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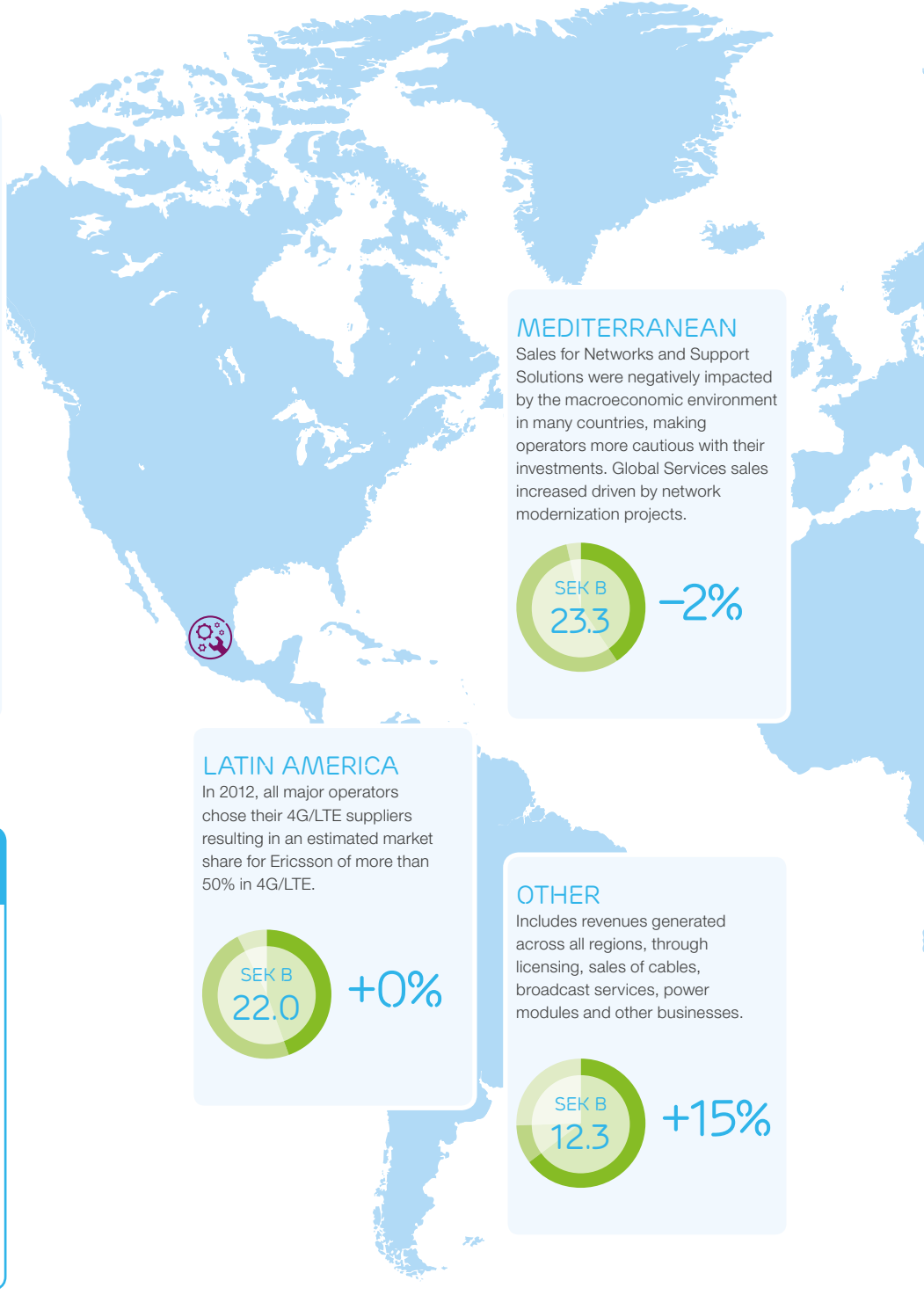
REGIONAL DEVELOPMENT

Ericsson is a truly global player, with customers in more than 180 countries. We have been present in many countries, such as China, Brazil and India, for more than 100 years.



NORTH AMERICA

Development in North America has been strong across all segments, driven by operators' demand for rollout of 4G networks as well as 3G capacity upgrades. A wide range of 4G devices are available to North American consumers and this fueled traffic growth and operators' demand for network capacity. All Ericsson CDMA customers have transitioned to 4G/LTE.

SEK B 56.7

+16%

MEDITERRANEAN

Sales for Networks and Support Solutions were negatively impacted by the macroeconomic environment in many countries, making operators more cautious with their investments. Global Services sales increased driven by network modernization projects.

SEK B 23.3

–2%

LATIN AMERICA

In 2012, all major operators chose their 4G/LTE suppliers resulting in an estimated market share for Ericsson of more than 50% in 4G/LTE.

SEK B 22.0

+0%

OTHER

Includes revenues generated across all regions, through licensing, sales of cables, broadcast services, power modules and other businesses.

SEK B 12.3

+15%

KEY

ERICSSON GLOBAL SERVICE CENTER

ERICSSON SEGMENTS;
NETWORKS
GLOBAL SERVICES
MULTIMEDIA

+XX% PERCENTAGE REVENUE INCREASE

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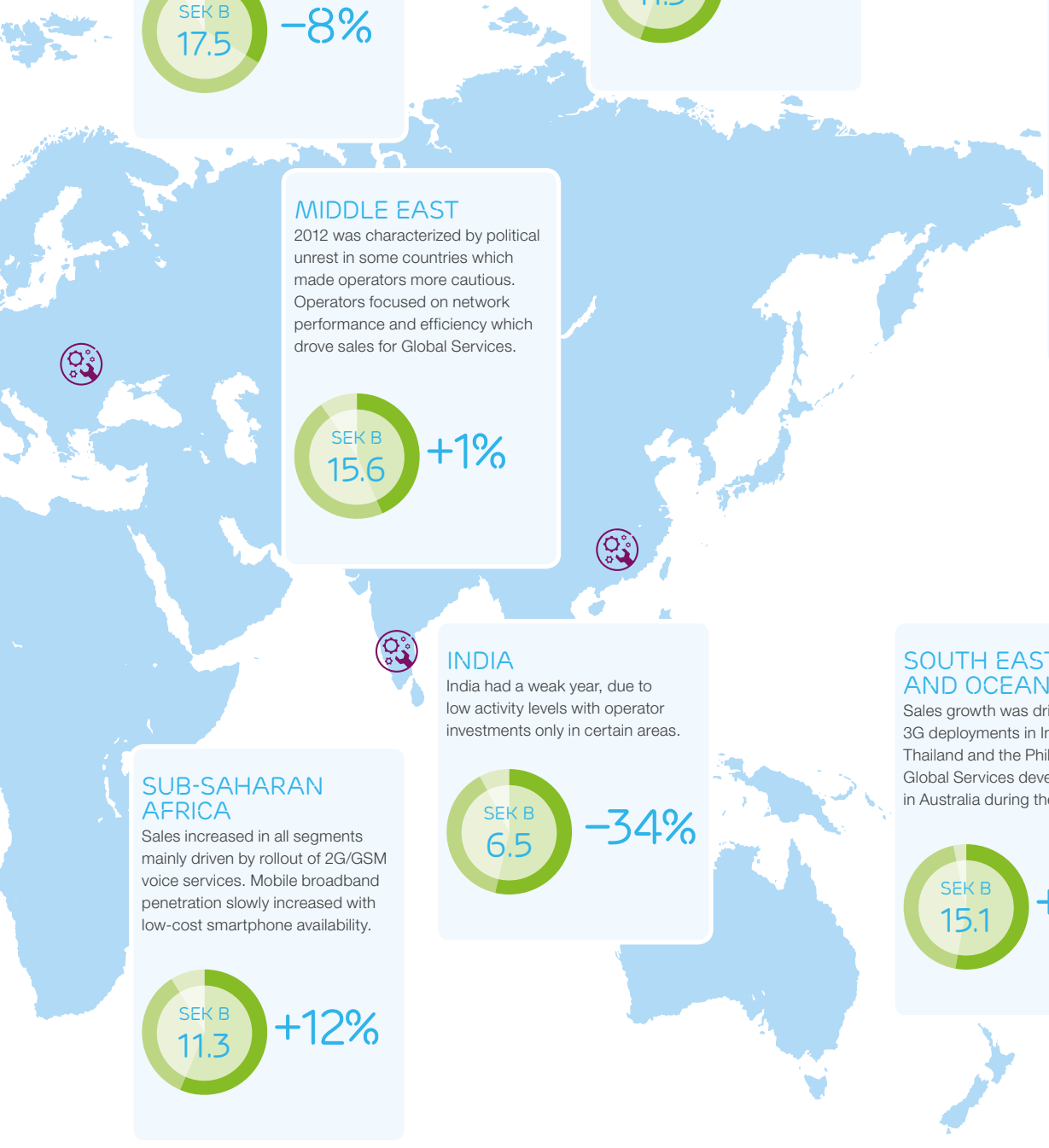

WESTERN AND CENTRAL EUROPE

Sales for Networks and Support Solutions declined due to cautious operator spending. Global Services sales increased slightly, driven by network modernization.

SEK B 17.5 −8%

NORTHERN EUROPE AND CENTRAL ASIA

Lower operator investments during the year, primarily in Russia, impacted sales negatively.

SEK B 11.3 −25%

NORTH EAST ASIA

Both Japan and South Korea are building country-wide 4G/LTE networks. In Japan sales grew during 2012, while sales in Korea were negatively impacted by lower 3G revenues. China had focus on the coming 4G/LTE rollouts and GSM sales declined.

SEK B 36.2 −5%

MIDDLE EAST

2012 was characterized by political unrest in some countries which made operators more cautious. Operators focused on network performance and efficiency which drove sales for Global Services.

SEK B 15.6 +1%

INDIA

India had a weak year, due to low activity levels with operator investments only in certain areas.

SEK B 6.5 −34%

SOUTH EAST ASIA AND OCEANIA

Sales growth was driven by 3G deployments in Indonesia, Thailand and the Philippines. Global Services developed well in Australia during the year.

SEK B 15.1 +9%

SUB-SAHARAN AFRICA

Sales increased in all segments mainly driven by rollout of 2G/GSM voice services. Mobile broadband penetration slowly increased with low-cost smartphone availability.

SEK B 11.3 +12%

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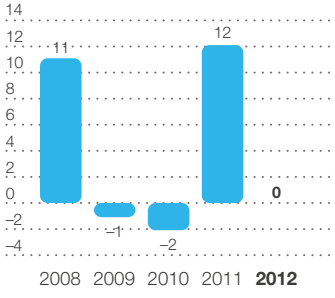
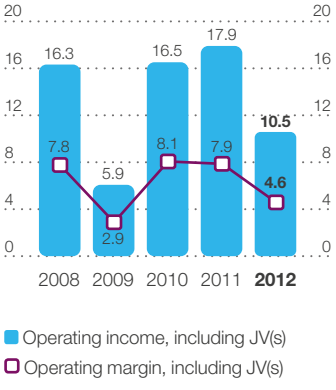
VQS_Section 3.2_Ericsson 2012 Annual Report.pdf

OUR PERFORMANCE

Our overall goal is to create shareholder value. We use a range of financial and non-financial targets to drive business performance.

	GROWING SALES FASTER THAN THE MARKET	BEST-IN-CLASS OPERATING MARGIN	STRONG CASH CONVERSION
What we aim for			
Why we measure it	Outperforming our market confirms the validity of our strategic direction.	A clear focus on operating margins demonstrates our commitment to profitable growth.	A strong cash position supports new business activity, enables appropriate acquisition opportunities and provides resilience to external economic volatility.
Our performance	**Revenue growth** Percent	**Profitability** SEK billion / Percent	**Capital efficiency** Percent





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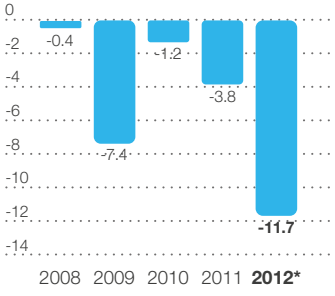
GROWTH IN JV EARNINGS

The modem technology has a strategic value to the wireless industry.

Share in earnings of JVs and associated companies

(SEK billion)



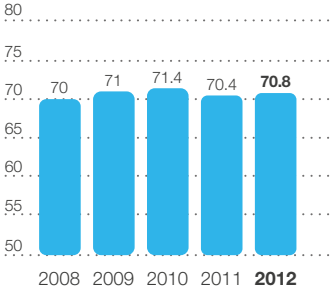
Share in earnings of Sony Ericsson included 2008–2011.

* 2012 includes a non-cash charge of SEK 8.0 billion.

CUSTOMER SATISFACTION

Customer satisfaction is a prerequisite for customer loyalty. We strive to ensure that our customers perceive us as a thought leader and their preferred business partner.

Customer satisfaction index



EMPLOYEE ENGAGEMENT

Engaged employees are motivated to contribute to the success of Ericsson and are willing to go the extra mile to meet the organization's goals.

Employee engagement index

77%

(2011: 77%)

Our score is 8 percentage points higher than external benchmark average, as measured across over 250 companies. We started to measure the engagement index in 2011.

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VQS_Section 3.2_Ericsson 2012 Annual Report.pdf

SUSTAINABILITY AND CORPORATE RESPONSIBILITY

Our approach to sustainability and corporate responsibility is integrated into our core business operations and in our relationship with stakeholders.

↓40%

We achieved our five-year target, to reduce carbon footprint intensity by 40%, one year ahead of time

SUSTAINABILITY

Sustainability is about the "triple bottom line":

- Social equity; communication is a basic human need and should be available to everyone
- Environmental performance; minimizing environmental impact and creating a low-carbon society
- Economic prosperity; contributions to social and economic development.

We have implemented strong social, ethical and environmental standards. This commitment generates positive business impacts, which in turn benefit society.

Reducing environmental impact

The energy use of products in operation remains our most significant environmental impact. We also work to reduce our own environmental impact. Focus is on product energy efficiency and materials management as well as business travel, facilities and transport of our products. We have set a five-year target to reduce Ericsson carbon footprint intensity by 40% for products in operation and for our own operations and we have achieved it one year ahead of time.

We work proactively with our customers to encourage network and site energy optimization.

One aspect of our sustainability strategy is the role broadband can play in helping to offset global CO_2 emissions.

70% of these are attributed to cities. We work on sustainable city solutions and are engaged in global climate policy.

Technology for Good

Our Technology for Good program is focused on applying Ericsson's expertise, global presence and scale to find market-based solutions that empower people, business and society to help shape a more sustainable world. We have used our technology and competence to help achieve the Millennium Development Goals for more than a decade.

Through our volunteer program Ericsson Response™, we have played an active role in humanitarian disaster relief efforts.

CORPORATE RESPONSIBILITY

Corporate Responsibility is about managing risks to secure that Ericsson remains a trusted partner among our stakeholders.

Conducting business responsibly

We actively support the UN Global Compact, and endorse its principles regarding human and labor rights, anti-corruption and environmental protection.

We have a Code of Business Ethics and a Code of Conduct which reflect responsible business practices. Promotion of these practices is reinforced by employee awareness training, workshops and monitoring.

Suppliers must comply with our Code of Conduct.

We continued to develop our anti-corruption program and broadened Ericsson's whistleblower procedure.

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CHANGING LIVES

Mobile broadband helps people share information and ideas, and work more collaboratively. It changes the way we are entertained, and the way we communicate. It promotes social and economic progress and reduces environmental impact, improving quality of life in all parts of the world. It makes m-commerce possible anywhere, even in remote areas, and delivers public services effectively to billions. In all of these ways, Ericsson is shaping the world's future through its continuous technology leadership in mobile broadband.

x12

Global mobile data traffic is estimated to grow twelve fold by 2018.

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VQS_Section 3.2_Ericsson 2012 Annual Report.pdf

FIVE-YEAR SUMMARY

For definitions of the financial terms used, see Glossary, Financial Terminology and Exchange Rates.

Five-year summary

SEK million	2012	Change	2011	2010	2009	2008
Income statement items						
Net sales	227,779	0%	226,921	203,348	206,477	208,930
Operating income	10,458	–42%	17,900	16,455	5,918	16,252
Financial net	–276	–	221	–672	325	974
Net income	5,938	–53%	12,569	11,235	4,127	11,667
Year-end position						
Total assets	274,996	–2%	280,349	281,815	269,809	285,684
Working capital	100,619	–8%	109,552	105,488	99,079	99,951
Capital employed	176,653	–5%	186,307	182,640	181,680	182,439
Gross cash	76,708	–5%	80,542	87,150	76,724	75,005
Net cash	38,538	–2%	39,505	51,295	36,071	34,651
Property, plant and equipment	11,493	7%	10,788	9,434	9,606	9,995
Stockholders' equity	136,883	–4%	143,105	145,106	139,870	140,823
Non-controlling interest	1,600	–26%	2,165	1,679	1,157	1,261
Interest-bearing liabilities and post-employment benefits	38,170	–7%	41,037	35,855	40,653	40,354
Per share indicators						
Earnings per share, basic, SEK	1.80	–53%	3.80	3.49	1.15	3.54
Earnings per share, diluted, SEK	1.78	–53%	3.77	3.46	1.14	3.52
Cash flow from operating activities per share, SEK	6.85	120%	3.11	8.31	7.67	7.54
Cash dividends per share, SEK	2.75 [1]	10%	2.50	2.25	2.00	1.85
Stockholders' equity per share, SEK	42.51	–5%	44.57	45.34	43.79	44.21
Number of shares outstanding (in millions)						
end of period, basic	3,220	–	3,211	3,200	3,194	3,185
average, basic	3,216	–	3,206	3,197	3,190	3,183
average, diluted	3,247	–	3,233	3,226	3,212	3,202
Other information						
Additions to property, plant and equipment	5,429	9%	4,994	3,686	4,006	4,133
Depreciation and write-downs/impairments of property, plant and equipment	4,012	13%	3,546	3,296	3,502	3,105
Acquisitions/capitalization of intangible assets	13,247	–	2,748	7,246	11,413	1,287
Amortization and write-downs/impairments of intangible assets	5,877	7%	5,490	6,657	8,621	5,568
Research and development expenses	32,833	1%	32,638	31,558	33,055	33,584
as percentage of net sales	14.4%	–	14.4%	15.5%	16.0%	16.1%
Ratios						
Operating margin excluding joint ventures and associated companies	9.7%	–	9.6%	8.7%	6.5%	8.0%
Operating margin	4.6%	–	7.9%	8.1%	2.9%	7.8%
EBITA margin	6.6%	–	9.9%	11.0%	6.7%	9.4%
Cash conversion	116%	–	40%	112%	117%	92%
Return on equity	4.1%	–	8.5%	7.8%	2.6%	8.2%
Return on capital employed	6.7%	–	11.3%	9.6%	4.3%	11.3%
Equity ratio	50.4%	–	51.8%	52.1%	52.3%	49.7%
Capital turnover	1.3	–	1.2	1.1	1.1	1.2
Inventory turnover days	73	–	78	74	68	68
Trade receivables turnover	3.6	–	3.6	3.2	2.9	3.1
Payment readiness, SEK million	84,951	–2%	86,570	96,951	88,960	84,917
as percentage of net sales	37.3%	–	38.1%	47.7%	43.1%	40.6%
Statistical data, year-end						
Number of employees	110,255	5%	104,525	90,261	82,493	78,740
of which in Sweden	17,712	1%	17,500	17,848	18,217	20,155
Export sales from Sweden, SEK million	106,997	–8%	116,507	100,070	94,829	109,254

[1] For 2012, as proposed by the Board of Directors.

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VQS_Section 3.2_Ericsson 2012 Annual Report.pdf

LETTER FROM THE CHAIRMAN

DEAR SHAREHOLDERS

It is now almost two years since I assumed the role as Chairman of the Board of Ericsson, and looking back they have certainly been interesting years. The rapid pace of change of the industry and the transformative power of the technology are two reasons why I find this role so interesting and inspiring.

A year of strategy execution

During 2012, the Company continued to strengthen its core assets; technology and services leadership as well as global scale. A key event during the year was the completion of the divestment of Sony Ericsson. In addition, the Company has strengthened and streamlined its portfolio through a few strategic acquisitions and divestments.

Board discussions

During the year, the Board has closely monitored the overall market conditions for Ericsson such as macroeconomic development, customers' financial performance and strategy as well as the competitive landscape among ICT vendors. It is important for us to understand how potential moves by competitors, both commercial and technological, might change the landscape and the relative strength of the company.

A main focus area for the Board of Directors during the year has been Ericsson's financial performance and working capital development. Commercial management and the balance between market share gains and profitable growth have been key topics.

The Board has also closely monitored the work during the year to find the best solution for ST-Ericsson assets given the strategic options at hand.

Strong financial position

One of the Board's key areas of responsibility is to manage the Company's financial position. The Company has a strong balance sheet and we believe it is appropriate to remain fairly conservative considering the continued macroeconomic uncertainty in parts of the world. We will, as before, consider selective acquisitions but prefer to invest in further strengthening the Company's technology and services leadership and its offering to the market.

The Company's dividend policy takes into account last year's earnings and balance sheet structure, as well as coming years' business plans and expected economic development. Based on this, the Board proposes a dividend increase of 10%.

Importance of corporate governance

Good corporate governance is the basis for building a robust corporate culture. However, corporate governance is not only about efficient and reliable controls and procedures. It is also about adherence to strong principles of responsible business practice by all employees. Over time this strengthens the business, which in turn generates shareholder value. Ericsson has a strong portfolio for value creation at large, and strong social, environmental and governance standards supporting risk management.

I am proud to be Chairman of the Board of this Company with so many dedicated and competent people working hard every day, to stay the leader in this rapidly changing market.

Leif Johansson
Chairman of the Board of Directors

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Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1.
VQS_Section 3.2_Ericsson 2012 Annual Report.pdf

BOARD OF DIRECTORS' REPORT

CONTENTS

Trends and drivers	26
Business in 2012	27
Targets and performance	28
Financial results of operations	30
Financial position	32
Cash flow	34
Business results – region	35
Business results – segments	36
Corporate Governance	39
Material contracts	40
Risk management	40
Sourcing and supply	40
Sustainability and Corporate Responsibility	41
Legal proceedings	43
Parent Company	43
Post-closing events	45
Board assurance	45

TRENDS AND DRIVERS

Major industry trends in 2012 were operators focus on high-performance mobile broadband networks and their focus on increasing the operational efficiency. Tiered pricing and new business models continued to be high on our customers' agendas. In Europe, the network modernization projects continued the rapid implementation. In North America, Japan and Korea, major LTE rollouts took place.

Across the globe, operators continued to focus on increasing their operational efficiency and reducing their operating expenses. Their focus on operational efficiencies together with transformation activities in the voice, IP and OSS and BSS domains drove demand for consulting and systems integration as well as managed services.

When developing its internal plans, Ericsson looks at a number of parameters that have an impact on data traffic. These include:

- Smartphone subscriptions, as a percentage of total subscriptions
- Mobile broadband subscriptions, as a percentage of total mobile subscriptions
- Average data traffic and peaks in traffic.

Mobile subscriptions and smartphones

Today, 15–20% of the worldwide installed base of mobile phone subscriptions use smartphones. About 40% of all mobile phones sold during 2012 were smartphones, compared to around 30% for 2011. With less expensive smartphones being introduced, there is considerable room for further uptake.

Subscriptions

billion	2012	2018 Forecast
Mobile subscriptions	~6.3	~9
Mobile broadband subscriptions	~1.5	~6.5

Ericsson estimate

Mobile broadband subscriptions and population coverage

Mobile network coverage is constantly increasing. GSM/EDGE technology has the widest reach and covers more than 85% of the world population.

WCDMA/HSPA covers more than 50% of the world population. Further build out of WCDMA/HSPA coverage will be driven by factors such as demand for internet access and affordability of smartphones. By 2017, Ericsson estimates that 85% of the world's population will have access to WCDMA/HSPA.

All WCDMA networks deployed by Ericsson have been upgraded to HSPA of various speeds.

Despite being in the early days, LTE networks can already provide downlink peak rates of around 100 Mbps. There are around 60 LTE networks in commercial operation. By 2017, Ericsson estimates that 50% of the world's population will have LTE coverage.

Regions have different radio technology mixes dependent on maturity level. Less mature regions are dominated by 2G technologies while more mature regions are dominated by HSPA. LTE is growing strongly, particularly in North America, where LTE is forecasted to be the leading radio technology before 2018. The fast growth in LTE subscriptions is driven by strong competition and consumer demand, following CDMA operators' decisions to migrate to LTE.

Operators who have 2G or 3G-specific radio base stations will have to invest in new radio base stations in order to introduce 4G/LTE. The Ericsson multi-standard radio base station is an efficient way of doing so, being capable of all technologies; 2G, 3G and 4G/LTE.

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Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1.
VQS_Section 3.2_Ericsson 2012 Annual Report.pdf

Data traffic

Access to the internet from mobile devices continues to drive mobile traffic development. In 2012, mobile data traffic continued the trend of doubling each year. Ericsson estimates that mobile data traffic will grow 12 times between 2012 and 2018. The increasing data traffic will drive the need for more capacity in mobile broadband networks.

Data traffic per subscriber is partly dependent on the screen size of the user's device. Resolution is also a factor. On average, a mobile PC generates about seven times more data traffic than a smartphone.

Average mobile data traffic

	2012	2018 Forecast
Monthly data traffic per PC	3 GB	11 GB
Monthly data traffic per tablet	0.6 GB	2.7 GB
Monthly data traffic per smartphone	0.45 GB	1.9 GB

Ericsson estimate

BUSINESS IN 2012

Strong year for services

With strong growth in Global Services and Support Solutions in 2012, Ericsson took further steps in establishing itself as a leading ICT player. Networks sales declined 2012 following a strong 2011.

In the coming years, Ericsson expects software sales to gradually increase as radio expansions and upgrades, IP and OSS and BSS materialize. This development will result in more recurring revenues from software and services business as well as less capital utilization.

High share of coverage projects

Ericsson's gross margin and the amount of required capital employed vary with project type. When building network coverage, projects are often of a turnkey character. Generally there are more hardware and network rollout services in coverage projects, resulting in lower gross margin and a larger capital utilization.

During 2012, Ericsson was in a phase with a high share of coverage projects. Sales for 2012 showed a higher share of services and a lower share of hardware. This reflects the good momentum in services throughout the year, reduced CDMA infrastructure business and impact from network modernization projects in Europe.

Network modernization in Europe

The modernization of networks in Europe became an opportunity for the Company in mid-2010 when operators in Europe started to consider replacing old 2G and 3G equipment with multi-standard radio equipment.

Ericsson that had lost out on market share in 3G compared to its strong 2G position, identified this as an opportunity to regain footprint. Competition for new footprint is always tough and a strategic decision was taken to accept short-term profitability pressure to increase technology and services leadership. As a result, market share has increased and the Company has further strengthened its leading market position in Europe. Average project duration for these modernization projects is 18–24 months and the first projects were completed in late 2012. The negative impact from network modernization projects in Europe will continue to gradually decline during 2013 as projects are finalized.

Acquisitions, partnerships and divestments

The Company's strategy is to focus on organic growth and be selective with acquisitions. Acquisitions might be considered for three purposes: if there is a crucial opportunity to consolidate the Company's market position, to fill portfolio gaps, or to enter new growth areas. In 2012, the following activities were announced:

- Completion of the acquisition of Telcordia
- Completion of the divestment of the 50% stake in Sony Ericsson Mobile Communication AB to Sony in February. The divestment was effective on January 1, 2012
- Increased ownership in Ericsson-LG, now holding 75%
- Acquisition of Canadian telecom-grade Wi-Fi company BelAir Networks
- Acquisition of Technicolor's broadcast services division
- Divestment of EDA 1500 GPON portfolio to Calix, Inc.
- Acquisition of Canadian ConceptWave in the OSS and BSS domain
- Divestment of the multimedia brokering platform (IPX) to Gemalto.

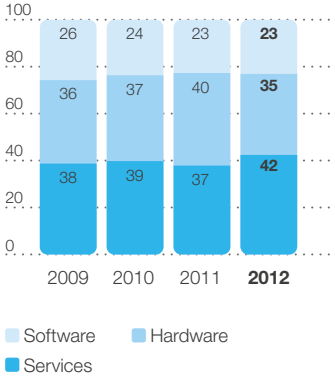
Fair return on R&D investment

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, from device and equipment manufacturers as well as from other industries. Any company that provides wireless connectivity today is likely to require a license to Ericsson's patents. The Company believes it is the strongest holder of essential patents in the wireless industry. Ericsson has more than 100 patent license agreements and is a net receiver of royalties. The Company's product portfolio is well licensed, which is beneficial to its customers.

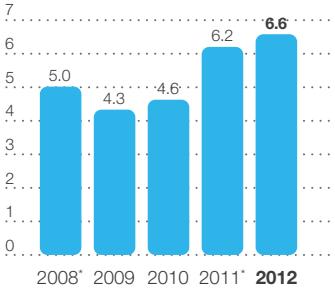
Software, hardware and services: share of total sales

Percent



IPR revenue (net)

SEK billion



* One-off patent sales included

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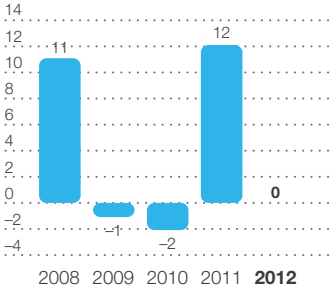
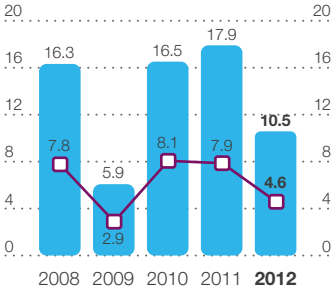
BOARD OF DIRECTORS' REPORT CONTINUED

Revenue growth
Percent



Profitability
SEK billion Percent



Operating income, including JV(s)
Operating margin, including JV(s)

*Ericsson's key network equipment market includes Radio, i.e. 2G, 3G, 4G RAN including CDMA, public WLAN access and OSS for mobile. IP and Transport includes IP Edge, packet core, microwave, opto metro and OSS for fixed. Core includes circuit-switched core, IMS, user data management and machine-to-machine.

Cash generation
A tight focus is kept on the cash generation of the Company and its working capital. Working capital decreased by –8% mainly due to lower inventories at year-end. The balance sheet is strong and the cash position sufficiently large to ensure the financial flexibility to invest in future growth and to capture business opportunities. The earnings and balance sheet structure makes it possible for the Board of Directors to propose to increase the dividend. This proposal reflects earnings and balance sheet structure in 2012, as well as coming years' business plans and expected economic development, according to Ericsson's dividend policy.

Cost and efficiency
The Board of Directors has paid extra attention to commercial management and the balance of market share gains with profitable growth. In addition, the Company has also taken a number of initiatives to reduce cost and increase capital efficiency. Among these is the multi-year program to reduce cost by industrializing service delivery, implementing more lean and agile ways of working in software development as well as improving the order-to-cash process. The Company will also continue to optimize capital expenditures and debt management.

TARGETS AND PERFORMANCE

Ericsson's overall goal is to create shareholder value. Management uses four financial metrics to evaluate the Company's long-term ambitions:
- Sales growth faster than the market
- Best-in-class operating margin
- Growth in joint ventures' earnings
- 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 been approved by the Annual General Meeting.

Long-term ambitions
Grow faster than the market
Ericsson maintained its share of global installed base of radio base stations at close to 40%.

In 2012, Ericsson widened the definition* of the equipment market to also reflect the R&D investments during the past years. For the equipment market, which includes the key segment of Radio, IP and Transport as well as Core, preliminary market data indicates that the market share was 24%, down from 27% in 2011. The decline is due to a lower market share in the mobile network equipment market, at 35%, down from 38% in 2011, negatively impacted by the technology shift in China where investments are moving from GSM to other technology areas where Ericsson has limited presence.

Ericsson's global market share for LTE is twice as big as the largest competitor, measured in shipments for the full year 2012. This makes Ericsson the world's largest supplier of LTE. The LTE technology is still in an early build-out phase.

As expected, Ericsson's sales of CDMA equipment decreased by –40% in 2012, following operators' transition to LTE. All Ericsson CDMA customers are now Ericsson LTE customers.

In telecom services, internal market data indicates that the Company increased its market share to 13% and is larger than any of its competitors in this fragmented market. After the acquisition of Telcordia, consolidated as from January 2012, Ericsson has a leading position in OSS and BSS.

Best-in-class operating margin
The Company's operating margin before share in JV earnings and gain from the sale of its share in Sony Ericsson was 6.4% (9.6%). Based on reported results for 2012, the operating margin remains the highest among the Company's traditional publicly listed telecom competitors.

Growth in JV earnings
The Ericsson share in earnings of joint ventures and associated companies was SEK –11.7 (–3.8) billion. The Company took a non-cash charge of SEK 8.0 billion, related to its 50% stake of ST-Ericsson. The charge included write-down of investments of SEK 4.7 billion to reflect the current best estimate of Ericsson's share of the fair market value of the JV. A provision of SEK 3.3 billion was also included, related to the available strategic options at hand for the future of the ST-Ericsson assets. Ericsson's share of the JV Sony Ericsson was divested in early 2012 resulting in a gain of SEK 7.7 billion, reported as Other operating income. The Company did not consolidate Sony Ericsson in 2012.

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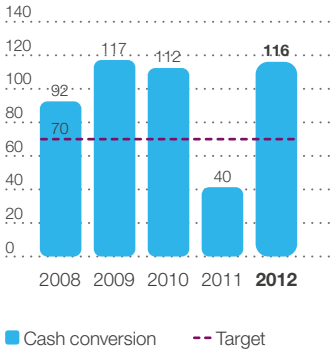
Capital efficiency

Percent



Cash conversion

The cash conversion rate was 116% (40%), driven by reduced working capital. The Company reached its target of a cash conversion rate above 70%. Cash conversion is defined as cash flow from operating activities divided by the sum of net income and adjustments to reconcile net income to cash.

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 2012 about 15,000 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 high level of excellence; a customer satisfaction index above 70. The goal is to further increase the customer satisfaction.

Employee engagement

In order to measure employee engagement, an annual survey is conducted by an independent company. In 2012, 94% (90%) of employees across the world responded to the survey.

The 2012 survey results show a continued strong employee engagement. The Employee Engagement index is 77%, which is unchanged from 2011 and 8%–points higher than the external benchmark average.

Executive Performance Stock Plan

The Company has a Long-Term Variable (LTV) remuneration program. It builds on a common platform, but consists of three separate plans; one targeting all employees, one targeting key contributors and one targeting senior management. The 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 2013 Executive Performance Stock Plan will be communicated in the notice to the Annual General Meeting.

The targets for the 2011 and 2012 Executive Performance Stock Plans are shown in the illustration below. The performance criteria are:

- Up to one-third of the award will vest if the target for compound annual growth rate of consolidated net sales is achieved
- Up to one-third of the award will vest if the target for compound annual growth rate of consolidated operating income, including earnings in joint ventures and restructuring, is achieved. For the 2011 plan, base year 2010 is excluding restructuring of SEK 6.8 billion.
- Up to one-third of the award will vest if cash conversion is at or above 70% during each of the years and vesting one-ninth of the award for each year the target is achieved. The target was reached in 2012 but not reached in 2011.

Before the number of performance shares to be matched are finally determined, the Board of Directors shall examine whether the performance matching is reasonable considering the Company's financial results and position, conditions on the stock market and other circumstances, and if not, reduce the number of performance shares.

Working capital targets

Ericsson's working capital targets are described on page 32. The targets remain for 2013.

Shareholder value creation

Long-term ambition	Executive Performance Stock Plan 2011 targets for 2011–2013 Base year 2010	Executive Performance Stock Plan 2012 targets for 2012–2014 Base year 2011
GROW FASTER THAN THE MARKET	Net sales growth 4–10% CAGR	Net sales growth 2–8% CAGR
BEST-IN-CLASS MARGINS	Operating income growth 5–15% CAGR including JV(s) and restructuring*	Operating income growth 5–15% CAGR including JV(s) and restructuring
GROWTH IN JV EARNINGS		
STRONG CASH CONVERSION	Cash conversion ≥ 70% annually	Cash conversion ≥ 70% annually

* Base year 2010 excl. restructuring

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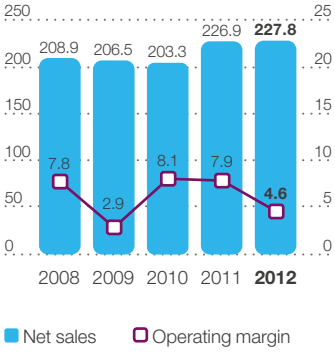
BOARD OF DIRECTORS' REPORT CONTINUED

FINANCIAL RESULTS OF OPERATIONS

Abbreviated income statement

	IFRS			Restructuring charges		
SEK billion	2012	2011	2010	2012	2011	2010
Net sales	227.8	226.9	203.3			
Cost of sales	–155.7	–147.2	–129.1	–2.2	–1.2	–3.4
Gross income	72.1	79.7	74.3		–1.2	–3.4
Gross margin %	31.6%	35.1%	36.5%			
Operating expenses	–58.9	–59.3	–58.6	–1.2	–2.0	–3.5
Operating expenses as % of sales	25.8%	26.1%	28.8%			
Other operating income and expenses	9.0	1.3	2.0	–	–	–
Operating income before share in earnings of JVs and associated companies	22.2	21.7	17.6	–3.4	–3.2	–6.8
Operating margin % before share in earnings of JVs and associated companies	9.7%	9.6%	8.7%			
Share in earnings of JVs and associated companies	–11.7	–3.8	–1.2	–0.3	–0.6	–0.5
Operating income	10.5	17.9	16.5	–3.8	–3.7	–7.3
Operating margin %	4.6%	7.9%	8.1%			
Financial income and expenses, net	–0.3	0.2	–0.7			
Taxes	–4.2	–5.6	–4.5			
Net income	5.9	12.6	11.2			
EPS diluted (SEK)	1.78	3.77	3.46			

Net sales and operating margin incl. JVs



Sales

2012 was a year with strong growth in Global Services and Support Solutions while Networks had a more challenging year. Sales for comparable units, adjusted for foreign currency exchange rates and hedging, decreased –2%. The acquired Telcordia operation added sales of SEK 4.2 billion, split 50/50 between the segments Global Services and Support Solutions.

In 2012, the Company continued to execute its strategy to leverage its strengths in the growth areas of mobile broadband, managed services as well as OSS and BSS. Due to the current technology cycle in which mobile broadband is being rolled out, the business mix in 2012 continued to include a higher share of coverage business than capacity business. Ericsson was also to a large extent engaged in network modernization projects in Europe with its lower margins.

Sales of CDMA equipment declined –40% to SEK 8.4 (14.0) billion. The decline in CDMA was expected and planned for, following operators migration to LTE. The growth in Global Services is primarily related to continued good momentum in managed services and consulting and systems integration as well as network rollout sales following a high share of coverage projects. The sales growth in Support Solutions is mainly driven by TV and media management, business support solutions (charging solutions) and the acquisition of Telcordia. The segments Global Services and Support Solutions together represented close to 50% of Group sales.

In 2012, five of our ten regions showed growth. The share of software sales was unchanged in 2012, at 23% (23%) of sales while the portion of hardware decreased to 35% (40%) and services increased to 42% (37%) of Group sales. Longer term, the software part is expected to increase following more expansions and upgrades of networks.

IPR (intellectual property rights) revenues showed a favorable development and amounted to SEK 6.6 (6.2) billion.

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.

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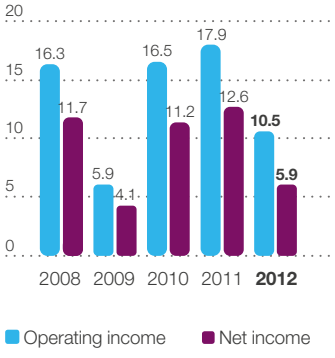
Operating income and net income

SEK billion



Most recent five-year average seasonality

	First quarter	Second quarter	Third quarter	Fourth quarter
Sequential change	–21%	7%	–2%	26%
Share of annual sales	23%	24%	24%	30%

Gross margin

Gross margin declined to 31.6% (35.1%). The decrease is due to increased share of Global Services sales, higher proportion of coverage than capacity projects and network modernization projects in Europe. Close to 50% of the gross margin decline is related to the increased services share.

With current visibility, the underlying business mix, with a higher share of coverage projects than capacity projects, is expected to gradually shift towards more capacity projects during the second half of 2013. The negative impact from the network modernization projects in Europe will continue to gradually decline during 2013.

Operating expenses

Total operating expenses declined slightly. Excluding acquisitions and restructuring charges, Group operating expenses amounted to SEK 55.1 billion, down –4% from 2011.

To secure continued technology leadership, focus is on innovation and R&D. R&D expenses (see table below) increased slightly due to higher restructuring charges and acquisitions. Based on current portfolio and efficiencies in ways of working, R&D expenses for 2013 are expected to decrease somewhat.

Selling and administrative expenses represented 11.4% of sales compared to 11.8% in 2011.

Research and development

	2012	2011	2010
Expenses (SEK billion)	32.8	32.6	31.6
As percent of Net sales	14.4%	14.4%	15.5%
Employees within R&D as of December 31 [1]	24,100	22,400	20,800
Patents [1]	33,000	30,000	27,000

[1] The number of employees and patents are approximate.

Operating margin before JVs

Operating margin before share in JV earnings was 9.7% (9.6%). Excluding the gain related to the divestment of the share of Sony Ericsson, operating margin was 6.4%. The negative impact was due to the business mix having more coverage business than capacity business as well as network modernization projects in Europe.

Share in earnings of JVs

ST-Ericsson reported a loss in 2012. Ericsson's share in ST-Ericsson's income before tax, adjusted to IFRS, was SEK –3.7 (–2.7) billion. The reported loss of SEK –11.7 billion includes a write-down of investments of SEK 4.7 billion and a provision of SEK 3.3 billion.

Other Operating income and expenses

Other operating income and expenses includes a gain of SEK 7.7 billion related to the divestment of Sony Ericsson. It also includes a gain of SEK 0.2 billion from the divestment of the Multimedia brokering (IPX) operation.

Financial net

The financial net decreased mainly due to negative currency exchange revaluation effects on financial investments and liabilities.

Taxes

The tax rate for the year was 42% (31%) of income after financial items. The high tax rate is due to product and market mix as well as a reduction in corporate tax rate for 2013, decided by the Swedish Parliament. The lower corporate tax rate in Sweden reduced the deferred tax assets with approximately SEK 0.5 billion. Over time, the lower tax rate in Sweden will have a positive impact on taxes.

Net income

Net income decreased primarily due to the negative impact from ST-Ericsson and lower contribution from Networks.

Earnings per share, diluted

Earnings per share decreased –53% to SEK 1.78 (3.77). Earnings per share, non-IFRS, decreased –42% to SEK 2.74 (4.72). The Board of Directors proposes a dividend of SEK 2.75 (2.50). This represents an increase of 10% over 2011.

Restructuring charges

Restructuring charges were SEK 3.4 (3.2) billion, excluding joint ventures. Restructuring charges mainly relate to continued execution of the service delivery strategy as well as other ongoing cost reduction measures. Cash outlays that have been provided for were SEK 1.2 (3.2) billion. At the end of the year, cash outlays of SEK 1.2 (1.3) billion remain to be made. Ericsson's share in ST-Ericsson's restructuring charges was SEK 0.3 (0.1) billion.

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BOARD OF DIRECTORS' REPORT CONTINUED

FINANCIAL POSITION

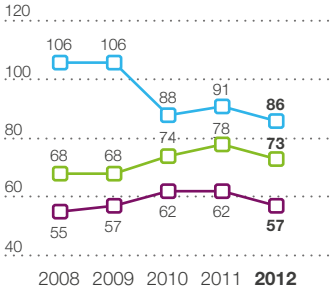
Consolidated balance sheet (abbreviated)

December 31, SEK billion	2012	2011	2010		2012	2011	2010
Assets				**Equity and liabilities**			
Non-current assets, total	**81.7**	81.5	83.4	Equity	**138.5**	145.3	146.8
of which intangible assets	**49.4**	44.0	46.8	Non-current liabilities	**39.1**	38.1	38.3
of which property, plant and equipment	**11.5**	10.8	9.4	*of which post-employment benefits*	**9.5**	10.0	5.1
of which financial assets	**8.5**	13.7	14.5	*of which borrowings*	**23.9**	23.3	27.0
of which deferred tax assets	**12.3**	13.0	12.7	*of which other non-current liabilities*	**5.7**	4.8	6.2
Current assets, total	**193.3**	198.8	198.4	Current liabilities	**97.4**	97.0	96.8
of which inventory	**28.8**	33.1	29.9	*of which provisions*	**8.4**	6.0	9.4
of which trade receivables	**63.7**	64.5	61.1	*of which current borrowings*	**4.8**	7.8	3.8
of which other receivables/financing	**24.1**	20.7	20.2	*of which trade payables*	**23.1**	25.3	25.0
of which short-term investments, cash and cash equivalents	**76.7**	80.5	87.2	*of which other current liabilities*	**61.1**	58.0	58.6
Total assets	**275.0** [1]	280.3	281.8	Total equity and liabilities [1]	**275.0**	280.3	281.8

[1] Of which interest-bearing liabilities and post-employment benefits SEK 38.2 (41.0) billion.

Working capital

Days



- Days sales outstanding (Target is less than 90 days)
- Inventory 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 invest in future growth 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 gains competitive advantages and can maintain an active strategy for selective acquisitions.

The Company's capital targets are to have an equity ratio above 40%, to generate a cash conversion rate above 70%, to have a positive net cash position and to achieve solid investment grade ratings.

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 days sales outstanding was met, while the other two targets were not achieved. Efforts to further reduce working capital will continue in 2013 and the working capital targets are the same as previous years.

For 2011, the dividend was SEK 2.50 per share. The Board of Directors will propose to the Annual General Meeting 2013 a dividend of SEK 2.75 per share for 2012. This represents a total dividend of approximately SEK 9.1 (8.2) billion. The proposal reflects year 2012's earnings and balance sheet structure, as well as coming years' business plans and economic development, according to Ericsson's dividend policy.

Non-current assets

Intangible assets increased to SEK 49.4 (44.0) billion due to acquisitions during the year. Customer financing, current and non-current, increased to SEK 5.3 (4.2) billion.

Current assets

Inventory levels decreased at the end of the year. At year end, inventory was SEK 28.8 (33.1) billion. The target of inventory turnover days less than 65 days was not reached and improvement efforts will continue in 2013.

Trade receivables: Days sales outstanding reached 86 (91) days at year end due to strong sales and good collections. The Company's credit losses have historically been low and continued to be so in 2012.

Net cash decreased by SEK 1.0 billion. For a more detailed discussion on changes in cash, see pages 34–35.

Equity

Equity decreased by SEK –6.8 billion primarily due to the non-cash charge of SEK 8.0 billion related to ST-Ericsson. The equity ratio was maintained at a healthy level of 50.4% (51.8%). Return on equity decreased to 4.1% (8.5%)

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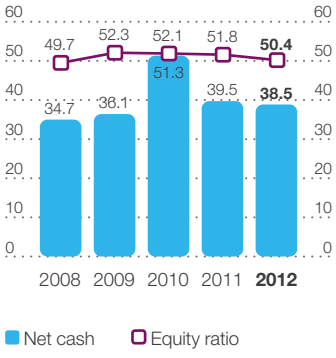
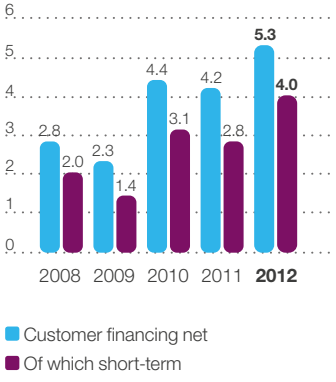
Net cash and equity ratio

SEK billion Percent



Customer financing

SEK billion



due to lower profitability. Return on capital employed (ROCE) was 6.7% (11.3%).

Non-current liabilities

Post-employment benefits related to defined benefit plans declined to SEK 9.5 (10.0) billion. In 2012 there was a decrease in discount rates, which was offset as plan assets yielded higher than expected.

Non-current borrowings was almost unchanged at SEK 23.9 (23.3) billion. In 2012, Ericsson performed refinancing activities to extend its average debt maturity profile and to further diversify funding sources:

- Issue of a USD-denominated 1 billion ten-year bond in order to refinance debt maturing in 2012 to 2014
- Repurchase of EUR 441 million related to the 2013 and 2014 EMTN bonds in order to reduce gross debt and optimize net interest
- Repayment of two SEK-denominated bonds with a total of SEK 3.5 billion at maturity
- Taken up a loan with the Nordic Investment Bank of EUR 0.15 billion (or the equivalent in USD). The loan is divided into two equal tranches with seven-year and nine-year maturities respectively.
- Signed loan agreement with the European Investment Bank of EUR 0.5 billion (or the equivalent in USD) with an option for disbursement until April 2014. The loan will mature seven years after disbursement
- The Company also has unutilized committed credit facilities of USD 2.0 billion available, maturing in 2014.

Current liabilities

Provisions increased to SEK 8.4 (6.0) billion. SEK 1.2 (1.3) billion were related to restructuring. The cash outlays of provisions were SEK 3.5 (6.0) billion. The higher amount of provisions is due to a provision of SEK 3.3 billion related to ST-Ericsson. Provisions will fluctuate over time, depending on business mix, market mix and technology shifts.

Payable days decreased to 57 (62) days, reflecting the high level of network rollout where suppliers normally have shorter payment days. The target of payable days of more than 60 days was not met.

Credit ratings at "solid investment grade"

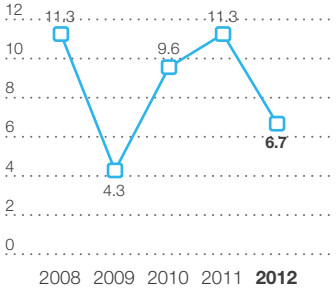
Moody's rate Ericsson A3 with a stable outlook and Standard & Poor's at BBB+ with stable outlook. The rating remained unchanged in 2012. In beginning of 2013 both rating institutes changed their outlook to negative.

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.

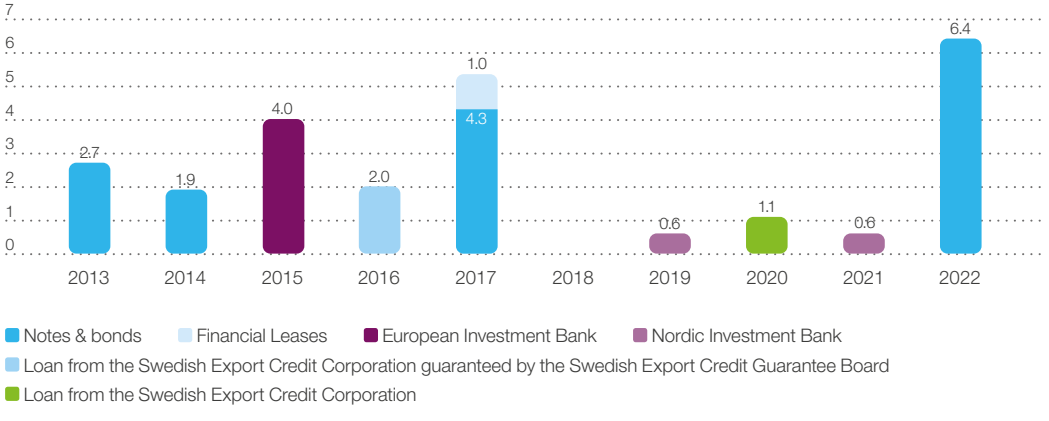
Return on capital employed

Percent



Debt maturity

SEK billion



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BOARD OF DIRECTORS' REPORT CONTINUED

CASH FLOW

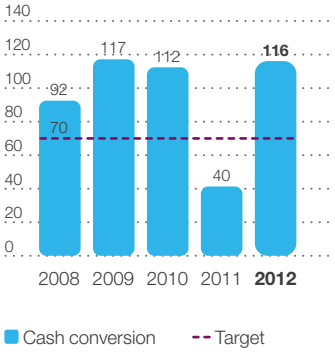
Cash flow (abbreviated) January 1 – December 31

SEK billion	2012	2011	2010
Net income	5.9	12.6	11.2
Income reconciled to cash	19.0	25.2	23.7
Changes in operating net assets	3.0	–15.2	2.9
Cash flow from operating activities	22.0	10.0	26.6
Cash flow from investing activities	–4.9	4.5	–12.5
of which capital expenditures, sales of PP&E, product development	–6.5	–6.1	–5.2
of which acquisitions/divestments, net	–2.1	–3.1	–2.8
of which short-term investments for cash management purposes and other investing activities	3.7	13.8	–4.5
Cash flow before financing activities	17.1	14.5	14.0
Cash flow from financing activities	–9.4	–6.5	–5.7
Cash conversion (Cash flow from operating activities divided by income reconciled to cash)	116%	40%	112%
Gross cash (Cash, cash equivalents and short-term investments)	76.7	80.5 [1]	87.2
Net cash (Gross cash less interest-bearing liabilities and post-employment benefits)	38.5	39.5	51.3

[1] Including loan to ST-Ericsson of SEK 2.8 billion.

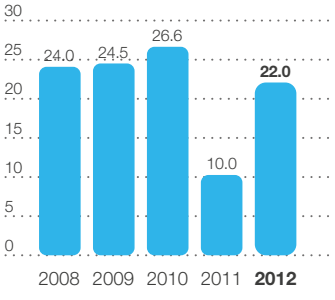
Cash conversion

Percent



Cash flow from operating activities

SEK billion



Cash conversion

Cash conversion was 116% (40%), above the target of 70%. Cash conversion in 2012 was positively impacted by lower working capital.

Cash flow from operating activities

The operating cash flow was positively impacted by reduced working capital.

Cash flow from investing activities

Cash outlays for regular investing activities increased to SEK –6.5 (–6.1) billion. Acquisitions and divestments during the year were net SEK –2.1 (–3.1) billion, with the major item being the USD 1.15 billion acquisition of Telcordia and the divestment of Sony Ericsson.

Cash flow from short-term investments for cash management purposes and other investing activities was net SEK 3.7 (13.8) billion, mainly attributable to changes between short-term investments and cash and cash equivalents.

Capital expenditures

Annual capital expenditures are normally around 2% of sales. This corresponds to the needs for keeping and maintaining the current capacity level, including the introduction of new technology and methods. Expenditures are largely related to test equipment in R&D units and network operations centers as well as manufacturing and repair operations.

The Board of Directors reviews the Company's investment plans and proposals. The Company believes it has sufficient cash and cash generation capacity to fund expected capital expenditures without external borrowings in 2013.

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, 2012, no material land, buildings, machinery or equipment were pledged as collateral for outstanding indebtedness.

Capital expenditures 2008–2012

SEK billion	2012	2011	2010	2009	2008
Capital expenditures	5.4	5.0	3.7	4.0	4.1
of which in Sweden	1.3	1.7	1.4	1.3	1.6
Share of annual sales	2.4%	2.2%	1.8%	1.9%	2.0%

Cash flow from financing activities

Cash flow from financing activities was SEK –9.4 (–6.5) billion, mainly impacted by dividend paid of SEK –8.6 (–7.5) billion. Other financing activities net amounted to SEK –0.8 (1.0) billion. However, substantial refinancing activities were performed during 2012 to extend the average debt maturity profile and to further diversify funding sources. For more information see section "Non-Current Liabilities", on previous page.

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Cash held in countries with exchange controls

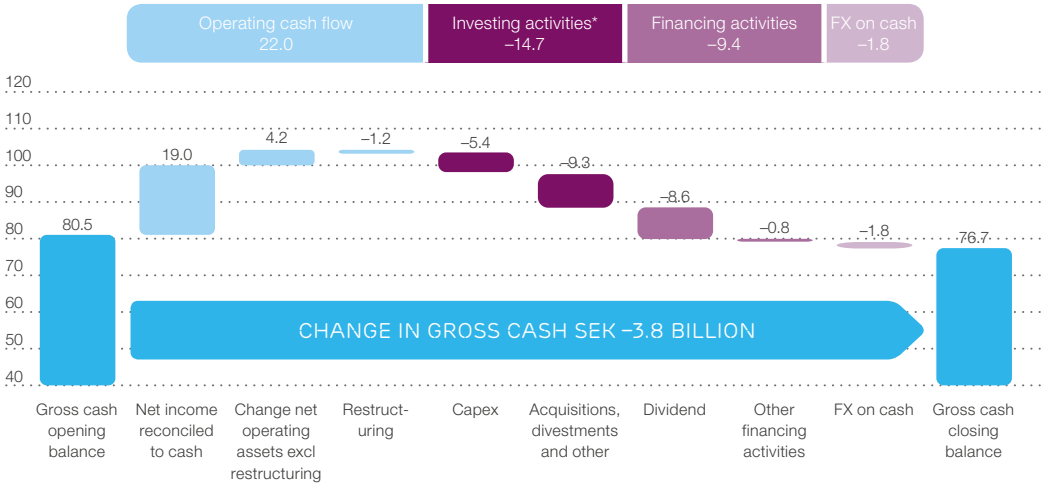
The Company holds cash or cash equivalents in countries where exchange controls or legal restrictions apply. These restrictions normally refer to approval procedures prior to cross-border cash transfers. The amount of cash and cash equivalents in such countries is SEK 10.6 (13.9) billion, of which SEK 9.2 (12.8) billion can be used for repayment of external and internal liabilities as well as other operating needs. Therefore, net cash and cash equivalents that are not readily available for use by the Group is SEK 1.4 (1.1) billion.

Gross cash and net cash

The change in gross cash of SEK 3.8 billion is related to ST-Ericsson where loans of SEK 5.0 billion were converted into investments. The net income reconciled to cash was SEK 19.0 (25.2) billion. Net operating assets was SEK 3.0 (–15.2) billion and investing activities SEK –14.7 (–9.9) billion. Dividends to shareholders amounted to SEK –8.6 (–7.5) billion. This resulted in a decrease in net cash of SEK 1.0 billion.

Change in gross cash

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.

BUSINESS RESULTS – REGIONS

Sales per region and segment 2012 and percent change from 2011

	Networks		Global Services		Support Solutions			
SEK billion	2012	Percent change	2012	Percent change	2012	Percent change	Total 2012	Percent change
North America	30.5	6%	23.5	27%	2.7	103%	56.8	16%
Latin America	9.8	–15%	10.6	12%	1.6	65%	22.0	0%
Northern Europe and Central Asia	6.3	–35%	4.5	–10%	0.5	–6%	11.3	–25%
Western and Central Europe	6.2	–21%	10.6	3%	0.7	–27%	17.5	–8%
Mediterranean	9.5	–11%	13.0	10%	0.8	–42%	23.3	–2%
Middle East	6.8	–9%	7.3	7%	1.5	24%	15.6	1%
Sub-Saharan Africa	6.4	10%	3.9	14%	1.0	16%	11.3	12%
India	3.5	–42%	2.5	–22%	0.5	–14%	6.5	–34%
North East Asia	22.4	–19%	13.3	34%	0.5	0%	36.2	–5%
South East Asia and Oceania	8.0	6%	6.6	18%	0.5	–29%	15.1	9%
Other [1]	7.9	–14%	1.2	–844%	3.1	90%	12.3	15%
Total	117.3	–11%	97.0	16%	13.5	26%	227.8	0%
Share of total	51%		43%		6%		100%	

[1] Region "Other" includes licensing revenues, sales of cables, broadcast services, power modules and other businesses. In the regional dimension, all of the Telcordia sales are reported in the Support Solutions segment except for North America where it is split 50/50 between Global Services and Support Solutions. The acquired Technicolor Broadcast Service Division is reported in region "Other". Multimedia brokering (IPX) was previously reported in each region in segment Support Solutions. For the first three quarters 2012 it was part of region "Other". Multimedia brokering (IPX) was divested end of Sept. 2012.

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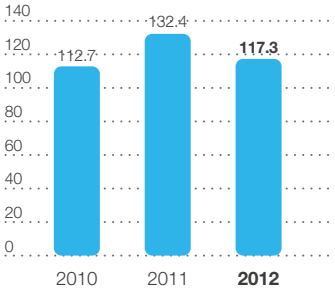
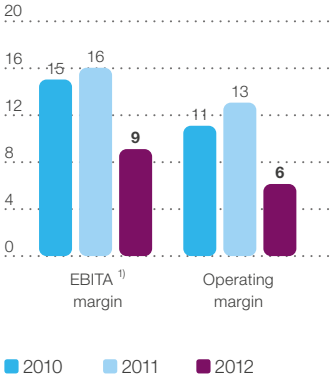
BOARD OF DIRECTORS' REPORT CONTINUED

Networks sales
SEK billion

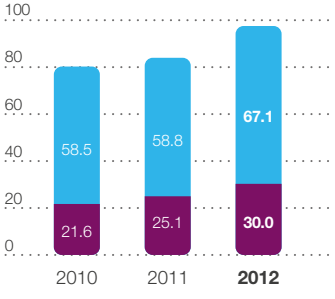


Networks profitability
Percent



1) EBITA – Earnings before interest, tax, amortizations and write-downs of acquired intangibles

Global Services sales
SEK billion



BUSINESS RESULTS – SEGMENTS

Networks

Sales
Sales were SEK 117.3 (132.4) billion following a strong 2011. Organic and adjusted for foreign currency change effect, sales declined –12%. The decline is primarily related to lower sales in China, Russia, India and South Korea. North America grew despite the –40% decline in CDMA equipment sales. The IP portfolio developed favorably, especially packet core products.

The decline in sales of CDMA equipment was expected. Sales of CDMA equipment amounted to SEK 8.4 (14.0) billion.
In CDMA, the priority has been to support customers' migration to Ericsson's LTE solution and excel in life-cycle management. Ericsson is today a key supplier to all four major operators in North America.

Profitability
Operating margin decreased due to lower sales as well as negative impact from a business mix with more coverage than capacity projects. In addition, modernization projects in Europe impacted profitability negatively.

Business in 2012
In 2012, Ericsson maintained its share of global installed base of radio base stations of close to 40%, which is almost the size of number two and three combined.

For the key market areas the Company addresses: Radio, IP and Transport as well as Core, preliminary market date indicates that the combined market share was 24%, down from 27% in 2011. The decline is due to a lower market share in the mobile network equipment market; from 38% in 2011 to 35% in 2012, negatively impacted by the technology shift in China, where investments are moving from GSM to other technology areas where Ericsson has limited presence.

Operators' focus on improving network performance and on service differentiation has been a main driver for mobile broadband investments throughout the year.

In 2012, AIR, the world's first commercially deployed antenna-integrated radio and part of the RBS 6000 family, met accelerating demand. AIR provides enhanced radio performance and ease of deployment.

After the initial large-scale LTE rollouts in the US, Korea and Japan, Ericsson is now starting to see other countries following. Late 2012, Latin America started LTE rollouts and after executing awarded contracts Ericsson will have a strong LTE footprint in Latin America, substantially higher than its 3G market share in the region.

Up until the end of 2011, Ericsson had won a total of 38 contracts for LTE on five continents.

At the end of 2012, Ericsson had won more than 120 contracts for LTE on six continents. More than 60 LTE networks were in commercial use.

Ericsson´s global market share for LTE was twice as big as the largest competitor, measured in shipments for full year 2012

In 2012, Ericsson put the world's first converged multi-standard radio base station for LTE FDD/TDD into commercial operation.

The demand for IMS is increasing as operators are preparing to launch Voice over LTE (VoLTE). Ericsson has a number of contracts for VoLTE.

The demand for circuit-switched core will continue to decline.

During the year, the Smart Services Router (SSR) gained good traction and 39 contracts were signed.

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.

Global Services
Two subareas are reported in Global Services: Professional Services and Network Rollout. Professional Services includes Managed services, Customer Support as well as Consulting and Systems Integration.

Sales
Sales were SEK 97.0 (83.9) billion. Organic and adjusted for foreign currency change effect, sales increased 12%.

The growth in Professional Services is mainly related to continued good momentum in Managed Services as well as in Consulting and Systems Integration. Operators continue to focus on increasing operational efficiency

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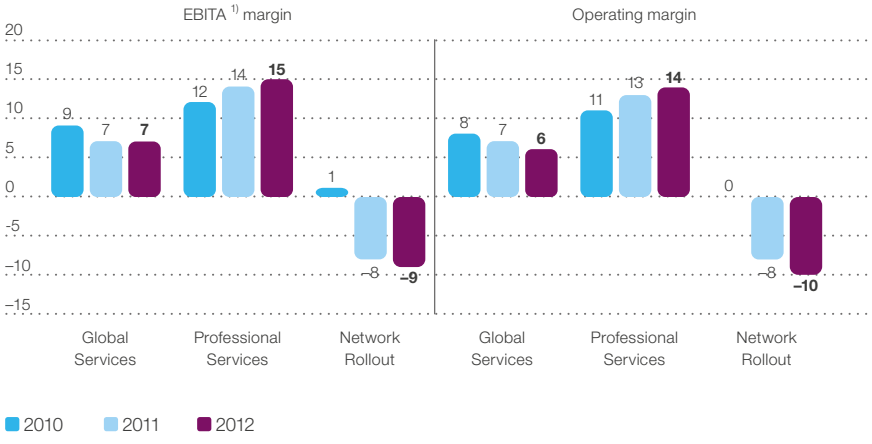
Global Services profitability

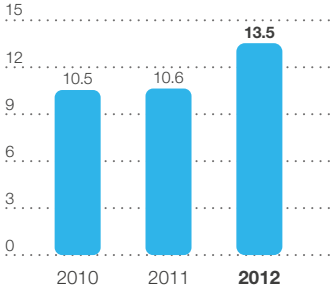
Percent



1) EBITA – Earnings before interest, tax, amortizations and write-downs of acquired intangibles

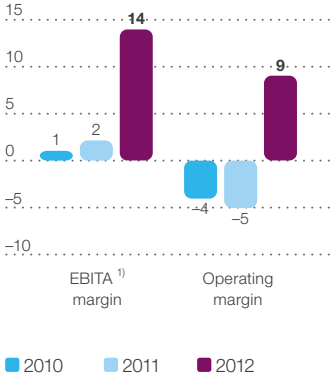
Support Solutions sales

SEK billion



Support Solutions profitability

Percent



1) EBITA – Earnings before interest, tax, amortizations and write-downs of acquired intangibles

and reducing operating expenses through transformation activities in the voice, IP and OSS and BSS domains which drive demand for managed services and consulting and systems integration. More than 60% of Professional Services sales were recurrent.

