments during the year were net SEK –3.1 (–2.8) billion, with the major items Nortel's GDNT operation in China and Nortel's Multi-Service Switch business (MSS). The Nortel patent portfolio was acquired in partnership with other industry players.

Cash flow for short-term investments for cash management purposes and other investing activities was net SEK 13.8 (–4.5) billion, mainly attributable to changes between short-term investments and cash and cash equivalents.

Capital expenditures

Annual capital expenditures are normally around two percent of sales and are expected to remain at this level. This corresponds to the needs for keeping and maintaining the current capacity level, including the introduction of new technology and methods. The expenditures are largely related to test equipment in R&D units, network operations centers as well as manufacturing and repair operations.

The Board of Directors reviews the Company's investment plans and proposals.

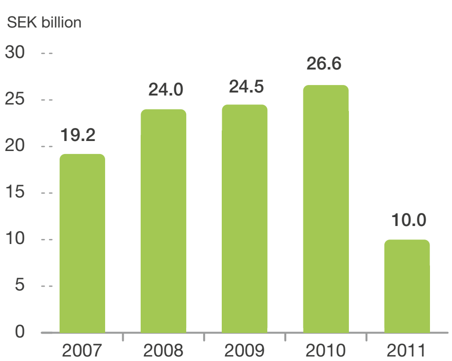
The Company has sufficient cash and cash generation capacity to fund expected capital expenditures without external borrowings in 2012.

We believe that the Company's property, plant and equipment and the facilities the Company occupies are suitable for its present needs in most locations. As of December 31, 2011, no material land, buildings, machinery or equipment were pledged as collateral for outstanding indebtedness.

CAPITAL EXPENDITURES 2007–2011

SEK billion	2011	2010	2009	2008	2007
Capital expenditures	**5.0**	3.7	4.0	4.1	4.3
of which in Sweden	***1.7***	*1.4*	*1.3*	*1.6*	*1.3*
as percent of net sales	**2.2%**	1.8%	1.9%	2.0%	2.3%

CASH FLOW FROM OPERATING ACTIVITIES



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Cash flow from financing activities

Cash flow from financing activities was SEK –6.5 billion. Dividends paid were SEK –7.5 (–6.7) billion and other financing activities net amounted to SEK 1.0 billion.

Cash conversion

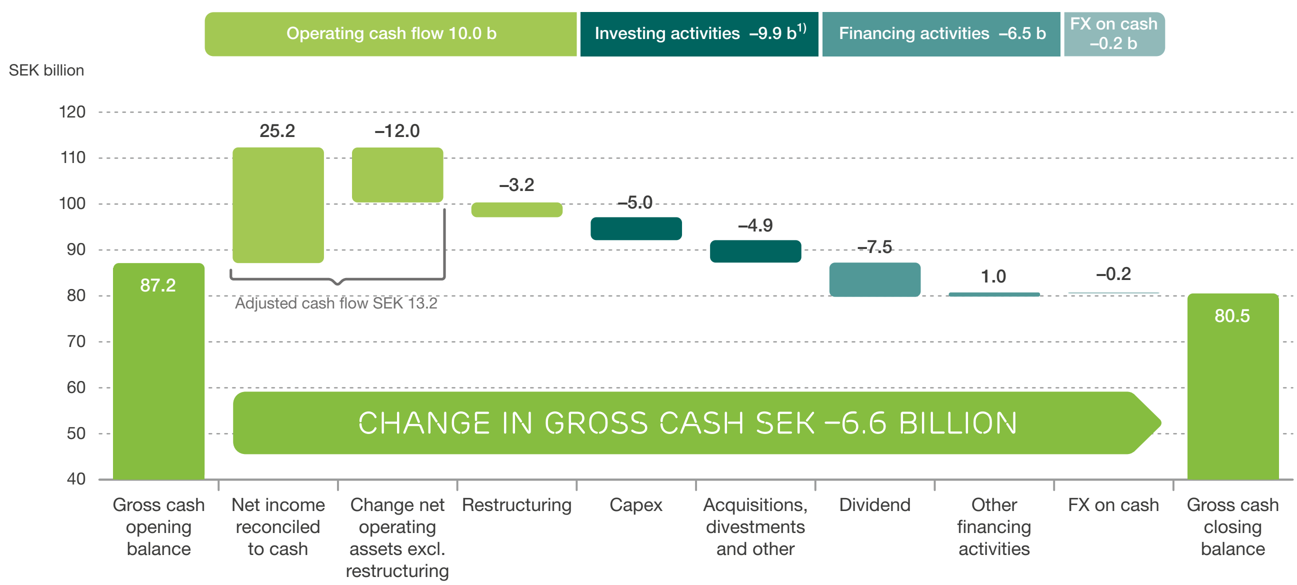
Cash conversion was 40% (112%), below the target of 70%. Over the years 2008–2010, cash conversion was above target. The cash conversion in 2011 was negatively impacted by higher working capital.

Restricted cash

Cash balances in certain countries with restrictions on transfers of funds to the Parent Company as cash dividends, loans or advances amounted to SEK 13.9 (10.8) billion.

In this context all countries with currency restrictions are included. In most cases the currency is nonconvertible and flow of funds in a foreign currency requires approval by a central bank or similar. Out of the total amount, China, India, Korea, Brazil and Indonesia are the top five countries accounting for SEK 9.6 billion.

CHANGE IN GROSS CASH 2011



1) As disclosed under Financial Terminology, Gross Cash is defined as cash, cash equivalents and short-term investments. Cash as presented in the balance sheet and related notes includes cash, cash equivalents and short-term investments of a maturity less than three months. Due to different treatment of cash in the above table and related foreign currency impact, the amounts differ from those in other presentations of cash flows.

BUSINESS RESULTS – REGIONS

SALES PER REGION AND SEGMENT 2011 AND 2010

SEK billion	Networks 2011	Networks Percent change	Global Services 2011	Global Services Percent change	Multimedia 2011	Multimedia Percent change	Total 2011	Percent change
North America	28.9	–5%	18.6	5%	1.3	7%	**48.8**	–1%
Latin America	11.5	25%	9.5	23%	1.0	5%	**22.0**	23%
Northern Europe and Central Asia	9.7	34%	5.0	17%	0.5	–20%	**15.2**	25%
Western and Central Europe	7.8	–7%	10.3	–2%	1.0	–7%	**19.0**	–4%
Mediterranean	10.7	1%	11.8	11%	1.3	–5%	**23.8**	5%
Middle East	7.4	4%	6.8	4%	1.2	–13%	**15.5**	2%
Sub-Saharan Africa	5.9	63%	3.4	–26%	0.9	–12%	**10.2**	11%
India	6.1	19%	3.1	13%	0.5	–25%	**9.8**	13%
China and North East Asia	27.8	63%	9.9	19%	0.5	–5%	**38.2**	47%
South East Asia and Oceania	7.6	–3%	5.6	–14%	0.7	26%	**13.9**	–7%
Other*	9.1	53%	–0.2	–132%	1.7	57%	**10.6**	41%
Total	**132.4**	**17%**	**83.9**	**5%**	**10.6**	**1%**	**226.9**	**12%**
Share of total	58%		37%		5%		**100%**	

* Other includes sales of e.g. mobile broadband modules, cables, power modules as well as licensing and IPR. Mobile broadband modules are sold directly by business unit Networks to PC/netbook manufacturers. A central IPR unit manages sales of licenses to equipment vendors or others who wish to use Ericsson's patented technology. TV solutions are sold both through other equipment vendors as resellers and directly by business unit Multimedia to cable TV operators.

Regional development

The regions are the Company's primary sales channels. Ericsson reports ten regions, mirroring the internal geographical organization.

NORTH AMERICA

North America is the world's most developed region in terms of smartphone penetration and mobile data usage. Operators are continuing the implementation of tiered pricing to capitalize on changing user behavior. Half of the net additions of subscriptions in the second half of 2011 came from connected devices or machine to machine communication. Through the year multiple LTE network buildouts have been initiated and launched in both the US and Canada, and Ericsson is a leading supplier to these projects.

The networks business developed slower in the second half of 2011 after a period of high operator investments in network capacity. Operators' focus on cash flow management and operator consolidation also had a negative impact. This was to a large degree offset by a positive uptake in services and multimedia.

LATIN AMERICA

There is a push for mobile broadband in Latin America, driven by consumer demand for 3G services. Smartphone penetration is still low, but is expected to grow as these handsets become more affordable.

Operators show an increasing interest in network performance and Ericsson is taking part in OSS/BSS transformation projects in managed services deals, including network sharing arrangements.

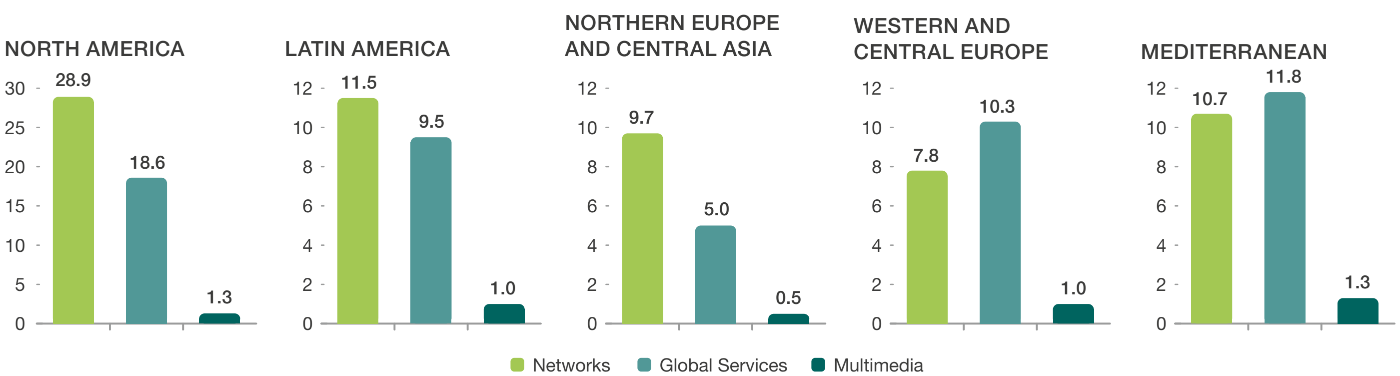
NORTHERN EUROPE AND CENTRAL ASIA

The Nordics are mature and advanced markets with strong 3G coverage and LTE commercially available in all countries. Nordic operators are increasingly shifting their business models towards network sharing and the outsourcing of network operations.

Deployment of 3G networks started later in the eastern part of the region. Here, operators are focusing on providing coverage and quality in the networks. Mobile broadband is growing rapidly in the region. Many consolidation activities, of both operators and networks, are taking place. In the latter half of the year, network sales slowed, especially in Russia, following strong operator investments in network capacity and coverage.

SALES IN NETWORKS, GLOBAL SERVICES AND MULTIMEDIA 2011 PER REGION

SEK billion



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WESTERN AND CENTRAL EUROPE

Modernization of networks accelerated across the region in 2011. Operator focus is on replacing old 2G/3G equipment with modern, more efficient multi-standard radio base stations. Interest in LTE is limited, with certain countries still to allocate spectrum for this.

Penetration of mobile broadband is high, with some operators' smartphone shipments representing more than half of their totals. Data revenues are growing and represent over 40% with some operators. There is also high interest in managed services and network sharing.

MEDITERRANEAN

This region has seen an impact from weak economies as well as political unrest in Northern Africa. The uptake of mobile broadband is mixed, with the strongest growth in the south west parts of the region. Here, operators are implementing a range of tiered pricing models.

Mobile data usage is high in the Mediterranean area, due to the low availability of fixed broadband. Most operators' investments are for 3G coverage and in the second half of the year, network modernization projects took off.

MIDDLE EAST

The Middle East was impacted by political unrest in several countries and by delays in license auctions. As a consequence, some operators have postponed their infrastructure investments and increased their focus on efficiencies.

The region has lower penetration rates, mobile broadband adoption and mobile data usage than the world average. The crucial driver for increasing these parameters is the affordability of smartphones.

Rollouts of LTE have started in some parts of the region.

SUB-SAHARAN AFRICA

Mobile penetration continues to increase rapidly in Africa. Operator focus is still on 2G coverage and capacity buildouts, although some operators are building 3G coverage.

With smartphones in the region set to become cheaper, operators are focusing on creating efficiency in their networks to allow them to capitalize on future uptake.

Inflation and competition are also driving operators' need for increased efficiency. This leads them to focus on power consumption reductions and managed services solutions. There is also a need for operators to harmonize policy frameworks to increase data take-up.

INDIA

Initial 3G rollouts reached a temporary peak in 2011. The Indian market is fragmented and in the near future a telecom policy reform is expected which might make operator consolidation easier.

Besides the need for affordable smartphones, availability of dual SIM card phones is a key component in driving mobile data uptake. The Indian market is highly competitive, which drives operator interest in managed services and network sharing.

CHINA AND NORTH EAST ASIA

China's operators have focused on building 2G capacity with GPRS/EDGE to meet the increase in mobile data traffic from smartphones. In 2011, large scale trials for TD-LTE took place with China Mobile.

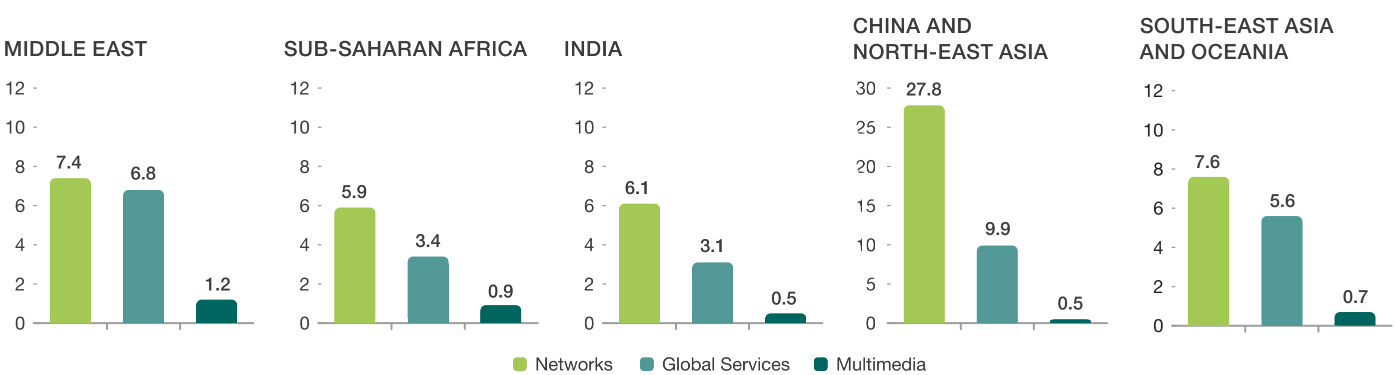
In Korea and Japan, 3G capacity and LTE coverage rollouts are ongoing, driven by high smartphone penetration, mobile broadband adoption and mobile data usage. In Korea, three LTE networks are live, and Ericsson is a supplier to all of them.

SOUTH EAST ASIA AND OCEANIA

Parts of this region, such as Australia and Singapore, have high penetration rates, adoption and usage. In these areas, LTE is also starting to emerge. Indonesia is moving towards 3G, however take-up is hampered by the affordability of devices. 3G auctions are yet to take place in some markets. Coverage projects, where old equipment is replaced with new, are underway across most markets, as operators build for data growth and seek operating cost efficiencies. The decline in network sales is due to reduced 2G business in Vietnam. The services business declined due to a concluded managed services contract in Australia.

SALES IN NETWORKS, GLOBAL SERVICES AND MULTIMEDIA 2011 PER REGION

SEK billion



BUSINESS RESULTS – SEGMENTS

NETWORKS

Sales

Networks sales increased 17% to SEK 132.4 billion, negatively impacted by a strong SEK in 2011. The increase was an effect of continued high sales in mobile broadband-related equipment including packet core, IP routers and microwave-based backhaul. Demand was especially strong in regions China and North East Asia and North America.

The year was characterized by high volumes of mobile broadband equipment and ramp-up of the multi-standard radio base station RBS 6000. The product introduction of the RBS 6000 has been the quickest and most successful in the Company's history. At the end of the year, the first RBS 6000 with CDMA functionality was shipped. The RBS 6000 accounts for close to 100% of all deliveries of GSM/WCDMA/LTE radio base stations. In the fourth quarter, shipping of the IP Edge router, the Smart Services Router SSR 8000 family, and the Antenna Integrated Radio unit (AIR) also commenced.

In 2010, Ericsson acquired Nortel's CDMA business in order to strengthen its position in North America. Ericsson is now established as the leader in this market. CDMA sales increased slightly in 2011. At the end of the year the Company saw the expected decline in CDMA sales and subsequent rapid shift to LTE. The CDMA acquisition has created substantial value for the Company.

In March, the earthquake and tsunami in Japan caused temporary delays in the supply chain, but by the third quarter lead times were back to normal.

Profitability

Operating margin decreased to 13% (15%). The margin was negatively impacted by planned R&D investments to accelerate technology leadership. Operating margin in 2010 was 11% including restructuring charges.

Cost structure

In the Networks segment, cost of sales is quite large and to a large part variable. To reduce variable cost, the Company works with product rationalization and product substitution. R&D is a significant cost item and for this reason it is important to focus on R&D effectiveness and efficiency. It is essential to ensure global platforms and common components across the whole portfolio. To maximize the outcome of R&D investment, the Company also seeks to give R&D sites clear accountability and the same IS/IT environment.

The networks business

Sales to network operators are normally based on multi-year frame agreements after an initial open tender. During the frame agreement, software, equipment, services and spare parts are called off according to price lists.

Prior to the introduction of the multi-standard radio base station RBS 6000, operators could have co-siting, with one supplier for GSM and another for WCDMA. Today, a multi-standard approach means that all technologies are supported by one radio base station. Any supplier has to be equally capable of all technologies. R&D investments and scale are therefore essential for a supplier to stay competitive. The footprint of multi-standard radio access network increases opportunities for additional network business, e.g. backhaul and core networks. Following radio and core footprint is a significant software sales opportunity based on capacity, functionality and new features.

Competitors

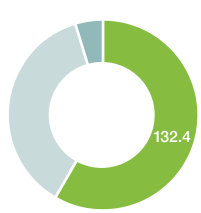
In the networks segment, Ericsson competes mainly with telecommunication equipment suppliers such as Alcatel-Lucent, Cisco, Huawei, Juniper, Nokia Siemens Networks, Samsung and ZTE. The Company also competes with local and regional manufacturers and providers of telecommunications equipment.

HIGHLIGHTS IN 2011

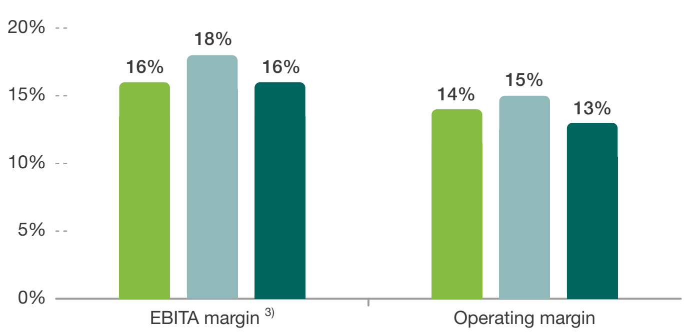
- Increased market share in mobile network equipment by 6 percentage points to 38% (estimated)
- Market share of more than 60% in LTE
- Smart Services Router family introduced. Volume deliveries expected in 2012

NETWORKS SALES SHARE OF TOTAL 2011

Net sales (SEK billion and percent)



NETWORKS PROFITABILITY



1) excluding restructuring charges
2) including restructuring charges
3) EBITA: Earnings before interest, tax, amortizations and write-downs of acquired intangibles

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GLOBAL SERVICES

Sales

Global Services sales increased 5% to SEK 83.9 (80.1) billion, driven by network rollout, consulting and systems integration.

Professional Services sales were SEK 58.8 billion, up 1% from 2010. Currency adjusted sales of Professional Services increased 7%. The increase is mainly a result of increased sales of consulting and systems integration. Managed Services sales decreased by –1% to SEK 21.0 billion. Currency adjusted sales increased 7%. The growth reflects the 70 (54) signed managed services contracts, of which 32 (26) were extensions or expansions. More than 60% of Professional Services sales were recurring.

Network Rollout sales amounted to SEK 25.1 (21.6) billion, an increase of 16%, driven by high volumes of network modernization.

Profitability

Global Services' operating margin decreased to 7% (11%).The margin was negatively impacted by a loss in Network Rollout.

Operating margin in 2010 was 8% including restructuring charges.

Operating margin for Professional Services amounted to 13% (15%). Operating margin in 2010 was 11% including restructuring charges.

Operating margin for Network Rollout amounted to –8% (1%), due to high activity levels related to network modernization projects in Europe and 3G rollouts in India. Operating margin in 2010 was 0% including restructuring charges.

Cost structure

In the services segment, almost all cost resides in cost of sales and the majority of the cost is related to employee costs. A few years ago, the cost of sales base was to a higher degree variable. With the increasing share of managed services, the portion of fixed costs has increased, which makes it important to find scale by winning more deals in the same geographical area. Another measure to keep cost down is to establish a one-to-many delivery model. The development of global tools, methods and processes are also crucial in order to secure efficiencies and knowledge sharing.

In managed services, Ericsson often insources employees from the customer. In the transition period, restructuring costs are taken, e.g. for replacement of IS/IT systems and migration of employees into new systems and premises. In the transformation phase, following the transition, synergies are carried through.

The services business

Ericsson's offering covers all areas within an operator's operational scope. The Company's service offering includes consulting, systems integration, managed services, network deployment and integration, education and support services. Ericsson provides services for both mobile and fixed telecom networks as well as for IT and broadcast networks and in some cases for adjacent industries such as the utilities industry. Most often operators turn to Ericsson for support in a certain part of their operations. Contracts for managed services and customer support are typically for five to seven years. Payments with regularity provide a lower rate of working capital. Consulting and systems integration contracts are shorter and paid after fulfillment of contract.

In managed services deals the contracts are normally split into fixed and variables, where the variables are a smaller part. The invoicing is based on fulfillment of certain key performance indicators and projects. When an operator explores the possibility of a managed services deal, the financial strength of the supplier is a prerequisite.

Network rollout includes coverage and modernization projects with a large part of third-party sourcing, making it a lower-margin business.

The Company rolls out its own equipment, but also has high multi-vendor skills in all other parts of the services business.

Competitors

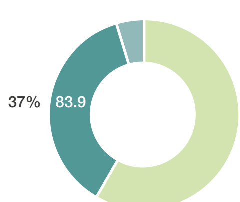
Competition in services includes the traditional telecommunication equipment suppliers. The Company also competes with companies such as Accenture, HP, IBM, Oracle, Tata Consultancy Services and Tech Mahindra. Among the competition is also a large number of smaller but specialized companies operating on a local or regional basis.

HIGHLIGHTS IN 2011

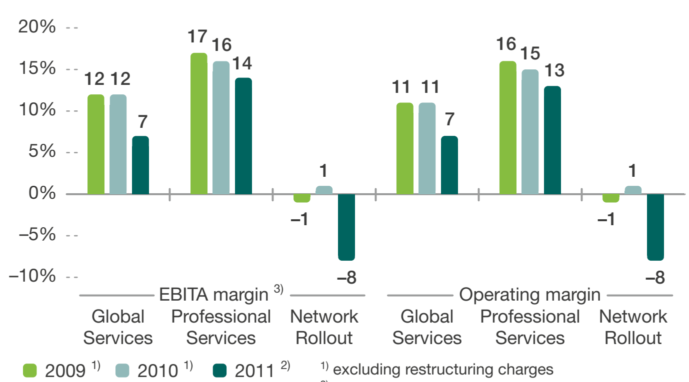
- More than 2 billion subscribers in networks for which Ericsson provides support
- Over 900 million subscriber in networks managed by Ericsson
- 500 million subscribers in network operation contracts

GLOBAL SERVICES SALES SHARE OF TOTAL 2011

Net sales (SEK billion and percent)



GLOBAL SERVICES PROFITABILITY



1) excluding restructuring charges
2) including restructuring charges
3) EBITA: Earnings before interest, tax, amortizations and write-downs of acquired intangibles

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Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1.
VQS_Section 3.2_Ericsson 2011 Annual Report.pdf

MULTIMEDIA

Sales

Multimedia sales increased 1% to SEK 10.6 (10.5) billion, negatively impacted by political unrest in the Middle East and weak development in India.

Profitability

Operating margin was –5% (–4%). Restructuring charges had no material impact on profitability.

Cost structure

In the multimedia segment, cost of sales is low and the majority is variable, due to the fact that third party hardware is used, on which the Company implements its software. Multimedia is a software business with a high degree of fixed R&D cost for software development.

The OSS and BSS business

The OSS/BSS business is divided into two different sales types:

TRANSFORMATION SALES

Simplification and consolidation of processes, operations, systems and platforms. Key components are software solutions, consulting and systems integration. Typically these projects last for 18–36 months. The software part represents 25–40% of the contract value and the rest is consulting and systems integration.

PRODUCT SALES

Product sales is mainly expansions and upgrades, e.g. upgrading from Ericsson Charging System version 4 to 5. Key components are software solutions and systems integration. Typically these projects last for 1–12 months. The software part represents 70–90% of the contract value and the rest is systems integration.

Telcordia acquisition

In 2011, Ericsson announced the acquisition of Telcordia, a global leader in the development of software and services for OSS/BSS. The price was USD 1.15 billion in an all cash transaction, on a cash and debt-free basis. The acquisition is expected to be accretive to Ericsson's earnings per share within twelve months. Telcordia has approximately 2,600 employees. During its last fiscal year, ended January 31, 2011, Telcordia generated revenues of USD 739 million. Telcordia's revenues will be split between segments Multimedia and Global Services according to portfolio mix. With the acquisition, Ericsson aspires to a leading position in the OSS and BSS market.

Competitors

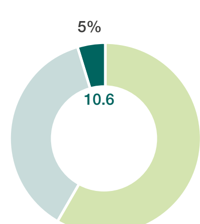
In the multimedia segment, Ericsson competes in rather fragmented markets with many local players. Competitors vary depending on the solution being offered. In the OSS and BSS market, they include many of the traditional telecommunication equipment suppliers as well as IT suppliers, such as Amdocs, Comverse and Oracle. Competition in the TV business includes Harmonic and Thompson.

HIGHLIGHTS IN 2011

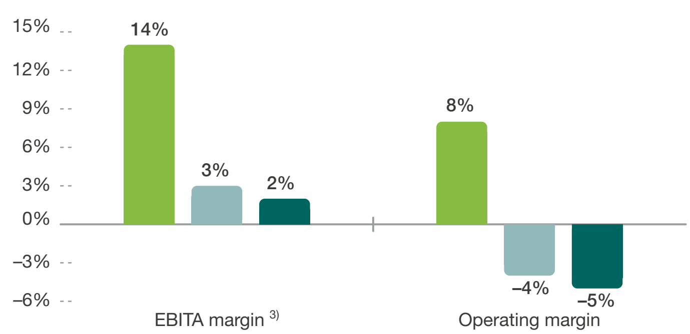
- 13 new contracts signed for mobile broadband charging
- World's largest IPTV upgrade in Taiwan
- 11 new customers for convergent charging and billing

MULTIMEDIA SALES SHARE OF TOTAL 2011

Net sales (SEK billion and percent)



MULTIMEDIA PROFITABILITY



1) excluding restructuring charges
2) including restructuring charges
3) EBITA: Earnings before interest, tax, amortizations and write-downs of acquired intangibles

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SONY ERICSSON

Sony Ericsson is a 50/50 joint venture between Sony Corporation and Ericsson, established in 2001. Sony Ericsson is accounted for according to the equity method. In October 2011, it was announced that Sony Corporation would acquire Ericsson's 50% share in Sony Ericsson. As part of the deal, Sony and Ericsson will also enter into a broad IP cross-licensing agreement and create a wireless connectivity initiative to drive connectivity across multiple platforms. The transaction is a logical strategic step that makes it possible for Ericsson to focus on enabling connectivity for all devices.

Sony Ericsson will become a wholly-owned subsidiary of Sony and integrated into Sony's broad platform of network-connected consumer electronics products. The agreed cash consideration for the transaction is a EUR 1.05 billion cash payment.

Sony Ericsson's units shipped in 2011 decreased by –20% to 34.4 (43.1) million while the average selling price increased by 4% to EUR 152 (146). Sales decreased by –17% to EUR 5.2 (6.3) billion.

In 2011, Sony Ericsson had a market share of 10% in the smartphone market, measured in units, and 10% measured in value.

Gross margin decreased during the year to 28% (29%) attributed to product and geographic mix. Income before taxes, including restructuring charges, was EUR –0.24 (0.15) billion. Income decreased during the year due to declining gross margin and increased operating expenses. The result includes restructuring charges of EUR 93 million. Ericsson's share in Sony Ericsson's income before taxes was SEK –1.2 (0.7) billion.

Sony Ericsson's primary competitors include Apple, HTC, LG, Motorola, Nokia, RIM and Samsung.

ST-ERICSSON

ST-Ericsson is a 50/50 joint venture between STMicroelectronics and Ericsson, established in February, 2009. ST-Ericsson is accounted for according to the equity method.

At the end of 2011, ST-Ericsson was still in a shift from legacy to new products. Though its path to success is challenging, ST-Ericsson is, when entering 2012, continuing to focus on securing the successful execution and delivery of its new products to customers while lowering its break-even point.

The changes in the business environment at a large customer during 2011 reduced demand for legacy products and delayed the ramp-up of new products with that customer. In the light of the business environment at the end of 2011, ST-Ericsson's CEO is reviewing the company's strategic plan and financial prospects. Ericsson, together with its partner STMicroelectronics, is firmly committed to supporting ST-Ericsson in the transition to turn-over to sustainable profitability and cash generation. As a result of the strategic review, Ericsson may consider additional actions to solidify and accelerate ST-Ericsson's path to profitability. In such an event, or in case of a significant worsening of business prospects, the value of ST-Ericsson for Ericsson could decrease to a value significantly lower than the current carrying amount of ST-Ericsson on Ericsson's books and Ericsson might be required to take an impairment charge.

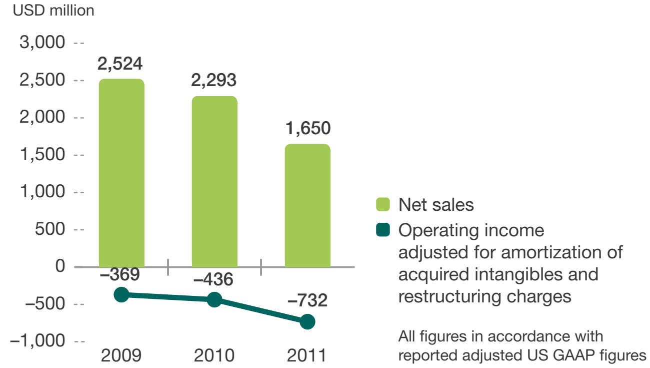
Sales in 2011 declined –28% to USD 1.7 (2.3) billion. The operating loss for the year, adjusted for restructuring costs, was USD –0.7 (–0.4) billion. ST-Ericsson reports in US-GAAP. Ericsson's share in ST-Ericsson's income before taxes, adjusted to IFRS, was SEK –2.7 (–1.8) billion. Adjustments for IFRS compliance mainly consist of capitalization of R&D expenses for hardware development. The Company's net financial position was USD –798 (–82) million at year-end. At the end of the year, ST-Ericsson had utilized USD 800 million of a short-term credit facility granted on a 50/50 basis by the parent companies.

In December 2011, a new President and CEO of ST-Ericsson was appointed.

ST-Ericsson's major competitor is Qualcomm. The market is growing in complexity as several new operating systems for handsets and other devices have been launched, e.g. Google's Android, Microsoft's Windows phone and Samsung's Bada.

SONY ERICSSON NET SALES AND ADJUSTED INCOME BEFORE TAXES

ST-ERICSSON NET SALES AND ADJUSTED OPERATING INCOME



All figures in accordance with reported adjusted US GAAP figures

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SUSTAINABILITY AND CORPORATE RESPONSIBILITY

The Company has implemented strong social, environmental and ethical standards supporting risk management and value creation. This commitment generates positive business impacts, which in turn benefit society.

Ericsson's approach to Sustainability and Corporate Responsibility (CR) is integrated into its core business operations and in its relationship with stakeholders. The Board of Directors considers these aspects in governance decision-making. Group level policies and directives ensure consistency across global operations.

Ericsson publishes an annual Sustainability and Corporate Responsibility Report which provides additional information.

Responsible business practices

Since 2000, Ericsson has actively supported the UN Global Compact, and endorses its ten principles regarding human and labor rights, anti-corruption and environmental protection. The Ericsson Group Management System includes policies and directives that cover responsible business practices, such as the Code of Business Ethics, Code of Conduct (CoC), anti-corruption and environmental management. It is reinforced by training, workshops and monitoring, including a global assessment program run by an external assurance provider where CR criteria represent some 20% of areas assessed.

Supply chain

Suppliers must comply with Ericsson's CoC. Approximately 170 employees, covering all regions, are trained as supplier CoC auditors. The Company performs regular audits and works with suppliers to ensure measurable and continuous improvements. Findings are followed up to ensure that improvements are made. Training for suppliers is available in 13 languages. To effectively address the issue of conflict minerals, Ericsson participates in the Global e-Sustainability Initiative (GeSI) work on conflict minerals, and takes other active measures in its sourcing and product management processes.

Reducing environmental impact

Energy use for products in operation remains the Company's most significant environmental impact. Ericsson works proactively with its customers to encourage network and site energy optimization, through innovative products, software, solutions and advisory services. Processes and controls are in place to ensure compliance with relevant product-related environmental, customer and regulatory requirements. The Company works actively to reduce its own environmental impact, with a focus on Design for Environment, which includes product energy efficiency and materials management, as well as facilities management, travel reduction and logistics.

Product take-back and recycling

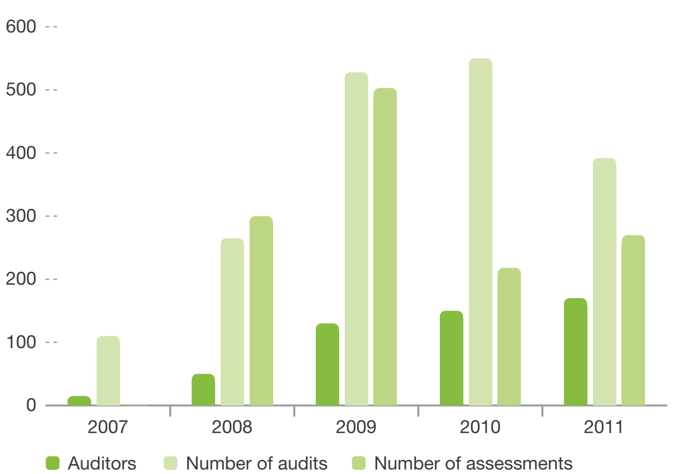
Ericsson Ecology Management is a program to take responsibility for products at the end of their life and is offered to all customers globally free of charge, not only in markets where legislated.

During 2011, Ericsson worked actively to help build up e-waste capabilities in Africa, through a public private partnership in Ghana. This was done with the Raw Materials Group and the Ghana Environmental Protection Agency and was financed by the Nordic Development Fund. The goal is to establish local recycling capabilities and transform the current informal e-waste recycling yards into a formal business. This will help to reduce negative environmental and health impacts while also alleviating poverty.

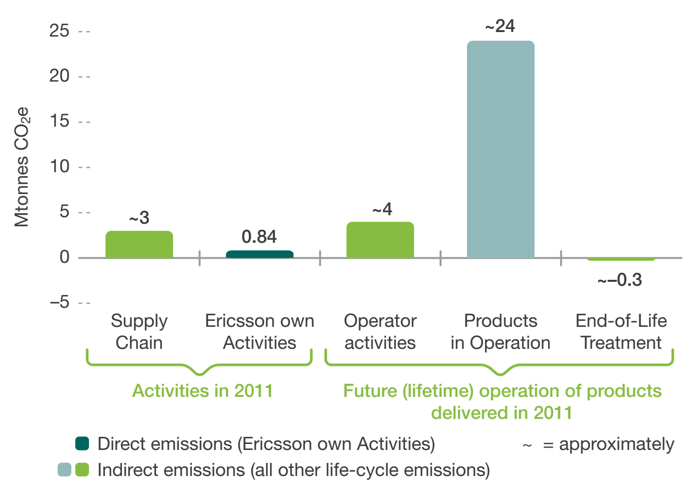
Radio waves and health

Ericsson provides public information on radio waves and health, and supports independent research to further increase knowledge in this area. Ericsson has co-sponsored over 90 studies related to electromagnetic fields, radio waves and health since 1996. Independent expert groups and public health authorities, including the World Health Organization, have reviewed the total amount of research and have consistently concluded that the balance of evidence does not demonstrate

SUPPLIER CODE OF CONDUCT AUDITS AND ASSESSMENTS



ERICSSON LIFE-CYCLE ASSESSMENT CARBON FOOTPRINT 2011



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any health effects associated with radio wave exposure from either mobile phones or radio base stations.

Ericsson is co-sponsoring the Swedish part of the COSMOS study, which is conducted in five countries. The study aims to carry out long term health monitoring of more than 200,000 people to identify if there are any health issues linked to long term mobile phone use. To assure scientific independence there is a firewall in place between the industrial sponsors and the researchers.

Climate change

ICT represents about 2% of global CO_2 emissions, but can potentially offset a significant portion of the remaining 98% from other industries. Ericsson takes active measures to ensure that its own carbon footprint intensity will be continuously reduced. A five year target which aims to reduce the carbon emission intensities by 40% was set in 2008. The target comprises two focus areas: Ericsson's own activities and the life-cycle impacts of products in operation (see graph).

- A 6% reduction in direct emission intensity from own activities was achieved during 2011. Despite delivering higher volumes, Ericsson still achieved the target of 70% surface transport by weight. Business travel is roughly the same per employee.
- A 3% reduction was achieved in indirect emission intensity from products in operation. While the reduction was lower this year compared to last, Ericsson is well on track to meet its five year target.
- Ericsson has increased 3G/4G energy efficiency by 85% over the last decade, while continuing to meet the bandwidth demands of the networked society, and without increasing energy consumption per subscriber.

Ericsson's sustainability strategy focuses on the role broadband can play in helping to offset global CO_2 emissions, 70% of which are attributed to cities. Ericsson works on sustainable city solutions and is engaged in global climate policy. Ericsson's CEO leads the Climate Change Working Group of the Broadband Commission. Ericsson also co-chairs the Policy Group in GeSI, and helped launch its Low Carbon Cities benchmark.

Meeting the UN Millennium Development Goals

Mobile connectivity fuels economic growth, which is vital for billions of people living at the base of the economic pyramid. Ericsson is committed to using its technology and competence to help achieve the Millennium Development Goals (MDGs). Ericsson launched the Technology for Good program in 2011. It focuses on applying the Company's expertise, global presence and scale to find market-based solutions that empower people, business and society to help shape a more sustainable world.

Connect to Learn

In 2011, Ericsson and its partners, The Earth Institute at Columbia University and Millennium Promise, celebrated one year of progress for Connect To Learn, a global initiative focused on improving quality of and access to secondary education. Some 5,000 students now have access to education in schools throughout Millennium Villages and cities in Africa. An innovative cloud computing solution, PC as a Service, dramatically reduces the cost of access. The initiative has been extended to Latin America.

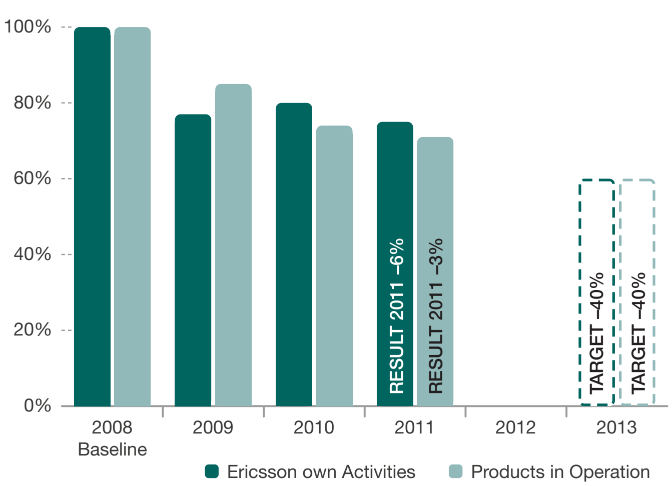
Ericsson Response™

Ericsson Response is a global Ericsson employee volunteer initiative which rapidly deploys communication solutions and provides telecommunications experts to assist disaster relief operations. Ericsson Response partners with many UN and humanitarian organizations. In 2011, Ericsson Response missions included the 'One UN' initiative in Tanzania, in collaboration with the World Food Programme. A partnership with operator SingTel was also announced to provide emergency communications services to support disaster relief efforts in South and Southeast Asia through Ericsson Response.

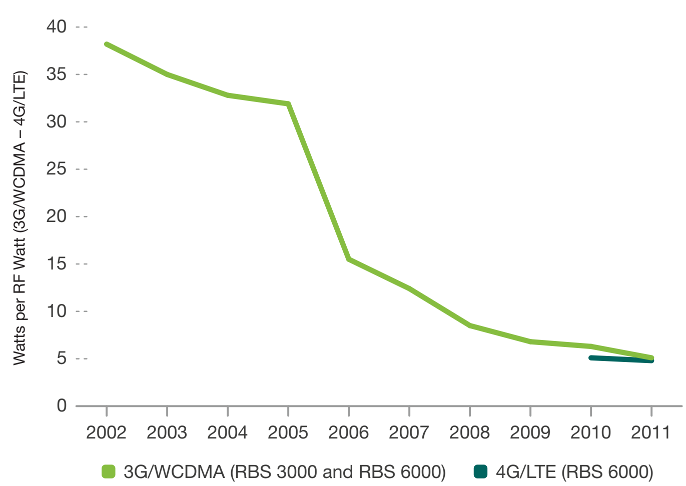
Reporting according to GRI 3.0

Full key performance data is available at www.ericsson.com and has achieved an A+ rating according to the Global Reporting Initiative (GRI). The performance data has been externally assured, and the application level has been checked by a third party.

CARBON FOOTPRINT INTENSITY TARGET



POWER CONSUMPTION PER UNIT OUTPUT POWER



CORPORATE GOVERNANCE

In accordance with the Annual Accounts Act (1995:1554 Chapter 6, Section 6 and 8), a separate Corporate Governance Report, including an Internal Control section, has been prepared.

Continued compliance with the Swedish Corporate Governance Code

Ericsson applies the Swedish Corporate Governance Code and is committed to complying with best-practice corporate governance standards on a global level wherever possible. This includes continued compliance with the corporate governance provisions expressed by the Code, without deviations.

An ethical business

Ericsson's Code of Business Ethics summarizes the Group's fundamental policies and directives governing its relationships internally, with its stakeholders and with others. It also sets out how the Group works to achieve and maintain its high ethical standards. There have been no amendments or waivers to Ericsson's Code of Business Ethics for any Director, member of management or other employee.

Board of Directors 2011/2012

The Annual General Meeting on April 13, 2011, elected Leif Johansson new Chairman of the Board, replacing Michael Treschow. Roxanne S. Austin, Sir Peter L. Bonfield, Börje Ekholm, Ulf J. Johansson, Sverker Martin-Löf, Nancy McKinstry, Anders Nyrén, Carl-Henric Svanberg, Hans Vestberg and Michelangelo Volpi were re-elected and Jacob Wallenberg was elected new member of the Board. Pehr Claesson, Jan Hedlund and Karin Åberg were appointed employee representatives with Kristina Davidsson, Karin Lennartsson and Roger Svensson as deputies.

Management

Hans Vestberg is President and CEO of the Group since January 1, 2010. The President and CEO is supported by the Group management, consisting of the Executive Leadership Team (ELT). The ELT, in addition to the President and CEO, consists of heads of Group functions, heads of business units and two of the heads of Ericsson's regions. Up until December 21, 2011, the Chief Brand Officer was part of ELT.

A management system is in place to ensure that the business is well-controlled and has the ability to fulfill the objectives of major stakeholders within established risk limits. The system also monitors internal control and compliance with applicable laws, listing requirements and governance codes.

Remuneration

Fees to the members of the Board of Directors and the remuneration to Group management (the Executive Leadership Team, ELT), as well as the 2011 guidelines for remuneration to Group management, are reported in Notes to the Consolidated Financial Statements – Note C28, "Information Regarding Members of the Board of Directors, the Group management and Employees".

As of December 31, 2011, there were no loans outstanding from and no guarantees issued to or assumed by Ericsson for the benefit of any member of the Board of Directors or senior management.

The Board of Directors' proposal for guidelines for remuneration to Group management

The Board of Directors proposes that the current guidelines for remuneration to the Group management (ELT) remain unchanged for the period up to the 2013 Annual General Meeting.

Details of how Ericsson delivers on these guidelines and policy, including information on previously decided long-term variable remuneration that has not yet become due for payment, can be found in Note C28, "Information regarding Members of the Board of Directors, the Group management and Employees".

RISK MANAGEMENT

Risks are broadly categorized into operational and financial risks. Ericsson's risk management is based on the following principles, which apply universally across all business activities and risk types:

- Risk management is an integrated part of the Ericsson Group Management System
- Each operational unit is accountable for owning and managing its risks according to policies, directives and process tools. Decisions are made or escalated according to defined delegation of authority. Financial risks are coordinated through Group Function Finance.
- Risks are dealt with during the strategy process, the annual planning and target setting, the continuous monitoring through monthly and quarterly steering group meetings and during operational processes by transaction (customer bid/contract, acquisition, investment and product development projects). They are subject to various controls such as decision tollgates and approvals.

A central security unit coordinates management of certain risks, such as business interruption, information security and physical security. The Crisis Management Council deals with events of serious nature.

For information on risks that could impact the fulfillment of the targets and form the basis for mitigating activities, see the other sections of the Board of Directors' Report, Notes C2, "Critical Accounting Estimates and Judgments", C14, "Trade receivables and customer finance", C19, "Interest-bearing liabilities", C20, "Financial risk management and financial instruments" and the chapter Risk Factors.

LEGAL AND TAX PROCEEDINGS

Together with most of the mobile communications industry, Ericsson was sued in two class action lawsuits in the US in which plaintiffs alleged that adverse health effects could be associated with mobile phone usage. The cases were pending in federal court in Pennsylvania and the Superior Court of the District of Columbia. In the Pennsylvania case, the federal district court dismissed the plaintiffs' claims as preempted by federal law. The Third Circuit Court of Appeals subsequently affirmed this ruling, and in October 2011, the Supreme Court declined to consider the case. The plaintiff has no further right of appeal, and as a result, the Pennsylvania case is officially closed.

In the District of Columbia case, the plaintiff dismissed Ericsson from the case with prejudice in February 2011 shortly after an opinion by the D.C. Court of Appeals made it clear that the plaintiff did not have standing to sue Ericsson under the D.C. consumer protection statute.

In January 2011, a US company SynQor filed a patent infringement lawsuit against Ericsson Inc. alleging that Ericsson infringes five US patents related to bus converters. In February 2011, SynQor filed a motion for preliminary injunction seeking to prevent Ericsson from manufacturing, using, selling, and offering for sale in the US and/or importing into the US certain unregulated and semi-regulated bus converters and any Ericsson products that contain those bus converters. In May 2011, Ericsson and SynQor entered into a confidential settlement agreement that resulted in mutual releases and a dismissal with prejudice of all claims asserted by the parties against each other in the litigation.

In May 2011, Ericsson settled a US patent infringement lawsuit brought by an Australian company, QPSX Developments PTY Ltd. The lawsuit had been pending since April 2007 and involved Asynchronous Transfer Mode (ATM) technology. Ericsson considers this matter closed.

In July 2011, a US company TruePosition sued Ericsson, Qualcomm, Alcatel-Lucent (ALU), the European Telecommunications Standards Institute (ETSI) and the Third Generation Partnership Project (3GPP) for purported federal antitrust violations. The complaint alleges that Ericsson, Qualcomm and ALU illegally conspired to block the adoption of TruePosition's proprietary technology into the new mobile positioning standards for LTE, while at the same time ensuring that their own technology was included into the new standards. In October 2011, the defendants filed motions to dismiss the case.

The Swedish fiscal authorities disallowed deductions for sales commission payments via external service companies to sales agents in certain countries. The decision covering the fiscal year 1999 was appealed. In December 2006, the County Administrative Court in Stockholm rendered a judgment in favor of the fiscal authorities. The Administrative Court of Appeal in Stockholm affirmed the County Administrative Court's judgment. The judgment was appealed to the Administrative Supreme Court. In February 2011 the Administrative Supreme Court revoked the County Administrative Court's judgment and ruled in Ericsson's favor, thus allowing deductions for sales commission payments.

SOURCING AND SUPPLY

Ericsson's hardware, accounting for approximately 40% of total sales, largely consists of electronics, such as circuit boards, radio frequency (RF) modules and antennas. For manufacturing, the Company purchases customized and standardized components and services from several global providers as well as from local and regional suppliers. Certain types of components, such as power modules and cables, are produced in-house.

The production of electronic modules and sub-assemblies is mostly outsourced to manufacturing services companies, of which the vast majority is in low-cost countries. Production of radio base stations is largely done in-house and on-demand. This consists of assembling and testing modules and integrating them into units such as complete radio base stations and mobile switching centers. Final assembly and testing are concentrated to a few sites. Ericsson has 17 manufacturing sites in Brazil, China, Estonia, Italy, India and Sweden.

A number of suppliers design and manufacture highly specialized and customized components. The Company generally attempts to negotiate global supply agreements with its primary suppliers. All Ericsson suppliers are required to comply with the Code of Conduct.

Where possible, Ericsson relies on alternative supply sources and seeks to avoid single source supply situations.

A need to switch to an alternative supplier may require allocation of additional resources to ensure that technical standards and other requirements are met. This process could take some time to complete.

Variations in market prices for raw materials generally have a limited effect on total cost of goods sold.

MATERIAL CONTRACTS

Material contractual obligations are outlined in Note C31 "Contractual obligations". These are primarily related to operating leases for office and production facilities, purchase contracts for outsourced manufacturing, R&D and IT operations, and the purchase of components for the Company's own manufacturing.

Ericsson is party to certain agreements, which include provisions that may take effect or be altered or invalidated by a change in control of the Company as a result of a public takeover offer. However, none of the agreements currently in effect would entail any material consequence to Ericsson due to a change in control of the Company.

PARENT COMPANY

The Parent Company business consists mainly of corporate management, holding company functions and internal banking activities. It also handles customer credit management, performed on a commission basis by Ericsson Credit AB.

The Parent Company has 6 (6) branch offices. In total, the Group has 70 (68) branch and representative offices.

Financial information

Income after financial items was SEK 4.4 (7.8) billion. The Parent Company had no sales in 2011 or 2010 to subsidiaries, while 31% (45%) of total purchases of goods and services were from such companies.

Major changes in the Parent Company's financial position for the year included:

- Increased current and non-current receivables from subsidiaries of SEK 2.7 billion
- Decreased other current receivables of SEK 1.7 billion
- Decreased cash, cash equivalents and short-term investments of SEK 14.5 billion
- Decreased current and non-current liabilities to subsidiaries of SEK 7.8 billion
- Increased other current liabilities of SEK 2.4 billion.

At year end, cash, cash equivalents and short-term investments amounted to SEK 56.1 (70.6) billion.

Share information

As per December 31, 2011, the total number of shares in issue was 3,273,351,735, of which 261,755,983 were Class A shares, each carrying one vote, and 3,011,595,752 Class B shares, each carrying one tenth of one vote. The two largest shareholders at year end were Investor and Industrivärden holding 21.48% and 14.34% respectively of the voting rights in the Parent Company.

Both classes of shares have the same rights of participation in the net assets and earnings.

In accordance with the conditions of the Long-Term Variable Remuneration Program (LTV) for Ericsson employees, 10,242,012 treasury shares were sold or distributed to employees in 2011. The quotient value of these shares was SEK 51.2 million, representing less than 1% of capital stock, and compensation received amounted to SEK 122.9 million. The holding of treasury stock at December 31, 2011 was 62,846,503 Class B shares. The quotient value of these shares is SEK 314.2 million, representing 1.9% of capital stock, and the related acquisition cost amounts to SEK 535.0 million.

Proposed disposition of earnings

The Board of Directors proposes that a dividend of SEK 2.50 (2.25) per share be paid to shareholders duly registered on the record date May 8, 2012, and that the Parent Company shall retain the remaining part of non-restricted equity.

The Class B treasury shares held by the Parent Company are not entitled to receive a dividend. Assuming that no treasury shares remain on the record date, the Board of Directors proposes that earnings be distributed as follows:

Amount to be paid to the shareholders	SEK 8,183,379,338
Amount to be retained by the Parent Company	SEK 32,536,021,737
Total non-restricted equity of the Parent Company	SEK 40,719,401,075

As a basis for its dividend proposal, the Board of Directors has made an assessment in accordance with Chapter 18, Section 4 of the Swedish Companies Act of the Parent Company's and the Group's need for financial resources as well as the Parent Company's and the Group's liquidity, financial position in other respects and long-term ability to meet their commitments. The Group reports an equity ratio of 52% (52%) and a net cash amount of SEK 39.5 (51.3) billion.

The Board of Directors has also considered the Parent Company's result and financial position and the Group's position in general. In this respect, the Board of Directors has taken into account known commitments that may have an impact on the financial positions of the Parent Company and its subsidiaries.

The proposed dividend does not limit the Group's ability to make investments or raise funds, and it is the Board of Directors' assessment that the proposed dividend is well-balanced considering the nature, scope and risks of the business activities as well as the capital requirements for the Parent Company and the Group as well as coming years' business plans and economic development.

POST-CLOSING EVENTS

On January 12, 2012, Ericsson announced the closing of the acquisition of all the shares in Telcordia, a global leader in the development of software and services for OSS/BSS, for USD 1.15 billion in an all cash transaction, on a cash and debt-free basis. Balances to facilitate a Purchase Price Allocation have not yet been established. Approximately 2,600 skilled employees have joined Ericsson. This acquisition consolidates Ericsson's position as a leading player in the operations support systems and business support systems (OSS/BSS) market with a key position in service fulfillment, assurance, network optimization and real-time charging.

On January 14, 2012, as per the trust's funding requirements, the Company made an employer contribution payment of SEK 900 million to the Swedish pension trust fund.

On January 20, 2012, Ulf Ewaldsson was appointed Senior Vice President, Chief Technology Officer, Head of Group function Technology and Portfolio Management, effective as of February 1.

In February 2012, Airvana Networks Solutions Inc., a State of Delaware, US corporation ("Airvana"), filed a complaint against Ericsson Inc. and Ericsson AB in the Supreme Court of the State of New York, US, alleging that Ericsson has violated key contract terms and misappropriated Airvana trade secrets and proprietary information. Airvana is seeking damages of USD 330 million and to enjoin Ericsson from developing, deploying or commercializing Ericsson products allegedly based on Airvana's proprietary technology.

On February 16, 2012, Ericsson announced that the Company, on February 15, 2012, completed the divestment of its 50% stake in Sony Ericsson Mobile Communications AB. The divestment was originally jointly announced by Sony Corporation and Ericsson on October 27, 2011. The deal includes a broad IP cross-licensing agreement. Sony Ericsson is now a wholly-owned subsidiary of Sony. The agreed cash consideration for the transaction is EUR 1.05 billion.

The divestment has resulted in a gain of approximately SEK 7.5 billion, to be recognized in the first quarter of 2012 and reported under Other operating income and expenses.

BOARD ASSURANCE

The Board of Directors and the President declare that the consolidated financial statements have been prepared in accordance with IFRS, as adopted by the EU, and give a fair view of the Group's financial position and results of operations. The financial statements of the Parent Company have been prepared in accordance with generally accepted accounting principles in Sweden and give a fair view of the Parent Company's financial position and results of operations.

The Board of Directors' Report for the Ericsson Group and the Parent Company provides a fair view of the development of the Group's and the Parent Company's operations, financial position and results of operations and describes material risks and uncertainties facing the Parent Company and the companies included in the Group.

Stockholm February 24, 2012
Telefonaktiebolaget LM Ericsson (publ)
Org. no. 556016-0680

Sverker Martin-Löf Deputy Chairman	**Leif Johansson** Chairman	**Jacob Wallenberg** Deputy Chairman
Roxanne S. Austin Member of the Board	**Sir Peter L. Bonfield** Member of the Board	**Börje Ekholm** Member of the Board
Ulf J. Johansson Member of the Board	**Nancy McKinstry** Member of the Board	**Anders Nyrén** Member of the Board
Carl-Henric Svanberg Member of the Board	**Hans Vestberg** President, CEO and member of the Board	**Michelangelo Volpi** Member of the Board
Pehr Claesson Member of the Board	**Jan Hedlund** Member of the Board	**Karin Åberg** Member of the Board

50 BILLION CONNECTED DEVICES BY 2020.

50 BILLION

EXTENDING OUR REACH

To build the networked society, our innovations need to be offered more widely than to operators alone.

We are finding new ways to extend our reach. Today we also address sectors like utilities and TV & media.

CONSOLIDATED FINANCIAL STATEMENTS AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Consolidated Financial Statements

Notes to the Consolidated Financial Statements

CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

CONSOLIDATED INCOME STATEMENT

January–December, SEK million	Notes	2011	2010	2009
Net sales	C3, C4	**226,921**	203,348	206,477
Cost of sales		**–147,200**	–129,094	–136,278
Gross income		**79,721**	74,254	70,199
Gross margin (%)		**35.1%**	36.5%	34.0%
Research and development expenses		**–32,638**	–31,558	–33,055
Selling and administrative expenses		**–26,683**	–27,072	–26,908
Operating expenses		**–59,321**	–58,630	–59,963
Other operating income and expenses	C6	**1,278**	2,003	3,082
Operating income before shares in earnings of joint ventures and associated companies		**21,678**	17,627	13,318
Operating margin before shares in earnings of joint ventures and associated companies (%)		**9.6%**	8.7%	6.5%
Share in earnings of joint ventures and associated companies	C12	**–3,778**	–1,172	–7,400
Operating income		**17,900**	16,455	5,918
Financial income	C7	**2,882**	1,047	1,874
Financial expenses	C7	**–2,661**	–1,719	–1,549
Income after financial items		**18,121**	15,783	6,243
Taxes	C8	**–5,552**	–4,548	–2,116
Net income		**12,569**	11,235	4,127
Net income attributable to:				
Stockholders of the Parent Company		**12,194**	11,146	3,672
Non-controlling interest		**375**	89	455
Other information				
Average number of shares, basic (million)	C9	**3,206**	3,197	3,190
Earnings per share attributable to stockholders of the Parent Company, basic (SEK) [1]	C9	**3.80**	3.49	1.15
Earnings per share attributable to stockholders of the Parent Company, diluted (SEK) [1]	C9	**3.77**	3.46	1.14

[1] Based on Net income attributable to stockholders of the Parent Company.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

January–December, SEK million	Notes	2011	2010	2009
Net income		**12,569**	11,235	4,127
Other comprehensive income				
Actuarial gains and losses, and the effect of the asset ceiling, related to pensions	C16	**–6,963**	3,892	–633
Revaluation of other investments in shares and participations				
Fair value remeasurement	C16	**–**	7	–2
Cash Flow hedges				
Gains/losses arising during the period	C16	**996**	966	665
Reclassification adjustments for gains/losses included in profit or loss	C16	**–2,028**	–238	3,850
Adjustments for amounts transferred to initial carrying amount of hedged items	C16	**–**	–136	–1,029
Changes in cumulative translation adjustments	C16	**–964**	–3,259	–1,067
Share of other comprehensive income of joint ventures and associated companies	C16	**–262**	–434	–259
Tax on items relating to components of Other comprehensive income	C16	**2,158**	–1,120	–1,040
Total other comprehensive income		**–7,063**	–322	485
Total comprehensive income		**5,506**	10,913	4,612
Total Comprehensive Income attributable to:				
Stockholders of the Parent Company		**5,081**	10,814	4,211
Non-controlling interest		**425**	99	401

CONSOLIDATED BALANCE SHEET

December 31, SEK million	Notes	2011	2010
ASSETS			
Non-current assets			
Intangible assets	C10		
Capitalized development expenses		**3,523**	3,010
Goodwill		**27,438**	27,151
Intellectual property rights, brands and other intangible assets		**13,083**	16,658
Property, plant and equipment	C11, C26, C27	**10,788**	9,434
Financial assets			
Equity in joint ventures and associated companies	C12	**5,965**	9,803
Other investments in shares and participations	C12	**2,199**	219
Customer finance, non-current	C12	**1,400**	1,281
Other financial assets, non-current	C12	**4,117**	3,079
Deferred tax assets	C8	**13,020**	12,737
		81,533	83,372
Current assets			
Inventories	C13	**33,070**	29,897
Trade receivables	C14	**64,522**	61,127
Customer finance, current	C14	**2,845**	3,123
Other current receivables	C15	**17,837**	17,146
Short-term investments	C20	**41,866**	56,286
Cash and cash equivalents	C25	**38,676**	30,864
		198,816	198,443
TOTAL ASSETS		**280,349**	281,815
EQUITY AND LIABILITIES			
Equity			
Stockholders' equity	C16	**143,105**	145,106
Non-controlling interest in equity of subsidiaries	C16	**2,165**	1,679
		145,270	146,785
Non-current liabilities			
Post-employment benefits	C17	**10,016**	5,092
Provisions, non-current	C18	**280**	353
Deferred tax liabilities	C8	**2,250**	2,571
Borrowings, non-current	C19, C20	**23,256**	26,955
Other non-current liabilities		**2,248**	3,296
		38,050	38,267
Current liabilities			
Provisions, current	C18	**5,985**	9,391
Borrowings, current	C19, C20	**7,765**	3,808
Trade payables	C22	**25,309**	24,959
Other current liabilities	C21	**57,970**	58,605
		97,029	96,763
TOTAL EQUITY AND LIABILITIES [1)]		**280,349**	281,815

[1)] Of which interest-bearing liabilities and post-employment benefits SEK 41,037 (35,855) million.

CONSOLIDATED STATEMENT OF CASH FLOWS

January–December, SEK million	Notes	2011	2010	2009
Operating activities				
Net income		12,569	11,235	4,127
Adjustments to reconcile net income to cash	C25	12,613	12,490	16,856
		25,182	23,725	20,983
Changes in operating net assets				
Inventories		–3,243	–7,917	5,207
Customer finance, current and non-current		74	–2,125	598
Trade receivables		–1,700	4,406	7,668
Trade payables		–1,648	5,964	–3,522
Provisions and post-employment benefits		–5,695	–2,739	–2,950
Other operating assets and liabilities, net		–2,988	5,269	–3,508
		–15,200	2,858	3,493
Cash flow from operating activities		9,982	26,583	24,476
Investing activities				
Investments in property, plant and equipment	C11	–4,994	–3,686	–4,006
Sales of property, plant and equipment		386	124	534
Acquisitions of subsidiaries and other operations	C25, C26	–3,181	–3,286	–19,321
Divestments of subsidiaries and other operations	C25, C26	53	454	1,239
Product development	C10	–1,515	–1,644	–1,443
Other investing activities		–900	–1,487	2,606
Short-term investments		14,692	–3,016	–17,071
Cash flow from investing activities		4,541	–12,541	–37,462
Cash flow before financing activities		14,523	14,042	–12,986
Financing activities				
Proceeds from issuance of borrowings		2,076	2,580	14,153
Repayment of borrowings		–1,259	–1,449	–9,804
Sale of own stock and options exercised		92	51	69
Dividends paid		–7,455	–6,677	–6,318
Other financing activities		52	–175	199
Cash flow from financing activities		–6,494	–5,670	–1,701
Effect of exchange rate changes on cash		–217	–306	–328
Net change in cash		7,812	8,066	–15,015
Cash and cash equivalents, beginning of period		30,864	22,798	37,813
Cash and cash equivalents, end of period	C25	38,676	30,864	22,798

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Capital stock	Additional paid in capital	Retained earnings	Stockholders' equity	Non-controlling interest (NCI)	Total equity
January 1, 2011		16,367	24,731	104,008	**145,106**	1,679	**146,785**
Total comprehensive income	C16	–	–	5,081	**5,081**	425	**5,506**
Transactions with owners							
Sale of own shares		–	–	92	**92**	–	**92**
Stock Purchase Plans		–	–	413	**413**	–	**413**
Dividends paid		–	–	–7,207	**–7,207**	–248	**–7,455**
Transactions with non-controlling interest		–	–	–380	**–380**	309	**–71**
December 31, 2011		**16,367**	**24,731**	**102,007**	**143,105**	**2,165**	**145,270**
January 1, 2010		16,367	24,731	98,772	**139,870**	1,157	**141,027**
Total comprehensive income	C16	–	–	10,814	**10,814**	99	**10,913**
Transactions with owners							
Sale of own shares		–	–	52	**52**	–	**52**
Stock Purchase Plans		–	–	762	**762**	–	**762**
Dividends paid		–	–	–6,391	**–6,391**	–286	**–6,677**
Transactions with non-controlling interest		–	–	–	**–**	708	**708**
December 31, 2010		**16,367**	**24,731**	**104,008**	**145,106**	**1,679**	**146,785**
January 1, 2009		16,232	24,731	99,860	**140,823**	1,261	**142,084**
Total comprehensive income	C16	–	–	4,211	**4,211**	401	**4,612**
Transactions with owners							
Stock issue		135	–	–	**135**	–	**135**
Sale of own shares		–	–	75	**75**	–	**75**
Repurchase of own shares		–	–	–135	**–135**	–	**–135**
Stock Purchase and Stock Option Plans		–	–	658	**658**	–	**658**
Dividends paid		–	–	–5,897	**–5,897**	–421	**–6,318**
Transactions with non-controlling interest		–	–	–	**–**	–84	**–84**
December 31, 2009		**16,367**	**24,731**	**98,772**	**139,870**	**1,157**	**141,027**

C1 SIGNIFICANT ACCOUNTING POLICIES

Introduction

The consolidated financial statements comprise Telefonaktiebolaget LM Ericsson, the Parent Company, and its subsidiaries ("the Company") and the Company's interests in joint ventures and associated companies. The Parent Company is domiciled in Sweden at Torshamnsgatan 23, SE-164 83 Stockholm.

The consolidated financial statements for the year ended December 31, 2011, have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU and RFR 1 "Additional rules for Group Accounting", related interpretations issued by the Swedish Financial Reporting Board (Rådet för finansiell rapportering), and the Swedish Annual Accounts Act. For the financial reporting of 2011, the Company has applied IFRS as issued by the IASB (IFRS effective as per December 31, 2011) and without any early application. There is no difference between IFRS effective as per December 31, 2011, and IFRS as endorsed by the EU, nor is RFR 1 related interpretations issued by the Swedish Financial Reporting Board (Rådet för Finansiell Rapportering) or the Swedish Annual Accounts Act in conflict with IFRS.

The financial statements were approved by the Board of Directors on February 24, 2012. The balance sheets and income statements are subject to approval by the annual meeting of shareholders.

New standards, amendments of standards and interpretations, effective as from January 1, 2011:

- Improvements to IFRSs (Issued by the IASB in May 2010).
- Amendment to IFRIC 14,'IAS 19 – The limit on a defined benefit assets, minimum funding requirements and their interaction'. Removes unintended consequences arising from the treatment of pre-payments where there is a minimum funding requirement. Results in pre-payments of contributions in certain circumstances being recognized as an asset rather than an expense.
- IFRIC 19, 'Extinguishing financial liabilities with equity instruments'. Clarifies the requirements of IFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially.
- IAS 24, 'Related party disclosures' (revised 2009). Amends the definition of a related party and modifies certain related-party disclosure requirements for government-related entities.
- Amendment to IAS 32, 'Financial instruments: Presentation – Classification of rights issues'. Amended to allow rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments.

None of the new or amended standards and interpretations have had any significant impact on the financial result or position of the Company.

For information on "New standards and interpretations not yet adopted" please see page 56.

Basis of presentation

The financial statements are presented in millions of Swedish Krona (SEK). They are prepared on a historical cost basis, except for certain financial assets and liabilities that are stated at fair value: derivative financial instruments, financial instruments held for trading, financial instruments classified as available-for-sale and plan assets related to defined benefit pension plans.

Basis of consolidation

The consolidated financial statements are prepared in accordance with the purchase method. Accordingly, consolidated stockholders' equity includes equity in subsidiaries, joint ventures and associated companies earned only after their acquisition.

Subsidiaries are all companies in which Ericsson has an ownership interest, directly or indirectly, including effective potential voting rights, has the power to govern the financial and operating policies generally associated with ownership of more than one half of the voting rights or in which Ericsson by agreement has control. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and any unrealized income and expense arising from intra-group transactions are fully eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Business combinations

At the acquisition of a business, the cost of the acquisition, being the purchase price, is measured as the fair value of the assets given, and liabilities incurred or assumed at the date of exchange, including any cost related to contingent consideration. Transaction costs attributable to the acquisition are expensed as incurred. The acquisition cost is allocated to acquired assets, liabilities and contingent liabilities based upon appraisals made, including assets and liabilities that were not recognized on the acquired entity's balance sheet, for example intangible assets such as customer relations, brands, patents and financial liabilities. Goodwill arises when the purchase price exceeds the fair value of recognizable acquired net assets. In acquisitions with non-controlling interest full or partial goodwill can be recognized. Final amounts are established within one year after the transaction date at the latest.

In case there is a put option for non-controlling interest in a subsidiary a corresponding financial liability is recognized.

Non-controlling interest

The Company treats transactions with non-controlling interests as transactions with equity owners of the Company. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Company ceases to have control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest in an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Company had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

At acquisition, there is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Joint ventures and associated companies

Both joint ventures and associated companies are accounted for in accordance with the equity method. Under the equity method, the investment in an associate or joint venture is initially recognized at cost and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. JVs are ownership interests where a joint influence is obtained through agreement.

Investments in associated companies, i.e. when the Company has significant influence and the power to participate in the financial and operating policy decisions of the associated company, but is not control or joint control over those policies. Normally this is the case when voting stock interest, including effective potential voting rights, is at least 20% but not more than 50%.

Ericsson's share of income before taxes is reported in item "Share in earnings of joint ventures and associated companies", included in Operating Income. This is due to that these interests are held for operating rather than investing or financial purposes. Ericsson's share of income taxes related to joint ventures and associated companies is reported under the line item Taxes in the income statement.

Unrealized gains on transactions between the Company and its associated companies and joint ventures are eliminated to the extent of the Company's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Shares in earnings of joint ventures and associated companies included in consolidated equity which are undistributed are reported in Retained earnings in the balance sheet.

Impairment testing as well as recognition or reversal of impairment of investments in each joint venture is performed in the same manner as for intangible assets other than goodwill. The entire carrying amount of each investment, including goodwill, is tested as a single asset. See also description under "Intangible assets other than goodwill" below.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

In Note C2, "Critical Accounting Estimates and Judgments", a further disclosure is presented in relation to (i) key sources of estimation uncertainty and (ii) the decision made in relation to accounting policies applied.

Foreign currency remeasurement and translation

Items included in the financial statements of each entity of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Swedish Krona (SEK), which is the Parent Company's functional and presentation currency.

TRANSACTIONS AND BALANCES

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, unless deferred in Other Comprehensive Income (OCI) under the hedge accounting practices as described below.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortized cost are recognized in profit or loss, and other changes in the carrying amount are recognized in OCI.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss.

Group companies

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- Income and expenses for each income statement are translated at average exchange rates
- All resulting net exchange differences are recognized as a separate component of OCI.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are accounted for in OCI. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in OCI are recognized in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

There is no significant impact due to a currency of a hyperinflationary economy.

Statement of cash flows

The statement of cash flow is prepared in accordance with the indirect method. Cash flows in foreign subsidiaries are translated at the average exchange rate during the period. Payments for subsidiaries acquired or divested are reported as cash flow from investing activities, net of cash and cash equivalents acquired or disposed of, respectively.

Cash and cash equivalents consist of cash, bank, and short-term investments that are highly liquid monetary financial instruments with a remaining maturity of three months or less at the date of acquisition.

Revenue recognition

BACKGROUND

The Company offers a comprehensive portfolio of telecommunication and data communication systems, professional services, and multimedia solutions. Products, both hardware and software as well as services are in general standardized. The impact of this is that any acceptance terms are normally only formal requirements. In Note C3, "Segment information", the Company offer is disclosed more in detail as per operating segment.

The Company's products and services are generally sold under delivery-type or multi-year recurring services contracts. The delivery type contracts often have content from more than one segment.

ACCOUNTING TREATMENT

Sales are based on fair values of consideration received and recorded net of value added taxes, goods returned and estimated trade discounts. Revenue is recognized when risks and rewards have been transferred to the customer, with reference to all significant contractual terms when:

- The product or service has been delivered
- The revenue amount is fixed or determinable
- Customer has received and activation has been made of separately sold software
- Collection is reasonably assured.

Estimation of contractual performance criteria impact the timing and amounts of revenue recognized and may therefore defer revenue recognition until the performance criteria are met. The profitability of contracts is periodically assessed, and provisions for any estimated losses are made immediately when losses are probable.

Allocation and/or timing criteria specific per type of contract are:

- Delivery-type contracts. These contracts relate to delivery, installation, integration of products and providing of related services, normally under multiple elements contracts. Under multiple elements contracts the accounting is based on that the revenue recognition criteria are applied to the separately identifiable components of the contract. Revenue, including the impact of any discount or rebate, is allocated to each element based on relative fair values. Networks, Global Services and Multimedia have contracts that relate to this type of contracts.
- Contracts for services. Relate to multi-year service contracts such as support – and managed service contracts and other types of recurring

services. Revenue is recognized when the services have been provided, generally pro rata over the contract period. Global Services has contracts that relate to this type of contracts.

- Contracts generating license fees from third parties for the use of the Company's technology or intellectual property rights, not being a part of another product. Revenue is normally recognized based on sales of products sold to the customer/licensee. Networks and Multimedia have contracts that relate to this type of contracts.

For sales between consolidated companies, associated companies, joint ventures and segments, the Company applies arm's length pricing.

In Note C2, "Critical Accounting Estimates and Judgments", a further disclosure is presented in relation to (i) key sources of estimation uncertainty and (ii) the decision made in relation to accounting policies applied.

Earnings per share

Basic earnings per share are calculated by dividing net income attributable to stockholders of the Parent Company by the weighted average number of shares outstanding (total number of shares less treasury stock) during the year.

Diluted earnings per share are calculated by dividing net income attributable to stockholders of the Parent Company, when appropriate adjusted by the sum of the weighted average number of ordinary shares outstanding and dilutive potential ordinary shares. Potential ordinary shares are treated as dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share.

Stock options and rights to matching shares are considered dilutive when the actual fulfillment of any performance conditions as of the reporting date would give a right to ordinary shares. Furthermore, stock options are considered dilutive only when the exercise price is lower than the period's average share price.

Financial assets

Financial assets are recognized when the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of financial assets are recognized on the settlement date.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Separate assets or liabilities are recognized if any rights and obligations are created or retained in the transfer.

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the income statement.

The fair values of quoted financial investments and derivatives are based on quoted market prices or rates. If official rates or market prices are not available, fair values are calculated by discounting the expected future cash flows at prevailing interest rates. Valuations of Foreign exchange options and Interest Rate Guarantees (IRG) are made by using a Black-Scholes formula. Inputs to the valuations are market prices for implied volatility, foreign exchange and interest rates.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling or repurchasing in the near term.

Derivatives are classified as held for trading, unless they are designated as hedges. Assets in this category are classified as current assets.

Gains or losses arising from changes in the fair values of the "financial assets at fair value through profit or loss"-category (excluding derivatives) are presented in the income statement within Financial income in the period in which they arise. Derivatives are presented in the income statement either as cost of sales, other operating income, financial income or financial expense, depending on the intent with the transaction.

LOANS AND RECEIVABLES

Receivables, including those that relate to customer financing, are subsequently measured at amortized cost using the effective interest rate method, less allowances for impairment charges. Trade receivables include amounts due from customers. The balance represents amounts billed to customer as well as amounts where risk and rewards have been transferred to the customer but the invoice has not yet been issued.

Collectability of the receivables is assessed for purposes of initial revenue recognition.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Dividends on available-for-sale equity instruments are recognized in the income statement as part of financial income when the Company's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analyzed between translation differences resulting from changes in amortized cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognized in profit or loss; translation differences on non-monetary securities are recognized in OCI. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognized in OCI. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments previously recognized in OCI are included in the income statement.

IMPAIRMENT

At each balance sheet date, the Company assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an evidence that the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from OCI and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement.

An assessment of impairment of receivables is performed when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the income statement within selling expenses. When a trade receivable is finally established as uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to selling expenses in the income statement.

Financial Liabilities

Financial liabilities are recognized when the Company becomes bound to the contractual obligations of the instrument.

Financial liabilities are derecognized when they are extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expires.

BORROWINGS

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

TRADE PAYABLES

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

DERIVATIVES AT FAIR VALUE THROUGH PROFIT OR LOSS

Certain derivative instruments do not qualify for hedge accounting and are accounted for at fair value through profit or loss. Changes in the fair value of these derivative instruments that do not qualify for hedge accounting are recognized immediately in the income statement either as cost of sales, other operating income, financial income or financial expense, depending on the intent of the transaction.

Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value at trade date and subsequently re-measured at fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company designates certain derivatives as either:

a) **Fair value hedge:** a hedge of the fair value of recognized liabilities
b) **Cash flow hedge:** a hedge of a particular risk associated with a highly probable forecast transaction; or
c) **Net investment hedge:** a hedge of a net investment in a foreign operation.

At the inception of the hedge, the Company documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of the hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note C20, “Financial Risk Management and Financial Instruments”. Movements in the hedging reserve in OCI are shown in Note C16, “Equity and Other Comprehensive Income”.

The fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as current assets or liabilities.

FAIR VALUE HEDGES

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Company only applies fair value hedge accounting for hedging fixed interest risk on borrowings. Both gains and losses relating to the interest rate swaps hedging fixed rate borrowings and the changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk are recognized in the income statement within Financial expenses. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortized to the income statement over the remaining period to maturity.

CASH FLOW HEDGES

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in OCI. The gain or loss relating to an ineffective portion is recognized immediately in the income statement within financial income or expense.

Amounts deferred in OCI are recycled in the income statement in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place), either in Net Sales or Cost of Sales. When the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets), the gains and losses previously deferred in OCI are transferred from OCI and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognized in Cost of Sales in case of inventory or in Depreciation in case of fixed assets. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss which at that time remains in OCI is recognized in the income statement when the forecast transaction is ultimately recognized. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in OCI is immediately transferred to the income statement within financial income or expense.

NET INVESTMENT HEDGES

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in OCI. A gain or loss relating to an ineffective portion is recognized immediately in the income statement within financial income or expense. Gains and losses deferred in OCI are included in the income statement when the foreign operation is partially disposed of or sold.

Financial guarantees

Financial guarantee contracts are initially recognized at fair value (i.e. usually the fee received). Subsequently, these contracts are measured at the higher of:

- The amount determined as the best estimate of the net expenditure required to settle the obligation according to the guarantee contract
- The recognized contractual fee less cumulative amortization when amortized over the guarantee period, using the straight-line-method.

The best estimate of the net expenditure comprises future fees and cash flows from subrogation rights.

Inventories

Inventories are measured at the lower of cost or net realizable value on a first-in, first-out (FIFO) basis.

Risks of obsolescence have been measured by estimating market value based on future customer demand and changes in technology and customer acceptance of new products.

A significant part of Inventories is Contract work in Progress(CWIP). Recognition and de recognition of CWIP relates to the Company´s revenue recognition principles meaning that costs incurred under a customer contract are recognized as CWIP. When revenue is recognized CWIP is derecognized and is instead recognized as Cost of Sales.

In Note C2, "Critical Accounting Estimates and Judgments", a further disclosure is presented in relation to (i) key sources of estimation uncertainty and (ii) the decision made in relation to accounting policies applied.

Intangible assets

INTANGIBLE ASSETS OTHER THAN GOODWILL

Intangible assets other than goodwill comprise capitalized development expenses and acquired intangible assets, such as patents, customer relations, trademarks and software. At initial recognition, capitalized development expenses are stated at cost while acquired intangible assets related to business combinations are stated at fair value. Subsequent to initial recognition, both capitalized development expenses and acquired intangible assets are stated at initially recognized amounts less accumulated amortization and any impairment. Amortization and any impairment losses are included in Research and development expenses, mainly for capitalized development expenses and patents, in Selling and administrative expenses, mainly for customer relations and brands, and in Cost of sales.

Costs incurred for development of products to be sold, leased or otherwise marketed or intended for internal use are capitalized as from when technological and economical feasibility has been established until the product is available for sale or use. These capitalized expenses are mainly generated internally and include direct labor and directly attributable overhead. Amortization of capitalized development expenses begins when the product is available for general release. Amortization is made on a product or platform basis according to the straight-line method over periods not exceeding five years. Research and development expenses directly related to orders from customers are accounted for as a part of Cost of sales. Other research and development expenses are charged to income as incurred.

Amortization of acquired intangible assets, such as patents, customer relations, brands and software, is made according to the straight-line method over their estimated useful lives, not exceeding ten years. However, if the economic benefit related to an item of intangible assets is front-end loaded the amortization method reflects this. Thus, the amortization for such an item is amortized on a digressive curve basis and the asset value decreases with higher amounts in the beginning of the useful life compared to the end.

The Company has not recognized any intangible assets with indefinite useful life other than goodwill.

Impairment tests are performed whenever there is an indication of possible impairment. However, intangible assets not yet available for use are tested annually. An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The recoverable amount is the higher of the value in use and the fair value less costs to sell. In assessing value in use, the estimated future cash flows after tax are discounted to their present value using an after-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Application of after tax amounts in calculation, both in relation to cash flows and discount rate is applied due to that available models for calculating discount rate include a tax component. The after tax discounting, applied by the Company is not materially different from a discounting based on before-tax future cash flows and before-tax discount rates, as required by IFRS.

Corporate assets have been allocated to cash-generating units in relation to each unit's proportion of total net sales. The amount related to corporate assets is not significant. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amounts and if the recoverable amount is higher than the carrying value. An impairment loss is reversed only to the extent that the asset's carrying amount after reversal does not exceed the carrying amount, net of amortization, which would have been reported if no impairment loss had been recognized.

In Note C2, "Critical Accounting Estimates and Judgments", a further disclosure is presented in relation to (i) key sources of estimation uncertainty and (ii) the decision made in relation to accounting policies applied.

GOODWILL

As from the acquisition date, goodwill acquired in a business combination is allocated to each cash-generating unit (CGU) of the Company expected to benefit from the synergies of the combination. Ericsson's five operating segments have been identified as CGUs. Goodwill is assigned to four of them, Networks, Professional Services, Multimedia and ST-Ericsson.

An annual impairment test for the CGUs to which goodwill has been allocated is performed in the fourth quarter, or when there is an indication of impairment. Impairment testing as well as recognition of impairment of goodwill is performed in the same manner as for intangible assets other than goodwill, see description under "Intangible assets other than goodwill" above. An impairment loss in respect of goodwill is not reversed.

Additional disclosure is required in relation to goodwill impairment testing, see Note C2, "Critical Accounting Estimates and Judgments", below and in Note C10, "Intangible Assets".

Property, plant and equipment

Property, plant and equipment consist of real estate, machinery and other technical assets, other equipment, tools and installation and construction in process and advance payment , they are stated at cost less accumulated depreciation and any impairment losses.

Depreciation is charged to income, generally on a straight-line basis, over the estimated useful life of each component of an item of property, plant and equipment, including buildings. Estimated useful lives are, in general, 25–50 years for real estate and 3–10 years for machinery and equipment. Depreciation and any impairment charges are included in Cost of sales, Research and development or Selling and administrative expenses.

The Company recognizes in the carrying amount of an item of property, plant and equipment the cost of replacing a component and derecognizes the residual value of the replaced component.

Impairment testing as well as recognition or reversal of impairment of property, plant and equipment is performed in the same manner as for intangible assets other than goodwill, see description under "Intangible assets other than goodwill" above.

Gains and losses on disposals are determined by comparing the proceeds less cost to sell with the carrying amount and are recognized within Other operating income and expenses in the income statement.

Leasing

LEASING WHEN THE COMPANY IS THE LESSEE

Leases on terms in which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that type of asset, although the depreciation period must not exceed the lease term.

Other leases are operating leases, and the leased assets under such contracts are not recognized on the balance sheet. Costs under operating leases are recognized in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

LEASING WHEN THE COMPANY IS THE LESSOR

Leasing contracts with the Company as lessor are classified as finance leases when the majority of risks and rewards are transferred to the lessee, and otherwise as operating leases. Under a finance lease, a receivable is recognized at an amount equal to the net investment in the lease and revenue is recognized in accordance with the revenue recognition principles.

Under operating leases the equipment Is recorded as property, plant and equipment and revenue as well as depreciation is recognized on a straight-line basis over the lease term.

Income taxes

Income taxes in the consolidated financial statements include both current and deferred taxes. Income taxes are reported in the income statement unless the underlying item is reported directly in equity or OCI. For those items, the related income tax is also reported directly in equity or OCI. A current tax liability or asset is recognized for the estimated taxes payable or refundable for the current year or prior years.

Deferred tax is recognized for temporary differences between the book values of assets and liabilities and their tax values and for tax loss carry forwards. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and tax loss carry forwards can be utilized. In the recognition of income taxes, the Company offsets current tax receivables against current tax liabilities and deferred tax assets against deferred tax liabilities in the balance sheet, when the Company has a legal right to offset these items and the intention to do so. Deferred tax is not recognized for the following temporary differences: goodwill not deductible for tax purposes, for the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and for differences related to investments in subsidiaries when it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is measured at the tax rate that is expected to be applied to the temporary differences when they reverse, based on the tax laws that have been enacted or substantively enacted by the reporting date. An adjustment of deferred tax asset/liability balances due to a change in the tax rate is recognized in the income statement, unless it relates to a temporary difference earlier recognized directly in equity or OCI, in which case the adjustment is also recognized in equity or OCI.

The measurement of deferred tax assets involves judgment regarding the deductibility of costs not yet subject to taxation and estimates regarding sufficient future taxable income to enable utilization of unused tax losses in different tax jurisdictions. All deferred tax assets are subject to annual review of probable utilization. The largest amounts of tax loss carry forwards relate to Sweden, with indefinite period of utilization.

In Note C2, "Critical Accounting Estimates and Judgments", a further disclosure is presented in relation to (i) key sources of estimation uncertainty and (ii) the decision made in relation to accounting policies applied.

Provisions and contingent liabilities

Provisions are made when there are legal or constructive obligations as a result of past events and when it is probable that an outflow of resources will be required to settle the obligations and the amounts can be reliably estimated. When the effect of the time value of money is material, discounting is made of estimated outflows. However, the actual outflows as a result of the obligations may differ from such estimates.

The provisions are mainly related to warranty commitments, restructuring, customer projects and other obligations, such as unresolved income tax and value added tax issues, claims or obligations as a result of patent infringement and other litigations, supplier claims and customer finance guarantees.

Product warranty commitments consider probabilities of all material quality issues based on historical performance for established products and expected performance for new products, estimates of repair cost per unit, and volumes sold still under warranty up to the reporting date.

A restructuring obligation is considered to have arisen when the Company has a detailed formal plan for the restructuring (approved by management), which has been communicated in such a way that a valid expectation has been raised among those affected.

Project related provisions include estimated losses on onerous contracts, contractual penalties and undertakings. For losses on customer contracts, a provision equal to the total estimated loss is recorded when a loss from a contract is anticipated and possible to estimate reliably. These contract loss estimates include any probable penalties to a customer under a loss contract.

Other provisions include provisions for unresolved tax issues, litigations, supplier claims, customer finance and other provisions. The Company provides for estimated future settlements related to patent infringements based on the probable outcome of each infringement. The actual outcome or actual cost of settling an individual infringement may vary from the Company's estimate.

The Company estimates the outcome of any potential patent infringement made known to the Company through assertion and through the Company's own monitoring of patent-related cases in the relevant legal systems. To the extent that the Company makes the judgment that an identified potential infringement will more likely than not result in an outflow of resources, the Company records a provision based on the Company's best estimate of the expenditure required to settle with the counterpart.

In the ordinary course of business, the Company is subject to proceedings, lawsuits and other unresolved claims, including proceedings under laws and government regulations and other matters. These matters are often resolved over a long period of time. The Company regularly assesses the likelihood of any adverse judgments in or outcomes of these matters, as well as potential ranges of possible losses. Provisions are recognized when it is probable that an obligation has arisen and the amount can be reasonably estimated based on a detailed analysis of each individual issue.

Certain present obligations are not recognized as provisions as it is not probable that an economic outflow will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. Such obligations are reported as contingent liabilities. For further detailed information, see Note C24, "Contingent liabilities".

In Note C2, "Critical Accounting Estimates and Judgments", a further disclosure is presented in relation to (i) key sources of estimation uncertainty and (ii) the decision made in relation to accounting policies applied.

Post-employment benefits

Pensions and other post-employment benefits are classified as either defined contribution plans or defined benefit plans. Under a defined contribution plan, the Company's only obligation is to pay a fixed amount to a separate entity (a pension trust fund) with no obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits. The related actuarial and investment risks fall on the employee. The expenditures for defined contribution plans are recognized as expenses during the period when the employee provides service.

Under a defined benefit plan, it is the Company's obligation to provide agreed benefits to current and former employees. The related actuarial and investment risks fall on the Company.

The present value of the defined benefit obligations for current and former employees is calculated using the Projected Unit Credit Method. The discount rate for each country is determined by reference to market yields on high-quality corporate bonds that have maturity dates approximating the terms of the Company's obligations. In countries where there is no deep market in such bonds, the market yields on government bonds are used. The calculations are based upon actuarial assumptions, assessed on a quarterly basis, and are as a minimum prepared annually. Actuarial assumptions are the Company's best estimate of the variables that determine the cost of providing the benefits. When using actuarial assumptions, it is possible that the actual results will differ from the estimated results or that the actuarial assumptions will change from one period to another. These differences are reported as actuarial gains and losses. They are for example caused by unexpectedly high or low rates of employee turnover, changed life expectancy, salary changes, changes in the discount rate and differences between actual and expected return on plan assets. Actuarial gains and losses are recognized in OCI in the period in which they occur. The Company's net liability for each defined benefit plan consists of the present value of pension commitments less the fair value of plan assets and is recognized net on the balance sheet. When the result is a net benefit to the Company, the recognized asset is limited to the total of any cumulative past service cost and the present value of any future refunds from the plan or reductions in future contributions to the plan.

The net of return on plan assets and interest on pension liabilities is reported as financial income or expense, while the current service cost and any other items in the annual pension cost are reported as operating income or expense.

Payroll taxes related to actuarial gains and losses are included in determining actuarial gains and losses.

In Note C2, "Critical Accounting Estimates and Judgments", a further disclosure is presented in relation to (i) key sources of estimation uncertainty and (ii) the decision made in relation to accounting policies applied.

Share-based compensation to employees and the Board of Directors

Share-based compensation is related to remuneration to all employees, including key management personnel and the Board of Directors.

Under IFRS, a company shall recognize compensation costs for share-based compensation programs based on a measure of the value to the company of services received under the plans.

This value is based on the fair value of, for example free shares at grant date, measured as stock price as per each investment date. The value at grant date is charged to the income statement as any other remuneration over the service period. For example, value at grant date is 90. Given the normal service period of three years within Ericsson, 30 are charged per year during the service period.

The amount charged to the income statement is reversed in equity each time of the income statement charge.

The reason for this accounting principle of IFRS is that compensation cost is a cost with no direct cash flow impact. The purpose of share-based accounting according to IFRS (IFRS 2) is to present an impact of share-based programs, being part of the total remuneration, in the income statement.

COMPENSATION TO EMPLOYEES

Stock purchase plans

For stock purchase plans, compensation costs are recognized during the vesting period, based on the fair value of the Ericsson share at the employee's investment date. The fair value is based upon the share price at investment date, adjusted for the fact that no dividends will be received on matching shares prior to matching and other features that are non-vesting conditions. The employee pays a price equal to the share price at investment date for the investment shares. The investment date is considered as the grant date. In the balance sheet, the corresponding amounts are accounted for as equity. Vesting conditions are non-market based and affect the number of shares that Ericsson will match. Other features of a share-based payment are non-vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services. In the period when an employee takes a refund of previously made contributions (and stops making further contributions) all remaining compensation expense is recognized. Non-vesting conditions would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. When calculating the compensation costs for shares under performance-based matching programs, the Company at each reporting date assesses the probability that the performance targets are met. Compensation expenses are based on estimates of the number of shares that will match at the end of the vesting period. When shares are matched, social security charges are to be paid in certain countries on the value of the employee benefit. The employee benefit is generally based on the market value of the shares at the matching date. During the vesting period, estimated amounts for such social security charges are expensed and accrued.

COMPENSATION TO THE BOARD OF DIRECTORS

During 2008, the Parent Company introduced a share-based compensation program as a part of the remuneration to the Board of Directors. The program gives non-employed Directors elected by the General Meeting of Shareholders a right to receive part of their remuneration as a future payment of an amount which corresponds to the market value of a share of class B in the Parent Company at the time of payment, as further disclosed in Note C28, "Information Regarding Members of the Board of Directors, the Group Management and Employees". The cost for cash settlements is measured and recognized based on the estimated costs for the program on a pro rata basis during the service period, being one year. The estimated costs are remeasured during and at the end of the service period.

Segment reporting

An operating segment is a component of a company whose operating results are regularly reviewed by the Company's chief operating decision maker, (CODM), to make decisions about resources to be allocated to the segment and assess its performance. Within the Company, the Group Management Team is defined as the CODM function.

The segment presentation, as per each segment is based on the Company's accounting policies as disclosed in this note. The arm's length principle is applied in transactions between the segments.

The Company's segment disclosure about geographical areas is based on in which country transfer of risks and rewards occur.

New standards and interpretations not yet adopted

A number of issued new standards, amendments to standards and interpretations are not yet effective for the year ended December 31, 2011, and have not been applied in preparing these consolidated financial statements.

Below is a list of standards/interpretations that have been issued, except for amendments related to IFRS 1, 'First time adoption of International Financial Reporting Standards' and are effective for the periods starting as from January 1, 2012.

- **Amendment to IAS 12, 'Income taxes', on deferred tax.**
  IAS 12, 'Income taxes', currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40, 'Investment property'. This amendment therefore introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value.
  As a result of the amendments, SIC 21, 'Income taxes – recovery of revalued non-depreciable assets', will no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn.
- **Amendments to IFRS 7,'Financial instruments: Disclosures on derecognition',** This amendment will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitization of financial assets. Earlier application subject to EU endorsement is permitted.

These amendments effective as from January 1, 2012, are not expected to have a significant impact on the Company's financial result or position.

Below is a list of standards/interpretations that have been issued, except for amendments related to IFRS 1, 'First time adoption of International Financial Reporting Standards' and are effective for the periods starting as from January 1, 2013 (except IFRS 9).

- **Amendment to IAS 1, 'Financial statement presentation',** regarding other comprehensive income.
- **Amendment to IAS 19,'Employee benefits',** These amendments eliminate the corridor approach and calculate finance costs on a net funding basis. The Company implemented the immediate recognition of remeasurements in the other comprehensive income in 2006, and therefore the transition to the revised IAS19 applicable starting January 1, 2013 will not have a significant effect on the present obligation. The main issues to address will be the implementation of the net interest cost/gain, which integrates the interest cost and expected return on assets to be based on a common discount rate. The Company will also need to address the taxes to be incorporated into the defined benefit obligation and plan assets, as well as the additional disclosure requirements on financial and demographic assumptions, sensitivity analysis, duration and multi-employer plans."
- **IFRS 9, 'Financial instruments',** IFRS 9 is the first standard issued as part of a wider project to replace IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value.
- **IFRS 10, 'Consolidated financial statements',** Builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statement of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. This standard is estimated to have a limited impact on the Company. However, the accounting treatment in relation to any new future business or customer contract models might be impacted by IFRS 10.
- **IFRS 11, 'Joint arrangements'**, IFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Proportional consolidation of joint ventures is no longer allowed. The Company does not use the proportionate consolidation method.
- **IFRS 12, 'Disclosures of interests in other entities',** IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.
- **IFRS 13, 'Fair value measurement',** IFRS 13 does not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS.
- **IAS 27 (revised 2011), 'Separate financial statements',** IAS 27 (revised 2011) includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10. (see IFRS 10)
- **IAS 28 (revised 2011), 'Associates and joint ventures',** IAS 28 (revised 2011) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11. (see IFRS 10).

These amendments effective as from January 1, 2013, are not expected to have a significant impact on the Company's financial result or position.

IFRS 9 is applicable as from January1, 2015. The EU has not endorsed IAS 12, IFRS 9, 10, 11, 12 or 13, IAS 19, IAS 27 (rev), IAS 28 (rev) or IAS 1 (amended).

C2 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements and application of accounting standards often involve management's judgment and the use of estimates and assumptions deemed to be reasonable at the time they are made. However, other results may be derived with different judgments or using different assumptions or estimates, and events may occur that could require a material adjustment to the carrying amount of the asset or liability affected.

Following are the most important accounting policies subject to such judgments and the key sources of estimation uncertainty that the Company believes could have the most significant impact on the reported results and financial position.

The information in this note is grouped as per:

- Key sources of estimation uncertainty.
- Judgments management has made in the process of applying the Company's accounting policies.

Revenue recognition

Key sources of estimation uncertainty

Examples of estimates of total contract revenue and cost that are necessary are the assessing of customer possibility to reach conditional purchase volumes triggering contractual discounts to be given to the customer, the impact on the Company revenue in relation to performance criteria and whether any loss provisions shall be made.

Judgments made in relation to accounting policies applied

Parts of the Company's sales are generated from large and complex customer contracts. Managerial judgment is applied regarding, among other aspects, conformance with acceptance criteria and if transfer of risks and rewards to the buyer has taken place to determine if revenue and costs should be recognized in the current period, degree of completion and the customer credit standing to assess whether payment is likely or not to justify revenue recognition.

Trade and customer finance receivables

Key sources of estimation uncertainty

The Company monitors the financial stability of its customers and the environment in which they operate to make estimates regarding the likelihood that the individual receivables will be paid. Total allowances for estimated losses as of December 31, 2011, were SEK 1.0 (1.1) billion or 1.4% (1.6%) of gross trade and customer finance receivables.

Credit risks for outstanding customer finance credits are regularly assessed as well, and allowances are recorded for estimated losses.

Inventory valuation

Key sources of estimation uncertainty

Inventories are valued at the lower of cost and net realizable value. Estimates are required in relation to forecasted sales volumes and inventory balances. In situations where excess inventory balances are identified, estimates of net realizable values for the excess volumes are made. Inventory allowances for estimated losses as of December 31, 2011, amounted to SEK 3.3 (3.1) billion or 9% (10%) of gross inventory.

Investments in joint ventures and associated companies

Key sources of estimation uncertainty

Impairment testing of total carrying value of each item of "Equity in joint ventures and associated companies" is performed after initial recognition, whenever there is an indication of impairment. Information regarding information used for impairment tests is provided by respective joint venture and associated company. Negative deviations in actual cash flows compared to estimated cash flows as well as new estimates that indicate lower future cash flows might result in recognition of impairment charges. An impairment in a JV or associated company may not always affect the Company in the same way depending on accounting standard used, initial recognition of assets and liabilities or other differences.

At December 31, 2011, the amount of joint ventures and associated companies amounted to SEK 6.0 (9.8) billion.

Assets held for sale

Judgments made in relation to accounting policies applied

Whether an asset is held for sale requires management´s judgments. If an asset is held for sale it must also be evaluated as from which date.

On February 15, 2012 the sale of Sony Ericsson Mobile to Sony was closed. The sale was announced on October 27, 2011. This investment was accounted for under the equity method. Under this method the Company's share of the profit or loss of an investee is recognized by the Company. It has been determined that the use of the quarterly financial statements issued by Sony Ericsson Mobile results in the most relevant and reliable share of the profit or losses of the investee.

Subsequent to the date of the announcement Sony Ericsson Mobile issued financial statements as of Dec 31, 2011. Consequently, the equity method has been applied for the full year, including the period subsequent to the announcement. The Company's share of the losses of Sony Ericsson Mobile for the 12 months period ended December 31, 2011 amounts to SEK –1.1 billion. This has resulted in a carrying value of the investment amounting to SEK 1.4 billion as of December 31, 2011. The divestment has resulted in a gain of approximately SEK 7.5 billion, to be recognized in the first quarter of 2012 and reported under Other operating income and expenses.

Deferred taxes

Key sources of estimation uncertainty

Deferred tax assets and liabilities, are recognized for temporary differences and for tax loss carry-forwards. Deferred tax is recognized net of valuation allowances. The valuation of temporary differences and tax loss carry-forwards, is based on management's estimates of future taxable profits in different tax jurisdictions against which the temporary differences and loss carry-forwards may be utilized.

The largest amounts of tax loss carry-forwards are reported in Sweden, with an indefinite period of utilization (i.e. with no expiry date). For further detailed information, please refer to Note C8, "Taxes".

At December 31, 2011, the value of deferred tax assets amounted to SEK 13.0 (12.7) billion. The deferred tax assets related to loss carry-forwards are reported as non-current assets.

Accounting for income-, value added- and other taxes

Key sources of estimation uncertainty

Accounting for these items is based upon evaluation of income-, value added- and other tax rules in all jurisdictions where we perform activities. The total complexity of rules related to taxes and the accounting for these require management's involvement in judgments regarding classification of transactions and in estimates of probable outcomes of claimed deductions and/or disputes.

Acquired intellectual property rights and other intangible assets, including goodwill

Key sources of estimation uncertainty

At initial recognition, future cash flows are estimated, to ensure that the initial carrying values do not exceed the expected discounted cash flows for the items of this type of assets. After initial recognition, impairment testing is performed whenever there is an indication of impairment, except for goodwill for which impairment testing is performed at least once per year. Negative deviations in actual cash flows compared to estimated cash flows as well as new estimates that indicate lower future cash flows might result in recognition of impairment charges. One source of uncertainty related to future cash flows is long-term movements in exchange rates.

For further discussion on goodwill, see Note C1, "Significant Accounting Policies" and Note C10, "Intangible Assets". Estimates related to acquired intangible assets are based on similar assumptions and risks as for goodwill.

At December 31, 2011, the amount of acquired intellectual property rights and other intangible assets amounted to SEK 40.5 (43.8) billion, including goodwill of SEK 27.4 (27.2) billion. An impairment charge of SEK 0.0 (0.9) billion was recognized as a part of the restructuring program. Under this program decisions were taken to phase out certain products. The impairment charge relates to balances for these products. The Company has also recognized goodwill in ST-Ericsson of SEK 1.3 (1.3) billion, as disclosed in Note C12, "Financial Assets, Non-Current".

Judgments made in relation to accounting policies applied

At initial recognition and subsequent remeasurement, management judgments are made, both for key assumptions and regarding impairment indicators. In the purchase price allocation made for each acquisition, the purchase price shall be assigned to the identifiable assets, liabilities and contingent liabilities based on fair values for these assets. Any remaining excess value is reported as goodwill. This allocation requires management judgment as well as the definition of cash generating units for impairment testing purposes. Other judgments might result in significantly different results and financial position in the future.

Provisions

WARRANTY PROVISIONS

Key sources of estimation uncertainty

Provisions for product warranties are based on current volumes of products sold still under warranty and on historic quality rates for mature products as well as estimates and assumptions on future quality rates for new products and estimates of costs to remedy the various qualitative issues that might occur. Total provisions for product warranties as of December 31, 2011, amounted to SEK 1.8 (2.5) billion.

PROVISIONS OTHER THAN WARRANTY PROVISIONS

Key sources of estimation uncertainty

Provisions, other than warranty provisions, mainly comprise amounts related to contractual obligations and penalties to customers and estimated losses on customer contracts, restructuring, risks associated with patent and other litigations, supplier or subcontractor claims and/or disputes, as well as provisions for unresolved income tax and value added tax issues. The estimates related to the amounts of provisions for penalties, claims or losses receive special attention from the management. At December 31, 2011, provisions other than warranty commitments amounted to SEK 4.4 (7.3) billion. For further detailed information, see Note C18, "Provisions".

Judgments made in relation to accounting policies applied

Whether a present obligation is probable or not requires judgment. The nature and type of risks for these provisions differ and management's judgment is applied regarding the nature and extent of obligations in deciding if an outflow of resources is probable or not.

Contingent liabilities

Key sources of estimation uncertainty

As disclosed under 'Provisions other than warranty provisions' there are uncertainties in the estimated amounts. The same type of uncertainty exists for contingent liabilities.

Judgments made in relation to accounting policies

As disclosed under Note C1, "Significant Accounting Policies" a potential obligation that is not probable to result in an economic outflow is classified as a contingent liability, with no impact on the Company's financial statements. Should, however, an obligation in a later period be deemed to be probable, then a provision shall be recognized, impacting the financial statements.

Pension and other post-employment benefits

Key sources of estimation uncertainty

Accounting for the costs of defined benefit pension plans and other applicable post-employment benefits is based on actuarial valuations, relying on key estimates for discount rates, expected return on plan assets, future salary increases, employee turnover rates and mortality tables. The discount rate assumptions are based on rates for high-quality fixed-income investments with durations as close as possible to the Company's pension plans. Expected returns on plan assets consider long-term historical returns, allocation of assets and estimates of future long-term investment returns. At December 31, 2011, defined benefit obligations for pensions and other post-employment benefits amounted to SEK 36.4 (28.7) billion and fair value of plan assets to SEK 28.0 (25.4) billion. For more information on estimates and assumptions, see Note C17, "Post-Employment Benefits".

Financial instruments, hedge accounting and foreign exchange risks

Key sources of estimation uncertainty

Foreign exchange risk in highly probable sales and purchases in future periods are hedged using foreign exchange derivative instruments designated as cash-flow hedges. Forecasts are based on estimations of future transactions. A forecast is therefore per definition uncertain to some degree.

Judgments made in relation to accounting policies applied

Establishing highly probable sales and purchases volumes involve gathering and evaluating sales and purchases estimates for future periods as well as analyzing actual outcome versus estimates on a regular basis in order to fulfill effectiveness testing requirements for hedge accounting. Changes in estimates of sales and purchases might result in that hedge accounting is discontinued.

For further information regarding risks in financial instruments, see Note C20, "Financial Risk Management and Financial Instruments".

C3 SEGMENT INFORMATION

Operating segments

When determining Ericsson's operating segments, consideration has been given to which markets and what type of customers the products and services aim to attract as well as the distribution channels they are sold through. Commonality regarding technology, research and development has also been taken into account. To best reflect the business focus and to facilitate comparability with peers, five operating segments are reported:

- Networks
- Global Services
- Multimedia
- Sony Ericsson
- ST-Ericsson

Networks delivers products and solutions for mobile and fixed broadband access, core networks, and transmission. The offering includes:

- Radio access solutions that interconnect with devices such as mobile phones, tablets and PCs, supporting all major standardized mobile technologies.
- Fixed access solutions for both fiber and copper, such as GPON and xDSL, increasing customers' ability to modernize fixed networks to enable IP-based services with high bandwidth.
- IP core network solutions (switching, routing and control) include softswitches, IP infrastructure for edge and core routing, IP Multimedia Subsystem (IMS) and media gateways.
- Transmission/backhaul: microwave (MINI-LINK) and optical transmission solutions for mobile and fixed networks.
- Operations Support Systems (OSS), supporting operators' management of existing networks as well as introduction of new network architectures, technologies and services. OSS includes tools for configuration, performance monitoring, security management, inventory management and software upgrades.

Global Services delivers managed services, consulting and systems integration, customer support and network rollout services. The offering includes:

- Managed services, comprising solutions for network design and planning, network operations (the management of day-to-day operations of customer networks), field operations and site maintenance, network sharing solutions as well as shared solutions such as hosting of platforms and applications.
- Consulting and Systems integration: technology and operational consulting, integration of multi-vendor equipment, design and integration of new solutions and handling of technology change and transformation programs, learning services and optimization services ensuring the best possible user experience. Industry-specific solutions for vertical industries are also included.
- Product-related Services: network rollout services, customer support and network optimization services (optimization for performance and energy).

Multimedia provides enablers and applications for operators. The offering includes:

- Operations Support Systems: provisioning, device management and mediation solutions.
- Business Support Systems: revenue management (prepaid, post-paid, convergent charging and billing) and customer care solutions.
- TV solutions: a suite of open, standards-based products that provide high-quality digital TV including IPTV, HDTV and interactive TV applications: the offering includes a complete IPTV network infrastructure solution optimized for multi-stream HD-IPTV: video compression, on-demand solutions, content management systems, advertising and interactive TV applications for operators, service providers, advertisers and content providers.
- Consumer and business applications: solutions include service exposure, messaging, social media connectivity and location-based services. Enterprise market solutions include converged business communication solutions such as the Ericsson Business Communication Suite (BCS).
- M-Commerce solutions: including brokering solutions that facilitate payment and distribution of content, and Ericsson Money Services for end-to-end mobile financial services.

Sony Ericsson, the joint venture delivers innovative and feature-rich mobile phones and accessories. In October 2011, Ericsson announced the divestment to Sony Corporation of its share in the 50/50 joint venture.

ST-Ericsson, the joint venture develops semiconductors and wireless platforms for GSM, EDGE, WCDMA, HSPA, TD-SCDMA and LTE to handset manufacturers, as well as to mobile operators and other device manufacturers.

Sony Ericsson and ST-Ericsson's results are reported according to the equity method under "Share in earnings of joint ventures and associated companies" in the income statement.

Unallocated

Some revenues, costs, assets and liabilities are not identified as part of any operating segment and are therefore not allocated. Examples of such items are costs for corporate staff, IT costs and general marketing costs.

Regions

The Regions are the Company's primary sales channel. The Company operates worldwide and reports its operations divided into ten regions.

Other includes sales of for example embedded modules, cables, power modules as well as licensing and IPR.

- North America
- Latin America
- Northern Europe & Central Asia
- Western and Central Europe
- Mediterranean
- Middle East
- Sub-Saharan Africa
- India
- China & North East Asia
- South East Asia & Oceania
- Other

Major customers

The Company does not have any customer for which revenues from transactions have exceeded 10% of the Company's total revenues for the years 2011, 2010 or 2009.

We derive most of the sales from large, multi-year agreements with a limited number of significant customers. Out of a customer base of approximately 400, mainly network operators, the 10 largest customers account for 44% (46%) of net sales. The largest customer accounted for approximately 7% (8%) of sales in 2011. For more information, see Risk Factors, "Market, Technology and Business Risks".

OPERATING SEGMENTS

2011	Networks	Global Services	Multi-media	Sony Ericsson	ST-Ericsson	Total Segments	Unallo-cated	Elimi-nations [1]	Group
Segment sales	131,596	83,854	10,629	46,866	9,232	282,177	–	–56,098	226,079
Inter-segment sales	799	30	13	126	1,461	2,429	–	–1,587	842
Net sales	**132,395**	**83,884**	**10,642**	**46,992**	**10,693**	**284,606**	**–**	**–57,685**	**226,921**
Operating income	**17,295**	**5,544**	**–504**	**–1,854**	**–5,461**	**15,020**	**–501**	**3,381**	**17,900**
Operating margin (%)	13%	7%	–5%	–4%	–51%	5%			8%
Financial income									2,882
Financial expenses									–2,661
Income after financial items									**18,121**
Taxes									–5,552
Net income									**12,569**
Other segment items									
Share in earnings of joint ventures and associated companies	87	28	4	–1,199	–2,730	–3,810	32	–	–3,778
Amortization	–4,192	–481	–792	–1	–867	–6,333	–	868	–5,465
Depreciation	–2,783	–532	–184	–647	–823	–4,969	–	1,470	–3,499
Impairment losses	–50	–23	–12	–	–283	–368	–	283	–85
Reversals of impairment losses	12	–	1	–	–	13	–	–	13
Restructuring expenses	–1,600	–1,363	–143	–838	–280	–4,224	–78	1,118	–3,184
Gains/losses from divestments	–6	–	–	–	–	–6	164	–	158

[1] All segment sales are presented, but as Sony Ericsson and ST-Ericsson sales are accounted for in accordance with the equity method, their sales are eliminated in the Eliminations column.

OPERATING SEGMENTS

2010	Networks	Global Services	Multi-media	Sony Ericsson	ST-Ericsson	Total Segments	Unallo-cated	Elimi-nations [1]	Group
Segment sales	111,459	80,117	10,504	60,118	13,116	275,314	–	–73,234	202,080
Inter-segment sales	1,249	6	13	60	3,403	4,731	–	–3,463	1,268
Net sales	**112,708**	**80,123**	**10,517**	**60,178**	**16,519**	**280,045**	**–**	**–76,697**	**203,348**
Operating income	**12,481**	**6,513**	**–643**	**1,523**	**–3,527**	**16,347**	**–805**	**913**	**16,455**
Operating margin (%)	11%	8%	–6%	3%	–21%	6%	–	–	8%
Financial income									1,047
Financial expenses									–1,719
Income after financial items									**15,783**
Taxes									–4,548
Net income									**11,235**
Other segment items									
Share in earnings of joint ventures and associated companies	–64	–17	–2	664	–1,763	–1,182	10	–	–1,172
Amortization	–4,554	–303	–806	–25	–930	–6,618	–	955	–5,663
Depreciation	–2,600	–555	–144	–731	–1,022	–5,052	–	1,753	–3,299
Impairment losses	–675	–276	–52	–	–61	–1,064	–	61	–1,003
Reversals of impairment losses	9	2	1	–	–	12	–	–	12
Restructuring expenses	–3,915	–2,675	–207	–402	–536	–7,735	–17	938	–6,814
Gains/losses from divestments	154	53	92	–	–	299	59	–	358

[1] All segment sales are presented, but as Sony Ericsson and ST-Ericsson sales are accounted for in accordance with the equity method, their sales are eliminated in the Eliminations column.

OPERATING SEGMENTS

2009	Networks [1]	Global Services [1]	Multimedia	Sony Ericsson	ST-Ericsson	Total Segments	Unallocated	Eliminations [2]	Group
Segment sales	113,339	79,038	12,996	71,984	13,535	290,892	–	–85,519	205,373
Inter-segment sales	746	82	276	164	5,731	6,999	–	–5,895	1,104
Net sales	**114,085**	**79,120**	**13,272**	**72,148**	**19,266**	**297,891**	**–**	**–91,414**	**206,477**
Operating income	**7,598** [3]	**6,271** [4]	**655**	**–10,820**	**–2,615**	**1,089**	**–855**	**5,684**	**5,918**
Operating margin (%)	7%	8%	5%	–15%	–14%	0%	–	–	3%
Financial income									1,874
Financial expenses									–1,549
Income after financial items									**6,243**
Taxes									–2,116
Net income									**4,127**
Other segment items									
Share in earnings of joint ventures and associated companies	37	33	–1	–5,693	–1,762	–7,386	–14	–	–7,400
Amortization	–2,673	–574	–910	–165	–828	–5,150	–	941	–4,209
Depreciation	–2,768	–627	–155	–1,124	–997	–5,671	–	2,121	–3,550
Impairment losses	–4,333 [3]	–	–80	–	–46	–4,459	–	46	–4,413
Reversals of impairment losses	38	9	2	–	–	49	–	–	49
Restructuring expenses	–8,358 [3]	–2,434	–385	–1,754	–890	–13,821	–82	2,644	–11,259
Gains/losses from divestments	10	777 [4]	41	–	47	875	–32	–	843

[1] Amounts for 2009 have been restated to be consistent with the segment allocation method applied as from 2010.
[2] All segment sales are presented, but as Sony Ericsson and ST-Ericsson sales are accounted for in accordance with the equity method, their sales are eliminated in the Eliminations column.
[3] Including impairment losses related to restructuring activities of SEK 4.3 billion.
[4] In Q2 2009, the TEMS business was divested, resulting in a capital gain of SEK 0.8 billion.

REGIONS

	Net sales			Non-current assets [3]		
	2011	2010	2009	2011	2010	2009
North America	**48,785**	49,473	23,912	**6,296**	7,251	8,359
Of which the United States	***46,519***	*46,104*	*21,538*	***6,020***	*6,977*	*8,100*
Latin America	**21,982**	17,882	20,025	**2,268**	1,998	2,066
Northern Europe & Central Asia [1) 2)]	**15,225**	12,171	11,981	**41,008**	42,112	44,091
Western & Central Europe [2)]	**19,030**	19,868	22,459	**5,097**	8,629	11,713
Mediterranean	**23,807**	22,628	25,161	**1,395**	1,523	1,352
Middle East	**15,461**	15,099	18,250	**42**	84	115
Sub-Saharan Africa	**10,163**	9,194	15,341	**79**	51	49
India	**9,762**	8,626	15,262	**355**	262	225
China & North East Asia	**38,209**	25,965	25,960	**3,939**	3,795	988
Of which China	***17,546***	*14,633*	*18,455*	***1,496***	*1,013*	*903*
South East Asia & Oceania	**13,870**	14,902	20,849	**318**	351	417
Other [1) 2)]	**10,627**	7,540	7,277	**–**	–	–
Total	**226,921**	**203,348**	**206,477**	**60,797**	**66,056**	**69,375**
[1)] *Of which Sweden*	***3,882***	*4,237*	*4,096*	***40,415***	*41,683*	*43,574*
[2)] *Of which EU*	***43,960***	*43,707*	*49,313*	***44,786***	*46,563*	*49,158*

[3] *Total non-current assets excluding financial instruments, deferred tax assets, and post-employment benefit assets.*

For employee information, see Note C28, “Information Regarding Members of the Board of Directors, the Group Management and Employees”.

C4 NET SALES

NET SALES

	2011	2010	2009
Sales of products and network rollout services	**161,882**	140,222	145,873
Of which:			
Delivery-type contracts	***161,882***	*140,156*	*144,908*
Construction-type contracts	***–***	*66*	*965*
Professional Services sales	**58,834**	58,529	56,123
License revenues	**6,205**	4,597	4,481
Net sales	**226,921**	203,348	206,477
Export sales from Sweden	**116,507**	100,070	94,829

C5 EXPENSES BY NATURE

EXPENSES BY NATURE

	2011	2010	2009
Goods and services	**142,221**	130,725	124,627
Employee remuneration	**58,905**	57,183	54,877
Amortization and depreciation	**8,964**	8,962	7,759
Impairments and obsolescence allowances, net of reversals	**1,363**	966	5,637
Financial expenses	**2,661**	1,719	1,549
Taxes	**5,552**	4,548	2,116
Expenses incurred	**219,666**	204,103	196,565
Inventory changes [1]	**3,417**	8,465	–4,784
Additions to Capitalized development	**1,515**	1,647	1,443
Expenses charged to the Income Statement	**214,734**	193,991	199,906

[1] The inventory changes are based on changes of gross inventory values prior to obsolescence allowances.

Total restructuring charges in 2011 were SEK 3.2 (6.8) b.
Restructuring charges are included in the expenses presented above.

RESTRUCTURING CHARGES BY FUNCTION

	2011	2010	2009
Cost of sales	**1,231**	3,354	4,180
R&D expenses	**561**	1,682	6,045
Selling and administrative expenses	**1,392**	1,778	1,034
Total restructuring charges	**3,184**	6,814	11,259

C6 OTHER OPERATING INCOME AND EXPENSES

OTHER OPERATING INCOME AND EXPENSES

	2011	2010	2009
Gains on sales of intangible assets and PP&E	**65**	301	193
Losses on sales of intangible assets and PP&E	**–64**	–422	–126
Gains on sales of investments and operations	**210**	577	962
Losses on sales of investments and operations	**–52**	–219	–119
Capital gains/losses, net	**159**	237	910
Other operating revenues	**1,119**	1,766	2,172
Total other operating income and expenses	**1,278**	2,003	3,082

C7 FINANCIAL INCOME AND EXPENSES

FINANCIAL INCOME AND EXPENSES

	2011 Financial income	2011 Financial expenses	2010 Financial income	2010 Financial expenses	2009 Financial income	2009 Financial expenses
Contractual interest on financial assets	**1,940**	**–**	811	–	1,287	–
Of which on financial assets at fair value through profit or loss	***1,381***	**–**	*304*	–	*814*	–
Contractual interest on financial liabilities	**–**	**–1,706**	–	–1,315	–	–1,616
Net gain/loss on:						
Instruments at fair value through profit or loss [1]	**1,062**	**–591**	295	–206	635	155
Of which included in fair value hedge relationships	**–**	***–175***	–	*151*	–	*155*
Loans and receivables	**-132**	**–**	–68	–	–53	–
Liabilities at amortized cost	**–**	**–105**	–	–4	–	–2
Other financial income and expenses	**12**	**–259**	9	–194	5	–86
Total	**2,882**	**–2,661**	1,047	–1,719	1,874	–1,549

[1] Excluding net gain from operating assets and liabilities, SEK 51 million (net gain of SEK 1,528 million in 2010, net gain of SEK 2,247 million in 2009), reported as Cost of Sales.

C8 TAXES

The Company's tax expense for 2011 was SEK 5,552 (4,548) million or 30.6% (28.8%) of income after financial items. The tax rate may vary between years depending on business and geographical mix. The effective tax rate excluding joint ventures and associated companies was 26.4% (25.7%) mainly due to lower statutory tax rates for the joint ventures and that they reported losses.

INCOME TAXES RECOGNIZED IN THE INCOME STATEMENT

	2011	2010	2009
Current income taxes for the year	**–4,642**	–4,635	–4,605
Current income taxes related to prior years	**283**	–35	441
Deferred tax income/expense (–)	**–1,433**	307	661
Sub total	***–5,792***	*–4,363*	*–3,503*
Share of taxes in joint ventures and associated companies	**240**	–185	1,387
Tax expense	**–5,552**	–4,548	–2,116

A reconciliation between reported tax expense for the year and the theoretical tax expense that would arise when applying statutory tax rate in Sweden, 26.3%, on the consolidated income before taxes, is shown in the table below.

RECONCILIATION OF SWEDISH INCOME TAX RATE WITH EFFECTIVE TAX RATE

	2011	2010	2009
Expected tax expense at Swedish tax rate 26.3%	**–4,767**	–4,150	–1,643
Effect of foreign tax rates	**–1,126**	–405	–812
Of which joint ventures and associated companies	***–754***	*–467*	*–550*
Current income taxes related to prior years	**283**	–35	441
Recognition/remeasurement of tax loss carry-forwards	**224**	–257	8
Recognition/remeasurement of deductible temporary differences	**81**	172	267
Tax effect of non-deductible expenses	**–768**	–830	–1,155
Tax effect of non-taxable income	**521**	880	630
Tax effect of changes in tax rates	**–**	77	148
Tax expense	**–5,552**	–4,548	–2,116
Effective tax rate	***30.6%***	*28.8%*	*33.9%*

Deferred tax balances

Deferred tax assets and liabilities are derived from the balance sheet items as shown in the table below.