The increase in Network Rollout is related to major activities in North East Asia, North America and Europe reflecting the high coverage project activity.

Profitability

Global Services' operating margin development was stable, despite the continued loss in Network Rollout, due to continued efficiency gains and higher sales in Professional Services. Professional Services has over the past years shown an operating margin of 11–14%. Network Rollout is a low-margin business due to its high level of third-party suppliers for services such as civil works. The losses in 2012 are mainly a consequence of network modernization projects in Europe.

Restructuring charges from continuous transformation of the service delivery organization is a natural part of the services business.

Business in 2012

Market demand for services continued to grow in both subareas. Ericsson also strengthened its capabilities to address new markets and customers in areas such as IT Managed Services and Broadcast Services. The Company's capability to deliver services remotely from the four global services centers expanded with the establishment of two new global network operation centers in Asia and Latin America.

The telecom services market is highly fragmented with a few global, but many local suppliers. In telecoms services, internal market data indicates that the Company reached a market share of 13% and is larger than any of its competitors in this fragmented market.

During 2012, 52 (70) managed services contracts were signed of which 19 (32) were expansions or extensions. In 2012, 24 (34) significant consulting and systems integration contracts were signed. At year end, there were approximately 950 (900) million subscribers in networks managed by Ericsson. Approximately 550 (500) million subscribers were in network operations contracts.

The number of services professionals also increased during the year from 56,000 end of 2011 to 60,000 end of 2012. The strategy to industrialize the service delivery continues and the capability of remote delivery has now reached a level of 23% in 2012 compared with 17% in 2011. This increases capacity and provides economies of scale.

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.

Support Solutions

Sales

Sales were SEK 13.5 (10.6) billion. Organic and adjusted for foreign currency change effect, sales increased 9%. Sales development was good in all four strategic focus areas, i.e. OSS, BSS, TV and Media Management and M-Commerce.

The acquired Telcordia operation added sales of SEK 2.1 billion, representing 50% of Telcordias total sales. The divested Multimedia brokering business (IPX) contributed with sales of SEK 1.2 billion for the first nine months of the year.

Profitability

Increased sales and execution on the new strategy, as well as portfolio streamlining and efficiency improvement, generated a higher operating margin. The divestment of IPX generated a capital gain of SEK 0.2 billion.

Business in 2012

The segment changed name in 2012 from Multimedia to Support Solutions following a change of strategy. Focus is now on OSS and BSS solutions, TV and Media management and M-Commerce.

Ericsson has a leading position in both OSS and BSS.

In BSS, Ericsson has 280 charging and billing installations which at year end served two billion subscriptions. Ericsson's market share in prepaid is 31%.

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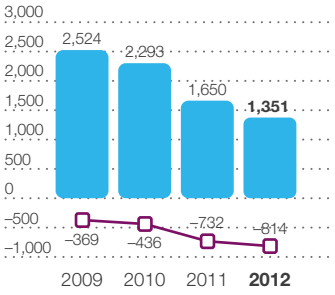
BOARD OF DIRECTORS' REPORT CONTINUED

ST-Ericsson net sales and adjusted operating income
USD million



Net sales
Operating income adjusted for amortization of acquired intangibles and restructuring charges

All numbers in accordance with reported adjusted US GAAP numbers

In the media market, Ericsson is number one in broadcast video contribution, distribution and satellite direct-to-home. Customers include BSkyB, Chunghwa Telecom, Telekom A1, DirecTV, EBU and ESPN.

In M-Commerce, Ericsson is offering a mobile wallet platform and hosted services for interoperability between mobile and financial services. In 2012, the Company signed agreements for wallet payments with Western Union and MTN.

Competitors

The markets for BSS, OSS, TV and Media management and M-Commerce are fragmented 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 Harris. Competition in M-Commerce includes Comviva, Sybase, Infosys and Gemalto.

The JV ST-Ericsson

ST-Ericsson is a 50/50 joint venture between STMicroelectronics and Ericsson, established in 2009. The Ericsson share of ST-Ericsson's results is accounted for according to the equity method. ST-Ericsson's main competitor is Qualcomm.

In December 2012, STMicroelectronics announced its intention to exit as a shareholder in ST-Ericsson. On the same day, Ericsson announced that it will continue to work together with STMicroelectronics to find a suitable strategic solution for ST-Ericsson. In December, Ericsson also stated that it will not acquire the full majority of ST-Ericsson and that the Company intends to write down investments and make a provision related to its 50% stake in ST-Ericsson.

This resulted in a non-cash charge of SEK 8.0 billion in 2012. The charge includes write-down of SEK 4.7 billion of investments to reflect the current best estimate of Ericsson's share of the fair market value of the joint venture. The charge also includes a provision of SEK 3.3 billion related to the available strategic options at hand for the future of the ST-Ericsson assets. As of year-end 2012, there are no more investments related to ST-Ericsson on Ericsson's balance sheet.

Ericsson continues to believe that the modem technology, which it originally contributed to the JV, has a strategic value to the wireless industry.

Business and financial performance in 2012

Early 2012, ST-Ericsson set a new strategic direction aiming at lowering its break-even point and introducing new technologies as well as developing competitive system solutions either directly or with partners.

During 2012, ST-Ericsson reached key maturity milestones with its advanced LTE modem. That is tested with customers and is anticipated to be commercialized in 2013. The NovaThor ModAp is the world's fastest integrated LTE modem and application processor platform. The ModAp delivers industry-leading performance while improving battery life.

ST-Ericsson sales in 2012 decreased –18% to USD 1.4 (1.7) billion. The operating loss for the year, adjusted for restructuring charges, was USD –0.8 (–0.7) billion. Adjustments for IFRS compliance mainly consist of capitalization of R&D expenses for hardware development.

ST-Ericsson's net financial position was USD 37 (–798) million at year-end, reflecting the cancellation of the parents' loan facility. Ericsson's share in ST-Ericsson's income before taxes, adjusted to IFRS, was SEK –11.7 (–2.7) billion including the non-cash charge of SEK 8.0 billion.

The JV Sony Ericsson

In February 2012, Ericsson announced the completion of the divestment of its 50% stake in Sony Ericsson Mobile Communications to Sony. The agreed cash consideration for the transaction was EUR 1.05 billion. The deal includes a broad IPR cross-licensing agreement. Sony Ericsson was consolidated until December 31, 2011, according to the equity method.

The divestment resulted in a gain of SEK 7.7 billion and a positive cash flow effect of SEK 9.1 billion.

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CORPORATE GOVERNANCE

In accordance with the Annual Accounts Act ((SFS 1995:1554), Chapter 6, Sections 6 and 8) and the Swedish Corporate Governance Code (the "Code"), a separate Corporate Governance Report, including an Internal Control section, has been prepared. It is attached to this Annual Report.

Continued compliance with the Swedish Corporate Governance Code

Ericsson applies the Code and is committed to complying with best-practice corporate governance standards on a global level wherever possible. In 2012, Ericsson did not report any deviations from the Code.

High ethical standards

Ericsson's Code of Business Ethics summarizes the Group's basic 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 2012/2013

The Annual General Meeting held on May 3, 2012, re-elected Leif Johansson Chairman of the Board. Roxanne S. Austin, Sir Peter L. Bonfield, Börje Ekholm, Ulf J. Johansson, Sverker Martin-Löf, Nancy McKinstry, Anders Nyrén, Hans Vestberg, Michelangelo Volpi and Jacob Wallenberg were re-elected and Alexander Izosimov was elected new member of the Board. Pehr Claesson, Kristina Davidsson and Karin Åberg were appointed employee representatives by the unions, with Rickard Fredriksson, Karin Lennartsson and Roger Svensson as deputies.

Management

Hans Vestberg has been 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). During 2012, the ELT consisted of the President and CEO, the heads of Group functions, the heads of business units and two of the heads of Ericsson's regions.

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, as well as the 2012 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, 2012, 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 the following guidelines for remuneration to Group management, consisting of the Executive Leadership Team, for the period up to the Annual General Meeting (AGM) 2014. Compared to the guidelines resolved by the AGM 2012, these guidelines have been amended to enable consecutive time-limited arrangements according to the third item in the list below. Information on estimated costs for variable remuneration has been removed from the guidelines and is instead appended to the AGM 2013 proposal.

Guidelines for remuneration to Group Management:
For Group Management consisting of the Executive Leadership Team, including the President and CEO, total remuneration consists of fixed salary, short- and long-term variable remuneration, pension and other benefits. The following guidelines apply for the remuneration to the Executive Leadership Team:

- 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 Group or unit level, operational targets, employee engagement targets and customer satisfaction targets
- 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 necessary. An additional arrangement can be renewed but each such arrangement shall be limited in time and shall not exceed a period of 36 months and twice 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

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BOARD OF DIRECTORS' REPORT CONTINUED

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.

MATERIAL CONTRACTS

Material contractual obligations are outlined in Note C31, "Contractual obligations." These were entered into in the ordinary course of business and were 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.

RISK MANAGEMENT

Risks are defined in both short-term and long-term perspective. They are categorized into industry and market risks, commercial risks, operational risks and compliance 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, annual planning and target setting, continuous monitoring through monthly and quarterly steering group meetings and during operational processes (customer projects, customer bid/contract, acquisition, investment and product development projects). They are subject to various controls such as decision tollgates and approvals.

At least twice a year, in connection with the approval of strategy and targets, risks are reviewed by the Board of Directors.

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 a serious nature.

For information on risks that could impact the fulfillment of 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.

SOURCING AND SUPPLY

Ericsson's hardware largely consists of electronics. 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 are 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 complete units. Final assembly and testing are concentrated to a few sites. Ericsson has 16 manufacturing sites in Brazil, China, Estonia, India, Italy, Mexico 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. Ericsson's 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. This process could take some time to complete.

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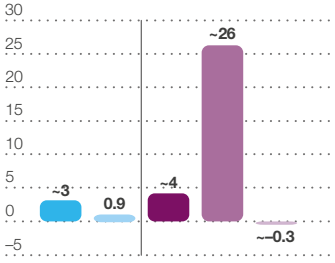
Ericsson life-cycle assessment – carbon footprint 2012

Mtonnes CO_2e



Activities in 2012
- Supply chain
- Ericsson own activities

Future (lifetime) operation of products delivered in 2012
- Operator activities
- Products in operation
- End-of-life treatment

Carbon intensity – Ericsson own activities

- Facilities: Tonnes CO_2e/employee
- Transports: Tonnes CO_2e/tonne products
- Travel: Tonnes CO_2e/employee

Variations in market prices for raw materials generally have a limited effect on total cost of goods sold. For more information, see chapter Risk Factors.

SUSTAINABILITY AND CORPORATE RESPONSIBILITY

The Company has implemented strong social, environmental and ethical standards supporting value creation and risk management. 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 throughout its value chain. The Board of Directors considers these aspects in governance decision-making. Group 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 (EGMS) includes a Code of Business Ethics and a Code of Conduct (CoC), among other policies which reflect responsible business practices. Promotion of these practices is reinforced by employee awareness training, workshops and monitoring, including a global assessment plan run by an external assurance provider.

In 2012, Ericsson has continued to develop its anti-corruption program and expanded its whistleblower procedure.

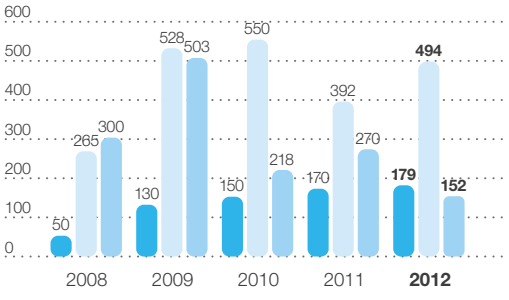
Human rights

In 2012, the Company updated its Code of Business Ethics to reflect the ongoing commitment to respect human rights, and the UN Guiding Principles on Business and Human Rights. Ericsson has worked actively to strengthen its internal governance processes including the Sales Compliance Board, which also considers potential negative human rights impacts in its decisions. The Company joined the Shift Business Learning Program to support human rights risk analysis capabilities.

Ericsson is part of the Burma (Myanmar) Human Rights and Business Framework, led by the Institute for Human Rights and Business and the Danish Human Rights Institute. Together with Deloitte, the Company launched a report, "The Potential Economic Impact of Mobile Communications in Myanmar," which shows the importance of mobile communications from both GDP and job-creation perspectives.

Supplier Code of Conduct

Audits and Assessments



- Number of auditors
- Number of audits
- Number of assessments

Supply chain

Suppliers must comply with Ericsson's CoC. Approximately 170 employees, covering all regions, are trained as supplier CoC auditors. The Company uses a risk-based approach to ensure that the high risk portfolio areas, and highest risk markets, are targeted first. For prioritized areas, Ericsson 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, including compliance with the US Dodd-Frank Act and the disclosure rule adopted by the U.S. Securities and Exchange Commission (SEC), Ericsson takes active measures in its sourcing and product management processes. Ericsson also participates in industry initiatives such as The Extractives Workgroup on conflict minerals, driven by the Global e-Sustainability Initiative (GeSI).

Reducing environmental impact

Energy use of 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.

A five-year target which aims to reduce the Ericsson carbon footprint intensity by 40% was set in 2009 (with a 2008 baseline). The target comprises two focus areas: Ericsson's own activities and the life-cycle impacts of products

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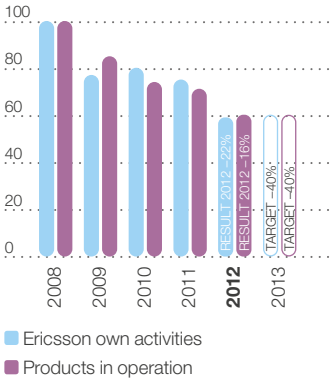
BOARD OF DIRECTORS' REPORT CONTINUED

Carbon footprint intensity target
Percent



in operation. In 2012, Ericsson exceeded the annual 10% reduction target and, as a result, the target has been achieved in four years instead of five, with the following results:

- A 22% reduction in direct emission intensity from own activities was achieved during 2012, including facilities energy use, product transportation and business travel. This was achieved by
  - reducing absolute emissions from business travel by 16%
  - reducing absolute emissions from product transportation by 12%
  - decreasing facility energy consumption by approximately 3%. while related emissions increased by 13%
- A 16% reduction in indirect emission intensity from life-cycle impacts of products in operation was achieved in 2012.

Product take-back and recycling

Ericsson Ecology Management is a program to take responsibility for products at the end of their life and to treat them in an environmentally preferable way. The program also ensures that Ericsson fulfills its extended producer responsibility and is offered to all customers globally free of charge, not only in markets where it is mandatory.

Radio waves and health

Ericsson employs rigid product testing and installation procedures with the goal of ensuring that radio wave exposure levels from Ericsson products and network solutions are below established safety limits. The Company provides public information on radio waves and health, and supports independent research to further increase knowledge in this area. Since 1996, Ericsson has cosponsored over 90 studies related to electromagnetic fields and health. 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 any health effects associated with radio wave exposure from either mobile phones or radio base stations.

Ericsson has been cosponsoring the Swedish part of the international COSMOS study, which 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

Information and Communication Technology (ICT) represents about 2% of global CO_2 emissions, but can potentially offset 16% of the remaining 98% from other industries, according to GeSI's SMARTer2020 report. The report also shows that the abatement potential of ICT is over seven times its own emissions. Ericsson takes measures to ensure that its own carbon footprint intensity is continuously reduced.

Ericsson's sustainability strategy includes focus on the role broadband can play in helping to offset global CO_2 emissions, 70% of which are attributed to cities, according to UN-Habitat. Ericsson works on sustainable city solutions and is engaged in global climate policy. Ericsson's President and CEO Hans Vestberg leads the Climate Change Working Group of the Broadband Commission for Digital Development which launched the report "The Broadband Bridge: Linking ICT with climate action for a low-carbon economy."

Technology for Good

In 2011, Ericsson launched the Technology for Good program, focused 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. Mobile connectivity fuels economic growth, which is vital for billions of people living at the base of the economic pyramid. Ericsson has used its technology and competence to help achieve the Millennium Development Goals (MDGs) for more than a decade. Ericsson's President and CEO also joined the Leadership Council of the Sustainable Development Solutions Network, an initiative of the UN Secretary General, to contribute to the post-2015 development agenda and the Sustainable Development Goals. The Company engages in many Technology for Good projects globally, including Connect to Learn and Ericsson Response™.

Reporting according to GRI 3.0

Full key performance data is available on the Ericsson website and has achieved an A+ rating according to the Global Reporting Initiative (GRI). The performance data has been assured,

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and the application level has been checked by a third party.

LEGAL PROCEEDINGS

On November 27, 2012, Ericsson filed two patent infringement lawsuits in the US District Court for the Eastern District of Texas against Samsung. Ericsson seeks damages and an injunction. Ericsson also asked the Court to adjudge that Samsung breached its commitment to license any standard-essential patents it owns on fair, reasonable, and non-discriminatory terms and to declare Samsung's allegedly standard essential patents to be unenforceable.

On November 30, 2012, Ericsson filed a complaint with the US International Trade Commission, ITC, seeking an exclusion order blocking Samsung from importing certain products into the USA. The ITC instituted an investigation of Ericsson's complaint on January 3, 2013.

On December 21, 2012, Samsung filed a complaint with the US International Trade Commission seeking an exclusion order blocking Ericsson from importing certain products into the USA. The ITC instituted an investigation of Samsung's complaint on January 25, 2013.

On October 1, 2012, Wi-LAN Inc. filed a complaint against Ericsson in the US District Court of Southern Florida alleging that Ericsson's LTE products infringe three of Wi-LAN's US patents. The parties are presently engaged in discovery. Ericsson was, on October 4, 2010, sued by Wi-LAN in another patent infringement law suit in the US District Court for the Eastern District of Texas. Wi-LAN alleged that Ericsson products, compliant with the 3GPP standard. Infringe three US patents assigned to Wi-LAN. A trial is scheduled for April 2013.

In February 2012, Airvana Networks Solutions Inc. sued Ericsson in the Supreme Court of the State of New York, 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. In April 2012, the Court heard Airvana's request for preliminary injunction. The motion for preliminary injunction remains under consideration by the Court. The parties are presently engaged in further discovery.

In 2011, TruePosition sued Ericsson, Qualcomm, Alcatel-Lucent, the European Telecommunications Standards Institute (ETSI) and the Third Generation Partnership Project (3GPP) in the US District Court for the Eastern District of Pennsylvania for purported federal antitrust violations. The complaint alleged that Ericsson , Qualcomm and Alcatel-Lucent 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 January 2012, the Court dismissed the complaint on a "without prejudice" basis. Following the dismissal, TruePosition filed an amended complaint in February 2012. The case is proceeding to discovery.

In 2007, H3G S.p.A. (H3G) filed arbitral proceedings in Italy against Ericsson. H3G claims compensation from Ericsson for alleged breach of contract. H3G claims approximately EUR 475 million plus default interest. In addition to denying the claim in substance, Ericsson made a number of formal objections to the claim and filed a motion for the case to be dismissed. Ericsson's formal objections were however dismissed by the Arbitral Tribunal in a partial award rendered in February 2012. The Tribunal has appointed experts to render an opinion on various substantive technical and financial issues. The final report was rendered in February 2013. The final arbitral award is expected to be rendered at the end of 2013.

In addition to the proceedings discussed above, the Company is, and in the future may be, involved in various other lawsuits, claims and proceedings incidental to the ordinary course of business.

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 71 (70) branch and representative offices.

Financial information

Income after financial items was SEK –4.9 (4.4) billion. The Parent Company had no sales in 2012 or 2011 to subsidiaries, while 34% (31%) of total purchases of goods and services were from such companies.

Major changes in the Parent Company's financial position for the year included:

- Write-down of original investment in ST-Ericsson of SEK 8.6 billion. This write-down does not have any impact on Group level. Another write-down was made including the short-term credit facility to ST-Ericsson of SEK 5.0 billion. and a provision of SEK 3.3 billion relating to the strategic options at hand

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BOARD OF DIRECTORS' REPORT CONTINUED

for ST-Ericsson assets. The total write-downs and provision related to ST-Ericsson amount to SEK 17.0 billion.
- Increased current and non-current receivables from subsidiaries of SEK 7.2 billion.
- Increased other current receivables of SEK 1.7 billion
- Increased cash, cash equivalents and short-term investments of SEK 1.3 billion
- Increased current and non-current liabilities to subsidiaries of SEK 8.7 billion
- Decreased other current liabilities of SEK 1.1 billion.

At year-end, cash, cash equivalents and short-term investments amounted to SEK 57.4 (56.1) billion.

Share information

As per December 31, 2012, the total number of shares in issue was 3,305,051,735, of which 261,755,983 were Class A shares, each carrying one vote, and 3,043,295,752 were Class B shares, each carrying one tenth of one vote. Both classes of shares have the same rights of participation in the net assets and earnings.

The Annual General Meeting (AGM) 2012 resolved to issue 31.7 million Class C shares for the Long-Term Variable Remuneration Program (LTV). In accordance with an authorization from the AGM, in the second quarter 2012, the Board of Directors resolved to repurchase the new issued shares, which were subsequently converted into Class B shares. The quotient value of the repurchased shares was SEK 5.00, totaling SEK 158.5 million, representing less than one percent of capital stock, and the acquisition cost was approximately SEK 158.7 million.

The two largest shareholders at year-end were Investor and Industrivärden holding 21.37% and 14.96% respectively of the voting rights in the Parent Company.

In accordance with the conditions of the Long-Term Variable Remuneration Program (LTV) for Ericsson employees, 9,748,408 treasury shares were sold or distributed to employees in 2012. The quotient value of these shares was SEK 5.00, totaling SEK 48.7 million, representing less than 1% of capital stock, and compensation received for shares sold and distributed shares amounted to SEK 91.2 million.

The holding of treasury stock at December 31, 2012 was 84,798,095 Class B shares. The quotient value of these shares is SEK 5.00, totaling SEK 424.0 million, representing 2.6% of capital stock, and the related acquisition cost amounts to SEK 655.3 million.

Proposed disposition of earnings

The Board of Directors proposes that a dividend of SEK 2.75 (2.50) per share be paid to shareholders duly registered on the record date April 12, 2013, 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 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 9,088,892,271
Amount to be retained by the Parent Company	SEK 16,535,096,753
Total non-restricted equity of the Parent Company	SEK 25,623,989,024

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 50% (52%) and a net cash amount of SEK 38.5 (39.5) 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 in addition to coming years' business plans and economic development.

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POST-CLOSING EVENTS

On January 10, 2013, Ericsson entered into an agreement with Unwired Planet whereby Ericsson will transfer 2,185 issued patents and patent applications to Unwired Planet. Ericsson will also contribute 100 additional patent assets annually to Unwired Planet commencing in 2014 through 2018. Unwired Planet will compensate Ericsson with certain ongoing rights in future revenues generated from the enlarged patent portfolio. Unwired Planet will also grant Ericsson a license to its patent portfolio.

On January 21, 2013, Ericsson announced its intention to acquire Devoteam Telecom & Media operations in France. Devoteam has employees in Europe, Middle East and Africa. The acquisition is in line with Ericsson's services strategy to broaden its IT capabilities.

In early 2013 Standard & Poor's changed the credit rating from BBB+ outlook stable to outlook negative and Moody's changed the credit rating from A3 with outlook stable to outlook negative.

In January, 2013, ST-Ericsson was granted a loan facility by their owners of USD 260 million. Ericsson's share of this credit facility is USD 130 million.

On January 10, 2013 Adaptix Inc. filed two lawsuits against Ericsson, AT&T, AT&T Mobility and MetroPCS Communications in the US District Court for Eastern District of Texas alleging that certain Ericsson products infringe five US patents assigned to Adaptix. Adaptix seeks damages and an injunction.

On January 25 Adaptix filed a complaint with the US International Trade Commission (ITC) against Ericsson, AT&T, AT&T Mobility and MetroPCS Communications requesting that the commission open a patent infringement investigation of certain Ericsson products and further on January 29 Adaptix filed a complaint with the Tokyo District Court alleging certain Ericsson products infringe two JP patents assigned to Adaptix. Adaptix seeks damages and an injunction.

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, March 5, 2013
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
Alexander Izosimov Member of the Board	**Ulf J. Johansson** Member of the Board	**Nancy McKinstry** Member of the Board
Anders Nyrén 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	**Kristina Davidsson** Member of the Board	**Karin Åberg** Member of the Board

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SHAPING THE CITIES OF THE FUTURE

More than five million people each month move from the countryside to the world's cities. With this growing trend of urbanization, cities will increasingly need effective ICT strategies to meet some of our great societal challenges, such as healthcare, education, economic output, city efficiency and environmental performance. Ericsson is enabling this networked society with efficient real-time solutions that allow us all to study, work and live our lives more freely, in sustainable societies around the world.

60%

By 2017, urban and metro areas will generate 60% of all mobile traffic.

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CONSOLIDATED FINANCIAL STATEMENTS WITH NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTENTS

Consolidated financial statements

Consolidated income statement and statement of comprehensive income		48
Consolidated balance sheet		49
Consolidated statement of cash flows		50
Consolidated statement of changes in equity		51

Notes to the consolidated financial statements

C1	Significant accounting policies	52
C2	Critical accounting estimates and judgments	60
C3	Segment information	62
C4	Net sales	65
C5	Expenses by nature	65
C6	Other operating income and expenses	65
C7	Financial income and expenses	66
C8	Taxes	66
C9	Earnings per share	67
C10	Intangible assets	68
C11	Property, plant and equipment	70
C12	Financial assets, non-current	71
C13	Inventories	72
C14	Trade receivables and customer finance	73
C15	Other current receivables	75
C16	Equity and Other comprehensive income	75
C17	Post-employment benefits	79
C18	Provisions	84
C19	Interest-bearing liabilities	85
C20	Financial risk management and financial instruments	86
C21	Other current liabilities	89
C22	Trade payables	89
C23	Assets pledged as collateral	89
C24	Contingent liabilities	90
C25	Statement of cash flows	90
C26	Business combinations	91
C27	Leasing	93
C28	Information regarding members of the Board of Directors, the Group management and employees	94
C29	Related party transactions	99
C30	Fees to auditors	100
C31	Contractual obligations	100
C32	Transfers of financial assets	100
C33	Events after the reporting period	100

Telcordia05400

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Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1.
VQS_Section 3.2_Ericsson 2012 Annual Report.pdf

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

January–December, SEK million	Notes	2012	2011	2010
Net sales	C3, C4	**227,779**	226,921	203,348
Cost of sales		**–155,699**	–147,200	–129,094
Gross income		**72,080**	79,721	74,254
Gross margin (%)		**31.6%**	35.1%	36.5%
Research and development expenses		**–32,833**	–32,638	–31,558
Selling and administrative expenses		**–26,023**	–26,683	–27,072
Operating expenses		**–58,856**	–59,321	–58,630
Other operating income and expenses	C6	**8,965**	1,278	2,003
Operating income before shares in earnings of joint ventures and associated companies		**22,189**	21,678	17,627
Operating margin before shares in earnings of joint ventures and associated companies (%)		**9.7%**	9.6%	8.7%
Share in earnings of joint ventures and associated companies	C3, C12	**–11,731**	–3,778	–1,172
Operating income		**10,458**	17,900	16,455
Financial income	C7	**1,708**	2,882	1,047
Financial expenses	C7	**–1,984**	–2,661	–1,719
Income after financial items		**10,182**	18,121	15,783
Taxes	C8	**–4,244**	–5,552	–4,548
Net income		**5,938**	12,569	11,235
Net income attributable to:				
Stockholders of the Parent Company		**5,775**	12,194	11,146
Non-controlling interest		**163**	375	89
Other information				
Average number of shares, basic (million)	C9	**3,216**	3,206	3,197
Earnings per share attributable to stockholders of the Parent Company, basic (SEK) [1]	C9	**1.80**	3.80	3.49
Earnings per share attributable to stockholders of the Parent Company, diluted (SEK) [1]	C9	**1.78**	3.77	3.46

[1] Based on Net income attributable to stockholders of the Parent Company.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

January–December, SEK million	Notes	2012	2011	2010
Net income		**5,938**	12,569	11,235
Other comprehensive income				
Actuarial gains and losses, and the effect of the asset ceiling, related to pensions	C16	**–451**	–6,963	3,892
Revaluation of other investments in shares and participations				
Fair value remeasurement	C16	**6**	–	7
Cash Flow hedges				
Gains/losses arising during the period	C16	**1,668**	996	966
Reclassification adjustments for gains/losses included in profit or loss	C16	**–568**	–2,028	–238
Adjustments for amounts transferred to initial carrying amount of hedged items	C16	**92**	–	–136
Changes in cumulative translation adjustments	C16	**–3,947**	–964	–3,259
Share of other comprehensive income of joint ventures and associated companies	C16	**–486**	–262	–434
Tax on items relating to components of Other comprehensive income	C16	**–422**	2,158	–1,120
Total other comprehensive income		**–4,108**	–7,063	–322
Total comprehensive income		**1,830**	5,506	10,913
Total Comprehensive Income attributable to:				
Stockholders of the Parent Company		**1,716**	5,081	10,814
Non-controlling interest		**114**	425	99

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CONSOLIDATED BALANCE SHEET

December 31, SEK million	Notes	2012	2011
Assets			
Non-current assets			
Intangible assets	C10		
Capitalized development expenses		3,840	3,523
Goodwill		30,404	27,438
Intellectual property rights, brands and other intangible assets		15,202	13,083
Property, plant and equipment	C11, C26, C27	11,493	10,788
Financial assets			
Equity in joint ventures and associated companies	C12	2,842	5,965
Other investments in shares and participations	C12	386	2,199
Customer finance, non-current	C12	1,290	1,400
Other financial assets, non-current	C12	3,964	4,117
Deferred tax assets	C8	12,321	13,020
		81,742	81,533
Current assets			
Inventories	C13	28,802	33,070
Trade receivables	C14	63,660	64,522
Customer finance, current	C14	4,019	2,845
Other current receivables	C15	20,065	17,837
Short-term investments	C20	32,026	41,866
Cash and cash equivalents	C25	44,682	38,676
		193,254	198,816
Total assets		274,996	280,349
Equity and liabilities			
Equity			
Stockholders' equity	C16	136,883	143,105
Non-controlling interest in equity of subsidiaries	C16	1,600	2,165
		138,483	145,270
Non-current liabilities			
Post-employment benefits	C17	9,503	10,016
Provisions, non-current	C18	211	280
Deferred tax liabilities	C8	3,120	2,250
Borrowings, non-current	C19, C20	23,898	23,256
Other non-current liabilities		2,377	2,248
		39,109	38,050
Current liabilities			
Provisions, current	C18	8,427	5,985
Borrowings, current	C19, C20	4,769	7,765
Trade payables	C22	23,100	25,309
Other current liabilities	C21	61,108	57,970
		97,404	97,029
Total equity and liabilities [1]		274,996	280,349

[1] Of which interest-bearing liabilities and post-employment benefits SEK 38,170 (41,037) million.

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CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

CONSOLIDATED STATEMENT OF CASH FLOWS

January–December, SEK million	Notes	2012	2011	2010
Operating activities				
Net income		5,938	12,569	11,235
Adjustments to reconcile net income to cash	C25	13,077	12,613	12,490
		19,015	25,182	23,725
Changes in operating net assets				
Inventories		2,752	–3,243	–7,917
Customer finance, current and non-current		–1,259	74	–2,125
Trade receivables		–1,103	–1,700	4,406
Trade payables		–1,311	–1,648	5,964
Provisions and post-employment benefits		–1,920	–5,695	–2,739
Other operating assets and liabilities, net		5,857	–2,988	5,269
		3,016	–15,200	2,858
Cash flow from operating activities		22,031	9,982	26,583
Investing activities				
Investments in property, plant and equipment	C11	–5,429	–4,994	–3,686
Sales of property, plant and equipment		568	386	124
Acquisitions of subsidiaries and other operations	C25, C26	–11,529 [1]	–3,181	–3,286
Divestments of subsidiaries and other operations	C25, C26	9,452	53	454
Product development	C10	–1,641	–1,515	–1,644
Other investing activities		1,540	–900	–1,487
Short-term investments		2,151	14,692	–3,016
Cash flow from investing activities		–4,888	4,541	–12,541
Cash flow before financing activities		17,143	14,523	14,042
Financing activities				
Proceeds from issuance of borrowings		8,969	2,076	2,580
Repayment of borrowings		–9,670	–1,259	–1,449
Proceeds from stock issue		159	–	–
Sale/repurchase of own shares		–93	92	51
Dividends paid		–8,632	–7,455	–6,677
Other financing activities		–118	52	–175
Cash flow from financing activities		–9,385	–6,494	–5,670
Effect of exchange rate changes on cash		–1,752	–217	–306
Net change in cash		6,006	7,812	8,066
Cash and cash equivalents, beginning of period		38,676	30,864	22,798
Cash and cash equivalents, end of period	C25	44,682	38,676	30,864

[1] Includes payment of external loan of SEK -6.2 billion attributable to the acquisition of Telcordia.

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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, 2012		16,367	24,731	102,007	143,105	2,165	145,270
Total comprehensive income	C16	–	–	1,716	1,716	114	1,830
Transactions with owners							
Stock issue		159	–	–	159	–	159
Sale/Repurchase of own shares		–	–	–93	–93	–	–93
Stock Purchase Plans		–	–	405	405	–	405
Dividends paid		–	–	–8,033	–8,033	–599	–8,632
Transactions with non-controlling interest		–	–	–376	–376	–80	–456
December 31, 2012		**16,526**	**24,731**	**95,626**	136,883	**1,600**	138,483
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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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, 2012, 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 2012, the Company has applied IFRS as issued by the IASB (IFRS effective as per December 31, 2012) and without any early application. There is no difference between IFRS effective as per December 31, 2012, 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, for all periods presented.

The financial statements were approved by the Board of Directors on March 5, 2013. The balance sheets and income statements are subject to approval by the Annual General Meeting of shareholders.

New standards, amendments of standards and interpretations, effective as from January 1, 2012:

- Amendment to IAS 12, income taxes: deferred tax: recovery of underlying assets
- Amendments to IFRS 7, Financial instruments Disclosures: Transfers of Financial Assets.

None of the new or amended standards and interpretations have had any significant impact on the financial result or position as well as disclosure of the Company.

For information on "New standards and interpretations not yet adopted", refer to the end of this Note.

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. If the Company's interest in an associated company or joint venture is nil the Company shall not, as prescribed by IFRS, recognize

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Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1.
VQS_Section 3.2_Ericsson 2012 Annual Report.pdf

its part of any future losses. Provisions related to obligations for such an interest shall, however, be recognized in relation to such an interest.

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,

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Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1.
VQS_Section 3.2_Ericsson 2012 Annual Report.pdf

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 Support Solutions 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 intellectual property rights. License fees are normally measured as percentage on sales or currency amount per unit and recognized over the license period as the amount of the consideration becomes reasonably certain. Networks and Support Solutions 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.

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Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1.
VQS_Section 3.2_Ericsson 2012 Annual Report.pdf

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.

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Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1.
VQS_Section 3.2_Ericsson 2012 Annual Report.pdf

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 four operating segments have been identified as CGUs. Goodwill is assigned to three of them, Networks, Global Services and Support Solutions.

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.

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Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1.
VQS_Section 3.2_Ericsson 2012 Annual Report.pdf

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.

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Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1.
VQS_Section 3.2_Ericsson 2012 Annual Report.pdf

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.

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Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1.
VQS_Section 3.2_Ericsson 2012 Annual Report.pdf

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, 2012 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, 2013 (except IAS 32 and IFRS 9).

These amendments effective as from January 1, 2013, are not expected to have a significant impact on the Company's financial result or position.

- **Amendment to IAS 1, 'Financial statement presentation', regarding other comprehensive income**
  The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.
- **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 and full recognition of actuarial gains/losses in other comprehensive income in 2006, meaning that the corridor method has not been applied by the Company as from that date 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 issue 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. An analysis of fiscal year 2012 in relation to this amendment indicates an impact on pension costs for 2012 with an increase of approximately SEK 0.4 (–0.1) billion. The Company will also need to address the taxes to be incorporated into the defined benefit obligation. This amendment relates to the Swedish special payroll taxes to be reclassified from Other current liabilities to Post-employment benefits with an estimated amount of SEK 1.8 (1.8) billion as per December 31, 2012. The amendment also includes additional disclosure requirements on financial and demographic assumptions, sensitivity analysis, duration and multi-employer plans.
- **Amendment to IFRS 7, 'Financial instruments: Disclosures', on asset and liability offsetting**
  This amendment requires disclosure of gross amounts related to financial instruments for which off set has been made.
- **IFRS 10, 'Consolidated financial statements'**
  The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities to present consolidated financial statements. It defines the principle of control, and establishes controls as the basis for consolidation. It sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. An entity controls an investee if the entity has power over the investee, has the ability to use the power and is exposed to variable returns. It also sets out the accounting requirements for the preparation of consolidated financial statements.
- **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 apply 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.
- **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.

Below are standards that have been issued and are effective for the periods starting as from later than 1 January, 2013:

- **Amendment to IAS 32, 'Financial instruments: Presentation', on asset and liability offsetting**
  These amendments are related to the application guidance in IAS 32, 'Financial instruments: Presentation', and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. This amendment is effective as from 1 January, 2014.
- **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. This amendment is expected to be effective as from 1 January, 2015. The EU has not yet endorsed IFRS 9, 'Financial instruments'.

These amendments effective as from later than January 1, 2013, are not expected to have a significant impact on the Company's financial result or position.

Effective date for IFRS 10, IFRS 11, IFRS 12, IAS 27 and IAS 28 is January 1, 2013. EU has in its endorsement decision allowed listed companies in the EU to adopt these standards as from January 1, 2014. The Company will adopt IFRS 10, IFRS 11, IFRS 12, IAS 27 and IAS 28 as from January 1, 2013.

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Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1.
VQS_Section 3.2_Ericsson 2012 Annual Report.pdf

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, 2012, were SEK 1.1 (1.0) billion or 1.5% (1.4%) 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, 2012, amounted to SEK 3.5 (3.3) billion or 11% (9%) 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, 2012, the amount of joint ventures and associated companies amounted to SEK 2.8 (6.0) billion.

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, 2012, the value of deferred tax assets amounted to SEK 12.3 (13.0) 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, 2012, the amount of acquired intellectual property rights and other intangible assets amounted to SEK 45.6 (40.5) billion, including goodwill of SEK 30.4 (27.4) billion. The Company recognized goodwill in ST-Ericsson of SEK 0.0 (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

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Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1.
VQS_Section 3.2_Ericsson 2012 Annual Report.pdf

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, 2012, amounted to SEK 1.6 (1.9) 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, 2012, provisions other than warranty commitments amounted to SEK 7.0 (4.4) 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, 2012, defined benefit obligations for pensions and other post-employment benefits amounted to SEK 52.0 (36.4) billion and fair value of plan assets to SEK 44.6 (28.0) 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”.

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Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1.
VQS_Section 3.2_Ericsson 2012 Annual Report.pdf

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, four operating segments are reported:

- Networks
- Global Services
- Support Solutions
- ST-Ericsson

Ericsson's share in Sony Ericsson was divested in February 2012, with effective date on January 1.

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. The RBS 6000 supports all major standardized mobile technologies
- IP and transport solutions based on the SSR 8000 family of products as well as transmission/backhaul including microwave (MINI-LINK) and optical transmission solutions for mobile and fixed networks
- Switching and IMS solutions, based on Ericsson Blade Server platform, for core networks
- Operations Support Systems (OSS), supporting operators' management of existing networks and introduction of new technologies and services.

Global Services delivers managed services, product-related services and consulting and systems integration services. The offering includes:

- Managed Services; Solutions for designing, building, operating and managing the day-to-day operations of the customer's network or solution, maintenance, network sharing solutions as well as shared solutions such as hosting of platforms and applications. Ericsson also offers broadcast services and managed services of IT environments.
- Product-related services: Services to expand, upgrade, restructure or migrate networks, network-rollout services, customer support and network optimization services.
- Consulting and Systems Integration: Technology and operational consulting, integration of multi-vendor equipment, design and integration of new solutions and transforming programs. Industry-specific solutions for vertical industries are also included.

Support Solutions (name changed from Multimedia during 2012) provides enablers and applications for operators. The offering includes:

- Operations Support Systems: plan, build and optimize, service fulfillment and service assurance.
- Business Support Systems: revenue management (prepaid, post-paid, convergent charging and billing), mediation and customer care solutions.
- TV solutions: a suite of open, standards-based solutions and products for the creation, management and delivery of evolved TV experiences on any device over any network. Includes a multi-screen TV platform with consumer experience creation, video content management, on-demand video delivery, advanced video compression and video-optimized delivery network infrastructure.
- M-Commerce solutions for money transfer; payment transactions and services between mobile subscribers and operators or other service providers.

ST-Ericsson, the joint venture, offers modems and ModAps (integrated modem and application processor platforms) for device manufacturers.

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.

On December 10, 2012, STMicroelectronics announced its intention to exit as a shareholder in ST-Ericsson. On December 20, 2012, the Company announced that it would take a non-cash charge in the fourth quarter of 2012 related to its 50% stake in ST-Ericsson. The charge includes write-down of investments to reflect the current best estimate of the Company's share of the fair market value of the joint venture and a provision related to the strategic options at hand for ST-Ericsson assets. In total, the Company has made write-downs of SEK –4.7 billion of ST-Ericsson investments and taken a provision of SEK –3.3 billion. In addition, the Company's share in ST-Ericsson's operating loss amounted to SEK –3.7 (–0.8) billion. For more information, see Note C12, "Financial assets, non-current" and Note C18 "Provisions".

As of December 31, 2012 there are no remaining investments related to ST-Ericsson on the Company's balance sheet. Costs and cash related to implementation of strategic options at hand will be booked against provisions.

Sony Ericsson, was up until 2012, a joint venture delivering mobile phones and accessories. In February 2012, Ericsson completed the divestment of its 50% stake in Sony Ericsson to Sony. Sony Ericsson has not been consolidated by the Company during 2012. The sale resulted in a gain of SEK 7.7 billion.

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 eleven regions. Region China and North East Asia has changed name to North East Asia.

- North America
- Latin America
- Northern Europe & Central Asia
- Western and Central Europe
- Mediterranean
- Middle East
- Sub-Saharan Africa
- India
- North East Asia
- South East Asia & Oceania
- Other.

Region "Other" includes licensing revenues, sales of cables, broadcast services, power modules and other businesses.

The acquired Technicolor Broadcast Service Division is reported in region "Other". Multimedia brokering (IPX) was previously reported in each region in segment Support Solutions. For the first three quarters 2012 it was part of region "Other". Multimedia brokering (IPX) was divested at the end of the third quarter 2012.

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 2012, 2011 or 2010.

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 46% (44%) of net sales. The largest customer accounted for approximately 7% (7%) of sales in 2012. For more information, see Risk Factors, "Market, Technology and Business Risks".

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Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1.
VQS_Section 3.2_Ericsson 2012 Annual Report.pdf

Marketing channels

Marketing in a business-to-business environment is expanding, from being primarily through personal meetings, to on-line forums, expert blogs and social media. Ericsson performs marketing through:

- Customer engagement with a consultative approach
- Selective focus on events and experience centers for customer experience and interaction
- Continuous dialogue with customers and target audiences through social and other digital media (including virtual events)
- Activation of the open social and digital media landscape to strengthen message reach and impact
- Execution of solutions-driven programs, aligned globally and regionally.

Operating segments

2012	Networks	Global Services	Support Solutions	Sony Ericsson	ST-Ericsson	Total Segments	Unallocated	Eliminations [1]	Group
Segment sales	117,185	97,009	13,445	–	8,457	236,096	–	–8,457	227,639
Inter-segment sales	100	34	6	–	634	774	–	–634	140
Net sales	**117,285**	**97,043**	**13,451**	**–**	**9,091**	**236,870**	**–**	**–9,091**	227,779
Operating income	**7,057**	**6,226**	**1,150**	**8,026** [2]	**–15,447** [3]	**7,012**	**–267**	**3,713**	10,458
Operating margin (%)	6%	6%	9%		–170%	3%			5%
Financial income									1,708
Financial expenses									–1,984
Income after financial items									10,182
Taxes									–4,244
Net income									5,938
Other segment items									
Share in earnings of joint ventures and associated companies	–59	45	–20	–	–11,734 [3]	–11,768	37	–	–11,731
Amortization	–3,832	–853	–809	–	–322	–5,816	–	322	–5,494
Depreciation	–3,035	–727	–290	–	–741	–4,793	–	741	–4,052
Impairment losses	–385	–9	–1	–	– [4]	–395	–	–	–395
Reversals of impairment losses	39	9	4	–	–	52	–	–	52
Write-down of investment		–	–	–	–4,684	–4,684	–	–	–4,684
Restructuring expenses	–1,253	–1,930	–246	–	–624	–4,053	–18	624	–3,447
Gains/losses from divestments	–59	1	216	8,026 [2]	–	8,184	152	–	8,336

Revenue from the acquired Telcordia business operation is reported 50/50 between segments Global Services and Support Solutions.
[1] All segment sales are presented, but as ST-Ericsson sales are accounted for in accordance with the equity method, their sales are eliminated in the Eliminations column.
[2] Includes a gain from the divestment of Sony Ericsson of SEK 7.7 billion.
[3] Includes a write-down of SEK –4.7 billion of ST-Ericsson investment, a provision of SEK –3.3 billion and the Company's share in ST-Ericsson's operating loss of SEK –3.7 billion.
[4] Impairment losses included in Write-down of investment.

Operating segments

2011	Networks	Global Services	Support Solutions	Sony Ericsson	ST-Ericsson	Total Segments	Unallocated	Eliminations [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.

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Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1.
VQS_Section 3.2_Ericsson 2012 Annual Report.pdf

Operating segments

2010	Networks	Global Services	Support Solutions	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.

Regions

	Net sales			Non-current assets [3]		
	2012	2011	2010	2012	2011	2010
North America	**56,749**	48,785	49,473	**15,058**	6,296	7,251
Of which the United States	***56,698***	*46,519*	*46,104*	***6,101***	*6,020*	*6,977*
Latin America	**22,006**	21,982	17,882	**2,084**	2,268	1,998
Northern Europe & Central Asia [1] [2]	**11,345**	15,225	12,171	**38,335**	41,008	42,112
Western & Central Europe [2]	**17,478**	19,030	19,868	**2,922**	5,097	8,629
Mediterranean	**23,299**	23,807	22,628	**1,099**	1,395	1,523
Middle East	**15,556**	15,461	15,099	**32**	42	84
Sub-Saharan Africa	**11,349**	10,163	9,194	**119**	79	51
India	**6,460**	9,762	8,626	**460**	355	262
North East Asia	**36,196**	38,209	25,965	**3,371**	3,939	3,795
Of which China	***12,637***	*17,546*	*14,633*	***1,399***	*1,496*	*1,013*
South East Asia & Oceania	**15,068**	13,870	14,902	**301**	318	351
Other [1] [2]	**12,273**	10,627	7,540	**–**	–	–
Total	**227,779**	226,921	203,348	**63,781**	60,797	66,056
[1] *Of which Sweden*	***5,033***	*3,882*	*4,237*	***37,718***	*40,415*	*41,683*
[2] *Of which EU*	***44,230***	*43,960*	*43,707*	***41,546***	*44,786*	*46,563*

[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”.

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C4 NET SALES

Net sales

	2012	2011	2010
Sales of products and network rollout services	**154,068**	161,882	140,222
Of which:			
Delivery-type contracts	***154,068***	*161,882*	*140,156*
Construction-type contracts	**–**	–	*66*
Professional Services sales	**67,092**	58,834	58,529
License revenues	**6,619**	6,205	4,597
Net sales	**227,779**	226,921	203,348
Export sales from Sweden	**106,997**	116,507	100,070

C5 EXPENSES BY NATURE

Expenses by nature

	2012	2011	2010
Goods and services	**137,769**	142,221	130,725
Employee remuneration	**64,100**	58,905	57,183
Amortization and depreciation	**9,546**	8,964	8,962
Impairments and obsolescence allowances, net of reversals	**1,999**	1,363	966
Financial expenses	**1,984**	2,661	1,719
Taxes	**4,244**	5,552	4,548
Expenses incurred	**219,642**	219,666	204,103
Inventory changes [1]	**–2,782**	3,417	8,465
Additions to Capitalized development	**1,641**	1,515	1,647
Expenses charged to the Income Statement	**220,783**	214,734	193,991

[1] The inventory changes are based on changes of gross inventory values prior to obsolescence allowances.

Total restructuring charges in 2012 were SEK 3.4 (3.2) b.
Restructuring charges are included in the expenses presented above.

Restructuring charges by function

	2012	2011	2010
Cost of sales	**2,225**	1,231	3,354
R&D expenses	**852**	561	1,682
Selling and administrative expenses	**370**	1,392	1,778
Total restructuring charges	**3,447**	3,184	6,814

C6 OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses

	2012	2011	2010
Gains on sales of intangible assets and PP&E	**12**	65	301
Losses on sales of intangible assets and PP&E	**–261**	–64	–422
Gains on sales of investments and operations	**8,462** [1]	210	577
Losses on sales of investments and operations	**–126**	–52	–219
Capital gains/losses, net	**8,087**	159	237
Other operating revenues	**878**	1,119	1,766
Total other operating income and expenses	**8,965**	1,278	2,003

[1] Includes a gain from the divestment of Sony Ericsson of SEK 7.7 billion.

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Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1.
VQS_Section 3.2_Ericsson 2012 Annual Report.pdf

C7 FINANCIAL INCOME AND EXPENSES

Financial income and expenses

	2012		2011		2010	
	Financial income	Financial expenses	Financial income	Financial expenses	Financial income	Financial expenses
Contractual interest on financial assets	**1,685**	**–**	1,940	–	811	–
Of which on financial assets at fair value through profit or loss	***1,308***	**–**	*1,381*	–	*304*	–
Contractual interest on financial liabilities	**–**	**–1,734**	–	–1,706	–	–1,315
Net gain/loss on:						
Instruments at fair value through profit or loss [1]	**142**	**54**	1,062	–591	295	–206
Of which included in fair value hedge relationships	***–***	***–129***	*–*	*–175*	*–*	*151*
Loans and receivables	**–127**	**–**	–132	–	–68	–
Liabilities at amortized cost	**–**	**–133**	–	–105	–	–4
Other financial income and expenses	**8**	**–171**	12	–259	9	–194
Total	**1,708**	**–1,984**	2,882	–2,661	1,047	–1,719

[1] Excluding net gain from operating assets and liabilities, SEK 1,299 million (net gain of SEK 51 million in 2011, SEK 1,528 million in 2010), reported as Cost of sales.

C8 TAXES

The Company's tax expense for 2012 was SEK –4,244 (–5,552) million or 41.7% (30.6%) 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 as well as the gain due to the divestment of Sony Ericsson was 30.5% (26.4%). The corporate tax in Sweden was reduced from 26.3% to 22.0% from January 1, 2013. This resulted in a reduction of deferred tax assets and an increase of tax expense of SEK –0.5 billion.

Income taxes recognized in the income statement

	2012	2011	2010
Current income taxes for the year	**–5,795**	–4,642	–4,635
Current income taxes related to prior years	**–241**	283	–35
Deferred tax income/expense (+/–)	**1,697**	–1,433	307
Sub total	***–4,339***	*–5,792*	*–4,363*
Share of taxes in joint ventures and associated companies	**95**	240	–185
Tax expense	**–4,244**	–5,552	–4,548

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

	2012	2011	2010
Expected tax expense at Swedish tax rate 26.3%	**–2,678**	–4,767	–4,150
Effect of foreign tax rates	**–581**	–1,126	–405
Of which joint ventures and associated companies	***–778***	*–754*	*–467*
Current income taxes related to prior years	**–241**	283	–35
Remeasurement of tax loss carry-forwards	**134**	224	–257
Remeasurement of deductible temporary differences	**468**	81	172
Tax effect of non-deductible expenses	**–3,430**	–768	–830
Tax effect of non-taxable income	**2,573**	521	880
Tax effect of changes in tax rates	**–489**	–	77
Tax expense	**–4,244**	–5,552	–4,548
Effective tax rate	***41.7%***	*30.6%*	*28.8%*

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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
2012			
Intangible assets and property, plant and equipment	941	4,579	
Current assets	2,388	293	
Post-employment benefits	2,600	614	
Provisions	1,512	48	
Other	3,487	432	
Loss carry-forwards	4,239	–	
Deferred tax assets/liabilities	15,167	5,966	9,201
Netting of assets/liabilities	–2,846	–2,846	
Deferred tax balances, net	**12,321**	**3,120**	**9,201**
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**

Changes in deferred taxes, net

	2012	2011
Opening balance, net	**10,770**	10,166
Recognized in net income	**1,697**	–1,433
Recognized in Other comprehensive income	**–422**	2,158
Acquisitions/disposals of subsidiaries	**–2,309**	53
Currency translation differences	**–535**	–174
Closing balance, net	**9,201**	10,770

Tax effects reported directly in Other comprehensive income amount to SEK –422 (2,158) million, of which actuarial gains and losses related to pensions SEK –57 (1,809) million, cash flow hedges SEK –363 (350) million and deferred tax on gains/losses on hedges on investments in foreign entities SEK –2 (–1) 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 4,239 million recognized deferred tax assets related to tax loss carry-forwards, SEK 2,840 million relates to Sweden with indefinite periods of utilization. Due to the Company's strong current financial position and taxable income during 2012, Ericsson has been able to utilize part of its tax loss carry-forwards during the year. 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.

Deferred tax assets for ST-Ericsson are not included, as they are recognized in accordance with the equity method.

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, 2012, the recognized tax loss carry-forwards amounted to SEK 17,081 (12,657) 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
2013	19	5
2014	8	2
2015	43	13
2016	54	16
2017	327	78
2018 or later	16,630	4,125
Total	**17,081**	**4,239**

Tax loss carry-forwards of 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 4,737 million at a tax value of SEK 1,432 million that have not been recognized due to judgments of the possibility to be used against future taxable profits in the respective jurisdictions. The majority of these loss carry-forwards have an expiration date in excess of five years.

C9 EARNINGS PER SHARE

Earnings per share 2010–2012

	2012	2011	2010
Basic			
Net income attributable to stockholders of the Parent Company (SEK million)	**5,775**	12,194	11,146
Average number of shares outstanding, basic (millions)	**3,216**	3,206	3,197
Earnings per share, basic (SEK)	**1.80**	3.80	3.49
Diluted			
Net income attributable to stockholders of the Parent Company (SEK million)	**5,775**	12,194	11,146
Average number of shares outstanding, basic (millions)	**3,216**	3,206	3,197
Dilutive effect for stock purchase plans	**31**	27	29
Average number of shares outstanding, diluted (millions)	**3,247**	3,233	3,226
Earnings per share, diluted (SEK)	**1.78**	3.77	3.46

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C10 INTANGIBLE ASSETS

Intangible assets 2012

	Capitalized development expenses				Goodwill	Intellectual property rights (IPR), trademarks and other intangible assets		
		For internal use				Trademarks, customer relationships and similar rights	Patents and acquired R&D	
	To be marketed	Acquired costs	Internal costs	Total	Total			Total
Cost								
Opening balance	8,125	2,213	1,478	**11,816**	**27,455**	14,188	25,689	**39,877**
Acquisitions/capitalization	1,641	–	–	**1,641**	**–**	538	103	**641**
Balances regarding acquired businesses [1]	–	–	–	**–**	**4,293**	4,517	2,155	**6,672**
Sales/disposals	–	–	–	**–**	**–20**	–158	–137	**–295**
Reclassification	–	–	–	**–**	**94**	–	–94	**–94**
Translation difference	–	–	–	**–**	**–1,400**	–490	–300	**–790**
Closing balance	**9,766**	**2,213**	**1,478**	**13,457**	**30,422**	**18,595**	**27,416**	**46,011**
Accumulated amortization								
Opening balance	–3,187	–1,975	–1,318	**–6,480**	**1**	–5,502	–16,078	**–21,580**
Amortization	–840	–131	–87	**–1,058**	**–**	–2,023	–2,413	**–4,436**
Sales/disposals	–	–	–	**–**	**–1**	46	124	**170**
Translation difference	–	–	–	**–**	**–**	202	166	**368**
Closing balance	**–4,027**	**–2,106**	**–1,405**	**–7,538**	**–**	**–7,277**	**–18,201**	**–25,478**
Accumulated impairment losses								
Opening balance	–1,721	–55	–37	**–1,813**	**–18**	–	–5,214	**–5,214**
Impairment losses	–266	–	–	**–266**	**–**	–	–117	**–117**
Closing balance	**–1,987**	**–55**	**–37**	**–2,079**	**–18**	**–**	**–5,331**	**–5,331**
Net carrying value	**3,752**	**52**	**36**	**3,840**	**30,404**	**11,318**	**3,884**	**15,202**

[1] For more information on acquired businesses, see Note C26, "Business combinations".

Intangible assets 2011

	Capitalized development expenses				Goodwill	Intellectual property rights (IPR), trademarks and other intangible assets		
		For internal use				Trademarks, customer relationships and similar rights	Patents and acquired R&D	
	To be marketed	Acquired costs	Internal costs	Total	Total			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	–	–	–	**–**	**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**

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VQS_Section 3.2_Ericsson 2012 Annual Report.pdf

The goodwill is allocated to the operating segments Networks SEK 16.2 (16.7) billion, Global Services SEK 4.2 (4.1) billion and Support Solutions SEK 10.0 (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 2012–2017 for key industry parameters:

- The number of global mobile subscriptions is estimated to grow from around 6.3 billion by the end of 2012 to around 9 billion by the end of 2017. Of these, around 5-6 billion will be mobile broadband subscriptions. Around three-quarters of a billion of these mobile broadband subscriptions will use mobile PC/tablets/mobile routers, but the vast majority will still use mobile phones to access the internet.
- Fixed broadband subscriptions are estimated to grow from around 600 million by the end of 2012 to around 750 million in 2017. Fixed broadband includes Fiber, Cable and xDSL.
- Mobile data traffic volume is estimated to increase around 9 times 2012–2017, while the fixed Internet traffic is estimated to increase around 4 times 2012–2017, however from a much larger base.

The growth in network equipment is mainly driven by a shift in investments from voice to data. The end user requirements for "app-coverage" drives deployment of heterogeneous networks and small cells.

The demand for support 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 plan to provision, implementation and systems integration services as well as real time 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 been applied for all cash generating units for the discounting of projected after-tax cash flows. The assumptions for 2011 are disclosed in Note C10, "Intangible assets" in the Annual Report of 2011.

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.

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C11
PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment 2012

	Real estate	Machinery and other technical assets	Other equipment, tools and installations	Construction in progress and advance payments	Total
Cost					
Opening balance	4,641	5,235	20,663	1,302	**31,841**
Additions	640	370	2,521	1,898	**5,429**
Balances regarding divested/acquired businesses	2	46	432	–	**480**
Sales/disposals	–476	–373	–1,296	–242	**–2,387**
Reclassifications	381	–380	1,458	–1,459	**–**
Translation difference	–203	–152	–745	–48	**–1,148**
Closing balance	**4,985**	**4,746**	**23,033**	**1,451**	**34,215**
Accumulated depreciation					
Opening balance	–2,165	–3,485	–15,094	–	**–20,744**
Depreciation	–354	–428	–3,270	–	**–4,052**
Balances regarding divested businesses	–	–	3	–	**3**
Sales/disposals	68	347	1,228	–	**1,643**
Reclassifications	7	–13	6	–	**–**
Translation difference	89	90	504	–	**683**
Closing balance	**–2,355**	**–3,489**	**–16,623**	**–**	**–22,467**
Accumulated impairment losses					
Opening balance	–43	–148	–118	–	**–309**
Impairment losses	–4	–8	–	–	**–12**
Reversals of impairment losses	–	22	30	–	**52**
Sales/disposals	–	6	–	–	**6**
Translation difference	2	4	2	–	**8**
Closing balance	**–45**	**–124**	**–86**	**–**	**–255**
Net carrying value	**2,585**	**1,133**	**6,324**	**1,451**	**11,493**

Contractual commitments for the acquisition of property, plant and equipment as per December 31, 2012, amounted to SEK 184 (226) million.
The reversal of impairment losses have been reported under Cost of sales.

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**

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VQS_Section 3.2_Ericsson 2012 Annual Report.pdf

C12 FINANCIAL ASSETS, NON-CURRENT

Equity in joint ventures and associated companies

	Joint ventures		Associated companies		Total	Total
	2012	2011	2012	2011	2012	2011
Opening balance	4,663	8,648	1,302	1,155	5,965	9,803
Share in earnings	–8,399	–3,929	3	151	–8,396	–3,778
Contributions to joint ventures and associated companies	5,029	–	–	109	5,029	109
Taxes	106	241	–11	–1	95	240
Translation difference	–111	–126	42	66	–69	–60
Change in hedge reserve	65	4	–	–	65	4
Pensions	–	–175	–	–	–	–175
Dividends	–	–	–133	–177	–133	–177
Divestments	–1,353	–	–	–	–1,353	–
Reclassification	–	–	1,639 [2]	–1	1,639	–1
Closing balance	–	4,663 [1]	2,842 [3]	1,302 [3]	2,842	5,965

[1] Including goodwill for ST-Ericsson of SEK 1.3 billion.
[2] Reclassification from Other investments in shares and participations.
[3] Goodwill, net, amounts to SEK 12.2 (13.5) million.

Ericsson's share of assets, liabilities and income in associated company Ericsson Nikola Tesla d.d. [1]

	2012	2011	2010
Non-current assets	84	113	92
Current assets	588	574	749
Non-current liabilities	–	1	2
Current liabilities	262	197	209
Net assets	410	489	630
Net sales	1,085	693	784
Income after financial items	80	13	17
Income taxes	–8	3	–1
Net income	72	16	16
Assets pledged as collateral	4	4	4
Contingent liabilities	17	80	43

[1] The Company's share is 49.07%.

Ericsson's share of assets, liabilities and income in joint venture ST-Ericsson

	2012	2011	2010
Non-current assets	1,097	6,855	6,673
Current assets	1,006	1,514	2,249
Non-current liabilities	370	397	214
Current liabilities	1,339	4,695	2,519
Net assets	394	3,277	6,189
Net sales	4,545	5,346	8,260
Income after financial items	–2,503	–2,730	–1,762
Income taxes	–400	156	50
Net income	–2,903	–2,574	–1,712
Assets pledged as collateral	–	3	3
Contingent liabilities	–	–	–

The table above consists of amounts considered by the Company when applying the equity method in relation to ST-Ericsson.

Ericsson's Share of assets, liabilities and income in associated company Rockstar Consortium [1]

	2012
Total assets	1,561
Total liabilities	6
Net assets	1,555
Net sales	–
Income after financial items	–80
Income taxes	–
Net income	–80
Assets pledged as collateral	–
Contingent liabilities	–

[1] The Company's share is 21.26%.

Ericsson's Share of assets, liabilities and income in joint venture Sony Ericsson Mobile Communications AB

	2012	2011	2010
Non-current assets	–	5,040	3,622
Current assets	–	8,745	9,904
Non-current liabilities	–	285	592
Current liabilities	–	12,172	10,533
Net assets	–	1,328	2,401
Net sales	–	23,496	30,089
Income after financial items	–	–1,095	705
Income taxes	–	85	–231
Net income	–	–1,010	474
Assets pledged as collateral	–	1	–
Contingent liabilities	–	37	16

All companies apply IFRS in the reporting to the Company as issued by IASB.

On December 10, 2012, STMicroelectronics announced its intention to exit the joint venture ST-Ericsson. On December 20, 2012 the Company announced its decision not to acquire the full majority. This, together with other factors such as no change in governance rights, no change in funding responsibilities etc, means that the Company continues to not be in control of ST-Ericsson.

Due to the status of ST-Ericsson, the Company has made a non-cash charge related to its 50% stake in ST-Ericsson. For further information, see Note C3, "Segment information" and Note C18, "Provisions". The charge includes a write-down of investments of SEK –4.7 billion. The Company's share in ST-Ericsson's operating loss amounted to SEK –3.7 (–0.8) billion.

The Company has divested its 50% stake in Sony Ericsson Mobile Communications to Sony. The divestment was effective on January 1, 2012.