TAX EFFECTS OF TEMPORARY DIFFERENCES AND TAX LOSS CARRY-FORWARDS

	Deferred tax assets	Deferred tax liabilities	Net balance
2011			
Intangible assets and property, plant and equipment	968	2,941	
Current assets	3,193	100	
Post-employment benefits	2,233	618	
Provisions	1,441	23	
Other	3,423	64	
Loss carry-forwards	3,258	–	
Deferred tax assets/liabilities	14,516	3,746	10,770
Netting of assets/liabilities	–1,496	–1,496	
Deferred tax balances, net	**13,020**	**2,250**	**10,770**
2010			
Intangible assets and property, plant and equipment	543	3,725	
Current assets	3,398	110	
Post-employment benefits	1,163	636	
Provisions	2,019	12	
Other	3,989	–	
Loss carry-forwards	3,537	–	
Deferred tax assets/liabilities	14,649	4,483	10,166
Netting of assets/liabilities	–1,912	–1,912	
Deferred tax balances, net	**12,737**	**2,571**	**10,166**

CHANGES IN DEFERRED TAXES, NET

	2011	2010
Opening balance, net	**10,166**	12,057
Recognized in net income	**–1,433**	307
Recognized in other comprehensive income	**2,158**	–1,120
Acquisitions/disposals of subsidiaries	**53**	–606
Currency translation differences	**–174**	–472
Closing balance, net	**10,770**	10,166

Tax effects reported directly in Other Comprehensive Income amount to SEK 2,158 (–1,120) million, of which actuarial gains and losses related to pensions SEK 1,809 (–836) million, cash flow hedges SEK 350 (–183) million and deferred tax on gains/losses on hedges on investments in foreign entities SEK –1 (–101) million.

Deferred tax assets are only recognized in countries where the Company expects to be able to generate corresponding taxable income in the future to benefit from tax reductions.

Significant tax loss carry-forwards are related to countries with long or indefinite periods of utilization, mainly Sweden and Germany. Of the total SEK 3,258 million recognized deferred tax assets related to tax loss carry-forwards, SEK 2,218 million relates to Sweden with indefinite periods of utilization. Due to the Company's strong current financial position and taxable income during 2011, Ericsson has been able to utilize part of its tax loss carry-forwards during the year and in addition to this been able to recognize part of earlier not recognized loss carry-forwards. The assessment is that Ericsson will be able to generate sufficient income in the coming years to also utilize the remaining part of the recognized amounts.

INVESTMENTS IN SUBSIDIARIES

Due to losses in certain subsidiaries, the book value of certain investments in those subsidiaries are less than the tax value of these investments. Since deferred tax assets have been reported with respect also to losses in these companies, and due to the uncertainty as to which deductions can be realized in the future, no additional deferred tax assets are reported.

TAX LOSS CARRY-FORWARDS

Deferred tax assets regarding tax loss carry-forwards are reported to the extent that realization of the related tax benefit through future taxable profits is probable also when considering the period during which these can be utilized, as described below.

As of December 31, 2011, the recognized tax loss carry-forwards amounted to SEK 12,657 (13,030) million. The tax value of these tax loss carry-forwards is reported as an asset.

The final years in which the recognized loss carry-forwards can be utilized are shown in the following table.

TAX LOSS CARRY-FORWARDS YEAR OF EXPIRATION

Year of expiration	Tax loss carry-forwards	Tax value
2012	37	9
2013	239	67
2014	372	105
2015	233	66
2016	391	112
2017 or later	11,385	2,899
Total	**12,657**	**3,258**

Tax loss carry-forwards of Sony Ericsson and ST-Ericsson are not included, as they are recognized in accordance with the equity method.

In addition to the table above there are loss carry-forwards of SEK 7,375 million at a tax value of SEK 1,502 million that have not been recognized due to judgments of the possibility to be used against future taxable profits in the respective jurisdictions. These loss carry-forwards have an expiration date in excess of five years.

C9 EARNINGS PER SHARE

EARNINGS PER SHARE 2009–2011

	2011	2010	2009
Basic			
Net income attributable to stockholders of the Parent Company (SEK million)	**12,194**	11,146	3,672
Average number of shares outstanding, basic (millions)	**3,206**	3,197	3,190
Earnings per share, basic (SEK)	**3.80**	3.49	1.15
Diluted			
Net income attributable to stockholders of the Parent Company (SEK million)	**12,194**	11,146	3,672
Average number of shares outstanding, basic (millions)	**3,206**	3,197	3,190
Dilutive effect for stock purchase plans	**27**	29	22
Average number of shares outstanding, diluted (millions)	**3,233**	3,226	3,212
Earnings per share, diluted (SEK)	**3.77**	3.46	1.14

C10 INTANGIBLE ASSETS

INTANGIBLE ASSETS 2011

	Capitalized development expenses				Goodwill	Intellectual property rights (IPR), trademarks and other intangible assets		
		For internal use						
	To be marketed	Acquired costs	Internal costs	Total	Total	Trademarks, customer relationships and similar rights	Patents and acquired R&D	Total
Cost								
Opening balance	6,610	2,213	1,478	**10,301**	**27,151**	13,582	25,330	**38,912**
Acquisitions/capitalization	1,515	–	–	**1,515**	**–**	237	354	**591**
Balances regarding acquired businesses [1]	–	–	–	**–**	**260**	382	–	**382**
Sales/disposals	–	–	–	**–**	**–2**	–20	–20	**–40**
Translation difference	–	–	–	**–**	**46**	7	25	**32**
Closing balance	**8,125**	**2,213**	**1,478**	**11,816**	**27,455**	**14,188**	**25,689**	**39,877**
Accumulated amortization								
Opening balance	–2,526	–1,775	–1,184	**–5,485**	**–**	–3,937	–13,103	**–17,040**
Amortization	–661	–200	–134	**–995**	**–**	–1,538	–2,932	**–4,470**
Sales/disposals	–	–	–	**–**	**1**	15	13	**28**
Translation difference	–	–	–	**–**	**–**	–42	–56	**–98**
Closing balance	**–3,187**	**–1,975**	**–1,318**	**–6,480**	**1**	**–5,502**	**–16,078**	**–21,580**
Accumulated impairment losses								
Opening balance	–1,714	–55	–37	**–1,806**	**–**	–	–5,214	**–5,214**
Impairment losses	–7	–	–	**–7**	**–18**	–	–	**–**
Closing balance	**–1,721**	**–55**	**–37**	**–1,813**	**–18**	**–**	**–5,214**	**–5,214**
Net carrying value	**3,217**	**183**	**123**	**3,523**	**27,438**	**8,686**	**4,397**	**13,083**

[1] For more information on acquired businesses, see Note C26, "Business Combinations".

INTANGIBLE ASSETS 2010

	Capitalized development expenses				Goodwill	Intellectual property rights (IPR), trademarks and other intangible assets		
		For internal use						
	To be marketed	Acquired costs	Internal costs	Total	Total	Trademarks, customer relationships and similar rights	Patents and acquired R&D	Total
Cost								
Opening balance	5,221	2,060	1,376	**8,657**	**27,375**	10,624	24,898	**35,522**
Acquisitions/capitalization	1,389	153	102	**1,644**	**–**	521	–	**521**
Balances regarding acquired businesses [1]	–	–	–	**–**	**1,256**	2,800	1,025	**3,825**
Sales/disposals	–	–	–	**–**	**–**	–	–55	**–55**
Translation difference	–	–	–	**–**	**–1,480**	–363	–538	**–901**
Closing balance	**6,610**	**2,213**	**1,478**	**10,301**	**27,151**	**13,582**	**25,330**	**38,912**
Accumulated amortization								
Opening balance	–2,104	–1,630	–1,087	**–4,821**	**–**	–2,639	–9,875	**–12,514**
Amortization	–422	–145	–97	**–664**	**–**	–1,450	–3,549	**–4,999**
Sales/disposals	–	–	–	**–**	**–**	–	27	**27**
Translation difference	–	–	–	**–**	**–**	152	294	**446**
Closing balance	**–2,526**	**–1,775**	**–1,184**	**–5,485**	**–**	**–3,937**	**–13,103**	**–17,040**
Accumulated impairment losses								
Opening balance	–1,665	–55	–37	**–1,757**	**–**	–	–4,269	**–4,269**
Impairment losses [2]	–49	–	–	**–49**	**–**	–	–945	**–945**
Closing balance	**–1,714**	**–55**	**–37**	**–1,806**	**–**	**–**	**–5,214**	**–5,214**
Net carrying value	**2,370**	**383**	**257**	**3,010**	**27,151**	**9,645**	**7,013**	**16,658**

[1] For more information on acquired businesses, see Note C26, "Business Combinations".
[2] The write-down (impairment charge) of SEK 0.9 billion is a consequence of the restructuring program decision to phase out certain products.

The goodwill is allocated to the operating segments Networks SEK 16.7 (16.5) billion, Global Services SEK 4.1 (4.1) billion and Multimedia SEK 6.6 (6.6) billion.

The recoverable amounts for cash-generating units are established as the present value of expected future cash flows. Estimation of future cash flows includes assumptions mainly for the following key financial parameters:

- Sales growth
- Development of operating income (based on operating margin or cost of goods sold and operating expenses relative to sales)
- Development of working capital and capital expenditure requirements.

The assumptions regarding industry specific market drivers and market growth are approved by group management and each operating segment's management. These assumptions are based on industry sources as input to the projections made within the Company for the development 2012–2016 for key industry parameters:

- The number of global mobile subscriptions is estimated to grow from around 6.8 billion by the end of 2012 to around 8.4 billion by the end of 2016. Of these, almost 5 billion will be a mobile broadband subscriptions. Some hundred millions of these mobile broadband subscriptions (approximately 600 million 2016) will use mobile PC/tablets, but the vast majority, around 4.1 billion, will use mobile phones to access the internet.
- Fixed broadband subscriptions will grow from around 600 million by the end of 2012 to around 740 million in 2016. Fixed broadband includes Fiber, Cable and xDSL
- Mobile traffic volume is estimated to increase (around 10 times 2011–2016, around 6 times 2012–2016), while the fixed Internet traffic is estimated to increase (around 4 times 2011–2016, around 3 times 2012–2016), however from a much larger base.
- Mobile PC includes USB dongles and embedded modules for CDMA2000 EV-DO, HSPA, LTE, Mobile WiMax and TDSCDMA and can also be used for fixed applications. Mobile Broadband includes CDMA2000 EV-DO, HSPA, LTE, Mobile WiMax and TDSCDMA. It includes handsets, USB dongles and embedded modules. The vast majority is handsets.

The demand for multimedia solutions is driven by the opportunities for new types of service offerings enabled by IP technology and high-speed broadband. There is strong IPTV subscriber growth, rapid growth in digital viewing and on-demand services. The development and build out of Mobile Broadband networks and increasing number of mobile broadband subscriptions drives growth in service introduction and traffic. This puts high demand on implementation and systems integration services as well as charging and payment systems. The Business Support Systems' growth is driven by introduction of new services, new business models and price plans.

The demand for professional services is also driven by an increasing business and technology complexity. Therefore, operators review their business models and look for vendor partners that can take on a broader responsibility, including outsourcing of network operations.

The assumptions are also based upon information gathered in the Company's long-term strategy process, including assessments of new technology, the Company's competitive position and new types of business and customers, driven by the continued integration of telecom, data and media industries.

The impairment testing is based on specific estimates for the first five years and with a reduction of nominal annual growth rate to an average GDP growth of 3% (3%) per year thereafter. The impairment tests for goodwill did not result in any impairment.

A number of sensitivity tests have been made, for example applying lower levels of revenue and operating income. Also when applying these estimates no goodwill impairment is indicated.

An after-tax discount rate of 8% (8%) has for all cash generating units been applied for the discounting of projected after-tax cash flows. The assumptions for 2010 are disclosed in Note C10, "Intangible Assets" in the Annual Report of 2010.

The Company's discounting is based on after-tax future cash flows and after-tax discount rates. This discounting is not materially different from a discounting based on before-tax future cash flows and before-tax discount rates, as required by IFRS.

In Note C1, "Significant Accounting Policies", and Note C2, "Critical Accounting Estimates and Judgments", further disclosures are given regarding goodwill impairment testing.

C11 PROPERTY, PLANT AND EQUIPMENT

PROPERTY, PLANT AND EQUIPMENT 2011

	Real estate	Machinery and other technical assets	Other equipment, tools and installations	Construction in progress and advance payments	Total
Cost					
Opening balance	4,238	5,004	18,576	814	**28,632**
Additions	265	400	1,910	2,419	**4,994**
Balances regarding divested/acquired businesses	146	37	75	–	**258**
Sales/disposals	–147	–354	–952	–524	**–1,977**
Reclassifications	142	169	1,116	–1,427	**–**
Translation difference	–3	–21	–62	20	**–66**
Closing balance	**4,641**	**5,235**	**20,663**	**1,302**	**31,841**
Accumulated depreciation					
Opening balance	–1,869	–3,377	–13,695	–	**–18,941**
Depreciation	–415	–571	–2,513	–	**–3,499**
Balances regarding divested businesses	–	–	1	–	**1**
Sales/disposals	74	435	1,085	–	**1,594**
Reclassifications	36	–4	–32	–	**–**
Translation difference	9	32	60	_	**101**
Closing balance	**–2,165**	**–3,485**	**–15,094**	**–**	**–20,744**
Accumulated impairment losses					
Opening balance	–43	–95	–119	–	**–257**
Impairment losses	–	–48	–12	–	**–60**
Reversals of impairment losses	–	–	13	–	**13**
Sales/disposals	–	–	1	–	**1**
Translation difference	–	–5	–1	–	**–6**
Closing balance	**–43**	**–148**	**–118**	**–**	**–309**
Net carrying value	**2,433**	**1,602**	**5,451**	**1,302**	**10,788**

Contractual commitments for the acquisition of property, plant and equipment as per December 31, 2011, amounted to SEK 226 (303) million.
The reversal of impairment losses have been reported under Cost of sales.

PROPERTY, PLANT AND EQUIPMENT 2010

	Real estate	Machinery and other technical assets	Other equipment, tools and installations	Construction in progress and advance payments	Total
Cost					
Opening balance	4,217	5,298	18,087	578	**28,180**
Additions	283	411	1,480	1,512	**3,686**
Balances regarding divested/acquired businesses	14	4	473	–5	**486**
Sales/disposals	–102	–543	–1,449	–148	**–2,242**
Reclassifications	87	190	817	–1,094	**–**
Translation difference	–261	–356	–832	–29	**–1,478**
Closing balance	**4,238**	**5,004**	**18,576**	**814**	**28,632**
Accumulated depreciation					
Opening balance	–1,692	–3,557	–13,058	–	**–18,307**
Depreciation	–361	–629	–2,309	–	**–3,299**
Balances regarding divested businesses	–2	–3	–297	–	**–302**
Sales/disposals	60	553	1,384	–	**1,997**
Reclassifications	4	9	–13	–	**–**
Translation difference	122	250	598	–	**970**
Closing balance	**–1,869**	**–3,377**	**–13,695**	**–**	**–18,941**
Accumulated impairment losses					
Opening balance	–45	–91	–131	–	**–267**
Impairment losses	–	–6	–3	–	**–9**
Reversals of impairment losses	–	–	12	–	**12**
Sales/disposals	–	–	–	–	**–**
Translation difference	2	2	3	–	**7**
Closing balance	**–43**	**–95**	**–119**	**–**	**–257**
Net carrying value	**2,326**	**1,532**	**4,762**	**814**	**9,434**

Contractual commitments for the acquisition of property, plant and equipment as per December 31, 2010, amounted to SEK 303 (236) million.
The reversal of impairment losses have been reported under Cost of sales.

C12 FINANCIAL ASSETS, NON-CURRENT

EQUITY IN JOINT VENTURES AND ASSOCIATED COMPANIES

	Joint ventures		Associated companies		Total	Total
	2011	2010	2011	2010	2011	2010
Opening balance	8,648	10,317	1,155	1,261	9,803	11,578
Share in earnings	–3,929	–1,099	151	–73	–3,778	–1,172
Taxes	241	–181	–1	–4	240	–185
Translation difference	–126	–391	66	–47	–60	–438
Change in hedge reserve	4	22	–	–	4	22
Pensions	–175	–20	–	–	–175	–20
Dividends	–	–	–177	–119	–177	–119
Contributions to joint ventures and associated companies	–	–	109	138	109	138
Reclassification	–	–	–1	–1	–1	–1
Closing balance	4,663 [1]	8,648 [1]	1,302 [2]	1,155 [2]	5,965	9,803

[1] Including goodwill for ST-Ericsson of SEK 1.3 (1.3) billion.
[2] Goodwill, net, amounts to SEK 13.5 (16.0) million.

ERICSSON'S SHARE OF ASSETS, LIABILITIES AND INCOME IN JOINT VENTURE SONY ERICSSON MOBILE COMMUNICATIONS AB

	2011	2010	2009
Non-current assets	5,040	3,622	4,003
Current assets	8,745	9,904	12,790
Non-current liabilities	285	592	130
Current liabilities	12,172	10,533	14,675
Net assets	1,328	2,401	1,988
Net sales	23,496	30,089	36,074
Income after financial items	–1,095	705	–5,540
Income taxes	85	–231	1,252
Net income	–1,010	474	–4,288
Net income attributable to:			
Stockholders of the Parent Company	–1,114	433	–4,441
Non-controlling interest	104	41	153
Assets pledged as collateral	1	–	182
Contingent liabilities	37	16	17

ERICSSON'S SHARE OF ASSETS, LIABILITIES AND INCOME IN ASSOCIATED COMPANY ERICSSON NIKOLA TESLA D.D. [1]

	2011	2010	2009
Non-current assets	113	92	311
Current assets	574	749	754
Non-current liabilities	1	2	3
Current liabilities	197	209	240
Net assets	489	630	822
Net sales	693	784	994
Income after financial items	13	17	90
Income taxes	3	–1	1
Net income	16	16	91
Net income attributable to:			
Stockholders of the Parent Company	16	16	91
Non-controlling interest	–	–	–
Assets pledged as collateral	4	4	5
Contingent liabilities	80	43	151

[1] Ericsson's share is 49.07%.

All three companies apply IFRS in the reporting to Ericsson as issued by IASB.

ERICSSON'S SHARE OF ASSETS, LIABILITIES AND INCOME IN JOINT VENTURE ST-ERICSSON

	2011	2010	2009
Non-current assets	6,855	6,673	7,238
Current assets	1,514	2,249	3,856
Non-current liabilities	397	214	129
Current liabilities	4,695	2,519	2,691
Net assets	3,277	6,189	8,274
Net sales	5,346	8,260	9,633
Income after financial items	–2,730	–1,762	–1,762
Income taxes	156	50	136
Net income	–2,574	–1,712	–1,626
Net income attributable to:			
Stockholders of the Parent Company	–2,574	–1,713	–1,626
Non-controlling interest	–	1	–
Assets pledged as collateral	3	3	–
Contingent liabilities	–	–	6

OTHER FINANCIAL ASSETS, NON-CURRENT

	Other investments in shares and participations		Customer finance, non-current		Derivatives, non-current		Other financial assets, non-current	
	2011	2010	2011	2010	2011	2010	2011	2010
Cost								
Opening balance	**1,607**	1,660	**1,474**	1,232	**–**	843	**4,382**	3,197
Additions	**1,930**	114	**1,875**	3,562	**–**	–	**422**	683
Business combinations	**–**	–33	**–**	–	**–**	–	**–**	–
Disposals/repayments/deductions	**–68**	–	**–1,699**	–3,322	**–**	–	**–97**	–35
Change in value in funded pension plans [1)]	**–**	–	**–**	–	**–**	–	**42**	726
Revaluation	**–**	–	**–**	–	**816**	–843	**–**	–
Translation difference	**107**	–134	**11**	2	**–**	–	**–116**	–189
Closing balance	**3,576**	**1,607**	**1,661**	**1,474**	**816**	**–**	**4,633**	**4,382**
Accumulated impairment losses/allowances								
Opening balance	**–1,388**	–1,404	**–193**	–402	**–**	–	**–1,303**	–1,463
Impairment losses/allowance	**–54**	–75	**–91**	2	**–**	–	**–47**	–7
Disposals/repayments/deductions	**63**	–26	**19**	206	**–**	–	**–**	–
Translation difference	**2**	117	**4**	1	**–**	–	**18**	167
Closing balance	**–1,377**	**–1,388**	**–261**	**–193**	**–**	**–**	**–1,332**	**–1,303**
Net carrying value	**2,199**	**219**	**1,400**	**1,281**	**816**	**–**	**3,301**	**3,079**

[1)] This amount includes asset ceiling. For further information, see Note C17, "Post-employment benefits".

C13 INVENTORIES

INVENTORIES

	2011	2010
Raw materials, components, consumables and manufacturing work in progress	**8,772**	8,509
Finished products and goods for resale	**13,525**	11,894
Contract work in progress	**10,773**	9,494
Inventories, net	**33,070**	29,897

Contract work in progress includes amounts related to delivery-type contracts, service contracts and construction-type contracts with ongoing work in progress.

Reported amounts are net of obsolescence allowances of SEK 3,343 (3,090) million.

The increase in inventories during 2011 is related to increased sales and increased share of coverage projects.

MOVEMENTS IN OBSOLESCENCE ALLOWANCES

	2011	2010	2009
Opening balance	**3,090**	2,961	3,493
Additions, net	**918**	250	562
Utilization	**–683**	–165	–1,297
Translation difference	**18**	–46	2
Balances regarding acquired/divested businesses	**–**	90	201
Closing balance	**3,343**	3,090	2,961

The amount of inventories recognized as expense and included in Cost of sales was SEK 60,544 (47,415) million.

C14 TRADE RECEIVABLES AND CUSTOMER FINANCE

TRADE RECEIVABLES AND CUSTOMER FINANCE

	2011	2010
Trade receivables excluding associated companies and joint ventures	**64,740**	61,609
Allowances for impairment	**–567**	–766
Trade receivables, net	**64,173**	60,843
Trade receivables related to associated companies and joint ventures	**349**	284
Trade receivables, total	**64,522**	61,127
Customer finance	**4,671**	4,725
Allowances for impairment	**–426**	–321
Customer finance, net	**4,245**	4,404
Of which short term	***2,845***	*3,123*
Credit commitments for customer finance	**8,569**	3,282

Days Sales Outstanding (DSO) were 91 (88) in December 2011.

MOVEMENTS IN ALLOWANCES FOR IMPAIRMENT

	Trade receivables			Customer finance		
	2011	2010	2009	2011	2010	2009
Opening balance	**766**	924	1,471	**321**	772	326
Additions	**198**	282	388	**162**	25	595
Utilization	**–266**	–285	–583	**–31**	–87	–67
Reversal of excess amounts	**–43**	–169	–312	**–27**	–359	–37
Reclassification	**–69**	33	10	**–**	–	–
Translation difference	**–19**	–19	–43	**1**	–30	–45
Balances regarding acquired/divested business	**–**	–	–7	**–**	–	–
Closing balance	**567**	766	924	**426**	321	772

AGING ANALYSIS AS PER DECEMBER 31

	Trade receivables excluding associated companies and joint ventures	Allowances for impairment of receivables	Customer finance	Allowances for impairment of customer finance
2011				
Neither impaired nor past due	56,480	–	3,369	–
Impaired, not past due	184	–16	763	–176
Past due in less than 90 days	4,126	–	238	–
Past due in 90 days or more	1,072	–	45	–
Past due in less than 90 days and impaired	850	–50	41	–35
Past due in 90 days or more and impaired	2,028	–501	215	–215
Total	**64,740**	**–567**	**4,671**	**–426**
2010				
Neither impaired nor past due	54,510	–	3,804	–
Impaired, not past due	52	–16	528	–75
Past due in less than 90 days	2,227	–	62	–
Past due in 90 days or more	1,500	–	85	–
Past due in less than 90 days and impaired	418	–90	18	–18
Past due in 90 days or more and impaired	2,902	–660	228	–228
Total	**61,609**	**–766**	**4,725**	**–321**

Credit risk

Credit risk is divided into three categories: credit risk in trade receivables, customer finance risk and financial credit risk (see Note C20, "Financial Risk Management and Financial Instruments").

Credit risk in trade receivables

Credit risk in trade receivables is governed by a policy applicable for all legal entities in the Company. The purpose of the policy is to:

- Avoid credit losses through establishing internal standard credit approval routines in all the Company's legal entities
- Ensure monitoring and risk mitigation of defaulting accounts, i.e. events of non-payment and/or delayed payments from customers
- Ensure efficient credit management within the Company and thereby improve Days Sales Outstanding and Cash Flow
  - Ensure payment terms are commercially justifiable
- Define escalation path and approval process for payment terms and customer credit limits.

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The credit worthiness of all customers is regularly assessed and a credit limit is set. Through credit management system functionality, credit checks are performed every time a sales order or an invoice is generated in the source system. This is based on the credit risk set on the customer. Credit blocks appear if the credit limit set on customer is exceeded or if past due receivables are higher than permitted levels. Release of a credit block requires authorization.

Letters of credits are used as a method for securing payments from customers operating in emerging markets, in particular in markets with unstable political and/or economic environment. By having banks confirming the letters of credit, the political and commercial credit risk exposures to the Company are mitigated.

Trade receivables amounted to SEK 64,740 (61,609) million as of December 31, 2011. Provisions for expected losses are regularly assessed and amounted to SEK 567 (766) million as of December 31, 2011. The Company's nominal credit losses have, however, historically been low. The amounts of trade receivables closely follow the distribution of the Company's sales and do not include any major concentrations of credit risk by customer or by geography. The five largest customers represent 30% (29%) of the total trade receivables.

Customer finance credit risk

All major commitments to finance customers are made only after the approval by the Finance Committee of the Board of Directors according to the established credit approval process.

Prior to the approval of new facilities reported as customer finance, an internal credit risk assessment is conducted in order to assess the credit rating of each transaction (for political and commercial risk). The credit risk analysis is made by using an assessment tool, where the political risk rating is identical to the rating used by all Export Credit Agencies within the OECD. The commercial risk is assessed by analyzing a large number of parameters, which may affect the level of the future commercial credit risk exposure. The output from the assessment tool for the credit rating also include an internal pricing of the risk. This is expressed as a risk margin per annum over funding cost. The reference pricing for political and commercial risk, on which the tool is based, is reviewed using information from Export Credit Agencies and prevailing pricing in the bank loan market for structured financed deals. The objective is that the internally set risk margin shall reflect the assessed risk and that the pricing is as close as possible to the current market pricing. A reassessment of the credit rating for each customer finance facility is made on a regular basis.

Risk provisions related to customer finance risk exposures are only made upon events which occur after the financing arrangement has become effective and which are expected to have a significant adverse impact on the borrower's ability and/or willingness to service the outstanding debt. These events can be political (normally outside the control of the borrower) or commercial, e.g. a borrower's deteriorated creditworthiness.

As of December 31, 2011, the Company's total outstanding exposure related to customer finance was SEK 4,671 (4,725) million. As of December 31, 2011, the Company also had unutilized customer finance commitments of SEK 8,569 (3,282) million. During 2011 the Company transferred certain customer finance assets to third parties, and continues to recognize a part of such assets corresponding to the extent of its continuing involvement. The total carrying amount of the original assets transferred is SEK 194 (3,808) million, the amount of the assets that the Company continues to recognize is SEK 10 (190) million, and the carrying amount of the associated liabilities is SEK 0 (190) million. Customer finance is arranged for infrastructure projects in different geographic markets and for a large number of customers. As of December 31, 2011, there were a total of 80 (74) customer finance arrangements originated by or guaranteed by the Company. The five largest facilities represented 41% (44%) of the total credit exposure.

TOTAL OUTSTANDING CUSTOMER FINANCE EXPOSURE PER REGION AS OF DECEMBER 31

Percent	2011	2010
North America	1	2
Latin America	4	9
Northern Europe & Central Asia	8	3
Western & Central Europe	1	1
Mediterranean	11	5
Middle East	24	30
Sub-Saharan Africa	29	36
India	14	–
China & North East Asia	7	13
South East Asia and Oceania	1	1
Other	–	–
Total	100	100

The effect of risk provisions and reversals for customer finance affecting the income statement amounted to a net negative impact of SEK 114 million compared to a positive impact of SEK 331 million in 2010. Credit losses amounted to SEK 62 (87) million.

Security arrangements for customer finance facilities normally include pledges of equipment, pledges of certain assets belonging to the borrower and pledges of shares in the operating company. Restructuring efforts for cases of troubled debt may lead to temporary holdings of equity interests. If available, third-party risk coverage is as a rule arranged. "Third-party risk coverage" means that a financial payment guarantee covering the credit risk has been issued by a bank, an export credit agency or other financial institution. A credit risk transfer under a sub participation arrangement with a bank can also be arranged. In this case the entire credit risk and the funding is taken care of by the bank for the part that they cover. A credit risk cover from a third party may also be issued by an insurance company. During 2011, the Company has not taken possession of any collateral it holds as security or called on any other credit enhancement.

Information about guarantees related to customer finance is included in Note C24, "Contingent Liabilities", and information about leasing is included in Note C27, "Leasing".

The table below summarizes the Company's outstanding customer finance as of December 31, 2011 and 2010.

OUTSTANDING CUSTOMER FINANCE

	2011	2010
Total customer finance	4,671	4,725
Accrued interest	68	69
Less third-party risk coverage	–480	–1,409
Ericsson's risk exposure	4,259	3,385

C15 OTHER CURRENT RECEIVABLES

OTHER CURRENT RECEIVABLES

	2011	2010
Prepaid expenses	2,056	2,369
Accrued revenues	2,486	1,850
Advance payments to suppliers	1,697	881
Derivatives with a positive value [1]	2,003	3,042
Taxes	5,633	5,439
Other	3,962	3,565
Total	17,837	17,146

[1] See also Note C20, "Financial Risk Management and Financial Instruments".

C16 EQUITY AND OTHER COMPREHENSIVE INCOME

Capital stock 2011

Capital stock at December 31, 2011, consisted of the following:

CAPITAL STOCK

Parent Company	Number of shares	Capital stock (SEK million)
Class A shares	261,755,983	1,309
Class B shares	3,011,595,752	15,058
Total	**3,273,351,735**	**16,367**

The capital stock of the Parent Company is divided into two classes: Class A shares (quota value SEK 5.00) and Class B shares (quota value SEK 5.00). Both classes have the same rights of participation in the net assets and earnings. Class A shares, however, are entitled to one vote per share while Class B shares are entitled to one tenth of one vote per share.

At December 31, 2011, the total number of treasury shares was 62,846,503 (73,088,516 in 2010 and 78,978,533 in 2009) Class B shares. Ericsson did not repurchase shares in 2011 in relation to the Stock Purchase Plan.

RECONCILIATION OF NUMBER OF SHARES

	Number of shares	Capital stock (SEK million
Number of shares Jan 1, 2011	3,273,351,735	16,367
Number of shares Dec 31, 2011	3,273,351,735	16,367

For further information about number of shares, see chapter Share Information.

Dividend proposal

The Board of Directors will propose to the Annual General Meeting 2012 a dividend of SEK 2.50 per share (SEK 2.25 in 2011 and SEK 2.00 in 2010).

Additional paid in capital

Relates to payments made by owners and includes share premiums paid.

Retained earnings

Retained earnings, including net income for the year, comprise the earned profits of the Parent Company and its share of net income in subsidiaries, joint ventures and associated companies. Retained earnings are comprised of:

REMEASUREMENTS RELATED TO POST-EMPLOYMENT BENEFITS

Actuarial gains and losses resulting from experience-based events and changes in actuarial assumptions, fluctuations of the effect of the asset ceiling, and adjustments related to the Swedish special payroll taxes.

REVALUATION OF OTHER INVESTMENTS IN SHARES AND PARTICIPATIONS

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets.

CASH FLOW HEDGES

The cash flow hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash-flow-hedging instruments related to hedged transactions that have not yet occurred.

CUMULATIVE TRANSLATION ADJUSTMENTS

The cumulative translation adjustments comprises all foreign currency differences arising from the translation of the financial statements of foreign operations and changes regarding revaluation of excess value in local currency as well as from the translation of liabilities that hedge the Company's net investment in foreign subsidiaries.

EQUITY AND OTHER COMPREHENSIVE INCOME 2011

2011	Capital stock	Additional paid in capital	Retained earnings	Stockholders' equity	Non-controlling interest (NCI)	Total equity
January 1, 2011	16,367	24,731	104,008	**145,106**	1,679	**146,785**
Net income						
Group	–	–	15,727	**15,727**	375	**16,102**
Joint ventures and associated companies	–	–	–3,533	**–3,533**	–	**–3,533**
Other comprehensive income						
Remeasurements related to post-employment benefits						
Group	–	–	–6,963	**–6,963**	–	**–6,963**
Joint ventures and associated companies	–	–	–212	**–212**	–	**–212**
Cash flow hedges						
Gains/losses arising during the year						
Group	–	–	996	**996**	–	**996**
Joint ventures and associated companies	–	–	11	**11**	–	**11**
Reclassification adjustments for gains/losses included in profit or loss	–	–	–2,028 [1]	**–2,028**	–	**–2,028**
Changes in cumulative translation adjustments						
Group	–	–	–1,014 [2]	**–1,014**	50	**–964**
Joint ventures and associated companies	–	–	–61	**–61**	–	**–61**
Tax on items relating to components of OCI [3]	–	–	2,158 [4]	**2,158**	–	**2,158**
Total other comprehensive income	**–**	**–**	**–7,113**	**–7,113**	**50**	**–7,063**
Total comprehensive income	**–**	**–**	**5,081**	**5,081**	**425**	**5,506**
Transactions with owners						
Sale of own shares	–	–	92	**92**	–	**92**
Stock Purchase Plan						
Group	–	–	413	**413**	–	**413**
Joint ventures and associated companies	–	–	–	**–**	–	**–**
Dividends paid	–	–	–7,207	**–7,207** [5]	–248	**–7,455**
Transactions with non-controlling interest	–	–	–380	**–380**	309	**–71**
December 31, 2011	**16,367**	**24,731**	**102,007**	**143,105**	**2,165**	**145,270**

[1] SEK –1,663 million is recognized in Net Sales, SEK –742 million is recognized in Cost of Sales and SEK 376 million is recognized in R&D expenses.
[2] Changes in cumulative translation adjustments include changes regarding revaluation of goodwill in local currency of SEK 46 million (SEK –1,480 million in 2010, SEK –1,015 million in 2009), gain/loss from hedging activities of foreign entities, SEK 9 million (SEK 385 in 2010, SEK 586 million in 2009), and realized gain/losses net from sold/liquidated companies SEK 192 million (SEK 140 million in 2010, SEK 10 million in 2009).
[3] For further disclosures, see Note C8, "Taxes".
[4] Deferred tax on gains/losses on hedges on investments in foreign entities and post-employment benefits.
[5] Dividends paid per share amounted to SEK 2.25 (SEK 2.00 in 2010 and SEK 1.85 in 2009).

EQUITY AND OTHER COMPREHENSIVE INCOME 2010

2010	Capital stock	Additional paid in capital	Retained earnings	Stockholders' equity	Non-controlling interest (NCI)	Total equity
January 1, 2010	16,367	24,731	98,772	**139,870**	1,157	**141,027**
Net income						
Group	–	–	12,503	**12,503**	89	**12,592**
Joint ventures and associated companies	–	–	–1,357	**–1,357**	–	**–1,357**
Other comprehensive income						
Remeasurements related to post-employment benefits						
Group	–	–	3,892	**3,892**	–	**3,892**
Joint ventures and associated companies	–	–	–27	**–27**	–	**–27**
Revaluation of other investments in shares and participations						
Fair value remeasurement						
Group	–	–	7	**7**	–	**7**
Joint ventures and associated companies	–	–	–	**–**	–	**–**
Cash flow hedges						
Gains/losses arising during the year						
Group	–	–	966	**966**	–	**966**
Joint ventures and associated companies	–	–	31	**31**	–	**31**
Reclassification adjustments for gains/losses included in profit or loss	–	–	-238	**–238**	–	**–238**
Adjustments for amounts transferred to initial carrying amount of hedged items	–	–	–136	**–136**	–	**–136**
Changes in cumulative translation adjustments						
Group	–	–	–3,269	**–3,269**	10	**–3,259**
Joint ventures and associated companies	–	–	–438	**–438**	–	**–438**
Tax on items relating to components of OCI	–	–	–1,120	**–1,120**	–	**–1,120**
Total other comprehensive income	**–**	**–**	**–332**	**–332**	**10**	**–322**
Total comprehensive income	**–**	**–**	**10,814**	**10,814**	**99**	**10,913**
Transactions with owners						
Sale of own shares	–	–	52	**52**	–	**52**
Stock Purchase Plan						
Group	–	–	762	**762**	–	**762**
Joint ventures and associated companies	–	–	–	**–**	–	**–**
Dividends paid	–	–	–6,391	**–6,391**	–286	**–6,677**
Transactions with non-controlling interest	–	–	–	**–**	708	**708**
December 31, 2010	**16,367**	**24,731**	**104,008**	**145,106**	**1,679**	**146,785**

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EQUITY AND OTHER COMPREHENSIVE INCOME 2009

2009	Capital stock	Additional paid in capital	Retained earnings	Stockholders' equity	Non-controlling interest (NCI)	Total equity
January 1, 2009	16,232	24,731	99,860	**140,823**	1,261	**142,084**
Net income						
Group	–	–	9,685	**9,685**	455	**10,140**
Joint ventures and associated companies	–	–	–6,013	**–6,013**	–	**–6,013**
Other comprehensive income						
Remeasurements related to post-employment benefits						
Group	–	–	–633	**–633**	–	**–633**
Joint ventures and associated companies	–	–	28	**28**	–	**28**
Revaluation of other investments in shares and participations						
Fair value remeasurement						
Group	–	–	–2	**–2**	–	**–2**
Joint ventures and associated companies	–	–	–	**–**	–	**–**
Cash flow hedges						
Gains/losses arising during the year						
Group	–	–	665	**665**	–	**665**
Joint ventures and associated companies	–	–	7	**7**	–	**7**
Reclassification adjustments for gains/losses included in profit or loss	–	–	3,850	**3,850**	–	**3,850**
Adjustments for amounts transferred to initial carrying amount of hedged items	–	–	–1,029	**–1,029**	–	**–1,029**
Changes in cumulative translation adjustments						
Group	–	–	–1,013	**–1,013**	–54	**–1,067**
Joint ventures and associated companies	–	–	–294	**–294**	–	**–294**
Tax on items relating to components of OCI	–	–	–1,040	**–1,040**	–	**–1,040**
Total other comprehensive income	**–**	**–**	**539**	**539**	**–54**	**485**
Total comprehensive income	**–**	**–**	**4,211**	**4,211**	**401**	**4,612**
Transactions with owners						
Stock issue	135	–	–	**135**	–	**135**
Sale of own shares	–	–	75	**75**	–	**75**
Repurchase of own shares	–	–	–135	**–135**	–	**–135**
Stock Purchase and Stock Option Plans						
Group	–	–	658	**658**	–	**658**
Joint ventures and associated companies	–	–	–	**–**	–	**–**
Dividends paid	–	–	–5,897	**–5,897**	–421	**–6,318**
Transactions with non-controlling interest	–	–	–	**–**	–84	**–84**
December 31, 2009	**16,367**	**24,731**	**98,772**	**139,870**	**1,157**	**141,027**

C17 POST-EMPLOYMENT BENEFITS

Ericsson sponsors a number of post-employment benefit plans throughout the Company, which are in line with market practice in each country. The year 2011 was characterized by the overall decrease in discount rates and an increase in life expectancy. Consequently, the Company experienced an overall increase in the net pension liability, and an actuarial loss.

CONTENTS

Amount recognized in the consolidated balance sheet

AMOUNT RECOGNIZED IN THE CONSOLIDATED BALANCE SHEET

	Sweden	UK	Eurozone	US	Other	Total
2011						
Defined benefit obligation (DBO) [1]	20,643	6,307	3,687	3,133	2,605	**36,375**
Fair value of plan assets [2]	13,490	6,750	2,665	2,337	2,777	**28,019**
Deficit/Surplus (+/–)	7,153	–443	1,022	796	–172	**8,356**
Unrecognized past service costs	–	–	–	–	–47	**–47**
Closing balance	7,153	–443	1,022	796	–219	**8,309**
Plans with net surplus excluding asset ceiling [3]	–	584	369	–	754	**1,707**
Provision for post-employment benefits [4]	**7,153**	**141**	**1,391**	**796**	**535**	**10,016**
2010						
Defined benefit obligation (DBO) [1]	14,980	5,437	3,163	2,693	2,437	**28,710**
Fair value of plan assets [2]	12,389	5,691	2,514	2,048	2,793	**25,435**
Deficit/Surplus (+/–)	2,591	–254	649	645	–356	**3,275**
Unrecognized past service costs	–	–	5	–	–60	**–55**
Closing balance	2,591	–254	654	645	–416	**3,220**
Plans with net surplus excluding asset ceiling [3]	–	290	643	–	939	**1,872**
Provision for post-employment benefits [4]	**2,591**	**36**	**1,297**	**645**	**523**	**5,092**

[1] For details on DBO, please refer to section "Change in the Defined Benefit Obligation, DBO" of this note.
[2] For details on plan assets, please refer to section "Change in the Plan Assets" of this note.
[3] Plans with a net surplus, i.e. where plan assets exceed DBO, are reported as Other financial assets, non-current, see Note C12, "Financial Assets". Asset ceiling amounted to SEK 483 (691) million.
[4] Plans with net liabilities are reported in the balance sheet as Post-employment benefits, non-current.

Total pension expenses recognized in the income statement

The expenses for post-employment benefits within Ericsson are distributed between defined contribution plans and defined benefit plans, with a trend toward defined contribution plans.

PENSION COSTS FOR DEFINED CONTRIBUTION PLANS AND DEFINED BENEFIT PLANS

	Sweden	UK	Eurozone	US	Other	Total
2011						
Pension cost for defined contribution plans	2,039	72	386	360	185	**3,042**
Pension cost for defined benefit plans [1]	621	–86	124	42	146	**847**
Total	**2,660**	**–14**	**510**	**402**	**331**	**3,889**
Total pension cost expressed as a percentage of wages and salaries						**8.9%**
2010						
Pension cost for defined contribution plans	1,037	95	433	244	192	**2,001**
Pension cost for defined benefit plans [1]	762	153	159	30	–14	**1,090**
Total	**1,799**	**248**	**592**	**274**	**178**	**3,091**
Total pension cost expressed as a percentage of wages and salaries						**7.1%**
2009						
Pension cost for defined contribution plans	1,686	73	385	124	185	**2,453**
Pension cost for defined benefit plans [1]	674	66	202	49	144	**1,135**
Total	**2,360**	**139**	**587**	**173**	**329**	**3,588**
Total pension cost expressed as a percentage of wages and salaries						**8.7%**

[1] See cost details in table below.

COST DETAILS FOR DEFINED BENEFIT PLANS RECOGNIZED IN THE INCOME STATEMENT

	Sweden	UK	Eurozone	US	Other	Total
2011						
Current service cost	547	114	113	26	157	**957**
Interest cost	714	293	168	151	169	**1,495**
Expected return on plan assets	–558	–339	–135	–135	–243	**–1,410**
Past service cost	6	4	6	–	9	**25**
Curtailments, settlements and other	–88	–158	–28	–	54	**–220**
Total	**621**	**–86**	**124**	**42**	**146**	**847**
2010						
Current service cost	631	161	129	32	140	**1,093**
Interest cost	643	314	182	159	172	**1,470**
Expected return on plan assets	–511	–322	–141	–130	–253	**–1,357**
Past service cost	–	–	33	–	9	**42**
Curtailments, settlements and other	–1	–	–44	–31	–82	**–158**
Total	**762**	**153**	**159**	**30**	**–14**	**1,090**
2009						
Current service cost	594	205	138	35	131	**1,103**
Interest cost	590	284	194	171	155	**1,394**
Expected return on plan assets	–366	–270	–125	–156	–208	**–1,125**
Past service cost	–	–	5	–	25	**30**
Curtailments, settlements and other	–144	–153	–10	–1	41	**–267**
Total	**674**	**66**	**202**	**49**	**144**	**1,135**

The following sections focus on the defined benefit plans.

Change in the defined benefit obligation (DBO)

The DBO is the gross pension liability.

CHANGE IN THE DEFINED BENEFIT OBLIGATION

	Sweden	UK	Eurozone	US	Other	Total
2011						
Opening balance	14,980	5,437	3,163	2,693	2,437	**28,710**
Current service cost	547	114	113	26	157	**957**
Interest cost	714	293	168	151	169	**1,495**
Employee contributions	–	11	4	–	1	**16**
Pension payments	–220	–141	–87	–149	–144	**–741**
Actuarial gain/loss (–/+)	4,705	651	379	329	120	**6,184**
Curtailments	–88	–158	–25	–	–	**–271**
Business combinations	–	–	2	–	–	**2**
Other	5	–10	11	22	15	**43**
Translation difference	–	110	–41	61	–150	**–20**
Closing balance	**20,643**	**6,307**	**3,687**	**3,133**	**2,605**	**36,375**
Of which medical benefit schemes	–	–	–	*658*	–	***658***
2010						
Opening balance	16,150	5,688	3,840	2,781	2,258	**30,717**
Current service cost	631	161	129	32	140	**1,093**
Interest cost	643	314	182	159	172	**1,470**
Employee contributions	–	11	4	–	5	**20**
Pension payments	–159	–99	–82	–169	–194	**–703**
Actuarial gain/loss (–/+)	–2,285	–157	–569	46	104	**–2,861**
Settlements	–	–	–14	–	–104	**–118**
Curtailments	–1	–	–30	–38	–93	**–162**
Business combinations [1]	–	–	74	–	148	**222**
Other	1	–20	95	30	8	**114**
Translation difference	–	–461	–466	–148	–7	**–1,082**
Closing balance	**14,980**	**5,437**	**3,163**	**2,693**	**2,437**	**28,710**
Of which medical benefit schemes	–	–	–	*594*	–	***594***

[1] Business combinations in 2010 are related to the acquisition of LG-Nortel and Pride Spa.

FUNDED STATUS

The funded ratio, defined as total plan assets in relation to the total DBO, was 77.0% in 2011, compared to 88.6% in 2010.

The following table summarizes the value of the DBO per geographical area based on whether there are plan assets wholly or partially funding each pension plan.

VALUE OF THE DEFINED BENEFIT OBLIGATION

	Sweden	UK	Eurozone	US	Other	Total
2011						
DBO, closing balance	20,643	6,307	3,687	3,133	2,605	**36,375**
Of which partially or fully funded	*20,118*	*6,307*	*2,540*	*2,447*	*2,118*	***33,530***
Of which unfunded	*525*	–	*1,147*	*686*	*487*	***2,845***
2010						
DBO, closing balance	14,980	5,437	3,163	2,693	2,437	**28,710**
Of which partially or fully funded	*14,527*	*5,437*	*2,086*	*2,072*	*1,998*	***26,120***
Of which unfunded	*453*	–	*1,077*	*621*	*439*	***2,590***

Change in the plan assets

A majority of pension plans have assets managed by local Pension Trust funds, whose sole purpose is to secure the future pension payments to the employees.

CHANGE IN THE PLAN ASSETS

	Sweden	UK	Eurozone	US	Other	Total
2011						
Opening balance	12,389	5,691	2,514	2,048	2,793	**25,435**
Expected return on plan assets	558	339	135	135	243	**1,410**
Actuarial gain/loss (+/–)	–358	473	–36	155	–84	**150**
Employer contributions	1,086	272	125	54	125	**1,662**
Employee contributions	–	11	4	–	1	**16**
Pension payments	–185	–141	–46	–98	–102	**–572**
Other	–	–14	–1	–	–4	**–19**
Translation difference	–	119	–30	43	–195	**–63**
Closing balance	**13,490**	**6,750**	**2,665**	**2,337**	**2,777**	**28,019**
2010						
Opening balance	10,927	5,336	2,406	1,974	2,563	**23,206**
Expected return on plan assets	511	322	141	130	253	**1,357**
Actuarial gain/loss (+/–)	222	265	105	103	–42	**653**
Employer contributions	729	343	173	58	93	**1,396**
Employee contributions	–	11	3	–	5	**19**
Pension payments	–	–119	–43	–103	–119	**–384**
Settlements	–	–	–	–	–104	**–104**
Business combinations [1]	–	–	–	–	164	**164**
Other	–	–	53	–	–4	**49**
Translation difference	–	–467	–324	–114	–16	**–921**
Closing balance	**12,389**	**5,691**	**2,514**	**2,048**	**2,793**	**25,435**

[1] Business combinations in 2010 are related to the acquisition of LG-Nortel.

Refunds from or reductions in future contributions to plan assets are recognized if they are available and firmly decided.

ACTUAL RETURN ON PLAN ASSETS

	Sweden	UK	Eurozone	US	Other	Total
2011	200	812	99	289	160	**1,560**
2010	733	587	246	233	211	**2,010**

ASSET ALLOCATION

	Sweden	UK	Eurozone	US	Other	Total
2011						
Equities	4,503	1,666	1,348	1,062	356	**8,935**
Interest-bearing securities	8,239	4,245	1,020	1,210	1,846	**16,560**
Other	748	839	297	65	575	**2,524**
Total	**13,490**	**6,750**	**2,665**	**2,337**	**2,777**	**28,019**
Of which Ericsson securities	–	–	–	–	–	**–**
2010						
Equities	4,326	2,028	1,277	1,134	458	**9,223**
Interest-bearing securities	7,508	3,207	970	870	1,837	**14,392**
Other	555	456	267	44	498	**1,820**
Total	**12,389**	**5,691**	**2,514**	**2,048**	**2,793**	**25,435**
Of which Ericsson securities	–	–	–	–	–	**–**

Equity instruments amount to 32% (36%) of the total assets, interest bearing instruments amount to 59% (57%) of the total assets, and other instruments amount to 9% (7%) of the total assets.

The contributions to the defined benefit plans for the upcoming year will be based on the development of the financial markets as well as on the growth of the pension liability, and how these developments affect the target funding ratio of the Company. On January 14, 2012, as per the trust's funding requirements, the Company made an employer contribution payment of SEK 900 million to the Swedish pension trust fund.

Actuarial gains and losses reported directly in other comprehensive income

Since January 1, 2006, Ericsson applies immediate recognition of actuarial gains and losses directly in the statement of Other Comprehensive Income. Actuarial gains and losses may arise from either a change in actuarial assumptions or in deviations between estimated and actual outcome.

MULTI-YEAR SUMMARY

	2011	2010	2009	2008	2007
Plan assets	28,019	25,435	23,206	19,037	20,236
DBO	36,375	28,710	30,717	28,010	25,226
Deficit/Surplus (–/+)	–8,356	–3,275	–7,511	–8,973	–4,990
Actuarial gains and losses (–/+)					
Experience-based adjustments of pension obligations	–463	177	310	57	–76
Experience-based adjustments of plan assets	–150	–653	–1,191	2,952	59

ACTUARIAL GAINS AND LOSSES REPORTED DIRECTLY IN OTHER COMPREHENSIVE INCOME

	2011	2010
Cumulative gain/loss (–/+) at beginning of year	1,849	5,326
Recognized gain/loss (–/+) during the year	6,034	–3,514
Translation difference	28	37
Cumulative gain/loss (–/+) at end of year	7,911	1,849

TOTAL REMEASUREMENTS IN OTHER COMPREHENSIVE INCOME RELATED TO POST-EMPLOYMENT BENEFITS

	2011	2010
Actuarial gains and losses (+/–)	–6,034	3,514
The effect of asset ceiling	208	–29
Swedish special payroll taxes	–1,137	407
Total Group	–6,963	3,892
Actuarial gains and losses for joint ventures and associated companies	–212	–27

Actuarial assumptions

FINANCIAL AND DEMOGRAPHIC ACTUARIAL ASSUMPTIONS

	Sweden	UK	Eurozone [1]	US [1]	Other [1]
2011					
Discount rate	3.50%	4.70%	5.25%	5.23%	8.18%
Expected return on plan assets for the year	4.55%	5.90%	5.32%	7.00%	9.27%
Future salary increases	3.25%	4.10%	2.91%	4.50%	6.07%
Inflation	2.00%	3.10%	2.00%	2.50%	3.43%
Health care cost inflation, current year	n/a	n/a	n/a	9.00%	n/a
Life expectancy after age 65 in years, males	22	22	22	19	19
Life expectancy after age 65 in years, females	24	25	24	21	22
2010					
Discount rate	4.80%	5.40%	5.59%	5.73%	8.55%
Expected return on plan assets for the year	4.55%	6.00%	6.27%	7.00%	9.91%
Future salary increases	3.25%	4.50%	2.91%	4.50%	5.70%
Inflation	2.00%	3.50%	2.00%	2.50%	3.50%
Health care cost inflation, current year	n/a	n/a	n/a	9.00%	n/a
Life expectancy after age 65 in years, males	21	22	22	18	19
Life expectancy after age 65 in years, females	24	24	25	20	22

[1] Weighted average for disclosure purposes only. Land specific assumptions were used for each actuarial calculation.

- Actuarial assumptions are assessed on a quarterly basis.
- The discount rate for each country is determined by reference to market yields on high-quality corporate bonds. In countries where there is no deep market in such bonds, the market yields on government bonds are used.
- The overall expected long-term return on plan assets is a weighted average of each asset category's expected rate of return. The expected return on interest-bearing investments is set in line with each country's market yield. Expected return on equities is derived from each country's risk free rate with the addition of a risk premium.
- Salary increases are partially affected by fluctuations in inflation rate.
- The net periodic pension cost and the present value of the DBO for current and former employees are calculated using the Projected Unit Credit (PUC) actuarial cost method, where the objective is to spread the cost of each employee's benefits over the period that the employee works for the Company.

SENSITIVITY ANALYSIS FOR MEDICAL BENEFIT SCHEMES

The effect (in SEK million) of a one percent change in the assumed trend rate of medical cost would have the following effect:

SENSITIVITY ANALYSIS FOR MEDICAL BENEFIT SCHEMES

	1% increase	1% decrease
Net periodic post-employment medical cost	3	–3
Accumulated post-employment benefit obligation for medical costs	61	–53

Information on issues affecting the Net Pension Liability for the year

SWEDEN

The defined benefit obligation has been calculated using a discount rate based on yields of covered bonds, which is higher than a discount rate based on yields of government bonds. The Swedish covered bonds are considered high-quality bonds, mainly AAA-rated, as they are secured with assets, and the market for covered bonds is considered deep and liquid, thereby meeting IAS19 requirements.

As before, Ericsson has secured the disability and survivors' pension part of the ITP Plan through an insurance solution with the insurance company Alecta. Although this part of the plan is classified as a multi-employer defined benefit plan, it is not possible to get sufficient information to apply defined benefit accounting, and therefore, it has been accounted for as a defined contribution plan.

Alecta has a collective funding ratio which is a buffer for its insurance commitments to protect against fluctuations in investment return and insurance risks. Alecta's target ratio is 140% and reflects the fair value of Alecta's plan assets as a percentage of plan commitments, then measured in accordance with Alecta's actuarial assumptions, which are different from those in IAS 19. Alecta's collective funding ratio was 113% (146%).

Contingent liabilities include the Company's mutual responsibility as a credit insured company of PRI Pensionsgaranti in Sweden. This mutual responsibility can only be imposed in case PRI Pensionsgaranti has consumed all of their assets, and it amounts to a maximum of 2% of the company's pension liability in Sweden.

C18 PROVISIONS

PROVISIONS

	Warranty	Restructuring	Project-related	Other	Total
2011					
Opening balance	2,469	3,230	1,105	2,940	**9,744**
Additions	1,433	1,806	563	1,005	**4,807**
Reversal of excess amounts	–440	–407	–164	–908	**–1,919**
Negative effect on Income Statement					***2,888***
Cash out/utilization	–1,527	–3,223	–662	–575	**–5,987**
Balances regarding divested/acquired businesses	21	–	–	2	**23**
Reclassification	–	–48	–111	–87	**–246**
Translation differences	–68	–31	–13	–45	**–157**
Closing balance	**1,888**	**1,327**	**718**	**2,332**	**6,265**
2010					
Opening balance	2,533	4,299	1,694	3,905	**12,431**
Additions	1,743	2,640	1,285	1,046	**6,714**
Reversal of excess amounts	–297	–335	–353	–869	**–1,854**
Negative effect on Income Statement					***4,860***
Cash out/utilization	–1,466	–3,261	–1,547	–880	**–7,154**
Balances regarding divested/acquired businesses	182	–	28	–	**210**
Reclassification	–182	176	62	–200	**–144**
Translation differences	–44	–289	–64	–62	**–459**
Closing balance	**2,469**	**3,230**	**1,105**	**2,940**	**9,744**

Provisions will fluctuate over time depending on business mix, market mix and technology shifts. Risk assessment in the ongoing business is performed monthly to identify the need for new additions and reversals. Management uses its best judgment to estimate provisions based on this assessment. In certain circumstances, provisions are no longer required due to more favorable outcomes than anticipated, which affect the provisions balance as a reversal. In other cases the outcome can be negative, and if so, a charge is recorded in the income statement.

For 2011, new or additional provisions amounting to SEK 4.8 billion were made, and SEK 1.9 billion were reversed. The actual cash outlays for 2011 was SEK 6.0 billion compared with the estimated SEK 8 billion. The main part of the total cash out for 2011 is restructuring provisions of SEK 3.2 billion. The expected total cash outlays in 2012 is approximately SEK 3.5 billion.

Of the total provisions, SEK 280 (353) million are classified as non-current. For more information, see Note C1, "Significant Accounting Policies" and Note C2, "Critical Accounting Estimates and Judgments".

Warranty provisions

Warranty provisions are based on historic quality rates for established products as well as estimates regarding quality rates for new products and costs to remedy the various types of faults predicted. The actual cash outlays for 2011 were SEK 1.5 billion and in line with the expected SEK 2 billion. Provisions amounting to SEK 1.4 billion were made and due to more favorable outcomes in certain cases reversals of SEK 0.4 billion were made. The cash outlays of warranty provisions during year 2012 are estimated to approximately SEK 1 billion.

Restructuring provisions

In 2011 SEK 1.8 billion (2.6) in provision were made. The cash outlays were 3.2 billion (3.3) for the full year and SEK 1.9 billion were related to restructuring programs before 2011. The cash outlay for 2012 are estimated to approximately SEK 1 billion.

Project related provisions

Project provisions relate to estimated losses on onerous contracts, including probable contractual penalties. The cash outlays of project related provisions were SEK 0.7 billion and in line with the estimated SEK 1 billion. Provisions amounting to SEK 0.6 billion were made and SEK 0.2 billion were reversed due to a more favorable outcome than expected. The cash outlays for 2012 are estimated to be approximately SEK 0.5 billion.

Other provisions

Other provisions include provisions for tax issues, litigations, supplier claims, and other. The cash outlays were SEK 0.6 billion in 2011 compared to the estimate of SEK 2 billion. During 2011, new provisions amounting to SEK 1.0 billion were made and SEK 0.9 billion were reversed during the year due to a more favorable outcome. For 2012, the estimated cash outlays are approximately SEK 1 billion.

C19 INTEREST-BEARING LIABILITIES

As of December 31, 2011, Ericsson's outstanding interest-bearing liabilities were SEK 31.0 (30.8) billion.

INTEREST-BEARING LIABILITIES

	2011	2010
Borrowings, current		
Current part of non-current borrowings [1]	**4,314**	760
Other current borrowings	**3,451**	3,048
Total current borrowings	**7,765**	3,808
Borrowings, non-current		
Notes and bond loans	**17,197**	20,646
Other borrowings, non-current	**6,059**	6,309
Total non-current interest-bearing liabilities	**23,256**	26,955
Total interest-bearing liabilities	**31,021**	30,763

[1] Including notes and bond loans of SEK 3,461 (0) million.

All outstanding notes and bond loans are issued by the Parent Company under its Euro Medium-Term Note (EMTN) program. Bonds issued at a fixed interest rate are normally swapped to a floating interest rate using interest rate swaps leaving a maximum of 50% of outstanding loans at fixed interest rates. It resulted in weighted average interest rate of 4.21% (2.65%). These bonds are revalued based on changes in benchmark interest rates according to the fair value hedge methodology stipulated in IAS 39.

In 2008 Ericsson signed a seven-year loan of SEK 4.0 billion with the European Investment Bank (EIB). The loan supports Ericsson's R&D activities to develop the next generation of mobile broadband technology at sites in Kista, Gothenburg and Linköping in Sweden.

NOTES AND BOND LOANS

Issued–maturing	Nominal amount	Coupon	Currency	Book value (SEK m.)	Maturity date	Unrealized hedge gain/loss (included in book value)
2004–2012	450	3.305%	SEK	450	December 7, 2012 [2]	–
2007–2012	1,000	5.100%	SEK	1,011	June 29, 2012	–11
2007–2012	2,000	2.885%	SEK	2,000	June 29, 2012 [3]	–
2007–2014	375	1.704%	EUR	3,345	June 14, 2014 [4]	–
2007–2017	500	5.380%	EUR	5,161 [1]	June 27, 2017	–719
2009–2013	600	5.000%	EUR	5,450 [1]	June 24, 2013	–109
2009–2016	300	3.62125%	USD	2,069	June 23, 2016 [5]	–
2010–2020	170	2.96125%	USD	1,172	December 23, 2020 [6]	–
Total				**20,658**		**–839**

[1] Interest rate swaps are designated as fair value hedges.
[2] Next contractual repricing date June 7, 2012 (semi-annual).
[3] Next contractual repricing date March 29, 2012 (quarterly).
[4] Next contractual repricing date March 27, 2012 (quarterly).
[5] Next contractual repricing date March 23, 2012 (quarterly).
[6] Next contractual repricing date March 23, 2012 (quarterly).

C20 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Ericsson's financial risk management is governed by a policy approved by the Board of Directors. The Finance Committee of the Board of Directors is responsible for overseeing the capital structure and financial management of the Company and approving certain matters (such as investments, customer finance commitments, guarantees and borrowing) and is continuously monitoring the exposure to financial risks.

Ericsson defines its managed capital as the total Company equity. For Ericsson, a robust financial position with a strong equity ratio, investment grade rating, low leverage and ample liquidity is deemed important. This provides financial flexibility and independence to operate and manage variations in working capital needs as well as to capitalize on business opportunities.

Ericsson's overall capital structure should support the financial targets: to grow faster than the market, deliver best-in-class margins and generate a healthy cash flow. The capital structure is managed by balancing equity, debt financing and liquidity in such a way that the Company secure funding of operations at a reasonable cost of capital. Regular borrowings are complemented with committed credit facilities to give additional flexibility to manage unforeseen funding needs. Ericsson strive to finance growth, normal capital expenditures and dividends to shareholders by generating sufficient positive cash flows from operating activities.

Ericsson's capital objectives are:
- An equity ratio above 40%
- A cash conversion rate above 70%
- To maintain a positive net cash position
- To maintain a solid investment grade rating by Moody's and Standard & Poor's.

CAPITAL OBJECTIVES RELATED INFORMATION

	2011	2010
Capital (SEK billion)	**145**	147
Equity ratio (percent)	**52**	52
Cash conversion rate (percent)	**40**	112
Positive net cash (SEK billion)	**39.5**	51.3
Credit rating		
Moody's	**A3**	Baa1
Standard & Poor's	**BBB+**	BBB+

Ericsson has a treasury function with the principal role to ensure that appropriate financing is in place through loans and committed credit facilities, to actively manage the Company's liquidity as well as financial assets and liabilities, and to manage and control financial risk exposures in a manner consistent with underlying business risks and financial policies. Hedging activities, cash management and insurance management are largely centralized to the treasury function in Stockholm.

Ericsson also has a customer finance function with the main objective to find suitable third-party financing solutions for customers and to minimize recourse to Ericsson. To the extent customer loans are not provided directly by banks, the Parent Company provides or guarantees vendor credits. The customer finance function monitors the exposure from outstanding vendor credits and credit commitments.

Ericsson classifies financial risks as:
- Foreign exchange risk
- Interest rate risk
- Credit risk
- Liquidity and refinancing risk
- Market price risk in own and other equity instruments.

The Board of Directors has established risk limits for defined exposures to foreign exchange and interest rate risks as well as to political risks in certain countries.

For further information about accounting policies, see Note C1, "Significant Accounting Policies".

Foreign exchange risk

Ericsson is a global company with sales mainly outside Sweden. Revenues and costs are to a large extent in currencies other than SEK and therefore the financial results of the Company are impacted by currency fluctuations.

Ericsson reports the financial accounts in SEK and movements in exchange rates between currencies will affect:
- Specific line items such as Net sales and Operating income.
- The comparability of our results between periods.
- The carrying value of assets and liabilities.
- Reported cash flows.

Net sales and Operating Income are affected by changes in foreign exchange rates from two different kinds of exposures, translation exposure and transaction exposure. In the Operating Income we are primarily exposed to transaction exposure which is partially addressed by hedging.

CURRENCY EXPOSURE, SEK BILLION

Exposure currency	Translation exposure	Transaction exposure	Net exposure	Net exposure, percent of total
Net sales				
SEK	44.5	–42.7	1.8	1%
USD	46.8	39.8	86.6	38%
EUR	29.3	13.6	42.9	19%
CNY	17.3	–0.3	17.0	8%
JPY	13.7	0.7	14.4	6%
INR	9.4	–	9.4	4%
BRL	7.8	–0.2	7.6	3%
GBP	6.8	–2.0	4.8	2%
Other	49.6	–8.9	40.7	19%
Pre-hedge total			**225.2**	**100%**
Hedge			1.7	
Total Net sales			**226.9**	
Net cost				
SEK	–40.4	–29.2	–69.6	33%
USD	–47.4	–19.3	–66.7	32%
EUR	–27.5	–0.4	–27.9	13%
CNY	–15.9	1.7	–14.2	7%
JPY	–13.1	9.0	–4.1	2%
INR	–7.5	3.9	–3.6	2%
BRL	–7.4	1.3	–6.1	3%
GBP	–6.2	1.3	–4.9	2%
Other	–43.9	31.7	–12.2	6%
Pre-hedge total			**–209.3**	**100%**
Hedge			0.3	
Total Net cost			**–209.0**	
Operating income			**17.9**	

TRANSLATION EXPOSURE

Translation exposure relates to Sales and Cost of Sales in foreign entities when translated into SEK upon consolidation. These exposures can not be addressed by hedging, but as the Income Statement is translated using average rate (average rate gives a good approximation), the impact of volatility in foreign currency rates is reduced.

TRANSACTION EXPOSURE

Transaction exposure relates to Sales and Cost of sales in non-reporting currencies in individual group companies. Foreign exchange risk is as far as possible concentrated to Swedish group companies, primarily Ericsson AB. Sales to foreign subsidiaries are normally denominated in the functional currency of the customers and are normally denominated in USD or other foreign currency. In order to limit the exposure toward exchange rate fluctuations on future revenues and costs, committed and forecasted future sales and purchases in major currencies are hedged with 7% of 12 month forecast monthly. This corresponds to approximately 5–6 months of an average forecast.

According to Company policy, transaction exposure in subsidiaries' balance sheets (i.e. trade receivables and payables and customer finance receivables) should be fully hedged, except for non-tradable currencies.

Foreign exchange exposures in balance sheet items are hedged through offsetting balances or derivatives.

As of December 31, 2011, outstanding foreign exchange derivatives hedging transaction exposures had a net market value of SEK –0.5 (0.6) billion. The market value is partly deferred in the hedge reserve in OCI to offset the gains/losses on hedged future sales in foreign currency.

Cash flow hedges

The purpose of hedging forecasted revenues and costs is to reduce volatility in the income statement. Hedging is done by selling or buying foreign currencies against the functional currency of the hedging entity using FX forwards.

Hedging is done based on a rolling 12-month exposure forecast. Ericsson uses a layered hedging approach, where the closest quarters are hedged to a higher degree than later quarters. Each consecutive quarter is hereby hedged on several occasions and is covered by an aggregate of hedging contracts initiated at various points in time, which supports the objective of reducing volatility in the income statement from changes in foreign exchange rates.

TRANSLATION EXPOSURE IN NET ASSETS

Ericsson has many subsidiaries operating outside Sweden with other functional currencies than SEK. The results and net assets of such companies are exposed to exchange rate fluctuations, which affect the consolidated income statement and balance sheet when translated to SEK. Translation risk related to forecasted results from foreign operations can not be hedged, but net assets can be addressed by hedging.

Translation exposure in foreign subsidiaries is hedged according to the following policy established by the Board of Directors:

Translation risk related to net assets in foreign subsidiaries is hedged up to 20% in selected companies. The translation differences reported in OCI during 2011 were negative, SEK 1.0 billion, including hedging loss of SEK 0.0 billion.

Interest rate risk

Ericsson is exposed to interest rate risk through market value fluctuations in certain balance sheet items and through changes in interest revenues and expenses. The net cash position was SEK 39.5 (51.3) billion at the end of 2011, consisting of cash, cash equivalents and short-term investments of SEK 80.5 (87.2) billion and interest-bearing liabilities and post-employment benefits of SEK 41.0 (35.9) billion.

Ericsson manages the interest rate risk by (i) matching fixed and floating interest rates in interest-bearing balance sheet items and (ii) avoiding significant fixed interest rate exposure in Ericsson's net cash position. The policy is that interest-bearing assets shall have an average interest duration between 10 and 14 months, taking derivative instruments into consideration. Interest-bearing liabilities do not have a duration target as the duration of the fixed rate portion will be determined by markets conditions when liabilities are issued, Group Treasury has a mandate to deviate from the asset management benchmark given by the Board and take FX positions up to an aggregated risk of VaR SEK 45 million given a confidence level of 99% and a 1-day horizon. Previously this was divided into two mandates, one 20, to leave selected transaction exposures in subsidiaries' balance sheets unhedged, and another 30, to deviate from asset management benchmark and take FX positions.

As of December 31, 2011, 86% (97%) of Ericsson's interest-bearing liabilities and 77% (90%) of Ericsson's interest-bearing assets had floating interest rates, i.e. interest periods of less than 12 months.

When managing the interest rate exposure, Ericsson uses derivative instruments, such as interest rate swaps. Derivative instruments used for converting fixed rate debt into floating rate debt are designated as fair value hedges.

FAIR VALUE HEDGES

The purpose of fair value hedges is to hedge the variability in the fair value of fixed-rate debt (issued bonds) from changes in the relevant benchmark yield curve for its entire term by converting fixed interest payments to a floating rate (e.g. STIBOR or LIBOR) by using interest rate swaps (IRS). The credit risk/spread is not hedged.

The fixed leg of the IRS is matched against the cash flows of the hedged bond. Hereby the fixed-rate bond/debt is converted into a floating-rate debt in accordance with the policy.

OUTSTANDING DERIVATIVES [1]

	2011		2010	
Fair value	Asset	Liability	Asset	Liability
Currency derivatives				
Maturity within 3 months	557	881	581	1,086
Maturity between 3 and 12 months	364	393	945	505
Maturity 1 to 3 years	–	–	2	21
Total currency derivatives	921	1,274	1,528	1,613 [2]
Of which designated in cash flow hedge relations	*333*	*638*	*662*	*–*
Of which designated in net investment hedge relations	*–*	*–*	*–*	*3*
Interest rate derivatives				
Maturity within 3 months	–	5	6	28
Maturity between 3 and 12 months	324	367	76	61
Maturity 1 to 3 years	380	618	544	118
Maturity 3 to 5 years	416	815	184	34
Maturity more than 5 years	778	161	705	87
Total interest rate derivatives	1,898 [3]	1,966	1,515	329 [2]
Of which designated in fair value hedge relations	*1,002*	*–*	*862*	*–*

[1] Some of the derivatives hedging non-current liabilities are recognized in the balance sheet as non-current derivatives due to hedge accounting.
[2] Of which SEK 902 million is reported as non-current liabilities.
[3] Of which SEK 816 million is reported as non-current assets.

Sensitivity analysis

Ericsson uses the VaR methodology to measure foreign exchange and interest rate risks in portfolios managed by Treasury. This statistical method expresses the maximum potential loss that can arise with a certain degree of probability during a certain period of time. For the VaR measurement, Ericsson has chosen a probability level of 99% and a 1-day time horizon. The daily VaR measurement uses market volatilities and correlations based on historical daily data (one year).

The average VaR calculated for 2011 was SEK 20.6 million for the combined mandates. For 2010, the interest rate mandate was SEK 20.3 million and the transaction exposure mandate was SEK 9.8 million. No VaR-limits were exceeded during 2011.

Financial credit risk

Financial instruments carry an element of risk in that counterparts may be unable to fulfill their payment obligations. This exposure arises in the investments in cash, cash equivalents, short-term Investments and from derivative positions with positive unrealized results against banks and other counterparties.

Ericsson mitigates these risks by investing cash primarily in well-rated securities such as treasury bills, government bonds, commercial papers, and mortgage covered bonds with short-term ratings of at least A-1/P-1 and long-term ratings of AAA. Separate credit limits are assigned to each counterpart in order to minimize risk concentration. We have had no sub-prime exposure in our investments. All derivative transactions are covered by ISDA netting agreements to reduce the credit risk. No credit losses were incurred during 2011, neither on external investments nor on derivative positions.

At December 31, 2011, the credit risk in financial cash instruments was equal to the instruments' carrying value. Credit exposure in derivative instruments was SEK 2.8 (3.0) billion.

Liquidity risk

Liquidity risk is that Ericsson is unable to meet its short-term payment obligations due to insufficient or illiquid cash reserves.

Ericsson minimizes the liquidity risk by maintaining a sufficient net cash position. This is managed through centralized cash management, investments in highly liquid interest-bearing securities, and by having sufficient committed credit lines in place to meet potential funding needs. For information about contractual obligations, please see Note C31, "Contractual obligations". The current cash position is deemed to satisfy all short-term liquidity requirements.

During 2011, cash and bank and short-term investments decreased by SEK 6.7 billion to SEK 80.5 billion.

CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

	Remaining time to maturity				
(SEK billion)	< 3 months	< 1 year	1–5 years	>5 years	Total
Bank Deposits	33.7	0.2	–	–	**33.9**
Type of issuer/ counterpart					
Governments	6.3	3.8	13.2	1.7	**25.0**
Corporations [1]	4.7	–	–	–	**4.7**
Mortgage institutes	–	–	16.6	0.3	**16.9**
2011	44.7	4.0	29.8	2.0	**80.5**
2010	30.9	9.4	42.8	4.1	**87.2**

[1] Of which SEK 2.8 billion relates to ST-Ericsson.

The instruments are either classified as held for trading or as assets available for sale with maturity less than one year and therefore short-term investments. Cash, Cash Equivalents and short-term investments are mainly held in SEK unless off-set by EUR-funding.

REFINANCING RISK

Refinancing risk is the risk that Ericsson is unable to refinance outstanding debt at reasonable terms and conditions, or at all, at a given point in time.

REPAYMENT SCHEDULE OF NON-CURRENT BORROWINGS [1]

Nominal amount (SEK billion)	Current maturities of long- term debt	Notes and bonds (non-current)	Liabilities to financial institutions (non-current)	Total
2012	3.4	–	–	**3.4**
2013	–	5.4	–	**5.4**
2014	–	3.3	–	**3.3**
2015	–	–	4.0	**4.0**
2016	–	2.1	–	**2.1**
2017	–	4.4	–	**4.4**
2018	–	–	–	**–**
2019	–	–	–	**–**
2020	–	1.2	–	**1.2**
Total	**3.4**	**16.4**	**4.0**	**23.8**

[1] Excluding finance leases reported in Note C27, "Leasing".

Debt financing is mainly carried out through borrowing in the Swedish and international debt capital markets.

Bank financing is used for certain subsidiary funding and to obtain committed credit facilities.

FUNDING PROGRAMS [1]

	Amount	Utilized	Unutilized
Euro Medium-Term Note program (USD million)	5,000	2,878	2,122
Long-term Committed Credit facility (USD million)	2,000	–	2,000
Indian Commercial Paper program (INR million)	5,000	–	5,000

[1] There are no financial covenants related to these programs.

In June 2011 Ericsson was upgraded by Moody's from Baa1 to A3 (stable). Standard & Poor's kept the BBB+ credit rating with stable outlook. Both credit ratings are considered to be solid investment grade.

Financial instruments carried at other than fair value

The fair value of the majority of the Company's financial instruments are determined based on quoted market prices or rates. In the following tables, carrying amounts and fair values of financial instruments that are carried in the financial statements at other than fair values are presented. Assets valued at fair value through profit or loss showed a net gain of SEK 0.7 billion. For further information about valuation principles, please see Note C1, "Significant accounting policies".

FINANCIAL INSTRUMENTS CARRIED AT OTHER THAN FAIR VALUE [1]

	Book value		Fair value	
SEK billion	2011	2010	2011	2010
Current part of non-current borrowings	**4.3**	0.8	**4.3**	0.8
Notes and bonds	**17.2**	20.6	**17.1**	20.5
Other borrowings non-current	**4.9**	5.1	**4.9**	5.0
Total	**26.4**	26.5	**26.3**	26.3

[1] Excluding finance leases reported in Note C27, "Leasing".

Financial instruments excluded from the tables, such as trade receivables and payables, are carried at amortized cost which is deemed to be equal to fair value. When a market price is not readily available and there is insignificant interest rate exposure affecting the value, the carrying value is considered to represent a reasonable estimate of fair value.

Market price risk in own shares and other listed equity investments

RISK RELATED TO OUR OWN SHARE PRICE

Ericsson is exposed to the development of its own share price through stock purchase plans for employees and synthetic share-based compensations to the Board of Directors.

Stock purchase plans for employees

The obligation to deliver shares under the stock purchase plan is covered by holding Ericsson Class B shares as treasury stock. A change in the share price will result in a change in social security charges, which represents a risk to the income statement. The cash flow exposure is fully hedged through the holding of Ericsson Class B shares as treasury stock to be sold to generate funds to cover also social security payments.

Synthetic share-based compensations to the Board of Directors

For these plans, the Company is exposed to risks in relation to own share price, both in relation to compensation expenses and social security charges. The obligation to pay compensation amounts under the synthetic share-based compensations to the Board of Directors is covered by a liability in the balance sheet.

For further information about the stock purchase plan and the synthetic share-based compensations to the Board of Directors, please see note C28, "Information Regarding Members of the Board of Directors, the Group Management and Employees".

FINANCIAL INSTRUMENTS, BOOK VALUE

SEK billion	Customer finance	Trade receiv-ables	Short-term invest-ments	Cash equiva-lents	Borrow-ings	Trade payables	Other financial assets	Other current receiv-ables	Other current liabilities	Other non-current liabilities	2011	2010
Note	C14	C14			C19	C22	C12	C15	C21			
Assets at fair value through profit or loss	–	–	38.8	5.0	–	–	0.8	2.0	–3.2	–	**43.4**	58.9
Loans and receivables	4.2	64.5	3.1	4.1	–	–	3.3	–	–	–	**79.2**	70.3
Available for sale assets	–	–	–	–	–	–	–	–	–	–	**–**	–
Financial liabilities at amortized cost	–	–	–	–	–31.0	–25.3	–	–	–	–	**–56.3**	–55.8
Total	**4.2**	**64.5**	**41.9**	**9.1**	**–31.0**	**–25.3**	**4.1**	**2.0**	**–3.2**	**–**	**66.3**	**73.4**

C21 OTHER CURRENT LIABILITIES

OTHER CURRENT LIABILITIES

	2011	2010
Income tax liabilities	**2,691**	2,228
Advances from customers	**3,942**	5,946
Liabilities to associated companies and joint ventures	**119**	115
Accrued interest	**351**	349
Accrued expenses, of which	**32,652**	31,463
Employee related	***11,314***	*10,063*
Supplier related	***11,621***	*12,273*
Other [1]	***9,717***	*9,127*
Deferred revenues	**8,722**	11,415
Derivatives with a negative value [2]	**3,240**	1,039
Other [3]	**6,253**	6,050
Total	**57,970**	58,605

[1] Major balance relates to accrued expenses for customer projects.
[2] See Note C20, "Financial Risk Management and Financial Instruments".
[3] Includes items such as VAT and withholding tax payables and other payroll deductions, and liabilities for goods received where invoice is not yet received.

C22 TRADE PAYABLES

TRADE PAYABLES

	2011	2010
Payables to associated companies and joint ventures	**102**	157
Other	**25,207**	24,802
Total	**25,309**	24,959

C23 ASSETS PLEDGED AS COLLATERAL

ASSETS PLEDGED AS COLLATERAL

	2011	2010
Chattel mortgages	**185**	191
Bank deposits	**267**	467
Total	**452**	658

C24 CONTINGENT LIABILITIES

CONTINGENT LIABILITIES

	2011	2010
Contingent liabilities	**609**	875
Total	**609**	875

Contingent liabilities assumed by Ericsson include guarantees of loans to other companies of SEK 25 (25) million. Ericsson has SEK 111 (413) million issued to guarantee the performance of a third party. All ongoing legal and tax proceedings have been evaluated, their potential economic outflows and probability estimated and necessary provisions made. In Note C2, "Critical Accounting Estimates and Judgments", a further disclosure is presented in relation to (i) key sources of estimation uncertainty and (ii) the decision made in relation to accounting policies applied.

Financial guarantees for third party amounted to SEK 449 (191) million as of December 31, 2011. Maturity date for major part of the issued guarantees occurs in 2021 at latest.

On February 16, 2012, Ericsson announced that the Company, on February 15, 2012, completed the divestment of its 50% stake in Sony Ericsson Mobile Communications AB. The divestment was originally jointly announced by Sony Corporation and Ericsson on October 27, 2011. As of the date of the sale, Ericsson is no longer a guarantor of term loans or credit facilities related to Sony Ericsson, see Note C29, "Related Party Transactions".

ST-Ericsson has been granted a revolving credit facility which is equally shared by Ericsson and STMicroelectronics. For additional information, see Note C29, "Related Party Transactions".

C25 STATEMENT OF CASH FLOWS

Interest paid in 2011 was SEK 1,422 million (SEK 977 in 2010, SEK 772 million in 2009) and interest received was SEK 2,632 million (SEK 1,083 in 2010, SEK 1,900 million in 2009). Taxes paid, including withholding tax, were SEK 4,393 million (SEK 4,808 in 2010, SEK 4,427 million in 2009).

Cash and cash equivalents includes cash of SEK 29,471 (27,231) million and temporary investments of SEK 9,205 (3,633) million. For more information regarding the disposition of cash and cash equivalents and unutilized credit commitments, see Note C20, "Financial Risk Management and Financial Instruments".

Cash restricted due to currency regulations or other legal restrictions in certain countries amounted to SEK 13,907 million (SEK 10,836 in 2010, SEK 8,907 million in 2009).

ADJUSTMENTS TO RECONCILE NET INCOME TO CASH

	2011	2010	2009
Property, plant and equipment			
Depreciation	3,499	3,299	3,550
Impairment losses/reversals of impairments	47	–3	–48
Total	3,546	3,296	3,502
Intangible assets			
Amortization			
Capitalized development expenses	995	664	647
Intellectual Property Rights, brands and other intangible assets	4,470	4,999	3,562
Total amortization	5,465	5,663	4,209
Impairments			
Capitalized development expenses	7	49	157
Intellectual Property Rights, brands and other intangible assets	18	945	4,255
Total	5,490	6,657	8,621
Total depreciation, amortization and impairment losses on property, plant and equipment and intangible assets	9,036	9,953	12,123
Taxes	1,994	351	–1,011
Dividends from joint ventures/associated companies [1]	177	119	70
Undistributed earnings in joint ventures/associated companies [1]	3,533	1,357	6,013
Gains/losses on sales of investments and operations, intangible assets and PP&E, net [2]	–159	–237	–910
Other non-cash items [2) 3)]	–1,968	947	571
Total adjustments to reconcile net income to cash	12,613	12,490	16,856

1) See Note C12, "Financial Assets, Non-Current".
2) See Note C26, "Business Combinations".
3) Refers mainly to unrealized foreign exchange, gains/losses on financial instruments.

ACQUISITIONS/DIVESTMENTS OF SUBSIDIARIES AND OTHER OPERATIONS

	Acquisitions	Divestments
2011		
Cash flow from business combinations [1]	–1,232	–28
Acquisitions/divestments of other investments	–1,949	81
Total	**–3,181**	**53**
2010		
Cash flow from business combinations [1]	–3,286	454
Total	**–3,286**	**454**
2009		
Cash flow from business combinations [1]	–9,633	1,239
Capital contribution to joint venture	–9,688	–
Total	**–19,321**	**1,239**

1) See also Note C26, "Business Combinations".

C26 BUSINESS COMBINATIONS

Acquisitions and divestments

ACQUISITIONS

ACQUISITIONS 2009–2011

	2011	2010	2009
Cash	**1,162**	3,789	9,633
Total consideration	**1,162**	3,789	9,633
Acquisition-related costs	**77** [1]	67 [1]	–
Net asset acquired			
Cash and cash equivalents	**7**	570	5
Property, plant and equipment	**259**	205	297
Intangible assets	**382**	3,825	5,832
Investments in associates	**120**	138	–
Other assets	**140**	2,506	1,235
Provision, including post-employment benefits	**–23**	–390	–
Other liabilities	**–37**	–3,573	–1,270
Total identifiable net assets	**848**	3,281	6,099
Non-controlling interest	**54**	–748	–
Goodwill	**260**	1,256	3,534
	1,162	3,789	9,633

1) Acquisition-related costs are included in Selling and administrative expenses in the consolidated income statement.

In 2011, Ericsson made acquisitions with a negative cash flow effect amounting to SEK 1,232 (3,286) million, primarily:

- **GDNT:** On December 1, 2010 the Company announced it acquired certain assets of the Guangdong Nortel Telecommunication Equipment Company Ltd (GDNT). The asset deal was completed on May 12. The acquisition reaffirms our strong commitment to the China market, enhancing the Company's existing R&D, manufacturing and services capabilities in the region. Approximately 1,000 employees, including 550 R&D engineers, were integrated into the Company. The purchase price was RMB 357 million on a cash and debt free basis. Balances to facilitate the Purchase Price Allocation are preliminary.
- **Nortel Multiservice Switch business (MSS):** On September 25, 2010, the Company announced that it was entering an purchase agreement to acquire certain assets of Nortel's MSS. The asset deal was completed on March 11, 2011. The purchase price was USD 53 million on a cash and debt free basis. The acquisition has given the Company access to

a strong product portfolio and installed base in the data segment while ensuring the supply of the platform for the recently acquired CDMA and GSM units. Approximately 160 employees were transferred to the Company. Balances to facilitate the Purchase Price Allocation are preliminary.

The preliminary purchase price allocations related to acquired businesses disclosed in 2010 were finalized in 2011 with the following effects:

- **Optimi**: Decreased goodwill by SEK 184 million, increased intangible assets by SEK 249 million, decreased deferred tax assets with SEK 77 million and increased other assets by SEK 12 million.
- **LG-Nortel**: Increased goodwill by SEK 64 million, decreased intangible assets by SEK 109 million, decreased deferred tax liabilities by SEK 24 million and decreased non-controlling interest by SEK 21 million.

DIVESTMENTS

DIVESTMENTS 2009–2011

	2011	2010	2009
Cash	**–28**	454	1,239
Net assets disposed of			
Property, plant and equipment	**1**	21	5
Investments in associates	**10**	–	–
Other assets	**38**	372	586
Other liabilities	**–224**	–183	–38
	–175	210	553
Net gains from divestments	**158**	357	780
Less Cash and cash equivalents	**–11**	–113	–94
Cash flow effect	**–28**	454	1,239

In 2011, the Company made divestments with a cash flow effect amounting to SEK –28 (454) million.

Divestments in 2010 mainly refer to Ericsson Federal Inc. (EFI) with a gain amounting to SEK 216 million and a positive cash flow effect of SEK 360 million. Divestments in 2009 refer mainly to TEMS with a gain amounting to SEK 777 million and a positive cash flow effect of SEK 926 million.

ACQUISITIONS 2009–2011

Company	Description	Transaction date
GDNT	An asset purchase agreement of certain assets with around 1,000 employees. Enhances the Company's existing R&D, manufacturing and services capabilities in the China region.	May, 2011
Nortel Multiservice Switch business (MSS)	An asset purchase agreement to acquire certain assets of Nortel's MSS.	Mar, 2011
Optimi	A US-Spanish telecommunications vendor providing products and services within the networks optimization and management sector with around 200 employees.	Dec, 2010
inCode	An asset purchase agreement of certain assets with around 45 employees. A premier professional services firm providing strategic business and consulting services.	Sep, 2010
LG-Nortel	Nortel's majority shareholding (50% + 1 share) in LG-Nortel with around 1,300 employees.	Jun, 2010
Nortel GSM	An asset purchase agreement of the Carrier Networks division of Nortel relating to GSM business.	Mar, 2010
Pride	Italian consulting and systems integration company with around 1,000 employees.	Jan, 2010
Nortel	An asset purchase agreement of the Carrier networks division of Nortel relating to CDMA and LTE technology.	Nov, 2009
Elcoteq	Estonian electronics manufacturing service company with around 1,200 employees.	Jul, 2009
Bizitek	Turkish systems integrator of business support systems with around 116 employees.	May, 2009

DIVESTMENTS 2009–2011

Company	Description	Transaction date
EFI	Sale of Ericsson Federal Inc. (EFI).	Dec, 2010
TEMS	Tools for air interface monitoring and radio network planning.	Jun, 2009

C27 LEASING

Leasing with the Company as lessee

Assets under finance leases, recorded as property, plant and equipment, consist of:

FINANCE LEASES

	2011	2010
Cost		
Real estate	1,856	1,846
Machinery	3	3
	1,859	1,849
Accumulated depreciation		
Real estate	–725	–687
Machinery	–3	–3
	–728	–690
Accumulated impairment losses		
Real estate	–42	–54
Net carrying value	1,089	1,105

As of December 31, 2011, future minimum lease payment obligations for leases were distributed as follows:

FUTURE MINIMUM LEASE PAYMENT OBLIGATIONS FOR LEASES

	Finance leases	Operating leases
2012	158	3,143
2013	155	2,222
2014	235	1,506
2015	133	1,065
2016	90	784
2017 and later	920	2,308
Total	**1,691**	**11,028**
Future finance charges [1]	–498	n/a
Present value of finance lease liabilities	**1,193**	**11,028**

[1] Average effective interest rate on lease payables is 5.66%.

Expenses in 2011 for leasing of assets were SEK 3,362 (3,675) million, of which variable expenses were SEK 7 (51) million. The leasing contracts vary in length from 1 to 19 years.

The Company's lease agreements normally do not include any contingent rents. In the few cases they occur, they relate to charges for heating linked to the oil price index. Most of the leases of real estate contain terms of renewal, giving the company the right to prolong the agreement in question for a predefined period of time. All of the finance leases of facilities contain purchase options. Only a very limited number of the Company's lease agreements contain restrictions on stockholders' equity or other means of finance. The major agreement contains a restriction stating that the Parent Company must maintain a stockholders' equity of at least SEK 25 billion.

Leases with the Company as lessor

Leasing income relates to subleasing of real estate as well as equipment provided to customers under leasing arrangements. These leasing contracts vary in length from 1 to 11 years.

At December 31, 2011, future minimum payment receivables were distributed as follows:

FUTURE MINIMUM PAYMENT RECEIVABLES

	Finance leases	Operating leases
2012	36	178
2013	18	204
2014	21	210
2015	23	173
2016	18	14
2017 and later	–	25
Total	**116**	**804**
Unearned financial income	n/a	n/a
Uncollectible lease payments	n/a	n/a
Net investments in financial leases	n/a	n/a

Leasing income in 2011 was SEK 76 (94) million.

C28 INFORMATION REGARDING MEMBERS OF THE BOARD OF DIRECTORS, THE GROUP MANAGEMENT AND EMPLOYEES

CONTENTS

Remuneration to the Board of Directors

REMUNERATION TO MEMBERS OF THE BOARD OF DIRECTORS

	Board fees	Number of synthetic shares/portion of Board fee	Value at grant date of synthetic shares allocated 2011	Number of previously allocated synthetic shares	Net change in value of allocated synthetic shares [1]	Committee fees	Total fees paid in cash [2]	Total remuneration 2011
			A		B		C	(A+B+C)
Board member								
Leif Johansson	3,750,000	0/0%	–	–	–	400,000	5,453,930 [3]	5,453,930
Sverker Martin-Löf	825,000	0/0%	–	–	–	250,000	1,075,000	1,075,000
Jacob Wallenberg	825,000	2,262/25%	206,174	–	–46,929	175,000	793,750	952,995
Roxanne S. Austin	825,000	6,788/75%	618,705	22,384.60	–218,139	250,000	456,250	856,816
Sir Peter L. Bonfield	825,000	2,262/25%	206,174	7,460.80	–72,696	250,000	868,750	1,002,228
Börje Ekholm	825,000	6,788/75%	618,705	22,384.60	–218,139	175,000	381,250	781,816
Ulf J. Johansson	825,000	0/0%	–	22,384.60	–77,309	350,000	1,294,968 [3]	1,217,659
Nancy McKinstry	825,000	4,525/50%	412,440	17,477.60	–149,632	175,000	587,500	850,308
Anders Nyrén	825,000	0/0%	–	–	–	175,000	1,000,000	1,000,000
Carl-Henric Svanberg	825,000	4,525/50%	412,440	4,380.00	–117,970	–	412,500	706,970
Hans Vestberg	–	–	–	–	–	–	–	–
Michelangelo Volpi	825,000	0/0%	–	4,380.00	–24,090	–	825,000	800,910
Employee Representatives								
Pehr Claesson	18,000	–	–	–	–	–	18,000	18,000
Anna Guldstrand [4]	6,000	–	–	–	–	–	6,000	6,000
Jan Hedlund	16,500	–	–	–	–	–	16,500	16,500
Karin Åberg	18,000	–	–	–	–	–	18,000	18,000
Kristina Davidsson	18,000	–	–	–	–	–	18,000	18,000
Karin Lennartsson	18,000	–	–	–	–	–	18,000	18,000
Roger Svensson	12,000	–	–	–	–	–	12,000	12,000
Total	**12,106,500**	**27,150**	**2,474,638**	**100,852.20**	**–924,904**	**2,200,000**	**13,255,398**	**14,805,132** [5]
Total [6]	12,106,500	27,150	2,474,638	220,239.80	–1,337,226	**2,200,000**	13,255,398	14,392,810 [5]

[1] The difference in value as of December 31, 2011, compared to December 31, 2010 (for synthetic shares allocated 2008, 2009 and 2010), and compared to grant date 2011 (for synthetic shares allocated 2011). The value of synthetic shares allocated in 2008, 2009 and 2010 includes respectively SEK 1.85, SEK 2.00 and SEK 2.25 per share in compensation for dividends resolved by the Annual General Meetings 2009, 2010 and 2011.
[2] Committee fee and cash portion of the Board fee.
[3] Including an amount corresponding to statutory social charges in respect of the part of the fee that has been invoiced through a limited liability company.
[4] Resigned as employee representative as of April 13, 2011.
[5] Excluding social security charges in the amount of SEK 2,059,523.
[6] Including synthetic shares previously allocated to the former Directors Michael Treschow and Marcus Wallenberg.

Comments to the table

- The Chairman of the Board was entitled to a Board fee of SEK 3,750,000 and a fee of SEK 200,000 for each Board Committee on which he served as Chairman.
- The other Directors appointed by the Annual General Meeting were entitled to a fee of SEK 825,000 each. In addition, the Chairman of the Audit Committee was entitled to a fee of SEK 350,000 and the other non-employed members of the Audit Committee were entitled to a fee of SEK 250,000 each. The Chairmen of the Finance and Remuneration Committees were entitled to a fee of SEK 200,000 each and the other non-employed members of the Finance and the Remuneration Committees were entitled to a fee of SEK 175,000 each.
- Members of the Board, who are not employees of the Company, have not received any remuneration other than the fees and synthetic shares as above. None of the directors have entered into a service contract with the Parent Company or any of its subsidiaries, providing for termination benefits.
- Members and Deputy Members of the Board who are Ericsson employees received no remuneration or benefits other than their entitlements as employees. However, a fee of SEK 1,500 per attended Board meeting was paid to each employee representative on the Board and their deputies.

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- Board members invoicing the amount of the Board and Committee fee through a limited liability company may add to the invoice an amount corresponding to social charges. The social charges thus included in the invoiced amount are not higher than the general payroll tax that would otherwise have been paid by the Company. The entire amount, e.g. the cash portion of the Board fee and the committee fee, including social charges, constitutes the invoiced Board fee
- The Annual General Meeting 2011 resolved that non-employed Directors may choose to receive the Board fee (i.e. exclusive of committee fee) as follows: i) 25% of the Board fee in cash and 75% in the form of synthetic shares, with a value corresponding to 75% of the Board fee at the time of allocation, ii) 50% in cash and 50% in the form of synthetic shares, or iii) 75% in cash and 25% in the form of synthetic shares. Directors may also choose not to participate in the synthetic share program and receive 100% of the Board fee in cash. Committee fees are always paid in cash.

  The number of synthetic shares is based on a volume-weighed average of the market price of Ericsson Class B shares on the NASDAQ OMX Stockholm exchange during the five trading days immediately following the publication of Ericsson's interim report for the first quarter of 2011: SEK 91.1469. The number of synthetic shares is rounded down to the nearest whole number of shares.

  The synthetic shares are vested during the Directors' term of office and the right to receive payment with regard to the allocated synthetic shares occurs after the publication of the Company's year-end financial statement during the fifth year following the Annual General Meeting which resolved on the synthetic share program, i.e. in 2016.

  The amount payable shall be determined based on the volume-weighed average price for shares of Class B during the five trading days immediately following the publication of the year-end financial statement.

  Synthetic shares were allocated to members of the Board for the first time in 2008, on equal terms and conditions as resolved in 2009, 2010 and 2011. Payment based on synthetic shares may thus, under the main rule, occur for the first time in 2013 with respect to the synthetic shares allocated in 2008. The value of all outstanding synthetic shares fluctuates in line with the market value of Ericsson's Class B share and may differ from year to year compared to the original value on their respective grant dates. The change in value of the outstanding synthetic shares is established each year and affects the total recognized costs that year. As per December 31, 2011, the total number of synthetic shares under the programs is 247,389.80, and the total accounted debt is SEK 18,349,153 (including synthetic shares previously allocated to the former Directors Michael Treschow and Marcus Wallenberg). In accordance with the terms and conditions for the synthetic shares, the time for payment to the former Directors Michael Treschow and Marcus Wallenberg has been advanced, to occur after the publication of the year-end financial statement 2012.

Remuneration to the Group management

The Company's costs for remuneration to the Group management are the costs recognized in the Income Statement during the fiscal year. These costs are disclosed under "Remuneration Costs" below.

Costs recognized during a fiscal year in the Income Statement are not fully paid by the Company at the end of the fiscal year. Such liabilities (unpaid amounts) that the Company has in relation to the Group Management are disclosed under "Outstanding Balances".

REMUNERATION COSTS

The total remuneration to the President and CEO and to other members of the Group management, consisting of the Executive Leadership Team (ELT) includes fixed salary, short-term and long-term variable remuneration, pension and other benefits. These remuneration elements are based on the guidelines for remuneration and other employment conditions for the ELT as approved at AGM 2011, see the approved guidelines in section "2011 Remuneration Policy".

REMUNERATION COSTS FOR THE PRESIDENT AND CEO AND OTHER MEMBERS OF EXECUTIVE LEADERSHIP TEAM (ELT)

SEK	The President and CEO 2011	The President and CEO 2010	Other members of ELT 2011	Other members of ELT 2010	Total 2011	Total 2010
Salary	**11,739,341**	12,573,789	**76,031,733**	84,697,698	**87,771,074**	97,271,487
Costs for annual variable remuneration earned 2011 to be paid 2012	**2,771,134**	6,737,556	**18,460,645**	26,592,809	**21,231,779**	33,330,365
Long-term variable remuneration provision	**5,636,050**	1,253,262	**8,916,556**	6,467,584	**14,552,606**	7,720,846
Pension costs	**5,960,566**	5,586,760	**22,154,413**	24,994,073	**28,114,979**	30,580,833
Other benefits	**78,594**	80,962	**4,944,762**	4,142,484	**5,023,356**	4,223,446
Social charges and taxes	**7,800,766**	7,842,186	**23,529,200**	30,246,918	**31,329,966**	38,089,103
Total	**33,986,451**	**34,074,515**	**154,037,309**	**177,141,565**	**188,023,760**	**211,216,080**

Comments to the table

- During 2011, there were three Executive Vice Presidents appointed by the Board of Directors. None of them has acted as deputy to the President and CEO during the year. The Executive Vice Presidents are included in the group "Other members of ELT".
- The group "Other members of ELT" comprises the following persons: Cesare Avenia (up to December 21), Per Borgklint (from June 7), Bina Chaurasia, Håkan Eriksson, Jan Frykhammar, Douglas L. Gilstrap, Nina Macpherson, Magnus Mandersson, Helena Norrman (from May 23), Mats H. Olsson, Rima Qureshi, Angel Ruiz, Henry Sténson (up to May 23), Johan Wibergh and Jan Wäreby.
- The salary stated in the table for the President and CEO and other members of the ELT includes vacation pay paid during 2011 as well as other contracted compensation which were paid during 2011 or provisioned for 2011.
- "Long-term variable remuneration provision" refers to the compensation costs during 2011 for all outstanding share-based plans.
- For a description of compensation cost, including accounting treatment, see Note C1, "Significant Accounting Policies", section Share-based compensation to employees and the Board of Directors.
- For the President and CEO and other members of ELT employed in Sweden before 2011 a supplementary plan is applied in addition to the occupational pension plan for salaried staff on the Swedish labor market (ITP) with pension from 60 years. These pension plans are not conditional upon future employment at Ericsson.

OUTSTANDING BALANCES

The Company has recognized the following liabilities in the Balance Sheet:

- Ericsson's commitments for benefit based pensions per December 31, 2011 under IAS 19 amounted to SEK 5,083,343 for the President and CEO which includes ITP plan and temporary disability and survivor's pension. For other members of ELT the Company's commitments amounted to SEK 32,773,100 of which SEK 26,363,042 refers to the ITP plan and the remaining SEK 6,410,058 to temporary disability and survivor's pensions.
- For previous Presidents and CEOs, the Company has made provisions for defined benefit pension plans in connection with their active service periods within the Company.

- Deferred salary, earned 2011 or earlier, to be paid 12 months after period end or later, amounts to SEK 10,868,040.

OUTSTANDING MATCHING RIGHTS

As per December 31, 2011 Number of Class B shares	The President and CEO	Other members of the ELT
Stock Purchase Plans 2008, 2009, 2010 and 2011 and Executive Performance Stock Plans 2009, 2010 and 2011	324,106	492,645

Comments to the table

- For the definition of matching rights, see the description in section “Long-term variable remuneration”.
- The number of matching rights for members in ELT 2011 is based on performance matching under Executive Performance Stock Plans as follows;
  - For 2008, only the matching under the Stock Purchase Plan is included in outstanding matching rights. The performance matching lapsed.
  - For 2009 and 2010, maximum performance matching is included.
  - For 2011, 89% performance matching is included (cash conversion target for 2011 was not met).
- During 2011, the President and CEO received 5,108 matching shares and other members of ELT 25,720 matching shares.

2011 REMUNERATION POLICY

Remuneration at Ericsson is based on the principles of performance, competitiveness and fairness. These principles and good practice in Sweden guide our policy to:

- Attract and retain highly competent, performing and motivated people that have the ability, experience and skill to deliver on the Ericsson strategy.
- Encourage behavior consistent with Ericsson’s culture and core values of professionalism, respect and perseverance.
- Ensure fairness in reward by delivering total remuneration that is appropriate but not excessive.
- Ensure a total compensation mix of fixed and variable remuneration and benefits that reflects the Company’s principles and is competitive where Ericsson competes for talent.
- Encourage variable remuneration which, first, aligns employees with clear and relevant targets, second, reinforces performance and, third, enables flexible remuneration costs.
- Ensure that all variable remuneration plans have maximum award and vesting limits.
- Encourage employees to deliver sustained performance and build up a personal shareholding in Ericsson, aligning the interests of shareholders and employees.
- Communicate clearly to both employees and shareholders how Ericsson translates remuneration principles and policy into practice.

Group Management

For Group Management consisting of the Executive Leadership Team, including the President and CEO, in the following referred to as the “Group Management”, total remuneration consists of fixed salary, short and long-term variable remuneration, pension and other benefits. Furthermore, the following guidelines apply for Group Management:

- Variable remuneration is through cash and stock-based programs awarded against specific business targets derived from the long-term business plan approved by the Board of Directors. Targets may include financial targets at either corporate or unit level, operational targets, employee motivation targets and customer satisfaction targets.
- With the current composition of Group Management, the Company’s cost during 2011 for the variable remuneration of Group Management can, at a constant share price, amount to between 0 and 150% of the aggregate fixed salary cost, all excluding social security costs.
- All benefits, including pension benefits, follow the competitive practice in the home country taking total compensation into account. The retirement age is normally 60 to 65 years of age.
- By way of exception, additional arrangements can be made when deemed required. Such additional arrangement shall be limited in time and shall not exceed a period of 36 months and two times the remuneration that the individual concerned would have received had no additional arrangement been made.
- The mutual notice period may be no more than six months. Upon termination of employment by the Company, severance pay amounting to a maximum of 18 months’ fixed salary is paid. Notice of termination given by the employee due to significant structural changes, or other events that in a determining manner affect the content of work or the condition for the position, is equated with notice of termination served by the Company.

Long-Term Variable remuneration

THE STOCK PURCHASE PLAN

The Stock Purchase Plan is designed to offer an incentive for all employees to participate in the Company where practicable, which is consistent with industry practice and with our ways of working. For the 2011 plan employees are able to save up to 7.5% (President and CEO 10%) of gross fixed salary (President and CEO gross fixed salary and annual variable remuneration) for purchase of Class B contribution shares at market price on the NASDAQ OMX Stockholm or American Depositary Shares (ADSs) at NASDAQ New York (contribution shares) during a twelve-month period (contribution period). If the contribution shares are retained by the employee for three years after the investment and the employment with the Ericsson Group continues during that time, the employee’s shares will be matched with a corresponding number of Class B shares or ADSs free of consideration. Employees in 96 countries participate in the plans.

The table below shows the contribution periods and participation details for ongoing plans as of December 31, 2011.

STOCK PURCHASE PLANS

Plan	Contribution period	Number of participants at launch	Take-up rate – percent of eligible employees
Stock Purchase plan 2008	August 2008 – July 2009	19,000	25%
Stock Purchase plan 2009	August 2009 – July 2010	18,000	25%
Stock Purchase plan 2010	August 2010 – July 2011	22,000	27%
Stock Purchase plan 2011	August 2011 – July 2012	24,000	30%

Participants save each month, beginning with August payroll, towards quarterly investments. These investments (in November, February, May and August) are matched on the third anniversary of each such investment, subject to continued employment, and hence the matching spans over two financial years and two tax years.

THE KEY CONTRIBUTOR RETENTION PLAN

The Key Contributor Retention Plan is part of Ericsson’s talent management strategy and is designed to give recognition for performance, critical skills and potential as well as encourage retention of key employees. Under the program, up to 10% of employees (2011: 7,900 employees) are selected through a nomination process that identifies individuals according to performance, critical skills and potential. Participants selected obtain one extra matching share in addition to the ordinary one matching share for each contribution share purchased under the Stock Purchase Plan during a twelve-month program period.

THE EXECUTIVE PERFORMANCE STOCK PLAN

The Executive Performance Stock Plan is designed to focus management on driving earnings and provide competitive remuneration. Senior executives, including ELT, are selected to obtain up to four or six extra shares (performance matching shares) in addition to the ordinary one matching share for each contribution share purchased under the Stock Purchase Plan. Up to 0.5% of employees (2011: 314 executives) are offered to participate in the plan. The President and CEO is allowed to invest up to 10% of fixed salary and Short-Term Variable Remuneration in contribution shares and may obtain up to nine performance matching shares in addition to the Stock Purchase Plan matching share for each contribution share. The performance matching for the 2008 to 2010 plans is subject to the fulfillment of a performance target of average annual Earnings per Share (EPS) growth.

The performance targets changed from Earnings Per Share (EPS) targets to operational targets linked to the business strategy.

The tables to the right shows all Executive Performance Stock Plans as per December 31, 2011.

EXECUTIVE PERFORMANCE STOCK PLANS

	Executive Performance Stock Plan			
	2011 [1]	2010	2009	2008
Base year EPS [2]		1.14	2.90	4.43
Target average annual EPS growth range [3]		5% to 15%	5% to 15%	5% to 15%
Matching share vesting range [4]	0.67 to 4 1 to 6 1.5 to 9	0.67 to 4 1 to 6 1.5 to 9	0.67 to 4 1 to 6 1.33 to 8	0.67 to 4 1 to 6 1.33 to 8
Maximum opportunity as percentage of fixed salary [5]	30% 45% 162%	30% 45% 162%	30% 45% 72%	30% 45% 72%

[1] Targets for Executive Performance Stock Plan 2011 are described in the table below.
[2] Sum of four quarters up to June 30 of plan years, up to and including 2009. For 2010 plan the sum of 4 quarters up to December 31, 2010.
[3] EPS range found from three-year average EPS of the twelve quarters to the end of the performance period and corresponding growth targets.
[4] Corresponding to EPS range (no Performance Share Plan matching below this range). Matching shares per contribution share invested in addition to Stock Purchase Plan matching according to program of up to 4, 6 or 9 matching shares.
[5] At full investment, full vesting and constant share price. Excludes Stock Purchase Plan matching.

2011 EXECUTIVE PERFORMANCE STOCK PLAN TARGETS

	Base year value SEK billion	Year 1	Year 2	Year 3
Growth (Net Sales Growth)	203.3	Compound annual growth of 4–10%		
Margin (Operating Income Growth) [1]	23.74	Compound annual growth of 5–15%		
Cash Flow (Cash Conversion)	–	70%	70%	70%

[1] Consolidated operating margin excluding restructuring for 2010.

SHARES FOR ALL PLANS

Plan (million shares)		Stock Purchase Plan, Key Contributor Retention Plan and Executive Performance Stock Plans 2011	2010	2009	2008	2007	Total
Originally designated [1]	A	19.4	19.4	22.4	16.5	9.7	**87.4**
Outstanding beginning of 2011	B	–	3.0	9.9	11.0	7.1	**31.0**
Awarded during 2011	C	3.4	8.0	–	–	–	**11.4**
Exercised/matched during 2011	D	–	0.1	0.2	2.6	5.3	**8.2**
Forfeited/expired during 2011	E	–	0.3	0.6	2.3	1.8	**5.0**
Outstanding end of 2011 [2]	F=B+C–D–E	3.4	10.6	9.1	6.1	–	**29.2**
Compensation costs charged during 2011 (MSEK)	G	9 [3]	115 [3]	145 [3]	116 [3]	28 [3]	**413** [4]

[1] Adjusted for rights offering and reverse split when applicable.
[2] Presuming maximum performance matching under the Executive Performance Stock Plans. The 2007 and 2008 plans have lapsed.
[3] Fair value is calculated as the share price on the investment date, reduced by the net present value of the dividend expectations during the three-year vesting period. Net present value calculations are based on data from external party. Fair value is also adjusted for participants failing to keep hold of their contribution shares during the vesting period. For shares under the Executive Performance Stock Plans, the Company presumes maximum performance matching for all ongoing plans when calculating the compensation cost. The 2007 and 2008 plans have lapsed. Fair value of the Class B share at each investment date during 2011 was: February 15 SEK 73.88, May 15 SEK 87.47, August 15 SEK 65.64 and November 15 SEK 60.76.
[4] Total compensation costs charged during 2010: SEK 757 million, 2009: SEK 529 million.

SHARES FOR ALL PLANS

All plans are funded with treasury stock and are equity settled. Treasury stock for all plans has been issued in directed cash issues of Class C shares at the quotient value and purchased under a public offering at the subscription price plus a premium corresponding to the subscribers' financing costs, and then converted to Class B shares.

For all plans, additional shares have been allocated for financing of social security expenses. Treasury stock is sold on the NASDAQ OMX Stockholm to cover social security payments when arising due to matching of shares. During 2011, 1,240,600 shares were sold at an average price of SEK 73.96. Sale of shares is recognized directly in equity.

If, as of December 31, 2011, all shares allocated for future matching under the Stock Purchase Plan were transferred, and shares designated to cover social security payments were disposed of as a result of the exercise and the matching, approximately 49 million Class B shares would be transferred, corresponding to 1.5% of the total number of shares outstanding, 3,211 million. As of December 31, 2011, 63 million Class B shares were held as treasury stock.

The table above shows how shares (representing matching rights but excluding shares for social security expenses) are being used for all outstanding plans. From up to down the table includes (A) the number of shares originally approved by the Annual General Meeting, adjusted for reverse split where applicable; (B) the number of originally designated shares that were outstanding at the beginning of 2011; (C) the number of shares awards that were granted during 2011; (D) the number of shares matched during 2011; (E) the number of shares forfeited by participants or expired under the plan rules during 2011; and (F) the balance left as outstanding at the end of 2011, having added new awards to the shares outstanding at the beginning of the year and deducted the shares related to awards matched, forfeited and expired. The final column (G) shows the compensation costs charged to the accounts during 2011 for each plan, calculated as fair value in SEK.

For a description of compensation cost, including accounting treatment, see Note C1, "Significant Accounting Policies", section Share-based compensation to employees and the Board of Directors.

Employee numbers, wages and salaries

EMPLOYEE NUMBERS

AVERAGE NUMBER OF EMPLOYEES

	2011			2010		
	Women	Men	Total	Women	Men	Total
North America	**2,876**	**12,106**	**14,982**	2,770	11,005	13,775
Latin America	**1,913**	**7,837**	**9,750**	1,328	5,326	6,654
Northern Europe & Central Asia [1) 2)]	**5,656**	**14,927**	**20,583**	5,821	15,227	21,048
Western & Central Europe [2)]	**1,663**	**8,968**	**10,631**	1,817	9,338	11,155
Mediterranean [2)]	**2,743**	**9,077**	**11,820**	2,670	9,034	11,704
Middle East	**634**	**4,343**	**4,977**	468	3,544	4,012
Sub-Saharan Africa	**661**	**1,290**	**1,951**	359	1,331	1,690
India	**1,613**	**9,912**	**11,525**	835	5,783	6,618
China & North East Asia	**3,480**	**8,839**	**12,319**	2,948	6,867	9,815
South East Asia & Oceania	**1,155**	**3,437**	**4,592**	1,378	3,976	5,354
Total	**22,394**	**80,736**	**103,130**	20,394	71,431	91,825
[1)] *Of which Sweden*	***4,188***	***12,881***	***17,069***	*4,355*	*13,066*	*17,421*
[2)] *Of which EU*	***9,575***	***31,667***	***41,242***	*9,843*	*32,045*	*41,888*

NUMBER OF EMPLOYEES AT YEAR-END

	2011	2010
Employees by region		
North America	**14,801**	13,498
Latin America	**11,191**	7,181
Northern Europe & Central Asia [1) 2)]	**20,987**	21,425
Western & Central Europe [2)]	**10,806**	10,818
Mediterranean [2)]	**11,645**	10,795
Middle East	**4,336**	3,982
Sub-Saharan Africa	**2,283**	1,626
India	**11,535**	6,710
China & North East Asia	**12,567**	9,807
South East Asia & Oceania	**4,374**	4,419
Total	**104,525**	90,261
[1)] *Of which Sweden*	***17,500***	*17,848*
[2)] *Of which EU*	***41,596***	*40,743*

EMPLOYEES BY GENDER AND AGE AT YEAR-END 2011

	Women	Men	Percent of total
Under 25 years old	2,162	5,942	8%
25–35 years old	8,417	29,691	37%
36–45 years old	7,754	28,306	34%
46–55 years old	3,553	14,127	17%
Over 55 years old	919	3,654	4%
Percent of total	**22%**	**78%**	**100%**

NUMBER OF EMPLOYEES RELATED TO COST OF SALES AND OPERATING EXPENSES

	2011	2010	2009
Cost of sales	**58,800**	45,628	41,521
Operating expenses	**45,725**	44,633	40,972
Total	**104,525**	90,261	82,493

EMPLOYEE MOVEMENTS

	2011	2010
Head count at year-end	**104,525**	90,261
Employees who have left the Company	**10,571**	10,066
Employees who have joined the Company	**24,835**	17,834
Temporary employees	**901**	978

EMPLOYEE WAGES AND SALARIES

WAGES AND SALARIES AND SOCIAL SECURITY EXPENSES

	2011	2010
Wages and salaries	**43,707**	43,390
Social security expenses	**15,198**	13,793
Of which pension costs	***3,888***	*3,091*

Amounts related to the President and CEO and the Executive Leadership Team are included.

REMUNERATION TO BOARD MEMBERS AND PRESIDENTS IN SUBSIDIARIES

	2011	2010
Salary and other remuneration	**223**	289
Of which annual variable remuneration	***22***	*43*
Pension costs	**20**	29

BOARD MEMBERS, PRESIDENTS AND GROUP MANAGEMENT BY GENDER AT YEAR END

	2011		2010	
	Women	Men	Women	Men
Parent Company				
Board members and President	**20%**	**80%**	33%	67%
Group Management	**29%**	**71%**	14%	86%
Subsidiaries				
Board members and Presidents	**11%**	**89%**	10%	90%

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C29 RELATED PARTY TRANSACTIONS

During 2011, various related party transactions were executed pursuant to contracts based on terms customary in the industry and negotiated on an arm's length basis. For information regarding equity and Ericsson's share of assets, liabilities and income in joint ventures and associated companies, see Note C12, "Financial Assets, Non-Current". For information regarding transactions with senior management, see Note C28, "Information Regarding Members of the Board of Directors, the Group Management and Employees".

Sony Ericsson Mobile Communications AB

In October 2001, Sony Ericsson Mobile Communications AB was established as a joint venture between Sony Corporation and Ericsson, and a substantial portion of Ericsson's handset operations was sold to Sony Ericsson Mobile Communications AB. The joint venture is headquartered in Lund, Sweden.

On February 16, 2012, Ericsson announced that the Company, on February 15, 2012, completed the divestment of its 50% stake in Sony Ericsson Mobile Communications AB including the broad IP cross-licensing agreement. The divestment was originally jointly announced by Sony Corporation and Ericsson on October 27, 2011. This makes Sony Ericsson a wholly-owned subsidiary of Sony. The agreed cash consideration for the transaction is EUR 1.05 billion.

As part of the formation of the joint venture, contracts were entered into between Ericsson and Sony Ericsson.

Major transactions are as follows:

- **License revenues:** Both owners of Sony Ericsson, Sony Corporation and Ericsson, receive license revenues for Sony Ericsson's usage of trademarks and intellectual property rights.
- **Purchases:** Ericsson purchases mobile phones from Sony Ericsson to support contracts with a number of customers for mobile systems which also include limited quantities of phones.
- **Dividends:** Both owners of Sony Ericsson receive dividends, when so decided by the board of directors. During 2011 Ericsson received no dividends from Sony Ericsson.

SONY ERICSSON MOBILE COMMUNICATIONS AB

	2011	2010	2009
Related party transactions			
License revenues	**855**	1,255	1,746
Purchases	**126**	61	164
Related party balances			
Receivables	**27**	258	369
Liabilities	**2**	8	14

Sony Ericsson has been granted term loans and credit facilities of SEK 4,014 million, of which SEK 4,014 million were utilized as of December 31, 2011. The parent companies of Ericsson and Sony Corporation have issued guarantees for these term loans and credit facilities on a 50/50 basis, without joint responsibility. Thus Ericsson's guaranteed amount is maximum SEK 2,007 million excluding interest. As of December 31, 2011, Ericsson's part of the outstanding amount is SEK 2,017 million including accrued interest of SEK 10 million. Maturity dates for the issued guarantees occurs in 2012. As of the date of the sale, Ericsson is no longer a guarantor of term loans or credit facilities related to Sony Ericsson. See also Note C24, "Contingent Liabilities".

ST-Ericsson

ST-Ericsson, the joint venture between Ericsson and STMicroelectronics, was formed on February 2, 2009, by merging Ericsson Mobile Platforms with ST-NXP Wireless. The joint venture is equally owned by Ericsson and STMicroelectronics. ST-Ericsson is an industry leader in the design, development and the creation of cutting-edge mobile platforms and wireless semiconductors. ST-Ericsson is a key supplier to four of the industry's top five handset manufacturers, who together represent about 80% of global handset shipments, as well as to other leading companies in the industry. The joint venture is headquartered in Geneva, Switzerland, and employs approximately 5,800 people.

Major transactions are as follows:

- **Sales:** Ericsson provides ST-Ericsson with services in the areas of R&D, HR, IT and facilities.
- **Purchases:** A major part of Ericsson's purchases from ST-Ericsson consists of chipsets and R&D services.
- **Dividends:** Both owners of ST-Ericsson receive dividends, when so decided by the board of directors. During 2011 Ericsson received no dividends from ST-Ericsson.

ST-ERICSSON

	2011	2010	2009
Related party transactions			
Sales	**182**	403	740
Purchases	**781**	629	624
Related party balances			
Receivables	**51**	53	244
Liabilities	**24**	48	365

Parents extend internal financing to ST-Ericsson on an ongoing basis to bridge their needs until a return to profitability and positive cash flow, based on a 50/50 basis. As of December 31, 2011, the amount drawn was USD 800 million (SEK 5,518 million). Each parent lent USD 400 million (SEK 2,759 million).

Ericsson does not have any contingent liabilities, assets pledged as collateral or guarantees towards ST-Ericsson.

Ericsson Nikola Tesla d.d.

Ericsson Nikola Tesla d.d. is a joint stock company for design, sales and service of telecommunication systems and equipment, and an associated member of the Ericsson Group. Ericsson Nikola Tesla d.d. is located in Zagreb, Croatia. Ericsson holds 49.07% of the shares.

Major transactions are as follows:

- **Sales:** Ericsson sells telecommunication equipment to Ericsson Nikola Tesla d.d.
- **License revenues:** Ericsson receives license revenues for Ericsson Nikola Tesla d.d.'s usage of trademarks.
- **Purchases:** Ericsson purchases development resources from Ericsson Nikola Tesla d.d.
- **Dividends:** Ericsson received dividends from Ericsson Nikola Tesla d.d. during 2011.

ERICSSON NIKOLA TESLA D.D.

	2011	2010	2009
Related party transactions			
Sales	**465**	563	654
License revenues	**4**	2	7
Purchases	**595**	566	569
Ericsson's share of dividends	**154**	104	66
Related party balances			
Receivables	**59**	120	93
Liabilities	**76**	75	70

Ericsson does not have any contingent liabilities, assets pledged as collateral or guarantees toward Ericsson Nikola Tesla d.d.

C30 FEES TO AUDITORS

FEES TO AUDITORS

	PwC	Others	Total
2011			
Audit fees	77	9	86
Audit related fees	10	–	10
Tax services fees	20	3	23
Other fees	16	–	16
Total	**123**	**12**	**135**
2010			
Audit fees	79	5	84
Audit related fees	17	1	18
Tax services fees	16	2	18
Other fees	7	2	9
Total	**119**	**10**	**129**
2009			
Audit fees [1]	88	3	91
Audit related fees [1]	18	–	18
Tax services fees	16	2	18
Other fees [1]	3	2	5
Total	**125**	**7**	**132**

1) Allocation of fees to auditors is based on the requirements in the Swedish Annual Accounts Act. 2009 figures are restated for comparability.