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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	
	2012	2011	2012	2011	2012	2011	2012	2011
Cost								
Opening balance	**3,576**	1,607	**1,661**	1,474	**816**	–	**4,633**	4,382
Additions	**45**	1,930	**5,249**	1,875	**–**	–	**313**	422
Disposals/repayments/deductions	**–63**	–68	**–5,331**	–1,699	**–**	–	**–136**	–97
Change in value in funded pension plans [1]	**–**	–	**–**	–	**–**	–	**776**	42
Reclassifications	**–1,639** [2]	–	**–**	–	**–**	–	**–1,018** [3]	–
Revaluation	**–**	–	**–**	–	**9**	816	**–**	–
Translation difference	**–161**	107	**–41**	11	**–**	–	**–154**	–116
Closing balance	**1,758**	3,576	**1,538**	1,661	**825**	816	**4,414**	4,633
Accumulated impairment losses/ allowances								
Opening balance	**–1,377**	–1,388	**–261**	–193	**–**	–	**–1,332**	–1,303
Impairment losses/allowance	**–51**	–54	**–26**	–91	**–**	–	**–14**	–47
Disposals/repayments/deductions	**–**	63	**35**	19	**–**	–	**–**	–
Reclassifications	**–**	–	**–**	–	**–**	–	**26** [3]	–
Translation difference	**56**	2	**4**	4	**–**	–	**45**	18
Closing balance	**–1,372**	–1,377	**–248**	–261	**–**	–	**–1,275**	–1,332
Net carrying value	**386**	2,199	**1,290**	1,400	**825**	816	**3,139**	3,301

[1] This amount includes asset ceiling. For further information, see Note C17, "Post-employment benefits".
[2] Reclassification to Equity in associated companies.
[3] Reclassification to Short-term investments.

C13 INVENTORIES

Inventories

	2012	2011
Raw materials, components, consumables and manufacturing work in progress	**7,351**	8,772
Finished products and goods for resale	**10,981**	13,525
Contract work in progress	**10,470**	10,773
Inventories, net	**28,802**	33,070

Contract work in progress includes amounts related to delivery-type contracts and service contracts with ongoing work in progress.

Reported amounts are net of obsolescence allowances of SEK 3,473 (3,343) million.

Movements in obsolescence allowances

	2012	2011	2010
Opening balance	**3,343**	3,090	2,961
Additions, net	**1,403**	918	250
Utilization	**–1,140**	–683	–165
Translation difference	**–133**	18	–46
Balances regarding acquired/ divested businesses	**–**	–	90
Closing balance	**3,473**	3,343	3,090

The amount of inventories recognized as expense and included in Cost of sales was SEK 56,842 (60,544) million.

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VQS_Section 3.2_Ericsson 2012 Annual Report.pdf

C14
TRADE RECEIVABLES AND CUSTOMER FINANCE

Trade receivables and customer finance

	2012	2011
Trade receivables excluding associated companies and joint ventures	64,015	64,740
Allowances for impairment	–655	–567
Trade receivables, net	63,360	64,173
Trade receivables related to associated companies and joint ventures	300	349
Trade receivables, total	63,660	64,522
Customer finance credits	5,731	4,671
Allowances for impairment	–422	–426
Customer finance credits, net	5,309	4,245
Of which current	*4,019*	*2,845*
Credit commitments for customer finance	5,933	8,569

Days sales outstanding (DSO) were 86 (91) in December 2012.

Movements in allowances for impairment

	Trade receivables			Customer finance		
	2012	2011	2010	2012	2011	2010
Opening balance	567	766	924	426	321	772
Additions	229	198	282	101	162	25
Utilized	–116	–266	–285	–9	–31	–87
Reversal of excess amounts	–30	–43	–169	–112	–27	–359
Reclassification	21	–69	33	–	–	–
Translation difference	–16	–19	–19	16	1	–30
Closing balance	655	567	766	422	426	321

Aging analysis as per December 31

	Total	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
2012							
Trade receivables excluding associated companies and joint ventures	64,015	57,526	25	2,459	1,431	779	1,795
Allowances for impairment	–655	–	–15	–	–	–70	–570
Customer finance credits	5,731	4,549	845	21	15	70	231
Allowances for impairment	–422	–	–146	–	–	–45	–231
2011							
Trade receivables excluding associated companies and joint ventures	64,740	56,480	184	4,126	1,072	850	2,028
Allowances for impairment	–567	–	–16	–	–	–50	–501
Customer finance credits	4,671	3,369	763	238	45	41	215
Allowances for impairment	–426	–	–176	–	–	–35	–215

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.

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.

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VQS_Section 3.2_Ericsson 2012 Annual Report.pdf

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 64,015 (64,740) million as of December 31, 2012. Provisions for expected losses are regularly assessed and amounted to SEK 655 (567) million as of December 31, 2012. 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 represented 27% (30%) of the total trade receivables in 2012.

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, 2012, the Company's total outstanding exposure related to customer finance was SEK 5,731 (4,671) million. As of December 31, 2012, the Company also had unutilized customer finance commitments of SEK 5,933 (8,569) million. Customer finance is arranged for infrastructure projects in different geographic markets and for a large number of customers. As of December 31, 2012, there were a total of 78 (80) customer finance arrangements originated by or guaranteed by the Company. The five largest facilities represented 57% (41%) of the total credit exposure in 2012.

Total outstanding customer finance exposure per region as of December 31

Percent	2012	2011
North America	26	1
Latin America	4	4
Northern Europe & Central Asia	8	8
Western & Central Europe	1	1
Mediterranean	9	11
Middle East	17	24
Sub-Saharan Africa	19	29
India	9	14
North East Asia	7	7
South East Asia and Oceania	–	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 33 million in 2012 compared to a negative impact of SEK 114 million in 2011. Credit losses amounted to SEK 16 (62) million in 2012.

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 2012, the Company did not take 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, 2012 and 2011.

Outstanding customer finance

	2012	2011
Total customer finance	5,731	4,671
Accrued interest	96	68
Less third-party risk coverage	–187	–480
Ericsson's risk exposure	5,640	4,259

Transfers of financial assets

In previous years, the Company disclosed information in this note about assets transferred where the Company continues to recognize a part of such assets. As required by IFRS, as from fiscal year 2012 this information is disclosed in a separate note, see Note C32, "Transfers of financial assets".

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Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1.
VQS_Section 3.2_Ericsson 2012 Annual Report.pdf

C15 OTHER CURRENT RECEIVABLES

Other current receivables

	2012	2011
Prepaid expenses	**2,623**	2,056
Accrued revenues	**2,305**	2,486
Advance payments to suppliers	**1,060**	1,697
Derivatives with a positive value [1]	**3,068**	2,003
Taxes	**7,727**	5,633
Other	**3,282**	3,962
Total	**20,065**	17,837

[1] See also Note C20, "Financial risk management and financial instruments".

C16 EQUITY AND OTHER COMPREHENSIVE INCOME

Capital stock 2012

Capital stock at December 31, 2012, 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	3,043,295,752	15,217
Total	**3,305,051,735**	**16,526**

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, 2012, the total number of treasury shares was 84,798,095 (62,846,503 in 2011 and 73,088,516 in 2010) Class B shares. Ericsson repurchased 31.7 million shares in 2012 in relation to the Long-Term Variable Remuneration Program.

Reconciliation of number of shares

	Number of shares	Capital stock (SEK million)
Number of shares Jan 1, 2012	3, 273,351,735	16,367
Number of shares Dec 31, 2012	3, 305,051,735	16,526

For further information about number of shares, see chapter Share Information.

Dividend proposal

The Board of Directors will propose to the Annual General Meeting 2013 a dividend of SEK 2.75 per share (SEK 2.50 in 2012 and SEK 2.25 in 2011).

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 also include:

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.

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Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1.
VQS_Section 3.2_Ericsson 2012 Annual Report.pdf

Equity and Other comprehensive income 2012

2012	Capital stock	Additional paid in capital	Retained earnings	Stock-holders' equity	Non-controlling interest (NCI)	Total equity
January 1, 2012	16,367	24,731	102,007	**143,105**	2,165	**145,270**
Net income						
Group	–	–	17,411	**17,411**	163	**17,574**
Joint ventures and associated companies	–	–	–11,636	**–11,636**	–	**–11,636**
Other comprehensive income						
Remeasurements related to post-employment benefits						
Group	–	–	–451	**–451**	–	**–451**
Joint ventures and associated companies	–	–	50	**50**	–	**50**
Revaluation of other investments in shares and participations						
Group	–	–	6	**6**	–	**6**
Cash flow hedges						
Gains/losses arising during the year						
Group	–	–	1,668	**1,668**	–	**1,668**
Joint ventures and associated companies	–	–	–25	**–25**	–	**–25**
Reclassification adjustments for gains/losses included in profit or loss	–	–	–568 [1]	**–568**	–	**–568**
Adjustments for amounts transferred to initial carrying amount of hedged items	–	–	92	**92**	–	**92**
Changes in cumulative translation adjustments						
Group	–	–	–3,898 [2]	**–3,898**	–49	**–3,947**
Joint ventures and associated companies	–	–	–511	**–511**	–	**–511**
Tax on items relating to components of OCI [3]	–	–	–422	**–422**	–	**–422**
Total other comprehensive income	–	–	–4,059	**–4,059**	–49	**–4,108**
Total comprehensive income	**–**	**–**	**1,716**	**1,716**	**114**	**1,830**
Transactions with owners						
Stock issue	159	–	–	**159**	–	**159**
Sale/Repurchase of own shares	–	–	–93	**–93**	–	**–93**
Stock Purchase Plans						
Group	–	–	405	**405**	–	**405**
Joint ventures and associated companies	–	–	–	**–**	–	**–**
Dividends paid	–	–	–8,033	**–8,033** [4]	–599	**–8,632**
Transactions with non-controlling interest	–	–	–376	**–376**	–80	**–456**
December 31, 2012	**16,526**	**24,731**	**95,626**	**136,883**	**1,600**	**138,483**

[1] SEK –172 million is recognized in Net Sales, SEK –232 million is recognized in Cost of Sales, SEK 67 million is recognized in R&D expenses and SEK –231 million is recognized in Other operating income and expenses.
[2] Changes in cumulative translation adjustments include changes regarding revaluation of goodwill in local currency of SEK –1,400 million (SEK 46 million in 2011, SEK –1,480 million in 2010), gain/loss from hedging activities of foreign entities, SEK 0 million (SEK 9 million in 2011, SEK 385 in 2010), and realized gain/losses net from sold/liquidated companies SEK –461 million (SEK 192 million in 2011, SEK 140 million in 2010).
[3] For further disclosures, see Note C8, "Taxes".
[4] Dividends paid per share amounted to SEK 2.50 (SEK 2.25 in 2011 and SEK 2.00 in 2010).

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Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1.
VQS_Section 3.2_Ericsson 2012 Annual Report.pdf

Equity and Other comprehensive income 2011

2011	Capital stock	Additional paid in capital	Retained earnings	Stock-holders' 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	**–2,028**	–	**–2,028**
Changes in cumulative translation adjustments						
Group	–	–	–1,014	**–1,014**	50	**–964**
Joint ventures and associated companies	–	–	–61	**–61**	–	**–61**
Tax on items relating to components of OCI [3]	–	–	2,158	**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 Plans						
Group	–	–	413	**413**	–	**413**
Joint ventures and associated companies	–	–	–	**–**	–	**–**
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**

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Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1.
VQS_Section 3.2_Ericsson 2012 Annual Report.pdf

Equity and Other comprehensive income 2010

2010	Capital stock	Additional paid in capital	Retained earnings	Stock-holders' 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 Plans						
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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Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1.
VQS_Section 3.2_Ericsson 2012 Annual Report.pdf

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 2012 was characterized by the overall decrease in discount rates and a positive development of plan assets. Consequently, the Company experienced a decrease in the net pension liability. The acquisition of Telcordia resulted in an overfunded provision for post-employment benefits.

CONTENTS

Amount recognized in the Consolidated balance sheet 79
Total pension expenses recognized in the Income statement 80
Change in the Defined benefit obligation (DBO) 81
Change in the plan assets 82
Actuarial gains and losses reported directly in Other comprehensive income 83
Actuarial assumptions 83
Information on issues affecting the net pension liability for the year 83

Amount recognized in the Consolidated balance sheet

Amount recognized in the Consolidated balance sheet

	Sweden	EU	US	Other	Total
2012					
Defined benefit obligation (DBO) [1]	21,432	10,935	16,472	3,119	**51,958**
Fair value of plan assets [2]	15,375	10,275	16,263	2,729	**44,642**
Deficit/Surplus (+/–)	6,057	660	209	390	**7,316**
Unrecognized past service costs	–	–3	–	–25	**–28**
Closing balance	6,057	657	209	365	**7,288**
Plans with net surplus excluding asset ceiling [3]	–	1,028	738	449	**2,215**
Provision for post-employment benefits [4]	**6,057**	**1,685**	**947**	**814**	**9,503**
2011					
Defined benefit obligation (DBO) [1]	20,643	9,994	3,133	2,605	**36,375**
Fair value of plan assets [2]	13,490	9,415	2,337	2,777	**28,019**
Deficit/Surplus (+/–)	7,153	579	796	–172	**8,356**
Unrecognized past service costs	–	–	–	–47	**–47**
Closing balance	7,153	579	796	–219	**8,309**
Plans with net surplus excluding asset ceiling [3]	–	953	–	754	**1,707**
Provision for post-employment benefits [4]	**7,153**	**1,532**	**796**	**535**	**10,016**

[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 217 (483) million.
[4] Plans with net liabilities are reported in the balance sheet as Post-employment benefits, non-current.

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Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1.
VQS_Section 3.2_Ericsson 2012 Annual Report.pdf

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	EU	US	Other	Total
2012					
Pension cost for defined contribution plans	977	520	404	181	**2,082**
Pension cost for defined benefit plans [1]	936	56	–454	142	**680**
Total	**1,913**	**576**	**–50**	**323**	**2,762**
Total pension cost expressed as a percentage of wages and salaries					**5.7%**
2011					
Pension cost for defined contribution plans	2,039	458	360	185	**3,042**
Pension cost for defined benefit plans [1]	621	38	42	146	**847**
Total	**2,660**	**496**	**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	528	244	192	**2,001**
Pension cost for defined benefit plans [1]	762	312	30	–14	**1,090**
Total	**1,799**	**840**	**274**	**178**	**3,091**
Total pension cost expressed as a percentage of wages and salaries					**7.1%**

[1] See cost details in table below.

Cost details for defined benefit plans recognized in the income statement

	Sweden	EU	US	Other	Total
2012					
Current service cost	777	169	140	194	**1,280**
Interest cost	717	475	752	176	**2,120**
Expected return on plan assets	–579	–483	–1,060	–235	**–2,357**
Past service cost	–	13	–1	8	**20**
Curtailments, settlements and other	21	–118	–285	–1	**–383**
Total	**936**	**56**	**–454**	**142**	**680**
2011					
Current service cost	547	227	26	157	**957**
Interest cost	714	461	151	169	**1,495**
Expected return on plan assets	–558	–474	–135	–243	**–1,410**
Past service cost	6	10	–	9	**25**
Curtailments, settlements and other	–88	–186	–	54	**–220**
Total	**621**	**38**	**42**	**146**	**847**
2010					
Current service cost	631	290	32	140	**1,093**
Interest cost	643	496	159	172	**1,470**
Expected return on plan assets	–511	–463	–130	–253	**–1,357**
Past service cost	–	33	–	9	**42**
Curtailments, settlements and other	–1	–44	–31	–82	**–158**
Total	**762**	**312**	**30**	**–14**	**1,090**

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Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1.
VQS_Section 3.2_Ericsson 2012 Annual Report.pdf

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	EU	US	Other	Total
2012					
Opening balance	20,643	9,994	3,133	2,605	**36,375**
Current service cost	777	169	140	194	**1,280**
Interest cost	717	475	752	176	**2,120**
Employee contributions	–	15	–	7	**22**
Pension payments	–282	–195	–871	–130	**–1,478**
Actuarial gain/loss (–/+)	–436	634	1,875	394	**2,467**
Settlements	–22	129	–55	–2	**50**
Curtailments	–	–31	–	–	**–31**
Business combinations [1]	–	13	12,565	–	**12,578**
Other	35	–3	–263	159	**–72**
Translation difference	–	–265	–804	–284	**–1,353**
Closing balance	**21,432**	**10,935**	**16,472**	**3,119**	**51,958**
Of which medical benefit schemes	–	–	*423*	–	***423***
2011					
Opening balance	14,980	8,600	2,693	2,437	**28,710**
Current service cost	547	227	26	157	**957**
Interest cost	714	461	151	169	**1,495**
Employee contributions	–	15	–	1	**16**
Pension payments	–220	–228	–149	–144	**–741**
Actuarial gain/loss (–/+)	4,705	1,030	329	120	**6,184**
Settlements	–	–	–	–	**–**
Curtailments	–88	–183	–	–	**–271**
Business combinations	–	2	–	–	**2**
Other	5	1	22	15	**43**
Translation difference	–	69	61	–150	**–20**
Closing balance	**20,643**	**9,994**	**3,133**	**2,605**	**36,375**
Of which medical benefit schemes	–	–	*658*	–	***658***

[1] Business combinations in 2012 are related to the acquisition of Telcordia.

Funded Status

The funded ratio, defined as total plan assets in relation to the total DBO, was 85.9% in 2012, compared to 77.0% in 2011.

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	EU	US	Other	Total
2012					
DBO, closing balance	21,432	10,935	16,472	3,119	**51,958**
Of which partially or fully funded	*20,916*	*9,623*	*15,895*	*2,441*	***48,875***
Of which unfunded	*516*	*1,312*	*577*	*678*	***3,083***
2011					
DBO, closing balance	20,643	9,994	3,133	2,605	**36,375**
Of which partially or fully funded	*20,118*	*8,847*	*2,447*	*2,118*	***33,530***
Of which unfunded	*525*	*1,147*	*686*	*487*	***2,845***

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Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1.
VQS_Section 3.2_Ericsson 2012 Annual Report.pdf

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	EU	US	Other	Total
2012					
Opening balance	13,490	9,415	2,337	2,777	**28,019**
Expected return on plan assets	579	483	1,060	235	**2,357**
Actuarial gain/loss (+/–)	377	219	994	44	**1,634**
Employer contributions	1,183	332	115	121	**1,751**
Employee contributions	–	15	–	7	**22**
Pension payments	–247	–153	–817	–94	**–1,311**
Settlements	–17	220	–47	–	**156**
Business combinations [1]	–	–	13,417	–	**13,417**
Other	10	–23	–7	–22	**–42**
Translation difference	–	–233	–789	–339	**–1,361**
Closing balance	**15,375**	**10,275**	**16,263**	**2,729**	**44,642**
2011					
Opening balance	12,389	8,205	2,048	2,793	**25,435**
Expected return on plan assets	558	474	135	243	**1,410**
Actuarial gain/loss (+/–)	–358	437	155	–84	**150**
Employer contributions	1,086	397	54	125	**1,662**
Employee contributions	–	15	–	1	**16**
Pension payments	–185	–187	–98	–102	**–572**
Other	–	–15	–	–4	**–19**
Translation difference	–	89	43	–195	**–63**
Closing balance	**13,490**	**9,415**	**2,337**	**2,777**	**28,019**

[1] Business combinations in 2012 are related to the acquisition of Telcordia.

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	EU	US	Other	Total
2012	956	702	2,054	279	**3,991**
2011	200	911	289	160	**1,560**

Asset Allocation

	Sweden	EU	US	Other	Total
2012					
Equities	4,867	3,168	5,103	319	**13,457**
Interest-bearing securities	9,665	5,900	10,042	1,727	**27,334**
Other	843	1,207	1,118	683	**3,851**
Total	**15,375**	**10,275**	**16,263**	**2,729**	**44,642**
Of which Ericsson securities	–	–	–	–	**–**
2011					
Equities	4,503	3,014	1,062	356	**8,935**
Interest-bearing securities	8,239	5,265	1,210	1,846	**16,560**
Other	748	1,136	65	575	**2,524**
Total	**13,490**	**9,415**	**2,337**	**2,777**	**28,019**
Of which Ericsson securities	–	–	–	–	**–**

Equity instruments amount to 30% (32%) of the total assets, interest bearing instruments amount to 61% (59%) of the total assets, and other instruments amount to 9% (9%) 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.

Actuarial gains and losses reported directly in Other comprehensive income

Since January 1, 2006, the Company 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.

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Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1.
VQS_Section 3.2_Ericsson 2012 Annual Report.pdf

Multi-year summary

	2012	2011	2010	2009	2008
Plan assets	**44,642**	28,019	25,435	23,206	19,037
DBO	**51,958**	36,375	28,710	30,717	28,010
Deficit/Surplus (–/+)	**–7,316**	–8,356	–3,275	–7,511	–8,973
Actuarial gains and losses (–/+)					
Experience-based adjustments of pension obligations	**–362**	–463	177	310	57
Experience-based adjustments of plan assets	**–1,634**	–150	–653	–1,191	2,952

Actuarial gains and losses reported directly in Other comprehensive income

	2012	2011
Cumulative gain/loss (–/+) at beginning of year	**7,911**	1,849
Recognized gain/loss (–/+) during the year	**833**	6,034
Translation difference	**–48**	28
Cumulative gain/loss (–/+) at end of year	**8,696**	7,911

Total remeasurements in Other comprehensive income related to post-employment benefits

	2012	2011
Actuarial gains and losses (+/–)	**–833**	–6,034
The effect of asset ceiling	**266**	208
Swedish special payroll taxes	**116**	–1,137
Total	**–451**	–6,963
Actuarial gains and losses for joint ventures and associated companies	**50**	–212

Actuarial assumptions

Financial and demographic actuarial assumptions

	Sweden	EU [1]	US [1]	Other [1]
2012				
Discount rate	3.50%	4.55%	4.00%	7.24%
Expected return on plan assets for the year	4.33%	5.11%	7.00%	9.06%
Future salary increases	3.25%	3.63%	4.50%	5.57%
Inflation	2.00%	2.20%	2.50%	1.35%
Health care cost inflation, current year	n/a	n/a	9.00%	n/a
Life expectancy after age 65 in years, males	22	22	19	19
Life expectancy after age 65 in years, females	24	24	21	22
2011				
Discount rate	3.50%	4.90%	5.23%	8.18%
Expected return on plan assets for the year	4.55%	5.73%	7.00%	9.27%
Future salary increases	3.25%	3.71%	4.50%	6.07%
Inflation	2.00%	2.74%	2.50%	3.43%
Health care cost inflation, current year	n/a	n/a	9.00%	n/a
Life expectancy after age 65 in years, males	22	22	19	19
Life expectancy after age 65 in years, females	24	24	21	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

A one percent change in the assumed trend rate of medical cost would have the following effect (in SEK million):

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	32	–28

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

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Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1.
VQS_Section 3.2_Ericsson 2012 Annual Report.pdf

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 129% (113%) as of December 31, 2012.

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
2012					
Opening balance	1,888	1,327	718	2,332	**6,265**
Additions	1,088	1,234	278	4,411	**7,011**
Reversal of excess amounts	–157	–150	–234	–532	**–1,073**
Negative effect on Income Statement					***5,938***
Cash out/utilization	–1,188	–1,170	–376	–741	**–3,475**
Balances regarding divested/acquired businesses	48	–	10	82	**140**
Reclassification	1	11	4	–38	**–22**
Translation differences	–85	–34	–22	–67	**–208**
Closing balance	**1,595**	**1,218**	**378**	**5,447**	**8,638**
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**

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 2012, new or additional provisions amounting to SEK 7.0 billion were made, and SEK 1.1 billion were reversed. The actual cash outlays for 2012 were SEK 3.5 billion compared with the estimated SEK 3.5 billion. The main part of the total cash out for 2012 is warranty provisions of SEK 1.2 billion and restructuring provisions of SEK 1.2 billion. The expected total cash outlays in 2013 is approximately SEK 7 billion.

Of the total provisions, SEK 211 (280) 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. Provisions amounting to SEK 1.1 billion were made and due to more favorable outcomes in certain cases reversals of SEK 0.2 billion were made. The actual cash outlays for 2012 were SEK 1.2 billion and in line with the expected SEK 1 billion. The cash outlays of warranty provisions during year 2013 are estimated to approximately SEK 1 billion.

Restructuring provisions

In 2012 SEK 1.2 billion in provision were made and SEK 0.1 billion were reversed due to a more favorable outcome than expected. The cash outlays were SEK 1.2 billion for the full year and in line with the expected SEK 1 billion. SEK 0.6 billion were related to restructuring programs before 2011. The cash outlays for 2013 are estimated to approximately SEK 1 billion.

Project related provisions

Project provisions relate to estimated losses on onerous contracts, including probable contractual penalties. Provisions amounting to SEK 0.3 billion were made and SEK 0.2 billion were reversed due to a more favorable outcome than expected. The cash outlays of project related provisions were SEK 0.4 billion and in line with the estimated SEK 0.5 billion. The cash outlays for 2013 are estimated to approximately SEK 0.4 billion.

Other provisions

Other provisions include provisions for tax issues, litigations, supplier claims, and other. During 2012, new provisions amounting to SEK 4.4 billion were made, of which 3.3 billion was related to ST-Ericsson, for further information, see Note C3, "Segment information". SEK 0.5 billion were reversed during 2012 due to a more favorable outcome. The cash outlays were SEK 0.7 billion in 2012 compared to the estimate of SEK 1 billion. For 2013, the cash outlays are estimated to approximately SEK 5 billion.

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Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1.
VQS_Section 3.2_Ericsson 2012 Annual Report.pdf

C19
INTEREST-BEARING LIABILITIES

As of December 31, 2012, the Company's outstanding interest-bearing liabilities were SEK 28.7 (31.0) billion.

Interest-bearing liabilities

	2012	2011
Borrowings, current		
Current part of non-current borrowings [1]	3,018	4,314
Other current borrowings	1,751	3,451
Total current borrowings	4,769	7,765
Borrowings, non-current		
Notes and bond loans	16,519	17,197
Other borrowings, non-current	7,379	6,059
Total non-current interest-bearing liabilities	23,898	23,256
Total interest-bearing liabilities	28,667	31,021

[1] Including notes and bond loans of SEK 2,671 (3,461) million.

All outstanding notes and bond loans are issued by the Parent Company under its Euro Medium-Term Note (EMTN) program or under its SEC Registered 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 a weighted average interest rate of 4.69% (4.21%). These bonds are revalued based on changes in benchmark interest rates according to the fair value hedge methodology stipulated in IAS 39.

In May 2012 the Company placed a US dollar denominated 1 billion 10-year bond with a fixed coupon rate of 4.125%. The offer was made pursuant to the Company's shelf registration statement filed with the SEC in April 2012, and a prospectus supplement thereto. This was the Company´s debut issue on the US bond market.

In June 2012 the Company repurchased notes with a nominal value of EUR 286.79 million from the EUR 600 million 5% Notes due 2013 and notes with a nominal value of EUR 154.52 million from the EUR 375 million Floating Rate Notes due 2014 pursuant to a tender offer process.

In July 2012 the Company signed a loan of EUR 150 million with the Nordic Investment Bank (NIB). The loan is divided into two equal tranches with respective seven- and nine-year maturity and was disbursed in December 2012. The loan supports the Company's R&D activities to develop the next generation radio and IP technology supporting Mobile Broadband build-out globally.

In October 2012 the Company signed a loan agreement with the European Investment Bank (EIB). The loan amount is EUR 500 million (or the equivalent in USD), and the Company has an option for disbursement until April 2014. This loan facility currently remains undrawn. The loan will mature seven years after disbursement. The loan supports the Company's R&D activities to further develop the next generation radio and IP technology that supports mobile broadband build-out globally.

Notes, bonds and bilateral loans

Issued–maturing	Nominal amount	Coupon	Currency	Book value (SEK m.)	Maturity date	Unrealized hedge gain/loss (included in book value)
Notes and bond loans						
2007–2014	220	0.484%	EUR	1,891	Jun 27, 2014 [1]	
2007–2017	500	5.375%	EUR	5,117 [2]	Jun 27, 2017	–799
2009–2013	313	5.000%	EUR	2,671 [2]	Jun 24, 2013	–30
2009–2016 [3]	300		USD	1,952	Jun 23, 2016	
2010–2020 [4]	170		USD	1,106	Dec 23, 2020	
2012–2022	1,000	4.125%	USD	6,453	May 15, 2022	
Total notes and bond loans				**19,190**		**–829**
Bilateral loans						
2008–2015 [5]	4,000		SEK	4,000	Jul 15, 2015	
2012–2019 [6]	98		USD	636	Sep 30, 2019	
2012–2021 [7]	98		USD	637	Sep 30, 2021	
Total bilateral loans				**5,273**		

[1] Next contractual repricing date March 27, 2013 (quarterly).
[2] Interest rate swaps are designated as fair value hedges.
[3] Private Placement, Swedish Export Credits Guarantee Board (EKN) / Swedish Export Credit Corporation (SEK).
[4] Private Placement, Swedish Export Credit Corporation (SEK).
[5] European Investment Bank (EIB), R&D project financing.
[6] Nordic Investment Bank (NIB), R&D project financing.
[7] Nordic Investment Bank (NIB), R&D project financing.

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Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1.
VQS_Section 3.2_Ericsson 2012 Annual Report.pdf

C20 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Company'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.

The Company defines its managed capital as the total Company equity. For the Company, 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.

The Company'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. The Company strive to finance growth, normal capital expenditures and dividends to shareholders by generating sufficient positive cash flows from operating activities.

The Company'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, SEK billion

	2012	2011
Capital	**138**	145
Equity ratio	**50%**	52%
Cash conversion rate	**116%**	40%
Positive net cash	**38.5**	39.5
Credit rating		
Moody's	**A3**	A3
Standard & Poor's	**BBB+**	BBB+

The Company 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.

The Company also has a customer finance function with the main objective to find suitable third-party financing solutions for customers and to minimize recourse to the Company. 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.
The Company 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

The Company 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.

The Company 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	43.2	–40.5	**2.7**	1%
USD	57.2	38.9	**96.1**	42%
EUR	29.7	11.4	**41.1**	18%
CNY	12.1	–0.2	**11.9**	5%
JPY	17.5	0.5	**18.0**	8%
INR	6.1	0.0	**6.1**	3%
BRL	7.0	–0.3	**6.7**	3%
GBP	6.3	–1.3	**5.0**	2%
Other	48.5	–8.5	**40.0**	18%
Pre-hedge total			**227.6**	**100%**
Hedge			**0.2**	
Total Net sales			**227.8**	
Net cost				
SEK	–43.4	–29.9	**–73.3**	33%
USD	–57.9	–12.6	**–70.5**	32%
EUR	–27.4	–4.7	**–32.1**	15%
CNY	–11.5	0.7	**–10.8**	5%
JPY	–16.1	11.5	**–4.6**	2%
INR	–5.1	2.4	**–2.7**	1%
BRL	–6.5	0.7	**–5.8**	3%
GBP	–5.9	0.3	**–5.6**	3%
Other	–43.9	31.6	**–12.3**	6%
Pre-hedge total			**–217.7**	**100%**
Hedge			**0.4**	
Total Net cost			**–217.3**	
Operating income			**10.5**	

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 (average rate gives a good approximation), the impact of volatility in foreign currency rates is reduced.

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Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1.
VQS_Section 3.2_Ericsson 2012 Annual Report.pdf

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, 2012, outstanding foreign exchange derivatives hedging transaction exposures had a net market value of SEK 1.1 (–0.5) billion. The market value is partly deferred in the hedge reserve in other comprehensive income 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 foreign exchange forwards.

Hedging is done based on a rolling 12-month exposure forecast. The Company 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

The Company 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 Other comprehensive income during 2012 were negative, SEK –3.9 (–1.0) billion, including hedging gain/loss of SEK 0.0 (0.0) billion.

Interest rate risk

The Company 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 38.5 (39.5) billion at the end of 2012, consisting of cash, cash equivalents and short-term investments of SEK 76.7 (80.5) billion and interest-bearing liabilities and post-employment benefits of SEK 38.2 (41.0) billion.

The Company 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 the Company'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 foreign exchange positions up to an aggregated risk of VaR SEK 45 million given a confidence level of 99% and a 1-day horizon.

Interest duration, SEK billion

	< 3M	<1Y	1-3Y	3-5Y	>5Y	Total
Interest Bearing Trading	4.7	–5.4	1.0	0.0	–0.3	**0**
Interest Bearing Assets	58.2	2.6	11.5	3.6	0.8	**76.7**
Interest Bearing Liabilities	–11.7	–5.1	0.0	–4.2	–7.7	**–28.7**

When managing the interest rate exposure, the Company 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]

	2012		2011	
Fair value	Asset	Liability	Asset	Liability
Currency derivatives				
Maturity within 3 months	**976**	**60**	557	881
Maturity between 3 and 12 months	**611**	**10**	364	393
Maturity 1 to 3 years	**4**	**–**	–	–
Total	**1,591**	**70**	921	1,274
Of which designated in cash flow hedge relations	***816***	***6***	*333*	*638*
Of which designated in net investment hedge relations	**–**	**–**	–	–
Interest rate derivatives				
Maturity within 3 months	**–**	**–**	–	5
Maturity between 3 and 12 months	**487**	**285**	324	367
Maturity 1 to 3 years	**565**	**681**	380	618
Maturity 3 to 5 years	**1,212**	**739**	416	815
Maturity more than 5 years	**38**	**–**	778	161
Total	**2,302** [2]	**1,705**	1,898 [2]	1,966
Of which designated in fair value hedge relations	***969***	**–**	*1,002*	–

[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 825 (816) million is reported as non-current assets.

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Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1.
VQS_Section 3.2_Ericsson 2012 Annual Report.pdf

Sensitivity analysis

The Company 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, the Company 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 2012 was SEK 9.8 (20.6) million for the combined mandates. No VaR-limits were exceeded during 2012.

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.

The Company 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 2012, SEK 0.0 (0.0) billion, neither on external investments nor on derivative positions.

At December 31, 2012, the credit risk in financial cash instruments was equal to the instruments' carrying value. Credit exposure in derivative instruments was SEK 3.9 (2.8) billion.

Liquidity risk

Liquidity risk is that the Company is unable to meet its short-term payment obligations due to insufficient or illiquid cash reserves.

The Company 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 2012, cash and bank and short-term investments decreased by SEK 3.8 billion to SEK 76.7 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	40.6	0.2	–	–	**40.8**
Type of issuer/counterpart					
Governments	3.4	4.5	10.8	0.8	**19.5**
Corporations	3.1	–	–	–	**3.1**
Mortgage institutes	–	0.1	13.2	–	**13.3**
2012	47.1	4.8	24.0	0.8	**76.7**
2011	44.7	4.0	29.8	2.0	**80.5**

The instruments are either classified as held for trading or as assets available for sale with maturity less than one year and are 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 the Company 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
2013	3.0	–	–	**3.0**
2014	–	1.9	–	**1.9**
2015	–	–	5.1	**5.1**
2016	–	2.0	–	**2.0**
2017	–	4.3	–	**4.3**
2018	–	–	–	**–**
2019	–	–	0.6	**0.6**
2020	–	1.1	–	**1.1**
2021	–	–	0.6	**0.6**
2022	–	6.4	–	**6.4**
Total	**3.0**	**15.7**	**6.3**	**25.0**

[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	1,833	3,167
SEC Registered program (USD Million)	– [2]	1,000	–
Long-term Committed Credit facility (USD million)	2,000	–	2,000
Indian Commercial Paper program (INR million)	5,000	3,750	1,250
EIB Committed Credit Facility (EUR million)	500	–	500

[1] There are no financial covenants related to these programs.
[2] Program amount indeterminate.

At year-end, the Company's credit ratings remained at A3 (stable) by Moody's and BBB+ (stable) by Standard & Poor's. Both credit ratings are considered to be solid investment grade.

In early 2013 Standard & Poor's changed the credit rating from BBB+ outlook stable to outlook negative and Moody's changed the credit rating from A3 with outlook stable to outlook negative.

Financial instruments carried at other than fair value

The fair value of the Company's financial instruments, recognized at fair value, 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 2.7 billion. For further information about valuation principles, please see Note C1, "Significant accounting policies".

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Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1.
VQS_Section 3.2_Ericsson 2012 Annual Report.pdf

Financial instruments carried at other than fair value [1]

SEK billion	Book value 2012	Book value 2011	Fair value 2012	Fair value 2011
Current part of non-current borrowings	3.0	4.3	3.0	4.3
Notes and bonds	16.5	17.2	17.0	17.1
Other borrowings non-current	7.4	4.9	7.6	4.9
Total	26.9	26.4	27.6	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

The Company 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 receivables	Short-term investments	Cash equivalents	Borrowings	Trade payables	Other financial assets	Other current receivables	Other current liabilities	2012	2011
Note	C14	C14			C19	C22	C12	C15	C21		
Assets at fair value through profit or loss	–	–	32.0	12.2	–	–	0.8	3.1	–1.8	46.3	43.4
Loans and receivables	5.3	63.7	–	2.1	–	–	3.2	–	–	74.3	79.2
Financial liabilities at amortized cost	–	–	–	–	–28.7	–23.1	–	–	–	–51.8	–56.3
Total	**5.3**	**63.7**	**32.0**	**14.3**	**–28.7**	**–23.1**	**4.0**	**3.1**	**–1.8**	**68.8**	66.3

C21 OTHER CURRENT LIABILITIES

Other current liabilities

	2012	2011
Income tax liabilities	3,878	2,691
Advances from customers	4,754	3,942
Liabilities to associated companies and joint ventures	–	119
Accrued interest	259	351
Accrued expenses, of which	32,353	32,652
Employee related	*11,166*	*11,314*
Supplier related	*11,440*	*11,621*
Other [1]	*9,747*	*9,717*
Deferred revenues	11,658	8,722
Derivatives with a negative value [2]	1,775	3,240
Other [3]	6,431	6,253
Total	61,108	57,970

[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

	2012	2011
Payables to associated companies and joint ventures	81	102
Other	23,019	25,207
Total	23,100	25,309

C23 ASSETS PLEDGED AS COLLATERAL

Assets pledged as collateral

	2012	2011
Chattel mortgages	185	185
Bank deposits	335	267
Total	520	452

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Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1.
VQS_Section 3.2_Ericsson 2012 Annual Report.pdf

C24 CONTINGENT LIABILITIES

Contingent liabilities

	2012	2011
Contingent liabilities	613	609
Total	613	609

Contingent liabilities assumed by Ericsson include guarantees of loans to other companies of SEK 24 (25) million. Ericsson has SEK 59 (111) 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 286 (449) million as of December 31, 2012. Maturity date for major part of the issued guarantees occurs in 2021 at latest.

C25 STATEMENT OF CASH FLOWS

Interest paid in 2012 was SEK 1,650 million (SEK 1,422 million in 2011, SEK 977 million in 2010) and interest received was SEK 1,883 million (SEK 2,632 million in 2011, SEK 1,083 million in 2010). Taxes paid, including withholding tax, were SEK 5,750 million (SEK 4,393 million in 2011, SEK 4,808 million in 2010).

Cash and cash equivalents includes cash of SEK 30,358 (29,471) million and temporary investments of SEK 14,324 (9,205) 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".

The Company holds cash or cash equivalents in countries where exchange controls or legal restrictions apply. These restrictions normally refer to approval procedures prior to cross-border cash transfers. The amount of cash and cash equivalents in such countries amounts to SEK 10.6 (13.9) billion. Of this amount, SEK 9.2 (12.8) billion can be used for repayment of external and internal liabilities as well as other operating needs. Therefore, net cash and cash equivalents that are not readily available for use by the Group is SEK 1.4 (1.1) billion.

Adjustments to reconcile net income to cash

	2012	2011	2010
Property, plant and equipment			
Depreciation	4,052	3,499	3,299
Impairment losses/reversals of impairments	–40	47	–3
Total	4,012	3,546	3,296
Intangible assets			
Amortization			
Capitalized development expenses	1,058	995	664
Intellectual Property Rights, brands and other intangible assets	4,436	4,470	4,999
Total amortization	5,494	5,465	5,663
Impairments			
Capitalized development expenses	266	7	49
Intellectual Property Rights, brands and other intangible assets	117	18	945
Total	5,877	5,490	6,657
Total depreciation, amortization and impairment losses on property, plant and equipment and intangible assets	9,889	9,036	9,953
Taxes	–1,140	1,994	351
Dividends from joint ventures/ associated companies [1]	133	177	119
Undistributed earnings in joint ventures/associated companies [1]	11,636	3,533	1,357
Gains/losses on sales of investments and operations, intangible assets and PP&E, net [2]	–8,087	–159	–237
Other non-cash items [3]	646	–1,968	947
Total adjustments to reconcile net income to cash	13,077	12,613	12,490

[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
2012		
Cash flow from business combinations [1]	–11,575	9,502
Acquisitions/divestments of other investments	46	–50
Total	**–11,529**	**9,452**
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**

[1] See also Note C26, "Business combinations".

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Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1.
VQS_Section 3.2_Ericsson 2012 Annual Report.pdf

C26 BUSINESS COMBINATIONS

Acquisitions and divestments

Acquisitions

Acquisitions 2010–2012

	2012	2011	2010
Cash	12,564 [1]	1,162	3,789
Total consideration	12,564	1,162	3,789
Acquisition-related costs [2]	150	77	67
Net asset acquired			
Cash and cash equivalents	1,139	7	570
Property, plant and equipment	480	259	205
Intangible assets	6,672	382	3,825
Investments in joint ventures and associated companies	–	120	138
Other assets	2,105	140	2,506
Provisions, including post-employment benefits	714	–23	–390
Other liabilities	–3,214	–37	–3,573
Total identifiable net assets	7,896	848	3,281
Non-controlling interest	375	54	–748
Goodwill	4,293	260	1,256
	12,564	1,162	3,789

[1] The cash transaction includes payment of external loan of SEK 6.2 billion and investment in subsidiary of SEK 2.5 billion.

[2] Acquisition-related costs are included in Selling and administrative expenses in the consolidated income statement.

In 2012, Ericsson made acquisitions with a negative cash flow effect amounting to SEK 11,575 (1,232) million. The acquisitions consist primarily of:

- **BelAir:** On April 2, 2012, the Company acquired 100% of the shares in BelAir Networks, a North American telecom-grade Wi-Fi company. The acquisition gives the Company a telecom-grade Wi-Fi portfolio, technological expertise, IPR, and established customer contracts and relationships. The purchase price was USD 250 million on a cash and debt-free basis.
- **ConceptWave**: On September 25, 2012, the Company announced the acquisition of 100% of the shares in the Canadian company ConceptWave in an all-cash transaction. The acquisition complements the Company's portfolio in OSS/BSS with order management and product catalog solutions. The purchase price was CAD 55 million on a cash and debt-free basis. Balances to facilitate the Purchase price allocation are preliminary.
- **Ericsson-LG:** On March 22, 2012, the Company announced it had acquired additional shares in Ericsson-LG, thereby increasing the ownership from 50% plus one share to 75%. The company is fully consolidated by the Company, since the original acquisition in July 2010.
- **Technicolor:** On July 3, 2012, the Company announced the closing of the acquisition of the broadcast services division of Technicolor. The acquisition brings broadcast customers and playout operations in France, UK and in the Netherlands. The purchase price amounted to EUR 20 million including a potential earn-out valued at EUR 2 million, based on 2015 revenues of the Broadcast services activity. Balances to facilitate the Purchase price allocation are preliminary.
- **Telcordia:** On June 14, 2011, the Company announced that it had entered into an agreement to acquire 100% of the shares of Telcordia, a leader in the development of software and services for OSS/BSS. The acquisition was completed on January 12, 2012, with a purchase price of USD 1.15 billion in an all-cash transaction, on a cash and debt-free basis. Net sales for the acquired Telcordia business amounted to approximately SEK 4.2 billion for the period January 12 - December 31, 2012. The acquired Telcordia business had a positive impact on the result. Goodwill represented 57% of the total assets acquired. The goodwill is mainly attributable to the value of the compentence acquired and future synergy effects. None of the goodwill is expected to be deductible for tax purposes. Transaction costs for the acquisition amounted to SEK 57 million.

Telcordia

	2012
Cash	8,725 [1]
Total consideration	8,725
Acquisition-related costs [2]	57
Net asset acquired	
Cash and cash equivalents	886
Property, plant and equipment	305
Intangible assets	5,543
Other assets [3]	1,713
Provisions, including post-employment benefits	714
Other liabilities	–3,586
Total identifiable net assets	5,575
Goodwill	3,150
	8,725

[1] The cash transaction includes payment of external loan of SEK 6.2 billion and investment in subsidiary of SEK 2.5 billion.

[2] Acquisition-related costs are included in Selling and administrative expenses in the consolidated income statement.

[3] Other assets include trade receivables with a fair value of SEK 1.4 billion.

In order to finalize a Purchase price allocation all relevant information needs to be in place. Examples of such information are final consideration and final opening balances, they may remain preliminary for a period of time due to for example working capital adjustments, tax items or decisions from local authorities.

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Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1.
VQS_Section 3.2_Ericsson 2012 Annual Report.pdf

Divestments

In 2012, the Company made divestments with a cash flow effect amounting to SEK 9,502 (–28) million.

- **IPX:** On September 30, 2012, the Company divested its Multimedia brokering platform (IPX) to French listed company Gemalto, with the exception of the operations in the US. The sale resulted in a gain amounting to SEK 237 million and a positive cash flow effect of SEK 260 million.
- **Sony Ericsson:** On February 16, 2012, the Company announced the completion of the divestment of its 50% stake in Sony Ericsson Mobile Communications, with a carrying value of 1.4 billion. The agreed cash consideration for the transaction was EUR 1.05 billion. The sale resulted in a gain amounting to SEK 7.7 billion and a positive cash flow effect of SEK 9.1 billion. For further information on the divestment of Sony Ericsson, see note C3, "Segment information".

Divestments 2010–2012

	2012	2011	2010
Cash	**9,502**	–28	454
Net assets disposed of			
Property, plant and equipment	**–**	1	21
Investments in joint ventures and associated companies	**1,353**	10	–
Other assets	**296**	38	372
Other liabilities	**–483**	–224	–183
	1,166	–175	210
Net gains from divestments	**8,336**	158	357
Less Cash and cash equivalents	**–**	–11	–113
Cash flow effect	**9,502**	–28	454

Acquisitions 2010–2012

Company	Description	Transaction date
ConceptWave	A Canadian OSS/BSS company. The purchase price was CAD 55 million.	Sep, 2012
Technicolor	A technology company in the media and entertainment sector. The purchase price was EUR 20 million.	Jul, 2012
BelAir	A telecom-grade Wi-Fi company based in Canada. The purchase price was USD 250 million.	Apr, 2012
Ericsson-LG	Increase of ownership from 50% plus one share, to 75%.	Mar, 2012
Telcordia	A US company developing software and services for OSS/BSS. The purchase price was USD 1.15 billion.	Jan, 2012
GDNT	An asset purchase agreement of certain assets. Enhances the Company's existing R&D, manufacturing and services capabilities in the China region. The purchase price was RMB 357 million.	May, 2011
Nortel Multiservice Switch business (MSS)	An asset purchase agreement to acquire certain assets of Nortel's MSS. The purchase price was USD 53 million.	Mar, 2011
Optimi	A US-Spanish telecommunications vendor providing products and services within the networks optimization and management sector. The purchase price was USD 99 million.	Dec, 2010
inCode	An asset purchase agreement of certain assets. A professional services firm providing strategic business and consulting services. The purchase price was USD 12 million.	Sep, 2010
LG-Nortel	Nortel's majority shareholding (50% + 1 share) in LG-Nortel. The purchase price was USD 234 million.	Jun, 2010
Nortel GSM	An asset purchase agreement of the Carrier networks division of Nortel relating to GSM business. The purchase price was USD 79 million.	Mar, 2010
Pride	An Italian consulting and systems integration company. The purchase price was EUR 66 million.	Jan, 2010

Divestments 2010–2012

Company	Description	Transaction date
IPX	Sale of IPX to Gemalto, with a positive cash flow effect of SEK 260 million.	Sep, 2012
EDA 1500 GPON	Capital asset sale of EDA 1500 GPON portfolio with a positive cash flow effect of SEK 80 million.	Aug, 2012
Sony Ericsson	Sale of the Company's share in Sony Ericsson (50%) to Sony, with a positive cash flow effect of SEK 9.1 billion.	Feb, 2012
EFI	Sale of Ericsson Federal Inc. (EFI), with a positive cash flow effect of SEK 360 million.	Dec, 2010

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Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1.
VQS_Section 3.2_Ericsson 2012 Annual Report.pdf

C27 LEASING

Leasing with the Company as lessee

Assets under finance leases, recorded as property, plant and equipment, consist of:

Finance leases

	2012	2011
Cost		
Real estate	**1,538**	1,856
Machinery	**3**	3
	1,541	1,859
Accumulated depreciation		
Real estate	**–601**	–725
Machinery	**–3**	–3
	–604	–728
Accumulated impairment losses		
Real estate	**–35**	–42
	–35	–42
Net carrying value	**902**	1,089

As of December 31, 2012, future minimum lease payment obligations for leases were distributed as follows:

Future minimum lease payment obligations for leases

	Finance leases	Operating leases
2013	150	2,847
2014	229	1,794
2015	127	1,388
2016	85	1,105
2017	76	777
2018 and later	795	2,472
Total	**1,462**	**10,383**
Future finance charges [1]	–398	n/a
Present value of finance lease liabilities	**1,064**	**10,383**

[1] Average effective interest rate on lease payables is 5.69%.

Expenses in 2012 for leasing of assets were SEK 3,172 (3,362) million, of which variable expenses were SEK 20 (7) million. The leasing contracts vary in length from 1 to 20 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, 2012, future minimum payment receivables were distributed as follows:

Future minimum payment receivables

	Finance leases	Operating leases
2013	6	154
2014	6	143
2015	6	96
2016	6	23
2017	6	18
2018 and later	–	52
Total	**30**	**486**
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 2012 was SEK 236 (76) million.

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Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1.
VQS_Section 3.2_Ericsson 2012 Annual Report.pdf

C28
INFORMATION REGARDING MEMBERS OF THE BOARD OF DIRECTORS, THE GROUP MANAGEMENT AND EMPLOYEES

CONTENTS

Remuneration to the Board of Directors 94
Remuneration to the Group management 95
Long-Term Variable Remuneration 96
Employee numbers, wages and salaries 98

Remuneration to the Board of Directors

Remuneration to members of the Board of Directors

SEK	Board fees	Number of synthetic shares/portion of Board fee	Value at grant date of synthetic shares allocated in 2012	Number of previously allocated synthetic shares outstanding	Net change in value of allocated synthetic shares [1]	Committee fees	Total fees paid in cash [2]	Total remuneration 2012
			A		B		C	(A+B+C)
Board member								
Leif Johansson	3,750,000	0/0%	–	–	–	400,000	4,150,000 [3]	**4,150,000**
Sverker Martin-Löf	875,000	0/0%	–	–	–	250,000	1,125,000	**1,125,000**
Jacob Wallenberg	875,000	6,984/50%	437,499	2,262.00	10,826	175,000	612,500	**1,060,825**
Roxanne S. Austin	875,000	6,984/50%	437,499	29,172.60	31,648	250,000	687,500	**1,156,647**
Sir Peter L. Bonfield	875,000	3,492/25%	218,749	9,722.80	13,411	250,000	906,250	**1,138,410**
Börje Ekholm	875,000	10,476/75%	656,248	29,172.60	40,228	175,000	393,750	**1,090,226**
Alexander Izosimov	875,000	3,492/25%	218,749	–	8,580	–	656,250	**883,579**
Ulf J. Johansson	875,000	0/0%	–	22,384.60	33,495	350,000	1,225,000 [4]	**1,258,495**
Nancy McKinstry	875,000	0/0%	–	22,002.60	18,092	175,000	1,050,000	**1,068,092**
Anders Nyrén	875,000	0/0%	–	–	–	175,000	1,050,000	**1,050,000**
Hans Vestberg	–	–	–	–	–	–	–	**–**
Michelangelo Volpi	875,000	0/0%	–	4,380.00	–2,409	–	875,000	**872,591**
Employee Representatives								
Pehr Claesson	18,000	–	–	–	–	–	18,000	**18,000**
Kristina Davidsson	18,000	–	–	–	–	–	18,000	**18,000**
Jan Hedlund [5]	6,000	–	–	–	–	–	6,000	**6,000**
Karin Åberg	18,000	–	–	–	–	–	18,000	**18,000**
Rickard Fredriksson [6]	10,500	–	–	–	–	–	10,500	**10,500**
Karin Lennartsson	18,000	–	–	–	–	–	18,000	**18,000**
Roger Svensson	18,000	–	–	–	–	–	18,000	**18,000**
Total	**12,606,500**	**31,428**	**1,968,744**	**119,097.20**	**153,871**	**2,200,000**	**12,837,750**	**14,960,365** [7]
Total	12,606,500	31,428	1,968,744	128,002.20 [8]	138,792 [8]	2,200,000	20,706,150 [9]	**22,813,687** [7] [9]

[1] The difference in value as of December 31, 2012, compared to December 31, 2011 (for synthetic shares allocated 2008, 2009, 2010 and 2011), and compared to grant date 2012 (for synthetic shares allocated in 2012). The value of synthetic shares allocated in 2008, 2009, 2010 and 2011 includes respectively SEK 1.85, SEK 2.00, SEK 2.25 and SEK 2.50 per share in compensation for dividends resolved by the Annual General Meetings 2009, 2010, 2011 and 2012.
[2] Committee fee and cash portion of the Board fee.
[3] In addition, an amount corresponding to statutory social charges in respect of the part of the fee that has been invoiced through a company was paid, amounting to SEK 1,303,930.
[4] In addition, an amount corresponding to statutory social charges in respect of the part of the fee that has been invoiced through a company was paid, amounting to SEK 122,520.
[5] Resigned as employee representative as of May 3, 2012.
[6] Appointed deputy employee representative as of May 3, 2012.
[7] Excluding social security charges in the amount of SEK 3,950,998.
[8] Including synthetic shares previously allocated to the former Director Carl-Henric Svanberg.
[9] Including advance payments to the former Directors Michael Treschow and Marcus Wallenberg under the synthetic share programs. Michael Treschow: SEK 7,376,686 for 111,926.80 synthetic shares (in addition, an amount corresponding to statutory social charges in respect of the part of the fee that has been invoiced through a company was paid, amounting to SEK 753,159) and Marcus Wallenberg: SEK 491,714 for 7,460.80 synthetic shares.

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 elected by the Annual General Meeting were entitled to a fee of SEK 875,000 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 and a fee to the employee

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Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1.
VQS_Section 3.2_Ericsson 2012 Annual Report.pdf

representatives and their deputies of SEK 1,500 per attended Board meeting.

- Board members invoicing the amount of the Board and Committee fee through a 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, i.e. the cash portion of the Board fee and the Committee fee, including social charges, constitutes the invoiced Board fee.
- The Annual General Meeting 2012 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 Annual General Meeting 2012: SEK 62.643. 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 2017.

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, 2011 and 2012. 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, 2012, the total number of synthetic shares under the programs is 159,430.20, and the total accounted debt is SEK 11,113,237 (including synthetic shares previously allocated to the former Director Carl-Henric Svanberg). In accordance with the terms and conditions for the synthetic shares, the time for payment to the former Director Carl-Henric Svanberg has been advanced, to occur after the publication of the year-end financial statement 2013. In February 2012, advance payment was made to the former Directors Michael Treschow and Marcus Wallenberg with respect to their synthetic shares, all in accordance with the terms and conditions for the synthetic shares.

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. The 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 by the Annual General Meeting held in 2012, see the approved guidelines in section "Guidelines for remuneration to Group Management 2012".

Remuneration costs for the President and CEO and other members of Executive Leadership Team (ELT)

SEK	The President and CEO 2012	The President and CEO 2011	Other members of ELT 2012	Other members of ELT 2011	Total 2012	Total 2011
Salary	12,573,233	11,739,341	76,973,215	76,031,733	89,546,448	87,771,074
Costs for annual variable remuneration earned 2012 to be paid 2013	3,972,247	2,771,134	21,877,700	18,460,645	25,849,947	21,231,779
Long-term variable remuneration provision	6,439,873	5,636,050	6,472,215	8,916,556	12,912,088	14,552,606
Pension costs	6,491,713	5,960,566	22,865,674	22,154,413	29,357,387	28,114,979
Other benefits	123,612	78,594	4,431,160	4,944,762	4,554,772	5,023,356
Social charges and taxes	9,114,641	7,800,766	22,877,888	23,529,200	31,992,529	31,329,966
Total	38,715,319	33,986,451	155,497,852	154,037,309	194,213,171	188,023,760

Comments to the table

- During 2012 there were three Executive Vice Presidents, who have been 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: Per Borgklint, Bina Chaurasia, Håkan Eriksson (up to January 31), Ulf Ewaldsson (from February 1), Jan Frykhammar, Douglas L. Gilstrap, Nina Macpherson, Magnus Mandersson, Helena Norrman, Mats H. Olsson, Rima Qureshi, Angel Ruiz, 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 2012 as well as other contracted compensation which were paid during 2012 or provisioned for 2012.
- "Long-term variable remuneration provision" refers to the compensation costs during 2012 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.

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Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1.
VQS_Section 3.2_Ericsson 2012 Annual Report.pdf

- For the President and CEO and other members of the 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 relating to unpaid remunerations in the Balance Sheet:

- Ericsson's commitments for benefit based pensions as of December 31, 2012 under IAS 19 amounted to SEK 5,971,282 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 27,103,244 of which SEK 21,429,454 refers to the ITP plan and the remaining SEK 5,673,790 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 2012 or earlier, to be paid 12 months after period end or later, amounts to SEK 7,899,000.

Maximum outstanding matching rights

As per December 31, 2012 Number of Class B shares	The President and CEO	Other members of the ELT
Stock Purchase Plans 2009, 2010, 2011 and 2012 and Executive Performance Stock Plans 2009, 2010, 2011 and 2012	503,382	661,456

Comments to the table

- For the definition of matching rights, see the description in section "Long-term variable remuneration".
- The performance maching result of 70,3% is included for 2009 plan.
- Cash conversion target for 2012 was reached, but not reached in 2011.
- During 2012, the President and CEO received 10,108 matching shares and other members of the ELT 54,803 matching shares.

Guidelines for remuneration to Group Management 2012

For Group Management consisting of the Executive Leadership Team, including the President and CEO, total remuneration consists of fixed salary, short and long-term variable remuneration, pension and other benefits. Furthermore, the following guidelines apply for the remuneration to the Executive Leadership Team:

- 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 the Executive Leadership Team, the Company's cost during 2012 for variable remuneration to the Executive Leadership Team 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 2012 plan, employees are able to save up to 7.5% of gross fixed salary (President and CEO can save up to 10% of gross fixed salary and short-term 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 100 countries participate in the plans.

The table below shows the contribution periods and participation details for ongoing plans as of December 31, 2012.

Stock purchase plans

Plan	Contribution period	Number of participants at launch	Take-up rate – percent of eligible employees
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%
Stock Purchase plan 2012	August 2012 – July 2013	27,000	28%

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 to encourage retention of key employees. Under the program, up to 10% of employees (2012 plan: up to 8,000 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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Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1.
VQS_Section 3.2_Ericsson 2012 Annual Report.pdf

Executive Performance Stock Plans

	Executive Performance Stock Plan			
	2012 [1]	2011	2010	2009
Base year EPS [2]			1.14	2.90
Target average annual EPS growth range [3]			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 1.5 to 9	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% 162%	30% 45% 72%

[1] Targets for Executive Performance Stock Plan 2012 are described in the next table.
[2] Sum of four quarters up to June 30 of plan year 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.

Executive Performance Stock Plan targets

	Base year value SEK billion	Year 1	Year 2	Year 3
2012				
Growth (Net Sales Growth)	227.8	Compound annual growth rate of 2 –8%		
Margin (Operating Income Growth)	17.9	Compound annual growth of 5–15%		
Cash Flow (Cash Conversion)	–	≥70%	≥70%	≥70%
2011				
Growth (Net Sales Growth)	203.3	Compound annual growth rate of 4–10%		
Margin (Operating Income Growth) [1]	23.7	Compound annual growth of 5–15%		
Cash Flow (Cash Conversion)	–	≥70%	≥70%	≥70%

[1] Consolidated operating margin excluding restructuring for 2010.

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 (2012 plan: up to 400 executives) are offered to participate in the plan. The President and CEO can save up to 10% of gross fixed salary and short-term variable remuneration, 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 2009 and 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 targets linked to the business strategy as from 2011.

The tables above show all Executive Performance Stock Plans as per December 31, 2012.

Shares for all plans

		Stock Purchase Plan, Key Contributor Retention Plan and Executive Performance Stock Plans					
Plan (million shares)		2012	2011	2010	2009	2008	**Total**
Originally designated [1]	A	26.2	19.4	19.4	22.4	16.5	**103.9**
Outstanding beginning of 2012	B	–	3.4	10.6	9.1	6.1	**29.2**
Awarded during 2012	C	4.4	10.8	–	–	–	**15.2**
Exercised/matched during 2012	D	–	0.3	0.5	2.3	6.0	**9.1**
Forfeited/expired during 2012	E	–	0.4	0.9	0.8	0.1	**2.2**
Outstanding end of 2012 [2]	F=B+C–D–E	4.4	13.5	9.2	6.0	–	**33.1**
Compensation costs charged during 2012 (SEK million)	G	6 [3]	132 [3]	148 [3]	91 [3]	28 [3]	**405** [4]

[1] Adjusted for rights offering and reverse split when applicable.
[2] Presuming maximum performance matching under the Executive Performance Stock Plans. The 2008 plan has lapsed. The 2009 plan partially vested to an extent of 70,3%.
[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 2008 plan has lapsed. The 2009 plan partially vested to an extent of 70,3%. Fair value of the Class B share at each investment date during 2012 was: February 15 SEK 56.26, May 15 SEK 53.93, August 15 SEK 55.85 and November 15 SEK 49.99.
[4] Total compensation costs charged during 2011: SEK 413 million, 2010: SEK 757 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 2012, 1,038,200 shares were sold at an average price of SEK 63.17. Sale of shares is recognized directly in equity.

If, as of December 31, 2012, 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 61 million Class B shares would be transferred, corresponding to 1.9% of the total number of shares outstanding, 3,220 million not including treasury stock. As of December 31, 2012, 85 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 2012; (C) the number of shares awards that were granted during 2012; (D) the number of shares matched during 2012; (E) the number of shares

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Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1.
VQS_Section 3.2_Ericsson 2012 Annual Report.pdf

forfeited by participants or expired under the plan rules during 2012; and (F) the balance left as outstanding at the end of 2012, 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 2012 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

	2012			2011		
	Women	Men	Total	Women	Men	Total
North America	**3,479**	**12,607**	**16,086**	2,876	12,106	14,982
Latin America	**2,137**	**9,230**	**11,367**	1,913	7,837	9,750
Northern Europe & Central Asia [1) 2)]	**5,746**	**15,351**	**21,097**	5,656	14,927	20,583
Western & Central Europe [2)]	**1,790**	**9,463**	**11,253**	1,663	8,968	10,631
Mediterranean [2)]	**2,966**	**10,064**	**13,030**	2,743	9,077	11,820
Middle East	**617**	**4,603**	**5,220**	634	4,343	4,977
Sub-Saharan Africa	**548**	**1,672**	**2,220**	661	1,290	1,951
India	**2,137**	**11,924**	**14,061**	1,613	9,912	11,525
North East Asia	**4,191**	**9,584**	**13,775**	3,480	8,839	12,319
South East Asia & Oceania	**1,175**	**3,474**	**4,649**	1,155	3,437	4,592
Total	**24,786**	**87,972**	**112,758**	22,394	80,736	103,130
[1)] Of which Sweden	***4,232***	***13,337***	***17,569***	*4,188*	*12,881*	*17,069*
[2)] Of which EU	***9,911***	***33,581***	***43,492***	*9,575*	*31,667*	*41,242*

Number of employees by region at year-end

	2012	2011
North America	**15,501**	14,801
Latin America	**11,219**	11,191
Northern Europe & Central Asia [1) 2)]	**21,211**	20,987
Western & Central Europe [2)]	**11,257**	10,806
Mediterranean [2)]	**12,205**	11,645
Middle East	**3,992**	4,336
Sub-Saharan Africa	**2,014**	2,283
India	**14,303**	11,535
North East Asia	**14,157**	12,567
South East Asia & Oceania	**4,396**	4,374
Total	**110,255**	104,525
[1)] Of which Sweden	***17,712***	*17,500*
[2)] Of which EU	***42,872***	*41,596*

Employees by gender and age at year-end 2012

	Women	Men	Percent of total
Under 25 years old	2,517	6,018	8%
25–35 years old	8,530	31,054	36%
36–45 years old	7,818	28,954	33%
46–55 years old	3,984	15,692	18%
Over 55 years old	1,233	4,455	5%
Percent of total	**22%**	**78%**	**100%**

Employee movements

	2012	2011
Head count at year-end	**110,255**	104,525
Employees who have left the Company	**12,280**	10,571
Employees who have joined the Company	**18,010**	24,835
Temporary employees	**766**	901

Employee wages and salaries

Wages and salaries and social security expenses

(SEK million)	2012	2011
Wages and salaries	**48,428**	43,707
Social security expenses	**15,672**	15,198
Of which pension costs	***2,762***	*3,888*

Amounts related to the President and CEO and the Executive Leadership Team are included.