During the period 2009–2011, in addition to audit services, PwC provided certain audit related services, tax and other services to the Company. The audit related services include quarterly reviews, ISO audits, SSAE16 reviews and services in connection with issuing of certificates and opinions. The tax services include general expatriate services and corporate tax compliance work. Other services include consultation on financial accounting, services related to acquisitions, operational effectiveness and assessments of internal control.

Audit fees to other auditors largely consist of local statutory audits for minor companies.

C31 CONTRACTUAL OBLIGATIONS

CONTRACTUAL OBLIGATIONS 2011

	Payment due by period				
SEK billion	<1 year	1–3 years	3–5 years	>5 years	Total
Long-term debt [1) 2)]	5.4	10.0	6.7	6.0	**28.1**
Finance lease obligations [3)]	0.2	0.4	0.2	0.9	**1.7**
Operating leases [3)]	3.1	3.7	1.8	2.3	**10.9**
Other non-current liabilities	0.1	0.2	0.1	1.8	**2.2**
Purchase obligations [4)]	7.1	–	–	–	**7.1**
Trade payables	25.3	–	–	–	**25.3**
Commitments for customer financing [5)]	3.0	–	–	–	**3.0**
Total	44.2	14.3	8.8	11.0	**78.3**

1) Including interest payments.
2) See Note C20, "Financial Risk Management and Financial Instruments".
3) See Note C27, "Leasing".
4) The amounts of purchase obligations are gross, before deduction of any related provisions.
5) See also Note C14, "Trade Receivables and Customer Financing".

For information about financial guarantees, see Note C24, "Contingent Liabilities".

Except for those transactions described in this report, Ericsson has not been a party to any material contracts over the past three years other than those entered into during the ordinary course of business.

C32 EVENTS AFTER THE BALANCE SHEET DATE

On January 12, 2012 Ericsson announced the closing of the acquisition of all the shares in Telcordia, a global leader in the development of software and services for OSS/BSS, for USD 1.15 billion in an all cash transaction, on a cash and debt-free basis. Balances to facilitate a Purchase Price Allocation have not yet been established. Approximately 2,600 skilled employees have joined Ericsson. This acquisition consolidates Ericsson's position as a leading player in the operations support systems/business support systems (OSS/BSS) market with a key position in service fulfillment, assurance, network optimization and real-time charging.

On January 14, 2012, as per the trust's funding requirements, the Company made an employer contribution payment of SEK 900 million to the Swedish pension trust fund.

In February 2012, Airvana Networks Solutions Inc., a State of Delaware, U.S.A. corporation ("Airvana"), filed a complaint against Ericsson Inc. and Ericsson AB in the Supreme Court of the State of New York, U.S.A., alleging that Ericsson has violated key contract terms and misappropriated Airvana trade secrets and proprietary information. Airvana is seeking damages of USD 330 million and to enjoin Ericsson from developing, deploying or commercializing Ericsson products allegedly based on Airvana's proprietary technology.

On February 16, 2012, Ericsson announced that the Company, on February 15, 2012, completed the divestment of its 50% stake in Sony Ericsson Mobile Communications AB. The divestment was originally jointly announced by Sony Corporation and Ericsson on October 27, 2011. The deal includes a broad IP cross-licensing agreement. Sony Ericsson is now a wholly-owned subsidiary of Sony. The agreed cash consideration for the transaction is EUR 1.05 billion.

The divestment has resulted in a gain of approximately SEK 7.5 billion, to be recognized in the first quarter of 2012 and reported under Other operating income and expenses.

PARENT COMPANY FINANCIAL STATEMENTS AND NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

CONTENTS

Parent Company Financial Statements

Notes to the Parent Company Financial Statements

PARENT COMPANY INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

PARENT COMPANY INCOME STATEMENT

Years ended December 31, SEK million	Notes	2011	2010 [1]	2009 [1]
Net sales	P2	–	33	300
Cost of sales		–	–29	–21
Gross income		–	4	279
Selling expenses		**–609**	–1,370	–1,399
Administrative expenses		**–1,512**	–1,586	–1,738
Operating expenses		**– 2,121**	–2,956	–3,137
Other operating income and expenses	P3	**3,184**	3,118	2,977
Operating income		**1,063**	166	119
Financial income	P4	**8,101**	9,432	10,032
Financial expenses	P4	**–4,773**	–1,758	–4,473
Income after financial items		**4,391**	7,840	5,678
Transfers to (–)/from untaxed reserves				
Changes in depreciation in excess of plan	P15	**339**	–100	417
Changes in other untaxed reserves	P15	–	–	485
		339	–100	902
Taxes	P5	**–103**	–388	–194
Net income		**4,627**	7,352	6,386

[1] Restated for contributions to/from subsidiaries.

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

Years ended December 31, SEK million	Notes	2011	2010	2009
Net income		**4,627**	7,352	6,386
Other comprehensive income				
Cash Flow hedges				
Gains/losses arising during the period		**203**	136	612
Adjustments for amounts transferred to initial carrying amount of hedged items		–	–136	–1,385
Tax on items relating to components of Other comprehensive income		–	–	204
Total other comprehensive income		**203**	–	–569
Total comprehensive income		**4,830**	7,352	5,817

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PARENT COMPANY BALANCE SHEET

December 31, SEK million	Notes	2011	2010
ASSETS			
Fixed assets			
Intangible assets	P6	**1,088**	1,046
Tangible assets	P7	**491**	527
Financial assets			
Investments			
Subsidiaries	P8, P9	**79,511**	77,566
Joint ventures and associated companies	P8, P9	**13,066**	13,066
Other investments	P8	**279**	84
Receivables from subsidiaries	P8, P12	**8,017**	6,666
Customer finance, non-current	P8, P11	**1,337**	1,027
Deferred tax assets	P5	**250**	302
Other financial assets, non-current	P8	**1,203**	302
		105,242	100,586
Current assets			
Inventories	P10	**61**	57
Receivables			
Trade receivables	P11	**51**	36
Customer finance, current	P11	**883**	1,479
Receivables from subsidiaries	P12	**16,733**	15,385
Current income taxes		**313**	355
Other current receivables	P13	**2,588**	4,299
Loans to joint ventures and associated companies	P19, P27	**2,759**	1,030
Short-term investments	P19	**38,852**	55,118
Cash and cash equivalents	P19	**17,288**	15,439
		79,528	93,198
TOTAL ASSETS		**184,770**	193,784

PARENT COMPANY BALANCE SHEET (CONTINUED)

December 31, SEK million	Notes	2011	2010
STOCKHOLDERS' EQUITY, PROVISIONS AND LIABILITIES			
Stockholders' equity	P14		
Capital stock		**16,367**	16,367
Revaluation reserve		**20**	20
Statutory reserve		**31,472**	31,472
Restricted equity		**47,859**	47,859
Retained earnings		**35,890**	35,622 [1]
Net income		**4,627**	7,352 [1]
Other comprehensive income		**203**	–
Non-restricted equity		**40,720**	42,974
		88,579	90,833
Untaxed reserves	P15	**676**	1,015
Provisions			
Post-employment benefits	P16	**376**	389
Other provisions	P17	**275**	571
		651	960
Non-current liabilities			
Notes and bond loans	P18	**17,197**	20,646
Liabilities to credit institutions	P18	**4,000**	4,000
Liabilities to subsidiaries	P12	**26,896**	26,862
Other non-current liabilities		**280**	1,334
		48,373	52,842
Current liabilities			
Borrowings, current	P18	**3,461**	–
Trade payables	P21	**706**	399
Liabilities to subsidiaries	P12	**38,139**	45,956
Other current liabilities	P20	**4,185**	1,779
		46,491	48,134
TOTAL STOCKHOLDERS' EQUITY, PROVISIONS AND LIABILITIES		**184,770**	193,784
Assets pledged as collateral	P22	**452**	658
Contingent liabilities	P23	**18,518**	13,783

[1] Restated for contributions to/from subsidiaries.

PARENT COMPANY STATEMENT OF CASH FLOWS

Years ended December 31, SEK million	Notes	2011	2010	2009
Operating activities				
Net income		**4,627**	7,352 [1)]	6,386 [1)]
Adjustments to reconcile net income to cash	P24	**3,163**	530 [1)]	–2,038 [1)]
		7,790	7,882	4,348
Changes in operating net assets				
Inventories		**–4**	4	20
Customer finance, current and non-current		**286**	–1,070	193
Trade receivables		**35**	283	261
Trade payables		**–133**	331	–132
Provisions and post-employment benefits		**–309**	–109	–4
Other operating assets and liabilities, net		**2,379**	1,954	–685
		2,254	1,393	–347
Cash flow from operating activities		**10,044**	9,275	4,001
Investing activities				
Investments in property, plant and equipment		**–148**	–160	–124
Sales of property, plant and equipment		**16**	9	109
Investments in shares and other investments		**–3,718**	–2,178	–11,015
Divestments of shares and other investments		**7**	42	1,134
Lending, net		**–3,074**	8,973	6,663
Other investing activities		**–1,730**	–1,317	–9
Short-term investments		**16,357**	–1,910	–14,436
Cash flow from investing activities		**7,710**	3,459	–17,678
Cash flow before financing activities		**17,754**	12,734	–13,677
Financing activities				
Changes in current liabilities to subsidiaries		**–9,361**	3,503	4,755
Proceeds from issuance of borrowings		**–**	–	11,532
Repayment of borrowings		**–**	–1,055	–8,910
Sale of own shares		**92**	–	68
Dividends paid		**–7,207**	–6,391	–5,897
Settled contributions from/to (–) subsidiaries		**409**	–209	–1,363
Other financing activities		**288**	–310	–
Cash flow from financing activities		**–15,779**	–4,462	185
Effect from remeasurement in cash		**–126**	–1,310	–79
Net change in cash		**1,849**	6,962	–13,571
Cash and cash equivalents, beginning of period		**15,439**	8,477	22,048
Cash and cash equivalents, end of period	P19	**17,288**	15,439	8,477

[1)] Restated for contributions to/from subsidiaries.

PARENT COMPANY STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

	Capital stock	Revaluation reserve	Statutory reserve	Total restricted equity	Disposition reserve	Fair value reserves	Other retained earnings	Non-restricted equity	Total
January 1, 2011	16,367	20	31,472	47,859	100	–	42,874	42,974	**90,833**
Total comprehensive income	–	–	–	–	–	203	4,627	4,830	**4,830**
Transactions with owners									
Sale of own shares	–	–	–	–	–	–	92	92	**92**
Stock Purchase Plans	–	–	–	–	–	–	31	31	**31**
Dividends paid	–	–	–	–	–	–	–7,207	–7,207	**–7,207**
December 31, 2011	**16,367**	**20**	**31,472**	**47,859**	**100**	**203**	**40,417**	**40,720**	**88,579**
January 1, 2010	16,367	20	31,472	47,859	100	–	41,853	41,953	**89,812**
Total comprehensive income	–	–	–	–	–	–	7,352	7,352	**7,352** [1]
Transactions with owners									
Sale of own shares	–	–	–	–	–	–	52	52	**52**
Stock Purchase Plans	–	–	–	–	–	–	8	8	**8**
Dividends paid	–	–	–	–	–	–	–6,391	–6,391	**–6,391**
December 31, 2010	**16,367**	**20**	**31,472**	**47,859**	**100**	**–**	**42,874**	**42,974**	**90,833**

[1] Restated for contributions to/from subsidiaries.

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P1 SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Parent Company, Telefonaktiebolaget LM Ericsson, have been prepared in accordance with the Annual Accounts Act and RFR 2 "Reporting in separate financial statements". RFR 2 requires the Parent Company to use the same accounting principles as for the Group, i.e. IFRS, to the extent allowed by RFR 2.

The main deviations between accounting policies adopted for the Group and accounting policies for the Parent Company are:

Subsidiaries, associated companies and joint ventures

The investments are accounted for according to the acquisition cost method. Investments are carried at cost and only dividends are accounted for in the income statement. An impairment test is performed annually and write-downs are made when permanent decline in value is established.

UFR 2 has been withdrawn by the Swedish Financial Reporting Board. Contributions to/from subsidiaries and shareholders' contributions are accounted for according to RFR 2. Contributions from/to Swedish subsidiaries are reported as financial income/expense in the income statement. Comparison years have been restated accordingly.

Shareholders' contributions increase the Parent Company's investments.

Classification and measurement of financial instruments

IAS 39 Financial Instruments: Recognition and Measurement is adopted, except regarding financial guarantees where the exception allowed in RFR 2 is chosen. Financial guarantees are included in Contingent liabilities.

Leasing

The Parent Company has one rental agreement which is accounted for as a finance lease in the consolidated statements and as an operating lease in the Parent Company financial statements.

Deferred taxes

The accounting of untaxed reserves in the balance sheet results in different accounting of deferred taxes as compared to the principles applied in the consolidated statements. Swedish GAAP and tax regulations require a company to report certain differences between the tax basis and book value as an untaxed reserve in the balance sheet of the stand-alone financial statements. Changes to these reserves are reported as an addition to, or withdrawal from, untaxed reserves in the income statement.

Pensions

Pensions are accounted for in accordance with the recommendation FAR SRS RedR 4 "Accounting for pension liability and pension cost" from the Institute for the Accountancy Profession in Sweden. According to RFR 2, IAS 19 shall be adopted regarding supplementary disclosures when applicable.

Segment information

Segment information is reported according to requirements in the Swedish Annual Accounts Act regarding net sales for business segments and geographical areas.

Borrowing costs

All borrowing costs in relation to qualifying assets are expensed as incurred.

Business combinations

Transaction costs attributable to the acquisition are included in the cost of acquisition in the parent company statements compared to Group Statements where these costs are expenses as incurred.

Critical accounting estimates and judgments

See Notes to the Consolidated Financial Statements – Note C2, "Critical Accounting Estimates and Judgments". Major critical accounting estimates and judgments applicable to the Parent Company include "Trade and customer finance receivables" and "Acquired intellectual property rights and other intangible assets, excluding goodwill".

P2 SEGMENT INFORMATION

NET SALES

	2011	2010	2009
North America	–	–	99
Of which the United States	–	–	*–7*
Latin America	–	33	47
Northern Europe & Central Asia [1)] [2)]	–	–	–56
Western & Central Europe [2)]	–	–	12
Mediterranean [2)]	–	–	31
Middle East	–	–	–
Sub-Saharan Africa	–	–	–
India	–	–	–
China & North East Asia	–	–	167
Of which China	–	–	*38*
South East Asia & Oceania	–	–	–
Other	–	–	–
Total	–	33	300
[1)] *Of which Sweden*	–	–	*–56*
[2)] *Of which EU*	–	–	*–13*

There were no Parent Company net sales during 2011. Parent Company net sales in 2010 related to business segment Networks and 2009 in Sweden were mainly related to business segment Multimedia and the remaining part of net sales were related to business segment Networks.

P3 OTHER OPERATING INCOME AND EXPENSES

OTHER OPERATING INCOME AND EXPENSES

	2011	2010	2009
License revenues and other operating revenues			
Subsidiary companies	**2,704**	2,305	2,433
Other	**479**	815	532
Net gains/losses (–) on sales of tangible assets	**1**	–2	12
Total	**3,184**	3,118	2,977

P4 FINANCIAL INCOME AND EXPENSES

FINANCIAL INCOME AND EXPENSES

	2011	2010	2009
Financial Income			
Result from participations in subsidiary companies			
Dividends	**5,198**	6,369	5,732
Net gains on sales	**6**	8	1,087
Group contributions			
Group contributions to Parent Company	**29**	1,958	674
Result from participations in joint ventures and associated companies			
Dividends	**154**	104	66
Net gains on sales	**–**	–	1
Result from other securities and receivables accounted for as fixed assets			
Net gains on sales	**1**	26	–
Other interest income and similar profit/loss items			
Subsidiary companies	**280**	221	386
Other	**2,433**	746	2,086
Total	**8,101**	9,432	10,032
Financial Expenses			
Losses on sales of participations in subsidiary companies	**–1**	–	–27
Write-down of investments in subsidiary companies	**–1,330**	–82	–551
Write-down of participations in other companies	**–**	–	–1
Group contributions			
Group contributions from Parent Company	**–2,008**	–929	–3,077
Interest expenses and similar profit/loss items			
Subsidiary companies	**–304**	–95	–150
Other	**–1,109**	–612	–630
Other financial expenses	**–21**	–40	–37
Total	**–4,773**	–1,758	–4,473
Financial net	**3,328**	7,674	5,559

Interest expenses on pension liabilities are included in the interest expenses shown above.

P5 TAXES

Income taxes recognized in the income statement

The following items are included in Taxes:

TAXES

	2011	2010	2009
Other current income taxes for the year	**–125**	–288	–250
Current income taxes related to prior years	**74**	–15	–47
Deferred tax income/expense (–) related to temporary differences	**–52**	–85	103
Taxes	**–103**	–388	–194

A reconciliation between actual tax expense for the year and the theoretical tax expense that would arise when applying the statutory tax rate in Sweden, 26.3% (starting from January 1, 2009), on income before taxes is shown in the the table below.

RECONCILIATION OF ACTUAL INCOME TAX RATE TO THE ACTUAL INCOME TAX RATE

	2011	2010	2009
Tax rate in Sweden (26.3%)	**–1,244**	–2,036	–1,753
Current income taxes related to prior years	**74**	–15	–47
Tax effect of non-deductible expenses	**–14**	–91	–77
Tax effect of non-taxable income	**1,429**	1,776	1,828
Tax effect related to write-downs of investments in subsidiary companies	**–348**	–22	–145
Actual tax cost (–)	**–103**	–388	–194

Deferred tax balances

Tax effects of temporary differences have resulted in deferred tax assets as follows:

DEFERRED TAX ASSETS

	2011	2010
Deferred tax assets	**250**	302

Deferred tax assets refer mainly to costs related to customer finance and provisions for restructuring costs.

P6 INTANGIBLE ASSETS

PATENTS, LICENSES, TRADEMARKS AND SIMILAR RIGHTS

	2011	2010
Accumulated acquisition costs		
Opening balance	**3,888**	3,888
Acquisitions	**279**	–
Sales/disposals	**–**	–
Closing balance	**4,167**	3,888
Accumulated amortization		
Opening balance	**–1,897**	–1,669
Amortization	**–237**	–228
Sales/disposals	**–**	–
Closing balance	**–2,134**	–1,897
Accumulated impairment losses		
Opening balance	**–945**	–
Impairment losses	**–**	–945
Closing balance	**–945**	–945
Net carrying value	**1,088**	1,046

The balances relate mainly to Marconi and Redback trademarks acquired during 2006 and 2007. During the year there has been an acquisition of intangible assets related to the Nortel license of SEK 279 million. The useful life and amortization period for these trademarks has been set to 10 years.

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P7 PROPERTY, PLANT AND EQUIPMENT

PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Other equipment and installations	Construction in process and advance payments	Total
2011				
Accumulated acquisition costs				
Opening balance	13	1,102	126	1,241
Additions	–	32	116	148
Sales/disposals	–13	–71	–	–84
Reclassifications	–	162	–162	–
Closing balance	**–**	**1,225**	**80**	**1,305**
Accumulated depreciation				
Opening balance	–	–714	–	–714
Depreciation	–	–168	–	–168
Sales/disposals	–	68	–	68
Closing balance	**–**	**–814**	**–**	**–814**
Net carrying value	**–**	**411**	**80**	**491**
2010				
Accumulated acquisition costs				
Opening balance	13	1,050	67	1,130
Additions	–	26	135	161
Sales/disposals	–	–50	–	–50
Reclassifications	–	76	–76	–
Closing balance	**13**	**1,102**	**126**	**1,241**
Accumulated depreciation				
Opening balance	–	–603	–	–603
Depreciation	–	–149	–	–149
Sales/disposals	–	38	–	38
Closing balance	**–**	**–714**	**–**	**–714**
Net carrying value	**13**	**388**	**126**	**527**

P8 FINANCIAL ASSETS

INVESTMENTS IN SUBSIDIARY COMPANIES, JOINT VENTURES AND ASSOCIATED COMPANIES

	Subsidiary companies		Joint ventures		Associated companies	
	2011	2010	2011	2010	2011	2010
Opening balance	77,566	75,540	12,736	12,736	330	330
Acquisitions and stock issues	3,344	2,083	–	–	–	–
Shareholders' contribution	88	25	–	–	–	–
Repayment of shareholders' contribution	–156	–	–	–	–	–
Write-downs	–1,330	–82	–	–	–	–
Disposals	–1	–	–	–	–	–
Closing balance	79,511	77,566	12,736	12,736	330	330

OTHER FINANCIAL ASSETS

	Other investments in shares and participations		Receivables from subsidiaries, non-current		Customer finance, non-current		Other financial assets, non-current	
	2011	2010	2011	2010	2011	2010	2011	2010
Accumulated acquisition costs								
Opening balance	93	19	6,666	10,316	1,073	1,093	302	1,179
Additions	195	81	93	651	830	406	101	4
Disposals/repayments/deductions	–	–7	–	–55	–216	–136	–17	–38
Reclassifications	–	–	1,253	–4,212	–311	–241	817	–843
Translation difference	–	–	5	–34	3	–49	–	–
Closing balance	288	93	8,017	6,666	1,379	1,073	1,203	302
Accumulated write-downs/allowances								
Opening balance	–9	–9	–	–	–46	–247	–	–
Write-downs/allowances	–	–	–	–	–	–	–	–
Disposals/repayments/deductions	–	–	–	–	4	197	–	–
Translation difference	–	–	–	–	–	4	–	–
Closing balance	–9	–9	–	–	–42	–46	–	–
Net carrying value	279	84	8,017	6,666	1,337	1,027	1,203	302

P9 INVESTMENTS

The following listing shows certain shareholdings owned directly and indirectly by the Parent Company as of December 31, 2011. A complete listing 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

Type	Company	Reg. No.	Domicile	Percentage of ownership	Par value in local currency, million	Carrying value, SEK million
Subsidiary companies						
I	Ericsson AB	556056-6258	Sweden	100	50	20,731
I	Ericsson Shared Services AB	556251-3266	Sweden	100	361	2,216
I	Netwise AB	556404-4286	Sweden	100	2	306
II	AB Aulis	556030-9899	Sweden	100	14	6
III	Ericsson Credit AB	556326-0552	Sweden	100	5	5
	Other (Sweden)			–	–	2,160
I	Ericsson Austria GmbH		Austria	100	4	65
I	Ericsson Danmark A/S		Denmark	100	90	216
I	Oy LM Ericsson Ab		Finland	100	13	196
II	Ericsson Participations France SAS		France	100	26	524
I	Ericsson Germany GmbH		Germany	100	–	4,232
I	Ericsson Hungary Ltd.		Hungary	100	1,301	120
II	LM Ericsson Holdings Ltd.		Ireland	100	2	15
I	Ericsson Telecomunicazioni S.p.A.		Italy	100	44	5,857
II	Ericsson Holding International B.V.		The Netherlands	100	222	3,200
I	Ericsson A/S		Norway	100	75	114
II	Ericsson Television AS		Norway	100	161	1,788
I	Ericsson Corporatia AO		Russia	100	5	5
I	Ericsson AG		Switzerland	100	–	–
II	Ericsson Holding Ltd.		United Kingdom	100	328	4,094
	Other (Europe, excluding Sweden)			–	–	272
II	Ericsson Holding II Inc.		United States	100	–	29,006
I	Cía Ericsson S.A.C.I.		Argentina	95 [1]	41	178
I	Ericsson Canada Inc.		Canada	100	–	51
I	Ericsson Telecom S.A. de C.V.		Mexico	100	n/a	1,050
	Other (United States, Latin America)			–	–	66
II	Teleric Pty Ltd.		Australia	100	20	100
I	Ericsson Ltd.		China	100	2	2
I	Ericsson (China) Company Ltd.		China	100	65	475
I	Ericsson India Private Ltd.		India	100	725	147
I	Ericsson India Global Services PVT. Ltd		India	100	389	65
I	LG-Ericsson Ltd.		Korea	50	100	1,944
I	Ericsson (Malaysia) Sdn. Bhd.		Malaysia	70	2	4
I	Ericsson Telecommunications Pte. Ltd.		Singapore	100	2	1
I	Ericsson South Africa PTY. Ltd		South Africa	100	–	108
I	Ericsson Taiwan Ltd.		Taiwan	80	240	20
I	Ericsson (Thailand) Ltd.		Thailand	49 [2]	90	17
	Other countries (the rest of the world)			–	–	155
	Total				**–**	**79,511**
Joint ventures and associated companies						
I	Sony Ericsson Mobile Communications AB	556615-6658	Sweden	50	50	4,136
II	ST-Ericsson SA		Switzerland	50	137	8,325
III	ST-Ericsson AT SA		Switzerland	51	–	275
I	Ericsson Nikola Tesla d.d.		Croatia	49	65	330
	Total				**–**	**13,066**

Key to type of company

I Manufacturing, distribution and development companies
II Holding companies
III Finance companies

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

SHARES OWNED BY SUBSIDIARY COMPANIES

Type	Company	Reg. No.	Domicile	Percentage of ownership
Subsidiary companies				
II	Ericsson Cables Holding AB	556044-9489	Sweden	100
I	Ericsson France SAS		France	100
I	Ericsson Telekommunikation GmbH & Co. KG [1]		Germany	100
I	LM Ericsson Ltd.		Ireland	100
II	Ericsson Nederland B.V.		The Netherlands	100
I	Ericsson Telecommunicatie B.V.		The Netherlands	100
I	Ericsson España S.A.		Spain	100
I	Ericsson Telekomunikasyon A.S.		Turkey	100
I	Ericsson Ltd.		United Kingdom	100
I	Ericsson Inc.		United States	100
I	Ericsson IP Infrastructure Inc.		United States	100
I	Drutt Corporation Inc.		United States	100
I	Optimi Corporation		United States	100
I	Redback Networks Inc.		United States	100
I	Ericsson Telecommunicações S.A.		Brazil	100
I	Ericsson Australia Pty. Ltd.		Australia	100
I	Ericsson (China) Communications Co. Ltd.		China	100
I	Nanjing Ericsson Panda Communication Co. Ltd.		China	51
I	Ericsson Japan K.K.		Japan	100
I	Ericsson Communication Solutions Pte Ltd.		Singapore	100

Key to type of company

I Manufacturing, distribution and development companies
II Holding companies

[1] **Disclosures Pursuant to Section 264b of the German Commercial Code (Handelsgesetzbuch – HGB)**
Applying Section 264b HGB, LHS Holding GmbH & Co. KG, LHS Communication GmbH & Co. KG and LHS Telekommunikation GmbH & Co. KG, all 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.

P10 INVENTORIES

	2011	2010
Finished products and goods for resale	61	57
Inventories	61	57

P11 TRADE RECEIVABLES AND CUSTOMER FINANCE

Credit risk management is governed on a Group level.

For further information, see Notes to the Consolidated Financial Statements – Note C14, "Trade Receivables and Customer Finance" and Note C20, "Financial Risk Management and Financial Instruments".

TRADE RECEIVABLES AND CUSTOMER FINANCE

	2011	2010
Trade receivables excluding associated companies and joint ventures	71	57
Allowances for impairment	–23	–24
Trade receivables, net	48	33
Trade receivables related to associated companies and joint ventures	3	3
Trade receivables, total	**51**	36
Customer finance	2,285	2,599
Allowances for impairment	–65	–93
Customer finance, net	**2,220**	2,506

MOVEMENTS IN ALLOWANCES FOR IMPAIRMENT

	Trade receivables		Customer finance	
	2011	2010	2011	2010
Opening balance	24	37	93	393
Additions	1	–	14	–
Utilization	–2	–	–31	–87
Reversal of excess amounts	–	–10	–11	–206
Translation difference	–	–3	–	–7
Closing balance	**23**	24	**65**	93

AGING ANALYSIS AS PER DECEMBER 31

	Trade receivables excluding associated companies and joint ventures	Allowances for impairment of receivables	Trade receivables related to associated companies and joint ventures	Customer finance	Allowances for impairment of customer finance
2011					
Neither impaired nor past due	44	–	3	1,758	-
Impaired, not past due	–	–	–	238	-27
Past due in less than 90 days	2	–	–	238	–
Past due in 90 days or more	1	–	–	10	–
Past due and impaired in less than 90 days	–	–	–	37	–34
Past due and impaired in 90 days or more	24	–23	–	4	–4
Total	**71**	**–23**	**3**	**2,285**	**–65**
2010					
Neither impaired nor past due	16	–	3	2,020	–
Impaired, not past due	–	–	–	516	–54
Past due in less than 90 days	4	–	–	24	–
Past due in 90 days or more	13	–	–	–	–
Past due and impaired in less than 90 days	1	–1	–	18	–18
Past due and impaired in 90 days or more	23	–23	–	21	–21
Total	**57**	**–24**	**3**	**2,599**	**–93**

OUTSTANDING CUSTOMER FINANCE

	2011	2010
On-balance sheet customer finance	**2,285**	2,599
Financial guarantees for third parties	**422**	212
Total customer finance	**2,707**	2,811
Accrued interest	**26**	34
Less third-party risk coverage	**–469**	–1,353
Parent Company's risk exposure	**2,264**	1,492
On-balance sheet credits, net carrying value	**2,220**	2,506
Of which short term	***883***	*1,479*
Credit commitments for customer finance	**669**	1,104

During 2011 the Parent Company transferred certain customer finance assets to third parties, and continues to recognize a part of such assets corresponding to the extent of its continuing involvement. The total carrying amount of the original assets transferred is SEK 194 million, the amount of the assets that the Parent Company continues to recognize is SEK 10 million, and the carrying amount of the associated liabilities is SEK 0 million. Maturity date for major part of the issued guarantees occurs in 2021 at the latest.

P12 RECEIVABLES AND LIABILITIES – SUBSIDIARY COMPANIES

RECEIVABLES AND LIABILITIES – SUBSIDIARY COMPANIES

	Payment due by period				
	< 1 year	1–5 years	>5 years	Total 2011	Total 2010
Non-current receivables [1]					
Financial receivables	5	710	7,302	**8,017**	6,666
Current receivables					
Trade receivables	816	–	–	**816**	882
Financial receivables	15,917	–	–	**15,917**	14,503
Total	16,733	–	–	**16,733**	15,385
Non-current liabilities [1]					
Financial liabilities	–	–	26,896	**26,896**	26,862
Current liabilities					
Trade payables	387	–	–	**387**	828
Financial liabilities	37,752	–	–	**37,752**	45,128
Total	38,139	–	–	**38,139**	45,956

[1] Including non interest-bearing receivables and liabilities, net, amounting to SEK –19,595 million in 2011 (SEK –20,196 million in 2010).

P13 OTHER CURRENT RECEIVABLES

OTHER CURRENT RECEIVABLES

	2011	2010
Receivables from associated companies and joint ventures	–	69
Prepaid expenses	425	590
Accrued revenues	405	246
Derivatives with a positive value	1,517	3,038
Other	241	356
Total	**2,588**	4,299

P14 EQUITY AND OTHER COMPREHENSIVE INCOME

Capital stock 2011

Capital stock at December 31, 2011, consisted of the following:

CAPITAL STOCK

	Number of shares	Capital stock
Class A shares [1]	261,755,983	1,309
Class B shares [1]	3,011,595,752	15,058
Total	**3,273,351,735**	**16,367**

[1] Class A shares (quotient value SEK 5.00) and Class B shares (quotient value SEK 5.00).

EQUITY AND OTHER COMPREHENSIVE INCOME 2011

	Capital stock	Revaluation reserve	Statutory reserve	Total restricted equity	Disposition reserve	Fair value reserves	Other retained earnings	Non-restricted equity	Total
January 1, 2011	16,367	20	31,472	47,859	100	–	42,874	42,974	90,833
Net income	–	–	–	–	–	–	4,627	4,627	4,627
Other comprehensive income									
Cash flow hedges									
Gains/losses arising during the period	–	–	–	–	–	203	–	203	203
Total other comprehensive income	–	–	–	–	–	203	–	203	203
Total comprehensive income	–	–	–	–	–	203	4,627	4,830	4,830
Transactions with owners									
Sale of own shares	–	–	–	–	–	–	92	92	92
Stock Purchase Plans	–	–	–	–	–	–	31	31	31
Dividends paid	–	–	–	–	–	–	–7,207	–7,207	–7,207
December 31, 2011	**16,367**	**20**	**31,472**	**47,859**	**100**	**203**	**40,417**	**40,720**	**88,579**

EQUITY AND OTHER COMPREHENSIVE INCOME 2010

	Capital stock	Revaluation reserve	Statutory reserve	Total restricted equity	Disposition reserve	Fair value reserves	Other retained earnings	Non-restricted equity	Total
January 1, 2010	16,367	20	31,472	47,859	100	–	41,853	41,953	89,812
Net income	–	–	–	–	–	–	7,352	7,352	7,352
Other comprehensive income									
Cash flow hedges									
Gains/losses arising during the period	–	–	–	–	–	136	–	136	136
Amounts transferred to initial carrying amount of hedged items	–	–	–	–	–	–136	–	–136	–136
Total other comprehensive income	–	–	–	–	–	–	–	–	–
Total comprehensive income	–	–	–	–	–	–	7,352	7,352	7,352
Transactions with owners									
Sale of own shares	–	–	–	–	–	–	52	52	52
Stock Purchase Plans	–	–	–	–	–	–	8	8	8
Dividends paid	–	–	–	–	–	–	–6,391	–6,391	–6,391
December 31, 2010	**16,367**	**20**	**31,472**	**47,859**	**100**	**–**	**42,874**	**42,974**	**90,833**

P15 UNTAXED RESERVES

UNTAXED RESERVES

2011	Jan 1	Additions/ withdrawals (–)	Dec 31
Accumulated depreciation in excess of plan			
Intangible assets	931	–262	669
Tangible assets	84	–77	7
Total accumulated depreciation in excess of plan	1,015	–339	676
Total untaxed reserves	**1,015**	**–339**	**676**

Change in depreciation in excess of plan of intangible assets relates mainly to Marconi and Redback trademarks. Deferred tax liability on untaxed reserves, not accounted for in deferred taxes, amounts to SEK 178 million (SEK 267 million in 2010).

P16 POST-EMPLOYMENT BENEFITS

The Parent Company has two types of pension plans:

- Defined contribution plans: post-employment benefit plans where the Parent Company pays fixed contributions into separate entities and has no legal or constructive obligation to pay further contributions if the entities do not hold sufficient assets to pay all employee benefits relating to employee service. The expenses for defined contribution plans are recognized during the period when the employee provides service.
- Defined benefit plans: post-employment benefit plans where the Parent Company's undertaking is to provide predetermined benefits that the employee will receive on or after retirement. The FPG/PRI plan for the Parent Company is partly funded. FPG is a Swedish credit insurance company for pension obligations and PRI is a pension registration institute. Pension obligations are calculated annually, on the balance sheet date, based on actuarial assumptions.

DEFINED BENEFIT OBLIGATION – AMOUNT RECOGNIZED IN THE BALANCE SHEET

	2011	2010
Present value of wholly or partially funded pension plans [1]	679	618
Fair value of plan assets	–756	–714
Unfunded/net surplus(–) of funded pension plans	–77	–96
Present value of unfunded pension plans	376	389
Excess from plan assets not accounted for	77	96
Closing balance provision for pensions	376	389

[1] This FPG/PRI obligation is covered by the Swedish law on safeguarding of pension commitments.

The defined benefit obligations are calculated based on the actual salary levels at year-end and based on a discount rate of 3.8%.

Weighted average life expectancy after the age of 65 is 25 years for women and 23 years for men.

In 2005, SEK 524 million was transferred into the Swedish pension trust. From 2009–2011 additional transfers of SEK 94 million have been made.

The Parent Company utilizes no assets held by the pension trust. Return on plan assets for 2011 was 0.9% (17.4 %).

PLAN ASSETS ALLOCATION

	2011	2010
Equities	167	249
Interest-bearing securities	461	433
Other	128	32
Total	**756**	714

CHANGE IN THE DEFINED BENEFIT OBLIGATION

	2011	2010
Opening balance	389	372
Payment to pension trust	–36	–31
Pension costs, excluding taxes, related to defined benefit obligations accounted for in the income statement	98	98
Pension payments	–50	–44
Return on plan assets	–25	–44
Return on plan assets not accounted for	–	38
Closing balance provision for pensions	**376**	389

Estimated pension payments for 2012 are SEK 55 million.

TOTAL PENSION COST AND INCOME RECOGNIZED IN THE INCOME STATEMENT

	2011	2010
Defined benefit obligations		
Costs excluding interest and taxes	55	54
Interest cost	43	44
Credit insurance premium	–1	–2
Total cost defined benefit plans excluding taxes	**97**	96
Defined contribution plans		
Pension insurance premium	123	96
Total cost defined contribution plans excluding taxes	**123**	96
Return on plan assets	–25	–5
Total pension cost, net excluding taxes	**195**	187

Of the total pension cost, SEK 177 million (SEK 149 million in 2010) is included in operating expenses and SEK 18 million (SEK 38 million in 2010) in the financial net.

P17 OTHER PROVISIONS

OTHER PROVISIONS

	Restructuring	Customer finance	Other	Total other provisions [1]
2011				
Opening balance	318	91	162	571
Additions	72	1	–	73
Reversal of excess amounts	–12	–	–134	–146
Cash out/utilization	–218	–2	–	–220
Reclassifications	–	–3	–	–3
Closing balance	160	87	28	275
2010				
Opening balance	349	95	253	697
Additions	70	2	–	72
Reversal of excess amounts	–9	–6	–13	–28
Cash out/utilization	–92	–	–78	–170
Closing balance	318	91	162	571

[1] Of which SEK 113 million (SEK 203 million in 2010) is expected to be utilized within one year.

P18 INTEREST-BEARING LIABILITIES

As per December 31, 2011, the Parent Company's outstanding interest-bearing liabilities, excluding liabilities to subsidiaries, were SEK 24.7 billion.

INTEREST-BEARING LIABILITIES

	2011	2010
Borrowings, current		
Current part of non-current borrowings [1]	3,461	–
Total current borrowings	3,461	–
Borrowings, non-current		
Notes and bond loans	17,197	20,646
Liabilities to credit institutions	4,000	4,000
Total non-current interest-bearing liabilities	21,197	24,646
Total interest-bearing liabilities	24,658	24,646

[1] Including notes and bond loans of SEK 3.461 (0) million.

NOTES AND BOND LOANS

Issued-maturing	Nominal amount	Coupon	Currency	Book value (SEK million)	Maturity date (yy-mm-dd)	Unrealized hedge gain/loss (incl. in book value)
2004–2012	450	3.305%	SEK	450	December 7, 2012 [2]	
2007–2012	1,000	5.100%	SEK	1,011	June 29, 2012	–11
2007–2012	2,000	2.885%	SEK	2,000	June 29, 2012 [3]	
2007–2014	375	1.704%	EUR	3,345	June 27, 2014 [4]	
2007–2017	500	5.380%	EUR	5,161 [1]	June 27, 2017	–719
2009–2013	600	5.000%	EUR	5,450 [1]	June 24, 2013	–109
2009–2016	300	3.62125%	USD	2,069	June 23, 2016 [5]	
2010–2020	170	2.96125%	USD	1,172	December 23, 2020 [6]	
Total				20,658		–839

[1] Interest rate swaps are designated as fair value hedges.
[2] Next contractual repricing date 2012-06-07 (semi-annual).
[3] Next contractual repricing date 2012-03-29 (quarterly).
[4] Next contractual repricing date 2012-03-27 (quarterly).
[5] Next contractual repricing date 2012-03-23 (quarterly).
[6] Next contractual repricing date 2012-03-23 (quarterly).

All outstanding notes and bond loans are issued under the Euro Medium-Term Note (EMTN) program. Bonds issued at a fixed interest rate are normally swapped to a floating interest rate using interest rate swaps leaving a maximum of 50% of outstanding loans at fixed interest rates. It resulted in weighted average interest rate of 4.21% (2.65%). These bonds are revalued based on changes in benchmark interest rates according to the fair value hedge methodology stipulated in IAS 39.

In 2008 Ericsson signed a seven-year loan of SEK 4.0 billion with the European Investment Bank. The loan supports Ericsson's R&D activities to develop the next generation of mobile broadband technology at sites in Kista, Gothenburg and Linköping in Sweden.

P19 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Financial risk management

Ericsson's financial risk management is governed on a Group level. For further information see Notes to the Consolidated Financial Statements – Note C20, "Financial Risk Management and Financial Instruments".

OUTSTANDING DERIVATIVES [1]

Fair value	2011 Asset	2011 Liability	2010 Asset	2010 Liability
Currency derivatives				
Maturity within 3 months	779	879	600	1,031
Maturity between 3 and 12 months	427	391	945	1,291
Maturity 1 to 3 years	1	–	10	27
Total currency derivatives	**1,207**	**1,270**	1,556	2,350 [2]
Of which internal	*773*	*19*	*33*	*643*
Of which designated in cash flow hedge relations	*203*	–	–	–
Interest rate derivatives				
Maturity within 3 months	–	5	6	28
Maturity between 3 and 12 months	324	367	76	61
Maturity 1 to 3 years	381	617	544	118
Maturity 3 to 5 years	416	815	184	34
Maturity more than 5 years	778	161	705	87
Total interest rate derivatives	**1,899** [3]	**1,966**	1,515	329 [2]
Of which designated in fair value hedge relations	*1,002*	–	*862*	–

[1] Some of the derivatives hedging non-current liabilities are recognized in the balance sheet as non-current due to hedge accounting.
[2] Of which SEK 902 million is reported as non-current liabilities for 2010.
[3] Of which SEK 816 million is reported as non-current assets.

CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

SEK billion	Remaining time to maturity < 3 months	< 1 year	1–5 years	> 5 years	2011
Bank deposits	12.3	–	–	–	**12.3**
Type of issuer/counterpart					
Governments	6.3	3.8	13.2	1.7	**25.0**
Corporations	1.9	–	–	–	**1.9**
Mortgage institutes	–	–	16.6	0.3	**16.9**
Total	**20.5**	**3.8**	**29.8**	**2.0**	**56.1**

The instruments are classified as held for trading and are therefore short-term investments.

During 2011, cash, cash equivalents and short-term investments decreased by SEK 14.5 billion to SEK 56.1 billion.

REPAYMENT SCHEDULE OF NON-CURRENT BORROWINGS

Nominal amount SEK billion	Current maturities of long-term debt	Borrowings (non-current)	Total
2012	3.4	–	**3.4**
2013	–	5.4	**5.4**
2014	–	3.3	**3.3**
2015	–	4.0	**4.0**
2016	–	2.1	**2.1**
2017 and later	–	5.6	**5.6**
Total	**3.4**	**20.4**	**23.8**

Debt financing is mainly carried out through borrowing in the Swedish and international debt capital markets.

FUNDING PROGRAMS [1]

	Amount	Utilized	Unused
Euro Medium-Term Note program (USD million)	5,000	2,878	2,122
Long-Term Committed Credit facility (USD million)	2,000	–	2,000

[1] There are no financial covenants related to these programs.

In June 2011 Ericsson was upgraded by Moody's from Baa1 to A3. Standard & Poor's kept the BBB+ credit rating with stable outlook. Both credit ratings are considered to be solid investment grade.

Financial instruments carried at other than fair value

In the following tables, carrying amounts and fair values of financial instruments that are carried in the financial statements at other than fair values are presented. Assets valued at fair value through profit and loss had a net gain of SEK 0.7 billion. For further information about valuation principles, see Notes to the Consolidated Financial Statements – Note C1, "Significant Accounting Policies".

FINANCIAL INSTRUMENTS, BOOK VALUE

SEK billion	Trade receivables P11	Short-term investments	Receivables and liabilities subsidiaries P12	Borrowings P18	Trade payables P21	Cash Equivalents	Other current receivables P13	Other current liabilities P20	Other non-current assets	2011	2010
Assets at fair value through profit or loss	–	38.9	–	–	–	5.0	1.5	–3.2	0.8	**43.0**	58.0
Loans and receivables	2.2		24.8	–	–	1.9	–	–	–	**28.9**	24.6
Available for sale assets	–	–	–	–	–	–	–	–	–	**–**	–
Financial liabilities at amortized cost	–	–	–65.0	–24.7	–0.7	–	–	–	–	**–90.4**	–97.0
Total	**2.2**	**38.9**	**–40.2**	**–24.7**	**–0.7**	**6.9**	**1.5**	**–3.2**	**0.8**	**–18.5**	**–14.5**

FINANCIAL INSTRUMENTS CARRIED AT OTHER THAN FAIR VALUE

	Book value		Fair value	
SEK billion	2011	2010	2011	2010
Current part of non-current borrowings	**3.5**	–	**3.5**	–
Borrowings non-current	**21.2**	24.6	**21.1**	24.5
Total	**24.7**	24.6	**24.6**	24.5

Financial instruments excluded from the tables, such as trade receivables and payables, are carried at amortized cost which is deemed to be equal to fair value. When a market price is not readily available and there is insignificant interest rate exposure affecting the value, the book value is considered to represent a reasonable estimate of a fair value.

P20 OTHER CURRENT LIABILITIES

OTHER CURRENT LIABILITIES

	2011	2010
Accrued interest	**329**	320
Accrued expenses, of which	**416**	362
Employee related	***307***	*294*
Other	***109***	*68*
Deferred revenues	**10**	12
Derivatives with a negative value	**3,216**	960
Other current liabilities	**214**	125
Total	**4,185**	1,779

P21 TRADE PAYABLES

TRADE PAYABLES

	2011	2010
Trade payables excluding associated companies and joint ventures	**706**	399
Total	**706**	399

All trade payables fall due within 90 days.

P22 ASSETS PLEDGED AS COLLATERAL

ASSETS PLEDGED AS COLLATERAL

	2011	2010
Bank deposits	**452**	658
Total	**452**	658

The major item in bank deposits is the internal bank's clearing and settlement commitments of SEK 267 million (SEK 467 million in 2010).

P23 CONTINGENT LIABILITIES

CONTINGENT LIABILITIES

	2011	2010
Total contingent liabilities	**18,518**	13,783

Contingent liabilities include pension commitments of SEK 14,355 million (SEK 11,004 million in 2010) and guarantees for Sony Ericsson Mobile Communications AB's borrowing from financial institutions of SEK 2,017 million (SEK 1,053 million in 2010). On February 16, 2012, Ericsson announced that the company on February 15, 2012, completed the divestment of its 50% stake in Sony Ericsson Mobile Communications AB. The divestment was originally jointly announced by Sony Corporation and Ericsson on October 27, 2011. As of the date of the sale, Ericsson is no longer a guarantor of term loans or credit facilities related to SEMC, see Note P27, "Related Party Transactions".

In accordance with standard industry practice, Ericsson enters into commercial contract guarantees related to contracts for the supply of telecommunication equipment and services. Total amount for 2011 was SEK 20,249 million (SEK 19,691 million in 2010). Potential payments due under these bonds are related to Ericsson's performance under applicable contracts.

For information about financial guarantees, see Note P11, "Trade Receivables and Customer Finance".

P24 STATEMENT OF CASH FLOWS

Interest paid in 2011 was SEK 1,258 million (SEK 657 in 2010 and SEK 508 million in 2009) and interest received was SEK 2,532 million (SEK 816 in 2010 and SEK 2,083 million in 2009). Income taxes received were SEK 147 million (income taxes paid were SEK 269 in 2010 and SEK 341 million in 2009).

ADJUSTMENTS TO RECONCILE NET INCOME TO CASH

	2011	2010	2009
Property, plant and equipment			
Depreciation	**168**	149	193
Total	**168**	149	193
Intangible assets			
Amortization	**237**	228	385
Impairment losses	**–**	945	–
Total	**237**	1,173	385
Total depreciation and amortization on tangible and intangible assets	**405**	1,322	578
Taxes	**250**	119	–147
Write-downs and capital gains (–)/ losses on sale of fixed assets, excluding customer finance, net	**1,326**	50	–521
Additions to/withdrawals from (–) untaxed reserves	**–339**	100	–902
Unsettled group contributions	**1,979**	–1,029	2,403
Unsettled dividends	**–70**	–	–1,254
Other non-cash items	**–388**	–32	–2,195
Total adjustments to reconcile net income to cash	**3,163**	530	–2,038

P25 LEASING

Leasing with the Parent Company as lessee

At December 31, 2011, future payment obligations for leases were distributed as follows:

FUTURE PAYMENT OBLIGATIONS FOR LEASES

	Operating leases
2012	1,047
2013	804
2014	754
2015	430
2016	272
2017 and later	901
Total	**4,208**

Leasing with the Parent Company as lessor

At December 31, 2011, future minimum payment receivables were distributed as follows:

FUTURE MINIMUM PAYMENT RECEIVABLES

	Operating leases
2012	19
2013	2
2014	1
2015	1
2016	1
2017 and later	1
Total	**25**

The operating lease income is mainly income from sublease of real estate. See Notes to the Consolidated Financial Statements – Note C27, "Leasing".

P26 INFORMATION REGARDING EMPLOYEES

AVERAGE NUMBER OF EMPLOYEES

			2011			2010
	Men	Women	Total	Men	Women	Total
Northern Europe & Central Asia [1) 2)]	**197**	**162**	**359**	198	148	346
Middle East	**202**	**31**	**233**	121	14	135
Total	**399**	**193**	**592**	319	162	481
[1)] *Of which Sweden*	***197***	***162***	***359***	*198*	*148*	*346*
[2)] *Of which EU*	***197***	***162***	***359***	*198*	*148*	*346*

Remuneration

WAGES AND SALARIES AND SOCIAL SECURITY EXPENSES

	2011	2010
Wages and salaries	**580**	518
Social security expenses	**403**	384
Of which pension costs	***246***	*210*

WAGES AND SALARIES PER GEOGRAPHICAL AREA

	2011	2010
Northern Europe & Central Asia [1) 2)]	**417**	409
Middle East	**163**	109
Total	**580**	518
[1)] *Of which Sweden*	***417***	*409*
[2)] *Of which EU*	***417***	*409*

Remuneration in foreign currency has been translated to SEK at average exchange rates for the year.

Remuneration policy and remuneration to the Board of Directors and the President and CEO

See Notes to the Consolidated Financial Statements – Note C28, "Information Regarding Members of the Board of Directors, the Group Management and Employees".

Long-term variable remuneration

THE STOCK PURCHASE PLAN

Compensation costs for all employees of the Parent Company amounted to SEK 25.1 million in 2011 (SEK 8.0 million in 2010).

P27 RELATED PARTY TRANSACTIONS

During 2011, various transactions were executed pursuant to contracts based on terms customary in the industry and negotiated on an arm's length basis.

Sony Ericsson Mobile Communications AB

In October 2001, Sony Ericsson Mobile Communications AB was organized as a joint venture between Sony Corporation and Ericsson and a substantial portion of Ericsson's handset operations was sold to Sony Ericsson Mobile Communications AB.

On February 16, 2012, Ericsson announced that the Company, on February 15, 2012, completed the divestment of its 50% stake in Sony Ericsson Mobile Communications AB. The divestment was originally jointly announced by Sony Corporation and Ericsson on October 27, 2011. This makes Sony Ericsson a wholly-owned subsidiary of Sony. The agreed cash consideration for the transaction is EUR 1.05 billion.

As part of the formation of the joint venture, contracts were entered into between the Parent Company and Sony Ericsson Mobile Communications AB. For the Parent Company, the major transactions are license revenues for Sony Ericsson Mobile Communications AB's usage of trademarks and patents and received dividends.

Sony Ericsson Mobile Communications AB has been granted a long-term loan with a maximum amount of SEK 4,014 million. The Parent Company and Sony Corporation have issued guarantees for this loan on a 50/50 basis, without joint responsibility. As of December 31, 2011, the Parent Company´s share of the outstanding principle and accrued interest, in the total amount of SEK 2,017 million, has been reported as a contingent liability in the Parent Company. As of the date of the sale, Ericsson is no longer a guarantor of term loans or credit facilities related to Sony Ericsson. See also Note P23 "Contingent liabilities".

SONY ERICSSON MOBILE COMMUNICATIONS

	2011	2010
Related party transactions		
License revenues	179	296
Dividends	–	–
Related party balances		
Receivables	1	69

Ericsson Nikola Tesla d.d.

Ericsson Nikola Tesla d.d. is a joint stock company for design, sales and service of telecommunications systems and equipment and an associated member of the Ericsson Group. The Parent Company holds 49.07% of the shares.

For the Parent Company, the major transactions are license revenues for Ericsson Nikola Tesla d.d.'s usage of trademarks and received dividends.

ERICSSON NIKOLA TESLA D.D.

	2011	2010
Related party transactions		
License revenues	4	2
Dividends	154	104
Related party balances		
Receivables	1	–

The Parent Company does not have any contingent liabilities, assets pledged as collateral or guarantees toward Ericsson Nikola Tesla d.d.

ST-Ericsson

ST-Ericsson was formed on February 2, 2009 by merging Ericsson Mobile Platforms with STMicroelectronics' wireless business. It is an industry leader in design, development and the creation of cutting-edge mobile platforms and wireless semiconductors.

The Parent Company holds 49.99% of shares in ST-Ericsson SA and 51% in ST-Ericsson AT SA, both in Switzerland.

ST-Ericsson has been granted a revolving credit facility of USD 800 million which is equally shared by LME and STMicroelectronics. As per December, 2011, the amount drawn on the facility was SEK 5,518 million, SEK 2,759 million lent per parent. The Parent Company's accrued interest towards ST-Ericsson amounted to SEK 7.5 million.

The Parent Company does not have any contingent liabilities, assets pledged as collateral or guarantees towards ST-Ericsson.

ST-ERICSSON

	2011	2010
Related party transactions		
License revenues	–	–
Dividends	–	–
Related party balances		
Receivables	1	3
Loan	2,759	1,030

Other related parties

For information regarding the remuneration of management, see Notes to the Consolidated Financial Statements – Note C28, "Information Regarding Members of the Board of Directors, the Group Management and Employees".

P28 FEES TO AUDITORS

FEES TO AUDITORS

	PwC
2011	
Audit fees	18
Audit-related fees	8
Tax services fees	–
Other fees	12
Total	38
2010	
Audit fees	19
Audit-related fees	12
Tax services fees	1
Other fees	3
Total	35
2009	
Audit fees	23
Audit-related fees	12
Tax services fees	2
Other fees	1
Total	38

Allocation of fees to auditors is based on the requirements in the Swedish Annual Accounts Act. 2009 figures are restated for comparability.

During the period 2009–2011, in addition to audit services, PwC provided certain audit-related services, tax and other services to the Parent Company. The audit-related services include quarterly reviews, SSAE 16 reviews and services in connection with the issuing of certificates and opinions. The tax services include general expatriate services and corporate tax compliance work. Other services include consultation on financial accounting, services related to acquisitions, operational effectiveness and assessments of internal control.

P29 EVENTS AFTER THE BALANCE SHEET DATE

On February 16, 2012, Ericsson announced that the Company, on February 15, 2012, completed the divestment of its 50% stake in Sony Ericsson Mobile Communications AB including the broad IP cross-licensing agreement. The divestment was originally jointly announced by Sony Corporation and Ericsson on October 27, 2011. This makes Sony Ericsson a wholly-owned subsidiary of Sony. The agreed cash consideration for the transaction is EUR 1.05 billion.

RISK FACTORS

You should carefully consider all the information in this Annual Report and in particular the risks and uncertainties outlined below. Based on the information currently known to us, we believe that the following information identifies the most significant risk factors affecting our business. Any of the factors described below, or any other risk factors discussed elsewhere in this report, could have a material negative effect on our business, operational and after-tax results, financial position, cash flow, liquidity, credit rating, brand and/or our share price. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also materially adversely affect our business. Furthermore, our operational results may have a greater variability than in the past and we may have difficulties in accurately predicting future developments. See also "Forward-Looking Statements".

CONTENTS

MARKET, TECHNOLOGY AND BUSINESS RISKS

Challenging global economic conditions may adversely impact the demand and pricing for our products and services as well as limit our ability to grow.

Challenging global economic conditions could have adverse, wide-ranging effects on demand for our products and for the products of our customers. Adverse global economic conditions could cause network operators to postpone investments or initiate other cost-cutting initiatives to improve their financial position. This could result in significantly reduced expenditures for network infrastructure and services, in which case our operating results would suffer. If demand for our products and services were to fall in the future, we could experience material adverse effects on our revenues, cash flow, capital employed and value of our assets and we could incur operating losses. Furthermore, if demand is significantly weaker or more volatile than expected, our credit rating, borrowing opportunities and costs as well as the trading price of our shares could be adversely impacted. When deemed necessary, we undertake specific restructuring or cost saving initiatives, however, there are no guarantees that such initiatives will be sufficient, successful or executed in time to deliver any improvements in our earnings.

Should global economic conditions fail to improve, or worsen, other business risks we face could intensify and could also negatively impact the business prospects of operators. Some operators, in particular in markets with weak currencies, may incur borrowing difficulties and slower traffic development, which may negatively affect their investment plans and cause them to purchase less of our products and services.

The potential adverse effects of an economic downturn include:

- reduced demand for products and services, resulting in increased price competition or deferrals of purchases, with lower revenues not fully compensated through reduced costs;
- risks of excess and obsolete inventories and excess manufacturing capacity;
- risk of financial difficulties or failures among our suppliers;
- increased demand for customer finance, difficulties in collection of accounts receivable and increased risk of counterparty failures;
- risk of impairment losses related to our intangible assets as a result of lower forecasted sales of certain products;
- increased difficulties in forecasting sales and financial results as well as increased volatility in our reported results;
- a decline in the value of the assets in our pension plans and/or increased pension liabilities due to discount rate changes;
- end user demand could also be adversely affected by reduced consumer spending on technology, changed operator pricing, security breaches and trust issues.

The telecommunications industry fluctuates and is affected by many factors, including the economic environment, decisions by operators and other customers regarding their deployment of technology and their timing of purchases.

The telecommunications industry has experienced downturns in the past in which operators substantially reduced their capital spending on new equipment. While we expect the network service provider equipment market and telecommunications services market to grow in the coming years, the uncertainty surrounding the global economic recovery may materially harm actual market conditions. Moreover, market conditions are subject to substantial fluctuation, and could vary geographically and across technologies. Even if global conditions improve, conditions in the specific industry segments in which we participate may be weaker than in other segments. In that case, the results of our operations may be adversely affected.

If capital expenditures by service providers and other customers is weaker than we anticipate, our revenues and profitability may be adversely affected. The level of demand by service providers and other customers who buy our products and services can change quickly and can vary over short periods of time, including from month to month. Due to the uncertainty and variations in the telecommunications industry, accurately forecasting revenues, results, and cash flow remains difficult.

Sales volumes and gross margin levels are affected by the variation and short order time of our products and services.

Our sales to network operators represent a mix of equipment, software and services, which normally generate different gross margins. We sell our own products as well as third party products, which normally have lower margins than our own products. As a consequence, our reported gross margin in a specific period will be affected by the overall mix of products and services as well as the relative content of third party products. Further, network expansions and upgrades have much shorter lead times for delivery than initial network build outs. Orders for such network expansions and upgrades are normally placed with short notice by customers, often with less than a month's notice, and consequently variations in demand are difficult to forecast. As a result, changes in our product and service mix and the short order time for certain of our products may affect our ability to accurately forecast sales and margins or detect in advance whether actual results will deviate from market consensus. Short-term variation could have a material adverse effect on our business, operating results and financial condition.

We may not be able to properly respond to market trends in the telecommunications industry, including the ongoing convergence of the telecom, data and media industries, which may harm our market position relative to our competitors.

We are affected by market conditions and trends within the telecommunications industry, including the convergence of the telecom, data and media industries. Convergence is largely driven by technological development related to IP-based communications. This has changed the competitive landscape and affects our objective setting, risk assessment and strategies. Competitors new to our business may enter this new business context and negatively impact our market share in selected areas. If we fail to understand the market development, or fail to acquire the necessary competences to develop and market products, services and solutions that are competitive in this changing market, our business, operating results and financial condition will suffer.

Our business depends upon the continued growth of mobile communications and the acceptance of new services. If growth slows or new services do not succeed, operators' investment in networks may slow or stop, harming our business.

A substantial portion of our business depends on the continued growth of mobile communications in terms of both the number of subscriptions and usage per subscriber, which in turn drives the continued deployment and expansion of network systems by our customers. If operators fail to increase the number of subscribers and/or stimulate increased usage, our business and operational results could be materially adversely affected. Also, if operators fail to monetize new services, fail to introduce new business models or experience a decline in operator revenues or profitability, their willingness to further invest in their network systems may decrease which will reduce their demand for our products and services and have an adverse effect on our business, operational results and financial condition.

Fixed and mobile networks converge and new technologies, such as IP and broadband, enable operators to deliver a range of new types of services in both fixed and mobile networks. We are dependent upon market acceptance of such services and the outcome of regulatory and standardization activities in this field, such as spectrum allocation. If delays in standardization, regulation, or market acceptance occur, this could adversely affect our business, operational results and financial condition.

We face intense competition from our existing competitors as well as new entrants, including IT companies entering the telecommunications market, and this could materially adversely affect our results.

The markets in which we operate are highly competitive in terms of price, functionality, service quality, customization, timing of development, and the introduction of new products and services. We face intense competition from significant competitors many of which are very large, with substantial technological and financial resources and established relationships with operators. Further, certain competitors, Chinese companies in particular, have become relatively stronger in recent years. We may also encounter increased competition from new market entrants, alternative technologies or due to evolving industry standards. In particular, we may face competition from large IT companies entering the telecommunications market who benefit from economies of scale from being active in several industries. We cannot assure that we will be able to compete successfully with these companies. Our competitors may implement new technologies before we do, offer more attractively priced or enhanced products, services or solutions, or they may offer other incentives that we do not provide. Some of our competitors may also have greater resources in certain business segments or geographic markets than we do. Increased competition could result in reduced profit margins, loss of market share, increased research and development costs as well as increased sales and marketing expenses. Traffic development on cellular networks could be affected if more traffic is off-loaded to Wi-Fi networks. Further, alternative services provided over-the-top have profound effects on operator voice/ SMS revenues with possible reduced capital expenses consequences.

Additionally, we operate in markets characterized by rapidly changing technology. This results in continuous price erosion and increased price competition for our products and services. If our counter measures, including enhanced products and business models or cost reductions cannot be achieved or do not occur in a timely manner, there could be adverse impacts on our operating results and market share.

Vendor consolidation may lead to stronger competitors who are able to benefit from integration, scale and greater resources.

Industry convergence and consolidation among equipment and services suppliers could potentially result in stronger competitors that are competing as end-to-end suppliers as well as competitors more specialized in particular areas. Consolidation may also result in competitors with greater resources than we have or in reduction of our current scale advantages. This could have a materially adverse effect on our business, operating results, and financial condition.

A significant portion of our revenue is currently generated from a limited number of key customers, and operator consolidation may increase our dependence on key customers.

We derive most of our business from large, multi-year frame agreements with a limited number of significant customers. Many of these agreements are opened up on a yearly basis to re-negotiate the price for our products and services and do not contain committed purchase volumes. Although no single customer represents more than 7% of our sales in 2011, our ten largest customers accounted for 44% of our sales in 2011. A loss of or a reduced role with a key customer could have a significant adverse impact on sales, profit and market share for an extended period.

In recent years, network operators have undergone significant consolidation, resulting in a fewer number of operators with activities in several countries. This trend is expected to continue, and intra-country consolidation is likely to accelerate as a result of competitive pressure. A market with fewer and larger operators will increase our reliance on key customers and may negatively impact our bargaining position and profit margins. Moreover, if the combined companies operate in the same geographic market, networks may be shared and less network equipment and associated services may be required. Network investments could be delayed by the consolidation process, which may include, among others, actions relating to merger or acquisition agreements, securing necessary regulatory approvals, or integration of their businesses. Recently, network operators have started to share parts of their network infrastructure through cooperation agreements rather than legal consolidations, which may adversely affect demand for network equipment. Accordingly, operator consolidation may have a material adverse effect on our business, operating results and financial condition.

We enter into long-term frame agreements with our customers which include commitments to future price reductions, requiring us to make constant cost reductions to maintain our gross margin.

Long-term frame agreements with our customers are typically awarded on a competitive bidding basis. In some cases, such agreements also include a commitment to future price reductions. In order to maintain our gross margin with such price reductions, we continuously strive to reduce the costs of our products through design improvements, negotiation of better purchase prices from our suppliers, allocation of more production to low-cost countries and increased productivity in our own production. However, there can be no assurance that our actions to reduce costs will be sufficient or quick enough to maintain our gross margin in such contracts, which may have a material adverse effect on our operating results.

Growth of our managed services business is difficult to predict, and requires taking significant contractual risks.

Operators increasingly outsource parts of their operations to reduce cost and focus on new services. To address this opportunity, we offer operators various services in which we manage their networks. The growth rate in the managed services market is difficult to forecast and each new contract carries a risk that transformation and integration of the operations will not be as fast or smooth as planned. Additionally, early contract margins are generally low and the mix of new and old contracts may negatively affect reported results in a given period. Contracts for such services normally cover several years and generate recurring revenues. However, contracts have been, and may in the future be, terminated or reduced in scope, which has negative impacts on sales and earnings. While we believe we have a strong position in the managed services market, competition in this area is increasing, which may have adverse effects on our future growth and profitability.

We depend upon the development of new products and enhancements to our existing products, and the success of our substantial research and development investments is uncertain.

Rapid technological and market changes in our industry require us to make significant investments in technological innovation. We invest significantly in new technology, products and solutions. In order for us to be successful, those technologies, products and solutions must be accepted by relevant standardization bodies and by the industry as a whole. There can be no assurance that our research and development efforts will be technically or commercially successful. If we invest in the development of technologies, products and solutions that do not function as expected, are not adopted by the industry, are not ready in time, or are not successful in the marketplace our sales and earnings may materially suffer. Additionally, it is common for research and development projects to encounter delays due to unforeseen problems. Delays in production may increase the cost of research and development efforts and put us at a disadvantage against our competition.

We engage in acquisitions and divestments which may be disruptive and require us to incur significant expenses.

In addition to in-house innovation efforts, we make strategic acquisitions in order to obtain various benefits such as reduced time-to-market, access to technology and competence, increased scale or to broaden our product portfolio or customer base. Future acquisitions could result in the incurrence of contingent liabilities and an increase in amortization expenses related to goodwill and other intangible assets, which could have a material adverse effect upon our business, financial condition and results of operations. Risks we could face with respect to acquisitions include:

- difficulties in the integration of the operations, technologies, products and personnel of the acquired company;
- risks of entering markets in which we have no or limited prior experience;
- potential loss of employees;
- diversion of management's attention away from other business concerns; and
- expenses of any undisclosed or potential legal liabilities of the acquired company.

From time to time we also divest parts of our business to optimize our product portfolio or operations. Any decision to dispose of or otherwise exit businesses may result in the recording of special charges, such as workforce reduction costs and industry and technology-related write-offs. We cannot assure that we will be successful in consummating future acquisitions or divestments on favourable terms or at all. The risks associated with such acquisitions and divestments could have a material adverse effect upon our business, financial condition and results of operations.

We are a party to joint ventures and partnerships which may not be successful and expose us to future costs.

We are partners in joint ventures and partnerships. Our partnering arrangements may fail to perform as expected for various reasons, including an incorrect assessment of our needs or the capabilities or financial stability of our strategic partners. Our ability to work with these partners or develop new products and solutions may become constrained, which could harm our competitive position in the market. Additionally, our share of any losses from or commitments to contribute additional capital to such partnerships may adversely affect our results of operations or financial position.

We rely on a limited number of suppliers of components, production capacity and R&D and IT services, which exposes us to supply disruptions and cost increases.

Our ability to deliver according to market demands and contractual commitments depends significantly on obtaining a timely and adequate supply of materials, components, production capacity and other vital services on competitive terms. Although we strive to avoid single-source supplier solutions, this is not always possible. Accordingly, there is a risk that we will be unable to obtain key supplies we need to produce our products on commercially reasonable terms, or at all. Failure by any of our suppliers could interrupt our product supply or operations and significantly limit sales or increase our costs. To find an alternative supplier or re-design products to replace components may take significant time which could cause significant delays or interruptions in the delivery of our products. We have from time to time experienced interruptions of supply and we may experience such interruptions in the future.

Furthermore, our procurement of supplies requires us to predict future customer demands. If we fail to anticipate customer demand properly, an over or under supply of components and production capacity could occur. In many cases, some of our competitors utilize the same contract manufacturers and if they have purchased capacity ahead of us we could be blocked from acquiring the needed products. This factor could limit our ability to supply our customers or could increase costs. At the same time, we commit to certain capacity levels or component quantities, which, if unused, will result in charges for unused capacity or scrapping costs. We are also exposed to financial counterpart risks to suppliers where we pay in advance for supplies.

Product or service quality issues could lead to reduced revenue, gross margins and declining sales to existing customers.

Sales contracts normally include warranty undertakings for faulty products and often include provisions regarding penalties and/or termination rights in the event of a failure to deliver ordered products or services on time or with required quality. Although we undertake a number of quality assurance measures to reduce such risks, product quality or service performance issues may negatively affect our reputation, results and financial position. If significant warranty obligations arise due to reliability or quality issues, our operating results and financial position could be negatively impacted by costs associated with fixing software or hardware defects, high service and warranty expenses, high inventory obsolescence expense, delays in collecting accounts receivable or declining sales to existing customers.

Due to having a majority of our costs in SEK and revenues in other currencies, our business is exposed to foreign exchange fluctuations that could negatively impact our revenue, operating profit and results of operations.

We incur a significant portion of our expenses in SEK. As a result of our international operations, we generate, and expect to continue to generate, a significant portion of our revenue in currencies other than SEK. To the extent we are unable to match revenue received in foreign currencies with costs paid in the same currency, exchange rate fluctuations could have a negative impact on our consolidated income statement, balance sheet and cash flows when foreign currencies are exchanged or translated to SEK, which increases volatility in reported results.

As market prices are predominantly established in USD or EUR, we presently have a net revenue exposure in foreign currencies which means that a stronger SEK exchange rate would generally have a negative effect on our reported results. Our attempts to reduce the effects of exchange rate fluctuations through a variety of hedging activities may not be sufficient or successful, resulting in an adverse impact on our results.

Our ability to benefit from intellectual property rights (IPR) which are critical to our business may be limited by changes in regulation limiting patents, inability to prevent infringement, the loss of licenses from third parties and IP infringement claims brought against us by competitors.

Although we have a large number of patents, there can be no assurance that they will not be challenged, invalidated, or circumvented, or that any rights granted in relation to our patents will in fact provide us with competitive advantages.

In 2005, the European Union considered restricting the patentability of software. Although the European Union ultimately rejected this proposal, we cannot guarantee that they will not revisit this issue in the future. We rely on many software patents, and limitations on the patentability of software may materially affect our business.

We utilize a combination of trade secrets, confidentiality policies, nondisclosure and other contractual arrangements in addition to relying on patent, copyright and trademark laws to protect our intellectual property rights. However, these measures may not be adequate to prevent or deter infringement or other misappropriation. Moreover, we may not be able to detect unauthorized use or take appropriate and timely steps to establish and enforce our proprietary rights. In fact, existing laws of some countries in which we conduct business offer only limited protection of intellectual property rights, if at all.

Our solutions may also require us to license technologies from third parties. It may be necessary in the future to seek or renew licenses and there can be no assurance that they would be available on acceptable terms, or at all. Moreover, the inclusion in our products of software or other intellectual property licensed from third parties on a non-exclusive basis could limit our ability to protect proprietary rights in our products.

Many key aspects of telecommunications and data network technology are governed by industry-wide standards usable by all market participants. As the number of market entrants and the complexity of technology increases, the possibility of functional overlap and inadvertent infringement of intellectual property rights also increases. Third parties have asserted, and may assert in the future, claims, directly against us or indirectly against our customers, alleging infringement of their intellectual property rights. Defending such claims may be expensive, time-consuming and divert the efforts of our management and/or technical personnel. As a result of litigation, we could be required to pay damages and other compensation directly or to indemnify our customers for such damages and other compensation, develop non-infringing products/technology or enter into royalty or licensing agreements. However, we cannot be certain that such licenses will be available to us on commercially reasonable terms or at all, and such judgments could have a materially adverse effect on our business.

We are involved in lawsuits and investigations which, if determined against us, could require us to pay substantial damages, fines and/or penalties.

In the normal course of our business we are involved in legal proceedings. These lawsuits include such matters as commercial disputes, claims regarding intellectual property, antitrust, tax and labour disputes. Litigation can be expensive, lengthy and disruptive to normal business operations. Moreover, the results of complex legal proceedings are difficult to predict. An unfavourable resolution of a particular lawsuit could have a material adverse effect on our business, reputation, operating results, or financial condition.

As a publicly listed company, Ericsson may be exposed to lawsuits in which plaintiffs allege that the Company or its officers have failed to comply with securities laws, stock market regulation or other laws, regulations or requirements. Whether or not there is merit to such claims, the time and costs incurred to defend the Company and its officers and the potential settlement or compensation to the plaintiffs could have significant impact on our reported results and reputation. For additional information regarding certain of the lawsuits in which we are involved, see "Legal and Tax Proceedings" in the Board of Directors' Report.

Our operations are complex and several critical operations are centralized in a single location. Any disruption of our operations, whether due to natural or man made events, may be highly damaging to the operation of our business.

Our business operations rely on complex operations and communications networks, which are vulnerable to damage or disturbance from a variety of sources. Having outsourced a significant portion of our IT operations, we depend partly on security and reliability measures of external companies. Regardless of protection measures, our systems and communications networks are susceptible to disruption due to failure, vandalism, computer viruses, security breaches, natural disasters, power outages and other events. We also have a concentration of operations on certain sites, including R&D, production, network operation centres, and logistic centres and shared services centres, where business interruptions could cause material damage and costs. The delivery of goods from suppliers, and to customers, could also be hampered for the reasons stated above. We cannot provide any assurance that interruptions to our systems and communications that will have an adverse effect on our operations and financial condition will not occur.

Our operations, including our managed services business, are exposed to possible cyber security incidents occurring, such as know how and data privacy infringements or leakage, which could have material adverse effects or our business operations, financial condition and brand.

We must continue to attract and retain highly qualified employees to remain competitive.

We believe that our future success largely depends on our continued ability to hire, develop, motivate and retain engineers and other qualified personnel needed to develop successful new products, support our existing product range and provide services to our customers. Competition for skilled personnel and highly qualified managers in the telecommunications industry remains intense. We are continuously developing our corporate culture, remuneration, promotion and benefits policies as well as other measures aimed at empowering our employees and reducing employee turnover. However, there are no guarantees that we will be successful in attracting and retaining employees with appropriate skills in the future, and failure in retention and recruiting could have a material adverse effect on our business.

If our customers' financial conditions decline, we will be exposed to increased credit and commercial risks.

After completing sales to customers, we may encounter difficulty collecting accounts receivables and could be exposed to risks associated with uncollectable accounts receivable. We regularly assess the credit worthiness of our customers and upon which we determine a credit limit for customers. Challenging economic conditions have impacted some of our customers' ability to pay their accounts receivables. Although our credit losses have historically been low and we have policies and procedures for managing customer finance credit risk we may be unable to avoid future losses on our trade receivables. We have also experienced demands for customer financing, and in adverse financial markets or more competitive environments, those demands may increase. Upon the financial failure of a customer, we may experience losses on credit extended and loans made to such customer, losses relating to our commercial risk exposure, and the loss of the customer's on-going business. If customers fail to meet their obligations to us, we may experience reduced cash flows and losses in excess of reserves, which could materially adversely impact our results of operations and financial position.

We rely on various capital sources for short-term and long-term capital for the funding of our business. Should such capital become unavailable or available in insufficient amounts or unreasonable terms, our business may materially suffer.

If we do not generate sufficient amounts of capital to support our operations, service our debt and continue our research and development and customer finance programs, or if we cannot raise sufficient amounts of capital at the required times and terms, our business is likely to be adversely affected. Access to funding may decrease or become more expensive as a result of our operational and financial condition, market conditions, including financial conditions in the Euro-zone, or due to deterioration in our credit rating. There can be no assurance that additional sources of funds that we from time to time may need, will be available or available on reasonable terms. If we cannot access capital on commercially viable terms, our business could materially suffer.

Impairment of Goodwill may negatively impact financial condition.

An impairment of goodwill or other intangible assets could adversely affect our financial condition or results of operations. We have a significant amount of goodwill and intangible assets, for example patents, customer relations, trademarks and software. Goodwill is the only intangible asset the company has recognized to have indefinite useful life. Other intangible assets are mainly amortized on a straight-line basis over their estimated useful lives, but no more than ten years, and are reviewed for impairment whenever events such as product discontinuances, product dispositions or other changes in circumstances indicate that the carrying amount may not be wholly recoverable. Those not yet in use are tested for impairment annually.

Historically, we have recognized impairment charges related to intangible assets mainly due to restructuring. Additional impairment charges may be incurred in the future that could be significant due to various reasons, including restructuring actions or adverse market conditions that are either specific to us or the broader telecommunications industry or more general in nature and that could have an adverse effect on our results of operations or financial condition.

Negative deviations in actual cash flows compared to estimated cash flows as well as new estimates that indicate lower future cash flows might result in recognition of impairment charges. Estimates require management judgment as well as the definition of cash generating units for impairment testing purposes. Other judgments might result in significantly different results and financial position in the future.

REGULATORY, COMPLIANCE AND CORPORATE GOVERNANCE RISKS

Our business may suffer as a result of changes in laws or regulations which could subject us to liability, increase costs, or reduce product demand.

Telecommunications is an industry which is subject to regulations. Changes to these regulations may adversely affect both our customers' and our own operations. For example, regulations imposing more stringent, time-consuming or costly planning and zoning requirements or building approvals for radio base stations and other network infrastructure could adversely affect the timing and costs of network construction or expansion, and ultimately the commercial launch and success of these networks. Similarly, tariff and roaming regulations or rules on network neutrality could also affect operators' ability or willingness to invest in network infrastructure, which in turn could affect the sales of our systems and services. Additionally, delay in radio frequency spectrum allocation, and allocation between different types of usage may affect operator spending adversely or force us to develop new products to be able to compete.

Further, we develop many of our products and services based on existing regulations and technical standards. Changes to existing regulations and technical standards, or the implementation of new regulations and technical standards relating to products and services not previously regulated, could adversely affect our development efforts by increasing compliance costs and causing delay. Demand for those products and services could also decline. Regulatory changes in license fees, environmental, health and safety, privacy and other regulatory areas may increase costs and restrict our operations or the operations of network operators and service providers. Also indirect impacts of such changes and regulatory changes in other fields, such as pricing regulations, could have an adverse impact on our business even though the specific regulations may not apply directly to our products or us. Ericsson may fail or be unable to comply with laws or regulations and could experience adverse rulings in enforcement or other proceedings, which could have a material adverse impact on our business operations, financial condition and brand.

Our substantial international operations are subject to uncertainties which could affect our operating results.

We conduct business throughout the world and are subject to the effects of general global economic conditions as well as conditions unique to specific countries or regions. We conduct business in more than 180 countries, with a significant proportion of our sales to emerging markets in the Asia Pacific region, Latin America, Eastern Europe, the Middle East and Africa.

Our extensive operations are subject to numerous additional risks, including civil disturbances, economic and political instability, the imposition of exchange controls, economies which are subject to significant fluctuations, nationalization of private assets or other governmental actions affecting the flow of goods and currency, and difficulty of enforcing agreements and collecting receivables through local legal systems. Further, in certain markets in which we operate, there is a risk of protectionist governmental measures implemented to assist domestic market participants at the expense of foreign competitors. The implementation of such measures could adversely affect sales or our ability to purchase critical components.

We must always comply with relevant export control regulations and sanctions or other trade embargoes in force, not only at the time of sale but also at the time of delivery. The political situation in parts of the world, particularly in the Middle East, has lead to an increase of sanctions imposed by the global community. A universal element of these sanctions is the financial restrictions with respect to individuals and/or legal entities, but sanctions can also restrict certain exports and ultimately lead to a complete trade embargo towards a country. There is a risk in many of these countries of unexpected changes in regulatory requirements, tariffs and other trade barriers, price or exchange controls, or other governmental policies which could limit our operations and decrease our profitability. Although we seek to comply with all such regulations, there can be no assurance that we are, or will be in the future, compliant with all relevant regulations and such violations, even unintentional violations, could have material adverse effects on our business, operational results and brand.

There has been a growing concern reported by media and others, that certain countries may use features of their telecommunications systems violating the human rights. This may adversely affect the telecommunications business and may have a negative impact on our brand.

As a result of the credit crisis in Europe, concerns persist regarding the debt burden of certain Eurozone countries and their ability to meet future financial obligations, the overall stability of the euro and the suitability of the euro as a single currency given the diverse economic and political circumstances in individual member states. These and other concerns could in worst case lead to the re-introduction of individual currencies in one or more member states, or, in more extreme circumstances, the possible dissolution of the euro entirely. These potential developments, or market perceptions concerning these and related issues, could adversely affect our operations and have a material adverse effect on our business, operating results and financial condition.

We may fail to comply with our corporate governance standards which could subject us to harm.

We apply mandatory corporate governance laws and regulations and are also committed to several corporate responsibility and environmental initiatives. To ensure that our operations are executed in accordance with these requirements, our management system includes a Code of Business Ethics as well as policies and directives to govern our processes and operations. While we attempt to monitor and audit internal compliance with the policies and directives as well as our suppliers' adherence to our Code of Conduct, we cannot provide any assurances that violations will not occur which could have material adverse effects on our operations, business results and brand.

Failure to comply with environmental, health and safety regulations in many jurisdictions may expose us to significant penalties and other sanctions.

We are subject to certain environmental, health and safety laws and regulations that affect our operations, facilities and products in each of the jurisdictions in which we operate. While we believe that we are in compliance with all material laws and regulations related to the environment, health, and safety, we can provide no assurance that we have been, are, or will in the future be compliant with these regulations. If we have failed or fail to comply with these regulations, we could be subject to significant penalties and other sanctions that could have a material adverse effect on our business, operating results and financial condition. Additionally, there is a risk that we may have to incur expenditures to cover environmental and health liabilities to maintain compliance with current or future laws and regulations or to undertake any necessary remediation. It is difficult to reasonably estimate the future impact of environmental matters, including potential liabilities. This is due to several factors, particularly the length of time often involved in resolving such matters. Adverse future events, regulations, or judgments could have a material effect on our business, operating results and financial condition.

Potential health risks related to electromagnetic fields may subject us to various product liability claims and result in regulatory changes.

The mobile telecommunications industry is subject to claims that mobile handsets and other devices that generate electromagnetic fields expose users to health risks. At present, a substantial number of scientific studies conducted by various independent research bodies have indicated that electromagnetic fields, at levels within the limits prescribed by public health authority safety standards and recommendations, cause no adverse effects to human health. However, any perceived risk or new scientific findings of adverse health effects from mobile communication devices and equipment could adversely affect us through a reduction in sales or through liability claims. Although Ericsson's products are designed to comply with all current safety standards and recommendations regarding electromagnetic fields, we cannot guarantee that we or the jointly owned Sony Ericsson Mobile Communications or ST-Ericsson will not become the subject of product liability claims or be held liable for such claims or be required to comply with future regulatory changes that may have an adverse effect on our business, operating results and financial condition.

RISKS ASSOCIATED WITH OWNING ERICSSON SHARES

Our share price has been and may continue to be volatile, especially as technology companies, securities and markets as a whole remain volatile.

Our share price has been volatile due to various factors, including our operating performance as well as the high volatility in the securities markets generally and volatility in telecommunications and technology companies' securities in particular. Our share price is also likely to be affected by future developments in our market, our reported financial results and the expectations of financial analysts, as well as statements and market speculation regarding our future prospects or the timing or content of any public communications, including reports of operating results, by us or our competitors.

Factors other than our financial results that may affect our share price include, but are not limited to:

- a weakening of our brand name or other circumstances with adverse effects on our reputation;
- announcements by our customers, competitors or us regarding capital spending plans of our customers;
- financial difficulties for our customers;
- awards of large supply or service contracts;
- speculation in the press or investment community about the business level or growth in the telecommunications market;
- technical problems, in particular those relating to the introduction and viability of new network systems, including LTE/4G and new platforms such as the RBS 6000 (multi-standard radio base station) platform;
- actual or expected results of ongoing or potential litigation;
- announcements concerning bankruptcy or investigations into the accounting procedures of ourselves or other telecommunications companies; and
- our ability to forecast and communicate our future results in a manner consistent with investor expectations.

Currency fluctuations may adversely affect share value or value of dividends.

Because our shares are quoted in SEK on NASDAQ OMX Stockholm (our primary stock exchange), but in USD on NASDAQ New York (ADSs), fluctuations in exchange rates between SEK and USD may affect the value of our shareholders' investment. In addition, because we pay cash dividends in SEK, fluctuations in exchange rates may affect the value of distributions when converted into other currencies. An increasing part of the trade in our shares is carried out on alternative exchanges or markets, which may lead to less accurate share price information on NASDAQ OMX Stockholm or NASDAQ New York.

AUDITORS' REPORT

To the Annual General Meeting of the shareholders of Telefonaktiebolaget LM Ericsson (publ), corporate identity number 556016-0680

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Telefonaktiebolaget LM Ericsson (publ) for the year 2011. (The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 19–123.)

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE PRESIDENT AND CEO FOR THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

The Board of Directors and the President and CEO are responsible for the preparation and fair presentation of these annual accounts and consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the President and CEO determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the President and CEO, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINIONS

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Parent Company as of 31 December 2011 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act, and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2011 and of their financial performance and cash flows in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the President and CEO of Telefonaktiebolaget LM Ericsson (publ) for the year 2011.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE PRESIDENT AND CEO

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the President and CEO are responsible for administration under the Companies Act.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the President and CEO is liable to the company. We also examined whether any member of the Board of Directors or the President and CEO has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINIONS

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the President and CEO be discharged from liability for the financial year.

Stockholm, February 24, 2012

Peter Nyllinge
Authorized Public Accountant
PricewaterhouseCoopers AB
Auditor in Charge

Johan Engstam
Authorized Public Accountant
PricewaterhouseCoopers AB

FORWARD-LOOKING STATEMENTS

This Annual Report includes forward-looking statements, including statements reflecting management's current views relating to the growth of the market, future market conditions, future events and expected operational and financial performance. The words "believe", "expect", "foresee", "anticipate", "assume", "intend", "may", "could", "plan", "estimate", "will", "should", "could", "aim", "ambition", "target", "might" or, in each case, their negative, and similar words are intended to help identify forward-looking statements. Forward-looking statements may be found throughout this document, but in particular in the chapter "Board of Directors' Report" and include statements regarding:

- Our goals, strategies and operational or financial performance expectations
- Development of corporate governance standards, stock market regulations and related legislation
- The growth of the markets in which we operate
- Our liquidity, capital resources, capital expenditures, our credit ratings and the development in the capital markets, affecting our industry or us
- The expected demand for our existing as well as new products and services
- The expected operational or financial performance of our joint ventures and other strategic cooperation activities
- The time until acquired entities will be accretive to income
- Technology and industry trends including regulatory and standardization environment, competition and our customer structure
- Our plans for new products and services including research and development expenditures.

Although we believe that the expectations reflected in these and other forward-looking statements are reasonable, we cannot assure you that these expectations will materialize. Because forward-looking statements are based on assumptions, judgments and estimates, and are subject to risks and uncertainties, actual results could differ materially from those described or implied herein. Important factors that could affect whether and to what extent any of our forward-looking statements materialize include, but are not limited to:

- Our ability to respond to changes in the telecommunications market and other general market conditions in a cost effective and timely manner
- Developments in the political, economic or regulatory environment affecting the markets in which we operate, including trade embargoes, changes in tax rates, changes in patent protection regulations, allegations of health risks from electromagnetic fields, cost of radio licenses for our customers, allocation of radio frequencies for different purposes and results of standardization activities
- The effectiveness of our strategies and their execution, including partnerships, acquisitions and divestments
- Financial risks, including changes in foreign exchange rates or interest rates, lack of liquidity or access to financing, changes in tax liabilities, credit risks in relation to counterparties, customer defaults under significant customer finance arrangements and risks of confiscation of assets in foreign countries
- The impact of the consolidation in the industry, and the resulting (i) reduction in the number of customers, and adverse consequences of a loss of, or significant decline in, our business with a major customer; (ii) increased strength of a competitor or the establishment of new competitors
- The impact of changes in product demand, price erosion, competition from existing or new competitors or new technologies or alliances between vendors of different types of technology and the risk that our products and services may not sell at the rates or levels we anticipate
- The product mix and margins of our sales
- The volatility of market demand and difficulties to forecast such demand
- Our ability to develop commercially viable products, systems and services, to acquire licenses of necessary technology, to protect our intellectual property rights through patents and trademarks and to license them to others and defend them against infringement, and the results of patent litigation
- Supply constraints, including component or production capacity shortages, suppliers' abilities to cost effectively deliver quality products on time and in sufficient volumes, and risks related to concentration of proprietary or outsourced production in a single facility or sole source situations with a single vendor
- Our ability to successfully manage operators' networks to their satisfaction with satisfactory margins
- Our ability to maintain a strong brand and good reputation and to be acknowledged for good corporate governance
- Our ability to recruit and retain qualified management and other key employees.

Certain of these risks and uncertainties are described further in "Risk Factors". We undertake no obligation to publicly update or revise any forward-looking statements included in this Annual Report, whether as a result of new information, future events or otherwise, except as required by applicable law or stock exchange regulation.

THINKING AHEAD

To enable the networked society, we need to be more than just market leaders. We need to be thought leaders.

We make sure that the knowledge we gain is shared with our people. This keeps our thinking – and our business – one step ahead.

30,000

WITH 30,000 PATENTS AND 90 LICENSE AGREEMENTS, WE HAVE THE INDUSTRY'S STRONGEST WIRELESS INTELLECTUAL PROPERTY PORTFOLIO.

CORPORATE GOVERNANCE REPORT 2011

As Chairman of the Board it lies at the core of my responsibilities to ensure that the Board's work is conducted in an optimal way, in line with the principles and processes in the work procedure for the Board of Directors.

The Board has two key roles: to provide good support for Group management and to exercise critical review of their work. This requires at all times an open, meaningful dialogue on important issues. In my view, the Group management and the Board do not have to be in agreement from the beginning, but our dialogue must always result in agreement being reached.

It is of utmost importance that the Board is well informed at all times in order to give constructive input to management. The Board's work is constantly scrutinized and improved to ensure that it has the best possible basis for its resolutions.

Good corporate governance is the basis for building robust corporate culture. However, corporate governance can not only be about efficient and reliable controls and procedures. It is also about the adherence to a strong principle of ethical business practice by all people in the organization – starting at the top and permeating to all employees. This strengthens the business, which in turn generates shareholder value.

Leif Johansson

Chairman of the Board of Directors

CONTENTS

Corporate governance describes the ways in which rights and responsibilities are distributed among the various corporate bodies according to applicable laws, rules and processes. Corporate governance also defines the decision-making systems and structure through which owners directly or indirectly control a company.

This Corporate Governance Report is rendered as a separate report added to the Annual Report in accordance with the Annual Accounts Act ((SFS 1995:1554) Chapter 6, Section 6 and 8) and the Swedish Corporate Governance Code. The report has been reviewed by Ericsson's auditors in accordance with the Annual Accounts Act and a report from the auditors is appended hereto.

KEY EVENTS 2011

Leif Johansson was elected new Chairman of the Board

Jacob Wallenberg was elected new member of the Board

Three new members joined the Executive Leadership Team

REGULATION AND COMPLIANCE

External rules

As a Swedish public limited liability company with securities quoted on NASDAQ OMX Stockholm as well as on NASDAQ New York, Ericsson is subject to a variety of rules that affect its governance. Major external rules include:

- The Swedish Companies Act
- The Rulebook for issuers of NASDAQ OMX Stockholm
- The Swedish Corporate Governance Code (the "Code")
- NASDAQ New York Stock Market Rules, including applicable NASDAQ New York corporate governance requirements (subject to certain exemptions principally reflecting mandatory Swedish legal requirements)
- Applicable requirements of the US Securities and Exchange Commission.

Internal rules

In addition, to ensure compliance with legal and regulatory requirements and the high ethical standards that we set for ourselves, Ericsson has adopted internal rules that include:

- A Code of Business Ethics
- Group Steering Documents including Group policies and directives, instructions and business processes for approval, control and risk management
- A Code of Conduct, to be applied in the product development, production, supply and support of Ericsson products and services worldwide.

The Board of Directors has also included internal rules in its work procedure.

Compliance with the Swedish Corporate Governance Code

The Code has been applied by Ericsson since July 2005. Ericsson is committed to complying with best-practice corporate governance on a global level wherever possible. This includes continued compliance with the Code. Ericsson has not deviated from any of the rules of the Code. The Code can be found on the website of the Swedish Corporate Governance Board which administrates the Code (www.corporategovernanceboard.se).

Compliance with applicable stock exchange rules

There has been no infringement of applicable stock exchange rules and no breach of good practice on the securities market reported by the stock exchange's disciplinary committee or the Swedish Securities Council.

Code of Business Ethics

Ericsson's Code of Business Ethics sets out how the Group achieves and maintains high ethical standards. It summarizes the Group's fundamental policies and directives and underpins the importance of ethical conduct in all business activities.

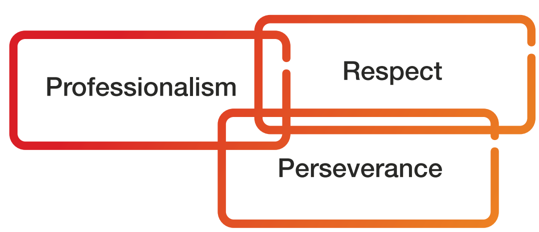
The Code of Business Ethics has been translated into 25 languages. This ensures that it is accessible to all employees. During recruitment, employees acknowledge that they are aware of the principles of the Code of Business Ethics. This procedure is repeated at regular intervals throughout the term of employment.

Through this process, Ericsson strives to ensure that high ethical standards are continuously upheld. All employees have an individual responsibility to ensure that business practices adhere to the rules of the Code of Business Ethics.

The Code of Business Ethics can be found at www.ericsson.com/code-of-business-ethics

Information on the Ericsson website does not form part of this Report.

ERICSSON'S CORE VALUES



SHAREHOLDERS

Ownership structure

As of December 31, 2011, Telefonaktiebolaget LM Ericsson (the "Parent Company") had 592,542 shareholders (according to the share register kept by Euroclear Sweden AB). Institutions, both Swedish and international, own approximately 80% of the shares. The largest shareholders are Investor AB, holding 21.48% of the votes and AB Industrivärden, holding 19.92% of the votes (together with Svenska Handelsbankens Pensionsstiftelse and Pensionskassan SHB Försäkringsförening).

A significant number of the shares held by foreign investors are nominee-registered, i.e. held off-record by banks, brokers and/or nominees. This means that the actual shareholder is not displayed in the share register or included in the shareholding statistics.

More information on Ericsson's shareholders can be found in the chapter "Share Information" in the Annual Report.

Shares and voting rights

The share capital of the Parent Company consists of two classes of listed shares: A and B shares. Each Class A share carries one vote and each Class B share carries one tenth of one vote. Class A and B shares entitle the holder to the same proportion of assets and earnings and carry equal rights to dividends.

The Parent Company may also issue Class C shares in order to create treasury stock to finance and hedge long-term variable remuneration programs resolved by the General Meeting of shareholders. The Class C shares are converted into Class B shares before they are used for the long-term variable remuneration programs.

The members of the Board of Directors and the Executive Leadership Team have the same voting rights on shares as other shareholders.

GOVERNANCE STRUCTURE

The shareholders may exercise their decision-making rights in the Company at General Meetings of shareholders.

A Nomination Committee is appointed by the major shareholders in accordance with a procedure adopted by the Annual General Meeting of shareholders. One of the tasks of the Nomination Committee is to propose candidates for election to the Board of Directors at the Annual General Meeting of shareholders.

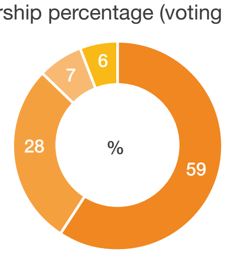
The Board of Directors is ultimately responsible for the organization of Ericsson and the management of its operations. In addition to the Directors elected by the shareholders, the Board of Directors consists of employee representatives appointed by the unions.

The President and CEO, appointed by the Board of Directors, is responsible for the day to day management of Ericsson in accordance with instructions from the Board. The President and CEO is supported by the Executive Leadership Team.

The external auditor of Ericsson is elected by the General Meeting of shareholders.

SHAREHOLDERS

Ownership percentage (voting rights)



- Swedish institutions. **59.29%**, of which:
  - – Investor AB: **21.48%**
  - – AB Industrivärden (together with SHB Pensionsstiftelse and Pensionskassan SHB Försäkringsförening): **19.92%**
- Foreign investors: **27.95%**
- Retail Swedish investors: **7.00%**
- Other: **5.76%**

Source: Capital Precision

GOVERNANCE STRUCTURE

Telcordia05318

GENERAL MEETING OF SHAREHOLDERS

Decision-making at General Meetings

The decision-making rights of Ericsson's shareholders are exercised at General Meetings of shareholders. Most resolutions at General Meetings are passed by a simple majority. However, the Swedish Companies Act requires qualified majorities in certain cases, for example in case of:

- Amendment of the articles of association
- Resolution to transfer own shares to employees participating in long-term variable remuneration programs.

The Annual General Meeting of shareholders

The Annual General Meeting of shareholders (AGM) is held in Stockholm. The date and venue for the meeting is announced on the Ericsson website no later than at the time of release of the third-quarter interim financial report.

Shareholders who cannot participate in person may be represented by proxy. Only shareholders registered in the share register have voting rights. Nominee-registered shareholders who wish to vote may request to be entered into the share register by the record date for the AGM.

The AGM is held in Swedish and is simultaneously interpreted into English. All documentation provided by the Company is available in both Swedish and English.

The AGM gives shareholders the opportunity to raise questions relating to the operations of the Group. Ericsson always strives to ensure that the members of the Board of Directors and the Executive Leadership Team are present to answer such questions. Shareholders and other interested parties may also correspond in writing with the Company at any time.

The external auditor is always present at the AGM.

Ericsson's Annual General Meeting 2011

Including shareholders represented by proxy, 2,263 shareholders attended the AGM held on April 13, 2011, representing approximately 64% of the votes.

The meeting was also attended by the Board of Directors, members of the Executive Leadership Team and the external auditor.

Decisions of the AGM 2011 included:

- Payment of a dividend of SEK 2.25 per share for 2010
- Election of Leif Johansson as new Chairman of the Board of Directors
- Re-election of members of the Board of Directors: Roxanne S. Austin, Sir Peter L. Bonfield, Börje Ekholm, Ulf J. Johansson, Sverker Martin-Löf, Nancy McKinstry, Anders Nyrén, Carl-Henric Svanberg, Hans Vestberg and Michelangelo Volpi
- Election of Jacob Wallenberg as a new member of the Board of Directors
- Board of Directors' fees:
  - Chairman: SEK 3,750,000 (unchanged)
  - Other non-employed Board members: SEK 825,000 each (previously SEK 750,000)
  - Chairman of the Audit Committee: SEK 350,000 (unchanged)
  - Other non-employed members of the Audit Committee: SEK 250,000 each (unchanged)
  - Chairmen of the Finance and Remuneration Committees: SEK 200,000 each (previously SEK 125,000)
  - Other non-employed members of the Finance and Remuneration Committees: SEK 175,000 each (previously SEK 125,000)
- Approval for part of the Directors' fees to be paid in the form of synthetic shares
- Approval of guidelines for remuneration to the Executive Leadership Team
- Implementation of a Long-Term Variable Remuneration Program 2011
- Approval of the Board of Directors' proposal to amend the articles of association to adjust the description of the objects of the Parent Company to the Group's strategy to expand into new industry segments.

The minutes of the AGM 2011 are available at: http://www.ericsson.com/res/investors/docs/2011/agm/amg2011_minutes_en.pdf (information on the Ericsson website does not form part of this Report).

ANNUAL GENERAL MEETING 2012

Ericsson's AGM 2012 will take place on May 3, 2012 at Kistamässan in Kista, Stockholm.

Shareholders who wish to have a matter addressed at the AGM may submit their written request to the Board in due time before the AGM. Further information is available on Ericsson's website. (Information on the Ericsson website does not form part of this Report.)

CONTACT THE BOARD OF DIRECTORS

Telefonaktiebolaget LM Ericsson
The Board of Directors Secretariat
SE-164 83 Stockholm
Sweden

boardsecretariat@ericsson.com

NOMINATION COMMITTEE

A Nomination Committee was elected by the AGM for the first time in 2001. Since then, each AGM has appointed a Nomination Committee, or resolved on the procedure for appointing the Nomination Committee.

The AGM 2011 resolved that the Nomination Committee shall consist of:

- Representatives of the four largest shareholders by voting power by the end of the month in which the AGM was held
- The Chairman of the Board of Directors.

As described in the procedure for appointing members to the Nomination Committee, the Committee may include additional members following a request by a shareholder. The request must be justified by changes in the shareholder's ownership of shares and be received by the Nomination Committee no later than December 31. No fees are paid to the members of the Nomination Committee.

Members of the Nomination Committee

In addition to the Chairman of the Board of Directors, the current Nomination Committee consists of four representatives appointed by the four shareholders with the largest voting power as of April 29, 2011:

- Carl-Olof By (AB Industrivärden, Svenska Handelsbankens Pensionsstiftelse), Chairman of the Nomination Committee
- Petra Hedengran (Investor AB)
- Caroline af Ugglas (Livförsäkringsaktiebolaget Skandia)
- Marianne Nilsson (Swedbank Robur Fonder).

The tasks of the Nomination Committee

Over the years the tasks of the Nomination Committee have evolved to comply with the requirements of the Code. The main task of the Committee remains to propose candidates for election to the Board of Directors. In doing this, the Committee must not only orientate itself on the Company's strategy and future challenges to be able to assess the competence and experience that is required by the Board; it must also consider all applicable rules on independence of the Board of Directors.

The Committee also prepares remuneration proposals for resolution by the AGM to non-employed Directors elected by the AGM and to the auditor.

The assignment of the Nomination Committee further includes proposing auditors, whereby candidates are selected in cooperation with the Audit Committee of the Board. The Committee also proposes a candidate for election of the Chairman at the Annual General Meeting.

Work of the Nomination Committee for the AGM 2012

The Nomination Committee starts its work by going through a checklist of all its duties according to the Code and the appointment procedure, resolved by the AGM. The Committee also sets a time plan for its work ahead. A thorough understanding of Ericsson's business is paramount to the role of the members of the Committee. Therefore, the President and CEO is invited to, together with the Chairman of the Board, present their views on the Company's position and strategy.

The Committee has been thoroughly informed of the results of the evaluation of the Board work and procedures, including the performance of the Chairman of the Board. From this basis the Committee can make assessments on the competence and experience required by Board members.

The Committee has acquainted itself with the assessments made by the Company and the Audit Committee on the quality and efficiency of external auditor work, including recommendations regarding auditors and audit fees. As of February 24, 2012 the Nomination Committee has held six meetings.

Shareholders may submit proposals to the Nomination Committee at any time, but should do so in due time before the AGM to ensure that the proposals can be considered by the Committee. Further information is available on Ericsson's website. (Information on the Ericsson website does not form part of this Report.)

CONTACT THE NOMINATION COMMITTEE

Telefonaktiebolaget LM Ericsson
The Nomination Committee
c/o General Counsel's Office
SE-164 83 Stockholm
Sweden

nomination.committee@ericsson.com

BOARD OF DIRECTORS

The Board of Directors is ultimately responsible for the organization of Ericsson and the management of Ericsson's operations. The Board of Directors develops guidelines and instructions for day-to-day operations, managed by the President and CEO. The President and CEO ensures that the Board is updated regularly on events of importance to the Group. This includes updates on business development, results, financial position and the liquidity of the Group.

According to the Articles of Association, the Board of Directors shall consist of no less than five and no more than twelve directors, with no more than six deputies. In addition, under Swedish law, trade unions have the right to appoint three directors and their deputies to the Board.

Directors serve from the close of one AGM to the close of the next, but can serve any number of consecutive terms.

The President and CEO may be elected director of the Board, but under the Swedish Companies Act the President of a public company may not be elected Chairman of the Board.

Rules and regulations

Ericsson strictly follows rules and regulations regarding conflicts of interest. Directors are disqualified from participating in any decision regarding agreements between themselves and Ericsson. The same applies to agreements between Ericsson and any third party or legal entity in which the Board member has an interest.

The Audit Committee has implemented a procedure on related-party transactions and a pre-approval process for non-audit services carried out by the external auditor.

Composition of the Board of Directors

The Board of Directors consists of 12 Directors, including the Chairman of the Board, elected by the shareholders at the AGM 2011 for the period until the close of the AGM 2012. It also includes three employee representatives, each with a deputy, appointed by the trade unions for the same period of time. The President and CEO, Hans Vestberg, is the only Board member who was also a member of Ericsson's management during 2011.

Work procedure

Pursuant to the Swedish Companies Act, the Board of Directors has adopted a work procedure that outlines rules for the distribution of tasks between the Board and its Committees as well as between the Board, its Committees and the President and CEO. This complements the regulation in the Swedish Companies Act and in the Articles of Association of the Company. The work procedure is reviewed, evaluated and adopted by the Board as required and at least once a year.

Independence

The Board of Directors and its Committees are subject to a variety of independence requirements. Ericsson applies independence rules in applicable Swedish law, the Code, the NASDAQ New York Stock Market Rules and in the Sarbanes-Oxley Act of 2002. However, Ericsson has sought and received exemptions from certain requirements in the Sarbanes-Oxley Act and in the NASDAQ New York Stock Market Rules that are contrary to Swedish law.

The composition of the Board of Directors meets all applicable independence criteria.

The Nomination Committee concluded before the AGM 2011 that, for the purposes of the Code, at least six of the persons nominated to the Board were independent of Ericsson, its senior management and its major shareholders. These were Roxanne S. Austin, Sir Peter L. Bonfield, Leif Johansson, Ulf J. Johansson, Nancy McKinstry and Michelangelo Volpi.

Structure of the work of the Board of Directors

The work of the Board follows a yearly cycle. This enables the Board to appropriately address each of its duties and to keep strategy, risk assessment and value creation high on the agenda.

> **Statutory meeting**
The yearly cycle starts with the statutory Board meeting which is held in connection with the AGM. At this meeting, members of each of the three Committees are appointed and the Board resolves on matters such as signatory power.

> **First interim report meeting**
At the next ordinary meeting, the Board handles the interim financial report for the first quarter of the year.

> **Main strategy meeting**
Various strategic issues are addressed at most of the Board meetings. In accordance with the annual cycle for the strategy process, a main strategy Board meeting is also held, which is in essence dedicated to short and long-term strategies of the Group. Following the Board's input on and approval of the overall strategy, the strategy is cascaded throughout the entire organization, starting at the Global Leadership Summit with Ericsson's top 250 managers.

> **Second interim report meeting**
At the second interim report meeting, the Board convenes to handle the interim financial report for the second quarter of the year.

> **Follow-up strategy and risk management meeting**
Following the summer, a meeting is held to address particular strategy matters in further detail and to finally confirm the Group strategy. The meeting also addresses the overall risk management of the Group.

> **Third interim report meeting**
A Board meeting is held to handle the interim financial report for the third quarter of the year. At this meeting, the results of the Board evaluation are presented to and discussed by the Board.

> **Budget and financial outlook meeting**
A meeting is held for the Board to address budget and financial outlook as well as further analysis of internal and external risks.

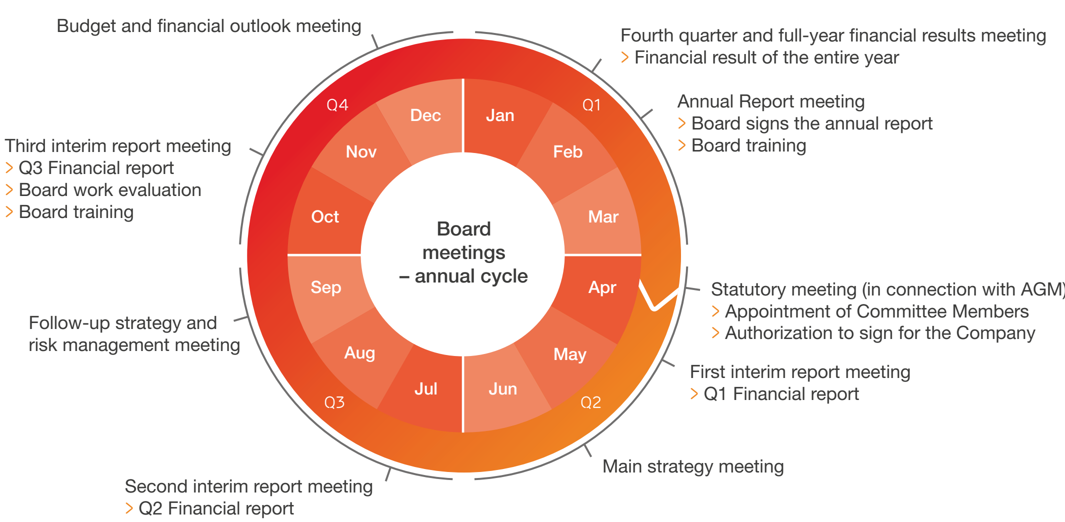
> **Fourth quarter and full-year financial results meeting**
Following the end of the calendar year, the Board holds a meeting which focuses on the financial results of the entire year and handles the fourth-quarter financial report.

> **Annual Report meeting**
The Annual Report meeting closes the yearly cycle of work of the Board of Directors and at this meeting the Board approves the Annual Report.

As the Board is responsible for financial oversight, financials are presented and evaluated at each Board meeting. Furthermore, each Board meeting generally includes reports on Committee work by the Chairman of each Committee. In addition, minutes from the Committee meetings are distributed to all Directors prior to the Board meeting.

At each Board meeting, the President and CEO reports on business and market developments as well as on the financial performance of the Company. The Board is regularly informed of developments in legal and regulatory matters of importance.

THE BOARD'S ANNUAL WORK CYCLE



Auditor involvement

The Board meets with Ericsson's external auditors at least once a year to receive and consider the auditors' observations. The auditors report to management on the accounting and financial reporting practices of the Group.

The Audit Committee also meets with the auditors to receive and consider observations on the interim reports and the Annual Report. The auditors have been instructed to report on whether the accounts, the management of funds and the general financial position of the Group are well controlled in all material respects.

The Board also reviews and assesses the process for financial reporting, as described later in "Internal control over financial reporting 2011". Combined with the internal controls, the Board's and the auditors' review of interim and annual reports are deemed to give reasonable assurance on the quality of the financial reporting.

Training of the Board of Directors

All new Directors receive comprehensive training tailored to their individual needs. Introductory training typically includes meetings with the heads of the business units and Group functions, as well as training arranged by NASDAQ OMX Stockholm on listing issues and insider rules. In addition, full-day training sessions are held twice a year for all Directors. These sessions enhance their knowledge of specific operations and issues as appropriate to ensure that the Board has knowledge and understanding at the forefront of technical development and of the business activities of the Group.

As a rule, the Board receives Sustainability and Corporate Responsibility training at least once a year.

Key focus areas in Board training 2011 were:

- Technology, research and thought leadership. Being the thought leader is being the prime driver, while also introducing entirely new thoughts, ideas and concepts
- Growth drivers and market trends.

Work of the Board of Directors in 2011

In 2011, 12 Board meetings were held. For attendance at Board meetings see the table on page 137. Among the matters addressed by the Board this year (apart from regular matters in the annual Board work cycle) were:

- A number of acquisitions, including Nortel's Multiservices Switch business, GDNT in China, Telcordia and the M2M technology platform from Telenor Connexion
- Exclusive strategic alliance with Akamai to create mobile cloud acceleration solutions
- Acquisition of a Nortel patent portfolio as part of a consortium of technology companies
- Continued focus on effects of the general financial uncertainty on the market, including effects of the political unrest in the Middle East and Africa, the earthquake and tsunami in Japan and other natural disasters
- Sale of Ericsson's share of Sony Ericsson to Sony
- An increased focus on patents and licensing as a key revenue area with growth opportunities.

Board work evaluation

A key objective of the Board evaluation is to ensure that the Board is functioning well. This includes gaining an understanding of the issues which the Board thinks warrant greater focus, as well as determining areas where additional competence is needed within the Board. The evaluation also serves as guidance for the work of the Nomination Committee.

Each year, the Chairman of the Board initiates and leads the evaluation of Board and Committee work and procedures. The evaluation tools include detailed questionnaires and discussions.

In 2011, all the Directors responded to three separate written questionnaires, covering the Director's individual performance, Board work in general and the Chairman's performance. The Chairman was not involved in the development or compilation of the questionnaire which related to his performance, nor was he present when his performance was evaluated. The evaluations were thoroughly discussed and an action plan was developed in order to further improve the work of the Board.

COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors has established three Committees: the Audit Committee, the Finance Committee and the Remuneration Committee. Members of each Committee are appointed for one year amongst the Board members in accordance with the Swedish Companies Act and the Code.

The task of the Committees is mainly to prepare matters for final resolution by the Board. However, the Board has authorized each Committee to determine certain issues in limited areas. It may also on occasion provide extended authorization to the Committees to determine specific matters.

If deemed appropriate, the Board of Directors and each Committee have the right to engage external expertise, either in general or in respect to specific matters.

ORGANIZATION OF THE BOARD WORK

Board of Directors
15 Directors

Audit Committee (5 Directors)	Finance Committee (4 Directors)	Remuneration Committee (4 Directors)
> Oversight over financial reporting > Oversight over internal control > Oversight over auditing	> Financing > Investing > Customer credits	> Remuneration policy > Long-Term Variable Remuneration > Executive compensation

Prior to every Board meeting, each Committee submits to the Board minutes from Committee meetings held since the last Board meeting. The Chairman of the Committee also reports on the Committee work at each Board meeting.

Audit Committee

On behalf of the Board, the Audit Committee monitors the following:

- The scope and correctness of the financial statements
- Compliance with legal and regulatory requirements
- Internal control over financial reporting
- Risk management.

The Audit Committee also reviews the annual and interim financial reports and oversees the external audit process, including audit fees. This involves:

- Reviewing, with management and the external auditors, the financial statements (including their conformity with generally accepted accounting principles)
- Reviewing, with management, the reasonableness of significant estimates and judgments made in preparing the financial statements, as well as the quality of the disclosures in the financial statements
- Reviewing matters arising from reviews and audits performed.

The Audit Committee itself does not perform audit work. Ericsson has an internal audit function which reports to the Audit Committee and performs independent audits.

The Committee is also involved in the preparatory work of proposing candidates for election of the auditor. It also monitors Group transactions and the ongoing performance and independence of the auditors with the aim to avoid conflicts of interest.

In order to ensure the auditors' independence, the Audit Committee has established pre-approval policies and procedures for non-audit related services to be performed by the external auditors. Pre-approval authority may not be delegated to management.

MEMBERS OF THE COMMITTEES

Members of the Committees of the Board of Directors 2011		
Audit Committee	**Finance Committee**	**Remuneration Committee**
Ulf J Johansson (Chairman)	Leif Johansson (Chairman)	Leif Johansson (Chairman)
Roxanne S. Austin	Pehr Claesson	Börje Ekholm
Sir Peter L. Bonfield	Anders Nyrén	Nancy McKinstry
Jan Hedlund	Jacob Wallenberg	Karin Åberg
Sverker Martin-Löf		

The Audit Committee has also established the following:

- A process for reviewing transactions with related parties
- A whistleblower procedure for the reporting of violations relating to accounting, internal control and auditing matters.

Alleged violations are investigated by Ericsson's internal audit function together with the relevant Group function. Information regarding any incident is reported to the Audit Committee. Reports include measures taken, details of the responsible Group function and the status of any investigation.

MEMBERS OF THE AUDIT COMMITTEE

The Audit Committee consists of five Board members appointed by the Board. In 2011, the Audit Committee comprised Ulf J. Johansson (Chairman of the Committee), Roxanne S. Austin, Sir Peter L. Bonfield, Jan Hedlund and Sverker Martin-Löf.

The composition of the Audit Committee meets all applicable independence requirements. Each member is financially literate and familiar with the accounting practices of an international company such as Ericsson. The Board of Directors has determined that Ulf J. Johansson, Roxanne S. Austin, Sir Peter L. Bonfield and Sverker Martin-Löf all satisfy the requirement of being an audit committee financial expert, in accordance with the Sarbanes-Oxley Act, Section 407. Each of them fulfill relevant US independence requirements.

Former authorized public accountant Peter Markborn has been appointed external expert advisor to assist and advise the Audit Committee.

WORK OF THE AUDIT COMMITTEE IN 2011

The Audit Committee held 8 meetings in 2011. Directors' attendance is reflected in the table on page 137. During the year, the Audit Committee reviewed the scope and results of external financial audits and the independence of the external auditor. It also monitored the external audit fees and approved non-audit services performed by the external auditor in accordance with the Committee's pre-approval policies and procedures.

The Committee approved the annual audit plan for the internal audit function and reviewed its reports. Prior to publishing, the Committee also reviewed and discussed each interim report with the external auditor.

The Committee monitored the continued compliance with the Sarbanes-Oxley Act as well as the internal control and risk management process. It also reviewed certain related-party transactions in accordance with its established process.

Finance Committee

The Finance Committee is primarily responsible for:

- Handling matters related to acquisitions and divestments
- Handling capital contributions to companies inside and outside the Ericsson Group
- Raising of loans, issuances of guarantees and similar undertakings, and the approval of financial support to customers and suppliers
- Continuously monitoring the Group's financial risk exposure.

The Finance Committee is authorized to determine matters such as:

- Direct or indirect financing
- Provision of credits
- Granting of securities and guarantees
- Certain investments, divestments and financial commitments.

MEMBERS OF THE FINANCE COMMITTEE

The Finance Committee consists of four Board members as appointed by the Board. In 2011, the Finance Committee comprised: Leif Johansson (Chairman of the Committee), Pehr Claesson, Anders Nyrén and Jacob Wallenberg.

WORK OF THE FINANCE COMMITTEE IN 2011

The Finance Committee held 6 meetings in 2011. Directors' attendance is reflected in the table on page 137. During the year, the Finance Committee has approved numerous customer finance credit arrangements and reviewed a number of potential mergers and acquisitions from a financial perspective. As a result of the uncertainty on the financial markets and the macro-economic development, the Finance Committee has focused particularly on discussing and securing an adequate capital structure, cash flow and cash-generating ability. It has also continuously monitored Ericsson's financial position and credit exposure.

Remuneration Committee

The Remuneration Committee's main responsibility is to prepare for resolution by the Board of Directors matters regarding salary and other remuneration, including pension benefits of the President and CEO, the Executive Vice Presidents and other officers who report directly to the President and CEO. Other responsibilities include:

- Developing, monitoring and evaluating strategies and general guidelines for employee remuneration, including Short-Term Variable remuneration ("STV") and pension benefits
- Reviewing the results of Short-Term Variable remuneration plans before pay out
- Preparation of the Long-Term Variable remuneration ("LTV") program for referral to the Board and resolution by the General Meeting of shareholders
- Preparation of targets for Short-Term Variable remuneration for the following year, for resolution by the Board.

To achieve this, the Committee holds annual remuneration reviews with Company representatives. These reviews determine the strategic direction, and align program designs and remuneration policies with the business objectives.

Consideration is given to trends in remuneration, legislative changes, disclosure rules and the general global environment surrounding executive remuneration. The Committee reviews salary survey data before approving any salary adjustment for CEO direct reports. In addition, the Committee prepares salary adjustments for the President and CEO for resolution by the Board.

MEMBERS OF THE REMUNERATION COMMITTEE

The Remuneration Committee consists of four Board members as appointed by the Board. In 2011, the Remuneration Committee comprised: Leif Johansson (Chairman of the Committee), Börje Ekholm, Nancy McKinstry and Karin Åberg.

Piia Pilv was appointed by the Remuneration Committee in September 2011 as an independent expert advisor to assist the Committee, particularly regarding international trends and developments. Piia Pilv replaced Gerrit Aronson as expert advisor.

WORK OF THE REMUNERATION COMMITTEE IN 2011

The Remuneration Committee held 8 meetings in 2011. Directors' attendance is reflected in the table on page 137.

The Committee reviewed and prepared for resolution by the Board a proposal for the Long-Term Variable remuneration program 2011. This was approved by the AGM 2011. The Committee further resolved on salaries and Short Term Variable remuneration for 2011 for CEO direct reports. It prepared remuneration to the President and CEO, for resolution by the Board. The Committee also prepared a remuneration policy and guidelines for remuneration to the Executive Leadership Team, which were subsequently referred by the Board to the AGM for approval.

Towards the end of the year, the Committee concluded its analysis of the current Long-Term Variable remuneration structure and remuneration policy. The resulting proposals will be referred to the AGM 2012 for resolution.

For further information on fixed and variable remuneration, please see Notes to the Consolidated Financial Statements – Note C28 "Information Regarding Members of the Board of Directors, the Group management and Employees" and the "Remuneration Report" included in the Annual Report.

REMUNERATION TO BOARD MEMBERS

Remuneration to Board members not employed by the Company is proposed by the Nomination Committee for resolution by the AGM.

The AGM 2011 approved the Nomination Committee's proposal for fees to the non-employed Board members for Board and Committee work. For information on Board of Directors' fees 2011, please refer to Notes to the Consolidated Financial Statements – Note C28 "Information Regarding Members of the Board of Directors, the Group management and Employees" in the Annual Report. The AGM 2011 also approved the Nomination Committee's proposal that Board members may be paid part of their Board fee in the form of synthetic shares.

A synthetic share gives the right to receive a future cash payment of an amount which corresponds to the market value of a class B share in Ericsson at the time of payment. The director's right to receive payment with regard to allocated synthetic shares occurs, as a main rule, after the publication of the Company's year-end financial statement during the fifth year following the general meeting which resolved on the allocation of the synthetic shares. The purpose of paying part of the Board of Directors' fee in the form of synthetic shares is to further align the Directors' interest with shareholder interest. For more information on the terms and conditions of the synthetic shares, please refer to the notice convening the AGM 2011 at www.ericsson.com/thecompany/investors/general-meetings. (Information on the Ericsson website does not form part of this Report.)

DIRECTORS' ATTENDANCE AND FEES 2011

	Fees resolved by the AGM 2011		Number of Board/Committee meetings attended			
Board member	Board fees [1]	Committee fees	Board	Audit Committee	Finance Committee	Remuneration Committee
Leif Johansson [2]	3,750,000	400,000	8		3	5
Michael Treschow [3]	*–*		*4*		*2*	*3*
Sverker Martin-Löf [4]	825,000	250,000	11	5		
Jacob Wallenberg [2]	825,000	175,000	8		3	
Marcus Wallenberg [3]	*–*		*4*		*3*	
Roxanne S. Austin	825,000	250,000	12	8		
Sir Peter L. Bonfield	825,000	250,000	12	8		
Börje Ekholm	825,000	175,000	12			8
Ulf J. Johansson	825,000	350,000	12	8		
Nancy McKinstry	825,000	175,000	11			8
Anders Nyrén	825,000	175,000	12		6	
Carl-Henric Svanberg	825,000		10			
Hans Vestberg	–		12			
Michelangelo Volpi	825,000		11			
Pehr Claesson [5]	18,000 [6]		12		3	
Anna Guldstrand [7]	*6,000* [6]		*4*		*3*	
Jan Hedlund	16,500 [6]		11	7		
Karin Åberg	18,000 [6]		12			7
Kristina Davidsson	18,000 [6]		12			
Karin Lennartsson	18,000 [6]		12			
Roger Svensson [8]	12,000 [6]		8			
Total number of meetings			12	8	6	8

[1] Non-employed Directors can choose to receive part of their Board fee (exclusive of Committee fees) in the form of synthetic shares.
[2] Elected Board member as of April 13, 2011.
[3] Resigned as Board member as of April 13, 2011.
[4] Member of the Audit Committee since April 13, 2011.
[5] Member of the Finance Committee since April 13, 2011.
[6] Employee representative Board members and their deputies are not entitled to a Board fee but a compensation in the amount of SEK 1,500 per attended Board meeting.
[7] Resigned as employee representative as of April 13, 2011.
[8] Appointed deputy employee representative as of April 13, 2011.