Remuneration to Board members and Presidents in subsidiaries

(SEK million)	2012	2011
Salary and other remuneration	**243**	223
Of which annual variable remuneration	***33***	*22*
Pension costs	**27**	20

Board members, Presidents and Group management by gender at year end

	2012		2011	
	Women	Men	Women	Men
Parent Company				
Board members and President	**27%**	**73%**	20%	80%
Group Management	**29%**	**71%**	29%	71%
Subsidiaries				
Board members and Presidents	**12%**	**88%**	11%	89%

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C29 RELATED PARTY TRANSACTIONS

During 2012, 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".

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. For further information, see Note C3, "Segment information".

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. Ericsson received no dividends from ST-Ericsson during 2012.

ST-Ericsson

	2012	2011	2010
Related party transactions			
Sales	138	182	403
Purchases	634	781	629
Related party balances			
Receivables	127	51	53
Liabilities	–	24	48

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 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 2012.

Ericsson Nikola Tesla D.D.

	2012	2011	2010
Related party transactions			
Sales	1,161	465	563
License revenues	8	4	2
Purchases	607	595	566
Ericsson's share of dividends	133	154	104
Related party balances			
Receivables	189	59	120
Liabilities	81	76	75

Ericsson does not have any contingent liabilities, assets pledged as collateral or guarantees towards Ericsson Nikola Tesla d.d.

Sony Ericsson Mobile Communications AB

The company has divested its 50% stake in Sony Ericsson Mobile Communications to Sony. The divestment was effective on January 1, 2012.

Sony Ericsson Mobile Communications AB

	2012	2011	2010
Related party transactions			
License revenues	–	855	1,255
Purchases	–	126	61
Related party balances			
Receivables	–	27	258
Liabilities	–	2	8

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C30 FEES TO AUDITORS

Fees to auditors

	PwC	Others	Total
2012			
Audit fees	82	5	**87**
Audit related fees	15	–	**15**
Tax services fees	16	3	**19**
Other fees	10	10	**20**
Total	123	18	**141**
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**

During the period 2010–2012, 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 2012

	Payment due by period				
SEK billion	<1 year	1–3 years	3–5 years	>5 years	Total
Long-term debt [1) 2)]	3.3	7.0	7.1	9.0	**26.4**
Finance lease obligations [3)]	0.2	0.3	0.2	0.8	**1.5**
Operating leases [3)]	2.8	3.2	1.9	2.5	**10.4**
Other non-current liabilities	0.1	0.3	0.1	1.9	**2.4**
Purchase obligations [4)]	5.7	–	–	–	**5.7**
Trade payables	23.1	–	–	–	**23.1**
Commitments for customer finance [5)]	5.9	–	–	–	**5.9**
Total	41.1	10.8	9.3	14.2	**75.4**

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 finance".

For information about financial guarantees, see Note C24, "Contingent liabilities".

Except for those transactions described in this report, the Company 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 TRANSFERS OF FINANCIAL ASSETS

Transfers where the Company has not derecognized the assets in their entirety

As per December 31, 2012 there existed certain customer financing assets that the Company had transferred to third parties where the Company did not derecognize the assets in their entirety. The total carrying amount of the original assets transferred was SEK 471 (194) million, the amount of the assets that the Company continues to recognize was SEK 28 (10) million, and the carrying amount of the associated liabilities was SEK 0 (0) million. More information is disclosed about Customer Finance in Note C14 "Trade receivables and customer finance".

Transfers where the Company has continuing involvement

The Company has during 2012 derecognized financial assets where the Company had continuing involvement. A repurchase of these assets would amount to SEK 225 (596) million. No assets or liabilities were recognized in relation to the continuing involvement.

C33 EVENTS AFTER THE REPORTING PERIOD

On January 10, 2013, Ericsson entered into an agreement with Unwired Planet whereby Ericsson will transfer 2,185 issued patents and patent applications to Unwired Planet. Ericsson will also contribute 100 additional patent assets annually to Unwired Planet commencing in 2014 through 2018. Unwired Planet will compensate Ericsson with certain ongoing rights in future revenues generated from the enlarged patent portfolio. Unwired Planet will also grant Ericsson a license to its patent portfolio.

On January 21, 2013, Ericsson announced its intention to acquire Devoteam Telecom & Media operations in France. Devoteam has employees in Europe, Middle East and Africa. The acquisition is in line with Ericsson's services strategy to broaden its IT capabilities.

In early 2013 Standard & Poors changed the credit rating from BBB+ outlook stable to outlook negative and Moody´s changed the credit rating from A3 with outlook stable to outlook negative.

In January, 2013, ST-Ericsson was granted a loan facility by their owners of USD 260 million. Ericsson's share of this credit facility is USD 130 million.

On January 10, 2013, Adaptix Inc. filed two lawsuits against Ericsson, AT&T, AT&T Mobility and MetroPCS Communications in the US District Court for Eastern District of Texas alleging that certain Ericsson products infringe five US patents assigned to Adaptix. Adaptix seeks damages and an injunction.

On January 25, 2013, Adaptix filed a complaint with the US International Trade Commission (ITC) against Ericsson, AT&T, AT&T Mobility and MetroPCS Communications requesting that the commission open a patent infringement investigation of certain Ericsson products and further on January 29, 2013, Adaptix filed a complaint with the Tokyo District Court alleging certain Ericsson products infringe two JP patents assigned to Adaptix. Adaptix seeks damages and an injunction.

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VQS_Section 3.2_Ericsson 2012 Annual Report.pdf

PARENT COMPANY FINANCIAL STATEMENTS AND NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

CONTENTS

Parent Company financial statements

Parent Company Income statement and Statement of comprehensive income 102
Parent Company Balance sheet 103
Parent Company Statement of cash flows 105
Parent Company Statement of changes in stockholders' equity 106

Notes to the Parent Company financial statements

P1 Significant accounting policies 107
P2 Segment information 107
P3 Other operating income and expenses 107
P4 Financial income and expenses 108
P5 Taxes 108
P6 Intangible assets 109
P7 Property, plant and equipment 109
P8 Financial assets 110
P9 Investments 111
P10 Inventories 112
P11 Trade receivables and customer finance 112
P12 Receivables and liabilities – subsidiary companies 113
P13 Other current receivables 114
P14 Equity and other comprehensive income 114
P15 Untaxed reserves 115
P16 Post-employment benefits 115
P17 Other provisions 116
P18 Interest-bearing liabilities 116
P19 Financial risk management and financial instruments 117
P20 Other current liabilities 118
P21 Trade payables 118
P22 Assets pledged as collateral 118
P23 Contingent liabilities 118
P24 Statement of cash flows 119
P25 Leasing 119
P26 Information regarding employees 119
P27 Related party transactions 120
P28 Fees to auditors 120
P29 Events after the balance sheet date 120

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Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1.
VQS_Section 3.2_Ericsson 2012 Annual Report.pdf

PARENT COMPANY FINANCIAL STATEMENTS CONTINUED

PARENT COMPANY INCOME STATEMENT

January – December, SEK million	Notes	2012	2011 [1]	2010 [1]
Net sales	P2	–	–	33
Cost of sales		–	–	–29
Gross income		–	–	4
Selling expenses		–241	–609	–1,370
Administrative expenses		–690	–1,512	–1,586
Operating expenses		–931	– 2,121	–2,956
Other operating income and expenses	P3	2,534	3,184	3,118
Operating income		1,603	1,063	166
Financial income	P4	11,932	8,072	7,474
Financial expenses	P4	–18,392	–2,765	–829
Income after financial items		–4,858	6,370	6,811
Transfers to (–)/from untaxed reserves				
Changes in depreciation in excess of plan	P15	388	339	–100
Contributions from subsidiares, net	P15	–2,034	–1,979	1,029
		–6,504	4,730	7,740
Taxes	P5	–289	–103	–388
Net income		–6,793	4,627	7,352

[1] Restated for contributions to/from subsidiaries.

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

January – December, SEK million	Notes	2012	2011	2010
Net income		–6,793	4,627	7,352
Other comprehensive income				
Cash Flow hedges				
Gains/losses arising during the period		–64	203	136
Adjustments for amounts transferred to initial carrying amount of hedged items		–139	–	–136
Tax on items relating to components of Other comprehensive income		–	–	–
Total other comprehensive income		–203	203	–
Total comprehensive income		–6,996	4,830	7,352

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VQS_Section 3.2_Ericsson 2012 Annual Report.pdf

PARENT COMPANY BALANCE SHEET

December 31, SEK million	Notes	2012	2011
Assets			
Fixed assets			
Intangible assets	P6	849	1,088
Tangible assets	P7	535	491
Financial assets			
Investments			
Subsidiaries	P8, P9	80,839	79,511
Joint ventures and associated companies	P8, P9	337	13,066
Other investments	P8	267	279
Receivables from subsidiaries	P8, P12	15,737	8,017
Customer finance, non-current	P8, P11	999	1,337
Deferred tax assets	P5	198	250
Other financial assets, non-current	P8	1,153	1,203
		100,914	105,242
Current assets			
Inventories	P10	55	61
Receivables			
Trade receivables	P11	35	51
Customer finance, current	P11	1,020	883
Receivables from subsidiaries	P12	16,195	16,733
Current income taxes		134	313
Other current receivables	P13	4,310	2,588
Loans to joint ventures and associated companies	P19, P27	–	2,759
Short-term investments	P19	31,491	38,852
Cash and cash equivalents	P19	25,946	17,288
		79,186	79,528
Total assets		180,100	184,770

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VQS_Section 3.2_Ericsson 2012 Annual Report.pdf

PARENT COMPANY FINANCIAL STATEMENTS CONTINUED

PARENT COMPANY BALANCE SHEET (CONTINUED)

December 31, SEK million	Notes	2012	2011
Stockholders' equity, provisions and liabilities			
Stockholders' equity	P14		
Capital stock		16,526	16,367
Revaluation reserve		20	20
Statutory reserve		31,472	31,472
Restricted equity		48,018	47,859
Retained earnings		32,620	35,890
Net income		–6,793	4,627
Other comprehensive income		–203	203
Non-restricted equity		25,624	40,720
		73,642	88,579
Untaxed reserves	P15	288	676
Provisions			
Post-employment benefits	P16	386	376
Other provisions	P17	3,709	275
		4,095	651
Non-current liabilities			
Notes and bond loans	P18	16,519	17,197
Other borrowings, non-current	P18	5,273	4,000
Liabilities to subsidiaries	P12	26,732	26,896
Other non-current liabilities		239	280
		48,763	48,373
Current liabilities			
Borrowings, current	P18	2,671	3,461
Trade payables	P21	555	706
Liabilities to subsidiaries	P12	46,959	38,139
Other current liabilities	P20	3,127	4,185
		53,312	46,491
Total stockholders' equity, provisions and liabilities		180,100	184,770
Assets pledged as collateral	P22	520	452
Contingent liabilities	P23	16,719	18,518

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PARENT COMPANY STATEMENT OF CASH FLOWS

January – December, SEK million	Notes	2012	2011	2010
Operating activities				
Net income		**–6,793**	4,627	7,352 [1]
Adjustments to reconcile net income to cash	P24	**14,436**	3,163	530 [1]
		7,643	7,790	7,882
Changes in operating net assets				
Inventories		**6**	–4	4
Customer finance, current and non-current		**201**	286	–1,070
Trade receivables		**–39**	35	283
Trade payables		**–261**	–133	331
Provisions and post-employment benefits		**–91**	–309	–109
Other operating assets and liabilities, net		**–2,837**	2,379	1,954
		–3,021	2,254	1,393
Cash flow from operating activities		**4,622**	10,044	9,275
Investing activities				
Investments in property, plant and equipment		**–224**	–148	–160
Sales of property, plant and equipment		**–**	16	9
Investments in shares and other investments		**–1,807**	–3,718	–2,178
Divestments of shares and other investments		**9,792**	7	42
Lending, net		**–2,668**	–3,074	8,973
Other investing activities		**1**	–1,730	–1,317
Short-term investments		**5,043**	16,357	–1,910
Cash flow from investing activities		**10,137**	7,710	3,459
Cash flow before financing activities		**14,759**	17,754	12,734
Financing activities				
Changes in current liabilities to subsidiaries		**2,795**	–9,361	3,503
Proceeds from issuance of borrowings		**8,132**	–	–
Repayment of borrowings		**–7,296**	–	–1,055
Stock issue		**159**	–	–
Sale/repurchase of own shares		**–93**	92	–
Dividends paid		**–8,033**	–7,207	–6,391
Settled contributions from/to (–) subsidiaries		**–543**	409	–209
Other financing activities		**–158**	288	–310
Cash flow from financing activities		**–5,037**	–15,779	–4,462
Effect from remeasurement in cash		**–1,064**	–126	–1,310
Net change in cash		**8,658**	1,849	6,962
Cash and cash equivalents, beginning of period		**17,288**	15,439	8,477
Cash and cash equivalents, end of period	P19	**25,946**	17,288	15,439

[1] Restated for contributions to/from subsidiaries.

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PARENT COMPANY FINANCIAL STATEMENTS CONTINUED

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, 2012	16,367	20	31,472	47,859	100	203	40,417	40,720	88,579
Total comprehensive income	–	–	–	–	–	–203	–6,793	–6,996	–6,996
Transactions with owners									
Stock issue	159	–	–	159	–	–	–	–	159
Sale of own shares	–	–	–	–	–	–	66	66	66
Stock Purchase Plans	–	–	–	–	–	–	26	26	26
Repurchase of own shares	–	–	–	–	–	–	–159	–159	–159
Dividends paid	–	–	–	–	–	–	–8,033	–8,033	–8,033
December 31, 2012	**16,526**	**20**	**31,472**	48,018	**100**	**–**	**25,524**	**25,624**	73,642
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

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NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

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 untaxed reserves, net 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

There were no Parent Company net sales during 2012 and 2011. Parent Company net sales in 2010 amounted to SEK 33 million, related to business segment Networks and region Latin America.

P3 OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses

	2012	2011	2010
License revenues and other operating revenues			
Subsidiary companies	2,488	2,704	2,305
Other	49	479	815
Net gains/losses (–) on sales of tangible assets	–3	1	–2
Total	2,534	3,184	3,118

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P4 FINANCIAL INCOME AND EXPENSES

Financial income and expenses

	2012	2011	2010
Financial Income			
Result from participations in subsidiary companies			
Dividends	**5,031**	5,198	6,369
Net gains on sales	**61**	6	8
Result from participations in joint ventures and associated companies			
Dividends	**132**	154	104
Net gains on sales	**4,768**	–	–
Result from other securities and receivables accounted for as fixed assets			
Net gains on sales	**62**	1	26
Other interest income and similar profit/loss items			
Subsidiary companies	**472**	280	221
Other	**1,406**	2,433	746
Total	**11,932**	8,072	7,474
Financial Expenses			
Losses on sales of participations in subsidiary companies	**–36**	–1	–
Write-down of investments in subsidiary companies	**–**	–1,330	–82
Net loss from joint ventures and associated companies	**–16,972**	–	–
Write-down of participations in other companies	**–47**	–	–
Interest expenses and similar profit/loss items			
Subsidiary companies	**–189**	–304	–95
Other	**–1,089**	–1,109	–612
Other financial expenses	**–59**	–21	–40
Total	**–18,392**	–2,765	–829
Financial net	**–6,460**	5,307	6,645

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

	2012	2011	2010
Other current income taxes for the year	**–125**	–125	–288
Current income taxes related to prior years	**–112**	74	–15
Deferred tax income/expense (–) related to temporary differences	**–52**	–52	–85
Taxes	**–289**	–103	–388

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

	2012	2011	2010
Tax rate in Sweden (26.3%)	**1,711**	–1,244	–2,036
Current income taxes related to prior years	**–112**	74	–15
Tax effect of non-deductible expenses	**–29**	–14	–91
Tax effect of non-taxable income	**2,655**	1,429	1,776
Tax effect related to write-downs of investments in subsidiary companies	**–4,476**	–348	–22
Tax effect of change in deferred tax rate	**–38**	–	–
Actual tax cost (–)	**–289**	–103	–388

Deferred tax balances

On November 21, 2012, the Swedish Parliament decided to cut the company tax rate from 26.3% to 22.0%, applicable from January 1, 2013. Deferred tax assets and liabilities have been calculated with the new tax rate.

Tax effects of temporary differences have resulted in deferred tax assets as follows:

Deferred tax assets

	2012	2011
Deferred tax assets	**198**	250

Deferred tax assets refer mainly to costs related to customer finance and provisions for restructuring costs.

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P6 INTANGIBLE ASSETS

Patents, licenses, trademarks and similar rights

	2012	2011
Accumulated acquisition costs		
Opening balance	4,167	3,888
Acquisitions	–	279
Sales/disposals	–21	–
Closing balance	4,146	4,167
Accumulated amortization		
Opening balance	–2,134	–1,897
Amortization	–218	–237
Sales/disposals	–	–
Closing balance	–2,352	–2,134
Accumulated impairment losses		
Opening balance	–945	–945
Impairment losses	–	–
Closing balance	–945	–945
Net carrying value	849	1,088

The balances relate mainly to Marconi trademark acquired during 2006. The useful life and amortization period for this trademark has been set to 10 years.

P7 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment

	Land and buildings	Other equipment and installations	Construction in process and advance payments	Total
2012				
Accumulated acquisition costs				
Opening balance	–	1,225	80	1,305
Additions	–	37	187	224
Sales/disposals	–	–53	–	–53
Reclassifications	–	58	–58	–
Closing balance	–	1,267	209	1,476
Accumulated depreciation				
Opening balance	–	–814	–	–814
Depreciation	–	–177	–	–177
Sales/disposals	–	50	–	50
Closing balance	–	–941	–	–941
Net carrying value	–	326	209	535
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

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P8
FINANCIAL ASSETS

Investments in subsidiary companies, joint ventures and associated companies

	Subsidiary companies		Joint ventures		Associated companies	
	2012	2011	2012	2011	2012	2011
Opening balance	79,511	77,566	12,736	12,736	330	330
Acquisitions and stock issues	1,682	3,344	–	–	–	–
Shareholders' contribution	191	88	–	–	–	–
Reclassifications	–	–	5,029 [1)]	–	7	–
Repayment of shareholders' contribution	–	–156	–	–	–	–
Write-downs	–	–1,330	–13,629 [1)]	–	–	–
Disposals	–545	–1	–4,136	–	–	–
Closing balance	80,839	79,511	–	12,736	337	330

[1)] Reclassification of short-term credit facility and write-down is including original investment and short-term credit facility.

Other financial assets

	Other investments in shares and participations		Receivables from subsidiaries, non-current		Customer finance, non-current		Other financial assets, non-current	
	2012	2011	2012	2011	2012	2011	2012	2011
Accumulated acquisition costs								
Opening balance	288	93	8,017	6,666	1,379	1,073	1,203	302
Additions	45	195	9,725	93	547	830	20	101
Disposals/repayments/deductions	–3	–	–1,301	–	–516	–216	–78	–17
Reclassifications	–7	–	–93	1,253	–328	–311	8	817
Translation difference	–	–	–611	5	–17	3	–	–
Closing balance	323	288	15,737	8,017	1,065	1,379	1,153	1,203
Accumulated write-downs/allowances								
Opening balance	–9	–9	–	–	–42	–46	–	–
Write-downs/allowances	–47	–	–	–	–57	–	–	–
Disposals/repayments/deductions	–	–	–	–	10	4	–	–
Reclassifications	–	–	–	–	20	–	–	–
Translation difference	–	–	–	–	3	–	–	–
Closing balance	–56	–9	–	–	–66	–42	–	–
Net carrying value	267	279	15,737	8,017	999	1,337	1,153	1,203

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P9 INVESTMENTS

The following listing shows certain shareholdings owned directly and indirectly by the Parent Company as of December 31, 2012. 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)			–	–	1,742
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 España		Spain	100	43	170
I	Ericsson AG		Switzerland	100	–	–
II	Ericsson Holding Ltd.		United Kingdom	100	328	4,094
	Other (Europe, excluding Sweden)			–	–	275
II	Ericsson Holding II Inc.		United States	100	2,830	29,006
I	Cía Ericsson S.A.C.I.		Argentina	95 [1]	41	178
I	Ericsson Canada Inc.		Canada	100	–	51
I	Bel-Air Networks		Canada	100	–	170
I	Ericsson Telecom S.A. de C.V.		Mexico	100	n/a	1,050
	Other (United States, Latin America)			–	–	67
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	64
I	LG-Ericsson Ltd.		Korea	75	150	3,285
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)			–	–	215
	Total					**80,839**
Joint ventures and associated companies						
II	ST-Ericsson SA		Switzerland	50	137	–
III	ST-Ericsson AT SA		Switzerland	51	–	–
I	Rockstar Consortium Group		Canada	21	1	7
I	Ericsson Nikola Tesla d.d.		Croatia	49	65	330
	Total					**337**

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.

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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	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 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	Telcordia Technologies 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	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

Inventories

	2012	2011
Finished products and goods for resale	55	61
Inventories	55	61

Movements in allowances for impairment

	Trade receivables		Customer finance	
	2012	2011	2012	2011
Opening balance	23	24	65	93
Additions	–	1	62	14
Utilization	–	–2	–9	–31
Reversal of excess amounts	–	–	–20	–11
Translation difference	–	–	–1	–
Closing balance	23	23	97	65

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

	2012	2011
Trade receivables excluding associated companies and joint ventures	57	71
Allowances for impairment	–23	–23
Trade receivables, net	34	48
Trade receivables related to associated companies and joint ventures	1	3
Trade receivables, total	35	51
Customer finance	2,116	2,285
Allowances for impairment	–97	–65
Customer finance, net	2,019	2,220

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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
2012					
Neither impaired nor past due	25	–	1	1,516	–
Impaired, not past due	–	–	–	474	–48
Past due in less than 90 days	5	–	–	21	–
Past due in 90 days or more	2	–	–	14	–
Past due and impaired in less than 90 days	–	–	–	70	–44
Past due and impaired in 90 days or more	25	–23	–	21	–5
Total	**57**	**–23**	**1**	**2,116**	**–97**
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**

Outstanding customer finance

	2012	2011
On-balance sheet customer finance	**2,116**	2,285
Financial guarantees for third parties	**258**	422
Total customer finance	**2,374**	2,707
Accrued interest	**56**	26
Less third-party risk coverage	**–177**	–469
Parent Company's risk exposure	**2,253**	2,264
On-balance sheet credits, net carrying value	**2,019**	2,220
Of which short term	***1,020***	*883*
Credit commitments for customer finance	**543**	669

During 2012 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 was SEK 471 (194) million, the amount of the assets that the Parent Company continues to recognize was SEK 28 (10) million, and the carrying amount of the associated liabilities was SEK 0 (0) million.

P12 RECEIVABLES AND LIABILITIES – SUBSIDIARY COMPANIES

Receivables and liabilities – subsidiary companies

	Payment due by period				
	< 1 year	1–5 years	>5 years	Total 2012	Total 2011
Non-current receivables [1]					
Financial receivables	43	9,694	6,000	**15,737**	8,017
Current receivables					
Trade receivables	896	–	–	**896**	816
Financial receivables	15,299	–	–	**15,299**	15,917
Total	16,195	–	–	**16,195**	16,733
Non-current liabilities [1]					
Financial liabilities	–	–	26,732	**26,732**	26,896
Current liabilities					
Trade payables	277	–	–	**277**	387
Financial liabilities	46,682	–	–	**46,682**	37,752
Total	46,959	–	–	**46,959**	38,139

[1] Including non interest-bearing receivables and liabilities, net, amounting to SEK –20,732 million in 2012 (SEK –19,595 million in 2011).

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P13 OTHER CURRENT RECEIVABLES

Other current receivables

	2012	2011
Prepaid expenses	446	425
Accrued revenues	75	405
Derivatives with a positive value	3,520	1,517
Other	269	241
Total	4,310	2,588

P14 EQUITY AND OTHER COMPREHENSIVE INCOME

Capital stock 2012

Capital stock at December 31, 2012, consisted of the following:

Capital stock

	Number of shares	Capital stock
Class A shares [1]	261,755,983	1,309
Class B shares [1]	3,043,295,752	15,217
Total	**3,305,051,735**	**16,526**

[1] Class A shares (quotient value SEK 5.00) and Class B shares (quotient value SEK 5.00).

Equity and other comprehensive income 2012

	Capital stock	Revaluation reserve	Statutory reserve	Total restricted equity	Disposition reserve	Fair value reserves	Other retained earnings	Non-restricted equity	Total
January 1, 2012	16,367	20	31,472	47,859	100	203	40,417	40,720	88,579
Net income	–	–	–	–	–	–	–6,793	–6,793	–6,793
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	–6,793	–6,996	–6,996
Transactions with owners									
Stock issue	159	–	–	159	–	–	–	–	159
Sale of own shares	–	–	–	–	–	–	66	66	66
Stock Purchase Plans	–	–	–	–	–	–	26	26	26
Repurchase of own shares	–	–	–	–	–	–	–159	–159	–159
Dividends paid	–	–	–	–	–	–	–8,033	–8,033	–8,033
December 31, 2012	**16,526**	**20**	**31,472**	48,018	**100**	**–**	**25,524**	25,624	73,642

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

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P15 UNTAXED RESERVES

Untaxed reserves

2012	Jan 1	Additions/ withdrawals (–)	Dec 31
Accumulated depreciation in excess of plan			
Total accumulated depreciation in excess of plan	676	–388	288

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 64 million (SEK 178 million in 2011).

Contributions to Swedish subsidiaries amount to SEK 6,570 million (SEK 2,008 in 2011) and contributions from Swedish subsidiaries amount to SEK 4,536 million (SEK 29 million in 2011)

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

	2012	2011
Present value of wholly or partially funded pension plans [1]	**713**	679
Fair value of plan assets	**–873**	–756
Unfunded/net surplus(–) of funded pension plans	**–160**	–77
Present value of unfunded pension plans	**386**	376
Excess from plan assets not accounted for	**136**	77
Payment to pension trust, reclassified	**24**	–
Closing balance provision for pensions	**386**	376

[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%.

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 2009–2012 additional transfers of SEK 152 million have been made.

The Parent Company utilizes no assets held by the pension trust. Return on plan assets was 7.3% (0.9 % in 2011).

Plan assets allocation

	2012	2011
Equities	**276**	167
Interest-bearing securities	**549**	461
Other	**48**	128
Total	**873**	756

Change in the Defined benefit obligation

	2012	2011
Opening balance	**376**	389
Payment to pension trust	**–58**	–36
Payment to pension trust, reclassified	**24**	–
Pension costs, excluding taxes, related to defined benefit obligations accounted for in the income statement	**100**	98
Pension payments	**–56**	–50
Return on plan assets	**–59**	–25
Return on plan assets not accounted for	**59**	–
Closing balance provision for pensions	**386**	376

Estimated pension payments for 2013 are SEK 61 million.

Total pension cost and income recognized in the Income statement

	2012	2011
Defined benefit obligations		
Costs excluding interest and taxes	**61**	55
Interest cost	**39**	43
Credit insurance premium	**1**	–1
Total cost defined benefit plans excluding taxes	**101**	97
Defined contribution plans		
Pension insurance premium	**59**	123
Total cost defined contribution plans excluding taxes	**59**	123
Return on plan assets	**–**	–25
Total pension cost, net excluding taxes	**160**	195

Of the total pension cost, SEK 121 million (SEK 177 million in 2011) is included in operating expenses and SEK 39 million (SEK 18 million in 2011) in the financial net.

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P17 OTHER PROVISIONS

Other provisions

	Restructuring	Customer finance	Other	Total other provisions [1]
2012				
Opening balance	160	87	28	**275**
Additions	16	–	3,548 [2]	**3,564**
Reversal of excess amounts	–1	–3	–200	**–204**
Cash out/utilization	–106	–	–22	**–128**
Reclassifications	2	–	200	**202**
Closing balance	**71**	**84**	**3,554**	**3,709**
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**

[1] Of which SEK 3,591 million (SEK 113 million in 2011) is expected to be utilized within one year.
[2] Of which SEK 3,335 million is related to ST-Ericsson.

P18 INTEREST-BEARING LIABILITIES

As per December 31, 2012, the Parent Company's outstanding interest-bearing liabilities, excluding liabilities to subsidiaries, were SEK 24.5 billion.

Interest-bearing liabilities

	2012	2011
Borrowings, current		
Current part of non-current borrowings [1]	**2,671**	3,461
Total current borrowings	**2,671**	3,461
Borrowings, non-current		
Notes and bond loans	**16,519**	17,197
Other borrowings, non-current	**5,273**	4,000
Total non-current interest-bearing liabilities	**21,792**	21,197
Total interest-bearing liabilities	**24,463**	24,658

[1] Including notes and bond loans of SEK 2,671 (3,461) million.

Notes and bond loans

Issued–maturing	Nominal amount	Coupon	Currency	Book value (SEK m.)	Maturity date	Unrealized hedge gain/loss (included in book value)
Notes and bond loans						
2007–2014	220	0.484%	EUR	1,891	Jun 27, 2014 [1]	
2007–2017	500	5.375%	EUR	5,117 [2]	Jun 27, 2017	–799
2009–2013	313	5.000%	EUR	2,671 [2]	Jun 24, 2013	–30
2009–2016 [3]	300		USD	1,952	Jun 23, 2016	
2010–2020 [4]	170		USD	1,106	Dec 23, 2020	
2012–2022	1,000	4.125%	USD	6,453	May 15, 2022	
Total notes and bond loans				**19,190**		**–829**
Bilateral loans						
2008–2015 [5]	4,000		SEK	4,000	Jul 15, 2015	
2012–2019 [6]	98		USD	636	Sep 30, 2019	
2012–2021 [7]	98		USD	637	Sep 30, 2021	
Total bilateral loans				**5,273**		

[1] Next contractual repricing date March 27, 2013 (quarterly).
[2] Interest rate swaps are designated as fair value hedges.
[3] Private Placement, Swedish Export Credits Guarantee Board (EKN) / Swedish Export Credit Corporation (SEK).
[4] Private Placement, Swedish Export Credit Corporation (SEK).
[5] European Investment Bank (EIB), R&D project financing.
[6] Nordic Investment Bank (NIB), R&D project financing.
[7] Nordic Investment Bank (NIB), R&D project financing.

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Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1.
VQS_Section 3.2_Ericsson 2012 Annual Report.pdf

All outstanding notes and bond loans are issued under the Euro medium-term note (EMTN) program or under its U.S. Securities and Exchange (SEC) Registred 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 4.69% (4.21%). These bonds are revalued based on changes in benchmark interest rates according to the fair value hedge methodology stipulated in IAS 39.

In May 2012 Ericsson placed a US dollar denominated 1 billion 10-year bond with a fixed coupon rate of 4,125%. The offer was made pursuant to Ericsson's shelf registration statement filed with the U.S. SEC in April 2012, and a prospectus supplement thereto. This was Ericsson´s debut issue on the US bond market.

In June 2012 Ericsson repurchased notes with a nominal value of EUR 286.79 million from the EUR 600 million 5 percent Notes due 2013 and notes with a nominal value of EUR 154.52 million from the EUR 375 million Floating Rate Notes due 2014 pursuant to a tender offer process.

In July 2012 Ericsson signed a loan of EUR 150 million with the Nordic Investment Bank (NIB). The loan is divided into two equal tranches with respective seven- and nine-year maturity and was disbursed in December 2012. The loan supports Ericsson's R&D activities to develop the next generation radio and IP technology supporting Mobile Broadband build-out globally.

In October 2012 Ericsson signed a loan agreement with the European Investment Bank (EIB). The loan amount is EUR 500 million (or the equivalent in USD), and Ericsson has an option for disbursement until April 2014. This loan facility currently remains undrawn. The loan will mature seven years after disbursement. The loan supports Ericsson's R&D activities to further develop the next generation radio and IP technology that supports mobile broadband build-out globally.

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]

	2012		2011	
Fair value	Asset	Liability	Asset	Liability
Currency derivatives				
Maturity within 3 months	**1,016**	**848**	779	879
Maturity between 3 and 12 months	**611**	**462**	427	391
Maturity 1 to 3 years	**4**	**–**	1	–
Total	**1,630**	**1,311**	1,207	1,270
Of which internal	**32**	**1,247**	*773*	*19*
Of which designated in cash flow hedge relations	**–**	**–**	*203*	–

[1] Some of the derivatives hedging non-current liabilities are recognized in the balance sheet as non-current due to hedge accounting.

Outstanding derivatives [1]

	2012		2011	
Fair value	Asset	Liability	Asset	Liability
Interest rate derivatives				
Maturity within 3 months	**–**	**–**	–	5
Maturity between 3 and 12 months	**487**	**285**	324	367
Maturity 1 to 3 years	**565**	**681**	381	617
Maturity 3 to 5 years	**1,212**	**738**	416	815
Maturity more than 5 years	**38**	**–**	778	161
Total	**2,302** [2]	**1,705**	1,899 [2]	1,966
Of which designated in fair value hedge relations	**969**	**–**	*1,002*	–

[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 825 million (SEK 816 million in 2011) is reported as non-current assets.

Cash, cash equivalents and short-term investments

	Remaining time to maturity				
SEK billion	< 3 months	< 1 year	1–5 years	> 5 years	2012
Bank deposits	21.8	–	–	–	**21.8**
Type of issuer/counterpart					
Governments	3.4	4.5	10.6	0.8	**19.3**
Corporations	3.1	–	–	–	**3.1**
Mortgage institutes	–	–	13.2	–	**13.2**
Total	**28.3**	**4.5**	**23.8**	**0.8**	**57.4**

The instruments are classified as held for trading and are therefore short-term investments.

During 2012, cash, cash equivalents and short-term investments increased by SEK 1.3 billion to SEK 57.4 billion.

Repayment schedule of non-current borrowings

Nominal amount (SEK billion)	Current maturities of long-term debt	Borrowings (non-current)	Total
2013	2.7	–	**2.7**
2014	–	1.9	**1.9**
2015	–	4.0	**4.0**
2016	–	2.0	**2.0**
2017	–	4.3	**4.3**
2018 and later	–	8.8	**8.8**
Total	**2.7**	**21.0**	**23.7**

Debt financing is mainly carried out through borrowing in the Swedish and international debt capital markets.

Funding programs [1]

	Amount	Utilized	Unutilized
Euro Medium-Term Note program (USD million)	5,000	1,833	3,167
SEC Registred program (USD Million)	– [2]	1,000	–
Long-Term Committed Credit facility (USD million)	2,000	–	2,000
EIB Committed Credit facility (EUR million)	500	–	500

[1] There are no financial covenants related to these programs.
[2] Program amount not determined.

At year-end, the Company's credit ratings remained at A3 (stable) by Moody's and BBB+ (stable) by Standard & Poor's. Both credit ratings are considered to be solid investment grade.

In early 2013 Standard & Poor's changed the credit rating from BBB+ outlook stable to outlook negative and Moody's changed the credit rating from A3 with outlook stable to outlook negative

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Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1.
VQS_Section 3.2_Ericsson 2012 Annual Report.pdf

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 1.5 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	2012	2011
Assets at fair value through profit or loss	–	31.5	–	–	–	12.2	3.5	–2.2	0.8	**45.8**	43.0
Loans and receivables	2.0	–	31.9	–	–	–	–	–	–	**33.9**	28.9
Available for sale assets	–	–	–	–	–	–	–	–	–	**–**	–
Financial liabilities at amortized cost	–	–	–73.7	–24.5	–0.6	–	–	–	–	**–98.8**	–90.4
Total	**2.0**	**31.5**	**–41.8**	**–24.5**	**–0.6**	**12.2**	**3.5**	**–2.2**	**0.8**	**–19.1**	**–18.5**

Financial instruments carried at other than fair value

SEK billion	Book value 2012	Book value 2011	Fair value 2012	Fair value 2011
Current part of non-current borrowings	**2.7**	3.5	**2.7**	3.5
Borrowings non-current	**21.8**	21.2	**22.5**	21.1
Total	**24.5**	24.7	**25.2**	24.6

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

	2012	2011
Accrued interest	**254**	329
Accrued expenses, of which	**392**	416
Employee related	***302***	*307*
Other	***90***	*109*
Deferred revenues	**7**	10
Derivatives with a negative value	**2,214**	3,216
Other current liabilities	**260**	214
Total	**3,127**	4,185

P21
TRADE PAYABLES

Trade payables

	2012	2011
Trade payables excluding associated companies and joint ventures	**555**	706
Total	**555**	706

All trade payables fall due within 90 days.

P22
ASSETS PLEDGED AS COLLATERAL

Assets pledged as collateral

	2012	2011
Bank deposits	**520**	452
Total	**520**	452

The major item in bank deposits is the internal bank's clearing and settlement commitments of SEK 335 million (SEK 267 million in 2011).

P23
CONTINGENT LIABILITIES

Contingent liabilities

	2012	2011
Total contingent liabilities	**16,719**	18,518

Contingent liabilities include pension commitments of SEK 14,953 million (SEK 14,355 million in 2011).

In accordance with standard industry practice, the Company enters into commercial contract guarantees related to contracts for the supply of telecommunication equipment and services. Total amount for 2012 was SEK 18,473 million (SEK 20,249 million in 2011). Potential payments due under these bonds are related to the Company's performance under applicable contracts.

For information about financial guarantees, see Note P11, "Trade Receivables and Customer Finance".

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Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1.
VQS_Section 3.2_Ericsson 2012 Annual Report.pdf

P24 STATEMENT OF CASH FLOWS

Interest paid in 2012 was SEK 1,218 million (SEK 1,258 in 2011 and SEK 657 million in 2010) and interest received was SEK 1,536 million (SEK 2,532 in 2011 and SEK 816 million in 2010. Income taxes received were SEK 133 million (income taxes received were SEK 147 million in 2011 and income taxes paid were SEK 269 in 2010).

Adjustments to reconcile net income to cash

	2012	2011	2010
Property, plant and equipment			
Depreciation	**177**	168	149
Total	**177**	168	149
Intangible assets			
Amortization	**218**	237	228
Impairment losses	**–**	–	945
Total	**218**	237	1,173
Total depreciation and amortization on tangible and intangible assets	**395**	405	1,322
Taxes	**421**	250	119
Write-downs and capital gains (–)/ losses on sale of fixed assets, excluding customer finance, net	**12,167**	1,326	50
Additions to/withdrawals from (–) untaxed reserves	**–388**	–339	100
Unsettled group contributions	**2,034**	1,979	–1,029
Unsettled dividends	**–**	–70	–
Other non-cash items	**–193**	–388	–32
Total adjustments to reconcile net income to cash	**14,436**	3,163	530

P25 LEASING

Leasing with the Parent Company as lessee

At December 31, 2012, future payment obligations for leases were distributed as follows:

Future payment obligations for leases

	Operating leases
2013	824
2014	717
2015	470
2016	337
2017	296
2018 and later	699
Total	**3,343**

Leasing with the Parent Company as lessor

At December 31, 2012, future minimum payment receivables were distributed as follows:

Future minimum payment receivables

	Operating leases
2013	15
2014	2
2015	1
2016	1
2017	1
2018 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 INFORMATION REGARDING EMPLOYEES

Average number of employees

	2012			2011		
	Men	Women	Total	Men	Women	Total
Northern Europe & Central Asia [1) 2)]	**200**	**169**	**369**	197	162	359
Middle East	**238**	**29**	**267**	202	31	233
Total	**438**	**198**	**636**	399	193	592
[1)] *Of which Sweden*	***200***	***169***	***369***	*197*	*162*	*359*
[2)] *Of which EU*	***200***	***169***	***369***	*197*	*162*	*359*

Remuneration

Wages and salaries and social security expenses

	2012	2011
Wages and salaries	**648**	580
Social security expenses	**355**	403
Of which pension costs	***190***	*246*

Wages and salaries per geographical area

	2012	2011
Northern Europe & Central Asia [1) 2)]	**416**	417
Middle East	**232**	163
Total	**648**	580
[1)] *Of which Sweden*	***416***	*417*
[2)] *Of which EU*	***416***	*417*

Remuneration in foreign currency has been translated to SEK at average exchange rates for the year.

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 19.2 million in 2012 (SEK 25.1 million in 2011).

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Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1.
VQS_Section 3.2_Ericsson 2012 Annual Report.pdf

P27 RELATED PARTY TRANSACTIONS

During 2012, various transactions were executed pursuant to contracts based on terms customary in the industry and negotiated on an arm's length basis.

Ericsson Nikola Tesla d.d.

Ericsson Nikola Tesla d.d. is a company for design, sales and service of telecommunications systems and equipment and an associated member of the Ericsson Group. Ericsson Nikola Tesla d.d. is located in Zagreb, Croatia. 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.

	2012	2011
Related party transactions		
License revenues	8	4
Dividends	133	154
Related party balances		
Receivables	1	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, 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.

The Parent Company holds 49.99% of shares in ST-Ericsson SA and 51% in ST-Ericsson AT SA, both in Switzerland.

The Parent Company does not have any contingent liabilities, assets pledged as collateral or guarantees towards ST-Ericsson.

ST-Ericsson

	2012	2011
Related party transactions		
License revenues	–	–
Dividends	–	–
Related party balances		
Receivables	–	1
Loan	–	2,759

Sony Ericsson Mobile Communications AB

Parent company has divested its 50% stake in Sony Ericsson Mobile Communications to Sony. The divestment was effected on January 1, 2012.

Sony Ericsson Mobile Communications

	2012	2011
Related party transactions		
License revenues	–	179
Dividends	–	–
Related party balances		
Receivables	–	1

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
2012	
Audit fees	23
Audit-related fees	11
Tax services fees	1
Other fees	5
Total	40
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

Allocation of fees to auditors is based on the requirements in the Swedish Annual Accounts Act.

During the period 2010–2012, 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 REPORTING PERIOD

On January 21, 2013, Ericsson announced its intention to acquire Devoteam Telecom & Media operations in France. Devoteam has employees in Europe, Middle East and Africa. The acquisition is in line with Ericsson's services strategy to broaden its IT capabilities.

In early 2013 Standard & Poors changed the credit rating from BBB+ outlook stable to outlook negative and Moody´s changed the credit rating from A3 with outlook stable to outlook negative.

In January, 2013, ST-Ericsson was granted a loan facility by their owners of USD 260 million. Ericsson's share of this credit facility is USD 130 million.

On January 10, 2013, Adaptix Inc. filed two lawsuits against Ericsson, AT&T, AT&T Mobility and MetroPCS Communications in the US District Court for Eastern District of Texas alleging that certain Ericsson products infringe five US patents assigned to Adaptix. Adaptix seeks damages and an injunction.

On January 25, 2013, Adaptix filed a complaint with the US International Trade Commission (ITC) against Ericsson, AT&T, AT&T Mobility and MetroPCS Communications requesting that the commission open a patent infringement investigation of certain Ericsson products and further on January 29, 2013, Adaptix filed a complaint with the Tokyo District Court alleging certain Ericsson products infringe two JP patents assigned to Adaptix. Adaptix seeks damages and an injunction.

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Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1.
VQS_Section 3.2_Ericsson 2012 Annual Report.pdf

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 121
Regulatory, compliance and corporate governance risks 126
Risks associated with owning Ericsson shares 127

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 operators and other customers 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 and other customers. Some operators and other customers, 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 operators and other customers is weaker than we anticipate, our revenues and profitability may be adversely affected. The level of demand by operators 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 operators and other customers 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

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Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1.
VQS_Section 3.2_Ericsson 2012 Annual Report.pdf

RISK FACTORS CONTINUED

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 industries in which we operate, 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 industries in which we operate, 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 business, operating results, financial condition 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, financial condition and market share.

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 2012, our ten largest customers accounted for 46% of our sales in 2012. 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

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Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1.
VQS_Section 3.2_Ericsson 2012 Annual Report.pdf

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. 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.

Certain long-term frame agreements with customers still include commitments to future price reductions, requiring us to constantly manage and control our cost base.

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
- 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, our inability to take action without the approval of our partners 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.

The Board of Directors' report includes further information regarding our joint venture ST Ericsson.

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 and provide our services on commercially reasonable terms, or at all. Failure by any of our suppliers could interrupt our product or services 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 and services. 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,

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RISK FACTORS CONTINUED

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 significant portion of our costs in SEK and revenues in other currencies, our business is exposed to foreign exchange fluctuations that could negatively impact our revenue and results of operation.

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 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 regulations 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

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Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1.
VQS_Section 3.2_Ericsson 2012 Annual Report.pdf

significant impact on our reported results and reputation. For additional information regarding certain of the lawsuits in which we are involved, see "Legal 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 will not have an adverse effect on our operations and financial conditions.

Cyber security incidents affecting our business may have a material adverse effect on our business operations financial condition and brand.

Ericsson's business operations involve areas that are particularly vulnerable to cyber security incidents such as data breaches, intrusions, espionage, knowhow and data privacy infringements, leakage and general malfeasance. Examples of these areas include, amongst others, research and development, managed services, usage of cloud solutions, software development, lawful interception and product engineering. Any cyber security incident including unintended use, involving our operations, product development, services, our third party providers or installed product base, could cause severe harm to Ericsson and could have a material adverse effect on our business operations, financial condition and brand.

Ericsson relies heavily on third parties to whom we have outsourced significant aspects of our IT infrastructure, product development and engineering services. While we have taken precautions relating to the selection, integration and ongoing management of these third parties, any event or attack that is caused as a result of vulnerabilities in their operations or products supplied to us, could have a material adverse effect upon Ericsson, our business operations, financial condition and brand, potentially slowing operations, leaking valuable intellectual property or damaging our products which have been installed in our customers' networks.

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 based on that we determine a credit limit for each one of them. 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.

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VQS_Section 3.2_Ericsson 2012 Annual Report.pdf

RISK FACTORS CONTINUED

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 have customers 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 led 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. In particular, the sanctions towards Iran have been strengthened significantly during 2012, both by the EU and the U.S. Even though the EU has imposed a ban on deliveries on many items, especially so called dual use items, an exemption for certain standard telecom equipment is still maintained.

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. Further export control regulations, sanctions or other forms of trade restrictions imposed on countries in which we are active may result in a reduction of commitment in those countries. The need to terminate activities as a result of further trade restrictions may also expose us to customer claims and other actions. 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 negatively affect our financial condition, business, results of operations and our brand.

We are subject to corporate governance laws and regulations and are also committed to several corporate responsibility and environmental initiatives. In some of the countries where we operate corruption risks are high. In addition, there is higher focus on anticorruption, with changed legislation in many countries. To ensure that our operations are executed in accordance with applicable requirements, our management system

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Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1.
VQS_Section 3.2_Ericsson 2012 Annual Report.pdf

includes a Code of Business Ethics, a Sustainability Policy, as well as other policies and directives to govern our processes and operations. Our commitment to apply the UN Guiding principles for business and human rights to our operation cannot prevent unintended or unlawful use of our technology by non democratic regimes. 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 and strive for continuous improvements, 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, such as climate change and weather events, 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 applicable electromagnetic fields, we cannot guarantee that we or the jointly owned 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.

New regulations related to "conflict minerals" may cause us to incur additional expenses, and may make our supply chain more complex.

On August 22, 2012, the US Securities and Exchange Commission (the "SEC"), adopted a new rule requiring disclosures beginning in 2014 of specified minerals ("conflict minerals") that are necessary to the functionality or production of products manufactured or contracted to be manufactured by companies registered with the SEC, whether or not these products or its components are manufactured by third parties. While we believe that we will be able to fulfill these requirements without materially affecting our costs or access to materials, we can provide no assurance that there will not be material costs associated with complying with the disclosure requirements.

While we work and strive to be able to sufficiently verify the origins of these minerals, our supply chain is complex, and we may not be able to sufficiently verify the origins of the relevant minerals used in our products through the due diligence procedures that we implement, which may harm our reputation. In addition, we may encounter challenges if customers require that all of the components of our products be certified as conflict-free. These new disclosure requirements may negatively affect our brand, financial condition, business and results of operations.

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
- 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.

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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 2012. (The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 26–127.)

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 2012 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. 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 2012 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 also audited 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 2012.

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, March 5, 2013

Peter Nyllinge
Authorized Public Accountant
PricewaterhouseCoopers AB
Auditor in Charge

Johan Engstam
Authorized Public Accountant
PricewaterhouseCoopers AB

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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", "forecast", "will", "should", "predict", "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 future characteristics of the markets in which we operate
- Projections and other characterizations of future events
- 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, our credit ratings, 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 financial strength of our customer base
- 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, technology adoption, 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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CORPORATE GOVERNANCE REPORT 2012

Corporate governance describes how rights and responsibilities are distributed among 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.

Good corporate governance forms the basis for building a robust corporate culture throughout a global organization. Efficient and reliable controls and procedures are important, but it is also crucial that ethical business practices are highly valued and followed by all people in the organization – starting at the top.

As Chairman of the Board, it is my responsibility to ensure that the Board's work is efficient and that applicable principles and processes in the Board's work procedure are complied with. The Board of Directors' main tasks include supporting Group management and exercising critical review of their work. To be able to fulfill these tasks successfully, it is also my responsibility as Chairman to enable an open and meaningful dialogue between the Board and Group management. Relevant and timely information from Group management is very important as it forms the best possible basis for the Board's discussions and resolutions. The Board's work is constantly evaluated and improved to allow the Board to fulfill its duties successfully.

I believe that Ericsson's continuous focus on corporate governance matters, ethical business and open and meaningful dialogue within the organization promote sustainable business. I believe that this, in turn, generates value for Ericsson's shareholders.

Leif Johansson
Chairman of the Board of Directors

CONTENTS

Regulation and compliance	131
Governance structure	132
Sustainability, Corporate Responsibility and Corporate Governance	132
Shareholders	133
General Meetings of Shareholders	133
Nomination Committee	134
Board of Directors	135
Committees of the Board of Directors	138
Remuneration to Board members	141
Members of the Board of Directors	142
Management	146
Members of the Executive Leadership Team	150
Auditor	153
Internal control over financial reporting 2012	153
Auditor's report on the Corporate Governance Report	156

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, Sections 6 and 8) and the Swedish Corporate Governance Code. The report has been reviewed by Ericsson's auditor in accordance with the Annual Accounts Act. A report from the auditor is appended hereto.

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The Code of Business Ethics can be found on Ericsson's website.

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 Rule Book for issuers of NASDAQ OMX Stockholm
- The Swedish Corporate Governance Code (the "Code")
- NASDAQ 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 (the "SEC").

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 work procedure for the Board of Directors also includes internal corporate governance rules.

Compliance with the Swedish Corporate Governance Code

The Code has been applied by Ericsson since 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 works to achieve and maintain high ethical standards. It summarizes the Group's basic policies and directives and underpins the importance of ethical conduct in all business activities.

The Code of Business Ethics has been translated into 30 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 raise awareness and to ensure that the business is run with integrity so that Ericsson can maintain credibility with customers, partners, employees, shareholders and other stakeholders. During 2012, the Code of Business Ethics was reviewed and updated and acknowledged by employees throughout the global organization. In addition, Ericsson's whistleblower procedure was extended to a greater scope.

All employees have an individual responsibility to ensure that business practices adhere to the Code of Business Ethics.

KEY EVENTS IN 2012

- Alexander Izosimov was elected new member of the Board
- Strong focus on Sustainability and Corporate Responsibility
- Code of Business Ethics review, update and acknowledgement project accomplished

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CORPORATE GOVERNANCE REPORT 2012 CONTINUED

GOVERNANCE STRUCTURE

Shareholders may exercise their decision-making rights in the Company at General Meetings of shareholders.

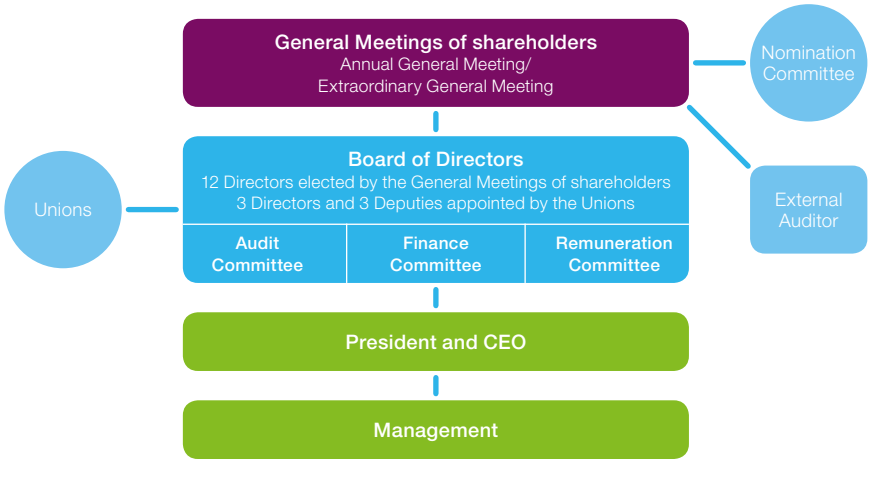
A Nomination Committee is appointed by the major shareholders in accordance with the Instruction for the Nomination Committee adopted by the Annual General Meeting of shareholders. The tasks of the Nomination Committee include the proposal of an external auditor and the proposal of Board members for election by the Annual General Meeting of shareholders.

In addition to the Directors elected by shareholders, the Board of Directors consists of employee representatives appointed by the unions. The Board of Directors is ultimately responsible for the organization of Ericsson and the management of its operations.

The President and CEO, appointed by the Board of Directors, is responsible for handling 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 (ELT).

The external auditor of Ericsson is elected by the General Meeting of shareholders.

Governance structure



SUSTAINABILITY, CORPORATE RESPONSIBILITY AND CORPORATE GOVERNANCE

Sustainability and Corporate Responsibility (CR) are important parts of Ericsson's corporate governance framework. For Ericsson, sustainability is about long-term social equity, economic prosperity and environmental performance. CR is about maintaining the necessary controls to minimize risks, while creating positive business impacts for Ericsson's stakeholders and brand, by linking products, services and solutions to an overall business goal of sustainable growth, ensuring that Ericsson is a trusted partner to its stakeholders. Ericsson's Sustainability and CR strategy is integrated in the Group's yearly strategy process and implemented in the business units and the regions. The strategy process is further described on pages 148 and 149. CR risks are also included in Ericsson's risk management framework.

During 2012, Ericsson's continued focus on sustainability and CR matters was reflected through a number of corporate governance activities within the organization:

- Effective October 2012, Ericsson's Head of Sustainability and Corporate Responsibility reports directly to the President and CEO. This repositioning of the Sustainability and CR unit within the organization was made to better integrate the sustainability and CR work with the company's business operations, decision-making, culture and ways of working and to help build sustainable value creation for Ericsson.
- Ericsson's Code of Business Ethics was reviewed and updated and now includes a commitment to the new UN Guiding Principles on Business and Human Rights. Also, Ericsson's whistleblower procedure was extended to a wider scope in terms of incidents covered by the procedure and with respect to who can report violations. The updated Code was confirmed by employees throughout the global organization.
- The Sales Compliance Board was further strengthened and formalized to assess and manage human rights and CR risks.

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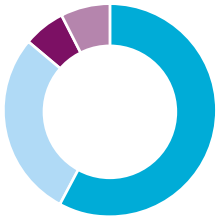
Shareholders

Ownership percentage (voting rights)



Swedish institutions:	57.95%
Of which:	
– Investor AB:	21.37%
– AB Industrivärden: (together with SHB Pensionsstiftelse and Pensionskassan SHB Försäkringsförening)	19.81%
Foreign investors	28.38%
Swedish retail investors	6.44%
Other	7.23%

SHAREHOLDERS

Ownership structure

As of December 31, 2012, Telefonaktiebolaget LM Ericsson (the "Parent Company") had 551,719 shareholders (according to the share register kept by Euroclear Sweden AB). Swedish institutions hold approximately 58% of the votes. The largest shareholders are Investor AB, holding 21.37% of the votes, and AB Industrivärden, holding 19.81% 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. Class C shares are converted into Class B shares before they are used for 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.

CONTACT THE BOARD OF DIRECTORS

Telefonaktiebolaget LM Ericsson
The Board of Directors Secretariat
SE-164 83 Stockholm
Sweden
boardsecretariat@ericsson.com

GENERAL MEETINGS 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 2012

Including shareholders represented by proxy, 3,224 shareholders were represented at the AGM held on May 3, 2012, representing approximately 70% of the votes.

The meeting was also attended by members of the Board of Directors, members of the Executive Leadership Team (ELT) and the external auditor.

Decisions of the AGM 2012 included:

- Payment of a dividend of SEK 2.50 per share
- Re-election of Leif Johansson as 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, Hans Vestberg, Michelangelo Volpi and Jacob Wallenberg
- Election of Alexander Izosimov as a new member of the Board of Directors

ANNUAL GENERAL MEETING 2013

Ericsson's AGM 2013 will take place on April 9, 2013 at Kistamässan in Kista, Stockholm. Shareholders who wish to have a matter addressed at the AGM should submit their written request to the Board in due time before the AGM. Further information is available on Ericsson's website.

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CORPORATE GOVERNANCE REPORT 2012 CONTINUED

- Board of Directors' fees:
  - Chairman: SEK 3,750,000 (unchanged)
  - Other non-employed Board members: SEK 875,000 each (previously SEK 825,000)
  - 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 (unchanged)
  - Other non-employed members of the Finance and Remuneration Committees: SEK 175,000 each (unchanged)
- Approval for part of the Directors' fees to be paid in the form of synthetic shares
- Approval of Guidelines for remuneration to Group Management
- Implementation of a Long-Term Variable Remuneration Program 2012, including a share issue of and authorization to the Board to buy back 31,700,000 shares for the program
- Approval of the Instruction for the Nomination Committee, including among other things, a procedure on how to appoint the members of the Nomination Committee, to apply until the General Meeting of shareholders resolves otherwise.

The minutes of the AGM 2012 are available at Ericsson's website.

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

PROPOSALS TO THE NOMINATION COMMITTEE

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.

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 2012 resolved on an Instruction for the Nomination Committee, including the tasks of the Nomination Committee and the procedure for appointing the members of the Nomination Committee. The Instruction for the Nomination Committee shall apply until the General Meeting of shareholders resolves otherwise. Under the instruction, 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 Instruction for 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, Leif Johansson, the current Nomination Committee consists of four representatives appointed by the four shareholders with the largest voting power as of May 31, 2012:

- Petra Hedengran (Investor AB), Chairman of the Nomination Committee
- Carl-Olof By (AB Industrivärden, Svenska Handelsbankens Pensionsstiftelse)
- Johan Held (AFA Försäkring)
- 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 Board members for election by the AGM. 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

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independence of the Board of Directors and its committees.

In addition, the Committee 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 AGM.

Work of the Nomination Committee for the AGM 2013

The Nomination Committee started its work by going through a checklist of all its duties according to the Code and the Instruction for the Nomination Committee, resolved by the AGM. The Committee also set 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 was invited to, together with the Chairman of the Board, present their views on the Company's position and strategy.

The Committee was thoroughly informed of the results of the evaluation of the Board's work and procedures, including the performance of the Chairman of the Board. On this basis, the Committee was able to assess the competence and experience required by Board members. When proposing Board members, the Nomination Committee considered a number of things, including necessary experience and competence as well as the value of diversity and renewal and the improvement of gender balance.

The Committee also acquainted itself with the assessments made by the Company and the Audit Committee on the quality and efficiency of external auditor work, and received recommendations on external auditor and audit fees. As of March 5, 2013 the Nomination Committee has held six meetings.

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 12 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.

Conflicts of interest

Ericsson maintains 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 2012 for the period until the close of the AGM 2013. It also consists of 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 2012.

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 regulations in the Swedish Companies Act and in the Articles of Association of the

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CORPORATE GOVERNANCE REPORT 2012 CONTINUED

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 rules under applicable Swedish law, the Code and applicable US securities laws, SEC rules and the NASDAQ Stock Market Rules. However, Ericsson can rely on exemptions from certain US requirements.

The composition of the Board of Directors meets all applicable independence criteria. The Nomination Committee concluded before the AGM 2012 that, for purposes of the Code, at least seven of the nominated Directors were independent of Ericsson, its senior management and its major shareholders. These were Roxanne S. Austin, Sir Peter L. Bonfield, Alexander Izosimov, Leif Johansson, Ulf J. Johansson, Nancy McKinstry and Michelangelo Volpi.

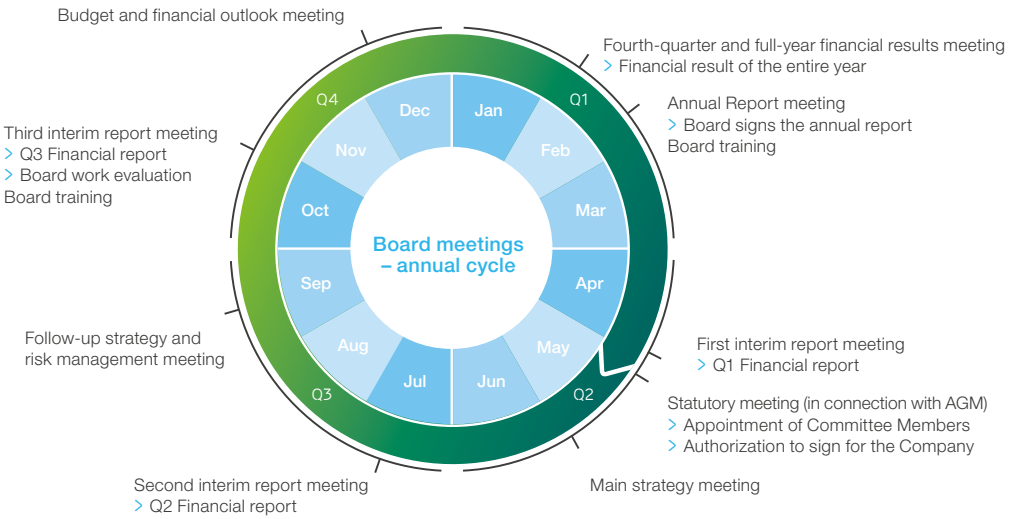
Structure of the work of the Board of Directors

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 Board Committees are appointed and the Board resolves on signatory power.
- **First interim report meeting**
  At the next ordinary meeting (depending on the date of the AGM), 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 leaders.
- **Second interim report meeting**
  At the second interim report meeting, the Board handles 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

The Board's annual work cycle

The annual cycle applied to the Board's work allows the Board to appropriately address its duties during the year. It also facilitates for the organization to align its global processes to allow appropriate Board involvement. This is particularly relevant for the Group's strategy process and risk management.



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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 the 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. At this meeting the Board approves the Annual Report.

As the Board is responsible for financial oversight, financial information is 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 Committee meetings are distributed to all Directors prior to the Board meeting.

At every Board meeting, the President and CEO reports on business and market developments as well as on the financial performance of the Company. Strategic issues and risks are also addressed at most Board meetings. The Board is regularly informed of developments in legal and regulatory matters of importance.

Auditor involvement

The Board meets with Ericsson's external auditor in closed sessions at least once a year to receive and consider the auditor's observations. The auditor reports to 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 and the Annual Report. The auditor has been instructed to report on whether the accounts, the management of funds and the general financial position of the Group are under control in all material respects.

In addition, the Board reviews and assesses the process for financial reporting, as described later in "Internal control over financial reporting 2012". Combined with 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 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 the Directors' knowledge of specific operations and issues as appropriate to ensure that the Board has knowledge and understanding of 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 in 2012 were:

- Technology leadership, including market development, competitor overview, Ericsson Research long-term view and ways of working.
- Ericsson's strategic forecast, including purpose, process, roles and methodology forecast.

Work of the Board of Directors in 2012

In 2012, 12 Board meetings were held. For attendance at Board meetings, see the table on page 141. 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 BelAir Networks, Technicolor's broadcast services division, ConceptWave and increased ownership in Ericsson-LG.
- Entry to the US bond market through issuing a ten-year US bond.
- Loan agreements with the European Investment Bank (EIB) and the Nordic Investment Bank (NIB).
- Strong focus on risk management, strategy and the competitive market development, as well as on sustainability and corporate responsibility matters.
- A number of divestments, including the divestment of the Multimedia brokering platform (IPX) and EDA 1500 GPON assets.
- Continued focus on the effects of general financial uncertainty on the market, including the effects of political unrest in the Middle East and Africa and financial uncertainty in Europe.
- Continuous work relating to strategic plans for the joint venture ST-Ericsson.

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 that 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 the Board and Committee work and procedures.

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CORPORATE GOVERNANCE REPORT 2012 CONTINUED

Evaluation tools include detailed questionnaires and discussions.

In 2012, all the Directors responded to written questionnaires, covering the Director's individual performance, Board work in general, Committee work 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.

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 for 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 with respect to specific matters.

Prior to the Board meetings, each Committee submits to the Board minutes from Committee meetings. 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 effectiveness and appropriateness of the Group's anti-corruption program.

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 (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 directly to the Audit Committee.

The Committee is also involved in the preparatory work of proposing auditor for election by the AGM. It also monitors Group transactions and the ongoing performance and independence of the auditor with the aim to avoid conflicts of interest.

In order to ensure the auditor's independence, the Audit Committee has established pre-approval policies and

Organization of the Board work

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procedures for non-audit related services to be performed by the external auditor. Pre-approval authority may not be delegated to management. The Audit Committee also oversees:

- The process for reviewing transactions with related parties
- The whistleblower procedure for the reporting of alleged violations of the Code of Business Ethics that (i) are conducted by Group or local management, and (ii) relate to corruption, questionable accounting or auditing matters or otherwise seriously affect vital interests of the Group or personal health and safety. The whistleblower procedure was updated and extended during 2012 in connection with the review and update of the Code of Business Ethics.

Violations reported through the whistleblower procedure 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 2012, the Audit Committee comprised Ulf J. Johansson (Chairman of the Committee), Roxanne S. Austin, Sir Peter L. Bonfield, Kristina Davidsson and Sverker Martin-Löf.

The composition of the Audit Committee meets all applicable independence requirements. The Board of Directors has determined that each of Ulf J. Johansson, Roxanne S. Austin, Sir Peter L. Bonfield and Sverker Martin-Löf is an audit committee financial expert, as defined under the SEC rules. Each of them is independent under applicable US securities laws, SEC rules and NASDAQ Stock Market Rules and each of them is financially literate and familiar with the accounting practices of an international company, such as Ericsson.

Former authorized public accountant Peter Markborn was previously appointed as an external expert advisor to assist and advise the Audit Committee. He left this assignment during 2012.

Work of the Audit Committee in 2012

The Audit Committee held six meetings in 2012. Directors' attendance is reflected in the table on page 141. 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 it, 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.

The Committee reviewed and evaluated the effectiveness and appropriateness of the Group's anti-corruption program.

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 loans, issuing guarantees and similar undertakings, and approving 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 appointed by the Board. In 2012, the Finance Committee comprised: Leif Johansson (Chairman of the Committee), Pehr Claesson, Anders Nyrén and Jacob Wallenberg.

Members of the Committees

Members of the Committees of the Board of Directors 2012

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
> Kristina Davidsson	> Jacob Wallenberg	> Karin Åberg
> Sverker Martin-Löf		

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VQS_Section 3.2_Ericsson 2012 Annual Report.pdf

CORPORATE GOVERNANCE REPORT 2012 CONTINUED

Work of the Finance Committee in 2012

The Finance Committee held seven meetings in 2012. Directors' attendance is reflected in the table on page 141. During the year, the Finance Committee approved numerous customer finance credit arrangements and reviewed a number of potential mergers and acquisitions and real estate investments from a financial perspective. As a result of the uncertainty on the financial markets and the macroeconomic 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. Responsibilities include:

- Reviewing and preparing for resolution by the Board, proposals on salary and other remuneration, including retirement compensation, for the President and CEO
- Reviewing and preparing for resolution by the Board, proposals to the AGM on guidelines for remuneration to the ELT
- Approving proposals on salary and other remuneration, including retirement compensation, for the Executive Vice Presidents and other CEO direct reports
- Reviewing and preparing for resolution by the Board, proposals to the AGM on LTV and similar equity arrangements.

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 appointed by the Board. In 2012, the Remuneration Committee comprised: Leif Johansson (Chairman of the Committee), Börje Ekholm, Nancy McKinstry and Karin Åberg.

Piia Pilv has been 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 2012

The Remuneration Committee held six meetings in 2012. Directors' attendance is reflected in the table on page 141.

The Committee reviewed and prepared a proposal for the LTV 2012 for resolution by the Board. This was approved by the AGM 2012. The Committee further resolved on salaries and Short-Term Variable remuneration (STV) for 2012 for CEO direct reports. It prepared remuneration to the President and CEO, for resolution by the Board. The Committee also prepared guidelines for remuneration to the ELT, 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 LTV structure and executive remuneration. The resulting proposals on LTV and guidelines for remuneration to the ELT will be referred to the AGM 2013 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.

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Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1.
VQS_Section 3.2_Ericsson 2012 Annual Report.pdf

Directors' attendance and fees 2012

	Fees resolved by the AGM 2012		Number of Board/Committee meetings attended			
Board member	Board fees [1]	Committee fees	Board	Audit Committee	Finance Committee	Remuneration Committee
Leif Johansson	3,750,000	400,000	12		7	6
Sverker Martin-Löf	875,000	250,000	12	6		
Jacob Wallenberg	875,000	175,000	12		5	
Roxanne S. Austin	875,000	250,000	11	6		
Sir Peter L. Bonfield	875,000	250,000	12	6		
Börje Ekholm	875,000	175,000	12			6
Alexander Izosimov [2]	875,000		8			
Ulf J. Johansson	875,000	350,000	12	6		
Nancy McKinstry	875,000	175,000	11			6
Anders Nyrén	875,000	175,000	12		7	
Carl-Henric Svanberg [3]	–		4			
Hans Vestberg	–		12			
Michelangelo Volpi	875,000		10			
Pehr Claesson	18,000 [7]		12		7	
Jan Hedlund [4]	*6,000* [7]		*4*	*3*		
Karin Åberg	18,000 [7]		12			6
Kristina Davidsson [5]	18,000 [7]		12	3		
Rickard Fredriksson [6]	10,500 [7]		7			
Karin Lennartsson	18,000 [7]		12			
Roger Svensson	18,000 [7]		12			
Total number of meetings			**12**	**6**	**7**	**6**

[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 May 3, 2012.
[3] Resigned as Board member as of May 3, 2012.
[4] Resigned as employee representative and from the Audit Committee as of May 3, 2012.
[5] Member of the Audit Committee since May 3, 2012.
[6] Appointed deputy employee representative as of May 3, 2012.
[7] Employee representative Board members and their deputies are not entitled to a Board fee but compensation in the amount of SEK 1,500 per attended Board meeting.

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 2012 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 2012, 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 2012 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 2012 and to the minutes from the AGM 2012, which are available at Ericsson's website.

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Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1.
VQS_Section 3.2_Ericsson 2012 Annual Report.pdf

MEMBERS OF THE BOARD OF DIRECTORS

Board members elected by the AGM 2012

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, Gothenburg, Sweden.
Board Chairman: Astra Zeneca PLC, European Round Table of Industrialists and the International Advisory Board of the Nobel Foundation.
Board Member: Svenska Cellulosa Aktiebolaget SCA and Ecolean AB.
Holdings in Ericsson [1]: 17,933 Class B shares.
Principal work experience and other information: President of the Royal Swedish Academy of Engineering Sciences. 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. Holds honorary Doctorates at Blekinge Institute of Technology, the University of Gothenburg and Chalmers University of Technology. 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, KTH Royal Institute of Technology, Stockholm, Sweden.
Board Chairman: Svenska Cellulosa Aktiebolaget SCA, SSAB and AB Industrivärden.
Board Member: Skanska AB and 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, USA. Officer of the Reserve, Swedish Navy.
Board Chairman: Investor AB.
Deputy Board Chairman: 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]: 2,413 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. Honorary Chairman of IBLAC (Mayor of Shanghai's International Business Leaders Advisory Council) and 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 COO 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 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, 2012 and includes holdings by related natural and legal persons, as well as holdings of any ADS, if applicable.

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Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1.
VQS_Section 3.2_Ericsson 2012 Annual Report.pdf

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.
Board Member: Mentor Graphics Inc., Sony Corporation and Taiwan Semiconductor Manufacturing Company, Ltd.
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. Chair of Council and Senior Pro-Chancellor, Loughborough University, UK. 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, KTH Royal Institute of Technology, Stockholm, Sweden. Master of Business Administration, INSEAD, France.
Board Chairman: KTH Royal Institute of Technology, Stockholm and Nasdaq OMX Group Inc.
Board Member: Investor AB, AB Chalmersinvest, EQT Partners AB and Husqvarna 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.

Alexander Izosimov (first elected 2012)

Born 1964. Master of Business Administration, INSEAD, France and Master of Science in Production Management Systems and Computer Science, Moscow Aviation Institute, Russian Federation.
Board Member: East Capital AB, Modern Times Group MTG AB, EVRAZ Group S.A., Dynasty Foundation, Transcom WorldWide SA and International Chamber of Commerce (ICC).
Holdings in Ericsson [1]: 1,600 Class B shares.
Principal work experience and other information: CEO and President of VimpelCom 2003-2011. Previous positions with Mars Inc., including Member of the Global Executive Board and Regional President for CIS, Central Europe and Nordics. Earlier positions with McKinsey & Co as consultant in the Stockholm and London offices. Served as GSMA Board member 2005-2008 and Chairman of GSMA 2008-2010.

Ulf J. Johansson (first elected 2005)

Chairman of the Audit Committee

Born 1945. Doctor of Technology and Master of Science in Electrical Engineering, KTH Royal Institute of Technology, Stockholm, Sweden.
Board Chairman: Acando AB, Eurostep Group AB, Novo A/S, Novo Nordisk Foundation and Trimble Navigation Ltd.
Board Member: European Institute of Innovation and Technology.
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.

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Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1.
VQS_Section 3.2_Ericsson 2012 Annual Report.pdf

MEMBERS OF THE BOARD OF DIRECTORS CONTINUED

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: Abbott Laboratories and 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.

Anders Nyrén (first elected 2006)

Member of the Finance Committee

Born 1954. Graduate of Stockholm School of Economics, Sweden, 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 Executive Vice President 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.

Hans Vestberg (first elected 2010)

Born 1965. Bachelor of Business Administration and Economics, University of Uppsala, Sweden.
Board Chairman: ST-Ericsson and Svenska Handbollförbundet.
Board Member: Thernlunds AB.
Holdings in Ericsson [1]: 149,382 Class B shares.
Principal work experience and other information: President and CEO of Telefonaktiebolaget LM Ericsson since January 1, 2010. Previously, First Executive Vice President, CFO and Head of Group Function Finance and 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. Founding member of the Broadband Commission for Digital Development, and heading the Commission's climate change working group. Member of the European Cloud Partnership Steering Board and the Leadership Council of the United Nations Sustainable Development Solutions Network.

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: EXOR S.p.A.
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 and 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, 2012 and includes holdings by related natural and legal persons, as well as holdings of any ADS, if applicable.

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Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1.
VQS_Section 3.2_Ericsson 2012 Annual Report.pdf

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]: 999 Class B shares. Employed since 1997. Working with marketing and communication for Consulting and Systems Integration within Business Unit Global Services.

Kristina Davidsson (first appointed 2006)

Employee representative, Member of the Audit Committee

Born 1955. Appointed by the union IF Metall. Holdings in Ericsson [1]: 1,629 Class B shares. Employed since 1995. Previously working as repairer within Business Unit Networks and 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]: 2,751 Class B shares. Employed since 1995. Working as a Service Engineer within the IT organization.

Rickard Fredriksson (first appointed 2012)

Deputy employee representative

Born 1969. Appointed by the union IF Metall. Holdings in Ericsson [1]: 799 Class B shares. Employed since 2000. Previously working as machine operator 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]: 493 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]: 7,710 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 2012. 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 2012, Alexander Izosimov was elected new member of the Board of Directors, replacing Carl-Henric Svanberg. Jan Hedlund resigned as employee representative of the Board of Directors as of the date of the Annual General Meeting 2012 and Kristina Davidsson (previously deputy employee representative) was appointed employee representative as of the same date. Rickard Fredriksson was appointed new deputy employee representative as of the date of the Annual General Meeting 2012.

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[1] The number of shares reflects ownership as of December 31, 2012 and includes holdings by related natural and legal persons, as well as holdings of any ADS, if applicable.

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Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1.
VQS_Section 3.2_Ericsson 2012 Annual Report.pdf

CORPORATE GOVERNANCE REPORT 2012 CONTINUED

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 (the "ELT"). During 2012, the ELT consisted of the President and CEO, the heads of Group functions, the heads of business units and the heads of two of Ericsson's regions.
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

Guidelines for remuneration to the ELT were approved by the AGM 2012. 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

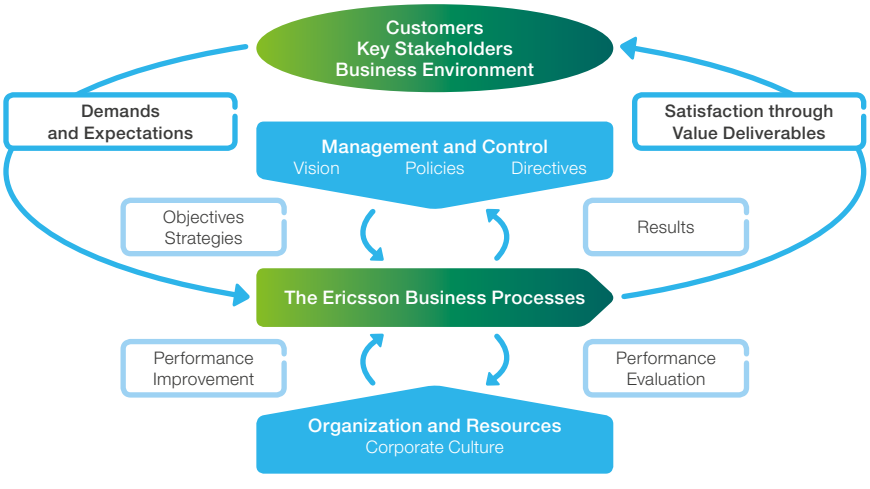
Ericsson has a global management system, the Ericsson Group Management System (EGMS) to drive corporate culture and to ensure that the business is managed:

- 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

Ericsson Group Management System



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Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1.
VQS_Section 3.2_Ericsson 2012 Annual Report.pdf

issued by a third party certification body proving that the system is efficient throughout the whole organization. Ericsson is currently globally certified to ISO 9001 (Quality), ISO 14001 (Environment) and OHSAS 18001 (Health & Safety). Selected Ericsson units are also certified to additional standards, for example ISO 27001 (Information Security) and TL 9000 (telecom-specific standard).
The EGMS comprises three elements:

- Management and control
- Ericsson business processes
- Organization and resources.

Management and control

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 uses balanced scorecards as tools for translating strategic objectives into a set of performance indicators for its operational units. Based on annual strategy work, these scorecards are updated with targets for each unit for the next year and are communicated throughout the organization.

Group-wide policies and directives govern how the organization works and are core elements in managing and controlling Ericsson. The Group 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 works to ensure 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. In addition, the Group Steering Documents Committee works to ensure that the said strategies, values and structures are implemented by the responsible function.

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 attempts to reduce costs with efficient and effective process flows and with standardized internal controls and performance indicators.

Organization and resources

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. During 2012 there were 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 purposes. 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 three to 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 leaders 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

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VQS_Section 3.2_Ericsson 2012 Annual Report.pdf

CORPORATE GOVERNANCE REPORT 2012 CONTINUED

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.

Ericsson continuously strives to improve its risk management and believes that it is important that the entire global organization takes part in the risk management and strategy work. Therefore, risk management was given a stronger focus in 2012. During the year, an enhanced risk management framework was implemented and aligned with the Strategy and Target setting process. Risks were identified and analyzed in four categories: industry & market risks, commercial risks, operational risks and compliance risks. For more information on risks related to Ericsson's business, see the chapter "Risk factors" in the Annual Report.

Operational and financial risks

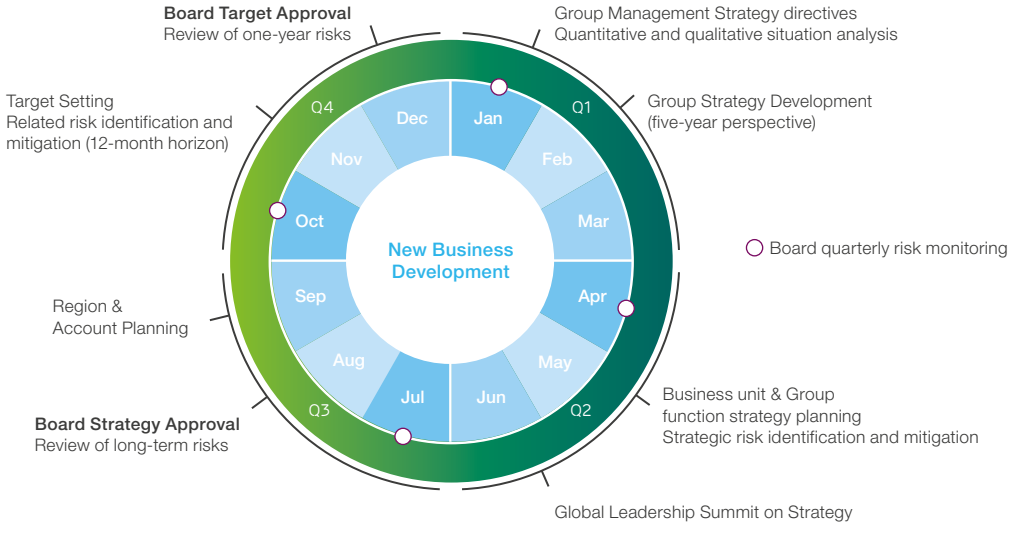
Operational risks are owned and managed by operational units. Risk management is embedded in various process controls, such as decision tollgates and approvals. Certain cross-process risks are centrally coordinated, such as information security, IT security, corporate responsibility and business continuity 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 in order to comply 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 comply with financial reporting standards and stock market regulations, such as the US Sarbanes-Oxley Act.

Strategic, target setting and risk management cycle

The annual strategic, target setting and risk management cycle is part of Ericsson's strategy process, which is well established within the Group and involves regions, business units and Group functions.



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Compliance officer

Ericsson has a Chief Compliance Officer (CCO) whose responsibilities include providing support for compliance with laws, regulations, internal policies and directives, coordinating the different strands of expertise within Ericsson. Attention from senior-management level on compliance matters is crucial, as is ensuring that this is addressed from a cross-functional perspective. Initially, the CCO's primary focus has been to further develop Ericsson's Anti-corruption Compliance Program. This is reviewed and evaluated by the Audit Committee at least annually.

Monitoring and audits

Company management monitors 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 PricewaterhouseCoopers, and ISO/ management system audits by 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 Ericsson's Code of Conduct, which is mandatory for suppliers to the Ericsson Group.

Risk mitigation

Significant ongoing activities in order to mitigate risks include:

- Establishing flexibility to cost-effectively accommodate to fluctuations in customer demand
- Conducting regular Supplier Code of Conduct audits
- Continuous assessment and management of CR risks
- Conducting business continuity management in an efficient way
- Conducting corporate governance training as needed
- Continuous monitoring of information systems to guard against data breaches
- Reviewing top risks and mitigating actions at various internal governance meetings.

Process to identify and manage strategic and tactical risks for regions, business units and Group functions

Leadership Team meeting and workshop

Preparations

Compile input:
- Business unit plan, region plan, functional strategy including SWOT analysis
- Preparatory meetings/ workshop

Establish gross list

Consider the four risk categories:
- Industry and market risks
- Commercial risks
- Operational risks
- Compliance risks

Prioritize risks

Rank the risks based on business impact and probability

Document risk heat map in relation with strategic objectives (up to 5 years) and with short-term targets (1 year)

Assign responsibility

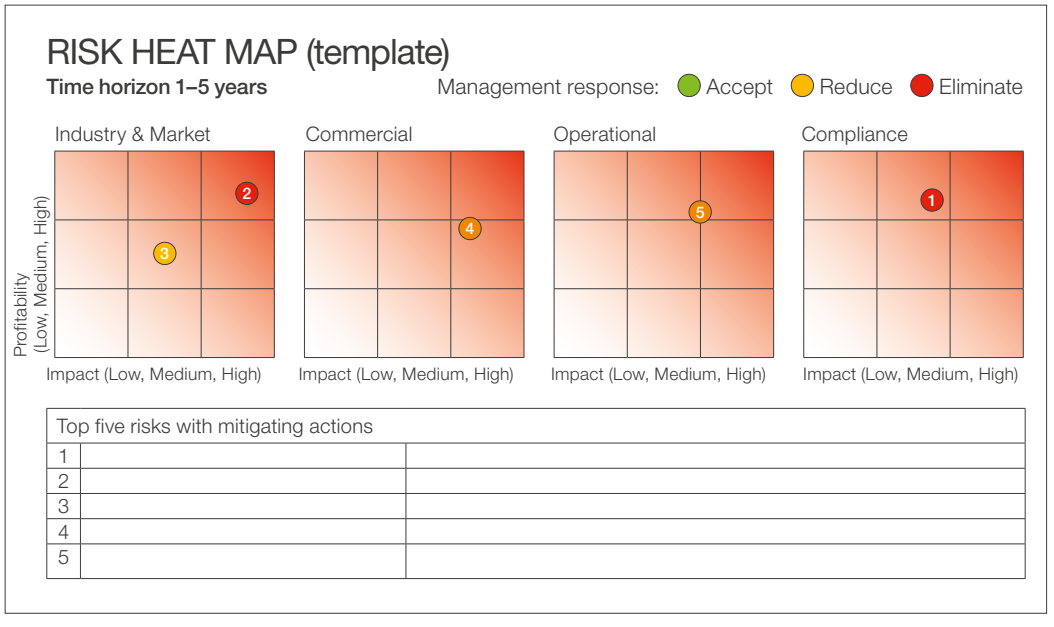
- Define management response, accept, reduce, eliminate
- Assign responsibility for managing each top risk

Manage risks

- Develop mitigation actions
- Secure risk reviews in business reports and governance meetings

Example of risk heat map document

Risk heat maps are generated by business units, regions and Group functions in four risk categories:
- Industry and market
- Commercial
- Operational
- Compliance



Top five risks with mitigating actions		
1		
2		
3		
4		
5		

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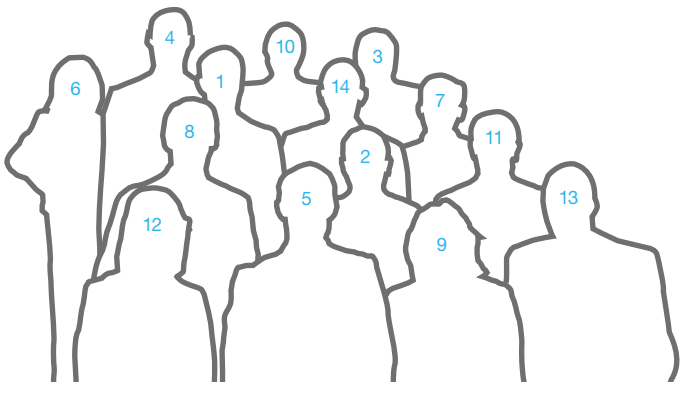
MEMBERS OF THE EXECUTIVE LEADERSHIP TEAM

1. Hans Vestberg
2. Jan Frykhammar
3. Magnus Mandersson
4. Johan Wibergh
5. Per Borgklint
6. Bina Chaurasia
7. Ulf Ewaldsson
8. Douglas L. Gilstrap
9. Nina Macpherson
10. Helena Norrman
11. Mats H. Olsson
12. Rima Qureshi
13. Angel Ruiz
14. Jan Wäreby



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Hans Vestberg

President and CEO (since 2010)
Born 1965.
Bachelor of Business Administration and Economics, University of Uppsala, Sweden.
Board Chairman: ST-Ericsson and Svenska Handbollförbundet.
Board member: Telefonaktiebolaget LM Ericsson and Thernlunds AB.
Holdings in Ericsson [1]: 149,382 Class B shares.
Background: Previously First Executive Vice President, CFO and Head of Group Function Finance and 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. Founding member of the Broadband Commission for Digital Development, and heading the Commission's broadband and climate change working group. Member of the European Cloud Partnership Steering Board and the Leadership Council of the United Nations Sustainable Development Solutions Network.

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, Sweden.
Board member: ST-Ericsson and the Swedish International Chamber of Commerce.
Holdings in Ericsson [1]: 14,844 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 2011) and Head of Business Unit Global Services (since 2010)
Born 1959.
Bachelor of Business Administration, University of Lund, Sweden.
Board member: None.
Holdings in Ericsson [1]: 22,602 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, Sweden.
Board member: ST-Ericsson, Confederation of Swedish Enterprise, KTH Royal Institute of Technology and Teknikföretagen.
Holdings in Ericsson [1]: 40,448 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.

Per Borgklint

Senior Vice President and Head of Business Unit Support Solutions (since 2011)
Born 1972.
Master of Science in Business Administration, Jönköping International Business School, Sweden.
Board member: None.
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, Chief Human Resources Officer and Head of Group Function Human Resources and Organization (since 2010)
Born 1962.
Master of Science in Management and Human Resources, Ohio State University, USA, and Master of Arts in Philosophy, University of Wisconsin, USA.
Holdings in Ericsson [1]: 19,144 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.

Ulf Ewaldsson

Senior Vice President, Chief Technology Officer and Head of Group Function Technology (since February 1, 2012)
Born 1965.
Master of Science in Engineering and Business Management, Linköping Institute of Technology, Sweden.
Board member: None.
Holdings in Ericsson [1]: 14,985 Class B shares.
Background: Previously Head of Product Area Radio within Business Unit Networks. Has held various managerial positions within Ericsson since 1990.

Douglas L. Gilstrap

Senior Vice President and Head of Group Function Strategy (since 2009)
Born 1963.
Bachelor of Science in Accounting, University of Richmond, USA, and Master of Business Administration, Emory University, Atlanta, USA. Executive program at INSEAD, France.
Board member: Telecom Management Forum (TMF).
Deputy board member: ST-Ericsson.
Holdings in Ericsson [1]: 8,643 Class B shares.
Background: Has held various global managerial positions within the telecommunications sector for more than 15 years.

[1] The number of shares reflects ownership as of December 31, 2012 and includes holdings by related natural and legal persons, as well as holdings of any ADS, if applicable.

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MEMBERS OF THE EXECUTIVE LEADERSHIP TEAM CONTINUED

Nina Macpherson

Senior Vice President, General Counsel, Head of Group Function Legal Affairs and secretary to the Board of Directors (since 2011)
Born 1958.
Master of Laws, LL M, University of Stockholm, Sweden.
Board member: The Association for Swedish Listed Companies.
Holdings in Ericsson [1]: 7,857 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 2011)
Born 1970.
Master of International Business Administration, Linköping University, Sweden.
Board member: None.
Holdings in Ericsson [1]: 8,312 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 North East Asia (since 2010)
Born 1954.
Master of Business Administration, Stockholm School of Economics, Sweden.
Board member: None.
Holdings in Ericsson [1]: 61,252 Class B shares.
Background: International economic advisor to a number of Chinese provincial and municipal governments. Previously Head of Market Unit Greater China. Appointed President of Ericsson Greater China in 2004, with overall responsibility for mainland China, Hong Kong, Macao and Taiwan. Also assumed overall responsibility for Japan and South Korea in 2010. Has held various executive positions across Asia-Pacific over the last 25 years.

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]: 4,932 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, USA, and Master of Management Science and Information Systems, Johns Hopkins University, USA.
Board member: CTIA.
Holdings in Ericsson [1]: 38,546 Class B shares.
Background: Joined Ericsson in 1990 and has held a variety of technical, 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 2011)
Born 1956.
Master of Science, Chalmers University, Gothenburg, Sweden.
Board member: ST-Ericsson.
Holdings in Ericsson [1]: 66,495 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 January 31, 2012, Håkan Eriksson, former Senior Vice President, Chief Technology Officer and Head of Group Function Technology & Portfolio Management, was a member of the Executive Leadership Team.

[1] The number of shares reflects ownership as of December 31, 2012 and includes holdings by related natural and legal persons, as well as holdings of any ADS, if applicable.

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AUDITOR

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 auditor. Pursuant to the Swedish Companies Act, the mandate period of an auditor shall be one year, unless the Articles of Association provide for a longer mandate period up to four years. The auditor reports to the shareholders at General Meetings.

The duties of the auditor 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 auditor's independence.

For further information on the contacts between the Board and the auditor, please see "Work of the Board of Directors" earlier in this Corporate Governance Report.

All Ericsson's quarterly financial reports are reviewed by the auditor.

Current auditor

PricewaterhouseCoopers AB was elected auditor at the AGM 2012 for a period of one year, i.e. until the close of the AGM 2013.

PricewaterhouseCoopers AB has appointed Peter Nyllinge, Authorized Public Accountant, to serve as auditor in charge.

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 C30, "Fees to auditors" in the Annual Report.

INTERNAL CONTROL OVER FINANCIAL REPORTING 2012

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 internationally established COSO framework for internal control. The COSO framework is issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

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 2012, 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 equity and debt investors on a fair and equal basis. This will support a fair market value for Ericsson securities. 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 in a timely manner
- 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 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.

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CORPORATE GOVERNANCE REPORT 2012 CONTINUED

Disclosure controls and procedures

Ericsson has controls and procedures in place to allow for 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 require 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, 2012.

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.

During the period covered by the Annual Report 2012, there were no changes to the internal control over financial reporting that have materially affected, or are likely to materially affect, the internal control over financial reporting.

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 financial 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

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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, these procedures are designed to produce financial reports without material errors.

For external financial reporting purposes, the Disclosure Committee performs additional control procedures to review whether the disclosure requirements are fulfilled.

The Company has implemented controls to ensure that 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 allows the President and CEO and the CFO to 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 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 the 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 for internal steering groups and Company management. These include analysis and comments on financial performance and risks. The Board of Directors receives financial reports monthly. Ericsson has established a whistleblower procedure for the reporting of alleged violations that (i) are conducted by Group or local management, and (ii) relate to corruption, questionable accounting or auditing matters or otherwise seriously affect vital interests of the Group or personal health and safety.

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 reports directly to the Audit Committee. 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, March 5, 2013
Telefonaktiebolaget LM Ericsson (publ)
Org. no. 556016–0680

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AUDITOR'S 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 2012 and that it has been prepared in accordance with the Annual Accounts Act.

We have read the corporate governance report and based on that reading and our knowledge of the company and the group we believe that we have a sufficient basis for our opinions. This means that our statutory examination of the corporate governance report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

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 March 5, 2013

Peter Nyllinge
Authorized Public Accountant
PricewaterhouseCoopers AB
Auditor in Charge

Johan Engstam
Authorized Public Accountant
PricewaterhouseCoopers AB

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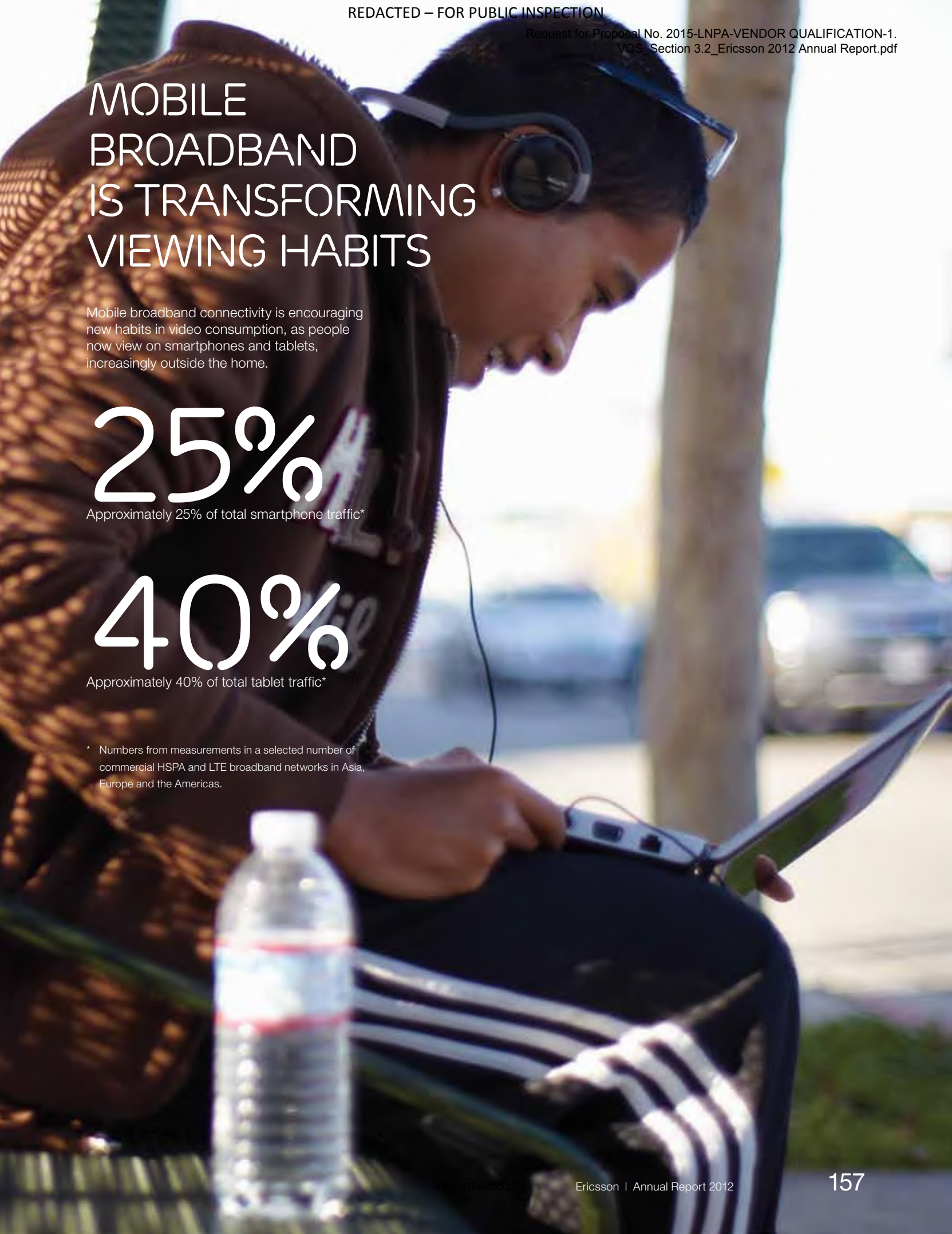

MOBILE BROADBAND IS TRANSFORMING VIEWING HABITS

Mobile broadband connectivity is encouraging new habits in video consumption, as people now view on smartphones and tablets, increasingly outside the home.

25%

Approximately 25% of total smartphone traffic*

40%

Approximately 40% of total tablet traffic*

* Numbers from measurements in a selected number of commercial HSPA and LTE broadband networks in Asia, Europe and the Americas.

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REMUNERATION REPORT

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. The work of the Remuneration Committee in 2012 and the remuneration policy are explained, at the beginning of the report, followed by descriptions of plans and approaches.

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".

CONTENTS

Introduction	158
The Remuneration Committee	158
Remuneration 2012	159
Total remuneration	159

THE REMUNERATION COMMITTEE

The Remuneration Committee advises the Board of Directors on an ongoing basis on the remuneration to 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 reviews and prepares for resolution by the Board:

- Proposals on salary and other remuneration, including retirement compensation, for the President and CEO
- Proposals on targets for the short-term variable remuneration for the President and CEO
- Proposals to the Annual General Meeting on guidelines for remuneration to the ELT
- Proposals to the Annual General Meeting on long-term variable remuneration and similar equity arrangements

The responsibility for the Remuneration Committee is also to:

- Approve proposals on salary and other remuneration, including retirement compensation, for the Executive Vice Presidents and other ELT.
- Approve proposals on targets for the short-term variable remuneration for the Executive Vice Presidents and other ELT.
- Approve pay out of the short-term variable renumeration for the ELT, based on achievements and performance.

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 2012. 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 regarding remuneration.

The purpose and function of the Remuneration Committee and its responsibilities can be found on the Ericsson website. These responsibilities, together with the Guidelines for remuneration to Group Management (ELT) and the Long-Term Variable remuneration plan, 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

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 Guidelines for remuneration to Group Management 2012 approved by AGM can be found in note C28. The auditor's report regarding whether we have complied with the guidelines for compensation to the ELT during 2012 is posted on the Ericsson website.

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Summaries of 2012 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. 73,900 in 2012	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. 2,300 in 2012	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" mentality 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

policy continues to provide Ericsson with a competitive remuneration strategy.

The Guidelines for remuneration to Group Management are, in accordance with Swedish law, brought to shareholders annually for approval.

The Remuneration Committee met six times during the year 2012.

The winter meetings focused on following up on results from the 2011 variable remuneration programs and preparing proposals to shareholders for the 2012 Annual General Meeting (AGM). During the spring the committee determined remuneration to a new member of the ELT and revised the remuneration to others. In the fall, the committee reviewed the Guidelines for remuneration to Group Management and decided to continue the Long-Term Variable remuneration plans without any material changes and the Short-Term Variable remuneration plans with an increased weighting on capital and margins for 2013. The committee based its considerations on the business needs, analyses and reviews of the global market trends and feedback from shareholders and institutions. Supported by the independent advisor, the Committee also reviewed the competitiveness of the ELT remuneration in the global market. The Remuneration Committee is of the opinion that the Long-Term Variable remuneration plans fulfill the defined objectives to promote "One Ericsson" and to align the interests of employees with those of shareholders. The number of participants as of December 1, 2012 was 27,000 employees, compared to 24,000 employees as of December 1, 2011. The evaluation 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.

REMUNERATION 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. The next step in this development is the planned implementation of an Integrated HR IT tool. The first phase was launched to all managers in Ericsson in November 2012 and include performance management, talent planning, variable pay and annual salary review.

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 may be added 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

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

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REMUNERATION REPORT CONTINUED

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 specific 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.

For the ELT, targets are thus predominantly financial 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 engagement.

The chart below illustrates how payouts to the ELT have varied with performance over the past five years.

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 2012, approximately 76,200 employees participated in short-term variable remuneration plans.

Long-term variable remuneration

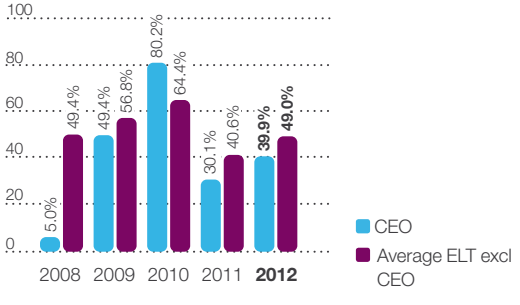
Share-based long-term variable remuneration plans are submitted each year for approval by shareholders at the AGM. All long-term variable remuneration plans are designed to form part of a well-balanced total remuneration package and to span over a minimum of three years. As these are variable plans, outcomes are unknown and rewards depend on long-term personal investment, corporate performance and resulting share price performance. During 2012, 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

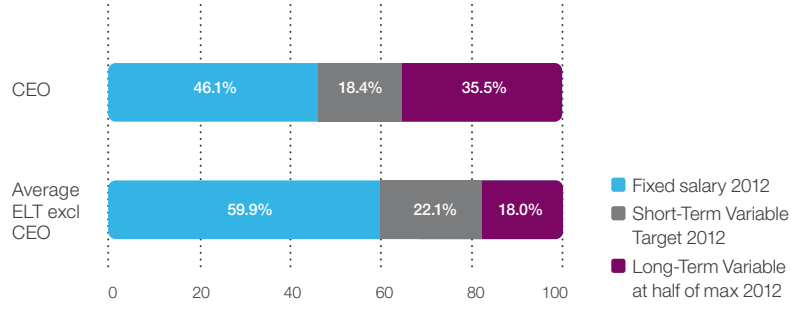
The all-employee Stock Purchase Plan is designed to offer, where practicable, an incentive for all employees to participate. This reinforces "One Ericsson" aligned with shareholder interests. Employees can save up to 7.5% of gross fixed salary (the President and CEO can save up to 10% of gross fixed salary and short-term 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 2012, the number of participants was over 27,000, or approximately 28% of eligible employees in 100 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

Short-term variable remuneration payouts as percentage of opportunity



Fixed salary, short-term and long-term variable remuneration as percentage of total target remuneration



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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 2012	Group financial targets	Unit/functional financial targets	Non-financial targets
CEO 2012	40%	80%	32%	90%	0%	10%
CEO 2013	40%	80%	–	100%	0%	0%
Average ELT 2012 [1]	36%	72%	37%	49%	27%	24%
Average ELT 2013 [1]	38%	76%	–	50%	24%	26%

[1] Excludes CEO – differences in target and maximum levels from year to year are due to changes in the composition of the ELT.

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 to encourage 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 to 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. Performance matching is subject to the fulfillment of performance targets. Since 2010, the President and 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 2010 plans, the performance targets were Earnings Per Share (EPS) targets.

To support the long-term strategy and value creation of the Company, new targets were defined for the 2011 plan. At the AGM 2012, the following targets for the 2012 Executive Performance Stock Plan were resolved on proposal by the Board:

- Up to one-third of the award shall vest provided the compound annual growth rate (CAGR) of consolidated net sales between year 0 (2011 financial year) and year 3 (2014 financial year) is between 2% and 8%.
- Up to one-third of the award shall vest provided the compound annual growth rate (CAGR) of consolidated operating income between year 0 (2011 financial year) and year 3 (2014 financial year) is between 5% and 15%.
- Up to one-third of the award will be based on the cash conversion during each of the years during the performance period, calculated as cash flow from operating activities divided by net income reconciled to cash. One-ninth of the total award will vest for any year, i.e. financial years 2012, 2013 and 2014, if cash conversion is at or above 70%.

Before the number of performance shares to be matched are finally determined, the Board of Directors shall examine whether the performance matching is reasonable considering the Company's financial results and position, conditions on the stock market and other circumstances, and if not, as determined by the Board of Directors, reduce the number of performance shares to be matched to the lower number of shares deemed appropriate by the Board of Directors. When undertaking its evaluation of performance outcomes the Board of Directors will consider, in particular, the impact of larger acquisitions, divestitures, the creation of joint ventures and any other significant capital event on the three targets on a case by case basis.

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 President and 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 ELT members employed in Sweden from 2011 are normally covered by the defined contribution plan under the ITP1 scheme, with a pensionable age of 65 years.

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. The ELT members may not receive loans from the Company.

The 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 six months or the severance pay period of 18 months.

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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 2012, approximately 2.4 (3.4) billion shares were traded on NASDAQ OMX Stockholm and about 1.1 (1.6) billion shares were traded on NASDAQ New York. A total of 3.5 (5) billion Ericsson shares where thus traded on the exchanges were we are listed. Trading volume in Ericsson shares decreased by approximately 27% on NASDAQ OMX Stockholm and by approximately 30% on NASDAQ New York compared to 2011.

The Ericsson share is also traded on other 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	3,305,051,735
of which Class A shares, each carrying one vote [1]	261,755,983
of which Class B shares, each carrying one tenth of one vote [1]	3,043,295,752
Ericsson treasury shares, Class B	84,798,095
Quotient value	SEK 5.00
Market capitalization, December 31, 2012	approx. SEK 215 b.
ICB (Industry Classification Benchmark)	9500
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

[1] Both classes of shares have the same rights of participation in the net assets and earnings.

Changes in number of shares and capital stock 2008–2012

		Number of shares	Share capital
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
2012	June 29, new issue (Class C shares, later converted to Class B) [1]	31,700,000	158,500,000
2012	December 31	3,305,051,735	16,525,258,678

[1] The Annual General Meeting (AGM) 2012 resolved to issue 31.7 million Class C shares for the Long-Term Variable Remuneration Program (LTV). In accordance with an authorization from the AGM, in the second quarter 2012, the Board of Directors resolved to repurchase the new issued shares, which were subsequently converted into Class B shares. The quotient value of the repurchased shares was SEK 5.00, totaling SEK 158.5 million, representing less than one percent of capital stock, and the acquisition cost was approximately SEK 158.7 million.

Share performance indicators

	2012	2011	2010	2009	2008
Earnings per share, diluted (SEK) [1]	1.78	3.77	3.46	1.14	3.52
Earnings per share, diluted non-IFRS (SEK) [2]	2.74	4.72	4.80	2.87	4.24
Operating income per share (SEK) [3] [4]	3.25	5.58	7.42	5.80	7.50
Cash flow from operating activities per share (SEK) [3]	6.85	3.11	8.31	7.67	7.54
Stockholders' equity per share, basic, end of period (SEK) [5]	42.51	44.57	45.34	43.79	44.21
P/E ratio	36	19	22	57	17
Total shareholder return (%)	-3	–7	22	15	–20
Dividend per share (SEK) [6]	2.75	2.50	2.25	2.00	1.85

[1] Calculated on average number of shares outstanding, diluted.
[2] EPS, diluted, excluding amortizations and write-downs of acquired intangible assets, SEK.
[3] Calculated on average number of shares outstanding, basic.
[4] For 2010, 2009 and 2008 excluding restructuring charges.
[5] Calculated on number of shares, end of period.
[6] For 2012 as proposed by the Board of Directors.

For definitions of the financial terms used, see Glossary, Financial Terminology and Exchange Rates.

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Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1.
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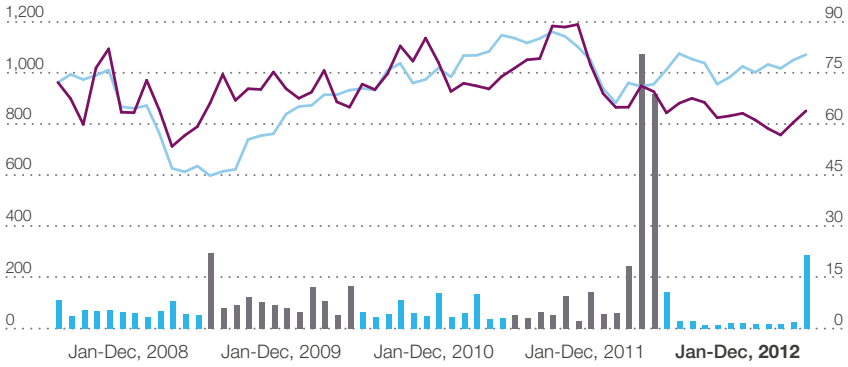
SHARE TREND

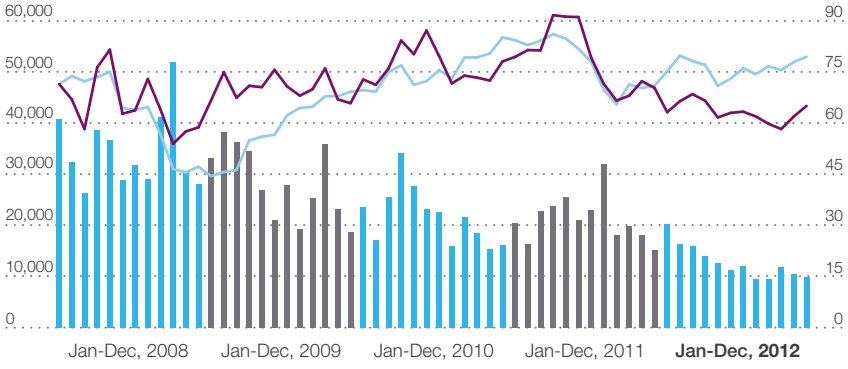
In 2012, Ericsson's total market capitalization decreased by about 7% to SEK 215 billion, compared to a decrease by 10% reaching SEK 230 billion in 2011. The OMX Stockholm Index on NASDAQ OMX Stockholm increased by 12% and the NASDAQ composite index increased by 16%. The S&P 500 Index increased by 13%.

Share turnover and price trend, NASDAQ OMX Stockholm

Class A shares, SEK m



Class B shares, SEK m

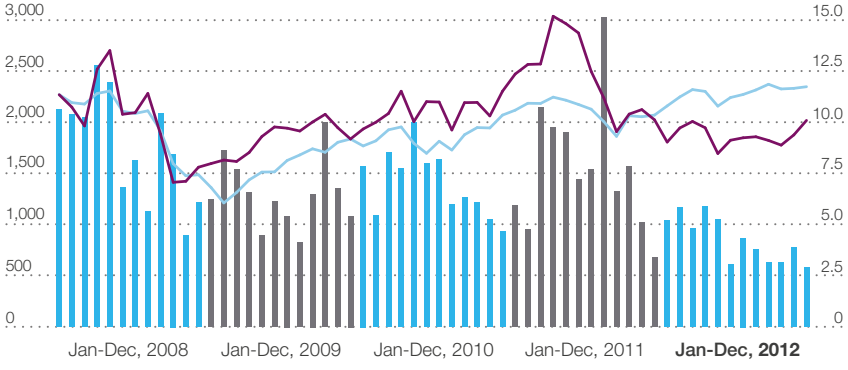


Turnover, SEK million — Price, SEK — OMX Stockholm (indexed to share price)

Volumes reflect trading on NASDAQ OMX Stockholm only. Source: Nasdaq OMX Stockholm

Share turnover and price trend, US market

ADS, USD m

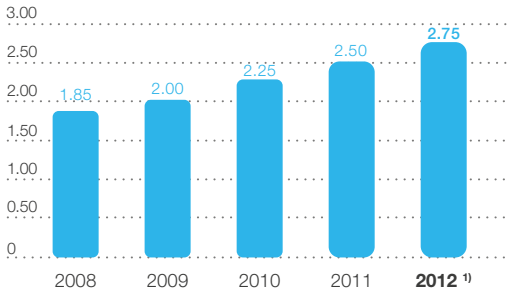


Turnover, USD million — Price, USD — S&P 500 (indexed to share price)

Volumes reflect trading on NASDAQ OMX Stockholm only. Source: Nasdaq New York

Dividend per share

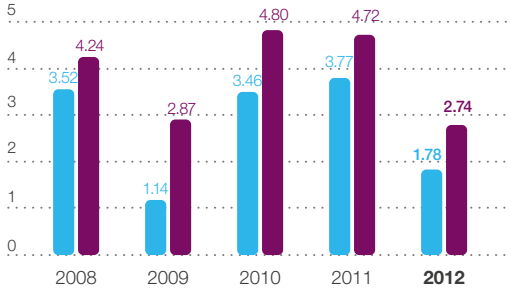
SEK



1) For 2012 as proposed by the Board of Directors.

Earnings per share, diluted

SEK



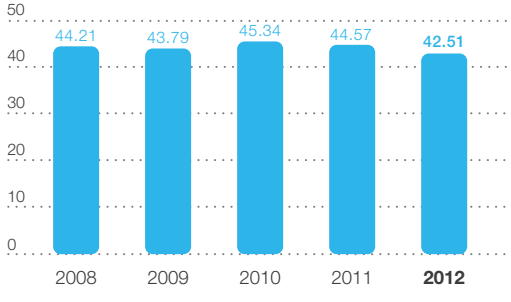
Earnings per share, diluted

Earnings per share, diluted (non-IFRS) 1)

1) EPS, diluted, excl. amortizations and write-downs of acquired intangible assets, SEK.

Stockholders' equity per share, basic

SEK



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SHARE INFORMATION CONTINUED

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 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)	2012	2011	2010	2009	2008
Class A at last day of trading	63.90	69.55	74.00	65.00	59.30
Class A high (January 3, 2012)	72.00	93.60	88.40	78.80	83.60
Class A low (November 16, 2012)	55.55	59.05	65.20	55.40	40.60
Class B at last day of trading	65.10	70.40	78.15	65.90	58.80
Class B high (January 3, 2012)	71.90	96.65	90.45	79.60	83.70
Class B low (July 18, 2012)	55.90	61.70	65.90	55.50	40.60

Source: Nasdaq OMX Stockholm

Share prices on NASDAQ New York

(USD)	2012	2011	2010	2009	2008
ADS at last day of trading	10.10	10.13	11.53	9.19	7.81
ADS high (April 3, 2012)	10.60	15.44	12.39	10.92	14.00
ADS low (May 17, 2012)	8.23	8.83	9.40	6.60	5.49

Source: Nasdaq New York

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						
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
2012	72.00	55.55	71.90	55.90	10.60	8.23
Quarterly high and low						
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
2012 First Quarter	72.00	59.25	71.90	58.15	10.53	8.58
2012 Second Quarter	69.70	58.75	69.95	59.60	10.60	8.23
2012 Third Quarter	67.00	55.95	67.80	55.90	10.05	8.23
2012 Fourth Quarter	64.90	55.55	66.85	56.60	10.21	8.31
Monthly high and low						
August 2012	67.00	60.55	67.80	61.50	10.05	9.14
September 2012	62.55	58.35	64.10	59.85	9.79	8.91
October 2012	59.85	56.10	61.00	57.40	9.27	8.57
November 2012	60.50	55.55	62.30	56.60	9.41	8.31
December 2012	64.90	60.00	66.85	62.45	10.21	9.40
January 2013	74.30	62.90	76.95	64.50	11.82	9.78

[1] One ADS = 1 Class B share.

Source: Nasdaq OMX Stockholm and Nasdaq New York

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SHAREHOLDERS

As of December 31, 2012, the Parent Company had 551 719 shareholders registered at Euroclear Sweden AB (the Central Securities Depository – CSD), of which 1 080 holders had a US address. According to information provided by our depositary, Citibank, there were 189,454,944 ADSs outstanding as of December 31, 2012, and 4,500 registered holders of such ADSs. A significant number of Ericsson ADSs are held by banks, brokers and/or nominees for the accounts of their customers. As of January 3, 2013, the total number of bank, broker and/or nominee accounts holding Ericsson ADSs was 169,190.

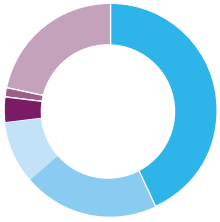
According to information known at year-end 2012, approximately 78% of our Class A and Class B shares were owned by institutions, Swedish and international.

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.

Geographical ownership breakdown of share capital including retail shareholders and treasury shares

Percent of capital



	2012	2011
Sweden	**43.22%**	45..51%
United States	**20.59%**	21.40%
United Kingdom	**9.44%**	8.92%
Norway	**3.70%**	3.42%
Netherlands	**1.44%**	1.07%
Other countries	**21.61%**	19.68%

Source: Capital Precision

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, 2012.

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 (31 persons)	0	559,450	0.01

For individual holdings, see Corporate Governance Report.

The following table shows share information, as of December 31, 2012, with respect to our 15 largest shareholders, ranked by voting rights, as well as percentage of voting rights as of December 31, 2012, 2011 and 2010.

Largest shareholders, December 31, 2012 and percentage of voting rights, December 31, 2012, 2011 and 2010

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	2012 Voting rights, percent	2011 Voting rights, percent	2010 Voting rights, percent
Investor AB	115,018,707	43.94	59,284,545	1.95	21.37	21.48	19.33
AB Industrivärden	84,708,520	32.36	0	0.00	14.96	14.34	13.80
Handelsbankens Pensionsstiftelse	21,057,443	8.04	0	0.00	3.72	4.20	3.52
Swedbank Robur Fonder AB	1,505,751	0.58	138,107,152	4.54	2.71	2.79	2.73
AFA Försäkring AB	11,423,000	4.36	9,151,631	0.30	2.18	2.31	0.45
Blackrock Fund Advisors	0	0.00	77,802,606	2.56	1.37	1.46	1.44
Norges Bank Investment Management	0	0.00	77,226,311	2.54	1.36	1.24	0.89
Skandia Liv	6,263,167	2.39	11,414,818	0.38	1.31	1.36	2.98
AMF Pensionsförsäkring AB	0	0.00	71,108,980	2.34	1.26	1.34	1.34
Aberdeen Asset Managers Ltd.	0	0.00	65,706,158	2.16	1.16	1.05	1.01
Dodge & Cox, Inc.	0	0.00	64,443,081	2.12	1.14	0.96	1.43
Pensionskassan SHB Försäkringsförening	6,381,570	2.44	0	0.00	1.13	1.39	2.07
Orbis Investment Management Ltd.	0	0.00	62,271,048	2.05	1.10	0.35	0.06
OppenheimerFunds, Inc.	0	0.00	62,070,708	2.04	1.10	1.20	1.29
Handelsbanken Fonder AB	261,500	0.10	58,019,980	1.91	1.07	0.96	1.05
Others	15,136,325	5.78	2,286,688,734	75.14	43.07	43.57	46.61
Total	**261,755,983**	**100**	**3,043,295,752**	**100**	**100**	**100**	**100**

[1] Source: Capital Precision

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VQS_Section 3.2_Ericsson 2012 Annual Report.pdf

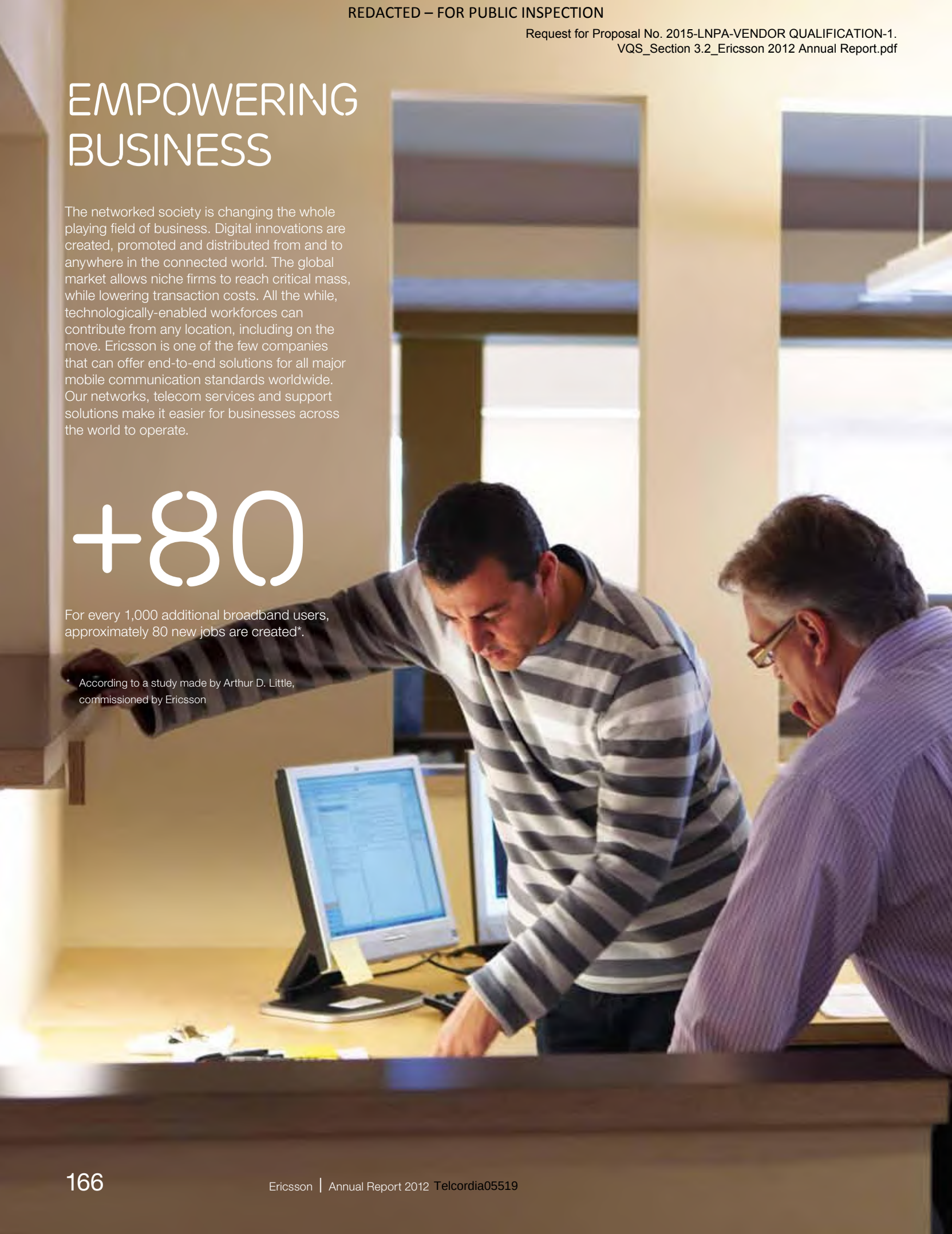
EMPOWERING BUSINESS

The networked society is changing the whole playing field of business. Digital innovations are created, promoted and distributed from and to anywhere in the connected world. The global market allows niche firms to reach critical mass, while lowering transaction costs. All the while, technologically-enabled workforces can contribute from any location, including on the move. Ericsson is one of the few companies that can offer end-to-end solutions for all major mobile communication standards worldwide. Our networks, telecom services and support solutions make it easier for businesses across the world to operate.

+80

For every 1,000 additional broadband users, approximately 80 new jobs are created*.

* According to a study made by Arthur D. Little, commissioned by Ericsson



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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.

Backhaul
Transmission between radio base stations and the core network.

BSS
Business support systems

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)

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).

GSM
(Global System for Mobile Communications) A first digital generation mobile system.

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.

IPR
Intellectual Property Rights

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.

Mobile broadband
Wireless high-speed internet access using the HSPA, LTE and CDMA2000EV-DO technologies.

OSS
Operations support systems

Penetration
The number of subscriptions divided by the population in a geographical area.

PETAbyte
Million gigabytes.

RAN
Radio Access Network.

TD-SCDMA
(Time Division Synchronous Code Division Multiple Access), an alternative to WCDMA used in China.

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.

The terms “Ericsson”, “the Company”, “the Group”, “us”, “we”, and “our” all refer to Telefonaktiebolaget LM Ericsson and its subsidiaries.

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FINANCIAL TERMINOLOGY

Capital employed
Total assets less non-interest-bearing provisions and liabilities. (which includes: provisions, non-current; deferred tax liabilities; other non-current liabilities; provisions, current; trade payables; other current liabilities).

Capital turnover
Net sales divided by average capital employed.

Cash conversion
Cash flow from operating activities divided by the sum of net income and adjustments to reconcile net income to cash, expressed as 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.

EPS (non-IFRS)
EPS, diluted, excluding amortizations and write-down of acquired intangible assets and including restructuring charges.

EBITA margin
Earnings before interest, taxes, amortization and write-downs of acquired intangibles (intellectual property rights, trademarks and other intangible assets, see Note C10 "Intangible assets") 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 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 (which include: borrowings, non-current and borrowings, current) and post-employment benefits.

P/E ratio
The P/E ratio is calculated as the price of a Class B share at last day of trading divided by Earnings per share, basic.

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 Class B share price during the period, adjusted for 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 (which include: provisions, current; trade payables; other current liabilities).

EXCHANGE RATES

Exchange rates used in the consolidation

	January–December 2012	2011
SEK/EUR		
Average rate	**8.70**	9.02
Closing rate	**8.58**	8.92
SEK/USD		
Average rate	**6.73**	6.48
Closing rate	**6.51**	6.90

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SHAREHOLDER INFORMATION

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

IN THE UNITED STATES:

Ericsson's Transfer Agent Citibank:
Citibank Shareholder Services
Registered holders:
+1 877 881 59 69
Interested investors:
+1 781 575 45 55
Email:
citibank@shareholders-online.com
www.citi.com/dr

Ordering a hard copy of the Annual Report:
+1 888 301 2504

Telefonaktiebolaget LM Ericsson's shareholders are invited to participate in the Annual General Meeting to be held on Tuesday, April 9, 2013, 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 Wednesday, April 3, 2013, and
- Give notice of attendance to the Company at the latest on Wednesday, April 3, 2013. Notice of attendance can be given by telephone: +46 8 402 90 54 on weekdays between 10 a.m. and 4 p.m., or on Ericsson's website: www.ericsson.com.

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, if any.

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 having their shares registered in the name of a nominee, must request the nominee to temporarily enter the shareholder into the share register as per Wednesday, April 3, 2013, in order to be entitled to attend the meeting. The shareholders should inform the nominee to that effect well before that day.

Proxy

Shareholders represented by proxy shall issue and 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, or if no such certificate exist, a corresponding document of authority. Such documents must not be older than one year 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 to the address above for receipt by Monday, April 8, 2013. 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 2.75 per share for the year 2012 and that Friday, April 12, 2013 will be the record date for dividend.

Financial information from Ericsson

Interim reports 2013:

- Q1, April 24, 2013
- Q2, July 18, 2013
- Q3, October 24, 2013
- Q4, January 30, 2014

Annual Report 2013:
March, 2014
2012 Form 20-F for the US market:
March-April 2013

WHERE YOU CAN FIND OUT MORE

Information about Ericsson and its development is available on our website:
www.ericsson.com
Annual and interim reports and other relevant shareholder information can be found at:
www.ericsson.com/investors

Ericsson headquarters
Torshamnsgatan 23
Kista, Stockholm, Sweden

Registered office
Telefonaktiebolaget LM Ericsson
SE–164 83 Stockholm, Sweden

Investor relations
For questions on the Company, please contact Investor Relations:
Telephone: +46 10 719 00 00
Email: investor.relations@ericsson.com

ERICSSON ANNUAL REPORT 2012:

Project Management:
Ericsson Investor Relations
Design and production:
Addison and Paues Media
Group Management, Board of Directors and front cover photography:
Per Myrehed AB
Reprographics and Printing:
Kaigan AB 2013

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www.ericsson.com

Printed on UPM Sol Matt och Munken Lynx – chlorine free paper that meets international environmental standards
EN/LZT 138 0973 R1A
ISSN 1100-8962
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Vendor Qualification Survey (VQS) Section 3 – Vendor Qualification Criteria

VQS_Section 3.2_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.*

iconectiv Response

iconectiv CONFIDENTIAL – RESTRICTED ACCESS
This document and the confidential information it contains shall be used by NAPM LLC solely in consideration of a possible business arrangement with iconectiv and for no other purpose, and shall only be distributed, routed or made available to authorized persons having a need to know in accordance with the NDA executed between the NAPM LLC and Telcordia Technologies, Inc. on October 1, 2012.
Telcordia Technologies, Inc. dba iconectiv.

1 Telcordia

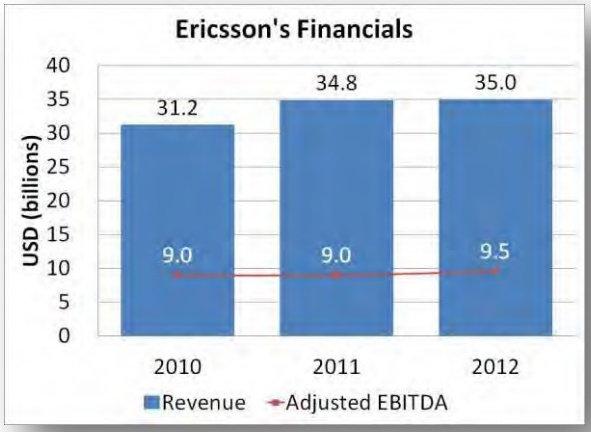
1.1 Overview

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, 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.

1.2 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.

1.3 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.