MEMBERS OF THE BOARD OF DIRECTORS

Board members elected by the AGM 2011

Leif Johansson

(first elected 2011)

Chairman of the Board of Directors, Chairman of the Remuneration Committee and of the Finance Committee

Born 1951. Master of Science in Engineering, Chalmers University of Technology.

Board Chairman: European Round Table of Industrialists and the International Advisory Board of the Nobel Foundation.

Board Member: Svenska Cellulosa Aktiebolaget SCA, the Confederation of Swedish Enterprise and Ecolean AB.

Holdings in Ericsson [1]**:** 17,933 Class B shares.

Principal work experience and other information: President and CEO of AB Volvo 1997-2011. Executive Vice President of AB Electrolux 1988-1991, President 1991-1994 and President and CEO of AB Electrolux 1994-1997. Member of the Royal Swedish Academy of Engineering Sciences. Holds honorary Doctorates at Blekinge Institute of Technology and the University of Gothenburg. Awarded the large gold medal of the Royal Swedish Academy of Engineering Sciences in 2011.

Sverker Martin-Löf

(first elected 1993)

Deputy Chairman of the Board of Directors, Member of the Audit Committee

Born 1943. Doctor of Technology and Master of Engineering, Royal Institute of Technology, Stockholm.

Board Chairman: Skanska AB, Svenska Cellulosa Aktiebolaget SCA, SSAB and AB Industrivärden.

Board Member: Svenska Handelsbanken AB.

Holdings in Ericsson [1]**:** 10,400 Class B shares.

Principal work experience and other information: President and CEO of Svenska Cellulosa Aktiebolaget SCA 1990–2002, where he was employed 1977–1983 and 1986–2002. Previous positions at Sunds Defibrator and Mo och Domsjö AB.

Jacob Wallenberg

(first elected 2011)

Deputy Chairman of the Board of Directors, Member of the Finance Committee

Born 1956. Bachelor of Science in Economics and Master of Business Administration, Wharton School, University of Pennsylvania, Officer of the Reserve, Swedish Navy.

Board Chairman: Investor AB.

Deputy Board Chairman: Atlas Copco AB, SAS AB and SEB Skandinaviska Enskilda Banken AB (SEB).

Board member: ABB Ltd., The Coca-Cola Company, The Knut and Alice Wallenberg Foundation and Stockholm School of Economics.

Holdings in Ericsson [1]**:** 750 Class A shares and 3,413 Class B shares.

Principal work experience and other information: Chairman of the Board of Investor AB since 2005. Extensive experience in banking and finance, including experience from the commercial banks JP Morgan, New York and SEB. Appointed President and CEO of SEB in 1997 and appointed Chairman of SEB's Board of Directors in 1998. Executive Vice President and CFO of Investor AB 1990-1993. Chairman of IBLAC (Mayor of Shanghai's International Business Leaders Advisory Council) and a member of The European Round Table of Industrialists.

Roxanne S. Austin

(first elected 2008)

Member of the Audit Committee

Born 1961. Bachelor of Business Administration in Accounting, University of Texas, San Antonio, USA.

Board Member: Abbott Laboratories, Teledyne Technologies Inc. and Target Corporation.

Holdings in Ericsson [1]**:** 3,000 Class B shares.

Principal work experience and other information: President of Austin Investment Advisors since 2004. President and CEO of Move Networks Inc. 2009–2010. President and CEO of DIRECTV 2001–2003. Corporate Senior Vice President and CFO of Hughes Electronics Corporation 1997–2000, which she joined in 1993. Previously a partner at Deloitte & Touche. Member of the board of trustees of the California Science Center. Member of the California State Society of certified Public Accountants and the American Institute of Certified Public Accountants.

[1] The number of shares reflects ownership as of December 31, 2011 and includes holdings by related natural and legal persons, as well as holdings of any ADS, if applicable.

Sir Peter L. Bonfield

(first elected 2002).

Member of the Audit Committee

Born 1944. Honors degree in Engineering, Loughborough University, Leicestershire, UK.

Board Chairman: NXP Semiconductors N.V.

Deputy Board Chairman: British Quality Foundation.

Board Member: Mentor Graphics Inc., Sony Corporation, TSMC and Actis Capital LLP.

Holdings in Ericsson [1]**:** 4,400 Class B shares.

Principal work experience and other information: CEO and Chairman of the Executive Committee of British Telecommunications plc. 1996–2002. Chairman and CEO of ICL plc 1985–1996. Positions with STC plc and Texas Instruments Inc. Member of the Advisory Boards of New Venture Partners LLP, the Longreach Group and Apax Partners LLP. Board Mentor of CMi. Senior Advisor, Rothschild, London. Fellow of the Royal Academy of Engineering.

Börje Ekholm

(first elected 2006)

Member of the Remuneration Committee

Born 1963. Master of Science in Electrical Engineering, Royal Institute of Technology, Stockholm. Master of Business Administration, INSEAD, France.

Board Chairman: Royal Institute of Technology, Stockholm.

Board Member: Investor AB, AB Chalmersinvest, EQT Partners AB, Husqvarna AB, Nasdaq OMX Group Inc. and Scania AB.

Holdings in Ericsson [1]**:** 30,760 Class B shares.

Principal work experience and other information: President and CEO of Investor AB since 2005. Formerly Head of Investor Growth Capital Inc. and New Investments. Previous positions at Novare Kapital AB and McKinsey & Co Inc.

Ulf J. Johansson

(first elected 2005)

Chairman of the Audit Committee

Born 1945. Doctor of Technology and Master of Science in Electrical Engineering, Royal Institute of Technology, Stockholm.

Board Chairman: Acando AB, Eurostep Group AB, Novo A/S, Novo Nordisk Foundation and Trimble Navigation Ltd.

Holdings in Ericsson [1]**:** 6,435 Class B shares.

Principal work experience and other information: Founder of Europolitan Vodafone AB, where he was the Chairman of the Board 1990–2005. Previous positions at Spectra-Physics AB as President and CEO and at Ericsson Radio Systems AB. Member of the Royal Academy of Engineering Sciences.

Nancy McKinstry

(first elected 2004)

Member of the Remuneration Committee

Born 1959. Master of Business Administration in Finance and Marketing, Columbia University, USA. Bachelor of Arts in Economics, University of Rhode Island, USA.

Board Chairman: CEO and Chairman of the Executive Board of Wolters Kluwer n.v.

Board Member: TiasNimbas Business School, Sanoma Corporation.

Holdings in Ericsson [1]**:** 4,000 Class B shares.

Principal work experience and other information: CEO and Chairman of the Executive Board of Wolters Kluwer n.v. President and CEO of CCH Legal Information Services 1996–1999. Previous positions at Booz, Allen & Hamilton and New England Telephone Company. Member of the Advisory Board of the University of Rhode Island, the Advisory Council of the Amsterdam Institute of Finance, the Board of Overseers of Columbia Business School and the Advisory Board of the Harrington School of Communication and Media.

[1] The number of shares reflects ownership as of December 31, 2011 and includes holdings by related natural and legal persons, as well as holdings of any ADS, if applicable.

Anders Nyrén

(first elected 2006)

Member of the Finance Committee

Born 1954. Graduate of Stockholm School of Economics, Master of Business Administration from Anderson School of Management, UCLA, USA.

Board Chairman: Sandvik AB.

Deputy Board Chairman: Svenska Handelsbanken AB.

Board Member: Svenska Cellulosa Aktiebolaget SCA, AB Industrivärden, SSAB, AB Volvo, Ernströmgruppen and Stockholm School of Economics.

Holdings in Ericsson [1]**:** 6,686 Class B shares.

Principal work experience and other information: President and CEO of Industrivärden since 2001. CFO and EVP of Skanska AB 1997–2001. Director Capital Markets of Nordbanken 1996–1997. CFO and EVP of Securum AB 1992–1996. Managing Director of OM International AB 1987–1992. Earlier positions at STC Scandinavian Trading Co AB and AB Wilhelm Becker.

Carl-Henric Svanberg

(first elected 2003)

Born 1952. Master of Science, Linköping Institute of Technology. Bachelor of Science in Business Administration, University of Uppsala.

Board Chairman: BP p.l.c.

Board Member: Melker Schörling AB.

Holdings in Ericsson [1]**:** 3,234,441 Class B shares.

Principal work experience and other information: President and CEO of Telefonaktiebolaget LM Ericsson 2003-2009. President and CEO of Assa Abloy AB 1994–2003. Various positions within Securitas AB 1986–1994 and Asea Brown Boveri (ABB) 1977–1985. Member of the Steering Committee of the Global Alliance for Information and Communication Technologies and Development (GAID), the External Advisory Board of the Earth Institute at Columbia University and the Advisory Board of Harvard Kennedy School. Holds Honorary Doctorates at Luleå University of Technology and Linköping University. Recipient of the King of Sweden's medal for his contribution to Swedish industry.

Hans Vestberg

(first elected 2010)

Born 1965. Bachelor of Business Administration and Economics, University of Uppsala.

Board Chairman: ST-Ericsson and Svenska Handbollförbundet.

Board Member: Sony Ericsson Mobile Communications AB and Thernlunds AB.

Holdings in Ericsson [1]**:** 116,535 Class B shares.

Principal work experience and other information: President and CEO of Telefonaktiebolaget LM Ericsson since January 1, 2010. First Executive Vice President until December 31, 2009. Chief Financial Officer and Head of Group Function Finance until October 31, 2009. Previously Executive Vice President and Head of Business Unit Global Services. Various positions in the Group since 1988, including Vice President and Head of Market Unit Mexico and Head of Finance and Control in USA, Brazil and Chile. International advisor to the Governor of Guangdong, China and co-chairman of the Russian-Swedish Business Council. Member of the Broadband Commission for Digital Development, heading the broadband and climate-change workstream and member of the advisory board of the Digital Health Initiative.

Michelangelo Volpi

(first elected 2010)

Born 1966. Bachelor of Science in Mechanical Engineering and Masters in Manufacturing Systems Engineering from Stanford University, USA. MBA from the Stanford Graduate School of Business, USA.

Board Member: None.

Holdings in Ericsson [1]**:** None.

Principal work experience and other information: Partner at Index Ventures since July 2009. Previously CEO of Joost Inc.. Various positions in Cisco from 1994-2007, including Senior Vice President & General Manager of the Routing and Service Provider Technology Group and Chief Strategy Officer. Has also worked for Hewlett Packard in the optoelectronics division.

[1] The number of shares reflects ownership as of December 31, 2011 and includes holdings by related natural and legal persons, as well as holdings of any ADS, if applicable.

MEMBERS OF THE BOARD OF DIRECTORS

Board members and deputies appointed by the unions

Pehr Claesson (first appointed 2008)

Employee representative, Member of the Finance Committee

Born 1966. Appointed by the union The Swedish Association of Graduate Engineers.

Holdings in Ericsson [1]: 767 Class B shares.

Employed since 1997. Working with marketing and communication for Consulting and Systems Integration within Business Unit Global Services.

Jan Hedlund (first appointed 1994)

Employee representative, Member of the Audit Committee

Born 1946. Appointed by the union IF Metall.

Holdings in Ericsson [1]: 1,259 Class B shares.

Employed since 1982. Previously working with model production mechanics within Business Unit Networks. Currently working full time as union representative.

Karin Åberg (first appointed 2007)

Employee representative, Member of the Remuneration Committee

Born 1959. Appointed by the union Unionen.

Holdings in Ericsson [1]: 2,289 Class B shares.

Employed since 1995. Working as a Service Engineer within the IT organization.

Kristina Davidsson
(first appointed 2006)

Deputy employee representative

Born 1955. Appointed by the union IF Metall.

Holdings in Ericsson [1]: 1,369 Class B shares.

Employed since 1995. Previously working as repairer within Business Unit Networks and currently working full time as union representative.

Karin Lennartsson
(first appointed 2010)

Deputy employee representative

Born 1957. Appointed by the union Unionen.

Holdings in Ericsson [1]: 404 Class B shares.

Employed since 1976. Working as Process Expert within Group Function Finance – Process Management.

Roger Svensson
(first appointed 2011)

Deputy employee representative

Born 1971. Appointed by the union The Swedish Association of Graduate Engineers.

Holdings in Ericsson [1]: 6,031 Class B shares.

Employed since 1999. Working as Senior Specialist Test Strategy Power Amplifier within Business Unit Networks.

Hans Vestberg was the only Director who held an operational management position at Ericsson in 2011. No Director has been elected pursuant to an arrangement or understanding with any major shareholder, customer, supplier or other person.

At the Annual General Meeting 2011, Leif Johansson replaced Michael Treschow as Chairman of the Board of Directors and Jacob Wallenberg replaced Marcus Wallenberg as Deputy Chairman of the Board of Directors. Anna Guldstrand resigned as employee representative of the Board of Directors as of the date of the Annual General Meeting 2011 and Pehr Claesson was appointed employee representative as of the same date (previously deputy employee representative). Roger Svensson was appointed new deputy employee representative as of the date of the Annual General Meeting 2011.

[1] The number of shares reflects ownership as of December 31, 2011 and includes holdings by related natural and legal persons, as well as holdings of any ADS, if applicable.

MANAGEMENT

The President/CEO and the Executive Leadership Team

The Board of Directors appoints the President and CEO and the Executive Vice Presidents. The President and CEO is responsible for the management of day-to-day operations and is supported by the Executive Leadership Team (ELT). In addition to the President and CEO, the ELT consists of heads of Group functions, heads of business units and heads of two of Ericsson's regions. Up until December 21, 2011, the Chief Brand Officer was also part of the ELT.

The role of the ELT is to:

- Establish a strong corporate culture, a long-term vision and Group strategies and policies, all based on objectives stated by the Board
- Determine targets for operational units, allocate resources and monitor unit performance
- Secure operational excellence and realize global synergies through efficient organization of the Group.

Remuneration to the Executive Leadership Team

A remuneration policy including guidelines on remuneration to the ELT was approved by the AGM 2011. For further information on fixed and variable remuneration, see the Remuneration Report and Notes to the Consolidated Financial Statements – Note C28, "Information Regarding Members of the Board of Directors, the Group management and Employees" in the Annual Report.

The Ericsson Group Management System

Ericsson has a global management system, the Ericsson Group Management System (EGMS) to drive corporate culture and to ensure that the business is managed:

- To fulfill the objectives of Ericsson's major stakeholders (customers, shareholders, employees)
- Within established risk limits and with reliable internal control
- In compliance with relevant applicable laws, listing requirements, governance codes and corporate social responsibilities.

The EGMS is founded on ISO 9001 (International Standard for Quality management system) but is designed as a dynamic governance system, enabling Ericsson to adapt the system to evolving demands and expectations, including new legislation as well as customers' and other stakeholders' requirements. The management system is an important foundation and is continuously evaluated and improved.

Certificates are evidence from an independent body verifying that the operations fulfill defined requirements. As the EGMS is a global system, group-wide certificates can be issued by a third party certification body proving that the system is efficient throughout the whole organization. Ericsson has a number of certificates and is currently globally certified to ISO 9001 (Quality) and ISO 14001 (Environment) and is in the process of obtaining global OHSAS 18001 (Health & Safety) certification. Ericsson is also ISO 27001 (information security) certified in selected units.

The EGMS comprises three elements:

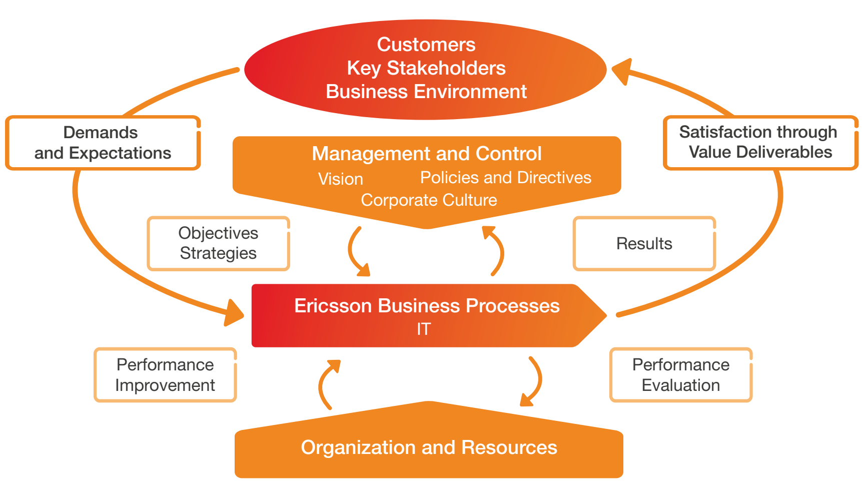
- Management and control
- Ericsson business processes
- Organization and resources.

MANAGEMENT AND CONTROL

Strategy and target setting

Ericsson's strategy and target setting processes consider the demands and expectations of customers as well as other key stakeholders. The process facilitates the alignment of objectives and their measurement in activities at all levels of the organization.

ERICSSON GROUP MANAGEMENT SYSTEM



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Ericsson uses balanced scorecards as tools for translating strategic objectives into a set of performance indicators for its operational units. Based on the annual strategy work, these scorecards are updated with targets for each unit for the next year and are communicated throughout the organization.

Group policies and directives

Group-wide policies and directives govern how the organization works and are core elements in managing and controlling Ericsson. The policies and directives include a Code of Business Ethics, a Code of Conduct and accounting and reporting directives to fulfill external reporting requirements and the Sarbanes-Oxley Act. The Group Steering Documents Committee secures that the policies and directives cover relevant issues; that they are aligned and consistent with Group strategies, values and structures; and that they are not in conflict with legal and regulatory requirements.

ERICSSON BUSINESS PROCESSES

As a market leader, Ericsson utilizes the competitive advantages that are gained through global scale and has implemented common processes and IT tools across all operational units worldwide. Customer requirements are identified, clarified and formalized in Ericsson Business Processes where requirements transform from theory to reality. Through management and continuous improvement of processes and IT tools, Ericsson reduces costs with efficient and effective process flows and with standardized internal controls and performance indicators.

ORGANIZATION AND RESOURCES

Company structure

Ericsson is operated in two dimensions: one operational structure and one legal structure.

The operational structure aligns accountability and authority regardless of country borders and supports the process flow with cross-country operations. There are four business units and ten regions. Group functions coordinate Ericsson's strategies, operations and resource allocation and define the necessary directives, processes and organization for the effective governance of the Group.

The legal structure is the basis for legal requirements and responsibility as well as for tax and statutory reporting purpose. There are more than 200 legal entities within the Ericsson Group with representation (via legal entities, branch and representative offices) in more than 140 countries.

Risk management

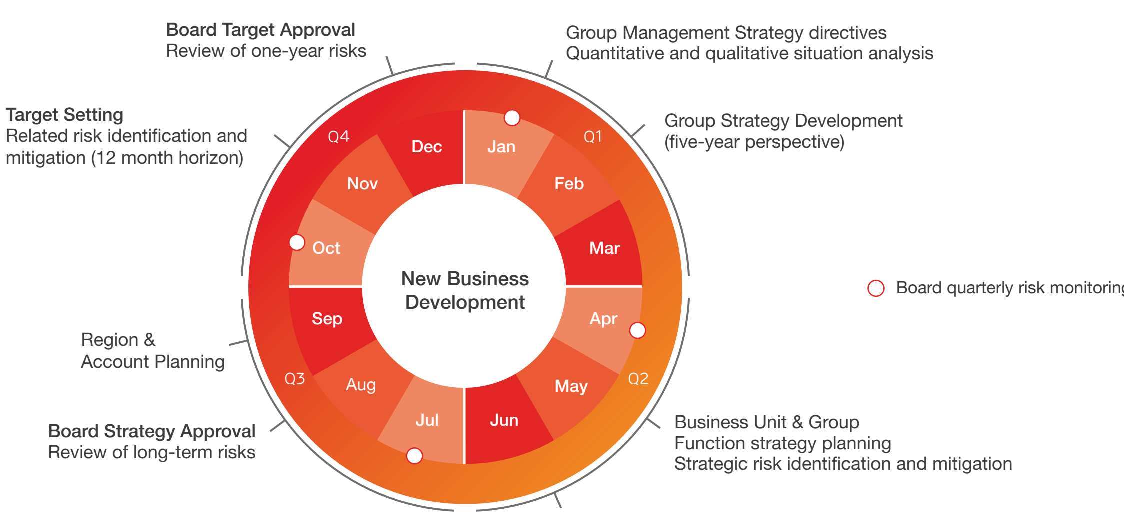
Ericsson's risk management is integrated with the business and its operational processes, and is a part of the EGMS to ensure accountability, effectiveness, efficiency, business continuity and compliance with corporate governance, legal and other requirements. The Board of Directors is also actively engaged in the Company's risk management. Risks related to set long-term objectives are discussed and strategies are formally approved by the Board as part of the annual strategy process. Risks related to annual targets for the Company are also reviewed by the Board and then monitored continuously during the year. Certain transactional risks require specific Board approval, e.g. acquisitions, management remuneration, borrowing or customer finance in excess of pre-defined limits.

STRATEGIC AND TACTICAL RISKS

Strategic risks constitute the highest risk to the Company if not managed properly as they could have a long-term impact. Ericsson therefore reviews its long-term objectives, main strategies and business scope on an annual basis and continuously works on its tactics to reach these objectives and to mitigate any risks identified.

In the annual strategy and target setting process, objectives are set for the next five years. Risks and opportunities are assessed and strategies are developed to achieve the objectives. The strategy process in the Company is well established and involves regions, business units and Group functions. The strategy is finally summarized and discussed in a yearly Global Leadership Summit with approximately 250 managers from all

STRATEGIC, TARGET SETTING AND RISK MANAGEMENT CYCLE



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parts of the business. By involving all parts of the business in the process, potential risks are identified early and mitigating actions can be incorporated in the strategy and in the annual target process following the finalization of the strategy.

Technology development, industry and market fundamentals and the development of the economy are key components in the evaluation of risks related to Ericsson's long-term objectives.

The outcome from the strategy process forms the basis for the annual target process which involves regions, business units and Group functions. Risks and opportunities linked to the targets are identified as part of this process together with actions to mitigate the identified risks. Follow-up of targets, risks and mitigating actions are reported and discussed continuously in business unit and region steering groups and are reviewed by the Board of Directors.

The Company has been using the Balanced Scorecard concept to structure its targets, risks and opportunities for many years. For 2011 risks and opportunities were identified and analyzed in the three balanced scorecard perspectives. For more information on risks related to Ericsson's business, see the chapter "Risk Factors" in the Annual Report.

Operational and financial risks

Operational risks are owned and managed by operational units. Risk management is embedded in various process controls, such as decision tollgates and approvals. Certain cross-process risks are centrally coordinated, such as information security, IT security, corporate responsibility and business continuity and insurable risks. Financial risk management is governed by a Group policy and carried out by the Treasury and Customer Finance functions, both supervised by the Finance Committee. The policy governs risk exposures related to foreign exchange, liquidity/financing, interest rates, credit risk and market price risk in equity instruments. For further information on financial risk management, see Notes to the Consolidated Financial Statements – Note C14, "Trade Receivables and Customer Finance", Note C19, "Interest-Bearing Liabilities" and Note C20, "Financial Risk Management and Financial Instruments" in the Annual Report.

COMPLIANCE RISKS

Ericsson has implemented Group policies and directives to ensure compliance with applicable laws and regulations, including a Code of Business Ethics and a Code of Conduct. Risk management is integrated in the Company's business processes. Policies and controls are implemented to ensure compliance with financial reporting standards and stock market regulations, such as the US Sarbanes-Oxley Act.

MONITORING AND AUDITS

Company management monitors the compliance with policies, directives and processes through internal self-assessment within all units. This is complemented by internal and external audits. External financial audits are performed by PwC, and ISO/management system audits by Det Norske Veritas, DNV and Intertek. Internal audits are performed by the company's internal audit function which reports to the Audit Committee. Audits of suppliers are also conducted in order to secure compliance with agreed key performance indicators and Ericsson's Code of Conduct which is mandatory for suppliers to the Ericsson Group.

RISK MITIGATION

Significant activities ongoing in order to mitigate risks are:

- Establish flexibility to cost-effectively accommodate for fluctuations in demand
- Conduct regular Supplier Code of Conduct audits
- Efficient business continuity management
- Corporate governance training as needed
- Continuous monitoring of information systems to guard against data breaches.

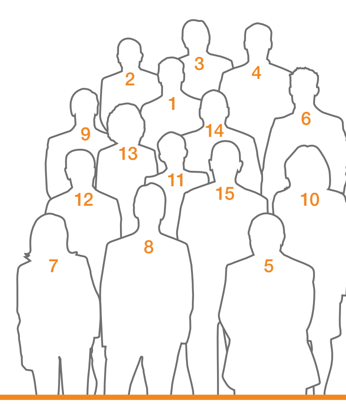
PROCESS TO IDENTIFY AND MANAGE OPERATIONAL RISKS FOR REGIONS, BUSINESS UNITS AND GROUP FUNCTIONS

Leadership Team meeting and workshop (Establish gross list, Prioritize risks, Assign responsibility)

Preparations	Establish gross list	Prioritize risks	Assign responsibility	Manage risks
Compile input: > Business plan/growth plan SWOT and risks > Previously identified risks > Scorecard and target descriptions > Preparatory meeting/ workshop > Business continuity management for local operation	Consider each scorecard perspective Consider risk areas to make additions to list: > External environment (e.g. political risk) > Customers > Competitors > Suppliers/subcontractors > Internal operations > Competence > Contractual conditions > Product roadmaps	> Group similar risks together > Rank > Prioritize	> Assign responsibility for managing each top risk to a member of the leadership team	> Develop mitigation actions (member of the leadership team) > Secure risk reviews in connection with performance reviews

MEMBERS OF THE EXECUTIVE LEADERSHIP TEAM

1. Hans Vestberg
2. Jan Frykhammar
3. Magnus Mandersson
4. Johan Wibergh
5. Cesare Avenia
6. Per Borgklint
7. Bina Chaurasia
8. Håkan Eriksson
9. Douglas L. Gilstrap
10. Nina Macpherson
11. Helena Norrman
12. Mats H. Olsson
13. Rima Qureshi
14. Angel Ruiz
15. Jan Wäreby



Hans Vestberg

President and CEO (since 2010).

Born 1965.

Bachelor of Business Administration and Economics, University of Uppsala.

Board Chairman: ST-Ericsson and Svenska Handbollförbundet.

Board member: Telefonaktiebolaget LM Ericsson, Sony Ericsson Mobile Communications AB and Thernlunds AB.

Holdings in Ericsson [1]: 116,535 Class B shares.

Background: First Executive Vice President until December 31, 2009. Chief Financial Officer and Head of Group Function Finance until October 31, 2009. Previously Executive Vice President and Head of Business Unit Global Services. Various positions in the Group since 1988, including Vice President and Head of Market Unit Mexico and Head of Finance and Control in USA, Brazil and Chile. International advisor to the Governor of Guangdong, China and co-chairman of the Russian-Swedish Business Council. Member of the Broadband Commission for Digital Development, heading the broadband and climate-change workstream, and member of the advisory board of the Digital Health Initiative.

Jan Frykhammar

Executive Vice President and Chief Financial Officer and Head of Group Function Finance (since 2009).

Born 1965.

Bachelor of Business Administration and Economics, University of Uppsala.

Board member: Sony Ericsson Mobile Communications AB, ST-Ericsson and the Swedish International Chamber of Commerce.

Holdings in Ericsson [1]: 6,837 Class B shares.

Background: Previously Senior Vice President and Head of Business Unit Global Services. Various positions within Ericsson including Sales and Business Control in Business Unit Global Services, CFO in North America and Vice President, Finance and Commercial within the Global Customer Account Vodafone.

Magnus Mandersson

Executive Vice President (since November 1, 2011) **and Head of Business Unit Global Services** (since 2010).

Born 1959.

Bachelor of Business Administration, University of Lund.

Deputy board member: Sony Ericsson Mobile Communications AB.

Holdings in Ericsson [1]: 12,875 Class B shares.

Background: Previously Head of Business Unit CDMA, Market Unit Northern Europe, Global Customer Account Deutsche Telekom AG and Product Area Managed Services. Has also been President and CEO of SEC/Tele2 Europe and COO of Millicom International Cellular S.A.

Johan Wibergh

Executive Vice President (since 2010) **and Head of Business Unit Networks** (since 2008).

Born 1963.

Master of Computer Science, Linköping Institute of Technology.

Board member: ST-Ericsson, Confederation of Swedish Enterprise, Royal Institute of Technology and Teknikföretagen.

Deputy board member: Sony Ericsson Mobile Communications AB.

Holdings in Ericsson [1]: 28,655 Class B shares.

Background: President of Ericsson Brazil, President of Market Unit Nordic and Baltics and Vice President and Head of Sales at Business Unit Global Services.

Cesare Avenia

Chief Brand Officer (from 2010 up until December 21, 2011).

Born 1950.

Bachelor of Electronics engineering, University of Naples, Italy.

Board member: Sony Ericsson Mobile Communications Italy S.p.A, member of the Steering Committee for Innovation and Technology Services within the Association of Telecom service providers within Confindustria, the National Association of Industrialists in Italy.

Holdings in Ericsson [1]: 11,704 Class B shares.

Background: Previously Head of Market Unit Italy and Market Unit South East Europe.

Per Borgklint

Senior Vice President and Head of Business Unit Multimedia (since June 7, 2011).

Born 1972.

Master of Science in Business Administration, Jönköping International Business School.

Holdings in Ericsson [1]: None.

Background: Previously CEO of Net1 (Ice.net), Canal Plus Nordic and Versatel. Has also held several leading positions at Tele2.

Bina Chaurasia

Senior Vice President and Head of Group Function Human Resources and Organization (since 2010).

Born 1962.

Master of Science in Management and Human Resources, Ohio State University and Master of Arts in Philosophy, University of Wisconsin.

Holdings in Ericsson [1]: 14,735 Class B shares.

Background: Joined Ericsson from Hewlett Packard, where she was Vice President of Global Talent Management. Has held senior HR leadership roles at Gap, Sun Microsystems and PepsiCo/Yum.

[1] The number of shares reflects ownership as of December 31, 2011 and includes holdings by related natural and legal persons, as well as holdings of any ADS, if applicable.

Håkan Eriksson

Senior Vice President, Chief Technology Officer, Head of Group Function Technology & Portfolio Management (since 2003) **and Head of Ericsson in Silicon Valley** (since 2010).

Born 1961.

Master of Science and Honorary Ph D, Linköping Institute of Technology.

Board member: Vestas Wind Systems A/S.

Holdings in Ericsson [1]**:** 40,696 Class B shares.

Background: Previously Senior Vice President and Head of Research and Development. Has held various positions within Ericsson since 1986. Member of the Royal Swedish Academy of Engineering Sciences.

Douglas L. Gilstrap

Senior Vice President and Head of Group Function Strategy (since 2009).

Born 1963.

Bachelor of Accounting, University of Richmond and Master of Business Administration, Emory University, Atlanta. Executive program at INSEAD, France.

Board member: TM Forum.

Deputy board member: Sony Ericsson Mobile Communications AB, ST-Ericsson.

Holdings in Ericsson [1]**:** 5,069 Class B shares.

Background: Has held various global managerial positions within the telecommunications sector for more than 15 years.

Nina Macpherson

Senior Vice President, General Counsel and Head of Group Function Legal Affairs (since January 1, 2011)

Born 1958.

Master of Laws, LL M, University of Stockholm.

Board member: The Swedish Anti-Corruption Institute and the Association for Listed Companies.

Holdings in Ericsson [1]**:** 4,508 Class B shares.

Background: Previously Vice President and Deputy Head of Group Function Legal Affairs at Ericsson. Previous positions also include private practice and in-house attorney. Member of the Swedish Securities Council.

Helena Norrman

Senior Vice President and Head of Group Function Communications (since May 23, 2011).

Born 1970.

Master of International Business Administration, Linköping University.

Holdings in Ericsson [1]**:** 4,619 Class B shares.

Background: Previously Vice President, Communications Operations at Group Function Communications at Ericsson. Has held various positions within Ericsson's global communications organization since 1998. Previous positions as communications consultant.

Mats H. Olsson

Head of Region China & North East Asia (since 2010).

Born 1954.

Master of Business Administration from the Stockholm School of Economics.

Board member: Sony Ericsson Mobile Communications (China) Co. Ltd.

Holdings in Ericsson [1]**:** 50,547 Class B shares.

Background: Also International Economic Advisor to a number of Chinese provincial and municipal governments. Previously Head of Market Unit Greater China. Has held various executive positions across Asia-Pacific over the last 25 years. Appointed President of Ericsson Greater China in 2004, with overall responsibility for Mainland China, Hong Kong, Macao and Taiwan.

Rima Qureshi

Senior Vice President and Head of Business Unit CDMA Mobile Systems (since 2010).

Born 1965.

Bachelor of Information Systems and Master of Business Administration, McGill University, Montreal, Canada.

Board member: MasterCard Incorporated.

Holdings in Ericsson [1]**:** 3,477 Class B shares.

Background: Also serves as head of Ericsson Response. Previously Vice President of Strategic Improvement Program and Vice President Product Area Customer Support. Has held various positions within Ericsson since 1993.

Angel Ruiz

Head of Region North America (since 2010).

Born 1956.

Bachelor of Electrical Engineering, University of Central Florida and Master of Management Science and Information Systems, Johns Hopkins University, USA.

Board member: CTIA, Sony Ericsson Mobile Communications (USA) Inc.

Holdings in Ericsson [1]**:** 23,023 Class B shares.

Background: Joined Ericsson in 1990 and has held a variety of sales and managerial positions within the Company, including heading up the global account teams for Cingular/SBC/BellSouth (now AT&T). Was appointed President of Ericsson North America in 2001.

Jan Wäreby

Senior Vice President and Head of Sales and Marketing (since January 1, 2011).

Born 1956.

Master of Science, Chalmers University, Göteborg.

Board member: Sony Ericsson Mobile Communications AB, ST-Ericsson.

Holdings in Ericsson [1]**:** 55,617 Class B shares.

Background: Senior Vice President and Head of Business Unit Multimedia and Executive Vice President and Head of Sales and Marketing for Sony Ericsson Mobile Communications.

Up until May 23, 2011, Henry Sténson, former Senior Vice President and Head of Group Function Communications, was a member of the Executive Leadership Team.

[1] The number of shares reflects ownership as of December 31, 2011 and includes holdings by related natural and legal persons, as well as holdings of any ADS, if applicable.

AUDITORS

According to the Articles of Association, the Parent Company shall have no less than one and no more than three registered public accounting firms as external independent auditors. Pursuant to the Swedish Companies Act, the mandate period of an auditor shall be one year, unless the Articles of Association provides for a longer mandate period up to four years. The auditors report to the shareholders at General Meetings.

The duties of the auditors include the following:

- Updating the Board of Directors regarding the planning, scope and content of the annual audit
- Examining the interim and year-end financial statements to assess accuracy and completeness of the accounts and adherence to accounting standards and policies
- Advising the Board of Directors of non-audit services performed, the consideration paid and other issues that determine the auditors' independence.

For further information on the contacts between the Board and the auditors, please see "Work of the Board of Directors" earlier in this Corporate Governance Report.

All Ericsson's quarterly financial reports are reviewed by the auditors.

Current auditors

PricewaterhouseCoopers AB was elected auditor at the AGM 2011 for a period of one year, i.e. until the close of the AGM 2012.

PricewaterhouseCoopers AB has appointed Peter Nyllinge, Authorized Public Accountant, to serve as auditor in charge.

Fees to the auditors

Ericsson paid the fees (including expenses) for audit-related and other services listed in the table in Notes to the Consolidated Financial Statements – Note C30, "Fees to Auditors" in the Annual Report.

INTERNAL CONTROL OVER FINANCIAL REPORTING 2011

This section has been prepared in accordance with the Annual Accounts Act and the Swedish Corporate Governance Code and is limited to internal control over financial reporting.

Since Ericsson is listed in the United States, the requirements outlined in the Sarbanes-Oxley Act (SOX) apply. These regulate the establishment and maintenance of internal controls over financial reporting as well as management's assessment of the effectiveness of the controls.

In order to support high quality reporting and to meet the requirement of SOX, the Company has implemented detailed documented controls and testing and reporting procedures based on the COSO framework for internal control. The COSO framework is issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Management's internal control report according to SOX will be included in Ericsson's Annual Report on Form 20-F and filed with the SEC in the United States.

During 2011, the Company has included operations of acquired entities as well as continued to improve the design and execution of its financial reporting controls.

Disclosure policies

Ericsson's financial disclosure policies aim to ensure transparent, relevant and consistent communication with the equity and debt investors on a fair and equal basis. This will support a fair market value for Ericsson shares. Ericsson wants current and potential investors to have a good understanding of how the Company works, including operational performance, prospects and potential risks.

To achieve these objectives, financial reporting and disclosure must be:

- Transparent – enhancing understanding of the economic drivers and operational performance of the business, building trust and credibility
- Consistent – comparable in scope and level of detail to facilitate comparison between reporting periods
- Simple – to support understanding of business operations and performance and to avoid misinterpretations
- Relevant – with focus on what is relevant to Ericsson's stakeholders or required by regulation or listing agreements, to avoid information overload
- Timely – with regular scheduled disclosures as well as ad-hoc information, such as press releases on important events, performed on a timely basis
- Fair and equal – where all material information is published via press releases to ensure that the whole investor community receives the information at the same time
- Complete, free from material errors and a reflection of best practice – disclosure is compliant with applicable financial reporting standards and listing requirements and in line with industry norms.

Ericsson's website (www.ericsson.com/investors) comprises comprehensive information on the Group, including:

- An archive of annual and interim reports
- On-demand access to recent news
- Copies of presentations given by senior management at industry conferences.

(Information on the Ericsson website does not form part of this Report.)

Disclosure controls and procedures

Ericsson has controls and procedures in place to ensure timely information disclosure under applicable laws and regulations, including the US Securities Exchange Act of 1934 and under agreements with NASDAQ OMX Stockholm and NASDAQ New York. These procedures also ensure that such information is provided to management, including the CEO and CFO, so timely decisions can be made regarding required disclosure.

The Disclosure Committee comprises members with various expertise. It assists managers in fulfilling their responsibility regarding disclosures made to the shareholders and the investment community. One of the main tasks of the committee is to monitor the integrity and effectiveness of the disclosure controls and procedures.

Ericsson has investments in certain entities that the Company does not control or manage. With respect to such entities, disclosure controls and procedures are substantially more limited than those maintained with respect to subsidiaries.

During the year, Ericsson's President and CEO and the CFO evaluated the disclosure controls and procedures and concluded that they were effective at a reasonable assurance level as at December 31, 2011.

During the period covered by the Annual Report 2011, there were no changes to the disclosure controls and procedures that have materially affected, or are likely to materially affect, the internal control over financial reporting.

Internal control over financial reporting

Ericsson has integrated risk management and internal control into its business processes. As defined in the COSO framework, internal control is an aggregation of components such as a control environment, risk assessment, control activities, information and communication and monitoring.

Control environment

The Company's internal control structure is based on the division of tasks between the Board of Directors and its Committees and the President and CEO. The Company has implemented a management system that is based on:

- Steering documents, such as policies, directives and a Code of Business Ethics
- A strong corporate culture
- The Company's organization and mode of operations, with well-defined roles and responsibilities and delegations of authority
- Several well-defined group-wide processes for planning, operations and support.

The most essential parts of the control environment relative to financial reporting are included in steering documents and processes for accounting and financial reporting. These steering documents are updated regularly to include, among other things:

- Changes to laws
- Financial reporting standards and listing requirements, such as IFRS and SOX.

The processes include specific controls to be performed to ensure high quality reports. The management of each reporting legal entity, region and business unit is supported by a financial controller function with execution of controls related to transactions and reporting. The financial controller functions are organized in a number of Company Control Hubs, each supporting a number of legal entities within a geographical area. A financial controller function is also established on Group level, reporting to the CFO.

Risk assessment

Risks of material misstatements in financial reporting may exist in relation to recognition and measurement of assets, liabilities, revenue and cost or insufficient disclosure. Other risks related to financial reporting include fraud, loss or embezzlement of assets and undue favorable treatment of counterparties at the expense of the Company.

Policies and directives regarding accounting and financial reporting cover areas of particular significance to support correct, complete and timely accounting, reporting and disclosure.

Identified types of risks are mitigated through well-defined business processes with integrated risk management activities, segregation of duties and appropriate delegation of authority. This requires specific approval of material transactions and ensures adequate asset management.

Control activities

The Company's business processes include financial controls regarding the approval and accounting of business transactions. The financial closing and reporting process has controls regarding recognition, measurement and disclosure. These include the application of critical accounting policies and estimates, in individual subsidiaries as well as in the consolidated accounts.

Regular analyses of the financial results for each subsidiary, region and business unit cover the significant elements of assets, liabilities, revenues, costs and cash flow. Together with further analysis of the consolidated financial statements performed at Group level, this ensures that the financial reports do not contain material errors.

For external financial reporting purposes, additional controls performed by the Disclosure Committee ensure that all disclosure requirements are fulfilled.

The Company has implemented controls to ensure that the financial reports are prepared in accordance with its internal accounting and reporting policies and IFRS as well as with relevant listing regulations. It maintains detailed documentation on internal controls related to accounting and financial reporting. It also keeps records on the monitoring of the execution and results of such controls. This ensures that the CEO and CFO can assess the effectiveness of the controls in a way that is compliant with SOX.

Entity-wide controls, focusing on the control environment and compliance with the financial reporting policies and directives, are implemented in all subsidiaries. Detailed process controls and documentation of controls performed are also implemented in almost all subsidiaries, covering all items with significant materiality and risk.

In order to secure compliance, governance and risk management in the areas of legal entity accounting and taxation, as well as securing funding and equity levels, the Company operates through a Company Control hub structure, covering subsidiaries in each respective geographical area.

Based on a common IT platform, a common chart of account and common master data, the hubs and shared services centers perform accounting and financial reporting services for most subsidiaries.

Information and communication

The Company's information and communication channels support complete, correct and timely financial reporting by making all relevant internal process instructions and policies accessible to all the employees concerned. Regular updates and briefing documents regarding changes in accounting policies, reporting and disclosure requirements are also supplied.

Subsidiaries and operating units prepare regular financial and management reports to internal steering groups and Company management. These include analysis and comments on financial performance and risks. The Board of Directors receives financial reports monthly. The Audit Committee of the Board has established a whistleblower procedure for reporting violations in accounting, internal controls and auditing matters.

Monitoring

The Company's process for financial reporting is reviewed annually by the management. This forms a basis for evaluating the internal management system and internal steering documents to ensure that they cover all significant areas related to financial reporting. The shared service center and company control hub management continuously monitors accounting quality through a set of performance indicators. Compliance with policies and directives is monitored through annual self-assessments and representation letters from heads and company controllers in all subsidiaries as well as in business units and regions.

The Company's financial performance is also reviewed at each Board meeting. The Committees of the Board fulfill important monitoring functions regarding remuneration, borrowing, investments, customer finance, cash management, financial reporting and internal control. The Audit Committee and the Board of Directors review all interim and annual financial reports before they are released to the market. The Company's internal audit function, which reports to the Audit Committee, performs independent audits. The Audit Committee also receives regular reports from the external auditor. The Audit Committee follows up on any actions taken to improve or modify controls.

BOARD OF DIRECTORS

Stockholm, February 24, 2012
Telefonaktiebolaget LM Ericsson (publ)
Org. no. 556016–0680

AUDITORS' REPORT ON THE CORPORATE GOVERNANCE REPORT

To the Annual General Meeting of the shareholders in Telefonaktiebolaget LM Ericsson (publ), corporate identity number 556016-0680.

It is the Board of Directors who is responsible for the corporate governance report for the year 2011 and that it has been prepared in accordance with the Annual Accounts Act.

As a basis for our opinion that the corporate governance report has been prepared and is consistent with the annual accounts and the consolidated accounts, we have read the corporate governance report and assessed its statutory content based on our knowledge of the company.

In our opinion, the corporate governance report has been prepared and its statutory content is consistent with the annual accounts and the consolidated accounts.

Stockholm 24 February, 2012

Peter Nyllinge
Authorized Public Accountant
PricewaterhouseCoopers AB
Auditor in Charge

Johan Engstam
Authorized Public Accountant
PricewaterhouseCoopers AB

REMUNERATION REPORT

CONTENTS

INTRODUCTION

This report outlines how the remuneration policy is implemented throughout Ericsson in line with corporate governance best practice, with specific references to Group management. To begin with, the work of the Remuneration Committee 2011 and the remuneration policy are explained, followed by descriptions of plans and approaches.

This report also includes information on how the remuneration programs have been evaluated and draws conclusions from that. More details of the remuneration of Group management and Board members' fees can be found in the Notes to the Consolidated Financial Statements – Note C28, "Information regarding members of the Board of Directors, the Group management and employees" (Note C28).

THE REMUNERATION COMMITTEE

The Remuneration Committee advises the Board of Directors on an ongoing basis on the remuneration of the Executive Leadership Team (ELT). This includes fixed salaries, pensions, other benefits and short-term and long-term variable remuneration, all in the context of pay and employment conditions throughout Ericsson. The Remuneration Committee also:

- Approves variable remuneration outcomes for the ELT
- Prepares remuneration related proposals for Board and shareholder approval
- Develops and monitors the remuneration policy, strategies and general guidelines for employee remuneration.

The Remuneration Committee's work is the foundation for the governance of Ericsson's remuneration processes together with Ericsson's internal systems and audit controls. The Committee is chaired by Leif Johansson and its other members are Börje Ekholm, Nancy McKinstry, and Karin Åberg. All the members are non-executive directors, independent (except for the employee representative) as required by the Swedish Corporate Governance Code and have relevant knowledge and experience of remuneration matters.

The Company's General Counsel acts as secretary to the Committee. The Chief Executive Officer, the Senior Vice President, Head of Human Resources and Organization and the Vice President, Head of Total Rewards attend the Remuneration Committee meetings by invitation and assist the Committee in its considerations, except when issues relating to their own remuneration are being discussed.

The Remuneration Committee has appointed an independent expert advisor, Piia Pilv, to assist and advise the Committee. The independent advisor provided no other services to the Company during 2011. The Remuneration Committee is also provided with national and international pay data collected from external survey providers and can call on other independent expertise, should it so require. The Chairman continues to ensure that contact is maintained, as necessary and appropriate, with principal shareholders on the subject of remuneration.

The purpose and function of the Remuneration Committee will remain going forward and its responsibilities can be found on the Ericsson website*. These responsibilities, together with the remuneration policy, are reviewed and evaluated annually in light of matters such as changes to corporate governance best practice or changes to accounting, legislation, political opinion or business practices among peers. This helps to ensure that the policy continues to provide Ericsson with a competitive remuneration strategy.

The guidelines for remuneration to the ELT is, in accordance with Swedish law, brought to shareholders annually for approval.

REMUNERATION POLICY

Remuneration at Ericsson is based on the principles of performance, competitiveness and fairness. The remuneration policy, together with the mix of remuneration elements, is designed to reflect these principles by creating a balanced remuneration package. The policy for 2011 can be found in Note C28. The auditor's report regarding whether we have complied with the guidelines for compensation to the ELT during 2011 is posted on the Ericsson website*.

* Information on the Ericsson website (www.ericsson.com) does not form part of this Report.

SUMMARIES OF 2011 SHORT AND LONG-TERM VARIABLE REMUNERATION

What we call it	What is it?	What is the objective?	Who participates?	How is it earned?
Short term: Remuneration delivered over 12 months or less				
Fixed salary	Fixed remuneration paid at set times	Attract and retain employees, delivering part of annual remuneration in a predictable format	All employees	Market appropriate levels set according to position and evaluated according to individual performance
Short-Term Variable remuneration (STV)	A variable plan that is measured and paid over a single year	Align employees with clear and relevant targets, providing an earnings opportunity in return for performance, and flexible cost	Enrolled employees, including Executive Leadership Team. Approx. 72,500 in 2011	Achievements against set targets. Reward can increase to up to twice the target level and decrease to zero, depending on performance
Local and Sales Incentive Plans	Tailored versions of the STV	As for STV, tailored for local or business requirements, such as sales	Employees in sales. Approx. 4,500 in 2011	Similar to STV. All plans have maximum award and vesting limits
Long term: Remuneration delivered over 3 years or more				
Stock Purchase Plan (SPP)	All-employee stock-based plan	Reinforce a "One Ericsson" and align employees' interests with those of shareholders	All employees are eligible	Buy one share and it will be matched by one share after 3 years if still employed
Key Contributor Retention Plan (KC)	Share-based plan for selected individuals	Recognize, retain and motivate key contributors for performance, critical skills and potential	Up to 10% of employees	If selected, get one more matching share in addition to the SPP one
Executive Performance Stock Plan (EPSP)	Share-based plan for senior executives	Remuneration for long-term commitment and value creation	Senior executives, including Executive Leadership Team	Get up to 4, 6 or, for CEO, 9 further matching shares to the SPP one for long-term performance

REMUNERATION 2011

The Remuneration Committee met eight times during the year. The winter meetings focused on following up on results from the 2010 variable remuneration programs and preparing proposals to shareholders for the 2011 Annual General Meeting (AGM). During the spring the committee considered feedback from the AGM and remuneration to new members of the ELT were established. In the fall when the new independent advisor was appointed the scope of the independent advisor role was reviewed.

The committee continued with a review of the remuneration strategy with focus on the Long-Term Variable remuneration plans, the Short-Term Variable remuneration plans and levels of fixed compensation. It was concluded that the committee will recommend to continue the Long-Term Variable remuneration plan without any substantial changes based on feedback from investors, market analysis and global trend analyses. The Committee has also considered market trends, target setting, its working arrangements and corporate governance.

As of 2011 a new initiative for the ELT was introduced by the Committee. On a voluntary basis ELT members may participate in a wellness program that provides proactive and individual coaching and training. ELT members have large responsibilities, substantial travel and heavy workloads. The purpose of the program is to actively reduce their health risks.

Evaluation of remuneration policy and plans

The Remuneration Committee has supported the Board with the review and evaluation of remuneration policy and practice. As described later in this report, all remuneration elements and levels are evaluated through benchmarking against market data provided by external sources. Analyses of market data, as well as of attrition data, show that Ericsson is in general competitive in local markets and that total remuneration is appropriate and not excessive.

The remuneration policy is evaluated annually. This is in light of the long-term strategy as well as the Remuneration Committee's overview of total remuneration and each individual remuneration element. The Committee has concluded and the Board has decided that the remuneration policy remains valid and right for Ericsson and should not be materially changed for 2012.

To enhance the understanding of how Ericsson translates remuneration principles and policy into practice, an internal remuneration website was launched in January 2011. The site contains e-learning and training programs targeted at line managers. It supports more informed decisions and better communication to the wider employee population.

Extensive analyses of local market data for each position in the ELT have been conducted. Decisions on remuneration increases for the ELT have been taken by the Remuneration Committee. The work is also reviewed by the independent advisor to the Committee.

In its evaluation of the Long-Term Variable remuneration plan the Remuneration Committee concluded that the plan fulfills the defined objectives of the Stock Purchase Plan, namely to promote "One Ericsson" and to align the interests of employees with those of shareholders. The participation rate as of December 1, 2011 was 30%, compared to 27% as of December 1, 2010. The evaluation conducted also confirms that the Key Contributor Retention Plan meets the purpose of retaining our key employees. The voluntary attrition rate among Key Contributors is about two thirds compared to the attrition rate in the total number of employees.

A survey of Ericsson's managers in January 2011 verified that all managers consider the Long-Term Variable and Short-Term Variable remuneration plans to be "effective" or "very effective" in meeting the purpose of the plans. This confirms earlier third-party research that has shown that the Long-Term Variable plan drives the right values and enhancing retention. The plan remains competitive by Swedish standards. The participation rate among Key Contributors remains high compared with international benchmarks.

The evaluation also showed that the Executive Performance Stock Plan has had limited success in terms of meeting the purpose of rewarding long-term financial performance. The Earnings per Share (EPS) performance target proved to be more binary than anticipated, where the 2004 plan vested in full and the plans for 2005, 2006, 2007 and 2008 did not vest. The 2009 and 2010 plans, that are still in the performance period, have EPS as the performance target.

The following targets apply to the Executive Performance Stock Plan 2011:

- Net sales growth
- Operating income growth
- Cash conversion rate.

For further information see below under the Executive Performance Stock Plan.

TOTAL REMUNERATION

When considering the remuneration of an individual, it is the total remuneration that matters. First the total annual cash compensation is defined, consisting of the target level of short-term variable remuneration plus fixed salary. Thereafter target long-term variable remuneration may be added to get to the total target remuneration and, finally, pension and other benefits to arrive at the total remuneration.

For the ELT, remuneration consists of fixed salary, short-term and long-term variable remuneration, pension and other benefits. If the size of any one of these elements is increased or decreased when setting the remuneration, at least one other element has to change if the competitive position is to remain unchanged.

The remuneration costs for the CEO and the ELT are reported in Note C28.

Fixed salary

Fixed salaries are set to be competitive within an individual's home market. When setting fixed salaries, the Remuneration Committee considers the impact on total remuneration, including pension and associated costs. The absolute levels are determined by the size and complexity of the position and the year-to-year performance of the individual. Together with other elements of remuneration, ELT salaries are subject to an annual review by the Remuneration Committee, which considers external pay data to ensure that levels of pay remain competitive and appropriate to the remuneration policy.

Variable remuneration

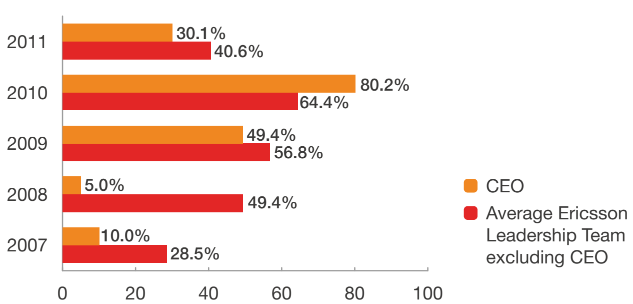
Ericsson strongly believes that, where possible, variable compensation should be encouraged as an integral part of total remuneration. First and foremost this aligns employees with clear and relevant targets, but it also enables more flexible payroll costs and emphasizes the link between performance and pay. All variable remuneration plans have maximum award and vesting limits. Short-term variable remuneration is to a greater extent dependent on the own unit or function, while long-term variable remuneration is dependent on the achievements of the Ericsson Group.

SHORT-TERM VARIABLE REMUNERATION

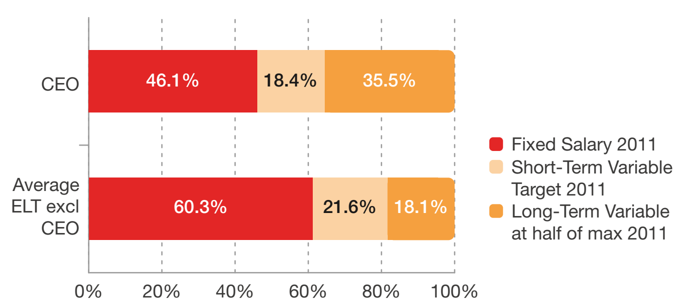
Annual variable remuneration is delivered through cash-based programs. Specific business targets are derived from the annual business plan approved by the Board of Directors and, in turn, defined by the Company's long-term strategy. Ericsson strives to grow faster than the market with best-in-class margins and strong cash conversion and therefore the starting point is to have three core targets:

- Net sales growth
- Operating income
- Cash flow.

SHORT-TERM VARIABLE REMUNERATION PAYOUTS AS PERCENTAGE OF TARGET LEVELS



FIXED SALARY, SHORT-TERM AND LONG-TERM VARIABLE REMUNERATION AS PERCENTAGE OF TOTAL TARGET REMUNERATION



SHORT-TERM VARIABLE REMUNERATION STRUCTURE

	Short-Term Variable remuneration as percentage of Fixed Salary			Percentage of Short-Term Variable remuneration maximal opportunity		
	Target level	Maximum level	Actual paid for 2010	Group financial targets	Unit/functional financial targets	Non-financial targets
CEO 2011	40%	80%	24%	90%	0%	10%
CEO 2012	40%	80%	–	90%	0%	10%
Average ELT 2011 [1]	34%	68%	29%	61%	23%	16%
Average ELT 2012 [1]	36%	72%	–	49%	27%	24%

[1] Excludes CEO – differences in target and maximum levels from year to year are due to changes in the composition of the ELT.

For the ELT, targets are thus predominantly financial targets at either Group level (for Heads of Group Functions) or at the individual unit level (for Heads of Regions or Business Units) and may also include operational targets like customer satisfaction and employee motivation. Targets are cascaded to all managers and will vary depending on the specific position. All variable remuneration targets have to be objective and measurable. They typically refer to a result that is achieved on a collective basis.

Each target is, in accordance with our strict governance instructions, defined in a target specification and measured over the calendar year. The target setting process is fully integrated with the strategy work and target levels are tested against plans and forecasts until they are finalized around the turn of the year.

The Board of Directors and the Remuneration Committee decide on all Ericsson Group targets, which are cascaded to unit-related targets throughout the Company, always subject to a two-level management approval process. The Remuneration Committee monitors the appropriateness and fairness of Group target levels throughout the performance year and has the authority to revise them should they cease to be relevant or stretching or to enhance shareholder value.

During 2011, approximately 77,000 employees participated in short-term variable plans. Of these 8,000 were in the global Short-Term Variable remuneration plan (STV) for management, including the ELT, and 4,500 were in the global Sales Incentive Plan (SIP). Local plans vary in design according to local competitive practice but typically mirror the STV.

The chart on page 154 illustrates how payouts to the ELT have varied with performance over the past five years.

LONG-TERM VARIABLE REMUNERATION

Share-based long-term variable remuneration plans are submitted each year for approval by shareholders at the AGM. All long-term variable remuneration plans are designed to form part of a well-balanced total remuneration package and to span over a minimum of three years. As these are variable plans, outcomes are unknown and rewards depend on long-term personal investment, corporate performance and resulting share price performance. During 2011, share-based remuneration was made up of three different but linked plans: the all-employee Stock Purchase Plan, the Key Contributor Retention Plan and the Executive Performance Stock Plan.

THE STOCK PURCHASE PLAN

The all-employee Stock Purchase Plan is designed to offer, where practicable, an incentive for all employees to participate. This reinforces "One Ericsson" aligned with shareholder interests. Employees can save up to 7.5% (CEO 10%) of gross fixed salary (CEO gross fixed salary and annual variable remuneration) for purchase of Class B shares at market price on NASDAQ OMX Stockholm or ADSs on NASDAQ New York (contribution shares) over a twelve-month period. If the contribution shares are retained by the employee for three years after the investment and employment with the Ericsson Group continues during that time, the employee's shares will be matched with a corresponding number of Class B shares or ADSs as applicable. The plan was introduced in 2002 and employees in 71 countries participated during its first year. In December 2011 the number of participants was over 24,000, or approximately 30% of eligible employees in 96 countries.

Participants save each month, beginning with the August payroll, towards quarterly investments. These investments (in November, February, May and August) are matched on the third anniversary of each such investment and hence the matching spans over two financial years and two tax years.

THE KEY CONTRIBUTOR RETENTION PLAN

The Key Contributor Retention Plan is part of Ericsson's talent management strategy. It is designed to recognize individuals for performance, critical skills and potential as well as encouraging retention of key employees.

Under the program, operating units around the world can nominate up to 10% of employees worldwide. Each unit nominates individuals that have been identified according to performance, critical skills and potential. The nominations are calibrated in management teams locally and are reviewed by both local and corporate Human Resources to ensure that there is a minimum of bias and a strong belief in the system.

Participants selected obtain one extra matching share in addition to the one matching share for each contribution share purchased under the Stock Purchase Plan during a twelve-month investment period. The plan was introduced in 2004.

THE EXECUTIVE PERFORMANCE STOCK PLAN

The Executive Performance Stock Plan was first introduced in 2004. The plan is designed to focus management on driving long-term financial performance and providing market competitive remuneration. Senior executives, including the ELT, are selected to obtain up to four or six extra shares (performance matching shares). This is in addition to the one matching share for each contribution share purchased under the all-employee Stock Purchase Plan. The performance matching is subject to the fulfillment of the performance targets. Since 2010, the CEO may obtain up to nine performance matching shares in addition to the Stock Purchase Plan matching share for each contribution share.

In the 2004 to the 2010 plans the performance targets were Earnings Per Share (EPS) targets.

To support the long-term strategy and the value creation of the Company, new operational targets were defined for the 2011 plan. At the AGM 2011, the following targets for the 2011 Executive Performance Stock Plan were resolved on proposal by the Board:

- Up to one third of the award will vest based on the compound annual growth rate of consolidated net sales comparing 2013 to 2010
- Up to one third of the award will vest based on the compound annual growth rate of consolidated operating income comparing 2013 to 2010
- One third of the award will vest based on the cash conversion rate. If the cash conversion rate is at or above 70% during each of the years 2011 to 2013 one ninth of the total award will vest for each year the target is achieved.