2 SUB-CONTRACTOR: SUNGARD

2.1 Overview

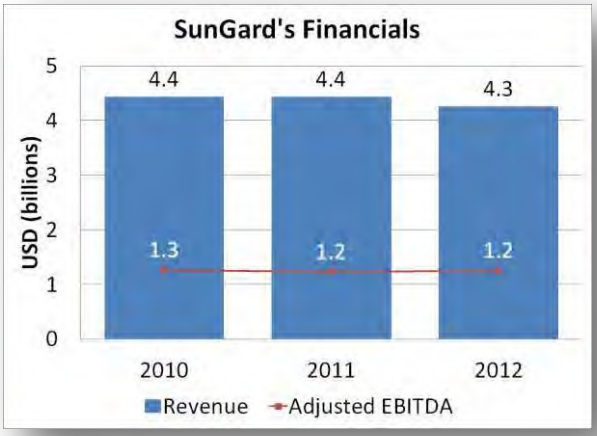
Pioneering disaster recovery in the 1970s, SunGard Data Systems, Inc. is one of the world's leading software and technology services companies. SunGard is the largest privately held software and services company and is ranked 480 on the Fortune 500. They provide software and technology services to financial 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.

2.2 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.

2.3 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.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

(Mark One)

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the fiscal year ended December 31, 2010 or**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the transition period from to**

Commission File Numbers:

SunGard Capital Corp.	**000-53653**
SunGard Capital Corp. II	**000-53654**
SunGard Data Systems Inc.	**001-12989**

SunGard® Capital Corp.
SunGard® Capital Corp. II
SunGard® Data Systems Inc.

(Exact name of registrant as specified in its charter)

Delaware	**20-3059890**
Delaware	**20-3060101**
Delaware	**51-0267091**
(State of incorporation)	***(I.R.S. Employer Identification No.)***

680 East Swedesford Road, Wayne, Pennsylvania 19087
(Address of principal executive offices, including zip code)

484-582-2000
(Telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:
None

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

Restricted Stock Units Granting Conditional Rights to Units Consisting of:

Class A Common Stock of SunGard Capital Corp., par value $0.001 per share,

Class L Common Stock of SunGard Capital Corp., par value $0.001 per share, and

Preferred Stock of SunGard Capital Corp. II, par value $0.001 per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

SunGard Capital Corp.	Yes ☐	No ☑
SunGard Capital Corp. II	Yes ☐	No ☑
SunGard Data Systems Inc.	Yes ☐	No ☑

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

SunGard Capital Corp.	Yes ☐	No ☑
SunGard Capital Corp. II	Yes ☐	No ☑
SunGard Data Systems Inc.	Yes ☑	No ☐

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

SunGard Capital Corp.	Yes ☑	No ☐
SunGard Capital Corp. II	Yes ☑	No ☐
SunGard Data Systems Inc.	Yes ☐	No ☑

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

SunGard Capital Corp.	Yes ☐	No ☐
SunGard Capital Corp. II	Yes ☐	No ☐
SunGard Data Systems Inc.	Yes ☐	No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference into Part III of this Form 10-K or any amendment to this Form 10-K.

SunGard Capital Corp. ☐ SunGard Capital Corp. II ☐ SunGard Data Systems Inc. ☑

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

SunGard Capital Corp.	Large accelerated filer ☐.	Accelerated filer ☐.	Non-accelerated filer ☑.	Smaller reporting company ☐.
SunGard Capital Corp.II	Large accelerated filer ☐.	Accelerated filer ☐.	Non-accelerated filer ☑.	Smaller reporting company ☐.
SunGard Data Systems Inc.	Large accelerated filer ☐.	Accelerated filer ☐.	Non-accelerated filer ☑.	Smaller reporting company ☐.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

SunGard Capital Corp.	Yes ☐	No ☑
SunGard Capital Corp. II	Yes ☐	No ☑
SunGard Data Systems Inc.	Yes ☐	No ☑

The aggregate market value of the registrants' voting stock held by nonaffiliates is zero. The registrants are privately held corporations.

The number of shares of the registrants' common stock outstanding as of February 15, 2011:

SunGard Capital Corp.:	255,240,191 shares of Class A common stock and 28,359,958 shares of Class L common stock
SunGard Capital Corp. II:	100 shares of common stock
SunGard Data Systems Inc.:	100 shares of common stock

DOCUMENTS INCORPORATED BY REFERENCE

None.

Table of Contents

		Page
Forward-Looking Statements		1
	PART I	
Item 1.	Business	1
	Who We Are	1
	Our Strengths	2
	Our Business Strategy	4
	Business Segment Overview	6
	Financial Systems	6
	Higher Education	8
	Public Sector	9
	Availability Services	10
	Acquisitions	11
	Product Development	12
	Marketing	12
	Brand and Intellectual Property	12
	Competition	12
	Employees	13
Item 1A.	Risk Factors	14
Item 1B.	Unresolved Staff Comments	25
Item 2.	Properties	25
Item 3.	Legal Proceedings	25
Item 4.	(Removed and Reserved)	25
	PART II	
Item 5.	Market for Registrants' Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	25
Item 6.	Selected Financial Data	26
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	28
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	54
Item 8.	Financial Statements and Supplementary Data	56
Item 9.	Changes In and Disagreements With Accountants on Accounting and Financial Disclosure	113
Item 9A.	Controls and Procedures	113
Item 9B.	Other Information	113
	PART III	
Item 10.	Directors, Executive Officers and Corporate Governance	114
Item 11.	Executive Compensation	118
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	144
Item 13.	Certain Relationships and Related Transactions, and Director Independence	150
Item 14.	Principal Accountant Fees and Services	151
	PART IV	
Item 15.	Exhibits and Financial Statement Schedules	153
Signatures		154
List of Exhibits		155

Explanatory Note

This Annual Report on Form 10-K is a combined report being filed separately by three registrants: SunGard Capital Corp. ("SCC"), SunGard Capital Corp. II ("SCCII") and SunGard Data Systems Inc. ("SunGard"). SCC and SCCII are collectively referred to as the "Parent Companies." Unless the context indicates otherwise, any reference in this report to the "Company," "we," "us" and "our" refer to the Parent Companies together with their direct and indirect subsidiaries, including SunGard. Each registrant hereto is filing on its own behalf all of the information contained in this annual report that relates to such registrant. Each registrant hereto is not filing any information that does not relate to such registrant, and therefore makes no representation as to any such information.

Forward-Looking Statements

Certain of the matters we discuss in this Report on Form 10-K may constitute forward-looking statements. You can identify forward-looking statements because they contain words such as "believes," "expects," "may," "will," "should," "seeks," "approximately," "intends," "plans," "estimates," or "anticipates" or similar expressions which concern our strategy, plans or intentions. These forward-looking statements are subject to risks and uncertainties that may change at any time, and, therefore, our actual results may differ materially from those we expected. We describe some of the factors that we believe could affect our results in ITEM 1A—RISK FACTORS. We assume no obligation to update any written or oral forward-looking statements made by us or on our behalf as a result of new information, future events or other factors.

PART I

ITEM 1. BUSINESS

Who We Are

We are one of the world's leading software and technology services companies. We provide software and technology services to financial services, higher education and public sector organizations. We also provide disaster recovery services, managed services, information availability consulting services and business continuity management software. We serve more than 25,000 customers in more than 70 countries. Our high quality software solutions, excellent customer support and specialized technology services result in strong customer retention rates across all of our business segments and create long-term customer relationships. We believe that we are one of the most efficient operators of mission-critical IT solutions as a result of the economies of scale we derive from serving multiple customers on shared processing platforms.

We have four business segments: Financial Systems ("FS"), Higher Education ("HE"), Public Sector ("PS") and Availability Services ("AS").

FS provides mission-critical software and technology services to virtually every type of financial services institution, including buy-side and sell-side institutions, third-party administrators, wealth managers, retail banks, insurance companies, corporate treasuries and energy trading firms. Our broad range of complementary software solutions and associated technology services help financial services institutions automate the business processes associated with trading, managing portfolios and accounting for investment assets.

HE provides software and technology services primarily to colleges and universities as well as to school districts. Education institutions rely on our broad portfolio of solutions and technology services to improve the way they teach, learn, manage and connect with their constituents.

PS provides software and technology services designed to meet the specialized needs of local, state and federal governments, public safety and justice agencies, utilities and other public sector institutions as well as nonprofits.

AS provides disaster recovery services, managed services, information availability consulting services and business continuity management software to 10,000 customers in North America and Europe. With five million square feet of data center and operations space, AS 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. Through direct sales and channel partners, AS helps organizations ensure their people and customers have uninterrupted access to the information systems they need in order to do business.

We were acquired in August 2005 in a leveraged buy-out ("LBO") by a consortium of private equity investment funds associated with Bain Capital Partners, The Blackstone Group, Goldman, Sachs & Co., Kohlberg Kravis Roberts & Co., Providence Equity Partners, Silver Lake and TPG. As a result of the LBO, we are highly leveraged and our equity is not publicly traded.

Our Sponsors continually evaluate various strategic alternatives with respect to the Company, including a potential spin-off of the AS business to our current equity holders. We expect that if we were to spin-off any business segment, that business segment would incur new debt and we would repay a portion of our existing indebtedness. Additionally, it is possible that along with any spin-off, we would receive cash proceeds from an issuance of equity of one of our Parent Companies. There can be no assurance that we will ultimately pursue any strategic alternatives with respect to any business segment, including AS, or an equity issuance or, if we do, what the structure or timing for any such transaction would be.

To the extent required by ITEM 1 of Form 10-K, financial information regarding our business segments is included in Note 12 to our Consolidated Financial Statements on page 100.

Our Strengths

Leading franchise, attractive industry dynamics and global expansion opportunities. We believe that our businesses have leading positions and strong customer relationships in industries with attractive growth prospects and significant opportunities for global expansion.

- ***Leading industry positions.*** We believe that our FS business is a leader in the sectors in which it participates within the highly fragmented global market for financial services software and technology services. We believe that our HE and PS businesses are both leading providers of software and technology services to education institutions and the public sector, respectively, and that AS is the pioneer and a leading provider in the information availability services industry. We believe that our strong customer relationships in the highly fragmented software and technology services sectors that we serve help us to maintain leading positions. Our customers use our solutions to manage their most mission-critical business processes, which we believe results in high switching costs that promote the retention of our solutions, provide opportunities to sell additional software and technology services, and create barriers to entry for other vendors. We believe that these factors provide us with competitive advantages that should enhance our growth potential.

- ***Attractive industry dynamics.*** We believe that over the long term each of our primary business segments has good growth potential. We believe that our FS business will benefit from several key industry dynamics: the general increase in IT spending associated with increasing compliance, regulatory and risk management requirements; the shift from internal to outsourced IT spending; and an increasing need of our customers for real time information. We anticipate that our HE business will benefit from key trends in education: investment in higher education as an essential driver of economic growth; the growing emphasis within education on performance management and data-driven decision making; the ongoing transformation of education by online and mobile technologies; and the global demand for both higher education and lifelong learning. We believe that our AS business will continue to benefit from the increasing criticality of IT availability to support day-to-day business operations and commerce. We believe that our strong relationships with our customers in the relatively fragmented software and processing sectors that we serve and our extensive experience and the significant total capital that we have invested in AS help us to maintain leading positions. We believe that these factors should provide us with competitive advantages and enhance our growth potential.
- ***Global opportunities.*** We believe that our FS, HE and AS businesses will benefit from the growth in developing economies in Asia Pacific and Latin America. As financial services practices evolve and mature in these developing economies, we believe that local institutions will look to leading global software and technology services providers with deep domain expertise, a suite of proven software capabilities and a local presence to provide implementation and support. We believe that our largest customers that seek to expand their businesses around the world seek to enhance efficiency by scaling their software and processing platforms globally. We believe that our industry footprint, global delivery capabilities and suite of solutions will provide us a competitive advantage.

Highly attractive business model. We have substantial recurring revenue, maintain a diversified and stable customer base and generate significant operating cash flow.

- ***Extensive portfolio of software and technology services across our businesses with substantial recurring revenue.*** With a large portfolio of proprietary products and services in each of our four business segments, we have a diversified and stable business. With the exception of our broker/dealer business, we believe that our FS revenue is more insulated from changes in trading and transaction volumes than the financial services industry at large because our FS customers generally pay us monthly fees that are based on metrics such as number of accounts, trades or transactions, users or number of hours of service. Our portfolio of solutions and the largely recurring nature of our revenue across all four of our segments have reduced volatility in our revenue and operating income. Moreover, our specialized technology services and customized solutions help support and automate our customers' mission-critical business processes and help increase the level of efficiency for our customers, which we believe reduces customer defections to other vendors or to in-house solutions.
- ***Diversified and stable customer base.*** Our base of more than 25,000 customers includes most of the world's largest financial services firms, a variety of other financial services firms, corporate and government treasury departments, energy companies, higher education institutions, school districts, local governments and not-for-profit organizations. Our AS business serves customers across virtually all industries. In addition, our track record of helping our customers improve their operational efficiency, achieve high levels of availability and address regulatory requirements results in stable, long-term customer relationships. Our

revenue is highly diversified by customer and product. During each of the past three fiscal years, no single customer has accounted for more than 10% of total revenue. On average for the past three fiscal years, services revenue has been approximately 90% of total revenue. About 70% of services revenue is highly recurring as a result of multiyear contracts and is generated from (1) software-related services including software maintenance and support, processing and rentals and (2) recovery and managed services. The remaining services revenue includes (1) professional services, which are recurring in nature as a result of long-term customer relationships, and (2) broker/dealer fees, which are largely correlated with trading volumes.

- ***Significant operating cash flow generation.*** We are able to generate significant operating cash flows because of our strong operating margins. Our strong and predictable cash flow allows us to meet our significant debt-service requirements and make discretionary investments to grow the business, both by investing in new products and services and through acquisitions.

Experienced management team with track record of success with proper incentives. Our management team has a long track record of operational excellence, has a proven ability to expand our business by adding new solutions through both internal development and the acquisition and integration of complementary businesses, and is highly committed to our Company's growth.

- ***Long track record of operational excellence at a large scale.*** Our experienced management team has proven capabilities in both running a global business and managing numerous applications that are important to our customers. Under their leadership, our businesses have expanded into new geographic markets, invested in developing new solutions and enhancing our technology services, met stringent customer and industry requirements and successfully incorporated new acquisitions. Our FS solutions support over 14,000 customers and process over ten million transactions per day. In our HE business, more than 1,800 organizations including colleges, universities, campuses, foundations and state systems use our solutions to serve more than 14 million students worldwide. Our PS products are used by agencies that serve more than 115 million citizens in North America. Our AS business is the pioneer and a leading provider in the information availability services industry and has 10,000 customers.
- ***Experienced management team with appropriate incentives.*** Our executive officers have on average more than 15 years of industry experience. As part of the LBO, many of our senior managers committed significant personal capital to our Company.

Our Business Strategy

We are focused on expanding our position not only as a leading provider of software and technology services for financial services, higher education and public sector organizations, but also as the provider of choice for a wide range of information availability services and managed services for IT departments in companies across virtually all industries. Our strategy is to leverage our extensive customer base, deep domain knowledge and understanding of how to apply technology to support mission-critical business processes to produce innovative products and services. In pursuing expansion of our business, we emphasize fiscal discipline, sustainable revenue growth, improving margins and significant operating cash flow generation. The following are key objectives of our growth strategy:

Expand our industry-leading franchise. We constantly enhance our product and service offerings across our portfolio of businesses, leverage our customer relationships, and look to acquire complementary businesses at attractive valuations.

- ***Enhance our products and expand our technology services.*** We continually support, upgrade and enhance our products to incorporate new technologies, meet the needs of our customers for increased operational efficiency and comply with new industry regulations and requirements. Our strong base of recurring revenue drives high operating margins that allow us to reinvest in our products and technology services. In 2010 and 2009, product development expenses were 10% and 9%, respectively, of our revenue from software and processing solutions. We have invested in building a global services organization comprising more than 5,000 consultants and developers with deep domain expertise to help customers develop, deploy and operate software solutions wherever and however they do business. We believe that our ability to offer a broad range of technology services including advisory services, systems integration, application development and managed services will help increase customer satisfaction as well as our share of the total IT budget of our customers.
- ***Innovate to provide new solutions.*** We continue to introduce innovative products and services in all four of our business segments. Since the LBO in 2005, we have been able to invest in strategic growth initiatives to balance short-term and long-term growth. These initiatives have included launching Infinity, a software-as-a-service ("SaaS") initiative that offers financial services institutions a software development environment, business process management ("BPM") platform and on-demand SaaS components. In our HE business, we launched Open Digital Campus, an open-source initiative that brings together our extensive user community in order to accelerate the availability of functionality. In our PS business, we launched ONESolution, a software suite that enables local government agencies to access information and share data through mobile computer, computer-aided dispatch and Internet technologies. In our AS business, we launched enterprise cloud computing, which will help customers tap into the efficiency and cost advantages of a fully managed cloud environment with enterprise-grade application availability and security. We believe that our focus on innovation will help us increase our penetration of new and existing market sectors.
- ***Automate key financial services industry transaction and information flows.*** We help our FS customers automate their mission-critical business processes internally and between their counterparties and trading partners by providing a network and technology infrastructure. Our global transaction network helps financial services institutions address the connectivity challenges of trading new instruments and accessing new trading venues worldwide. Our financial management network helps corporations drive maximum value from working capital and reduce risk by automating their interactions with their trading partners, suppliers and banks. We believe that by continuing to link organizations across their business ecosystem we will help strengthen our position as a leading provider of mission-critical software and technology services to the financial services industry.
- ***Deepen our customer relationships.*** We focus on developing mutually beneficial, long-term relationships with our customers. We look to maximize cross-selling opportunities, bundle solutions and maintain a high level of customer satisfaction. Our FS global account management program allows us to gain access to senior decision makers, maintain account control and better target potential cross-selling and new business opportunities.

- ***Expand in emerging countries with high growth rates for software and technology services.*** We seek to grow our business in developing economies including China, India and Brazil, where there is growing demand for software and technology services from the sectors we serve. We have established our presence in these and other emerging countries by investing in local sales, marketing and support personnel, by customizing our products to meet the needs of the market and by acquiring businesses.
- ***Acquire and integrate complementary businesses.*** We seek to acquire businesses that complement our existing product and technology service offerings, expand our footprint in new markets and strengthen our leadership positions, and that will provide us with a suitable return on investment. We have a highly disciplined program to identify, evaluate and integrate acquisitions. Before committing to an acquisition, we devote significant resources to due diligence and to developing post acquisition integration plans, including the identification and quantification of potential cost savings and synergies. Since 1986, we have successfully completed the acquisition of over 175 businesses. We believe that our acquisition program has contributed significantly to our long-term growth and success.

Focus on increasing recurring revenue and implementing operational improvements. We continue to focus on increasing our recurring revenue base and implementing incremental operational improvements.

- ***Increase our recurring revenue base.*** We strive to generate a high level of recurring revenue and stable cash flow from operations. We charge customers monthly subscription fees under multiyear contracts and will continue to pursue these types of arrangements because they offer high levels of revenue stability and visibility. We seek to renew existing contracts with multiyear terms, add new services and capabilities that produce recurring revenues and shift our mix of new business from on-premise software to software-as-a-service based on a subscription model.
- ***Implement incremental operational improvements.*** We continue to implement operational improvements to further increase revenue, reduce costs and improve cash flow from operations. These include expanding the global account management program within FS to include large regional institutions, capitalizing on our global services organization to offer a broader range of services to our customers, implementing new SaaS solutions to help accelerate time-to-market and serve new markets, and continuing to consolidate data centers within FS. Within AS, numerous initiatives are underway or have been recently completed that will streamline our direct sales model, increase the level of automation within the service delivery process, and maximize our return on investments in data center personnel and facility space.

Business Segment Overview

What We Do

Financial Systems

FS provides mission critical software and technology services to financial services institutions, corporate and government treasury departments and energy companies. Our solutions automate the many complex business processes associated primarily with trading, managing investment portfolios and accounting for investment assets, and also address the processing requirements of a broad range of users within the financial services sector. In addition, we provide technology services that focus on application implementation and integration of these solutions, custom software development and

application management. Since our inception, we have consistently enhanced our solutions to add new features, process new types of financial instruments, meet new regulatory requirements, incorporate new technologies and meet evolving customer needs.

We deliver many of our solutions as an application-service provider, primarily from our data centers located in North America and Europe that customers access through the Internet or virtual private networks. We also deliver some of our solutions by licensing the software to customers for use on their own computers and premises.

Our FS business offers software and technology services to a broad range of users, including asset managers, chief financial officers, compliance officers, custodians, fund administrators, insurers and reinsurers, market makers, plan administrators, registered investment advisors, treasurers, traders and wealth managers. Effective January 1, 2011, we realigned our FS businesses to better serve the needs of our customers. To provide our solutions, FS is grouped into businesses that focus on the specific requirements of our customers, as follows:

Asset Management: We offer solutions that help institutional investors, hedge funds, private equity firms, fund administrators and securities transfer agents improve both investment decision-making and operational efficiency, while managing risk and increasing transparency. Our solutions support every stage of the investment process, from research and portfolio management, to valuation, risk management, compliance, investment accounting, transfer agency and client reporting.

Banking: We provide banks with an integrated solution suite for asset/liability management, budgeting and planning, regulatory compliance and profitability. Our solutions also manage all aspects of universal banking including back-office transaction processing, front-office multichannel delivery, card management and payments.

Corporate Liquidity: Our solutions for corporate liquidity help businesses facilitate connectivity between their buyers, suppliers, banks, data providers and other stakeholders to increase visibility of cash, improve communication and response time, reduce risk, and help drive maximum value from working capital. Our end-to-end collaborative financial management framework helps chief financial officers and treasurers bring together receivables, treasury and payments for a single view of cash and risk, and to optimize business processes for enhanced liquidity management.

Global Trading: Our global trading solutions help buy- and sell-side firms achieve increased performance, low latency and execution across multiple platforms, asset classes and markets. We provide equities, futures, fixed income, options and energy traders with trading, risk management, compliance and surveillance solutions. Linking buy-side firms to brokers, we provide access to liquidity pools as well as order management, advanced execution and smart order routing.

Insurance: We provide solutions for the insurance industry in each of the following major business lines: life and health, annuities and pensions, property and casualty, reinsurance and asset management. Our software and services support functions from the front office through the back office, from customer service, policy administration and actuarial calculations to financial and investment accounting and reporting.

Position, Risk & Operations: Our solutions for position, risk and operations help banks, broker/dealers and futures commission merchants increase the efficiency and transparency of securities and derivatives processing. Our solutions also provide accounting, securities financing, data management and tax reporting across multiple platforms, asset classes and markets. Supporting

the entire trade lifecycle from execution to settlement, we provide centralized transactional databases that deliver consolidated views of positions and risk.

Wealth Management: We provide wealth management solutions that help banks, trust companies, brokerage firms, insurance firms, benefit administrators and independent advisors acquire, service and grow their client relationships. We provide solutions for client acquisition, transaction management, trust accounting and recordkeeping that can be deployed as stand-alone products, or as part of an integrated wealth management platform.

Additionally, FS has a business unit with the purpose of managing and advancing technology, deployment and distribution strategies including advanced-technology development and deployment frameworks and system components such as market data and time-series components, and valuation, risk and compliance engines. The business unit helps financial institutions develop and deploy custom applications, integrates SunGard system components with proprietary or third party components, and implements BPM solutions in a virtualized, SaaS environment.

FS also has a global services organization that delivers business consulting, technology and professional services for financial services institutions, energy companies and corporations. Leveraging our global delivery model, more than 5,000 consultants and developers worldwide help customers manage their complex data needs, optimize end-to-end business processes and assist with systems integration, while providing full application development, maintenance, testing and support services.

Higher Education

HE provides software and technology services to colleges and universities, including community colleges, liberal arts colleges, public universities, private colleges, for profit institutions, foundations, state systems and international institutions, to help them support communities of learners. HE also provides software and services to school districts (K-12). Our strategy, which we call the Open Digital Campus, combines our deep expertise in higher education with alternative delivery models, modular software components and modern technologies that help universities and colleges design and build their next-generation digital campuses. Our HE solutions include:

Academics & Student Success: We provide solutions to help institutions monitor student progress, identify at-risk students and intervene to provide them with timely support. We provide specialized expertise to help academic departments create online courses and academic programs and to help institutions identify funding opportunities and secure grants from foundations, governmental and other funding sources.

Alumni Relations & Development: Our solutions help advancement officers, alumni relations directors and fund-raisers to cultivate relationships with alumni, institutional donors and friends. Using these solutions, institutions plan and execute capital and other fundraising campaigns and orchestrate opportunities for ongoing interaction to deepen relationships among alumni and other members of the extended educational community.

Business Intelligence: We offer software solutions and technology services to support enterprise reporting, performance management and data-driven decision making. We provide functionally focused performance management applications for enrollment management officers in the areas of recruiting, admissions and student retention, as well as performance management solutions for advancement officers.

Community & Relationship Management: We provide solutions that help institutional personnel cultivate relationships and manage personalized interaction with students from the first point of contact through admissions, the student's campus experience, to graduation and beyond. We also

provide campus portal and communications solutions that serve as the focal point for providing information and services to members of the campus community.

Enabling Technologies: Our solutions provide institutions with technologies and services to help them manage institutional information and business processes. Our data integration technologies and services facilitate the interoperation of our systems and diverse third-party systems within the digital campus. Our identity and access management services aid in maintaining the security of campus data and systems. Our mobile platform and mobile application development services provide our customers with a community-sourced approach to developing, deploying and supporting mobile applications.

Finance & Human Capital Management: We provide financial management solutions tailored to the unique business structure of colleges and universities, including specialized functions to address education-specific needs such as faculty compensation tracking, travel and expense management, and integration with student administration systems.

IT Management Services: Our managed services provide expertise to augment the in-house capabilities of our customers in administering, managing and supporting IT needs and other mission-critical functions. We provide institutions with IT management resources and expertise including staffing of chief information officers and other IT staff to efficiently augment or strategically source IT support. We fulfill a full spectrum of IT needs, extending from application hosting and management to systems implementation, infrastructure management, 24/7 help desk support, project management, reporting and institutional research support and technology management.

K-12 Education: We provide administrative information software solutions and related implementation and support services for K-12 school districts and private schools throughout the United States. Our software and technology services help school districts improve the efficiency of their operations and use Web-based technologies to serve their constituents. We offer a fully integrated suite of products for student information, learning management, special education, financial and human resource activities. Effective January 1, 2011, our K-12 Education business was moved from our PS segment into our HE segment.

Student Services: Our solutions help colleges and universities manage the student lifecycle from recruiting and admissions through registration, financial aid, student retention and completion. We offer end-to-end student administration systems, as well as applications to support specialized student services functions. We also provide expertise to help customers improve their recruiting effectiveness.

Public Sector

PS provides software and technology services designed to meet the specialized needs of local, state and federal governments, public safety and justice agencies, utilities and public sector institutions as well as nonprofits. More than 115 million citizens in North America live in municipalities that rely on our products and services.

Our public administration solutions support a range of specialized enterprise resource planning and administrative processes for functions such as accounting, human resources, payroll, utility billing, land management and managed IT services. Public safety and justice agencies use our solutions to manage emergency dispatch operations, citizen and incident records, mobile computing in the field, and the operation of courts and jails. Our e-Government solutions help local governments to use the Internet and wireless technologies to serve their constituents. Our PS software and service solutions

help our customers connect staff, departments and citizens to help improve the quality of life in the communities they serve. In December 2010, we sold our Public Sector U.K. operation.

Availability Services

AS helps our customers improve the resilience of mission critical systems. We do this by designing, implementing and managing cost-effective solutions using people, process and technology to address enterprise IT availability needs. Since we pioneered commercial disaster recovery in the 1970s, we believe that our specialization in information availability solutions, together with our experience, technology expertise, resource management capabilities, vendor neutrality and diverse service offerings, have uniquely positioned us to meet customers' varied needs in an environment in which businesses are critically dependent on availability of IT. We have a comprehensive portfolio of services that extend from always ready standby services to high availability advanced recovery services and always on production and managed services, including planning and provisioning of enterprise cloud computing and SaaS platforms. We also provide business continuity management software and consulting services to help our customers design, implement and maintain plans to protect their central business systems. To serve our 10,000 AS customers, we have 5,000,000 square feet of data center and operations space at over 80 facilities in over ten countries. Since our inception, we have helped our customers recover from unplanned interruptions resulting from major disasters including the Gulf Coast hurricanes in 2008, widespread flooding in the U.K. 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.

We provide the following four categories of services: recovery services, managed services, consulting services and business continuity management software. They can be purchased independently or collectively, depending on the customer's requirements. Although recovery services remain our principal revenue generating services, managed services, consulting and business continuity management software increasingly account for a greater percentage of our new sales. Because advanced recovery and managed services are often unique to individual customers and utilize a greater proportion of dedicated (versus shared) resources, they typically require modestly more capital expenditures and command a somewhat lower operating margin rate than traditional systems recovery services. The combination of all of these services provides our customers with a total, end-to-end IT operations and information availability management solution.

Recovery Services: AS helps customers maintain access to the information and computer systems they need to run their businesses by providing cost-effective solutions to keep IT systems operational and secure in the event of an unplanned business disruption. These business disruptions can range from man-made events (e.g., power outages, telecommunications disruptions and acts of terrorism) to natural disasters (e.g., floods, hurricanes and earthquakes). AS offers a complete range of recovery services, depending on the length of time deemed acceptable by customers for IT systems outage — ranging from minutes (for mission-critical applications) to several hours or several days (for non-mission-critical applications). We deliver these services using processors, servers, storage devices, networks and other resources and infrastructure that are subscribed to by multiple customers, which results in economies of scale for us and cost-effectiveness for our customers. These shared services range from basic standby systems recovery services, workforce continuity services, and mobile recovery options to blended "advanced recovery" or "high availability" solutions that typically combine systems recovery services with dedicated data storage resources that allow customers to replicate data to one of our sites, helping them minimize data loss and reduce recovery times.

Managed Services: AS provides IT infrastructure and production services that customers use to run their businesses on a day-to-day basis. These services range from co-located IT infrastructure (e.g., where AS provides data center space, power, cooling and network connectivity) to fully managed infrastructure services (e.g., where AS fully manages the daily operation of a customer's IT infrastructure). Some managed services require dedicated processors, servers, storage devices, networks and other resources, which are either obtained by the customer or provided by us for the customer's exclusive use. Other managed services are provided on shared infrastructure. Managed services are designed in a flexible manner that allows customers to choose the services they need from a menu of options delivered on pre-agreed schedules or on an on-demand basis. Therefore, the combination of selected managed services is unique to each customer, with solutions crafted to meet that customer's specific needs. Managed services help customers augment their IT resources and skills without having to hire full-time internal IT staff and invest in infrastructure that is not fully used all the time. In 2010, we launched enterprise-grade cloud services and will continue to expand our cloud offering in 2011.

Consulting Services: AS offers consulting services to help customers solve critical business continuity and IT infrastructure problems including business continuity, data storage and management, information security, and numerous categories of IT infrastructure operations.

Business Continuity Management Software: AS offers software solutions that help customers operate a comprehensive and professional business continuity plan across their enterprise and enable ongoing business operations in a crisis. AS software has flexible modular solutions that allow customers to add functionality as required. Modules are available to support business impact analysis, business continuity planning, incident response and emergency notification. The software solution leverages a common platform for data consistency, as well as standardized reporting for seamless automation of the business continuity process.

Acquisitions

To complement our organic growth, we have a highly disciplined program to identify, evaluate, execute and integrate acquisitions. Generally, we seek to acquire businesses that broaden our existing product lines and service offerings by adding complementary products and service offerings and by expanding our geographic reach. During 2010, we spent approximately $82 million in cash to acquire four businesses.

The following table lists the businesses we acquired in 2010:

Acquired Company/Business	Date Acquired	Description
InMatrix Holdings	01/29/10	Provides credit risk management solutions for commercial lending primarily to the banking industry.
365 Hosting Limited	03/11/10	Provides cloud computing and data center managed IT services.
Fox River Execution Technology, LLC	07/19/10	Registered broker/dealer that provides algorithmic trade execution.
Mindwell AB	10/05/10	Swedish financial technology consulting services firm.

Product Development

We continually support, upgrade and enhance our systems and develop new products to meet the needs of our customers for operational efficiency and resilience and to leverage advances in technology. FS continues to transform some of the key functionality of its core systems into components for its new software development and on-demand delivery environment called Infinity. Infinity enables financial institutions to develop and deploy custom applications, integrating SunGard components with their own proprietary or third party components. Infinity uses SunGard's Common Services Architecture ("CSA"), a service-oriented architecture ("SOA") development framework, offering BPM and a virtualized, SaaS infrastructure.

Our expenditures for software development during the years ended December 31, 2008, 2009 and 2010, including amounts that were capitalized, totaled approximately $325 million, $364 million and $385 million, respectively. In 2008, 2009 and 2010, software development expenses were 8%, 9% and 10%, respectively, of revenue from software and processing solutions. These amounts do not include routine software support costs that are included in cost of sales, nor do they include costs incurred in performing certain customer-funded development projects in the ordinary course of business.

Marketing

Most of our FS and HE solutions are marketed throughout North America and Western Europe and many are marketed worldwide, including Asia-Pacific, Central and Eastern Europe, the Middle East, Africa and Latin America. Our PS solutions are marketed primarily in North America. Our AS solutions are marketed primarily in North America and Europe, with a focus on both new accounts and existing accounts. Our revenue from sales outside the United States during the years ended December 31, 2008, 2009 and 2010 totaled approximately $1.45 billion, $1.50 billion and $1.56 billion, respectively.

Brand and Intellectual Property

We own registered marks for the SUNGARD name and own or have applied for trademark registrations for many of our services and software products.

To protect our proprietary services and software, we rely upon a combination of copyright, patent, trademark and trade secret law, confidentiality restrictions in contracts with employees, customers and others, software security measures, and registered copyrights and patents. We also have established policies requiring our personnel and representatives to maintain the confidentiality of our proprietary property. We have a few registrations of our copyrights and a number of patents and patent applications pending. We will continue to apply for software and business method patents on a case-by-case basis and will continue to monitor ongoing developments in the evolving software and business method patent field (see ITEM 1A—RISK FACTORS).

Competition

Because most of our computer services and software solutions are specialized and technical in nature, most of the niche areas in which we compete have a relatively small number of significant competitors. Some of our existing competitors and some potential competitors have substantially greater financial, technological and marketing resources than we have.

Financial Systems. In our FS business, we compete with numerous other data processing and software vendors that may be broadly categorized into two groups. The first group is comprised of

specialized financial systems companies that are much smaller than we are. The second group is comprised of large computer services companies whose principal businesses are not in the financial systems area, some of which are also active acquirors. We also face competition from the internal processing and IT departments of our customers and prospects. The key competitive factors in marketing financial systems are the accuracy and timeliness of processed information provided to customers, features and adaptability of the software, level and quality of customer support, degree of responsiveness, level of software development expertise, total cost of ownership and return on investment. We believe that we compete effectively with respect to each of these factors and that our leadership, reputation and experience in this business are important competitive advantages.

Higher Education and Public Sector. In our HE and PS businesses, we compete with a variety of other vendors depending upon customer characteristics such as size, type, location, computing environment and functional requirements. For example, different competitors serve educational institutions and government agencies of different sizes or types and in different states or geographic regions. Competitors in these businesses range from larger providers of generic enterprise resource planning systems to smaller providers of specialized applications and technologies. We also compete with outsourcers and systems integrators, as well as the internal processing and information technology departments of our customers and prospective customers. The key competitive factors in marketing higher education and public sector systems are the accuracy and timeliness of processed information provided to customers, features and adaptability of the software, level and quality of customer support, degree of responsiveness, level of software development expertise and overall net cost. We believe that we compete effectively on each of these factors and that our leadership, reputation and experience in these businesses are important competitive advantages.

Availability Services. In our AS business, our greatest source of competition for recovery and advanced recovery services is in-house dedicated solutions, which are solutions that our customers or prospective customers develop and maintain internally instead of purchasing from a vendor such as us. Historically, our single largest commercial competitor in the AS business for recovery and advanced recovery services has been IBM Corporation, which we believe is the only company other than ours that currently provides the full continuum of information availability services. We also face competition from specialized vendors, including hardware manufacturers, data-replication and virtualization software companies, outsourcers, managed hosting companies, IT services companies and telecommunications companies. Competition among managed or data center service providers is fragmented across various competitor types, such as major telecommunication providers, carrier neutral managed services providers, real estate investment trusts, IT outsourcers and regional colocation providers. We believe that we compete effectively with respect to the key competitive dimensions in the information availability industry, namely economies of scale, quality of infrastructure, scope and quality of services, including breadth of hardware platforms and network capacity, level and quality of customer support, level of technical expertise, vendor neutrality and price. We also believe that our experience and reputation as an innovator in information availability solutions, our proven track record, our financial stability and our ability to provide the entire portfolio of information availability services as a single vendor solution are important competitive advantages.

Employees

As of December 31, 2010, we had approximately 20,100 employees. Our success depends partly on our continuing ability to retain and attract skilled technical, sales and management personnel. While skilled personnel are in high demand and competition exists for their talents, we have been able to

retain and attract highly qualified personnel (see ITEM 1A—RISK FACTORS). We believe that our employee relations are excellent.

ITEM 1A. RISK FACTORS

Certain of the matters we discuss in this Report on Form 10-K may constitute forward-looking statements. You can identify forward-looking statements because they contain words such as "believes," "expects," "may," "will," "should," "seeks," "approximately," "intends," "plans," "estimates," or "anticipates" or similar expressions which concern our strategy, plans or intentions. All statements we make relating to estimated and projected earnings, margins, costs, expenditures, cash flows, growth rates and financial results are forward-looking statements. In addition, we, through our senior management, from time to time make forward-looking public statements concerning our expected future operations and performance and other developments. All of these forward-looking statements are subject to risks and uncertainties that may change at any time, and, therefore, our actual results may differ materially from those we expected. We derive most of our forward-looking statements from our operating budgets and forecasts, which are based upon many detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and, of course, it is impossible for us to anticipate all factors that could affect our actual results. Some of the factors that we believe could affect our results include:

- our high degree of debt-related leverage;
- general economic and market conditions;
- the condition of the financial services industry, including the effect of any further consolidation among financial services firms;
- the integration of acquired businesses, the performance of acquired businesses, and the prospects for future acquisitions;
- the effect of war, terrorism, natural disasters or other catastrophic events;
- the effect of disruptions to our systems and infrastructure;
- the timing and magnitude of software sales;
- the timing and scope of technological advances;
- customers taking their information availability solutions in-house;
- the trend in information availability toward solutions utilizing more dedicated resources;
- the market and credit risks associated with clearing broker operations;
- the ability to retain and attract customers and key personnel;
- risks relating to the foreign countries where we transact business;
- the ability to obtain patent protection and avoid patent-related liabilities in the context of a rapidly developing legal framework for software and business-method patents;
- a material weakness in our internal controls; and
- unanticipated changes in our tax provision or the adoption of new tax legislation.

The factors described in this paragraph and other factors that may affect our business or future financial results, as and when applicable, are discussed in our filings with the Securities and Exchange

Commission ("SEC"), including this Report on Form 10-K. We assume no obligation to update any written or oral forward-looking statements made by us or on our behalf as a result of new information, future events or other factors.

Risks Related to Our Indebtedness

Our substantial leverage could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or our industry, expose us to interest rate risk to the extent of our variable rate debt and prevent us from meeting our debt obligations.

As a result of being acquired on August 11, 2005 by a consortium of private equity investment funds, we are highly leveraged and our debt service requirements are significant.

Our high degree of debt-related leverage could have important consequences, including:

- making it more difficult for us to make payments on our debt obligations;
- increasing our vulnerability to general economic and industry conditions;
- requiring a substantial portion of cash flow from operations to be dedicated to the payment of principal and interest on our indebtedness, therefore reducing our ability to use our cash flow to fund our operations, capital expenditures and future business opportunities;
- exposing us to the risk of increased interest rates as certain of our borrowings, including borrowings under our senior secured credit facilities, are at variable rates of interest;
- restricting us from making acquisitions or causing us to make non-strategic divestitures;
- limiting our ability to obtain additional financing for working capital, capital expenditures, product development, debt service requirements, acquisitions and general corporate or other purposes; and
- limiting our ability to adjust to changing market conditions and placing us at a competitive disadvantage compared to our competitors who are less highly leveraged.

We and our subsidiaries may be able to incur substantial additional indebtedness in the future, subject to the restrictions contained in our senior secured credit facilities and the indentures relating to our senior notes due 2015, 2018 and 2020 and senior subordinated notes due 2015. If new indebtedness is added to our current debt levels, the related risks that we now face could intensify.

Our debt agreements contain restrictions that limit our flexibility in operating our business.

Our senior secured credit agreement and the indentures governing our senior notes due 2015, 2018 and 2020 and senior subordinated notes due 2015 contain various covenants that limit our ability to engage in specified types of transactions. These covenants limit our ability to, among other things:

- incur additional indebtedness or issue certain preferred shares;
- pay dividends on, repurchase or make distributions in respect of our capital stock or make other restricted payments;
- make certain investments;
- sell certain assets;
- create liens;
- consolidate, merge, sell or otherwise dispose of all or substantially all of our assets; and
- enter into certain transactions with our affiliates.

In addition, under the senior secured credit agreement, we are required to satisfy and maintain specified financial ratios and other financial condition tests. Our ability to meet those financial ratios and tests can be affected by events beyond our control, and we may not be able to meet those ratios and tests. A breach of any of these covenants could result in a default under the senior secured credit agreement. Upon an event of default under the senior secured credit agreement, the lenders could elect to declare all amounts outstanding to be immediately due and payable and terminate all commitments to extend further credit.

If we were unable to repay those amounts, the lenders under the senior secured credit agreement could proceed against the collateral granted to them to secure that indebtedness. We have pledged a significant portion of our assets as collateral under the senior secured credit agreement and the senior notes due 2014, to the extent required by the indenture governing these notes. If the lenders under the senior secured credit agreement accelerate the repayment of borrowings, we may not have sufficient assets to repay the senior secured credit facilities and the senior notes, as well as our unsecured indebtedness.

Risks Related to Our Business

Our business depends largely on the economy and financial markets, and a slowdown or downturn in the economy or financial markets could adversely affect our business and results of operations.

When there is a slowdown or downturn in the economy, a drop in stock market levels or trading volumes, or an event that disrupts the financial markets, our business and financial results may suffer for a number of reasons. Customers may react to worsening conditions by reducing their capital expenditures in general or by specifically reducing their IT spending. In addition, customers may curtail or discontinue trading operations, delay or cancel IT projects, or seek to lower their costs by renegotiating vendor contracts. Also, customers with excess IT resources may choose to take their information availability solutions in-house rather than obtain those solutions from us. Moreover, competitors may respond to market conditions by lowering prices and attempting to lure away our customers to lower cost solutions. If any of these circumstances remain in effect for an extended period of time, there could be a material adverse effect on our financial results. Because our financial performance tends to lag behind fluctuations in the economy, our recovery from any particular downturn in the economy may not occur until after economic conditions have generally improved.

Our business depends to a significant degree on the financial services industry, and a weakening of, or further consolidation in, or new regulations affecting, the financial services industry could adversely affect our business and results of operations.

Because our customer base is concentrated in the financial services industry, our business is largely dependent on the health of that industry. When there is a general downturn in the financial services industry, or if our customers in that industry experience financial or business problems, our business and financial results may suffer. If financial services firms continue to consolidate, there could be a material adverse effect on our business and financial results. When a customer merges with a firm using its own solution or another vendor’s solution, it could decide to consolidate on a non-SunGard system, which could have an adverse effect on our financial results.

To the extent new regulations adopted negatively impact the business, operations or financial condition of our customers, our business and financial results could be adversely affected. We could be required to invest a significant amount of time and resources to comply with additional regulations or

to modify the manner in which we provide products and services to our customers; and such regulations could limit how much we can charge for our services. We may not be able to update our existing products and services, or develop new ones at all or in a timely manner, to satisfy our customers' needs. Any of these events, if realized, could have a material adverse effect on our business and financial results.

Our acquisition program is an important element of our strategy but, because of the uncertainties involved, this program may not be successful and we may not be able to successfully integrate and manage acquired businesses.

Part of our growth strategy is to pursue additional acquisitions in the future. There can be no assurance that our acquisition program will continue to be successful. In addition, we may finance any future acquisition with debt, which would increase our overall levels of indebtedness and related interest costs. If we are unable to successfully integrate and manage acquired businesses, then our business and financial results may suffer. It is possible that the businesses we have acquired and businesses that we acquire in the future may perform worse than expected, be subject to an adverse litigation outcome or prove to be more difficult to integrate and manage than expected. If that happens, there may be a material adverse effect on our business and financial results for a number of reasons, including:

- we may have to devote unanticipated financial and management resources to acquired businesses;
- we may not be able to realize expected operating efficiencies or product integration benefits from our acquisitions;
- we may have to write off goodwill or other intangible assets; and
- we may incur unforeseen obligations or liabilities (including assumed liabilities not fully indemnified by the seller) in connection with acquisitions.

If we are unable to identify suitable acquisition candidates and successfully complete acquisitions, our growth may be adversely affected.

Our growth has depended in part on our ability to acquire similar or complementary businesses on favorable terms. This growth strategy is subject to a number of risks that could adversely affect our business and financial results, including:

- we may not be able to find suitable businesses to acquire at affordable valuations or on other acceptable terms;
- we may face competition for acquisitions from other potential acquirers, some of whom may have greater resources than us or may be less highly leveraged, or from the possibility of an acquisition target pursuing an initial public offering of its stock;
- we may have to incur additional debt to finance future acquisitions as we have done in the past and no assurance can be given as to whether, and on what terms, such additional debt will be available; and
- we may find it more difficult or costly to complete acquisitions due to changes in accounting, tax, securities or other regulations.

Catastrophic events may disrupt or otherwise adversely affect the markets in which we operate, our business and our profitability.

Our business may be adversely affected by a war, terrorist attack, natural disaster or other catastrophe. A catastrophic event could have a direct negative impact on us or an indirect impact on us

by, for example, affecting our customers, the financial markets or the overall economy. The potential for a direct impact is due primarily to our significant investment in our infrastructure. Although we maintain redundant facilities and have contingency plans in place to protect against both man-made and natural threats, it is impossible to fully anticipate and protect against all potential catastrophes. Despite our preparations, a security breach, criminal act, military action, power or communication failure, flood, severe storm or the like could lead to service interruptions and data losses for customers, disruptions to our operations, or damage to our important facilities. The same disasters or circumstances that may lead to our customers requiring access to our availability services may negatively impact our own ability to provide such services. Our three largest availability services facilities are particularly important, and a major disruption at one or more of those facilities could disrupt or otherwise impair our ability to provide services to our availability services customers. If any of these events happen, we may be exposed to unexpected liability, our customers may leave, our reputation may be tarnished, and there could be a material adverse effect on our business and financial results.

Our application service provider systems may be subject to disruptions that could adversely affect our reputation and our business.

Our application service provider systems maintain and process confidential data on behalf of our customers, some of which is critical to their business operations. For example, our global trading and position, risk and operations systems maintain account and trading information for our customers and their clients, and our wealth management and insurance systems maintain investor account information for retirement plans, insurance policies and mutual funds. There is no guarantee that the systems and procedures that we maintain to protect against unauthorized access to such information are adequate to protect against all security breaches. If our application service provider systems are disrupted or fail for any reason, or if our systems or facilities are infiltrated or damaged by unauthorized persons, our customers could experience data loss, financial loss, harm to reputation and significant business interruption. If that happens, we may be exposed to unexpected liability, our customers may leave, our reputation may be tarnished, and there could be a material adverse effect on our business and financial results.

Because the sales cycle for our software is typically lengthy and unpredictable, our results may fluctuate from period to period.

Our operating results may fluctuate from period to period and be difficult to predict in a particular period due to the timing and magnitude of software sales. We offer a number of our software solutions on a license basis, which means that the customer has the right to run the software on its own computers. The customer usually makes a significant up-front payment to license software, which we generally recognize as revenue when the license contract is signed and the software is delivered. The size of the up-front payment often depends on a number of factors that are different for each customer, such as the number of customer locations, users or accounts. As a result, the sales cycle for a software license may be lengthy and take unexpected turns. Thus, it is difficult to predict when software sales will occur or how much revenue they will generate. Since there are few incremental costs associated with software sales, our operating results may fluctuate from quarter to quarter and year to year due to the timing and magnitude of software sales.

Rapid changes in technology and our customers' businesses could adversely affect our business and financial results.

Our business may suffer if we do not successfully adapt our products and services to changes in technology and changes in our customers' businesses. These changes can occur rapidly and at unpredictable intervals and we may not be able to respond adequately. If we do not successfully update

and integrate our products and services to adapt to these changes, or if we do not successfully develop new products and services needed by our customers to keep pace with these changes, then our business and financial results may suffer. Our ability to keep up with technology and business changes is subject to a number of risks and we may find it difficult or costly to, among other things:

- update our products and services and to develop new products fast enough to meet our customers' needs;
- make some features of our products and services work effectively and securely over the Internet;
- integrate more of our FS solutions;
- update our products and services to keep pace with business, regulatory and other developments in the financial services industry, where many of our customers operate; and
- update our services to keep pace with advancements in hardware, software and telecommunications technology.

Some technological changes, such as advancements that have facilitated the ability of our AS customers to develop their own internal solutions, may render some of our products and services less valuable or eventually obsolete. In addition, because of ongoing, rapid technological changes, the useful lives of some technology assets have become shorter and customers are therefore replacing these assets more often. As a result, our customers are increasingly expressing a preference for contracts with shorter terms, which could make our revenue less predictable in the future.

Customers taking their information availability solutions in-house may continue to create pressure on our organic revenue growth rate.

Our AS solutions allow customers to leverage our significant infrastructure and take advantage of our experience, technology expertise, resource management capabilities and vendor neutrality. Technological advances in recent years have significantly reduced the cost and the complexity of developing in-house solutions. Some customers, especially among the very largest having significant IT resources, prefer to develop and maintain their own in-house availability solutions, which can result in a loss of revenue from those customers. If this trend continues or worsens, there will be continued pressure on our organic revenue growth rate.

The trend toward information availability solutions utilizing more single customer dedicated resources likely will lower our overall operating margin rate over time.

In the information availability services industry, especially among our more sophisticated customers, there is an increasing preference for solutions that utilize some level of dedicated resources, such as blended advanced recovery services and managed services. The primary reason for this trend is that adding dedicated resources, although more costly, provides greater control, reduces data loss and facilitates quicker responses to business interruptions. Advanced recovery services often result in greater use of dedicated resources with a modest decrease in operating margin rate. Managed services require significant dedicated resources and, therefore, have an appropriately lower operating margin rate.

Our brokerage operations are highly regulated and are riskier than our other businesses.

Organizations like the Securities and Exchange Commission, Financial Services Authority and Financial Industry Regulatory Authority can, among other things, fine, censure, issue cease-and-desist orders and suspend or expel a broker/dealer or any of its officers or employees for failures to comply with the many laws and regulations that govern brokerage operations. Our ability to comply with these laws and regulations is largely dependent on our establishment, maintenance and enforcement of an effective brokerage compliance program. Our failure to establish, maintain and enforce proper brokerage compliance procedures, even if unintentional, could subject us to significant losses, lead to disciplinary or other actions, and tarnish our reputation. Regulations affecting the brokerage industry, in particular with respect to active traders, may change, which could adversely affect our financial results.

We are exposed to certain risks relating to the execution and clearance services provided by our brokerage operations to retail customers, institutional clients (including hedge funds and other broker/dealers), and proprietary traders. These risks include, but are not limited to, customers failing to pay for securities commitments in the marketplace, trading errors, the inability or failure to settle trades, and trade execution or clearance systems failures. In our other businesses, we generally can disclaim liability for trading losses that may be caused by our software, but in our brokerage operations, we cannot limit our liability for trading losses even when we are not at fault. As a result we may suffer losses that are disproportionate to the relatively modest profit contributions of this business.

We could lose revenue due to "fiscal funding" or "termination for convenience" clauses in certain customer contracts, especially in our HE and PS businesses.

Certain of our customer contracts, particularly those with governments, institutions of higher education and school districts, may be partly or completely terminated by the customer due to budget cuts or sometimes for any reason at all. These types of clauses are often called "fiscal funding" or "termination for convenience" clauses. If a customer exercises one of these clauses, the customer would be obligated to pay for the services we performed up to the date of exercise, but would not have to pay for any further services. In addition, governments, institutions of higher education and school districts may require contract terms that differ from our standard terms. While we have not been materially affected by exercises of these clauses or other unusual terms in the past, we may be in the future. If customers that collectively represent a substantial portion of our revenue were to invoke the fiscal funding or termination for convenience clauses of their contracts, our future business and results of operations could be adversely affected.

If we fail to comply with government regulations in connection with our business or providing technology services to certain financial institutions, our business and results of operations may be adversely affected.

Because we act as a third-party service provider to financial institutions and provide mission-critical applications for many financial institutions that are regulated by one or more member agencies of the Federal Financial Institutions Examination Council ("FFIEC"), we are subject to examination by the member agencies of the FFIEC. More specifically, we are a Multi-Regional Data Processing Servicer of the FFIEC because we provide mission critical applications for financial institutions from several data centers located in different geographic regions. As a result, the FFIEC conducts periodic reviews of certain of our operations in order to identify existing or potential risks associated with our operations that could adversely affect the financial institutions to whom we provide services, evaluate

our risk management systems and controls, and determine our compliance with applicable laws that affect the services we provide to financial institutions. In addition to examining areas such as our management of technology, data integrity, information confidentiality and service availability, the reviews also assess our financial stability. Our incurrence of significant debt in connection with the LBO increases the risk of an FFIEC agency review determining that our financial stability has been weakened. A sufficiently unfavorable review from the FFIEC could result in our financial institution customers not being allowed to use our technology services, which could have a material adverse effect on our business and financial condition.

If we fail to comply with any regulations applicable to our business, we may be exposed to unexpected liability and/or governmental proceedings, our customers may leave, our reputation may be tarnished, and there could be a material adverse effect on our business and financial results. In addition, the future enactment of more restrictive laws or rules on the federal or state level, or, with respect to our international operations, in foreign jurisdictions on the national, provincial, state or other level, could have an adverse impact on business and financial results.

If we are unable to retain or attract customers, our business and financial results will be adversely affected.

If we are unable to keep existing customers satisfied, sell additional products and services to existing customers or attract new customers, then our business and financial results may suffer. A variety of factors could affect our ability to successfully retain and attract customers, including the level of demand for our products and services, the level of customer spending for information technology, the level of competition from customers that develop their own solutions internally and from other vendors, the quality of our customer service, our ability to update our products and develop new products and services needed by customers, and our ability to integrate and manage acquired businesses. Further, the markets in which we operate are highly competitive and we may not be able to compete effectively. Our services revenue, which has been largely recurring in nature, comes from the sale of our products and services under fixed-term contracts. We do not have a unilateral right to extend these contracts when they expire. Revenue from our broker/dealer businesses is not subject to minimum or ongoing contractual commitments on the part of brokerage customers. If customers cancel or refuse to renew their contracts, or if customers reduce the usage levels or asset values under their contracts, there could be a material adverse effect on our business and financial results.

If we fail to retain key employees, our business may be harmed.

Our success depends on the skill, experience and dedication of our employees. If we are unable to retain and attract sufficiently experienced and capable personnel, especially in product development, sales and management, our business and financial results may suffer. For example, if we are unable to retain and attract a sufficient number of skilled technical personnel, our ability to develop high quality products and provide high quality customer service may be impaired. Experienced and capable personnel in the technology industry remain in high demand, and there is continual competition for their talents. When talented employees leave, we may have difficulty replacing them, and our business may suffer. There can be no assurance that we will be able to successfully retain and attract the personnel that we need.

We are subject to the risks of doing business internationally.

A portion of our revenue is generated outside the United States, primarily from customers located in Europe. Over the past few years we have expanded our operations in India and acquired businesses

in China and Singapore in an effort to increase our presence throughout Asia Pacific. Because we sell our services outside the United States, our business is subject to risks associated with doing business internationally. Accordingly, our business and financial results could be adversely affected due to a variety of factors, including:

- changes in a specific country's or region's political and cultural climate or economic condition;
- unexpected or unfavorable changes in foreign laws and regulatory requirements;
- difficulty of effective enforcement of contractual provisions in local jurisdictions;
- inadequate intellectual property protection in foreign countries;
- trade-protection measures, import or export licensing requirements such as Export Administration Regulations promulgated by the U.S. Department of Commerce and fines, penalties or suspension or revocation of export privileges;
- the effects of applicable foreign tax law and potentially adverse tax law changes;
- significant adverse changes in foreign currency exchange rates;
- longer accounts receivable cycles;
- managing a geographically dispersed workforce; and
- difficulties associated with repatriating cash in a tax-efficient manner.

In foreign countries, particularly in those with developing economies, certain business practices may exist that are prohibited by laws and regulations applicable to us, such as the U.S. Foreign Corrupt Practices Act. Although our policies and procedures require compliance with these laws and are designed to facilitate compliance with these laws, our employees, contractors and agents may take actions in violation of applicable laws or our policies. Any such violation, even if prohibited by our policies, could have a material adverse effect on our business and reputation.

The private equity firms that acquired the Company ("Sponsors") control us and may have conflicts of interest with us.

Investment funds associated with or designated by the Sponsors indirectly own, through their ownership in the Parent Companies, a substantial portion of our capital stock. As a result, the Sponsors have control over our decisions to enter into any corporate transaction regardless of whether noteholders believe that any such transaction is in their own best interests. For example, the Sponsors could cause us to make acquisitions or pay dividends that increase the amount of indebtedness that is secured or that is senior to our senior subordinated notes or to sell assets.

Additionally, the Sponsors are in the business of making investments in companies and may from time to time acquire and hold interests in businesses that compete directly or indirectly with us. One or more of the Sponsors may also pursue acquisition opportunities that may be complementary to our business and, as a result, those acquisition opportunities may not be available to us. So long as investment funds associated with or designated by the Sponsors continue to indirectly own a significant amount of the outstanding shares of our common stock, even if such amount is less than 50%, the Sponsors will continue to be able to strongly influence or effectively control our decisions.

If we are unable to protect our proprietary technologies and defend infringement claims, we could lose one of our competitive advantages and our business could be adversely affected.

Our success depends in part on our ability to protect our proprietary products and services and to defend against infringement claims. If we are unable to do so, our business and financial results may suffer. To protect our proprietary technology, we rely upon a combination of copyright, patent, trademark and trade secret law, confidentiality restrictions in contracts with employees, customers and others, software security measures, and registered copyrights and patents. Despite our efforts to protect the proprietary technology, unauthorized persons may be able to copy, reverse engineer or otherwise use some of our technology. It also is possible that others will develop and market similar or better technology to compete with us. Furthermore, existing patent, copyright and trade secret laws may afford only limited protection, and the laws of certain countries do not protect proprietary technology as well as United States law. For these reasons, we may have difficulty protecting our proprietary technology against unauthorized copying or use. If any of these events happens, there could be a material adverse effect on the value of our proprietary technology and on our business and financial results. In addition, litigation may be necessary to protect our proprietary technology. This type of litigation is often costly and time-consuming, with no assurance of success.

We may be sued for violating the intellectual property rights of others.

The software industry is characterized by the existence of a large number of trade secrets, copyrights and the rapid issuance of patents, as well as frequent litigation based on allegations of infringement or other violations of intellectual property rights. We may unknowingly violate the intellectual property rights of others. Some of our competitors or other third parties may have been more aggressive than us in applying for or obtaining patent protection for innovative proprietary technologies both in the United States and internationally. In addition, we use a limited amount of open source software in our products and may use more open source software in the future. Because open source software is developed by numerous independent parties over whom we exercise no supervision or control, allegations of infringement for using open source software are possible. Although we monitor our use and our suppliers' use of open source software to avoid subjecting our products to conditions we do not intend, the terms of many open source licenses have not been interpreted by United States or other courts, and there is a risk that these licenses could be construed in a manner that could impose unanticipated conditions or restrictions on our ability to commercialize our products.

As a result of all of these factors, there can be no assurance that in the future third parties will not assert infringement claims against us and preclude us from using a technology in our products or require us to enter into royalty and licensing arrangements on terms that are not favorable to us, or force us to engage in costly infringement litigation, which could result in us paying monetary damages or being forced to redesign our products to avoid infringement. Additionally, our licenses and service agreements with our customers generally provide that we will defend and indemnify them for claims against them relating to our alleged infringement of the intellectual property rights of third parties with respect to our products or services. We might have to defend or indemnify our customers to the extent they are subject to these types of claims. Any of these claims may be difficult and costly to defend and may lead to unfavorable judgments or settlements, which could have a material adverse effect on our reputation, business and financial results. For these reasons, we may find it difficult or costly to add or retain important features in our products and services.

At present, we are vigorously defending a number of patent infringement cases. While we do not believe we have a potential liability for damages or royalties from any known current legal proceedings

or claims related to the infringement of patent or other intellectual property rights that would individually or in the aggregate materially adversely affect our financial condition and operating results, the results of such legal proceedings cannot be predicted with certainty. Should we fail to prevail in any of the matters related to infringement of patent or other intellectual property rights of others or should several of these matters be resolved against us in the same reporting period, it could have a material adverse effect on our business and financial results.

Defects, design errors or security flaws in our products could harm our reputation and expose us to potential liability.

Most of our products are very complex software systems that are regularly updated. No matter how careful the design and development, complex software often contains errors and defects when first introduced and when major new updates or enhancements are released. If errors or defects are discovered in our current or future products, we may not be able to correct them in a timely manner, if at all. In our development of updates and enhancements to our products, we may make a major design error that makes the product operate incorrectly or less efficiently.

In addition, certain of our products include security features that are intended to protect the privacy and integrity of customer data. Despite these security features, our products and systems, and our customers' systems may be vulnerable to break-ins and similar problems caused by third parties, such as hackers bypassing firewalls and misappropriating confidential information. Such break-ins or other disruptions could jeopardize the security of information stored in and transmitted through our computer systems and those of our customers, subject us to liability and tarnish our reputation. We may need to expend significant capital resources in order to eliminate or work around errors, defects, design errors or security problems. Any one of these problems in our products may result in the loss of or a delay in market acceptance of our products, the diversion of development resources, a lower rate of license renewals or upgrades and damage to our reputation, and in turn may increase service and warranty costs.

A material weakness in our internal controls could have a material adverse affect on us.

Effective internal controls are necessary for us to provide reasonable assurance with respect to our financial reports and to effectively prevent fraud. If we cannot provide reasonable assurance with respect to our financial reports and effectively prevent fraud, our reputation and operating results could be harmed. Pursuant to the Sarbanes-Oxley Act of 2002, we are required to furnish a report by management on internal control over financial reporting, including management's assessment of the effectiveness of such control. Internal control over financial reporting may not prevent or detect misstatements because of its inherent limitations, including the possibility of human error, the circumvention or overriding of controls, or fraud. Further, the complexities of our quarter- and year-end closing processes increase the risk that a weakness in internal controls over financial reporting may go undetected. Therefore, even effective internal controls can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements. In addition, projections of any evaluation of effectiveness of internal control over financial reporting to future periods are subject to the risk that the control may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. If we fail to maintain the adequacy of our internal controls, including any failure to implement required new or improved controls, or if we experience difficulties in their implementation, we could fail to meet our reporting obligations, and there could be a material adverse effect on our business and financial results.

Unanticipated changes in our tax provision or the adoption of new tax legislation could affect our profitability or cash flow.

We are subject to income taxes in the United States and many foreign jurisdictions. Significant judgment is required in determining our worldwide provision for income taxes. We regularly are under audit by tax authorities. Although we believe our tax provision is reasonable, the final determination of our tax liability could be materially different from our historical income tax provisions, which could have a material effect on our financial position, results of operations or cash flows. In addition, tax-law amendments in the U.S. and other jurisdictions could significantly impact how U.S. multinational corporations are taxed. Although we cannot predict whether or in what form such legislation will pass, if enacted it could have a material adverse effect on our business and financial results.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We lease space, primarily for availability services facilities, data centers, sales offices, customer support offices and administrative offices, in many locations worldwide. We also own some of our computer and office facilities. Our principal facilities include our leased Availability Services facilities in Philadelphia, Pennsylvania (629,800 square feet), Carlstadt, New Jersey (661,000 square feet), and Hounslow, England (195,000 square feet) and include our financial systems application service provider centers in Voorhees, New Jersey; Birmingham, Alabama; Burlington, Massachusetts; Hopkins, Minnesota; Ridgefield, New Jersey; and Wayne, Pennsylvania. We believe that our leased and owned facilities are adequate for our present operations.

ITEM 3. LEGAL PROCEEDINGS

We are presently a party to certain lawsuits arising in the ordinary course of our business. We believe that none of our current legal proceedings will be material to our business, financial condition or results of operations.

ITEM 4. (REMOVED AND RESERVED)

PART II

ITEM 5. MARKET FOR REGISTRANTS' COMMON EQUITY, RELATED Stockholder Matters and Issuer Purchases of Equity SECURITIES

Our outstanding common stock is privately held, and there is no established public trading market for our common stock. As of February 15, 2011, there were 197 holders of record of each of Class A common stock and Class L common stock of SCC, and there was one holder of record of common stock of SunGard.