The performance targets are not capable of being retested after the end of the three-year performance period. If the minimum required performance is not achieved, all matching shares subject to performance will lapse. The Board will consider the impact of larger acquisitions, divestments, the creation of joint ventures and any other significant capital event on the three targets on a case-by-case basis. Also, the Board may reduce the number of performance matching shares, if deemed appropriate, considering the Company's financial results and position, conditions on the stock market and other relevant circumstances at the time of matching.

Benefits and terms of employment

Pension benefits follow the competitive practice in the employee's home country and may contain various supplementary plans, in addition to any national system for social security. Where possible, pension plans are operated on a defined contribution basis. Under these plans, Ericsson pays contributions into a plan but does not guarantee the ultimate benefit, unless local regulations or legislation prescribe that defined benefit plans that do give such guarantees have to be offered.

For the CEO and other members of the ELT employed in Sweden before 2011, a supplementary pension plan is applied in addition to the occupational pension plan for salaried staff on the Swedish labor market (ITP). The pension age for these ELT members is normally 60 years. The pensionable salary for ELT members employed before 2011 on local contract in Sweden consists of the annual fixed salary including vacation pay and the target value of the Short-Term Variable remuneration.

ELT members employed in Sweden as of 2011 are normally covered by the defined contribution plan under the ITP1 scheme, with a pensionable age of 65 years. The pensionable salary includes all cash compensation.

For members of the ELT who are not employed in Sweden, local market competitive pension arrangements apply.

Other benefits, such as company car and medical insurance, are also set to be competitive in the local market. ELT members may not receive loans from the Company.

ELT members locally employed in Sweden have a mutual notice period of up to six months. Upon termination of employment by the Company, severance pay can amount to up to 18 months' fixed salary. For other ELT members different notice period and severance pay agreements apply, however no agreement exceeds the notice period of 6 months or the severance pay period of 18 months.

REMUNERATION OF THE BOARD OF DIRECTORS

The remuneration of Directors not employed by Ericsson is handled separately and the Nomination Committee makes remuneration proposals for resolution by the Annual General Meeting of shareholders. The remuneration consists of fees for Board and committee work, part of which can be delivered under a synthetic share program. The synthetic shares, which are valued in line with Ericsson's Class B shares, vest in cash after the publication of the year-end financial statement during the fifth year after award.

GDP

0.3 PERCENT GDP INCREASE WHEN BROADBAND SPEED DOUBLES.

SHARE INSPIRE GROW

As network speeds increase, their users find better, richer ways to share. This inspires new ideas and fresh thinking.

In turn, this stimulates economic growth – creating more opportunity for everyone.

GLOSSARY

2G
The first digital generation of mobile systems. Includes GSM, TDMA, PDC and cdmaOne.

3G
3rd generation mobile system. includes WCDMA/HSPA, CDMA2000 and TD-SCDMA.

4G
See LTE.

ALL-IP
A single, common IP infrastructure that can handle all network services, including fixed and mobile communications, for voice and data services as well as video services such as TV.

ATM
(Asynchronous Transfer Mode)
A communication standard for transmission and management of high-speed packet-switched networks.

BACKHAUL
Transmission between radio base stations and the core network.

CAGR
Compound Annual Growth Rate.

CAPEX
Capital expenditure.

CDMA
(Code Division Multiple Access)
A radio technology on which the cdmaOne (2G) and CDMA2000 (3G) mobile communication standards are both based.

CLOUD
When data and applications reside in the network.

EDGE
A mobile standard, developed as an enhancement of GSM. Enables the transmission of data at speeds up to 250 kbps. (Evolved EDGE up to 1 Mbps)

FTTH
(Fiber-to-the-Home)
Refers to fiber optic broadband connections to individual homes.

GDP
(Gross Domestic Product)
The total annual cost of all finished goods and services produced within a country.

GPON
(Gigabit Passive Optical Network)
Used for fiber-optic communication to the home (FTTH).

GPRS
(General Packet Radio Service)
A packet-switched technology (2.5G) that enables GSM networks to handle mobile data communications at rates up to 115 kbps.

HIGH-TRAFFIC SMARTPHONES
High-traffic smartphones are defined as the subset of open-OS phones (e.g. iPhone, Android & Windows) that typically generate high traffic, 5–10 times that of low-traffic devices.

HSPA
(High Speed Packet Access)
Enhancement of 3G/WCDMA that enables mobile broadband.

ICT
Information and Communication Technology.

IMS
(IP Multimedia Subsystem)
A standard for offering voice and multimedia services over mobile and fixed networks using internet technology (IP).

IP
(Internet Protocol)
Defines how information travels between network elements across the internet.

IPTV
(IP Television)
A technology that delivers digital television via fixed broadband access.

JV
(Joint Venture)
A business enterprise in which two or more companies enter a partnership.

LTE
(Long-Term Evolution)
The next evolutionary step of mobile technology beyond HSPA, allowing data rates above 100 Mbps.

M2M
Machine-to-Machine.

MANAGED SERVICES
Management of operator networks and/or hosting of their services.

MOBILE BROADBAND
A wireless access technology. It enables high-speed internet access services, such as video streaming.

OPEX
Operating expenses.

PENETRATION
The number of subscriptions divided by the population in a geographical area.

PETABYTE
Million gigabytes.

RAN
Radio Access Network.

SOFTSWITCH
A software-based system for handling call management functionality. Integrates IP-telephony and the legacy circuit-switched part of the network.

TDM
(Time Division Multiplexing)
Legacy technology for circuit switching.

WCDMA
(Wideband Code Division Multiple Access)
A 3G mobile communication standard. WCDMA builds on the same core network infrastructure as GSM.

XDSL
Digital Subscriber Line technologies for broadband multimedia communications in fixed-line networks. Examples: IP-DSL, ADSL and VDSL.

FINANCIAL TERMINOLOGY

CAPITAL EMPLOYED
Total assets less non-interest-bearing provisions and liabilities.

CAPITAL TURNOVER
Net sales divided by average capital employed.

CASH CONVERSION
Cash flow from operating activities divided by net income reconciled to cash – expressed in percent.

CASH DIVIDENDS PER SHARE
Dividends paid divided by average number of shares, basic.

COMPOUND ANNUAL GROWTH RATE (CAGR)
The year-over-year growth rate over a specified period of time.

DAYS SALES OUTSTANDING (DSO)
Trade receivables balance at quarter end divided by net sales in the quarter and multiplied by 90 days.
If the amount of trade receivables is larger than last quarter's sales, the excess amount is divided by net sales in the previous quarter and multiplied by 90 days, and total DSO are the 90 days of the most current quarter plus the additional days from the previous quarter.

EARNINGS PER SHARE (EPS)
Basic earnings per share: profit or loss attributable to stockholders of the Parent Company divided by the weighted average number of ordinary shares outstanding during the period.
Diluted earnings per share: the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential ordinary shares.

EBITA MARGIN
Earnings Before Interest, Taxes, Amortization and write-downs of acquired intangibles, as a percentage of net sales.

EPS (NON-IFRS)
EPS, diluted, excluding amortizations and writedowns of acquired intangible assets.

EQUITY RATIO
Equity, expressed as a percentage of total assets.

GROSS CASH
Cash and cash equivalents plus short-term investments.

INVENTORY TURNOVER DAYS (ITO-days)
365 divided by inventory turnover, calculated as total adjusted cost of sales divided by the average inventories for the year (net of advances from customers).

NET CASH
Cash and cash equivalents plus short-term investments less interest-bearing liabilities and post-employment benefits.

PAYABLE DAYS
The average balance of trade payables at the beginning and at the end of the year divided by cost of sales for the year, and multiplied by 365 days.

PAYMENT READINESS
Cash and cash equivalents and short-term investments less short-term borrowings plus long-term unused credit commitments.
Payment readiness is also shown as a percentage of net sales.

RETURN ON CAPITAL EMPLOYED
The total of Operating income plus Financial income as a percentage of average capital employed (based on the amounts at January 1 and December 31).

RETURN ON EQUITY
Net income attributable to stockholders of the Parent Company as a percentage of average Stockholders' equity (based on the amounts at January 1 and December 31).

STOCKHOLDERS' EQUITY PER SHARE
Stockholders' equity divided by the number of shares outstanding at end of period, basic.

TOTAL SHAREHOLDER RETURN (TSR)
The increase or decrease in share price during the period plus dividends paid, expressed as a percentage of the share price at the start of the period.

TRADE RECEIVABLES TURNOVER
Net sales divided by average trade receivables.

VALUE AT RISK (VAR)
A statistical method that expresses the maximum potential loss that can arise with a certain degree of probability during a certain period of time.

WORKING CAPITAL
Current assets less current non-interest-bearing provisions and liabilities.

EXCHANGE RATES

EXCHANGE RATES USED IN THE CONSOLIDATION

	January–December	
	2011	2010
SEK/EUR		
Average rate	**9.02**	9.56
Closing rate	**8.92**	9.02
SEK/USD		
Average rate	**6.48**	7.20
Closing rate	**6.90**	6.80

Telcordia05348

SHAREHOLDER INFORMATION

CONTACT FOR PRINTED PUBLICATIONS
A printed copy of the Annual Report is provided on request.

- Strömberg Distribution
SE-120 88 Stockholm, Sweden
Phone: +46 8 449 89 57
Email: ericsson@strd.se
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Registered holders: +1 877 881 59 69
(toll free within the U.S.)
Interested investors: +1 781 575 45 55
(toll free within the U.S.)
Email: citibank@shareholders-online.com
www.citi.com/dr
Ordering a hard copy of
the Annual Report:
+1 888 301 2504 (toll free within the U.S.)
https://secure.wilink.com/asp/NA012918/hqgold/NA012918_search_ENG.asp?target=NA012918

WHERE YOU CAN FIND OUT MORE:
It is our ambition to provide our shareholder with up to date information about Ericsson and its development. Information is available on Ericsson's website:
www.ericsson.com

On the website, the Annual Report is available as an online version and as a pdf document. Previous annual and interim reports and other relevant shareholder information can be found at:
www.ericsson.com/investors

By publishing the Annual Report on the web, we will not only reduce the cost for print and distribution, but also the impact on the environment.

The Annual Report on Form 20-F (filed with the Securities and Exchange Commission, SEC) is also available on:
www.ericsson.com/investors

Telefonaktiebolaget LM Ericsson's shareholders are invited to participate in the Annual General Meeting to be held on Thursday, May 3, 2012, at 3 p.m. at Kistamässan, Arne Beurlings Torg 5, Kista, Stockholm, Sweden.

Registration and notice of attendance

Shareholders who wish to attend the Annual General Meeting must:

- Be recorded in the share register kept by Euroclear Sweden AB (the Swedish Securities Registry) on Thursday, April 26, 2012, and
- Give notice of attendance to the Company at the latest on Thursday, April 26, 2012. Notice of attendance can be given on Ericsson's website: www.ericsson.com/investors; by telephone: +46 8 402 90 54 on weekdays between 10 a.m. and 4 p.m.; or by fax: +46 8 402 9256.

Notice of attendance may also be given in writing to:
Telefonaktiebolaget LM Ericsson
General Meeting of Shareholders
Box 7835, SE-103 98 Stockholm, Sweden

When giving notice of attendance, please state name, date of birth, address, telephone number and number of assistants.

The meeting will be conducted in Swedish and simultaneously interpreted into English.

Shares registered in the name of a nominee

In addition to giving notice of attendance, shareholders who have their shares registered in the name of a nominee must request the nominee to temporarily enter the shareholder into the share register in order to be entitled to attend the meeting. In order for such registration to be effective on Thursday, April 26, 2012, shareholders should contact their nominee well before that day.

Proxy

Shareholders represented by proxy shall submit to the Company a power of attorney for the representative. A power of attorney issued by a legal entity must be accompanied by a copy of the entity's certificate of registration (should no such certificate exist, a corresponding document of authority must be submitted). Such documents must be no more than one year old unless the power of attorney explicitly provides that it is valid for a longer period, up to a maximum of five years. In order to facilitate the registration at the Annual General Meeting, the power of attorney in original, certificates of registration and other documents of authority should be sent to the Company in advance. All documents should be sent to the Company at the address above for receipt by Wednesday, May 2, 2012. Forms of power of attorney in Swedish and English are available on Ericsson's website: www.ericsson.com/investors.

Dividend

The Board of Directors has decided to propose the Annual General Meeting to resolve on a dividend of SEK 2.50 per share for the year 2011 and that Tuesday, May 8, 2012 will be the record day for dividend.

Financial information from Ericsson

Interim reports 2012:
- April 25, 2012 (Q1)
- July 18, 2012 (Q2)
- October 26, 2012 (Q3)
- January 25, 2013 (Q4)

Annual Report 2012: March, 2013
2011 Form 20-F for the US market: March-April, 2012

Ericsson headquarters at Torshamnsgatan 23 in Kista, Stockholm, Sweden.

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UNCERTAINTIES IN THE FUTURE

Some of the information provided in this material is or may contain forward-looking information such as statements about expectations, assumptions about future market conditions, projections or other characterizations of future events. The words “believe”, “expect”, “anticipate”, “intend”, “may”, “plan”, the negative of such terms, and similar expressions are intended to identify these statements. Although we believe that the expectations reflected in these and other forward-looking statements are reasonable, we can give no assurance that these expectations will prove to be correct and actual results may differ materially. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law or stock exchange regulation. We advise you that Ericsson is subject to risks both specific to our industry and specific to our company that could cause the actual results to differ materially from those contained in our projections or forward-looking statements, including, among others, changing conditions in the telecommunications industry, political, economic and regulatory developments in our markets, our management’s ability to develop and execute a successful strategy, various financial risks such as interest rate changes and exchange rate changes, erosion of our market position, the structure and financial strength of our customer base, our credit ratings, product development risks, supply constraints, and our ability to recruit and retain quality staff.

ERICSSON ANNUAL REPORT 2011:

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Ericsson Investor Relations

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All Group Management and Board of Directors photography:
Per Myrehed

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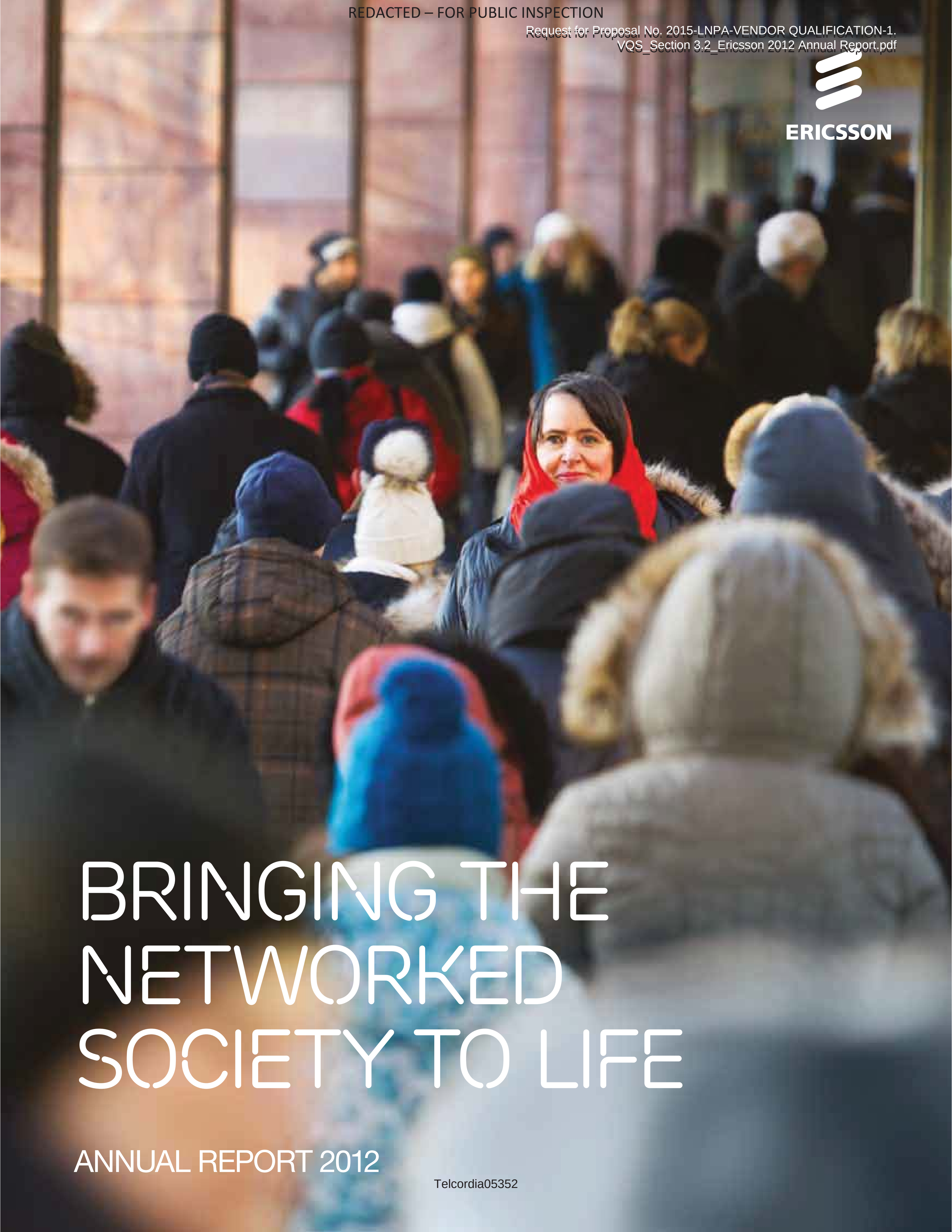

ERICSSON

BRINGING THE NETWORKED SOCIETY TO LIFE

ANNUAL REPORT 2012

BRINGING THE NETWORKED SOCIETY TO LIFE

With everything connected, our world changes. We are developing communications technology that will embrace entire societies, empowering and advancing the individuals and businesses within them.

See page 8 for further information on market trends.

Our mission is "Innovating to empower people, business and society."

See page 12 for further information on Ericsson strategy.

2012 was a year of growth in Global Services and Support Solutions.

Hans Vestberg, President and CEO

MORE INFORMATION

The Annual Report describes Ericsson's financial and operational performance during 2012. A Corporate Governance Report is attached to the Annual Report.

Find our Annual Report online:
www.ericsson.com/annualreport2012

We issue a separate Sustainability and Corporate Responsibility Report.
www.ericsson.com/thecompany/sustainability_corporateresponsibility

There is further information on sustainability and corporate responsibility on page 22 and pages 41–42.

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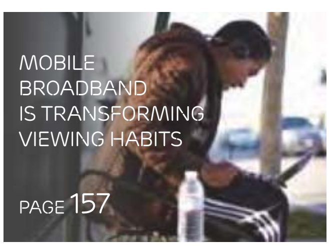
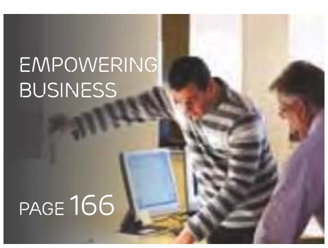




ANNUAL REPORT 2012

** Chapters covered by the Auditors' report.*

THIS IS ERICSSON

We are a world-leading provider of communications networks, telecom services and support solutions.

Communication is changing the way we live and work. When one person connects his or her world changes. With everything connected, our world changes. Ericsson plays a key role in this evolution, using innovation to empower people, business and society. We are enabling the networked society with efficient real-time solutions that allow us all to study, work and live our lives more freely, in sustainable societies.

Since the establishment of the Company in 1876, we are a leader in telecommunication and are now expanding our role into an ICT (Information and Communications Technology) solutions provider.

Our research and solutions development has made mobile communications and broadband possible. When you make a call or browse the internet on your handset, tablet or mobile PC, you will likely use one of our solutions.

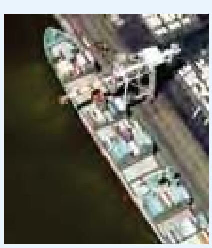
Our offering comprises services, software and infrastructure, mainly for telecom operators.

- 40% of the world's mobile traffic runs through networks that are supplied by us
- We provide solutions and services to all major telecom operators in the world
- The networks we manage for operators serve about 950 million subscribers
- We have more than 33,000 granted patents, comprising one of the industry's strongest patent portfolios.

2012 IN REVIEW

JANUARY
Ericsson strengthens its focus on IPR licensing, to get a fair return on R&D investments in patents development. Any company that provides wireless connectivity will likely need a license from us.

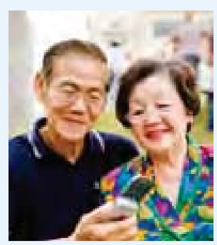
JANUARY
Ericsson signs a deal to connect the entire vessel fleet of the world's largest shipping company, Maersk Line, using our capabilities to enable machine-to-machine communication.



FEBRUARY
Ericsson complements the heterogeneous network offering with telecom grade Wi-Fi through acquisition of Wi-Fi company BelAir Networks, enabling operators to further improve the mobile broadband user experience.

MARCH
Ericsson widens the scope of managed services to include such services for broadcasters by announcing the acquisition of the Broadcast Services Division of Technicolor.

APRIL
SOFTBANK MOBILE signs 4G/LTE contract with Ericsson in Japan. The network will cover three major cities in the country, together accounting for 70% of the data and voice traffic. Ericsson has deployed LTE networks on five continents.



MAY
Ericsson's efficient AIR radio base station is selected by T-Mobile as the first operator in the USA to launch this technology, which enables improvement of existing coverage and quick launch of LTE in 2013. The contract also includes consulting and systems integration and rollout services.

JUNE
At a briefing for journalists in San Francisco, Ericsson's President and CEO Hans Vestberg discusses how the rapid increases in subscribers and data usage impact the entire ICT industry. Network quality, user experience, billing and charging models and services offerings all need to be adapted.

JANUARY FEBRUARY MARCH APRIL MAY JUNE

40%
of the world's mobile traffic runs through Ericsson-supplied networks.

For more information on our segments please go to page 36

OUR SEGMENTS

Today, we are more than 110,000 people serving customers in more than 180 countries. To best reflect our business, we report four business segments:

Networks
Networks provides the infrastructure that is the basis for all mobile communication. We deliver superior-performance and cost-efficient networks to ensure the best user experience.

Global Services
With 60,000 services professionals globally, we deliver managed services, consulting and systems integration, customer support, network design and optimization and network rollout.

Support Solutions
Support Solutions is the new name for former segment Multimedia and it signposts a change of direction. The segment focuses on software for operations support systems and business support systems (OSS and BSS), TV and media management, and m-commerce.

Joint venture ST-Ericsson
ST-Ericsson offers modems and ModAps (integrated modem and application processor platforms) for handset and tablet manufacturers.

OUR REGIONS

We secure an efficient go-to-market setup through ten regions. We strive for profitable growth through solid regional competence and strong customer relationships, backed by our global knowledge.

In our ten regions, we work together with our customers to develop innovative and scalable solutions that help operators grow their revenues and reduce their costs.

Once a successful case is proven, we can roll out the same practice all over the world, sharing common processes, methods and tools. This ensures quality and efficiency.

Solutions and services often go hand-in-hand as networks become more complex and often include products from several suppliers. Operators look for long-term services partnerships with companies such as Ericsson for support in every aspect of their business.

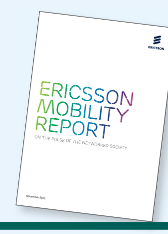
We serve our customers through regional competence organized into six engagement practices: Mobile Broadband; Communication Services; Fixed Broadband and Convergence; Managed Services; Operations and Business Support Systems; and Television and Media Management.

JULY
MTN Nigeria boosts its ability to serve subscribers and their growing data needs by becoming the first African operator to deploy Ericsson's scalable SSR 8020 platform for wireless IP core networks. This is one of 39 SSR contracts that Ericsson won in 2012.

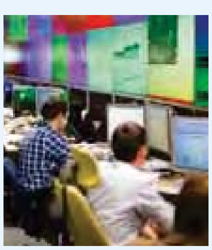
SEPTEMBER
Ericsson partners in the Social Good Summit 2012 in New York, discussing how mobile broadband can be used to help tackle global challenges such as poverty and climate change.

NOVEMBER
Ericsson holds its annual Investor Day, focusing on profitable growth and how the company is transforming into a leading ICT solutions provider in telecoms.

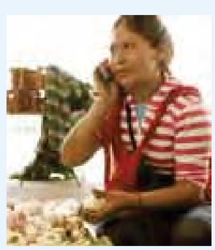
NOVEMBER
The new Ericsson Mobility Report is launched, stating that "Traffic in mobile networks continues to grow at an impressive rate worldwide, driven by uptake of smart devices and apps." This is a recurrent report on network traffic and market trends, based on data traffic measurements in live networks globally and on internal forecasts.



JULY | AUGUST | SEPTEMBER | OCTOBER | NOVEMBER | DECEMBER



AUGUST
Italian operator FASTWEB signs a seven-year IT managed services contract with Ericsson. It includes data center consolidation and transformation, as well as managed operations for its IT infrastructure. Ericsson extends the scope of managed services from telecoms to data centers.



OCTOBER
Ericsson is selected to implement a new LTE network for Vivo, a subsidiary of Telefônica, helping meet user demand for connectivity and mobile broadband services in Brazil. Ericsson has an LTE market share of more than 50% in Latin America.

DECEMBER
Ericsson announces that Volvo Car Group will use Ericsson's Connected Vehicle Cloud to allow drivers, passengers and their cars to connect to services available in the cloud. Drivers and passengers can access applications for information, navigation and entertainment from a screen in the car.

GROUP OVERVIEW

Our four business segments provide solutions and services which in combination create an industry-leading telecommunications portfolio.

Segment

NETWORKS

Headed by Johan Wibergh

We develop and deliver superior-performance network infrastructure for 2G/GSM, 3G/WCDMA/HSPA & CDMA, and 4G/LTE with solutions for:

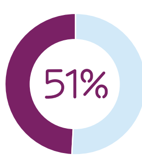
- Radio access, based on multi-standard radio base station RBS 6000
- IP and transport; IP Edge routing based on SSR 8000 and transport solutions based on fiber and microwave
- Core network; switching and IMS solutions based on the Ericsson Blade System platform.

Revenue and margin

SEK 117.3 BN

(2011: 132.4 bn)

Share of revenue



(2011: 58%)

Operating margin

6%

(2011: 13%)

Market share estimates

35% in mobile network equipment

Market position

#1 in radio access

GLOBAL SERVICES

Headed by Magnus Mandersson

Globally, 60,000 service professionals deploy and operate networks, and integrate solutions to allow operators to monetize increasing data traffic and ensure high user experience in networks. We use global processes, methods and tools to ensure quality and efficiency in the networks. Global Services include:

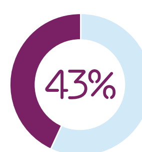
- Professional Services; consulting and systems integration, managed services, network design and optimization as well as customer support
- Network Rollout.

Revenue and margin

SEK 97.0 BN

(2011: 83.9 bn)

Share of revenue



(2011: 37%)

Operating margin

6%

(2011: 7%)

Market share estimates

13% in a fragmented market

Market position

#1 in telecom services

SUPPORT SOLUTIONS

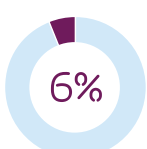
Headed by Per Borgklint

We develop and deliver software solutions for:

- Operations and Business Support Systems (OSS and BSS); enabling management of networks and services, customer interaction and revenue management
- TV and Media management; enabling operators, broadcasters and content owners to create multiscreen TV experience on all devices
- M-Commerce; software solutions and hosted services to enable mobile financial services and global interoperability.

SEK 13.5BN
(2011: 10.6 bn)

Share of revenue



(2011: 5%)

Operating margin

9%
(2011: –5%)

31% in solutions for prepaid

#1 in OSS and real-time charging & billing

ST-ERICSSON*

Headed by Didier Lamouche

A 50/50 joint venture with STMicroelectronics, ST-Ericsson offers modems and ModAps (integrated modem and application processor platforms) for leading handset and tablet manufacturers.

STMicroelectronics announced in October its intention to exit as a shareholder in ST-Ericsson. Ericsson is presently exploring various strategic options for the future of ST-Ericsson assets.

Ericsson continues to believe that the modem technology, which it originally contributed to the JV, has a strategic value for the wireless industry.

* The Ericsson share of ST Ericsson's results is accounted for according to the equity method.

For more information on our segments please go to page 36

LETTER FROM THE CEO

2012 was a year of growth in Global Services and Support Solutions, but more challenging for Networks. We have extended our leadership in several key growth areas and taken important steps in executing our strategy.

"We have a strong portfolio, position and capabilities to continue to support our customers in a transforming ICT market."

DEAR SHAREHOLDERS

We can look back at 2012 in which the strong growth of mobile data continued across the world and 4G/LTE launches started across all regions. Broadband is a transformative technology that is already improving quality of life, productivity and sustainability globally. During the year we have clearly seen how the world is moving towards our vision of a networked society, and over time, this will create new business opportunities for Ericsson and our customers.

Executing our strategy

The work to leverage our strength in the growth areas mobile broadband, managed services and operations and business support solutions (OSS and BSS) has continued with both selective acquisitions and divestments to enhance and streamline the portfolio.

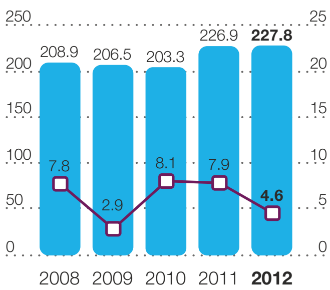
Key acquisitions in the year that have contributed to strengthening our leadership include BelAir in the area of mobile broadband, ConceptWave and Telcordia in the area of OSS and BSS as well as Technicolor's broadcast services division in the area of managed services.

In addition we completed the divestment of our share in Sony Ericsson and launched a new strategy for Support Solutions.

Our R&D and services investments form the foundation for the long-term strength of the company. Despite a challenging year for Networks, we remain almost the size of number two and three combined in the market when it comes to installed base of radio base stations and we have maintained a strong market share also in mobile network equipment. Global Services outperformed the market and solidified its leadership. In the fragmented telecom services market, Ericsson held a 13% market share for 2012, well ahead of its closest competitor.

Net sales and operating margin

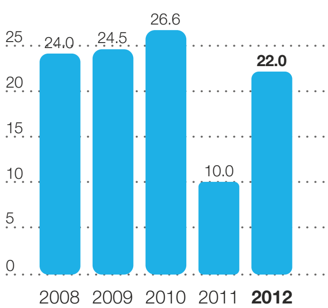
SEK billion Percent



Net sales
Operating margin incl. JV(s)

Cash flow from operating activities

SEK billion



Earnings per share

1.78 SEK

(2011: 3.77)

Our joint venture ST-Ericsson had a tough year. Following the announcement of STMicroelectronics' intention to exit as a shareholder, Ericsson will, together with STMicroelectronics, continue to explore various strategic options for ST-Ericsson assets. We continue to believe that the modem technology which we originally contributed to the JV has a strategic value to the wireless industry.

Performance in 2012

Sales in 2012 were flat compared to 2011, despite a challenging year for Networks.

Global Services contributed with both sales growth and stable operating profitability, and Support Solutions went from making losses in 2011 to achieving profitability.

Global Services and Support Solutions together represented close to 50% of Group sales, compared to 42% in 2011, highlighting the ongoing transformation into an ICT company combining services, software and hardware, into industry-leading solutions.

Profitability has been under pressure during the year due to operating losses in ST-Ericsson, the ongoing network modernization projects in Europe as well as the underlying business mix, with a higher share of coverage projects than capacity projects. Improving profitability has been a key priority throughout the year and we have taken actions globally to reduce costs and improve efficiency.

Throughout 2012 North America was our strongest region, driven by continued mobile broadband investments and a high demand for services. Our second largest region was North East Asia where sales grew in Japan, though not fully offsetting the lower sales of GSM in China and 3G in Korea.

Financial strength

We continue to have high focus on capital efficiency. We ended the year with strong cash flow, full-year cash conversion well above target and maintained our strong net cash position.

Financial strength allows us to make selective acquisitions to capture opportunities to consolidate the market, gain market share and fill portfolio gaps when relevant, and provide a good return to shareholders. It is also a competitive advantage in our customer relationships.

The Board of Directors proposes a dividend for 2012 of SEK 2.75 (2.50) per share.

Sustainability and Corporate Responsibility

Ericsson is strongly committed to sustainability and corporate responsibility.

Focus remains on reducing our carbon footprint and in 2012 we exceeded our target. We see an increasing interest from customers in driving energy efficiency in their networks, and using broadband to shape the low-carbon economy of the future.

We continue to advocate the use of broadband to enable access to education, better health and livelihood through our partnerships and programs such as Connect To Learn and Ericsson Response.

Responsibility and high governance standards guide all Ericsson employees in all parts of the world. Our aim is to be the trusted partner to all of our stakeholders and as such we put strong focus on evolving our governance framework with further integration of sustainability and corporate responsibility principles.

Our Code of Business Ethics was updated during the year to reflect our ongoing commitment to respect human rights and the new UN Guiding Principles on Business and Human Rights.

During 2012 we also signed the World Economic Forum's Partnering Against Corruption Initiative, enhanced our anti-corruption program and broadened our whistle blower procedure.

Strong long-term drivers

We build our strength on the combination of our core assets: technology leadership, services leadership and global scale. We have strong and long-standing customer relationships and highly skilled and engaged employees. I have worked in this company for 24 years and the dedication and professionalism that Ericsson employees demonstrate never cease to impress me.

Our focus on profitable growth remains. While the macroeconomic and political uncertainty continues in certain regions, the industry fundamentals remain attractive. We have a strong portfolio, position and capabilities to continue to support our customers in a transforming ICT market and look forward to a year of leveraging our leadership position and continuing our journey into the networked society.

Hans Vestberg
President and CEO

OUR BUSINESS
RESULTS
CORPORATE GOVERNANCE
SHAREHOLDERS
OTHER INFORMATION

MARKET TRENDS

Everything is going mobile. The uptake of mobile broadband, driven by increasing use of smartphones, tablets and apps is driving change for people, business and society.

6.5BN

We expect mobile broadband subscriptions to reach 6.5 billion in 2018 (2012: 1.5 billion)

THE NETWORKED SOCIETY

In the networked society, connectivity will be the starting point for new ways of innovating, collaborating and socializing. It's about creating freedom, empowerment and opportunity that will transform industries and society while helping find solutions to some of the greatest challenges facing our planet.

When one person connects, his or her world changes. With everything connected, our world changes. We believe ICT will be a fundamental driver of this transformation. For our customers the networked society will offer opportunities to expand their existing businesses, and to engage in new business areas, such as cloud services and industry-specific services.

Operators' revenue growth and potential for efficiencies will steer their investments going forward. As a result, although the total addressable telecom market is growing at a modest pace, our portfolio momentum areas – mobile broadband, managed services as well as OSS and BSS – are set for higher growth.

Fundamentally, we believe the market is strong, fueled by higher smartphone penetration and growing mobile data usage. As a market leader, we understand the possibilities – and have the ability to drive rethinking, reinvention and innovation of our industry.

In 2012, mobile data traffic doubled. We expect it will continue to grow at a high rate in the coming years. The main driver is the change in user behavior, leading to increasing user expectations on network and application performance. Demand for greater mobile data capacity will also affect how operators choose to develop and operate networks and services.

CHANGING USER BEHAVIOR

The rapid increase in mobile data traffic will, in the coming years, be fuelled by three trends: increased smartphone uptake, the increasing use of mobile broadband, and the breakthrough of cloud-based services.

Smartphone uptake is accelerating

While voice traffic is increasing at a steady rate, mobile data traffic is increasing exponentially. This increase is driven largely by smartphone use. Clearly phones are no longer simply for talking and texting – most of the time spent on a smartphone is dedicated to activities such as watching videos, playing games, shopping and engaging in social media.

Today 15–20% of the worldwide installed base of mobile phone subscriptions use smartphones – the number of smartphone subscriptions was 1.1 billion at the end of 2012 and we estimate that it will reach 3.3 billion by the end of 2018.

Mobile broadband use is increasing

People and businesses increasingly demand good network coverage, high-speed and high-quality broadband access at all times.

The number of mobile broadband subscriptions is increasing rapidly, from approximately 1.5 billion in 2012, to an estimated 6.5 billion in 2018. As the number of subscriptions increases, so does the data volume per subscription. By the end of 2018, we estimate that both mobile PCs and smartphones will generate four times as much data per device per month as today. Global mobile data traffic is estimated to grow twelve-fold between 2012 and 2018.

The largest contributor to increased data traffic is video, which is also watched on smartphones and tablets. Online video now constitutes on average 25–40% of traffic in mobile networks.

x12

Total mobile data traffic is expected to grow by 12 times between 2012 and 2018

With the increasing use of ‘apps’, coverage is expected everywhere. But, when a user runs an app that requires higher performance (e.g. throughput) than needed for voice, the actual coverage area for the app will be smaller than that for voice.

In a network, every app has its own coverage area; a video application has a smaller coverage area than a music-streaming app which in turn has a smaller coverage area than voice.

Understanding of app coverage is therefore essential in order for operators to make the right investments in a network.

Cloud for availability everywhere

For many businesses and individuals, content is delivered as a cloud service – that is, as a service over the internet. Users see the benefits of accessing applications and data from any computer, phone or tablet anywhere, and at any time. Often they choose not to own the content but to stream it, gaining access to movies, TV, music and much more. Cloud-based services add to the demand for mobile capacity.

CHANGING OPERATOR NEEDS

The changes in how people, businesses and society at large operate, use the internet and interact will demand greater speed, capacity, quality of service and operational efficiency. To meet these demands, operators are upgrading their networks, revising how they can increase their operational efficiency and how they should best monetize the increased data traffic.

Focus on superior-performance broadband networks

As user demand for coverage, speed and quality increases, superior-performance networks have become a key differentiator for operators. 3G/HSPA coverage is expected to increase from over 50% of the world’s population today, to 85% by the end of 2017. We anticipate that by 2017, half the world’s population will be covered by 4G/LTE networks. Operators come to Ericsson to expand network coverage and to upgrade networks for higher speed and capacity. To maintain superior performance there is also a continuous need for network tuning and optimization as traffic increases.

Focus on operational efficiency

To improve efficiency and reduce cost, operators increasingly choose to outsource the network and field operations, allowing them to focus on strategy, marketing and customer care. In a managed services project, Ericsson transforms the customer’s operations and implements our processes, methods and tools.

Monetizing data traffic

The demands created by mobile connectivity present new opportunities for operators. They are developing business models to monetize the increasing data use, with tiered pricing plans aligned to user needs, based for example on volume, time or speed. Increasingly, quality of service is becoming a differentiator for operators, as some focus on pure network development and others choose to be providers of premium services such as media, m-commerce and mobile finance.

Ericsson Operations Support Systems (OSS) enable the monitoring and optimization of the performance of operators’ increasingly complex networks and services, while our Business Support Systems (BSS) enable monetization of services and enhance their customer interaction capabilities.

Market trends 2012

USERS

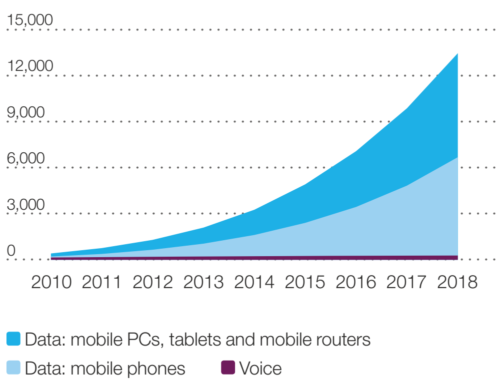
Higher demand for data capacity due to:
- Smartphone uptake acceleration
- Increasing use of mobile broadband
- Changing lifestyle with mobility and cloud-based services.

OPERATORS

Focus on:
- Superior-performance broadband networks
- Increasing efficiency through transformation and outsourcing
- Creating new value streams from networks.

Global mobile traffic 2010–2018

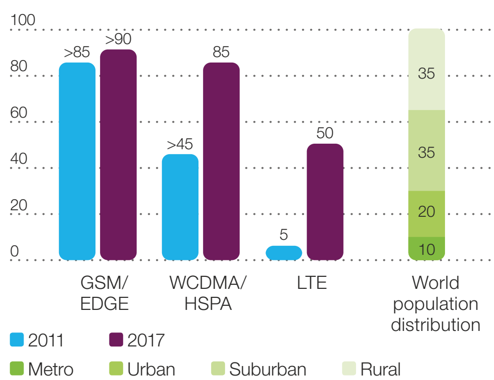
Monthly PetaBytes (10^{15} B)



Source: Ericsson estimate

Population coverage, 2011 and 2017

Percent



Source: Ericsson estimate

OUR COMPETITIVE ASSETS

The unique combination of core assets drives our performance throughout the business.

TECHNOLOGY LEADERSHIP

Combining superior performance and thought leadership

Innovation is an important element of our corporate culture and a foundation for our competitiveness. Our long-time pioneering in telecommunications technologies is reflected in one of the industry's largest patent portfolios. Through research into new technologies and a strong contribution to the creation of open standards, we strive to be first-to-market with new solutions. Our networks are designed and optimized for superior end-user experience. They are built to accommodate future traffic increase and the increasing number of connected devices.

SERVICES LEADERSHIP

Meeting operator objectives of business efficiency & revenue growth

Service delivery is industrialized in four Global Services Centers and local resources in our ten regions, where we use the same processes, methods and tools. This ensures standardized services packages of high quality. Our services professionals have advanced multi-vendor and multi-technology competence. They create value for customers by improving network efficiency and user experience as well as by supporting them in business innovation and revenue growth.

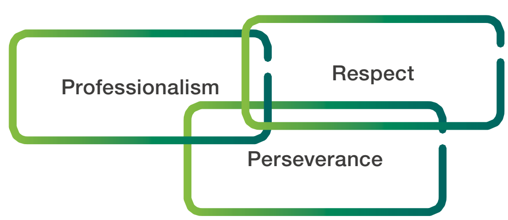
GLOBAL SCALE

Combining global scale advantages with local presence

We have a geographically diversified business, with customers in more than 180 countries. We have established relationships with all major telecom operators in the world, supporting networks with over 2.5 billion subscriptions. Focus on global standards means that we can provide global products. Economies of scale in R&D and production ensure that the products are efficient and of high quality.

Ericsson's core values

Our values are the foundation of our culture. They guide us in our daily work, in how we relate to each other and the world around us and in the way we do business.



OUR PEOPLE

At the end of the day it is our people that make the real difference. Our people strategy centers on building the best talent in the industry.

110,000

We are more than 110,000 people working for customers in more than 180 countries

Our people are at the heart of everything we do, and they made us the industry leader we are today.

But what brought us here will not keep us here. Our industry is changing, and we work every day to secure high performance in everything we do.

In order to maintain our technology and services leadership, and to leverage our global scale, we have developed a business-aligned people strategy.

Grounded on our core values – professionalism, respect and perseverance – our people strategy focuses on building the best talent in the industry. To achieve this we have four objectives:

Attract exceptional talent

We leverage a strategic and aligned approach to attracting the best talent at all levels in all the markets where we have employees.

Rigorous talent planning and development

Our objective is to have the right talent at the right time in the right place.

We have a rigorous process for identifying, calibrating and developing our talent. We have a comprehensive career and competence model that allows our employees to build career paths, and clearly understand how to keep developing capabilities for the continued success of the company.

Our approach emphasizes best-in-class learning solutions through our Ericsson Academy and on-the-job development through stretch assignments and internal mobility.

Leadership

We believe that strong leadership is a key factor in creating and maintaining a high performance work environment with a highly engaged workforce.

We expect our leaders to maintain an environment that fosters creativity, innovation and the constant flow of ideas. Our employees should have clear goals and receive continuous feedback and coaching. These are the drivers of high performance and employee engagement.

Diversity

We have a focused strategy aimed at ensuring that our employee base and our leadership teams are as diverse as the world in which we operate. We believe a diverse and inclusive workforce drives innovation and leads to high performing teams and superior business results.

STRATEGY AND CUSTOMERS

We aim to become a leading information and communication technology (ICT) solutions provider by combining our core assets: technology leadership, services leadership and global scale.

VISION

The Company's vision is to be the prime driver in an all-communicating world. Ericsson envisions a continued evolution, from having connected 6 billion people to connecting 50 billion 'things'. The Company envisions that anything that can benefit from being connected will be connected, mainly via mobile broadband in the networked society that is beginning to come to life.

OUR STRATEGY

The Company's strategy builds on a long-term vision and mission which is translated into a business strategy that should generate value for the Company's key stakeholders; customers, employees and shareholders.

Four pillars form the foundation for our business strategy: Excel in Networks, Expand in Services, Extend in Support Solutions and Establish leading position in enablers of the networked society.

Excel in Networks

Networks' strategic focus is on evolving networks from 2G to 3G to 4G with superior quality and performance. We secure a strong footprint in LTE and continue to assist operators in expanding their business by providing support for new business models and revenue streams.

We will expand our portfolio with heterogeneous networks in which Wi-Fi access will be part of our offering.

We will also utilize our large installed base of systems for mobile telephony to lead the transition to voice over LTE (VoLTE), where next-generation video and presence capabilities will be added to the traditional voice services.

We anticipate an array of "things" communicating, in addition to billions of people being connected. Mobile networks will thus increasingly carry more data and video, and we will evolve networks for the networked society through 4th-generation IP networks that are smart, scalable, simple and offer superior performance.

Expand in Global Services

In Global Services, we will leverage our momentum in sales and growth, and keep our focus on innovation, competence and cost control.

The focus area of innovation involves developing new business by capturing opportunities in new areas such as IT and broadcasting, as well as in new business models.

Competence is critical when expanding into an ICT market with a higher degree of complexity, with new competitors such as IT and professional services companies.

Cost control is supported by industrializing delivery, standardized services packaging and automated tools.

Our service delivery model enables us to provide services in the same way and with the same quality across the world. It also ensures that innovation and knowledge sharing are spread globally in an efficient way.

Extend in Support Solutions

Segment Support Solutions focuses on building business in OSS and BSS, TV and Media management, as well as M-Commerce.

After the acquisitions of Telcordia and ConceptWave in 2012, we now have a full spectrum of OSS solutions from planning and engineering tools, through fulfillment and inventory tools and service assurance products. We now provide customers with the solutions to be best in class in plan-to-provision, lead-to-service and trouble-to-resolution.

We will continue to invest in our market-leading charging, billing and converged charging and billing solutions.

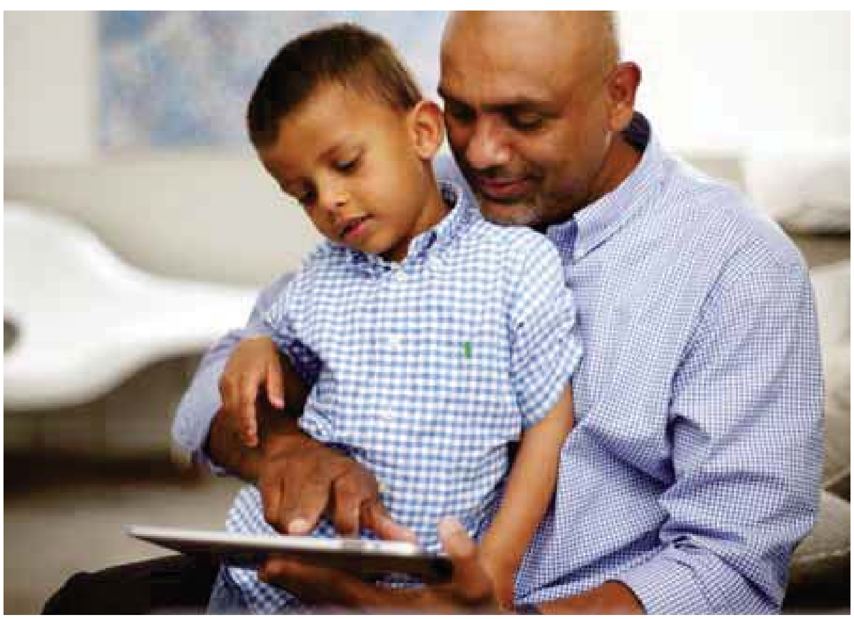
Our m-commerce business, focused on international remittance, builds on the strength in charging systems and our customers' prepaid customer base.

Our TV and Media management offering comprises of compression, for both operators and media companies, and multiscreen TV & video, including IPTV, service enablement and service delivery platforms.

Establish leading position in enablers of a networked society

In the networked society anything that benefits from being connected will be connected. This development will be made possible through enablers such as solutions for machine-to-machine communications, modems from ST-Ericsson and IPRs.

We are shifting the focus from connected devices to enablers of a networked society. This is an area that will be developed over the coming years as we start investigating different opportunities both together with operator customers and with customers from other industries.



COMPANY TRANSFORMATION

We are going through a period of transformation and change – both in the industry and within the company. Two important areas of company-wide transformation are:

Go-to-market model

A new go-to-market model with ten regions and six global engagement practices was introduced in 2010, enabling us to expand engagements with customers into new areas, develop skills across our portfolio, and build momentum around global knowledge sharing.

This makes it possible for us to work even closer together with our customers, to understand their needs, while leveraging our global scale.

Lean and agile ways of working in R&D

One major undertaking to improve performance and efficiency in our R&D is to implement a lean and agile methodology. This is a way of working that includes shortened feedback loops, improved communication and rationalized processes.

Some product development projects have just begun the transition to lean and agile ways of working, while others are well advanced.

OUR CUSTOMERS

Our business is defined by long-term relationships mainly with large telecom operators around the world. We serve approximately 400 customers. Globally, telecom operators represent the majority of net sales.

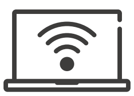
We also engage directly with customers in certain other industries such as utilities and media.

We have customers in more than 180 countries and have been present in many markets for more than 100 years. Our ten largest customers, of which half are multinational, account for 46% of net sales.

Our customers operate in a wide range of local economies and are at various technology stages. They have different business focuses depending on the maturity of their respective markets.

OUR PORTFOLIO

We have the competence, the skills and the solutions our customers need to tackle the challenges of today and tomorrow. Here we feature our offering to telecom operators.



25%

Mobile broadband now accounts for approximately 25% of all mobile subscriptions

MOBILE BROADBAND

In summary
- Evolving networks from 2G/GSM to 3G/WCDMA/HSPA and 4G/LTE
- Helping operators meet demand for higher speed and capacity
- Building heterogeneous networks where capacity demand is high, such as in cities.

Mobile broadband is playing an increasingly important role in our daily lives. It is changing the way we are entertained and educated, and helps us work, keep in touch, and share information and ideas, regardless of where we are. It has the power to lessen the divide between geographic regions and socioeconomic groups, and improve the quality of life in all parts of the world. Mobile data traffic almost doubled in 2012, driven particularly by video, new smartphone and tablet launches, and mobile PC users generating even more data traffic. Mobile data traffic is expected to grow at a high rate, presenting a significant opportunity for operators, both in mature and emerging markets. Operators need to enhance network quality by increasing coverage, speed and capacity, and by providing service differentiation to ensure they can monetize the ever-increasing consumer demands for mobile broadband, and the accompanying lifestyle expectations. We provide the network infrastructure, upgrades and LTE expansions and support solutions to meet these operators' needs.

Network evolution

We were a key force behind the development of mobile technologies. Now our strategic focus is on evolving networks. With the evolution of the major mobile broadband technologies WCDMA/HSPA and LTE, true broadband performance and capacity is used to connect smartphones, PCs, tablets, sensors and machines to the internet and broadband services. With the high-speed, high-capacity mobile broadband possible through our WCDMA/HSPA and LTE offerings, operators can cost-effectively meet user demand for advanced internet services anywhere, anytime. We expect WCDMA/HSPA to be the predominant mobile broadband technology for many years to come. With the transition toward LTE, we take further steps towards greater capacity and higher throughput. LTE covers only 5–10% of global population today, but by 2017, we expect it will cover roughly half the people in the world. The ramp up of LTE is quicker than for earlier generations.

In addition, by 2017, densely populated urban areas, are expected to generate around 60% of total mobile traffic. To increase network capacity in these areas, we will build heterogeneous

950 MILLION

We manage networks with approximately 950 million subscribers

networks. Here, we complement powerful radio base stations with smaller radio base stations including Wi-Fi, which provide extra capacity in areas of high traffic loads, such as malls, transport hubs, hotels and offices.

Platform strength

Our network infrastructure is built on three main platforms:

- The RBS 6000 multi-standard platform for radio base stations. The platform supports GSM/EDGE, WCDMA/HSPA, LTE and CDMA in a single unit. The RBS 6000 family ensures a smooth transition to new technology such as LTE. Upgrades and expansions involve mostly software and services, often delivered remotely. RBS 6000 now accounts for almost all of radio base station shipments.
- The Ericsson Blade System platform for handling of network control functionality in fixed and mobile core networks
- The SSR 8000 family of smart services routers for network gateways which provides two powerful differentiators for operators. It is a high-capacity router platform with multi-application capabilities, thus enabling better network performance; it also supports services across fixed and mobile networks.

All platforms offer cost-effective deployment and a future-secured evolution for capacity and functionality.

MANAGED SERVICES

In summary

- Networks and business models becoming increasingly complex
- Market pressures leading operators to enhance offerings while increasing efficiency
- We build and manage networks, allowing operators to focus on strategy and customer attraction and retention.

Greater consumer expectations, and the upsurge in data traffic, demand greater network capacity and capability, which in turn lead to increased complexity, both in networks and their supporting business models. Maturing markets, intensified competition and stronger financial pressure lead to a need among telecom operators for greater service differentiation, enhanced offerings, and faster time to market, all at the same time as trying to reduce costs and increase efficiency.

This is where a managed services model comes into play. We take responsibility for activities telecom operators once handled in-house, from designing, planning and building a network, to managing its day-to-day operation. Operators can look to reduce costs and manage complexity through a partner such as Ericsson, who can take on a broader responsibility, and apply global best practices.

The world's largest managed services provider

We handle complex issues such as convergence, quality and capacity management, while freeing up operator resources to focus on strategy, marketing and customer care. We can also help operators scale quickly and cost-effectively, and address new opportunities in cloud solutions and media offerings.

We manage networks with approximately 950 million subscribers in more than 100 countries.

The networks we manage are typically complex multi-vendor, multi-technology environments. More than 50% of the equipment we manage is non-Ericsson. Our four global service centers (GSCs) all house global network operation centers (GNOCs) for efficient remote network management.

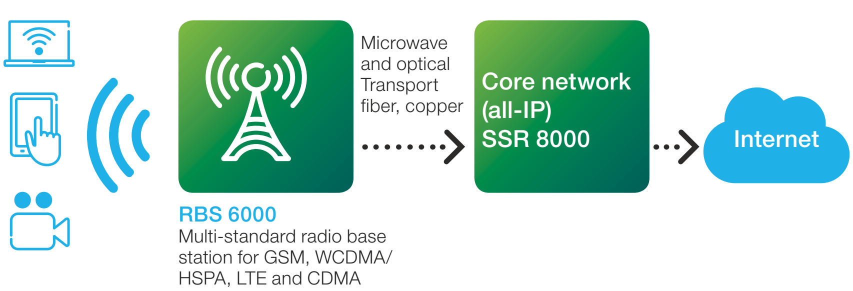
Expanding the scope

We are expanding the managed services model to adjacent, growing industries such as TV/media and IT systems.

The television industry is clearly migrating towards the internet. Traditional broadcasting is being complemented or replaced by a multitude of communications technologies. Here we see the opportunity to extend the managed services model to be a true ICT service provider, covering the full broadcast chain.

Operators also look for providers that can run and operate their entire IT systems and data centers. Consequently our managed services offering has expanded from network operations into IT Managed Services. This means Ericsson can run day-to-day operations IT systems and offer complete application life-cycle management, application development, and maintenance of both applications and infrastructure.

End-to-end leadership in mobile broadband



OUR PORTFOLIO CONTINUED

OPERATIONS AND BUSINESS SUPPORT SYSTEMS (OSS AND BSS)

In summary

- We provide systems used for managing services, revenues and subscriber relationships
- We help operators manage and monetize the increasing amount of data traffic
- We help operators manage increasingly complex networks.

In the telecom industry, customers need change fast, driven by swiftly-evolving technology. Business models that once promised commercial success are being challenged. These are the reasons operations and business support systems (OSS and BSS) have become key areas of investment for operators.

OSS and BSS are the systems and services used for managing services, revenues and subscriber relationships. With the growth in mobile broadband, operators need to evolve their OSS and BSS solutions to monetize the increasing amount of data, and to manage increasing network complexity. Our solutions help operators optimize their services based on:

- Customer experience, where understanding, acting and responding to changes in the way customers experience and use services helps meet their expectations
- Business innovation, being able to adapt to and adopt different approaches
- Business efficiency, consolidating systems and simplifying processes to manage the total cost of ownership.

Our OSS and BSS solutions have led change and created value through four generations of telecoms evolution. They are based on deep and broad experience in the business, and are now significantly strengthened by our acquisition of Telcordia. Solutions include:

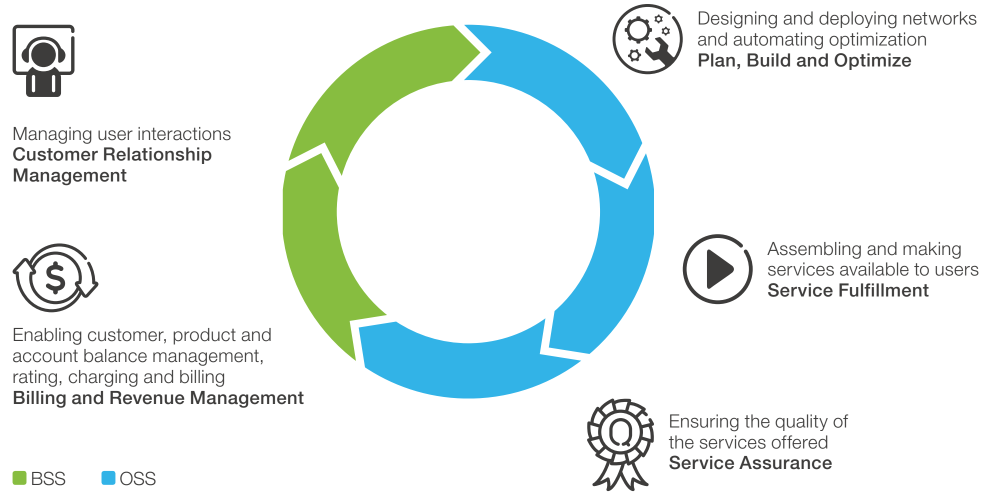
- Service differentiation – We provide the means for operators to improve customer loyalty and revenues as they are adopting new business models with tiered pricing plans for different speeds, data use or quality guarantees as well as personalized and improved customer experiences
- Transformation – We support the transformation of operations through consulting, systems integration and software solutions, to help operators adapt to rapidly changing and competitive markets
- Assurance – We offer solutions for monitoring network performance, and for planning, building and optimizing networks, so operators can improve customer experience and secure revenue
- Billing and revenue management – BSS solutions include those for revenue management and customer care. Our mobile money solution is pre-integrated with charging systems to help operators to lower churn, increase customer loyalty and reduce operating expenses.

> Operators want to enhance user experience while reducing cost.

This is OSS and BSS

Business Support Systems facilitate the relationship of the operator with their customers.

Operations Support Systems facilitate the operations of the operator's network.



COMMUNICATION SERVICES

- Operator-based services, based on industry standards, to ensure interoperability
- IMS, HD voice and Voice over LTE (VoLTE) drive development.

Communication services are the services people use to interact with each other, such as voice and video calls as well as text and multimedia messaging. These operator-based services are provided globally and are based on industry standards, ensuring interoperability.

Users expect their communication services to provide a seamless, instantaneous experience across all devices and all subscriptions. This shift requires operators to provide new functionality and richer offerings.

Operators now exploit opportunities to enhance user experience while reducing costs for voice communication. Our IP Multimedia Subsystem (IMS) enables this. Services controlled by IMS include voice (including HD voice), messaging and video calls.

HD voice significantly improves quality of voice communication. It helps ensure that voice continues to provide revenue streams for operators of both fixed and mobile networks.

Voice over LTE (VoLTE) enables operators to offer voice services over all-IP LTE networks. It also brings with it new services such as HD video and richer multimedia services.

FIXED BROADBAND AND CONVERGENCE

- Our IP-based converged networks provide low-cost and high-performance services.

Strong growth in data traffic drives a need for higher capacity solutions, based on IP and Ethernet technologies. Operators compete by evolving their networks to provide fast internet speeds, reliable high-definition IPTV and video on demand. To reduce cost and enable service bundling, fixed traffic can be provided over a multiservice network converging telephony, internet and TV. Our 4th generation IP network portfolio supports IP-based services and applications at low cost and high performance.

TV AND MEDIA MANAGEMENT

- A broad suite of standard-based products for digital TV, HDTV, video on demand, IPTV, mobile TV and content management.

TV is going digital and interactive. In the converging media landscape, broadcast and broadband are coming together. The worldwide digital TV market is growing rapidly.

With a broad suite of open standards-based products, we offer high-quality solutions for digital TV, HDTV, video on demand, IPTV, mobile TV and content management.

High-performance video means large amounts of traffic in the networks. This can be handled with our media distribution solution for video delivery over IP, combining a content distribution network with our TV portfolio.

Our IPTV network infrastructure offers a verified end-to-end solution from video head-end to broadband access, optimized for multi-stream HD-IPTV and on-demand video services. The solution also offers support for video to mobile handsets over HSPA and LTE networks.

Ericsson's multiscreen TV solution combines the full features of IPTV, mobile TV and web TV with a common user interface. It fully integrates fixed line and wireless media for the first time.

Business consulting, systems integration and implementation ensure a smooth launch of new TV infrastructure and services.