See ITEM 7-LIQUIDITY AND CAPITAL RESOURCES—COVENANT COMPLIANCE for a description of restrictions on our ability to pay dividends.

ITEM 6. SELECTED FINANCIAL DATA

SunGard Capital Corp.

(in millions)	2006	2007	2008	2009	2010
Income Statement Data[1][2]					
Revenue	$ 4,120	$ 4,697	$ 5,401	$ 5,332	**$ 4,992**
Operating income (loss)	520	633	632	(581)	**268**
Loss from continuing operations	(123)	(57)	(92)	(1,121)	**(390)**
Income (loss) from discontinued operations	7	(3)	(150)	4	**(180)**
Net loss	(116)	(60)	(242)	(1,117)	**(570)**
Balance Sheet Data[1]					
Total assets	$14,682	$14,842	$15,778	$13,980	**$12,968**
Total short-term and long-term debt	7,439	7,485	8,875	8,315	**8,055**
Equity	3,394	3,384	2,869	1,914	**1,452**

SunGard Capital Corp. II

(in millions)	2006	2007	2008	2009	2010
Income Statement Data[1][2]					
Revenue	$ 4,120	$ 4,697	$ 5,401	$ 5,332	**$ 4,992**
Operating income (loss)	520	634	632	(581)	**268**
Loss from continuing operations	(125)	(57)	(92)	(1,122)	**(390)**
Income (loss) from discontinued operations	7	(3)	(150)	4	**(180)**
Net loss	(118)	(60)	(242)	(1,118)	**(570)**
Balance Sheet Data[1]					
Total assets	$14,673	$14,840	$15,778	$13,980	**$12,968**
Total short-term and long-term debt	7,439	7,485	8,875	8,315	**8,055**
Stockholders' equity	3,524	3,505	3,011	2,026	**1,567**

SunGard Data Systems Inc.

(in millions)	2006	2007	2008	2009	2010
Income Statement Data[1][2]					
Revenue	$ 4,120	$ 4,697	$ 5,401	$ 5,332	**$ 4,992**
Operating income (loss)	520	634	632	(581)	**268**
Loss from continuing operations	(125)	(57)	(92)	(1,122)	**(390)**
Income (loss) from discontinued operations	7	(3)	(150)	4	**(180)**
Net loss	(118)	(60)	(242)	(1,118)	**(570)**
Balance Sheet Data[1]					
Total assets	$14,671	$14,840	$15,778	$13,980	**$12,968**
Total short-term and long-term debt	7,439	7,485	8,875	8,315	**8,055**
Stockholder's equity	3,574	3,556	3,063	2,067	**1,607**

(1) Includes the effect of business acquisitions and dispositions from the date of each event. There were ten acquisitions in 2006, eleven acquisitions in 2007, six acquisitions in 2008, three acquisitions in 2009 and four acquisitions in 2010. Three businesses were sold in 2006, four businesses were sold in 2008, two businesses were sold in 2009 and one business in 2010 which is presented as discontinued operations.

(2) Included in 2007 loss from continuing operations is $28 million of expense associated with the early retirement of the $400 million of senior floating rate notes due 2013, of which $19 million represented the retirement premium paid to noteholders.

Included in 2008 loss from discontinued operations is a goodwill impairment charge of $128 million, and included in 2008 loss from continuing operations are intangible asset write-offs of $67 million and foreign currency losses and unused alternative financing commitment fees associated with the acquisition of GL TRADE S.A. of $17 million.

Included in 2009 loss from continuing operations is a goodwill impairment charge of $1.13 billion and intangible asset write-offs of $35 million.

Included in 2010 loss from continuing operations are goodwill impairment charges of $237 million, $58 million of expense, including tender and call premiums of $39 million, associated with the early retirement of $1.6 billion senior notes due 2013 and euro denominated term loans, and included in 2010 loss from discontinued operations are a goodwill impairment charge of $91 million and a loss on disposal of $94 million.

See Notes 2 and 6 of Notes to Consolidated Financial Statements.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

We are one of the world's leading software and technology services companies. We provide software and technology services to financial services, higher education and public sector organizations. We also provide disaster recovery services, managed services, information availability consulting services and business continuity management software. We serve more than 25,000 customers in more than 70 countries. Our high quality software solutions, excellent customer support and specialized technology services result in strong customer retention rates across all of our business segments and create long-term customer relationships. We believe that we are one of the most efficient operators of mission-critical IT solutions as a result of the economies of scale we derive from serving multiple customers on shared processing platforms.

We operate our business in four segments: Financial Systems ("FS"), Higher Education ("HE"), Public Sector ("PS") and Availability Services ("AS"). Our FS segment primarily serves financial services companies, corporate and government treasury departments and energy companies. Our HE segment primarily serves higher education institutions. Our PS segment primarily serves state and local governments and not-for-profit organizations. Our AS segment serves IT-dependent companies across virtually all industries.

SunGard is a wholly owned subsidiary of SunGard Holdco LLC, which is wholly owned by SunGard Holding Corp., which is wholly owned by SunGard Capital Corp. II ("SCCII"), which is a subsidiary of SunGard Capital Corp ("SCC"). SCCII and SCC are collectively referred to as the "Parent Companies." All four of these companies were formed for the purpose of facilitating the LBO and are collectively referred to as the "Holding Companies."

SunGard Data Systems Inc. ("SunGard") was acquired on August 11, 2005 in a leveraged buy-out by a consortium of private equity investment funds associated with Bain Capital Partners, The Blackstone Group, Goldman Sachs & Co., Kohlberg Kravis Roberts & Co., Providence Equity Partners, Silver Lake and TPG (the "LBO"). Our Sponsors continually evaluate various strategic alternatives with respect to the Company, including a potential spin-off of the AS business to our current equity holders. We expect that if we were to spin-off any business segment, that business segment would incur new debt and we would repay a portion of our existing indebtedness. Additionally, it is possible that along with any spin-off, we would receive cash proceeds from an issuance of equity of one of our Parent Companies. There can be no assurance that we will ultimately pursue any strategic alternatives with respect to any business segment, including AS, or an equity issuance or, if we do, what the structure or timing for any such transaction would be.

FS provides mission-critical software and technology services to virtually every type of financial services institution, including buy-side and sell-side institutions, third-party administrators, wealth managers, retail banks, insurance companies, corporate treasuries and energy trading firms. Our broad range of complementary software solutions and associated technology services help financial services institutions automate the business processes associated with trading, managing portfolios and accounting for investment assets.

HE provides software and technology services primarily to colleges and universities as well as to school districts. Education institutions rely on our broad portfolio of solutions and technology services to improve the way they teach, learn, manage and connect with their constituents.

PS provides software and technology services designed to meet the specialized needs of local, state and federal governments, public safety and justice agencies, utilities, nonprofits and other public sector institutions.

AS provides disaster recovery services, managed IT services, information availability consulting services and business continuity management software to 10,000 customers in North America and Europe. With five million square feet of data center and operations space, AS 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. Through direct sales and channel partners, AS helps organizations ensure their people and customers have uninterrupted access to the information systems they need in order to do business.

Global Economic Conditions

Current instability in the worldwide financial markets, including volatility in and disruption of the credit markets, has resulted in uncertain economic conditions. Late in 2008, a global financial crisis triggered unprecedented market volatility and depressed economic growth. In 2009, the markets began to slowly stabilize as the year progressed and continued to improve in 2010. However, the current economic conditions remain dynamic and uncertain and are likely to remain so into 2011. Irrespective of global economic conditions, we are positive about our competitive position and our current product portfolio. We believe that SunGard is well-positioned to capitalize on new opportunities to increase revenue as the global economy improves. We remain focused on executing in the areas we can control by continuing to provide high-value products and solutions while managing our expenses.

SunGard's results of operations typically trail current economic activity, largely due to the multi-year contracts that generate the majority of our revenue. We participate in the financial services, higher education and public sector industries and, in our availability services business, across a broad cross-section of the economy. Each of these sectors, to varying degrees, has experienced some disruption. The results in 2010 reflect the impact of these challenging economic conditions. In response, we have right-sized our expense base in line with expected revenue opportunities but have continued to invest in capital spending, product development and to opportunistically acquire technology through acquisitions.

The following discussion reflects the results of operations and financial condition of SCC, which are materially the same as the results of operations and financial condition of SCCII and SunGard. Therefore, the discussions provided are applicable to each of SCC, SCCII and SunGard unless otherwise noted. Also, the following discussion includes historical and certain forward-looking information that should be read together with the accompanying Consolidated Financial Statements and related footnotes and the discussion above of certain risks and uncertainties (see ITEM 1A—RISK FACTORS) that could cause future operating results to differ materially from historical results or the expected results indicated by forward-looking statements.

Use of Estimates and Critical Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make many estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses. Those estimates and judgments are based on historical experience, future expectations and other factors and assumptions we believe to be reasonable under the circumstances. We review our estimates and judgments on an ongoing basis and revise them when necessary. Actual results may differ from the original or revised estimates. A

summary of our significant accounting policies is contained in Note 1 of Notes to Consolidated Financial Statements. A description of the most critical policies and those areas where estimates have a relatively greater effect in the financial statements follows. Our management has discussed the critical accounting policies described below with our audit committee.

Intangible Assets and Purchase Accounting

Purchase accounting requires that all assets and liabilities be recorded at fair value on the acquisition date, including identifiable intangible assets separate from goodwill. Identifiable intangible assets include customer base (which includes customer contracts and relationships), software and trade name. Goodwill represents the excess of cost over the fair value of net assets acquired.

The estimated fair values and useful lives of identifiable intangible assets are based on many factors, including estimates and assumptions of future operating performance and cash flows of the acquired business, the nature of the business acquired, the specific characteristics of the identified intangible assets, and our historical experience and that of the acquired business. The estimates and assumptions used to determine the fair values and useful lives of identified intangible assets could change due to numerous factors, including product demand, market conditions, technological developments, economic conditions and competition. In connection with our determination of fair values for the LBO and for other significant acquisitions, we engage independent appraisal firms to assist us with the valuation of intangible (and certain tangible) assets acquired and certain assumed obligations.

We periodically review carrying values and useful lives of long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. Factors that could indicate an impairment include significant underperformance of the asset as compared to historical or projected future operating results, or significant negative industry or economic trends. When we determine that the carrying value of an asset may not be recoverable, the related estimated future undiscounted cash flows expected to result from the use and eventual disposition of the asset are compared to the carrying value of the asset. If the sum of the estimated future undiscounted cash flows is less than the carrying amount, we record an impairment charge based on the difference between the carrying value of the asset and its fair value, which we estimate based on discounted expected future cash flows. In determining whether an asset is impaired, we make assumptions regarding recoverability of costs, estimated future cash flows from the asset, intended use of the asset and other relevant factors. If these estimates or their related assumptions change, we may be required to record impairment charges for these assets.

We are required to perform a goodwill impairment test, a two-step test, annually and more frequently when negative conditions or a triggering event arise. We complete our annual goodwill impairment test as of July 1. In step one, the estimated fair value of each reporting unit is compared to its carrying value. We estimate the fair values of each reporting unit by a combination of (i) estimation of the discounted cash flows of each of the reporting units based on projected earnings in the future (the income approach) and (ii) a comparative analysis of revenue and EBITDA multiples of public companies in similar markets (the market approach). If there is a deficiency (the estimated fair value of a reporting unit is less than the carrying value), a step two test is required. In step two, the amount of any goodwill impairment is measured by comparing the implied fair value of the reporting unit's goodwill to the carrying value of goodwill, with the resulting impairment reflected in operations. The implied fair value is determined in the same manner as the amount of goodwill recognized in a business combination.

Estimating the fair value of a reporting unit requires various assumptions including projections of future cash flows, perpetual growth rates and discount rates that reflect the risks associated with achieving those cash flows. The assumptions about future cash flows and growth rates are based on management's assessment of a number of factors including the reporting unit's recent performance against budget, performance in the market that the reporting unit serves, as well as industry and general economic data from third party sources. Discount rate assumptions are based on an assessment of the risk inherent in those future cash flows. Changes to the underlying businesses could affect the future cash flows, which in turn could affect the fair value of the reporting unit. For our most recent annual impairment test as of July 1, 2010, the discount rates used were 10% or 11% and perpetual growth rates used were 3% or 4%, based on the specific characteristics of the reporting unit.

Based on the results of our July 1, 2010 step one tests, we determined that the carrying value of our Public Sector North America ("PS NA") reporting unit, Public Sector United Kingdom ("PS UK") reporting unit, which has since been sold and is included in discontinued operations, and our Higher Education Managed Services ("HE MS") reporting unit were in excess of their respective fair values and a step two test was required for each of these reporting units. The primary drivers for the decline in the fair value of the reporting units compared to the prior year is the reduction in the perpetual growth rate assumption used for each of these three reporting units, stemming from the disruption in the global financial markets, particularly the markets in which these three reporting units serve. Furthermore, there was a decline in the cash flow projections for the PS NA and PS UK reporting units, compared to those used in the 2009 goodwill impairment test, as a result of decline in the overall outlook for these two reporting units. Additionally, the discount rate assumption used in 2010 for the PS UK reporting unit was higher than the discount rate used in the 2009 impairment test.

A one percentage point increase in the perpetual growth rate or a one percentage point decrease in the discount rate would have resulted in our HE MS reporting unit having a fair value in excess of carrying value and a step two test would not have been required.

Prior to completing the step two tests, we first evaluated the long-lived assets, primarily the software, customer base and property and equipment, for impairment. In performing the impairment tests for long-lived assets, we estimated the undiscounted cash flows for the asset groups over the remaining useful lives of the reporting unit's primary asset and compared that to the carrying value of the asset groups. There was no impairment of the long-lived assets.

In completing the step two tests to determine the implied fair value of goodwill and therefore the amount of impairment, we first determined the fair value of the tangible and intangible assets and liabilities. Based on the testing performed, we determined that the carrying value of goodwill exceeded its implied fair value for each of the three reporting units and recorded a goodwill impairment charge of $328 million, of which $237 million is presented in continuing operations and $91 million in discontinued operations.

We have three other reporting units, whose goodwill balances in the aggregate total $1.6 billion as of December 31, 2010, where the excess of the estimated fair value over the carrying value of the reporting unit was less than 10% of the carrying value as of the July 1, 2010 impairment test. A one percentage point decrease in the perpetual growth rate or a one percentage point increase in the discount rate would cause each of these reporting units to fail the step one test and require a step two analysis, and some or all of this goodwill could be impaired. Furthermore, if any of these units fail to achieve expected performance levels or experience a downturn in the business below current expectations, goodwill could be impaired.

Our remaining 10 reporting units, whose goodwill balances in aggregate total $3.7 billion as of December 31, 2010, each had estimated fair values in excess of 25% more than the carrying value of the reporting unit as of the July 1, 2010 impairment test.

During 2009, based on an evaluation of year-end results and a reduction in the revenue growth outlook for the AS business, we concluded that AS had experienced a triggering event in its North American reporting unit ("AS NA"), one of two reporting units identified in the July 1, 2009 annual impairment test where the excess of the estimated fair value over the carrying value was less than 10%. As a result, we determined that the carrying value of AS NA was in excess of its fair value. In completing the step two test, we determined that the carrying value of AS NA's goodwill exceeded its implied fair value by $1.13 billion and recorded a goodwill impairment charge for this amount.

As a result of the change in the economic environment in the second half of 2008 and completion of the annual budgeting process, we completed an assessment of the recoverability of our goodwill in December 2008. In completing this review, we considered a number of factors, including a comparison of the budgeted revenue and profitability for 2009 to that included in the annual impairment test conducted as of July 1, 2008, and the amount by which the fair value of each reporting unit exceeded its carrying value in the 2008 impairment analysis, as well as qualitative factors such as the overall economy's effect on each reporting unit. Based on this analysis, we concluded that the decline in expected future cash flows in one of our PS reporting units, which has since been sold and is presented in discontinued operations, was sufficient to result in an impairment of goodwill of $128 million.

Revenue Recognition

In the fourth quarter of 2010 we adopted, retrospective to the beginning of the year, the provisions of Accounting Standards Update No. 2009-13, Revenue Recognition—Multiple—Deliverable Revenue Arrangements ("ASU 2009-13") and Accounting Standards Update 2009-14, Software—Certain Revenue Arrangements that Include Software Elements ("ASU 2009-14"). ASU 2009-13 amended existing accounting guidance for revenue recognition for multiple-element arrangements by establishing a selling price hierarchy that allows for the best estimated selling price ("BESP") to determine the allocation of arrangement consideration to a deliverable in a multiple element arrangement where neither vendor specific objective evidence ("VSOE") nor third-party evidence ("TPE") is available for that deliverable. ASU 2009-14 modifies the scope of existing software guidance to exclude tangible products containing software components and non-software components that function together to deliver the product's essential functionality. In addition, ASU 2009-14 provides guidance on how a vendor should allocate arrangement consideration to non-software and software deliverables in an arrangement where the vendor sells tangible products containing software components that are essential in delivering the tangible product's functionality. The impact of our adoption of ASU 2009-13 and ASU 2009-14 was not material to our consolidated results of operations for 2010.

The following criteria must be met in determining whether revenue may be recorded: persuasive evidence of a contract exists; services have been provided; the price is fixed or determinable; and collection is reasonably assured.

We generate revenue from the following sources: (1) services revenue, which includes revenue from processing services, software maintenance and support, rentals, recovery and managed services, professional services and broker/dealer fees; and (2) software license fees, which result from contracts that permit the customer to use a SunGard product at the customer's site.

Services revenue is recorded as the services are provided based on the fair value of each element. Most AS services revenue consists of fixed monthly fees based upon the specific computer configuration or business process for which the service is being provided. When recovering from an interruption, customers generally are contractually obligated to pay additional fees, which typically cover the incremental costs of supporting customers during recoveries. FS services revenue includes monthly fees, which may include a fixed minimum fee and/or variable fees based on a measure of volume or activity, such as the number of accounts, trades or transactions, users or the number of hours of service.

For fixed-fee professional services contracts, services revenue is recorded based upon proportional performance, measured by the actual number of hours incurred divided by the total estimated number of hours for the project. Changes in the estimated costs or hours to complete the contract and losses, if any, are reflected in the period during which the change or loss becomes known.

License fees result from contracts that permit the customer to use a SunGard software product at the customer's site. Generally, these contracts are multiple-element arrangements since they usually provide for professional services and ongoing software maintenance. In these instances, license fees are recognized upon the signing of the contract and delivery of the software if the license fee is fixed or determinable, collection is probable, and there is sufficient vendor specific evidence of the fair value of each undelivered element. When there are significant program modifications or customization, installation, systems integration or related services, the professional services and license revenue are combined and recorded based upon proportional performance, measured in the manner described above. Revenue is recorded when billed when customer payments are extended beyond normal billing terms, or at acceptance when there is significant acceptance, technology or service risk. Revenue also is recorded over the longest service period in those instances where the software is bundled together with post-delivery services and there is not sufficient evidence of the fair value of each undelivered service element.

With respect to software related multiple-element arrangements, sufficient evidence of fair value is defined as VSOE. If there is no VSOE of the fair value of the delivered element (which is usually the software) but there is VSOE of the fair value of each of the undelivered elements (which are usually maintenance and professional services), then the residual method is used to determine the revenue for the delivered element. The revenue for each of the undelivered elements is set at the fair value of those elements using VSOE of the price paid when each of the undelivered elements is sold separately. The revenue remaining after allocation to the undelivered elements (i.e., the residual) is allocated to the delivered element.

VSOE supporting the fair value of maintenance is based on the optional renewal rates for each product and is typically 18% to 20% of the software license fee per year. VSOE supporting the fair value of professional services is based on the standard daily rates charged when those services are sold separately.

In some software related multiple-element arrangements, the services rates are discounted. In these cases, a portion of the software license fee is deferred and recognized as the services are performed based on VSOE of the services.

From time to time we enter into arrangements with customers who purchase non-software related services from us at the same time, or within close proximity, of purchasing software (non-software multiple-element arrangements). Each element within a non-software multiple-element arrangement is

accounted for as a separate unit of accounting provided the following criteria are met: the delivered services have value to the customer on a standalone basis; and, for an arrangement that includes a general right of return relative to the delivered services, delivery or performance of the undelivered service is considered probable and is substantially controlled by us. Where the criteria for a separate unit of accounting are not met, the deliverable is combined with the undelivered element(s) and treated as a single unit of accounting for the purposes of allocation of the arrangement consideration and revenue recognition.

For our non-software multiple-element arrangements, we allocate revenue to each element based on a selling price hierarchy at the arrangement inception. During 2008 and 2009 the fair value of each undelivered element was determined using VSOE, and the residual method was used to assign a fair value to the delivered element if its VSOE was not available. Under the new rules for 2010 described above, the selling price for each element is based upon the following selling price hierarchy: VSOE then TPE then BESP. The total arrangement consideration is allocated to each separate unit of accounting for each of the non-software deliverables using the relative selling prices of each unit based on this hierarchy. We limit the amount of revenue recognized for delivered elements to an amount that is not contingent upon future delivery of additional products or services or meeting of any specified performance conditions. Since under the new hierarchy a fair value for each element will be determinable, the residual method is no longer used.

To determine the selling price in non-software multiple-element arrangements, we establish VSOE of the selling price using the price charged for a deliverable when sold separately. Where VSOE does not exist, TPE is established by evaluating similar competitor products or services in standalone arrangements with similarly situated customers. If we are unable to determine the selling price because VSOE or TPE doesn't exist, we determine BESP for the purposes of allocating the arrangement by considering pricing practices, margin, competition, and geographies in which we offer our products and services.

Unbilled receivables are created when services are performed or software is delivered and revenue is recognized in advance of billings. Deferred revenue is created when billing occurs in advance of performing services or when all revenue recognition criteria have not been met.

We believe that our revenue recognition practices comply with the complex and evolving rules governing revenue recognition. Future interpretations of existing accounting standards, new standards or changes in our business practices could result in changes in our revenue recognition accounting policies that could have a material effect on our consolidated financial results.

Accounting for Income Taxes

We recognize deferred income tax assets and liabilities based upon the expected future tax consequences of events that have been recognized in our financial statements or tax returns. Deferred income tax assets and liabilities are calculated based on the difference between the financial and tax bases of assets and liabilities using the currently enacted income tax rates in effect during the years in which the differences are expected to reverse. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized. Deferred tax assets for which no valuation allowance is recorded may not be realized upon changes in facts and circumstances. Tax benefits related to uncertain tax positions taken or expected to be taken on a tax return are recorded when such benefits meet a more likely than not threshold. Otherwise, these tax

benefits are recorded when a tax position has been effectively settled, which means that the appropriate taxing authority has completed their examination even though the statute of limitations remains open, or the statute of limitation expires. Considerable judgment is required in assessing and estimating these amounts and differences between the actual outcome of these future tax consequences and our estimates could have a material effect on our consolidated financial results.

Accounting for Stock-Based Compensation

Stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense over the appropriate service period. Fair value for stock options is computed using the Black-Scholes pricing model. Determining the fair value of stock-based awards requires considerable judgment, including estimating the expected term of stock options, expected volatility of our stock price, and the number of awards expected to be forfeited. In addition, for stock-based awards where vesting is dependent upon achieving certain operating performance goals, we estimate the likelihood of achieving the performance goals. Differences between actual results and these estimates could have a material effect on our consolidated financial results. A deferred income tax asset is recorded over the vesting period as stock compensation expense is recognized. Our ability to use the deferred tax asset is ultimately based on the actual value of the stock option upon exercise or restricted stock unit upon distribution. If the actual value is lower than the fair value determined on the date of grant, then there could be an income tax expense for the portion of the deferred tax asset that cannot be used, which could have a material effect on our consolidated financial results.

Results of Operations

We evaluate performance of our segments based on operating results before interest, income taxes, goodwill impairment charges, amortization of acquisition-related intangible assets, stock compensation and certain other costs (see Note 12 of Notes to Consolidated Financial Statements). During 2010, we sold our PS UK operation which is presented as discontinued operations. Our K-12 operations will move to HE effective January 1, 2011 and therefore are included in PS below for all periods presented.

The following table sets forth, for the periods indicated, certain amounts included in our Consolidated Statements of Operations and the relative percentage that those amounts represent to consolidated revenue (unless otherwise indicated).

(in millions)	2008	% of revenue	2009	% of revenue	Percent Increase (Decrease) 2009 vs. 2008	2010	% of revenue	Percent Increase (Decrease) 2010 vs. 2009
Revenue								
Financial Systems (FS)	$3,078	57%	$ 3,068	58%	— %	**$2,807**	**56%**	(9)%
Higher Education (HE)	540	10%	526	10%	(3)%	**502**	**10%**	(5)%
Public Sector (PS)	216	4%	221	4%	2%	**214**	**4%**	(3)%
Software & Processing Solutions	3,834	71%	3,815	72%	— %	**3,523**	**71%**	(8)%
Availability Services (AS)	1,567	29%	1,517	28%	(3)%	**1,469**	**29%**	(3)%
	$5,401	100%	$ 5,332	100%	(1)%	**$4,992**	**100%**	(6)%
Costs and Expenses								
Cost of sales and direct operating	$2,601	48%	$ 2,534	48%	(3)%	**$2,201**	**44%**	(13)%
Sales, marketing and administration	1,113	21%	1,088	20%	(2)%	**1,141**	**23%**	5%
Product development	309	6%	348	7%	13%	**370**	**7%**	6%
Depreciation and amortization	274	5%	288	5%	5%	**291**	**6%**	1%
Amortization of acquisition-related intangible assets	472	9%	529	10%	12%	**484**	**10%**	(9)%
Goodwill impairment charge	—	— %	1,126	21%	— %	**237**	**5%**	(79)%
	$4,769	88%	$ 5,913	111%	24%	**$4,724**	**95%**	(20)%
Operating Income (Loss)								
Financial Systems[1]	$ 608	20%	$ 618	20%	2%	**$ 624**	**22%**	1%
Higher Education[1]	130	24%	138	26%	6%	**131**	**26%**	(5)%
Public Sector[1]	66	31%	60	27%	(9)%	**57**	**27%**	(5)%
Software & Processing Solutions[1]	804	21%	816	21%	1%	**812**	**23%**	— %
Availability Services[1]	443	28%	380	25%	(14)%	**326**	**22%**	(14)%
Corporate administration	(51)	(1)%	(57)	(1)%	(12)%	**(73)**	**(1)%**	(28)%
Amortization of acquisition-related intangible assets	(472)	(9)%	(529)	(10)%	(12)%	**(484)**	**(10)%**	9%
Goodwill impairment charge	—	— %	(1,126)	(21)%	— %	**(237)**	**(5)%**	79%
Stock compensation expense	(35)	(1)%	(33)	(1)%	6%	**(31)**	**(1)%**	6%
Other costs[2]	(57)	(1)%	(32)	(1)%	44%	**(45)**	**(1)%**	(41)%
Operating Income (Loss)	$ 632	12%	$ (581)	(11)%	(192)%	**$ 268**	**5%**	146%

(1) Percent of revenue is calculated as a percent of revenue from FS, HE, PS, Software & Processing Solutions, and AS, respectively.

(2) Other costs include management fees paid to the Sponsors, purchase accounting adjustments, including in 2008 certain acquisition-related compensation expense, merger costs, and certain other costs, partially offset in each year by capitalized software development costs.

The following table sets forth, for the periods indicated, certain supplemental revenue data and the relative percentage that those amounts represent to total revenue.

(in millions)	2008	% of revenue	2009	% of revenue	Percent Increase (Decrease) 2009 vs. 2008	2010	% of revenue	Percent Increase (Decrease) 2010 vs. 2009
Financial Systems								
Services	$2,737	51%	$2,737	51%	— %	**$2,448**	**49%**	(11)%
License and resale fees	229	4%	197	4%	(14)%	**256**	**5%**	30%
Total products and services	2,966	55%	2,934	55%	(1)%	**2,704**	**54%**	(8)%
Reimbursed expenses	112	2%	134	3%	20%	**103**	**2%**	(23)%
	$3,078	57%	$3,068	58%	— %	**$2,807**	**56%**	(9)%
Higher Education								
Services	$ 453	8%	$ 439	8%	(3)%	**$ 410**	**8%**	(7)%
License and resale fees	77	1%	79	1%	3%	**86**	**2%**	9%
Total products and services	530	10%	518	10%	(2)%	**496**	**10%**	(4)%
Reimbursed expenses	10	— %	8	— %	(20)%	**6**	**— %**	(25)%
	$ 540	10%	$ 526	10%	(3)%	**$ 502**	**10%**	(5)%
Public Sector								
Services	$ 164	3%	$ 172	3%	5%	**$ 175**	**4%**	2%
License and resale fees	47	1%	44	1%	(6)%	**35**	**1%**	(20)%
Total products and services	211	4%	216	4%	2%	**210**	**4%**	(3)%
Reimbursed expenses	5	— %	5	— %	— %	**4**	**— %**	(20)%
	$ 216	4%	$ 221	4%	2%	**$ 214**	**4%**	(3)%
Software & Processing Solutions								
Services	$3,354	62%	$3,348	63%	— %	**$3,033**	**61%**	(9)%
License and resale fees	353	7%	320	6%	(9)%	**377**	**8%**	18%
Total products and services	3,707	69%	3,668	69%	(1)%	**3,410**	**68%**	(7)%
Reimbursed expenses	127	2%	147	3%	16%	**113**	**2%**	(23)%
	$3,834	71%	$3,815	72%	— %	**$3,523**	**71%**	(8)%
Availability Services								
Services	$1,544	29%	$1,496	28%	(3)%	**$1,452**	**29%**	(3)%
License and resale fees	6	— %	4	— %	(33)%	**3**	**— %**	(25)%
Total products and services	1,550	29%	1,500	28%	(3)%	**1,455**	**29%**	(3)%
Reimbursed expenses	17	— %	17	— %	— %	**14**	**— %**	(18)%
	$1,567	29%	$1,517	28%	(3)%	**$1,469**	**29%**	(3)%
Total Revenue								
Services	$4,898	91%	$4,844	91%	(1)%	**$4,485**	**90%**	(7)%
License and resale fees	359	7%	324	6%	(10)%	**380**	**8%**	17%
Total products and services	5,257	97%	5,168	97%	(2)%	**4,865**	**97%**	(6)%
Reimbursed expenses	144	3%	164	3%	14%	**127**	**3%**	(23)%
	$5,401	100%	$5,332	100%	(1)%	**$4,992**	**100%**	(6)%

Results of operations, excluding broker/dealer business

We assess our performance both with and without one of our trading systems businesses, a broker/dealer with an inherently lower margin than our other software and processing businesses, whose performance is a function of market volatility and customer mix (the "Broker/Dealer"). By excluding the Broker/Dealer's results, we are able to perform additional analysis of our business which we believe is important in understanding the results of both the Broker/Dealer and the software and processing businesses. We use the information excluding the Broker/Dealer business for a variety of purposes and we regularly communicate our results excluding this business to our board of directors.

The following is a reconciliation of revenue excluding the Broker/Dealer and operating income (loss) excluding the Broker/Dealer, which are each non-GAAP measures, to the corresponding reported GAAP measures that we believe to be most directly comparable for each of 2008, 2009 and 2010 (in millions). While these adjusted results are useful for analysis purposes, they should not be considered as an alternative to our reported GAAP results.

	2008	2009	% change	2010	% change
Revenue					
Total	$5,401	$5,332	(1)%	**$4,992**	(6)%
Less Broker/Dealer business	600	587		**184**	
Total excluding Broker/Dealer business	$4,801	$4,745	(1)%	**$4,808**	1%
Financial Systems	$3,078	$3,068	— %	**$2,807**	(9)%
Less Broker/Dealer business	600	587		**184**	
Financial Systems excluding Broker/Dealer business	$2,478	$2,481	— %	**$2,623**	6%
Operating Income (Loss)					
Total	$ 632	$ (581)	(192)%	**$ 268**	146%
Less Broker/Dealer business	44(1)	31(1)		**(33)(1)**	
Total excluding Broker/Dealer business	$ 588	$ (612)	(204)%	**$ 301**	149%
Financial Systems	$ 608	$ 618	2 %	**$ 624**	1%
Less Broker/Dealer business	47(1)	34(1)		**(21)(1)**	
Financial Systems excluding Broker/Dealer business	$ 561	$ 584	4 %	**$ 645**	10%

(1) The operating income related to the Broker/Dealer excluded from Total and FS differ because we evaluate performance of our segments based on operating results before goodwill impairment charges, amortization of acquisition-related intangible assets, stock compensation and certain other costs. FS excludes certain of these costs and therefore, we do not need to adjust the Broker/Dealer for these costs. However, these costs are included in Total operating income (loss) and therefore, to the extent applicable, we adjust the Broker/Dealer's operating income for its portion of these costs.

Year Ended December 31, 2010 Compared to Year Ended December 31, 2009

Operating Income:

Our total operating margin increased to 5% in 2010 from -11% in 2009 due to $237 million of goodwill impairment charges in 2010 and $1.13 billion of goodwill impairment charges in 2009. In addition, the operating margin was also impacted by a $58 million increase in license fees, the impact from the Broker/Dealer and the decline in AS margin performance.

Financial Systems:

The FS operating margin increased to 22% in 2010 from 20% in 2009. The operating margin improvement is mainly due to a $63 million increase in software license fees, including the recognition of $32 million of license fee backlog that existed at December 31, 2009. Margin improvement from the reduced contribution from the Broker/Dealer and reduced facilities expense was mostly offset by increased employment-related and other operating expenses. The impact of the decrease in the Broker/Dealer's revenue and operating income on FS operating margin is an increase in 2010 of one margin point.

The most important factors affecting the FS operating margin are:

- the level of trading volumes,
- the level of IT spending and its impact on the overall demand for professional services and software license sales,
- the rate and value of contract renewals, new contract signings and contract terminations,
- the overall condition of the financial services industry and the effect of any further consolidation among financial services firms, and
- the operating margins of recently acquired businesses, which tend to be lower at the outset and improve over a number of years.

Higher Education:

The HE operating margin was 26% in each of 2010 and 2009. Although revenue decreased $24 million, we maintained the operating margin primarily by decreasing employment-related expense in managed services.

The most important factors affecting the HE operating margin are:

- the rate and value of managed services (technology outsourcing services) contract renewals, new contract signings and contract terminations,
- continued pressure on the level of institutional funding, and
- the level of IT spending and its impact on the overall demand for professional services and software license sales.

Public Sector:

The PS operating margin was 27% in each of 2010 and 2009. Although revenue decreased $7 million, we maintained the operating margin primarily by decreasing employment-related expense.

The most important factors affecting the PS operating margin are:

- the rate and value of contract renewals, new contract signings and contract terminations,
- the level of government and school district funding, and
- the level of IT spending and its impact on the overall demand for professional services and software license sales.

Availability Services:

The AS operating margin was 22% in 2010 compared to 25% in 2009. The lower margin was driven by the lower mix of revenue from higher margin recovery services, which typically use shared resources, and an absolute decline in recovery services margin due mainly to the lower revenue on a relatively stable fixed cost base and costs related to eliminating redundant network capacity resulting from the redesign and re-architecture of our data communications network. Recovery services cost savings initiatives also produced expense savings in 2010 including lower facilities and employment-related costs. In addition, AS operating margin was impacted by an increase in revenue from lower margin managed services, which use dedicated resources, and an absolute decline in managed services margin due mainly to higher facilities costs, primarily utility costs related to cooling due to warmer summer temperatures and the addition of a new facility, increased employment-related and temporary staffing costs due to an increased focus on service delivery, and increased costs associated with the redesign and re-architecture of our data communications network and natural demand resulting from revenue growth. Also impacting the change in the margin was a decrease in other administrative expenses in North America, including reduced bad debt expense resulting from improved collections and lower professional services expenses, and the decrease in the margin in our European business mostly due to an increase in employment-related costs and depreciation and amortization, partially offset by reduced bad debt expense.

The most important factors affecting the AS operating margin are:

- the rate and value of contract renewals, new contract signings and contract terminations,
- the timing and magnitude of equipment and facilities expenditures,
- the level and success of new product development, and
- the trend toward availability solutions utilizing more dedicated resources.

The margin rate of the AS European business is lower than the margin rate of the North American business due primarily to a higher concentration of dedicated resources in European recovery services. However, the differential in the margins has narrowed over the past several years because of the growing proportion of managed services in North America.

Revenue:

Total revenue was $4.99 billion in 2010 compared to $5.33 billion in 2009, a decrease of 6%. Organic revenue decreased 7% primarily due to a decline in the Broker/Dealer's revenue of $403 million, comprised of $367 million of broker/dealer fees and $36 million of reimbursed expenses, partially offset by a $58 million increase in software license fees. Excluding the Broker/Dealer, organic revenue increased 1%. Organic revenue is defined as revenue from businesses owned for at least one year and adjusted for both the effects of businesses sold in the previous twelve months and the impact

of currency exchange rates, and excludes revenue from discontinued operations in all periods presented. When assessing our financial results, we focus on growth in organic revenue because overall revenue growth is affected by the timing and magnitude of acquisitions, dispositions and by currency exchange rates.

Our revenue is highly diversified by customer and product. During each of the past three fiscal years, no single customer has accounted for more than 10% of total revenue. On average for the past three fiscal years, services revenue has been approximately 90% of total revenue. About 70% of services revenue is highly recurring as a result of multi year contracts and is generated from (1) software-related services including software maintenance and support, processing and rentals; and (2) recovery and managed services. The remaining services revenue includes (1) professional services, which are recurring in nature as a result of long-term customer relationships; and (2) broker/dealer fees, which are largely correlated with trading volumes. Services revenue decreased to $4.49 billion from $4.84 billion, representing approximately 90% of total revenue in 2010 compared to 91% in 2009. The revenue decrease was mainly due to the $367 million decrease in broker/dealer fees noted.

Professional services revenue was $791 million and $770 million in 2010 and 2009, respectively. The change was due to an increase in FS, partially offset by decreases in HE and AS. Revenue from total broker/dealer fees was $217 million and $570 million in 2010 and 2009, respectively.

Revenue from license and resale fees was $380 million and $324 million for 2010 and 2009, respectively, and includes software license revenue of $291 million and $233 million, respectively.

SunGard ended 2009 with a software license backlog of $35 million in FS, which consisted of signed contracts for licensed software that (i) at our election, was not shipped to the customer until 2010, (ii) we voluntarily extended payment terms or (iii) included products or services not yet deliverable and from which the license element cannot be separated. Of this backlog, $32 million was recognized in 2010.

Financial Systems:

FS revenue was $2.81 billion in 2010 compared to $3.07 billion in 2009, a decrease of 9%. Organic revenue decreased by approximately 9% in 2010. Excluding the Broker/Dealer business, organic revenue increased 6%. The 6% increase is primarily driven by increases in software license, professional services and processing revenue. Professional services revenue increased $50 million, or 9%, to $583 million due to a general increase in demand from existing clients as well as new projects. Processing revenue increased $22 million, or 3%, mainly driven by increases in transaction volumes and additional hosted services. Revenue from license and resale fees included software license revenue of $237 million, an increase of $63 million compared to 2009, reflecting the recognition in 2010 of $32 million that was in backlog at December 31, 2009 and improved economic conditions in 2010.

Higher Education:

HE revenue was $502 million in 2010 compared to $526 million in 2009. The $24 million, or 5%, decrease was all organic and primarily due to decreases in managed services revenue mainly resulting from customers bringing their IT solutions in-house, and professional services mainly due to fewer and smaller-sized customer installations, partially offset by an increase in software support revenue due to sales of new licenses in the past 12 months and annual rate increases. Professional services revenue was $110 million in 2010 compared to $126 million in 2009. Software license fees increased $4 million to $36 million in 2010 from $32 million in 2009.

Public Sector:

PS revenue was $214 million in 2010 compared to $221 million in 2009. The $7 million, or 3%, decrease was all organic and primarily due to an $8 million decrease in software license fees. Revenue from license and resale fees included software license fees of $15 million and $23 million in 2010 and 2009, respectively. PS includes our K-12 operations for all periods presented.

Availability Services:

AS revenue was $1.47 billion in 2010 compared to $1.52 billion in 2009, a 3% decrease overall and organically. In North America, which accounts for approximately 80% of our AS business, revenue decreased 4% overall and 4.5% organically where decreases in recovery services and professional services revenue exceeded growth in managed services revenue. Revenue in Europe, primarily from our U.K. operations, increased 0.5%, but increased 2% organically, where increases in managed services revenue were partially offset by decreases in recovery services revenue. Most of our recovery services revenue is derived from tape-based solutions. Recovery services has been shifting from tape-based solutions to disk-based and managed service solutions. We expect this shift to continue in the future.

Costs and Expenses:

Total costs decreased to 95% of revenue in 2010 from 111% of 2009 revenue. Excluding the goodwill impairment charges of $237 million in 2010 and $1.13 billion in 2009 and the Broker/Dealer's total costs of $207 million in 2010 and $556 million in 2009, total costs as a percentage of total revenue (also excluding the Broker/Dealer) was unchanged at 89%.

Cost of sales and direct operating expenses as a percentage of total revenue was 44% in 2010 and 48% in 2009, largely the result of the lower volumes of the Broker/Dealer. Excluding the Broker/Dealer's expenses of $189 million in 2010 and $534 million in 2009, cost of sales and direct operating expenses as a percentage of total revenue (also excluding the Broker/Dealer) was unchanged at 42%. Also impacting the period were lower employee-related expenses in our software and processing businesses, mostly offset by higher AS facilities and data communications network costs associated with the redesign and re-architecture of our data communications network.

Sales, marketing and administration expenses as a percentage of total revenue was 23% and 20% in 2010 and 2009, respectively. Excluding the Broker/Dealer's expenses of $12 million in 2010 and $13 million in 2009, sales, marketing and administration expenses as a percentage of total revenue (also excluding the Broker/Dealer) was unchanged at 23%. The $53 million increase in sales, marketing and administration expenses was due primarily to higher employment-related expense in FS resulting from increased employment to support both growth in the business and international expansion, principally in Asia and Brazil, as well as annual increases following cost restraint in 2009 due to economic conditions. Also impacting the change were increases in professional services expense, advertising and trade show expenses and currency transaction losses, partially offset by decreases in FS facilities expense, resulting from facilities consolidation in 2009, and lower bad debt expense in AS.

Because AS software development costs are insignificant, it is more meaningful to measure product development expense as a percentage of revenue from software and processing solutions. In 2010 and 2009, software development expenses were 10% and 9%, respectively, of revenue from software and processing solutions.

Amortization of acquisition-related intangible assets was 10% of total revenue in each of 2010 and 2009, respectively. During 2009, we shortened the remaining useful lives of certain intangible assets and also recorded impairment charges of our customer base and software assets of $18 million and $17 million, respectively. These impairments are the result of reduced cash flow projections related to the software and customer base assets that were impaired.

We recorded goodwill impairment charges of $205 million and $32 million in PS and HE, respectively, in 2010 and $1.13 billion in AS in 2009. These impairments are described in the Use of Estimates and Critical Accounting Policies section above.

Interest expense was $638 million in 2010 compared to $637 million in 2009. Interest expense in 2010 compared to 2009 was impacted by the following: (a) lower average borrowings under our term loans at a slightly higher interest rate, (b) higher average debt outstanding resulting from the timing of our borrowings and delayed repayment due to calling bonds that were not tendered related to the refinance of our $1.6 billion of senior notes due 2013 at a lower interest rate, (c) higher average borrowings on our accounts receivable facility at a lower interest rate and (d) lower average borrowings under our revolving credit facility.

The loss on extinguishment of debt in 2010 was due to the early extinguishments of our $1.6 billion of senior notes due in 2013 and our euro-denominated term loans. The loss included $39 million of tender and call premiums.

Other income was $7 million in 2010 compared to $15 million in 2009. The decrease is due primarily to a $9 million decrease in foreign currency transaction gains related to our euro-denominated term loans.

Our overall effective income tax rate is typically between 38% and 40%. The effective income tax rates for each of 2010 and 2009 were a tax benefit of 7% and 6%, respectively, reflecting nondeductible goodwill impairment charges in both years. The reported benefit in 2010 includes a $13 million favorable adjustment due primarily to the impact of tax rate changes on deferred tax assets and liabilities offset by a $48 million unfavorable charge for recording deferred income taxes on unremitted earnings of non-U.S. subsidiaries which are no longer considered to be permanently reinvested. The reported benefit from income taxes in 2009 includes a $12 million favorable adjustment primarily related to utilization in our 2008 U.S. federal income tax return of foreign tax credit carryforwards that were not expected to be utilized at the time of the 2008 tax provision.

Loss from discontinued operations, net of tax, was $180 million in 2010 compared to income from discontinued operations, net of tax, of $4 million in 2009. During 2010, we sold our PS UK operation which included an impairment charge, net of tax, of $91 million and a loss on disposal of approximately $94 million which included the write-off of the currency translation adjustment (CTA) which is included as a separate component of equity.

Accreted dividends on SCCII’s cumulative preferred stock were $191 million and $180 million in 2010 and 2009, respectively. The increase in dividends is due to compounding. No dividends have been declared by SCCII.

Year Ended December 31, 2009 Compared to Year Ended December 31, 2008

The following discussion has been updated to reflect the disposition of PS UK and its presentation as a discontinued operation.

Operating Income:

Our total operating margin was -11% in 2009, which included a $1.13 billion goodwill impairment charge, and 12% in 2008. In addition to the goodwill impairment charge, the operating margin was also impacted by the decline in AS, a $33 million decrease in license fees and a $57 million increase in amortization of acquisition-related intangible assets, partially offset by margin improvement in our software and processing businesses primarily due to cost savings.

Financial Systems:

The FS operating margin was unchanged at 20% in each of 2009 and 2008. Margin improvement from cost savings initiatives, primarily in employee-related and consultant costs, was offset by a $30 million decrease in software license revenue and the reduced contribution from the Broker/Dealer mentioned above. The impact of this Broker/Dealer on FS operating margin is a decline of almost one margin point.

Higher Education:

The HE operating margin was 26% in 2009 compared to 24% in 2008. The operating margin increase is due to the impact of cost savings during the year, primarily in employee-related and consultant costs and professional services expenses.

Public Sector:

The PS operating margin was 27% and 30% in 2009 and 2008, respectively. The operating margin decline was due primarily to increased employment-related costs and a $2 million decrease in software license fees.

Availability Services:

The AS operating margin was 25% in 2009 compared to 28% in 2008, primarily due to facility expansions, mostly in Europe, which increased the fixed cost base in advance of anticipated revenue growth, increases in employee-related costs, mostly in North America, increased depreciation and amortization, and the impact of a change in the mix of revenue from recovery services which typically use shared resources to managed services which use dedicated resources.

Revenue:

Total revenue was $5.33 billion in 2009 compared to $5.40 billion in 2008. Included in 2009 was the full year impact from the acquisitions made in 2008 including the October 2008 acquisition of GL TRADE S.A. Organic revenue declined 3% primarily due to a decrease in professional services revenue in FS and HE.

Services revenue decreased to $4.84 billion from $4.90 billion, representing approximately 91% of total revenue in each of 2009 and 2008. The revenue decrease of $54 million in 2009 was mainly

due to a decrease in professional services and processing revenue and the impact of changes in currency exchange rates offset in part by an increase in software rentals, primarily from FS acquired businesses.

Professional services revenue was $770 million and $912 million in 2009 and 2008, respectively. The decrease was primarily in FS and HE and was the result of customers delaying or cancelling projects due to the economic climate, as well as completion of certain projects in 2008.

Revenue from license and resale fees was $324 million and $359 million for 2009 and 2008, respectively, and includes software license revenue of $233 million and $266 million, respectively.

SunGard ended 2009 with a software license backlog of $35 million in FS, which consisted of signed contracts for licensed software that (i) at our election, was not shipped to the customer until 2010, (ii) we voluntarily extended payment terms or (iii) included products or services not yet deliverable and from which the license element cannot be separated.

Financial Systems:

FS revenue was $3.07 billion in 2009 compared to $3.08 billion in 2008. Organic revenue decreased by approximately 5% in 2009. Included in 2009 was the full year impact from acquired businesses which mostly offset the decline in organic revenue, largely professional services.

Professional services revenue decreased $120 million or 18% to $533 million. Revenue from license and resale fees included software license revenue of $174 million and $204 million, respectively, in 2009 and 2008.

We expect a material decline in 2010 revenue in one of our trading systems businesses, a Broker/Dealer, as a result of changes in customer mix and lower levels of volatility. The customer mix is impacted by the market-wide dynamics by which active trading firms are opting to become broker/dealers and trade on their own behalf. Beginning in the first quarter of 2010, a major customer of this Broker/Dealer started trading on its own behalf. This Broker/Dealer business, which has an inherently lower margin than our other FS businesses, has driven organic revenue growth over the past three years.

Higher Education:

HE revenue was $526 million in 2009 compared to $540 million in 2008. The $14 million, or 3%, decrease was all organic and primarily due to a decline in professional services revenue, partially offset by an increase in software support revenue. Professional services revenue was $126 million in 2009 compared to $146 million in 2008. Software license fees were unchanged at $32 million in 2009.

Public Sector:

PS revenue was $221 million in 2009 compared to $216 million in 2008. Organic revenue was unchanged in 2009. Increases in processing and software support revenue were partially offset by decreases in professional services and software license fees. Revenue from license and resale fees included software license fees of $23 million and $25 million in 2009 and 2008, respectively.

Availability Services:

AS revenue was $1.52 billion in 2009 compared to $1.57 billion in 2008, a 3% decrease. AS organic revenue was unchanged in 2009. In North America, revenue decreased 1% overall and 2% organically where decreases in recovery services exceeded growth in managed services and professional services revenue. Revenue from license and resale fees included software license revenue of $4 million, a decrease of $2 million from the prior year. Revenue in Europe decreased 12%, but increased 2.5% organically.

Costs and Expenses:

Total costs increased to 111% of revenue in 2009 from 88% of 2008 revenue. Included in 2009 was a $1.13 billion impairment charge related to our AS business.

Cost of sales and direct operating expenses as a percentage of total revenue was 48% in each of 2009 and 2008. Lower employee-related and consultant expenses in our software and processing businesses were partially offset by increased costs from acquired businesses, net of a business sold in 2008.

The decrease in sales, marketing and administration expenses of $25 million was due primarily to decreased costs resulting from FS employee-related expenses partially offset by increased costs from acquired businesses, net of a business sold in 2008, and increases in FS facilities expense.

Because AS software development costs are insignificant, it is more meaningful to measure product development expense as a percentage of revenue from software and processing solutions. In 2009 and 2008, software development expenses were 9% and 8%, respectively, of revenue from software and processing solutions.

Depreciation and amortization as a percentage of total revenue was 5% in each of 2009 and 2008. The $14 million increase in 2009 was due primarily to capital expenditures supporting AS, FS and HE.

Amortization of acquisition-related intangible assets was 10% and 9% of total revenue in 2009 and 2008, respectively. During 2009, we shortened the remaining useful lives of certain intangible assets and also recorded impairment charges of our customer base and software assets of $18 million and $17 million, respectively. During 2008, we recorded impairment charges of our customer base, software and trade name assets of $27 million, $9 million and $3 million, respectively. These impairments are the result of reduced cash flow projections.

We recorded a goodwill impairment charge of $1.13 billion in AS in 2009. This impairment is described in the Use of Estimates and Critical Accounting Policies section above.

Interest expense was $637 million in 2009 compared to $597 million in 2008. The increase is primarily due to increased borrowings from the issuance of $500 million senior notes due 2015, a $500 million increase in the term loan and borrowings under our receivables facility, partially offset by decreased borrowings under our term loans and revolving credit facility, repayment of our senior notes due in January 2009 and interest rate decreases.

Other income was $15 million in 2009 compared to other expense of $93 million in 2008. The income in 2009 was due primarily to $14 million of foreign currency translation gains related to our euro-denominated term loan. In contrast, during 2008, currency translation related to those same euro-

denominated term loans produced $46 million of foreign currency translation losses. Also incurred in 2008 were $25 million of losses on sales of receivables related to our terminated off-balance sheet receivables facility and $17 million of losses on euros purchased in advance of and fees associated with unused alternative financing commitments for the acquisition of GL TRADE.

We believe that our overall effective income tax rate is typically between 38% and 40%. The effective income tax rates for 2009 and 2008 were a tax benefit of 6% and a tax provision of 124%, respectively. The rate in 2009 reflects a nondeductible goodwill impairment charge. The rate in 2008 reflects a charge for tax positions taken in prior years as well as differences in the mix of taxable income in various jurisdictions. The reported benefit from income taxes in 2009 includes a $12 million favorable adjustment primarily related to utilization in our 2008 U.S. federal income tax return of foreign tax credit carryforwards that were not expected to be utilized at the time of the 2008 tax provision.

Income from discontinued operations, net of tax, was $4 million in 2009 compared to loss from discontinued operations, net of tax, of $150 million in 2008. During 2008, we incurred a goodwill impairment charge, net of tax, of $128 million. Also in 2008, we recorded impairment charges of our customer base and software assets of $20 million and $8 million, respectively. These impairments are the result of reduced cash flow projections related to the software and customer base assets that were impaired.

Accreted dividends on SCCII's cumulative preferred stock were $180 million and $157 million in 2009 and 2008, respectively. The increase in dividends is due to compounding. No dividends have been declared by SCCII.

Liquidity and Capital Resources:

At December 31, 2010, cash and cash equivalents in continuing operations were $778 million, an increase of $136 million from December 31, 2009, while availability under our revolving credit facility was $796 million. Approximately $483 million of cash and cash equivalents at December 31, 2010 was held by our wholly owned non-U.S. subsidiaries. While available to fund operations and strategic investment opportunities abroad, most of these funds cannot be repatriated for use in the United States without incurring additional cash tax costs and in some cases are in countries with currency restrictions. Also, approximately $100 million of cash and cash equivalents at December 31, 2010 relates to our broker/dealer operations which is not available for general corporate use without adversely affecting the operation of the broker/dealer businesses.

Cash flow from continuing operations was $714 million in 2010 compared to cash flow from continuing operations of $607 million in 2009. The increase in cash flow from continuing operations is due primarily to the termination in December 2008 of our off-balance sheet accounts receivable securitization program, which reduced 2009 operating cash flow, and $92 million less of income tax payments, net of refunds, in 2010, partially offset by the reduction in operating income after adjusting for the noncash goodwill impairments in 2010 and 2009. Cash flow from continuing operations was $607 million in 2009 compared to cash flow from continuing operations of $375 million in 2008. The increase in cash flow from continuing operations is due primarily to the positive impact of approximately $287 million from the termination in December 2008 of our off-balance sheet accounts receivable securitization program, offset by an increased use of cash, principally in working capital, in the balance of the business.

Net cash used by continuing operations in investing activities was $385 million in 2010 and $331 million in 2009. During 2010, we spent $82 million for four acquisitions, whereas we spent $13 million for three acquisitions during 2009. Capital expenditures for continuing operations were $312 million in 2010 and $323 million in 2009. In 2008, net cash used by continuing operations in investing activities was $1.1 billion, primarily related to $721 million spent on six acquisitions, including $546 million for the acquisition of GL TRADE S.A. in our FS business, and capital expenditures were $391 million.

In 2010, net cash used by continuing operations in financing activities was $344 million, which included the early retirements of our senior notes due 2013 along with the associated retirement premium and $265 million of term loans, and the issuance of $900 million of senior notes due 2018 and $700 million of senior notes due 2020 (net of associated fees). We also increased our borrowings under our accounts receivable securitization program by $63 million in 2010. In 2009, net cash used by continuing operations in financing activities was $627 million, primarily related to repayment at maturity of the $250 million senior secured notes and repayment of $500 million of borrowings under our revolving credit facility, partially offset by cash received from the new receivables facility (net of associated fees). In 2008, net cash provided by financing activities was $1.3 billion, which was used to fund the acquisition of GL TRADE, replace the liquidity provided by the terminated off-balance sheet accounts receivable securitization facility and repay $250 million of senior notes due in January 2009.

As a result of the LBO, we are highly leveraged. Our Sponsors continually evaluate strategic initiatives, some of which could significantly impact our debt profile. See above Overview. See Note 5 of Notes to Consolidated Financial Statements which contains a full description of our debt. Total debt outstanding as of December 31, 2010 was $8.06 billion, which consists of the following (in millions):

	December 31, 2010
Senior Secured Credit Facility:	
Secured revolving credit facility	**$ —**
Tranche A, effective interest rate of 3.29%	**1,447**
Tranche B, effective interest rate of 6.67%	**2,468**
Incremental term loan, effective interest rate of 6.75%	**479**
Total Senior Secured Credit Facility	**4,394**
Senior Notes due 2014 at 4.875%, net of discount of $12	**238**
Senior Notes due 2015 at 10.625%, net of discount of $4	**496**
Senior Notes due 2018 at 7.375%	**900**
Senior Notes due 2020 at 7.625%	**700**
Senior Subordinated Notes due 2015 at 10.25%	**1,000**
Secured accounts receivable facility, effective interest rate of 3.76%	**313**
Other, primarily acquisition purchase price and capital lease obligations	**14**
	8,055
Short-term borrowings and current portion of long-term debt	**(9)**
Long-term debt	**$8,046**

Senior Secured Credit Facilities

As of December 31, 2010, SunGard's senior secured credit facilities ("Credit Agreement") consist of (1) $1.39 billion of U.S. dollar-denominated tranche A term loans and $62 million of pound sterling-denominated tranche A term loans, each maturing on February 28, 2014, (2) $2.41 billion of U.S. dollar-denominated tranche B term loans and $60 million of pound sterling-denominated tranche B term loans, each maturing on February 28, 2016, (3) $479 million of U.S. dollar-denominated incremental term loans maturing on February 28, 2014 and (4) an $829 million revolving credit facility with $580 million of commitments terminating on May 11, 2013, and $249 million of commitments terminating on August 11, 2011. As of December 31, 2010, $796 million was available for borrowing under the revolving credit facility after giving effect to certain outstanding letters of credit.

In December 2010, we sold our PS UK operation for gross proceeds of £88 million ($138 million). Pursuant to our Credit Agreement, we were required to apply the "Net Proceeds," as defined in the Credit Agreement, to the repayment of outstanding term loans. Accordingly, we repaid $96 million of SunGard's U.S. dollar-denominated term loans, $3 million of pound sterling-denominated term loans and $2 million of our euro-denominated term loans. In addition, and concurrent with these mandatory prepayments, other available cash was used to voluntarily repay the remaining $164 million balance outstanding on the euro-denominated term loans.

In January 2011, we amended SunGard's incremental term loan to (a) eliminate the LIBOR and Base Rate floors and (b) reduce the Eurocurrency Rate spread from 3.75% to 3.50% and the Base Rate spread from 2.75% to 2.50%. The loan maturity was not changed.

Senior Notes

On November 1, 2010, SunGard issued $900 million of 7.375% senior notes due in November 2018 and $700 million of 7.625% senior notes due in November 2020. The proceeds, together with other cash, were used to retire our $1.6 billion 9.125% senior notes due 2013.

The senior notes due 2018 and 2020 contain registration rights by which SunGard has agreed to use its reasonable best efforts to register with the U.S. Securities & Exchange Commission notes having substantially identical terms. SunGard will use its reasonable best efforts to cause the exchange offer to be completed or, if required, to have one or more shelf registration statements declared effective, within 360 days after the issue date of the senior notes due 2018 and 2020.

If SunGard fails to meet this target (a "registration default") with respect to the senior notes due 2018 and 2020, the annual interest rate on the senior notes due 2018 and 2020 will increase by 0.25% for each subsequent 90-day period during which the registration default continues, up to a maximum additional interest rate of 1.0% per year over the applicable interest rate. If the registration default is corrected or, if it is not corrected, upon the two year anniversary of the issue date of the senior notes due 2018 and 2020, the applicable interest rate on such senior notes due 2018 and 2020 will revert to the original level.

Receivables Facilities

On September 30, 2010, SunGard entered into an Amended and Restated Credit and Security Agreement related to its receivables facility. Among other things, the amendment (a) increased the borrowing capacity under the facility from $317 million to $350 million, (b) increased the term loan

component to $200 million from $181 million, (c) extended the maturity date to September 30, 2014, (d) removed the 3% LIBOR floor and set the interest rate to one-month LIBOR plus 3.5%, which at December 31, 2010 was 3.76%, and (e) amended certain other terms. At December 31, 2010, $200 million was drawn against the term loan commitment and $113 million was drawn against the revolving commitment, which represented the full amount available for borrowing based on the terms and conditions of the facility. At December 31, 2010, $680 million of accounts receivable secure the borrowings under the receivables facility.

In March 2009, SunGard entered into a syndicated three-year receivables facility. The facility limit was $317 million, which consisted of a term loan commitment of $181 million and a revolving commitment of $136 million. Advances may be borrowed and repaid under the revolving commitment with no impact on the facility limit. The term loan commitment may be repaid at any time at SunGard's option, but such repayment will result in a permanent reduction in the facility limit. Under the receivables facility, SunGard was generally required to pay interest on the amount of each advance at the one month LIBOR rate (with a floor of 3%) plus 4.50% per annum. The facility is subject to a fee on the unused portion of 1.00% per annum. The receivables facility contains certain covenants, and SunGard is required to satisfy and maintain specified facility performance ratios, financial ratios and other financial condition tests.

In December 2008, SunGard terminated its off-balance sheet accounts receivable securitization program. Under that accounts receivable facility, eligible receivables were sold to third-party conduits through a wholly owned, bankruptcy remote, special purpose entity that is not consolidated for financial reporting purposes. SunGard serviced the receivables and charged a monthly servicing fee at market rates. The third-party conduits were sponsored by certain lenders under SunGard's senior secured credit facilities.

Interest Rate Swaps

We use interest rate swap agreements to manage the amount of our floating rate debt in order to reduce our exposure to variable rate interest payments associated with the senior secured credit facilities. We pay a stream of fixed interest payments for the term of the swap, and in turn, receive variable interest payments based on one-month LIBOR or three-month LIBOR (0.26% and 0.30%, respectively, at December 31, 2010). The net receipt or payment from the interest rate swap agreements is included in interest expense. A summary of our interest rate swaps at December 31, 2010 follows:

Inception	Maturity	Notional Amount (in millions)	Interest rate paid	Interest rate received (LIBOR)
February 2006	February 2011	$ 800	5.00%	3-Month
January 2008	February 2011	750	3.17%	3-Month
January / February 2009	February 2012	1,200	1.78%	1-Month
February 2010	May 2013	500	1.99%	3-Month
Total/Weighted average interest rate		$3,250	2.93%	

Contractual Obligations

At December 31, 2010, our contractual obligations follow (in millions):

	Total	2011	2012 - 2013	2014 - 2015	2016 and After
Short-term and long-term debt[1]	$ 8,055	$ 9	$ 55	$4,004	$3,987
Interest payments[2]	2,704	495	943	763	503
Operating leases	1,365	210	360	276	519
Purchase obligations[3]	300	136	130	34	—
	$12,424	$850	$1,488	$5,077	$5,009

(1) The senior notes due 2014 and the senior notes due 2015 are recorded at $238 million and $496 million, respectively, as of December 31, 2010, reflecting the remaining unamortized discount. The $16 million discount at December 31, 2010 will be amortized and included in interest expense over the remaining periods to maturity.

(2) Interest payments consist of interest on both fixed-rate and variable-rate debt. Variable-rate debt consists primarily of the tranche A secured term loan facility ($1.45 billion at 3.29%), the tranche B term loan facility ($2.47 billion at 6.67%), the incremental term loan ($479 million at 6.75%) and the secured accounts receivable facility ($313 million at 3.76%), each as of December 31, 2010. The impact of amending the incremental term loan in January 2011 is to decrease the amount of interest paid in the table above by $10 million in 2011, $29 million in 2012-2013 and $6 million in 2014. See Note 5 to Notes to Consolidated Financial Statements.

(3) Purchase obligations include our estimate of the minimum outstanding obligations under noncancelable commitments to purchase goods or services.

At December 31, 2010, contingent purchase price obligations that depend upon the operating performance of certain acquired businesses were less than $1 million. We also have outstanding letters of credit and bid bonds that total approximately $42 million.

We expect our cash on hand, cash flows from operations, availability under our Credit Agreement and availability under our accounts receivable revolving commitment to provide sufficient liquidity to fund our current obligations, projected working capital requirements and capital spending for a period that includes at least the next 12 months.

Depending on market conditions, SunGard, its Sponsors and their affiliates may from time to time repurchase debt securities issued by SunGard, in privately negotiated or open market transactions, by tender offer or otherwise.

Covenant Compliance

Our senior secured credit facilities and the indentures governing our senior notes due 2015, 2018 and 2020 and our senior subordinated notes due 2015 contain various covenants that limit our ability to engage in specified types of transactions. These covenants limit our ability to, among other things:

- incur additional indebtedness or issue certain preferred shares,
- pay dividends on, repurchase or make distributions in respect of our capital stock or make other restricted payments,

- make certain investments,
- sell certain assets,
- create liens,
- consolidate, merge, sell or otherwise dispose of all or substantially all of our assets, and
- enter into certain transactions with our affiliates.

In addition, pursuant to the Principal Investor Agreement by and among our Holding Companies and the Sponsors, we are required to obtain approval from certain Sponsors prior to the declaration or payment of any dividend by us or any of our subsidiaries (other than dividends payable to us or any of our wholly owned subsidiaries).

Under the senior secured credit facilities, we are required to satisfy and maintain specified financial ratios and other financial condition tests. As of December 31, 2010, we are in compliance with all financial and nonfinancial covenants. While we believe that we will remain in compliance, our continued ability to meet those financial ratios and tests can be affected by events beyond our control, and there is no assurance that we will continue to meet those ratios and tests.

Adjusted earnings before interest, taxes, depreciation and amortization and goodwill impairment ("EBITDA") is a non-GAAP measure used to determine our compliance with certain covenants contained in the indentures governing the senior notes due 2015, 2018 and 2020 and senior subordinated notes due 2015 and in our senior secured credit facilities. Adjusted EBITDA is defined as EBITDA further adjusted to exclude unusual items and other adjustments permitted in calculating covenant compliance under the indentures and our senior secured credit facilities. We believe that including supplementary information concerning Adjusted EBITDA is appropriate to provide additional information to investors to demonstrate compliance with our financing covenants.

The breach of covenants in our senior secured credit facilities that are tied to ratios based on Adjusted EBITDA could result in a default and the lenders could elect to declare all amounts borrowed due and payable. Any such acceleration would also result in a default under our indentures. Additionally, under our debt agreements, our ability to engage in activities such as incurring additional indebtedness, making investments and paying dividends is also tied to ratios based on Adjusted EBITDA.

Adjusted EBITDA does not represent net income (loss) or cash flow from operations as those terms are defined by GAAP and does not necessarily indicate whether cash flows will be sufficient to fund cash needs. While Adjusted EBITDA and similar measures are frequently used as measures of operations and the ability to meet debt service requirements, these terms are not necessarily comparable to other similarly titled captions of other companies due to the potential inconsistencies in the method of calculation. Adjusted EBITDA does not reflect the impact of earnings or charges resulting from matters that we may consider not to be indicative of our ongoing operations. In particular, the definition of Adjusted EBITDA in the indentures allows us to add back certain noncash, extraordinary or unusual charges that are deducted in calculating net income (loss). However, these are expenses that may recur, vary greatly and are difficult to predict. Further, our debt instruments require that Adjusted EBITDA be calculated for the most recent four fiscal quarters. As a result, the measure can be disproportionately affected by a particularly strong or weak quarter. Further, it may not be comparable to the measure for any subsequent four-quarter period or any complete fiscal year.

The following is a reconciliation of net loss, which is a GAAP measure of our operating results, to Adjusted EBITDA as defined in our debt agreements. The terms and related calculations are defined in the indentures.

(in millions)	Year ended December 31, 2008	2009	2010
Net loss from continuing operations	$ (92)	$(1,122)	**$ (390)**
Interest expense, net	580	630	**636**
Taxes	51	(74)	**(29)**
Depreciation and amortization	746	817	**775**
Goodwill impairment charge	—	1,126	**237**
EBITDA	1,285	1,377	**1,229**
Purchase accounting adjustments(1)	35	17	**13**
Non-cash charges(2)	35	36	**38**
Restructuring and other charges(3)	66	41	**50**
Acquired EBITDA, net of disposed EBITDA(4)	57	4	**7**
Pro forma expense savings related to acquisitions(5)	17	4	**2**
Loss on extinguishment of debt and other(6)	76	5	**68**
Adjusted EBITDA—Senior Secured Credit Facilities	1,571	1,484	**1,407**
Loss on sale of receivables(7)	25	—	**—**
Adjusted EBITDA—Senior Notes due 2015, 2018 and 2020 and Senior Subordinated Notes due 2015	$1,596	$ 1,484	**$1,407**

(1) Purchase accounting adjustments include the adjustment of deferred revenue and lease reserves to fair value at the dates of the LBO and subsequent acquisitions made by SunGard and certain acquisition-related compensation expense.

(2) Non-cash charges include stock-based compensation (see Note 9 of Notes to Consolidated Financial Statements) and loss on the sale of assets.

(3) Restructuring and other charges include debt refinancing costs, severance and related payroll taxes, reserves to consolidate certain facilities, settlements with former owners of acquired companies and other expenses associated with acquisitions made by SunGard.

(4) Acquired EBITDA net of disposed EBITDA reflects the EBITDA impact of businesses that were acquired or disposed of during the period as if the acquisition or disposition occurred at the beginning of the period.

(5) Pro forma adjustments represent the full-year impact of savings resulting from post-acquisition integration activities.

(6) Loss on extinguishment of debt and other includes the loss on extinguishment of $1.6 billion of senior notes due in 2013, gains or losses related to fluctuation of foreign currency exchange rates impacting the foreign-denominated debt, management fees paid to the Sponsors, and franchise and similar taxes reported in operating expenses, partially offset by certain charges relating to the off-balance sheet accounts receivable securitization facility (terminated in December 2008).

(7) The loss on sale of receivables under the off-balance sheet accounts receivable securitization facility (terminated in December 2008) is added back in calculating Adjusted EBITDA for purposes of the indentures governing the senior notes due 2015, 2018 and 2020 and the senior subordinated notes due 2015 but is not added back in calculating Adjusted EBITDA for purposes of the senior secured credit facilities.

Our covenant requirements and actual ratios for the year ended December 31, 2010 are as follows:

	Covenant Requirements	Actual Ratios
Senior secured credit facilities[1]		
Minimum Adjusted EBITDA to consolidated interest expense ratio	1.80x	2.43x
Maximum total debt to Adjusted EBITDA	6.25x	4.997x
Senior Notes due 2015, 2018, and 2020 and Senior Subordinated Notes due 2015[2]		
Minimum Adjusted EBITDA to fixed charges ratio required to incur additional debt pursuant to ratio provisions	2.00x	2.41x

(1) Our senior secured credit facilities require us to maintain an Adjusted EBITDA to consolidated interest expense ratio starting at a minimum of 1.80x for the four-quarter period ended December 31, 2010 and increasing over time to 1.95x by the end of 2011 and 2.20x by the end of 2013. Consolidated interest expense is defined in the senior secured credit facilities as consolidated cash interest expense less cash interest income further adjusted for certain noncash or nonrecurring interest expense. Beginning with the four-quarter period ending December 31, 2010, we are required to maintain a consolidated total debt to Adjusted EBITDA ratio of 6.25x and decreasing over time to 5.75x by the end of 2011 and to 4.75x by the end of 2013. Consolidated total debt is defined in the senior secured credit facilities as total debt less certain indebtedness and further adjusted for cash and cash equivalents on our balance sheet in excess of $50 million. Failure to satisfy these ratio requirements would constitute a default under the senior secured credit facilities. If our lenders failed to waive any such default, our repayment obligations under the senior secured credit facilities could be accelerated, which would also constitute a default under our indentures.

(2) Our ability to incur additional debt and make certain restricted payments under our indentures, subject to specified exceptions, is tied to an Adjusted EBITDA to fixed charges ratio of at least 2.0x, except that we may incur certain debt and make certain restricted payments and certain permitted investments without regard to the ratio, such as our ability to incur up to an aggregate principal amount of $5.75 billion under credit facilities (inclusive of amounts outstanding under our senior credit facilities from time to time; as of December 31, 2010, we had $4.39 billion outstanding under our term loan facilities and available commitments of $796 million under our revolving credit facility), to acquire persons engaged in a similar business that become restricted subsidiaries and to make other investments equal to 6% of our consolidated assets. Fixed charges is defined in the indentures governing the Senior Notes due 2015, 2018 and 2020 and the Senior Subordinated Notes due 2015 as consolidated interest expense less interest income, adjusted for acquisitions, and further adjusted for noncash interest.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK:

We do not use derivative financial instruments for trading or speculative purposes. We have invested our available cash in short-term, highly liquid financial instruments, substantially all having initial maturities of three months or less. When necessary, we have borrowed to fund acquisitions.

At December 31, 2010, we had total debt of $8.06 billion, including $4.71 billion of variable rate debt. We entered into interest rate swap agreements which fixed the interest rates for $3.25 billion of

our variable rate debt. Swap agreements expiring in February 2011 have notional values of $800 million and $750 million and effectively fix the variable portion of our interest rates at 5.00% and 3.17%, respectively. Swap agreements expiring in February 2012 have a notional value of $1.2 billion and effectively fix the variable portion of our interest rates at 1.78%. Swap agreements expiring in May 2013 have a notional value of $500 million and effectively fix the variable portion of our interest rates at 1.99%. Our remaining variable rate debt of $1.46 billion is subject to changes in underlying interest rates, and, accordingly, our interest payments will fluctuate. During the period when all of our interest rate swap agreements are effective, a 1% change in interest rates would result in a change in interest of approximately $15 million per year. Upon the expiration of each interest rate swap agreement in February 2011 and 2012 and May 2013, a 1% change in interest rates would result in a change in interest of approximately $30 million, $42 million and $47 million per year, respectively. See Note 5 to Consolidated Financial Statements.

During 2010, approximately 31% of our revenue was from customers outside the United States with approximately 67% of this revenue coming from customers located in the United Kingdom and Continental Europe. Only a portion of the revenue from customers outside the United States is denominated in other currencies, the majority being pounds sterling and euros. Revenue and expenses of our foreign operations are generally denominated in their respective local currencies. We continue to monitor our exposure to currency exchange rates.

We enter into currency hedging transactions from time to time to mitigate certain currency exposures.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

SunGard Capital Corp.
SunGard Capital Corp. II
SunGard Data Systems Inc.

Index to Consolidated Financial Statements

Management's Report on Internal Control Over Financial Reporting 57
Reports of Independent Registered Public Accounting Firm 58

SunGard Capital Corp.

Consolidated Balance Sheets as of December 31, 2009 and 2010 61
Consolidated Statements of Operations for the years ended December 31, 2008, 2009 and 2010 62
Consolidated Statements of Cash Flows for the years ended December 31, 2008, 2009 and 2010 63
Consolidated Statement of Changes in Equity for the years ended December 31, 2008, 2009 and 2010 64

SunGard Capital Corp. II

Consolidated Balance Sheets as of December 31, 2009 and 2010 66
Consolidated Statements of Operations for the years ended December 31, 2008, 2009 and 2010 67
Consolidated Statements of Cash Flows for the years ended December 31, 2008, 2009 and 2010 68
Consolidated Statement of Changes in Stockholders' Equity for the years ended December 31, 2008, 2009 and 2010 69

SunGard Data Systems Inc.

Consolidated Balance Sheets as of December 31, 2009 and 2010 71
Consolidated Statements of Operations for the years ended December 31, 2008, 2009 and 2010 72
Consolidated Statements of Cash Flows for the years ended December 31, 2008, 2009 and 2010 73
Consolidated Statement of Changes in Stockholder's Equity for the years ended December 31, 2008, 2009 and 2010 74

Notes to Consolidated Financial Statements 75

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of the Company's financial reporting for external purposes in accordance with accounting principles generally accepted in the United States of America. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate. Management conducted an assessment of the Company's internal control over financial reporting based on the criteria established by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control—Integrated Framework. Based on the assessment, management concluded that, as of December 31, 2010, the Company's internal control over financial reporting is effective based on those criteria.

The independent registered public accounting firm that audited the financial statements included in this annual report has issued an attestation report on the Company's internal control over financial reporting. The attestation report is included herein.

SunGard Capital Corp.
SunGard Capital Corp. II
SunGard Data Systems Inc.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of SunGard Capital Corp.:

In our opinion, the accompanying consolidated balance sheets and the related statements of operations, of changes in equity and of cash flows present fairly, in all material respects, the financial position of SunGard Capital Corp. and its subsidiaries ("SCC") at December 31, 2010 and 2009, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2010 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, SCC maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). SCC's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements and on SCC's internal control over financial reporting based on our audits (which was an integrated audit in 2010). We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
March 1, 2011

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of SunGard Capital Corp. II:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of changes in stockholders' equity and of cash flows present fairly, in all material respects, the financial position of SunGard Capital Corp. II and its subsidiaries ("SCC II") at December 31, 2010 and 2009, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2010 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, SCCII maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). SCCII's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements and on SCCII's internal control over financial reporting based on our audits (which was an integrated audit in 2010). We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
March 1, 2011

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholder of SunGard Data Systems Inc.:

In our opinion, the accompanying consolidated balance sheets and the related statements of operations, of changes in stockholder's equity and of cash flows present fairly, in all material respects, the financial position of SunGard Data Systems Inc. and its subsidiaries ("SDS") at December 31, 2010 and 2009, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2010 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, SDS maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). SDS' management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements and on SDS' internal control over financial reporting based on our audits (which was an integrated audit in 2010). We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
March 1, 2011

SunGard Capital Corp.

Consolidated Balance Sheets

(In millions except share and per-share amounts)	December 31, 2009	December 31, 2010
Assets		
Current:		
Cash and cash equivalents	$ 642	**$ 778**
Trade receivables, less allowance for doubtful accounts of $48 and $41	925	**894**
Earned but unbilled receivables	163	**167**
Prepaid expenses and other current assets	172	**178**
Clearing broker assets	332	**230**
Deferred income taxes	19	**10**
Current assets of discontinued operations	90	**—**
Total current assets	2,343	**2,257**
Property and equipment, less accumulated depreciation of $931 and $1,135	919	**918**
Software products, less accumulated amortization of $1,069 and $1,301	1,014	**809**
Customer base, less accumulated amortization of $918 and $1,158	2,239	**2,000**
Other intangible assets, less accumulated amortization of $24 and $23.	193	**187**
Trade name, less accumulated amortization of $10 and $7	1,025	**1,023**
Goodwill	6,027	**5,774**
Long-term assets of discontinued operations	220	**—**
Total Assets	$13,980	**$12,968**
Liabilities and Equity		
Current:		
Short-term and current portion of long-term debt	$ 64	**$ 9**
Accounts payable	61	**64**
Accrued compensation and benefits	311	**302**
Accrued interest expense	146	**103**
Other accrued expenses	386	**421**
Clearing broker liabilities	294	**210**
Deferred revenue	1,025	**997**
Current liabilities of discontinued operations	60	**—**
Total current liabilities	2,347	**2,106**
Long-term debt	8,251	**8,046**
Deferred income taxes	1,302	**1,212**
Long-term liabilities of discontinued operations	16	**—**
Total liabilities	11,916	**11,364**
Commitments and contingencies		
Noncontrolling interest in preferred stock of SCCII subject to a put option	51	**54**
Class L common stock subject to a put option	88	**87**
Class A common stock subject to a put option	11	**11**
Stockholders' equity:		
Class L common stock, convertible, par value $.001 per share; cumulative 13.5% per annum, compounded quarterly; aggregate liquidation preference of $4,118 million and $4,699 million; 50,000,000 shares authorized, 28,613,930 and 28,670,331 shares issued	—	**—**
Class A common stock, par value $.001 per share; 550,000,000 shares authorized, 257,529,758 and 258,037,523 shares issued	—	**—**
Capital in excess of par value	2,678	**2,703**
Treasury stock, 248,414 and 326,329 shares of Class L common stock; and 2,239,549 and 2,940,981 shares of Class A common stock	(27)	**(34)**
Accumulated deficit	(2,209)	**(2,970)**
Accumulated other comprehensive income	(121)	**(29)**
Total SunGard Capital Corp. stockholders' equity (deficit)	321	**(330)**
Noncontrolling interest in preferred stock of SCCII	1,593	**1,782**
Total equity	1,914	**1,452**
Total Liabilities and Equity	$13,980	**$12,968**

The accompanying notes are an integral part of these consolidated financial statements.

SunGard Capital Corp.

Consolidated Statements of Operations

(in millions)	Year ended December 31, 2008	2009	2010
Revenue:			
Services	$4,898	$ 4,844	**$4,485**
License and resale fees	359	324	**380**
Total products and services	5,257	5,168	**4,865**
Reimbursed expenses	144	164	**127**
	5,401	5,332	**4,992**
Costs and expenses:			
Cost of sales and direct operating	2,601	2,534	**2,201**
Sales, marketing and administration	1,113	1,088	**1,141**
Product development	309	348	**370**
Depreciation and amortization	274	288	**291**
Amortization of acquisition-related intangible assets	472	529	**484**
Goodwill impairment charges	—	1,126	**237**
	4,769	5,913	**4,724**
Operating income (loss)	632	(581)	**268**
Interest income	17	7	**2**
Interest expense and amortization of deferred financing fees	(597)	(637)	**(638)**
Loss on extinguishment of debt	—	—	**(58)**
Other income (expense)	(93)	15	**7**
Loss from continuing operations before income taxes	(41)	(1,196)	**(419)**
Benefit from (provision for) income taxes	(51)	75	**29**
Loss from continuing operations	(92)	(1,121)	**(390)**
Income (loss) from discontinued operations, net of tax	(150)	4	**(180)**
Net loss	(242)	(1,117)	**(570)**
Income attributable to the noncontrolling interest (including $4 million, $5 million and $3 million in temporary equity)	(157)	(180)	**(191)**
Net loss attributable to SunGard Capital Corp.	$ (399)	$(1,297)	**$ (761)**

The accompanying notes are an integral part of these consolidated financial statements.

SunGard Capital Corp.

Consolidated Statements of Cash Flows

(in millions)	Year ended December 31, 2008	2009	2010
Cash flow from operations:			
Net loss	$ (242)	$(1,117)	**$ (570)**
Income (loss) from discontinued operations	(150)	4	**(180)**
Loss from continuing operations	(92)	(1,121)	**(390)**
Reconciliation of loss from continuing operations to cash flow from operations:			
Depreciation and amortization	746	817	**775**
Goodwill impairment charge	—	1,126	**237**
Deferred income tax benefit	(94)	(166)	**(90)**
Stock compensation expense	35	33	**31**
Amortization of deferred financing costs and debt discount	37	42	**43**
Loss on extinguishment of debt	—	—	**58**
Other noncash items	50	(14)	**3**
Accounts receivable and other current assets	(349)	(57)	**33**
Accounts payable and accrued expenses	(18)	(74)	**26**
Clearing broker assets and liabilities, net	36	(39)	**18**
Deferred revenue	24	60	**(30)**
Cash flow from continuing operations	375	607	**714**
Cash flow from discontinued operations	9	33	**7**
Cash flow from operations	384	640	**721**
Investment activities:			
Cash paid for acquired businesses, net of cash acquired	(721)	(13)	**(82)**
Cash paid for property and equipment and software	(391)	(323)	**(312)**
Other investing activities	4	5	**9**
Cash used in continuing operations	(1,108)	(331)	**(385)**
Cash provided by (used in) discontinued operations	(17)	(2)	**125**
Cash used in investment activities	(1,125)	(333)	**(260)**
Financing activities:			
Cash received from issuance of common stock	3	4	**1**
Cash received from issuance of preferred stock	1	1	**—**
Cash received from borrowings, net of fees	1,444	202	**1,633**
Cash used to repay debt	(103)	(825)	**(1,924)**
Premium paid to retire debt	—	—	**(41)**
Cash used to repurchase treasury stock	(18)	(6)	**(12)**
Other financing activities	(7)	(3)	**(1)**
Cash used in continuing operations	1,320	(627)	**(344)**
Cash provided by (used in) discontinued operations	—	(2)	**—**
Cash provided by (used in) financing activities	1,320	(629)	**(344)**
Effect of exchange rate changes on cash	(31)	11	**(3)**
Increase (decrease) in cash and cash equivalents	548	(311)	**114**
Beginning cash and cash equivalents includes cash of discontinued operations: 2008, $25; 2009, $10; 2010, $22	427	975	**664**
Ending cash and cash equivalents includes cash of discontinued operations: 2008, $10; 2009, $22; 2010, $0	$ 975	$ 664	**$ 778**

The accompanying notes are an integral part of these consolidated financial statements.

SunGard Capital Corp.

Consolidated Statement of Changes in Equity

	Common Stock				Treasury Stock Common Stock			
	Number of Shares issued				Shares			
(In millions)	Class L	Class A	Par Value	Capital in Excess of Par Value	Class L	Class A	Par Value	Amount
Balances at December 31, 2007	28	256	$—	$2,580	—	1	$—	$ (10)
Comprehensive loss:								
Net loss	—	—	—	—	—	—	—	—
Foreign currency translation	—	—	—	—	—	—	—	—
Net unrealized loss on derivative instruments (net of tax benefit of $25)	—	—	—	—	—	—	—	—
Total comprehensive loss								
Stock compensation expense	—	—	—	35	—	—	—	—
Issuance of common and preferred stock	1	—	—	—	—	—	—	—
Purchase of treasury stock	—	—	—	—	—	1	—	(14)
Other	—	—	—	(2)	—	—	—	—
Balances at December 31, 2008	29	256	—	2,613	—	2	—	(24)
Comprehensive loss:								
Net loss	—	—	—	—	—	—	—	—
Foreign currency translation	—	—	—	—	—	—	—	—
Net unrealized gain on derivative instruments (net of tax provision of $11)	—	—	—	—	—	—	—	—
Total comprehensive loss								
Stock compensation expense	—	—	—	33	—	—	—	—
Issuance of common and preferred stock	—	2	—	(1)	—	—	—	—
Purchase of treasury stock	—	—	—	—	—	—	—	(3)
Expiration of put option	—	—	—	44	—	—	—	—
Transfer intrinsic value of vested restricted stock units to temporary equity	—	—	—	(9)	—	—	—	—
Other	—	—	—	(2)	—	—	—	—
Balances at December 31, 2009	29	258	—	2,678	—	2	—	(27)
Comprehensive loss:								
Net loss	—	—	—	—	—	—	—	—
Foreign currency translation including the impact of the sale of a business of $109	—	—	—	—	—	—	—	—
Net unrealized gain on derivative instruments (net of tax provision of $12)	—	—	—	—	—	—	—	—
Total comprehensive loss								
Stock compensation expense	—	—	—	**31**	—	—	—	—
Issuance of common stock	—	—	—	**1**	—	—	—	—
Purchase of treasury stock	—	—	—	**(1)**	—	**1**	—	**(7)**
Expiration of put option	—	—	—	**10**	—	—	—	—
Transfer intrinsic value of vested restricted stock units to temporary equity	—	—	—	**(13)**	—	—	—	—
Other	—	—	—	**(3)**	—	—	—	—
Balances at December 31, 2010	**29**	**258**	**$—**	**$2,703**	**—**	**3**	**$—**	**$ (34)**

The accompanying notes are an integral part of these consolidated financial statements.

SunGard Capital Corp.

Consolidated Statement of Changes in Equity

(In millions)	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)		Noncontrolling interest	Total
		Foreign Currency Translation	Net Unrealized Gain (Loss) on Derivative Instruments		
Balances at December 31, 2007	$ (513)	$ 90	$ (21)	$1,258	$ 3,384
Comprehensive loss:					
Net loss	(399)	—	—	153	(246)
Foreign currency translation	—	(249)	—	—	(249)
Net unrealized loss on derivative instruments (net of tax benefit of $25)	—	—	(39)	—	(39)
Total comprehensive loss					(534)
Stock compensation expense	—	—	—	—	35
Issuance of common and preferred stock	—	—	—	—	—
Purchase of treasury stock	—	—	—	—	(14)
Other	—	—	—	—	(2)
Balances at December 31, 2008	(912)	(159)	(60)	1,411	2,869
Comprehensive loss:					
Net loss	(1,297)	—	—	175	(1,122)
Foreign currency translation	—	80	—	—	80
Net unrealized gain on derivative instruments (net of tax provision of $11)	—	—	18	—	18
Total comprehensive loss					(1,024)
Stock compensation expense	—	—	—	—	33
Issuance of common and preferred stock	—	—	—	1	—
Purchase of treasury stock	—	—	—	(2)	(5)
Expiration of put option	—	—	—	8	52
Transfer intrinsic value of vested restricted stock units to temporary equity	—	—	—	—	(9)
Other	—	—	—	—	(2)
Balances at December 31, 2009	(2,209)	(79)	(42)	1,593	1,914
Comprehensive loss:					
Net loss	**(761)**	**—**	**—**	**188**	**(573)**
Foreign currency translation including the impact of the sale of a business of $109	**—**	**68**	**—**	**—**	**68**
Net unrealized gain on derivative instruments (net of tax provision of $12)	**—**	**—**	**24**	**—**	**24**
Total comprehensive loss					**(481)**
Stock compensation expense	**—**	**—**	**—**	**—**	**31**
Issuance of common stock	**—**	**—**	**—**	**—**	**1**
Purchase of treasury stock	**—**	**—**	**—**	**(3)**	**(11)**
Expiration of put option	**—**	**—**	**—**	**3**	**13**
Transfer intrinsic value of vested restricted stock units to temporary equity	**—**	**—**	**—**	**—**	**(13)**
Other	**—**	**—**	**—**	**1**	**(2)**
Balances at December 31, 2010	**$(2,970)**	**$ (11)**	**$ (18)**	**$1,782**	**$ 1,452**

SunGard Capital Corp. II

Consolidated Balance Sheets

(In millions except share and per-share amounts)	December 31, 2009	December 31, 2010
Assets		
Current:		
Cash and cash equivalents	$ 642	**$ 778**
Trade receivables, less allowance for doubtful accounts of $48 and $41	925	**894**
Earned but unbilled receivables	163	**167**
Prepaid expenses and other current assets	172	**178**
Clearing broker assets	332	**230**
Deferred income taxes	19	**10**
Current assets of discontinued operations	90	**—**
Total current assets	2,343	**2,257**
Property and equipment, less accumulated depreciation of $931 and $1,135	919	**918**
Software products, less accumulated amortization of $1,069 and $1,301	1,014	**809**
Customer base, less accumulated amortization of $918 and $1,158	2,239	**2,000**
Other intangible assets, less accumulated amortization of $24 and $23	193	**187**
Trade name, less accumulated amortization of $10 and $7	1,025	**1,023**
Goodwill	6,027	**5,774**
Long-term assets of discontinued operations	220	**—**
Total Assets	$13,980	**$12,968**
Liabilities and Stockholders' Equity		
Current:		
Short-term and current portion of long-term debt	$ 64	**$ 9**
Accounts payable	61	**64**
Accrued compensation and benefits	311	**302**
Accrued interest expense	146	**103**
Other accrued expenses	386	**422**
Clearing broker liabilities	294	**210**
Deferred revenue	1,025	**997**
Current liabilities of discontinued operations	60	**—**
Total current liabilities	2,347	**2,107**
Long-term debt	8,251	**8,046**
Deferred income taxes	1,302	**1,211**
Long-term liabilities of discontinued operations	16	**—**
Total liabilities	11,916	**11,364**
Commitments and contingencies		
Preferred stock subject to a put option	38	**37**
Stockholders' equity:		
Preferred stock, par value $.001 per share; cumulative 11.5% per annum, compounded quarterly; aggregate liquidation preference of $1,623 million and $1,818 million; 14,999,000 shares authorized, 9,904,863 and 9,924,392 issued	—	**—**
Common stock, par value $.001 per share; 1,000 shares authorized, 100 shares issued and outstanding	—	**—**
Capital in excess of par value	3,724	**3,747**
Treasury stock, 86,008 and 112,987 shares	(10)	**(14)**
Accumulated deficit	(1,567)	**(2,137)**
Accumulated other comprehensive income	(121)	**(29)**
Total stockholders' equity	2,026	**1,567**
Total Liabilities and Stockholders' Equity	$13,980	**$12,968**

The accompanying notes are an integral part of these consolidated financial statements.

SunGard Capital Corp. II

Consolidated Statements of Operations

(in millions)	Year ended December 31, 2008	2009	2010
Revenue:			
Services	$4,898	$ 4,844	**$4,485**
License and resale fees	359	324	**380**
Total products and services	5,257	5,168	**4,865**
Reimbursed expenses	144	164	**127**
	5,401	5,332	**4,992**
Costs and expenses:			
Cost of sales and direct operating	2,601	2,534	**2,201**
Sales, marketing and administration	1,113	1,088	**1,141**
Product development	309	348	**370**
Depreciation and amortization	274	288	**291**
Amortization of acquisition-related intangible assets	472	529	**484**
Goodwill impairment charges	—	1,126	**237**
	4,769	5,913	**4,724**
Operating income (loss)	632	(581)	**268**
Interest income	17	7	**2**
Interest expense and amortization of deferred financing fees	(597)	(637)	**(638)**
Loss on extinguishment of debt	—	—	**(58)**
Other income (expense)	(93)	15	**7**
Loss from continuing operations before income taxes	(41)	(1,196)	**(419)**
Benefit from (provision for) income taxes	(51)	74	**29**
Loss from continuing operations	(92)	(1,122)	**(390)**
Income (loss) from discontinued operations, net of tax	(150)	4	**(180)**
Net loss	$ (242)	$(1,118)	**$ (570)**

The accompanying notes are an integral part of these consolidated financial statements.

SunGard Capital Corp. II

Consolidated Statements of Cash Flows

(in millions)	Year ended December 31, 2008	2009	2010
Cash flow from operations:			
Net loss	$ (242)	$(1,118)	**$ (570)**
Income (loss) from discontinued operations	(150)	4	**(180)**
Loss from continuing operations	(92)	(1,122)	**(390)**
Reconciliation of loss from continuing operations to cash flow from operations:			
Depreciation and amortization	746	817	**775**
Goodwill impairment charge	—	1,126	**237**
Deferred income tax benefit	(94)	(166)	**(90)**
Stock compensation expense	35	33	**31**
Amortization of deferred financing costs and debt discount	37	42	**43**
Loss on extinguishment of debt	—	—	**58**
Other noncash items	50	(14)	**3**
Accounts receivable and other current assets	(351)	(57)	**33**
Accounts payable and accrued expenses	(15)	(73)	**26**
Clearing broker assets and liabilities, net	36	(39)	**18**
Deferred revenue	24	60	**(30)**
Cash flow from continuing operations	376	607	**714**
Cash flow from discontinued operations	9	33	**7**
Cash flow from operations	385	640	**721**
Investment activities:			
Cash paid for acquired businesses, net of cash acquired	(721)	(13)	**(82)**
Cash paid for property and equipment and software	(391)	(323)	**(312)**
Other investing activities	4	5	**9**
Cash used in continuing operations	(1,108)	(331)	**(385)**
Cash provided by (used in) discontinued operations	(17)	(2)	**125**
Cash used in investment activities	(1,125)	(333)	**(260)**
Financing activities:			
Cash received from issuance of preferred stock	1	1	**—**
Cash received from borrowings, net of fees	1,444	202	**1,633**
Cash used to repay debt	(103)	(825)	**(1,924)**
Premium paid to retire debt.	—	—	**(41)**
Cash used to repurchase treasury stock	(5)	(2)	**(4)**
Other financing activities.	(18)	(3)	**(8)**
Cash used in continuing operations	1,319	(627)	**(344)**
Cash provided by (used in) discontinued operations	—	(2)	**—**
Cash provided by (used in) financing activities	1,319	(629)	**(344)**
Effect of exchange rate changes on cash	(31)	11	**(3)**
Increase (decrease) in cash and cash equivalents	548	(311)	**114**
Beginning cash and cash equivalents includes cash of discontinued operations: 2008, $25; 2009, $10; 2010, $22	427	975	**664**
Ending cash and cash equivalents includes cash of discontinued operations: 2008, $10; 2009, $22; 2010, $0	$ 975	$ 664	**$ 778**

The accompanying notes are an integral part of these consolidated financial statements.

SunGard Capital Corp. II

Consolidated Statement of Changes in Stockholders' Equity

(In millions)	Preferred Stock		Common Stock		Capital in Excess of Par Value
	Number of Shares issued	Par Value	Number of Shares issued	Par Value	
Balances at December 31, 2007	10	$—	—	$—	$3,646
Comprehensive loss:					
Net loss	—	—	—	—	—
Foreign currency translation	—	—	—	—	—
Net unrealized loss on derivative instruments (net of tax benefit of $25)	—	—	—	—	—
Total comprehensive loss					
Stock compensation expense	—	—	—	—	35
Purchase of treasury stock	—	—	—	—	—
Other	—	—	—	—	6
Balances at December 31, 2008	10	—	—	—	3,687
Comprehensive loss:					
Net loss	—	—	—	—	—
Foreign currency translation	—	—	—	—	—
Net unrealized gain on derivative instruments (net of tax provision of $11)	—	—	—	—	—
Total comprehensive loss					
Stock compensation expense	—	—	—	—	33
Purchase of treasury stock	—	—	—	—	—
Expiration of put option	—	—	—	—	15
Other	—	—	—	—	(11)
Balances at December 31, 2009	10	—	—	—	3,724
Comprehensive loss:					
Net loss	—	—	—	—	—
Foreign currency translation including the impact of the sale of a business of $109	—	—	—	—	—
Net unrealized gain on derivative instruments (net of tax provision of $12)	—	—	—	—	—
Total comprehensive loss					
Stock compensation expense	—	—	—	—	**31**
Purchase of treasury stock	—	—	—	—	—
Transfer intrinsic value of vested restricted stock units to temporary equity	—	—	—	—	**(4)**
Expiration of put option	—	—	—	—	**4**
Other	—	—	—	—	**(8)**
Balances at December 31, 2010	**10**	**$—**	**—**	**$—**	**$3,747**

The accompanying notes are an integral part of these consolidated financial statements.

SunGard Capital Corp. II

Consolidated Statement of Changes in Stockholders' Equity

	Treasury Stock (Preferred Stock)			Accumulated Other Comprehensive Income (Loss)		
(In millions)	Shares	Amount	Retained Earnings (Accumulated Deficit)	Foreign Currency Translation	Net Unrealized Gain (Loss) on Derivative Instruments	Total
Balances at December 31, 2007	—	$ (3)	$ (207)	$ 90	$ (21)	$ 3,505
Comprehensive loss:						
Net loss	—	—	(242)	—	—	(242)
Foreign currency translation	—	—	—	(249)	—	(249)
Net unrealized loss on derivative instruments (net of tax benefit of $25)	—	—	—	—	(39)	(39)
Total comprehensive loss						(530)
Stock compensation expense	—	—	—	—	—	35
Purchase of treasury stock	—	(5)	—	—	—	(5)
Other	—	—	—	—	—	6
Balances at December 31, 2008	—	(8)	(449)	(159)	(60)	3,011
Comprehensive loss:						
Net loss	—	—	(1,118)	—	—	(1,118)
Foreign currency translation	—	—	—	80	—	80
Net unrealized gain on derivative instruments (net of tax provision of $11)	—	—	—	—	18	18
Total comprehensive loss						(1,020)
Stock compensation expense	—	—	—	—	—	33
Purchase of treasury stock	—	(2)	—	—	—	(2)
Expiration of put option	—	—	—	—	—	15
Other	—	—	—	—	—	(11)
Balances at December 31, 2009	—	(10)	(1,567)	(79)	(42)	2,026
Comprehensive loss:						
Net loss	**—**	**—**	**(570)**	**—**	**—**	**(570)**
Foreign currency translation including the impact of the sale of a business of $109	**—**	**—**	**—**	**68**	**—**	**68**
Net unrealized gain on derivative instruments (net of tax provision of $12)	**—**	**—**	**—**	**—**	**24**	**24**
Total comprehensive loss						**(478)**
Stock compensation expense	**—**	**—**	**—**	**—**	**—**	**31**
Purchase of treasury stock	**—**	**(4)**	**—**	**—**	**—**	**(4)**
Transfer intrinsic value of vested restricted stock units to temporary equity	**—**	**—**	**—**	**—**	**—**	**(4)**
Expiration of put option	**—**	**—**	**—**	**—**	**—**	**4**
Other	**—**	**—**	**—**	**—**	**—**	**(8)**
Balances at December 31, 2010	**—**	**$ (14)**	**$(2,137)**	**$ (11)**	**$ (18)**	**$ 1,567**

SunGard Data Systems Inc.

Consolidated Balance Sheets

(In millions except share and per-share amounts)	December 31, 2009	December 31, 2010
Assets		
Current:		
Cash and cash equivalents	$ 642	**$ 778**
Trade receivables, less allowance for doubtful accounts of $48 and $41	925	**894**
Earned but unbilled receivables	163	**167**
Prepaid expenses and other current assets	172	**178**
Clearing broker assets	332	**230**
Deferred income taxes	19	**10**
Current assets of discontinued operations	90	**—**
Total current assets	2,343	**2,257**
Property and equipment, less accumulated depreciation of $931 and $1,135	919	**918**
Software products, less accumulated amortization of $1,069 and $1,301	1,014	**809**
Customer base, less accumulated amortization of $918 and $1,158	2,239	**2,000**
Other intangible assets, less accumulated amortization of $24 and $23	193	**187**
Trade name, less accumulated amortization of $10 and $7	1,025	**1,023**
Goodwill	6,027	**5,774**
Long-term assets of discontinued operations	220	**—**
Total Assets	$13,980	**$12,968**
Liabilities and Stockholder's Equity		
Current:		
Short-term and current portion of long-term debt	$ 64	**$ 9**
Accounts payable	61	**64**
Accrued compensation and benefits	311	**302**
Accrued interest expense	146	**103**
Other accrued expenses	387	**423**
Clearing broker liabilities	294	**210**
Deferred revenue	1,025	**997**
Current liabilities of discontinued operations	60	**—**
Total current liabilities	2,348	**2,108**
Long-term debt	8,251	**8,046**
Deferred income taxes	1,298	**1,207**
Long-term liabilities of discontinued operations	16	**—**
Total liabilities	11,913	**11,361**
Commitments and contingencies		
Stockholder's equity:		
Common stock, par value $.01 per share; 100 shares authorized, issued and outstanding	—	**—**
Capital in excess of par value	3,755	**3,773**
Accumulated deficit	(1,567)	**(2,137)**
Accumulated other comprehensive income	(121)	**(29)**
Total stockholder's equity	2,067	**1,607**
Total Liabilities and Stockholder's Equity	$13,980	**$12,968**

The accompanying notes are an integral part of these consolidated financial statements.

SunGard Data Systems Inc.

Consolidated Statements of Operations

(In millions)	Year ended December 31, 2008	2009	2010
Revenue:			
Services	$4,898	$ 4,844	**$4,485**
License and resale fees	359	324	**380**
Total products and services	5,257	5,168	**4,865**
Reimbursed expenses	144	164	**127**
	5,401	5,332	**4,992**
Costs and expenses:			
Cost of sales and direct operating	2,601	2,534	**2,201**
Sales, marketing and administration	1,113	1,088	**1,141**
Product development	309	348	**370**
Depreciation and amortization	274	288	**291**
Amortization of acquisition-related intangible assets	472	529	**484**
Goodwill impairment charges	—	1,126	**237**
	4,769	5,913	**4,724**
Operating income (loss)	632	(581)	**268**
Interest income	17	7	**2**
Interest expense and amortization of deferred financing fees	(597)	(637)	**(638)**
Loss on extinguishment of debt	—	—	**(58)**
Other income (expense)	(93)	15	**7**
Loss from continuing operations before income taxes	(41)	(1,196)	**(419)**
Benefit from (provision for) income taxes	(51)	74	**29**
Loss from continuing operations	(92)	(1,122)	**(390)**
Income (loss) from discontinued operations, net of tax	(150)	4	**(180)**
Net loss	$ (242)	$(1,118)	**$ (570)**

The accompanying notes are an integral part of these consolidated financial statements.

SunGard Data Systems Inc.

Consolidated Statements of Cash Flows

(In millions)	Year ended December 31, 2008	2009	2010
Cash flow from operations:			
Net loss	$ (242)	$(1,118)	**$ (570)**
Income (loss) from discontinued operations	(150)	4	**(180)**
Loss from continuing operations	(92)	(1,122)	**(390)**
Reconciliation of loss from continuing operations to cash flow from operations:			
Depreciation and amortization	746	817	**775**
Goodwill impairment charge	—	1,126	**237**
Deferred income tax benefit	(95)	(166)	**(91)**
Stock compensation expense	35	33	**31**
Amortization of deferred financing costs and debt discount	37	42	**43**
Loss on extinguishment of debt	—	—	**58**
Other noncash items	50	(14)	**3**
Accounts receivable and other current assets	(351)	(57)	**33**
Accounts payable and accrued expenses	(14)	(74)	**27**
Clearing broker assets and liabilities, net	36	(39)	**18**
Deferred revenue	24	60	**(30)**
Cash flow from continuing operations	376	606	**714**
Cash flow from discontinued operations	9	33	**7**
Cash flow from operations	385	639	**721**
Investment activities:			
Cash paid for acquired businesses, net of cash acquired	(721)	(13)	**(82)**
Cash paid for property and equipment and software	(391)	(323)	**(312)**
Other investing activities	4	5	**9**
Cash used in continuing operations	(1,108)	(331)	**(385)**
Cash provided by (used in) discontinued operations	(17)	(2)	**125**
Cash used in investment activities	(1,125)	(333)	**(260)**
Financing activities:			
Cash received from borrowings, net of fees	1,444	202	**1,633**
Cash used to repay debt	(103)	(825)	**(1,924)**
Premium paid to retire debt.	—	—	**(41)**
Other financing activities.	(22)	(3)	**(12)**
Cash used in continuing operations	1,319	(626)	**(344)**
Cash provided by (used in) discontinued operations	—	(2)	**—**
Cash provided by (used in) financing activities	1,319	(628)	**(344)**
Effect of exchange rate changes on cash	(31)	11	**(3)**
Increase (decrease) in cash and cash equivalents	548	(311)	**114**
Beginning cash and cash equivalents includes cash of discontinued operations: 2008, $25; 2009, $10; 2010, $22	427	975	**664**
Ending cash and cash equivalents includes cash of discontinued operations: 2008, $10; 2009, $22; 2010, $0	$ 975	$ 664	**$ 778**

The accompanying notes are an integral part of these consolidated financial statements.

SunGard Data Systems Inc.

Consolidated Statement of Changes in Stockholder's Equity

(in millions)	Common Stock: Number of Shares issued	Common Stock: Par Value	Capital in Excess of Par Value	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss): Foreign Currency Translation	Accumulated Other Comprehensive Income (Loss): Net Unrealized Gain (Loss) on Derivative Instruments	Total
Balances at December 31, 2007	—	$—	$3,694	$ (207)	$ 90	$ (21)	$ 3,556
Comprehensive loss:							
Net loss	—	—	—	(242)	—	—	(242)
Foreign currency translation	—	—	—	—	(249)	—	(249)
Net unrealized loss on derivative instruments (net of tax benefit of $25)	—	—	—	—	—	(39)	(39)
Total comprehensive loss							(530)
Stock compensation expense	—	—	35	—	—	—	35
Other	—	—	2	—	—	—	2
Balances at December 31, 2008	—	—	3,731	(449)	(159)	(60)	3,063
Comprehensive loss:							
Net loss	—	—	—	(1,118)	—	—	(1,118)
Foreign currency translation	—	—	—	—	80		80
Net unrealized gain on derivative instruments (net of tax provision of $11)	—	—	—	—	—	18	18
Total comprehensive loss							(1,020)
Stock compensation expense	—	—	33	—	—	—	33
Other	—	—	(9)	—	—	—	(9)
Balances at December 31, 2009	—	—	3,755	(1,567)	(79)	(42)	2,067
Comprehensive loss:							
Net loss	**—**	**—**	**—**	**(570)**	**—**	**—**	**(570)**
Foreign currency translation including the impact of the sale of a business of $109	**—**	**—**	**—**	**—**	**68**	**—**	**68**
Net unrealized gain on derivative instruments (net of tax provision of $12)	**—**	**—**	**—**	**—**	**—**	**24**	**24**
Total comprehensive loss							**(478)**
Stock compensation expense	**—**	**—**	**31**	**—**	**—**	**—**	**31**
Other	**—**	**—**	**(13)**	**—**	**—**	**—**	**(13)**
Balances at December 31, 2010	**—**	**$—**	**$3,773**	**$(2,137)**	**$ (11)**	**$ (18)**	**$ 1,607**

The accompanying notes are an integral part of these consolidated financial statements.

SunGard Capital Corp.
SunGard Capital Corp. II
SunGard Data Systems Inc.

Notes to Consolidated Financial Statements

1. Basis of Presentation and Summary of Significant Accounting Policies:

SunGard Data Systems Inc. ("SunGard") was acquired on August 11, 2005 (the "LBO") in a leveraged buy-out by a consortium of private equity investment funds associated with Bain Capital Partners, The Blackstone Group, Goldman Sachs & Co., Kohlberg Kravis Roberts & Co., Providence Equity Partners, Silver Lake and TPG (collectively, the "Sponsors").

SunGard is a wholly owned subsidiary of SunGard Holdco LLC, which is wholly owned by SunGard Holding Corp., which is wholly owned by SunGard Capital Corp. II ("SCCII"), which is a subsidiary of SunGard Capital Corp. ("SCC"). SCC and SCCII are collectively referred to as the "Parent Companies." All four of these companies were formed in 2005 for the purpose of facilitating the LBO and are collectively referred to as the "Holding Companies." SCC, SCCII and SunGard are separate reporting companies and are collectively referred to as the "Company."

The Holding Companies have no other operations beyond those of their ownership of SunGard. SunGard is one of the world's leading software and technology services companies and has four segments: Financial Systems ("FS"), Higher Education ("HE"), Public Sector ("PS") and Availability Services ("AS"). The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries. All significant intercompany transactions and accounts have been eliminated.

Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make many estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses. The Company evaluates its estimates and judgments on an ongoing basis and revises them when necessary. Actual results may differ from the original or revised estimates.

The presentation of certain prior year amounts has been revised to conform to the current year presentation.

Revenue Recognition

In the fourth quarter of 2010 the Company adopted, retrospective to the beginning of the year, the provisions of Accounting Standards Update No. 2009-13, Revenue Recognition—Multiple-Deliverable Revenue Arrangements ("ASU 2009-13") and Accounting Standards Update 2009-14, Software-Certain Revenue Arrangements that Include Software Elements ("ASU 2009-14"). ASU 2009-13 amended existing accounting guidance for revenue recognition for multiple-element arrangements by establishing a selling price hierarchy that allows for the best estimated selling price ("BESP") to determine the allocation of arrangement consideration to a deliverable in a multiple element arrangement where neither vendor specific objective evidence ("VSOE") nor third-party evidence ("TPE") is available for that deliverable. ASU 2009-14 modifies the scope of existing software guidance to exclude tangible products containing software components and non-software components that function together to deliver the product's essential functionality. In addition, ASU 2009-14 provides guidance on how a vendor should allocate arrangement consideration to non-software and

software deliverables in an arrangement where the vendor sells tangible products containing software components that are essential in delivering the tangible product's functionality. The impact of the adoption of ASU 2009-13 and ASU 2009-14 was not material to the results of operations for 2010.

The following criteria must be met in determining whether revenue may be recorded: persuasive evidence of a contract exists; services have been provided; the price is fixed or determinable; and collection is reasonably assured.

The Company generates revenue from the following sources: (1) services revenue, which includes revenue from processing services, software maintenance and support, rentals, recovery and managed services, professional services and broker/dealer fees; and, (2) software license fees, which result from contracts that permit the customer to use a SunGard product at the customer's site.

Services revenue is recorded as the services are provided based on the fair value of each element. Most AS services revenue consists of fixed monthly fees based upon the specific computer configuration or business process for which the service is being provided. When recovering from an interruption, customers generally are contractually obligated to pay additional fees, which typically cover the incremental costs of supporting customers during recoveries. FS services revenue includes monthly fees, which may include a fixed minimum fee and/or variable fees based on a measure of volume or activity, such as the number of accounts, trades or transactions, users or the number of hours of service.

For fixed-fee professional services contracts, services revenue is recorded based upon proportional performance, measured by the actual number of hours incurred divided by the total estimated number of hours for the project. Changes in the estimated costs or hours to complete the contract and losses, if any, are reflected in the period during which the change or loss becomes known.

License fees result from contracts that permit the customer to use a SunGard software product at the customer's site. Generally, these contracts are multiple-element arrangements since they usually provide for professional services and ongoing software maintenance. In these instances, license fees are recognized upon the signing of the contract and delivery of the software if the license fee is fixed or determinable, collection is probable, and there is sufficient vendor specific evidence of the fair value of each undelivered element. When there are significant program modifications or customization, installation, systems integration or related services, the professional services and license revenue are combined and recorded based upon proportional performance, measured in the manner described above. Revenue is recorded when billed when customer payments are extended beyond normal billing terms, or at acceptance when there is significant acceptance, technology or service risk. Revenue also is recorded over the longest service period in those instances where the software is bundled together with post-delivery services and there is not sufficient evidence of the fair value of each undelivered service element.

With respect to software related multiple-element arrangements, sufficient evidence of fair value is defined as VSOE. If there is no VSOE of the fair value of the delivered element (which is usually the software) but there is VSOE of the fair value of each of the undelivered elements (which are usually maintenance and professional services), then the residual method is used to determine the revenue for the delivered element. The revenue for each of the undelivered elements is set at the fair value of those elements using VSOE of the price paid when each of the undelivered elements is sold separately. The revenue remaining after allocation to the undelivered elements (i.e., the residual) is allocated to the delivered element.

VSOE supporting the fair value of maintenance is based on the optional renewal rates for each product and is typically 18% to 20% of the software license fee per year. VSOE supporting the fair value of professional services is based on the standard daily rates charged when those services are sold separately.

In some software related multiple-element arrangements, the services rates are discounted. In these cases, a portion of the software license fee is deferred and recognized as the services are performed based on VSOE of the services.

From time to time, the Company enters into arrangements with customers that purchase non-software related services at the same time, or within close proximity, of purchasing software (non-software multiple-element arrangements). Each element within a non-software multiple-element arrangement is accounted for as a separate unit of accounting provided the following criteria are met: the delivered services have value to the customer on a standalone basis; and for an arrangement that includes a general right of return relative to the delivered services, delivery or performance of the undelivered service is considered probable and is substantially controlled by the Company. Where the criteria for a separate unit of accounting are not met, the deliverable is combined with the undelivered element(s) and treated as a single unit of accounting for the purposes of allocation of the arrangement consideration and revenue recognition.

For non-software multiple-element arrangements, the Company allocates revenue to each element based on a selling price hierarchy at the arrangement inception. During 2008 and 2009 the fair value of each undelivered element was determined using VSOE, and the residual method was used to assign a fair value to the delivered element if its VSOE was not available. Under the new rules for 2010 described above, the selling price for each element is based upon the following selling price hierarchy: VSOE then TPE then BESP. The total arrangement consideration is allocated to each separate unit of accounting for each of the non-software deliverables using the relative selling prices of each unit based on this hierarchy. The Company limits the amount of revenue recognized for delivered elements to an amount that is not contingent upon future delivery of additional products or services or meeting of any specified performance conditions. Since under the new hierarchy a fair value for each element will be determinable, the residual method is no longer used.

To determine the selling price in non-software multiple-element arrangements, the Company establishes VSOE of the selling price using the price charged for a deliverable when sold separately. Where VSOE does not exist, TPE is established by evaluating similar competitor products or services in standalone arrangements with similarly situated customers. If the Company is unable to determine the selling price because VSOE or TPE doesn’t exist, it determines BESP for the purposes of allocating the arrangement by considering pricing practices, margin, competition and geographies in which it offers its products and services.

Unbilled receivables are created when services are performed or software is delivered and revenue is recognized in advance of billings. Deferred revenue is created when billing occurs in advance of performing services or when all revenue recognition criteria have not been met.

Cash and Cash Equivalents

Cash and cash equivalents consist of investments that are readily convertible into cash and have original maturities of three months or less.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of accounts receivable. The Company sells a significant portion of its products and services to the financial services industry and could be affected by the overall condition of that industry. The Company believes that any credit risk associated with accounts receivable is substantially mitigated by the relatively large number of customer accounts and reasonably short collection terms. Accounts receivable are stated at estimated net realizable value, which approximates fair value. By policy, the Company places its available cash and short-term investments with institutions of high credit-quality and limits the amount of credit exposure to any one issuer.

Foreign Currency Translation

The functional currency of each of the Company's foreign operations is generally the local currency of the country in which the operation is located. All assets and liabilities are translated into U.S. dollars using exchange rates in effect at the balance sheet date. Revenue and expenses are translated using average exchange rates during the period.

Increases and decreases in net assets resulting from foreign currency translation are reflected in stockholder's equity as a component of accumulated other comprehensive income (loss).

Property and Equipment

Property and equipment are recorded at cost and depreciated on the straight-line method over the estimated useful lives of the assets (three to eight years for equipment and ten to 40 years for buildings and improvements). Leasehold improvements are amortized ratably over their remaining lease term or useful life, if shorter. Depreciation and amortization of property and equipment in continuing operations was $237 million in 2008, $243 million in 2009 and $237 million in 2010.

Software Products

Software development costs are expensed as incurred and consist primarily of design and development costs of new products and significant enhancements to existing products incurred before the establishment of technological feasibility. Recoverable costs incurred subsequent to technological feasibility of new products and enhancements to existing products as well as costs associated with purchased software and software obtained through business acquisitions are capitalized and amortized over the estimated useful lives of the related products, generally three to twelve years (average life is eight years), using the straight-line method or the ratio of current revenue to current and anticipated revenue from such software, whichever provides the greater amortization. Amortization of all software products of continuing operations, including software acquired in business acquisitions and software purchased for internal use, aggregated $253 million in 2008, $290 million in 2009 and $265 million in 2010. Capitalized development costs of continuing operations were $17 million in 2008, $16 million in 2009 and $15 million in 2010.

Purchase Accounting and Intangible Assets

Purchase accounting requires that all assets and liabilities be recorded at fair value on the acquisition date, including identifiable intangible assets separate from goodwill. Identifiable intangible assets include customer base (which includes customer contracts and relationships), software and trade name. Goodwill represents the excess of cost over the fair value of net assets acquired.

The estimated fair values and useful lives of identifiable intangible assets are based on many factors, including estimates and assumptions of future operating performance and cash flows of the acquired business, the nature of the business acquired, the specific characteristics of the identified intangible assets, and our historical experience and that of the acquired business. The estimates and assumptions used to determine the fair values and useful lives of identified intangible assets could change due to numerous factors, including product demand, market conditions, technological developments, economic conditions and competition. In connection with our determination of fair values for the LBO and for other significant acquisitions, the Company engages independent appraisal firms to assist with the valuation of intangible (and certain tangible) assets acquired and certain assumed obligations.

Customer Base Intangible Assets

Customer base intangible assets represent customer contracts and relationships obtained as a result of the LBO and as part of acquired businesses and are amortized using the straight-line method over their estimated useful lives, ranging from three to 18 years (average life is 12 years). Amortization of all customer base intangible assets of continuing operations aggregated $243 million in 2008, $274 million in 2009 and $266 million in 2010.

Effective January 1, 2009, the Company shortened the remaining useful lives of certain intangible assets to reflect revisions to estimated customer attrition rates. The impact of this revision was an increase in amortization of acquisition-related intangible assets of approximately $36 million in 2009.

Other Intangible Assets

Other intangible assets consist primarily of deferred financing costs incurred in connection with debt issued in the LBO and amendments to our debt and other financing transactions (see Note 5), noncompetition agreements obtained in business acquisitions, long-term accounts receivable, prepayments and long-term investments. Deferred financing costs are amortized over the term of the related debt. Noncompetition agreements are amortized using the straight-line method over their stated terms, ranging from two to five years.

Impairment Reviews for Long-Lived Assets

The Company periodically reviews carrying values and useful lives of long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. Factors that could indicate an impairment include significant underperformance of the asset as compared to historical or projected future operating results, or significant negative industry or economic trends. When the Company determines that the carrying value of an asset may not be recoverable, the related estimated future undiscounted cash flows expected to result from the use and eventual disposition of the asset are compared to the carrying value of the asset. If the sum of the estimated future undiscounted cash flows is less than the carrying amount, an impairment charge is recorded based on the difference between the carrying value of the asset and its fair value, which the Company estimates based on discounted expected future cash flows. In determining whether an asset is impaired, the Company makes assumptions regarding recoverability of costs, estimated future cash flows from the asset, intended use of the asset and other relevant factors. If these estimates or their related assumptions change, impairment charges for these assets may be required.

Future Amortization of Acquisition-Related Intangible Assets

Based on amounts recorded at December 31, 2010, total expected amortization of all acquisition-related intangible assets in each of the years ended December 31 follows (in millions):

2011	$463
2012	414
2013	360
2014	307
2015	248

Trade Name and Goodwill

The trade name intangible asset primarily represents the fair value of the SunGard trade name at August 11, 2005 and is an indefinite-lived asset and therefore is not subject to amortization but is reviewed at least annually for impairment. Other trade names are amortized over their estimated useful lives. Goodwill represents the excess of cost over the fair value of net assets acquired. Generally accepted accounting principles require the Company to perform an impairment test, a two-step test, annually and more frequently when negative conditions or a triggering event arise. The Company completes its annual goodwill impairment test as of July 1. In step one, the estimated fair value of each reporting unit is compared to its carrying value. The Company estimates the fair values of each reporting unit by a combination of (i) estimation of the discounted cash flows of each of the reporting units based on projected earnings in the future (the income approach) and (ii) a comparative analysis of revenue and EBITDA multiples of public companies in similar markets (the market approach). If there is a deficiency (the estimated fair value of a reporting unit is less than the carrying value), a step two test is required. In step two, the amount of any goodwill impairment is measured by comparing the implied fair value of the reporting unit's goodwill to the carrying value of goodwill, with the resulting impairment reflected in operations. The implied fair value is determined in the same manner as the amount of goodwill recognized in a business combination.

Estimating the fair value of a reporting unit requires various assumptions including the use of projections of future cash flows and discount rates that reflect the risks associated with achieving those cash flows. The assumptions about future cash flows and growth rates are based on management's assessment of a number of factors including the reporting unit's recent performance against budget, performance in the market that the reporting unit serves as well as industry and general economic data from third party sources. Discount rate assumptions are based on an assessment of the risk inherent in those future cash flows. Changes to the underlying businesses could affect the future cash flows, which in turn could affect the fair value of the reporting unit. For the most recent annual impairment test as of July 1, 2010, the discount rates used were 10% or 11% and perpetual growth rates used were 3% or 4%, based on the specific characteristics of the reporting unit.

Based on the results of the step one test for the July 1 annual impairment test for 2010, the Company determined that the carrying value of our Public Sector North America ("PS NA"), Public Sector United Kingdom ("PS UK"), which has since been sold and is included in discontinued operations, and Higher Education Managed Services ("HE MS") reporting units were in excess of their respective fair values and a step two test was required for each of these reporting units. The primary driver for the decline in the fair value of each of the reporting units compared to the prior year is the reduction in the perpetual growth rate assumption used for each of these three reporting units, stemming from the disruption in the global financial markets, particularly the markets in which

these three reporting units serve. Furthermore, there was a decline in the cash flow projections for the PS NA and PS UK reporting units, compared to those used in the 2009 goodwill impairment test, as a result of decline in the overall outlook for these two reporting units. Additionally, the discount rate assumption used for the PS UK reporting unit was higher than the discount rate used in the 2009 impairment test.

A one percentage point increase in the perpetual growth rate or a one percentage point decrease in the discount rate would have resulted in the HE MS reporting unit having a fair value in excess of carrying value and a step two test would not have been required.

Prior to completing the step two tests, the Company first evaluated the long-lived assets, primarily the software, customer base and property and equipment, for impairment. In performing the impairment tests for long-lived assets, the Company estimated the undiscounted cash flows for the asset groups over the remaining useful lives of the reporting unit's primary asset and compared that to the carrying value of the asset groups. There was no impairment of the long-lived assets.

In completing the step two tests to determine the implied fair value of goodwill and therefore the amount of impairment, the Company first determined the fair value of the tangible and intangible assets and liabilities. Based on the testing performed, the Company determined that the carrying value of goodwill exceeded its implied fair value for each of the three reporting units and recorded a goodwill impairment charge of $328 million, of which $237 million is presented in continuing operations and $91 million in discontinued operations.

The Company has three other reporting units, whose goodwill balances total $1.6 billion as of December 31, 2010, where the excess of the estimated fair value over the carrying value of the reporting unit was less than 10% of the carrying value as of the July 1, 2010 impairment test. A one percentage point decrease in the perpetual growth rate or a one percentage point increase in the discount rate would cause each of these reporting units to fail the step one test and require a step two analysis, and some or all of this goodwill could be impaired. Furthermore, if any of these units fail to achieve expected performance levels or experience a downturn in the business below current expectations, goodwill could be impaired.

The Company's remaining 10 reporting units, whose goodwill balances in aggregate total $3.7 billion as of December 31, 2010, each had estimated fair values in excess of 25% more than the carrying value of the reporting unit as of the July 1, 2010 impairment test.

During 2009, based on an evaluation of year-end results and a reduction in the revenue growth outlook for the AS business, the Company concluded that AS had experienced a triggering event in its North American reporting unit ("AS NA"), one of two reporting units identified in the July 1, 2009 annual impairment test where the excess of the estimated fair value over the carrying value was less than 10%. As a result, the Company determined that the carrying value of AS NA was in excess of its fair value. In completing the step two test we determined that the carrying value of AS NA's goodwill exceeded its implied fair value by $1.13 billion and recorded a goodwill impairment charge for this amount.

As a result of the change in the economic environment in the second half of 2008 and completion of the annual budgeting process, the Company completed an assessment of the recoverability of our goodwill in December 2008. In completing this review, the Company considered a number of factors,

including a comparison of the budgeted revenue and profitability for 2009 to that included in the annual impairment test conducted as of July 1, 2008, and the amount by which the fair value of each reporting unit exceeded its carrying value in the 2008 impairment analysis, as well as qualitative factors such as the overall economy's effect on each reporting unit. Based on this analysis, the Company concluded that the decline in expected future cash flows in one of its PS reporting units, which has since been sold and presented in discontinued operations, was sufficient to result in an impairment of goodwill of $128 million.

The following table summarizes changes in goodwill by segment (in millions):

	Cost					Cumulative Impairment				
	FS	HE	PS	AS	Subtotal	HE	PS	AS	Subtotal	Total
Balance at December 31, 2008	$3,431	$965	$549	$2,247	$7,192	$—	$ —	$ —	$ —	$ 7,192
2009 acquisitions	2	—	—	—	2	—	—	—	—	2
Adjustments related to the LBO and prior year acquisitions	(9)	(15)	(14)	(53)	(91)	—	—	—	—	(91)
Impairment charges	—	—	—	—	—	—	—	(1,126)	(1,126)	(1,126)
Effect of foreign currency translation	33	—	—	17	50	—	—	—	—	50
Balance at December 31, 2009	3,457	950	535	2,211	7,153	—	—	(1,126)	(1,126)	6,027
2010 acquisitions	**24**	**—**	**—**	**1**	**25**	**—**	**—**	**—**	**—**	**25**
Adjustments related to the LBO and prior year acquisitions	**(2)**	**—**	**(1)**	**(1)**	**(4)**	**—**	**—**	**—**	**—**	**(4)**
Impairment charges	**—**	**—**	**—**	**—**	**—**	**(32)**	**(205)**	**—**	**(237)**	**(237)**
Effect of foreign currency translation	**(29)**	**—**	**—**	**(8)**	**(37)**	**—**	**—**	**—**	**—**	**(37)**
Balance at December 31, 2010	**$3,450**	**$950**	**$534**	**$2,203**	**$7,137**	**$ (32)**	**$(205)**	**$(1,126)**	**$(1,363)**	**$ 5,774**

The 2009 adjustments related to the LBO and prior year acquisitions includes a $114 million adjustment to correct the income tax rate used to calculate the deferred tax liabilities associated with the intangible assets at the LBO date. The adjustment was not material to prior periods.

Stock Compensation

Stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense over the appropriate service period. Fair value for stock options is computed using the Black-Scholes pricing model. Determining the fair value of stock-based awards requires considerable judgment, including estimating the expected term of stock options, expected volatility of the Company's stock price, and the number of awards expected to be forfeited. In addition, for stock-based awards where vesting is dependent upon achieving certain operating performance goals, the Company estimates the likelihood of achieving the performance goals. Differences between actual results and these estimates could have a material effect on the consolidated financial results. A deferred income tax asset is recorded over the vesting period as stock compensation expense is recognized. The Company's ability to use the deferred tax asset is ultimately based on the actual value of the stock option upon exercise or restricted stock unit upon distribution. If the actual value is lower than the fair value determined on the date of grant, there could be an income tax expense for the portion of the deferred tax asset that cannot be used, which could have a material effect on the consolidated financial results.

Income Taxes

The Company recognizes deferred income tax assets and liabilities based upon the expected future tax consequences of events that have been recognized in the financial statements or tax returns. Deferred income tax assets and liabilities are calculated based on the difference between the financial and tax bases of assets and liabilities using the currently enacted income tax rates in effect during the years in which the differences are expected to reverse. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized. Deferred tax assets for which no valuation allowance is recorded may not be realized upon changes in facts and circumstances. Tax benefits related to uncertain tax positions taken or expected to be taken on a tax return are recorded when such benefits meet a more likely than not threshold. Otherwise, these tax benefits are recorded when a tax position has been effectively settled, which means that the appropriate taxing authority has completed their examination even though the statute of limitations remains open, or the statute of limitation expires. Considerable judgment is required in assessing and estimating these amounts and differences between the actual outcome of these future tax consequences and estimates made could have a material effect on the consolidated financial results.

2. Acquisitions and Discontinued Operations:

Acquisitions

The Company seeks to acquire businesses that broaden its existing product lines and service offerings by adding complementary products and service offerings and by expanding its geographic reach. During 2010, the Company completed three acquisitions in its FS segment and one in its AS segment. Cash paid, subject to certain adjustments, was $82 million.

During 2009, the Company completed three acquisitions in its FS segment, and, in 2008, the Company completed four acquisitions in its FS segment, including GL TRADE S.A., and two in its AS segment.

Pro Forma Financial Information (unaudited)

The following unaudited pro forma results of operations (in millions) for 2008 assumes that businesses acquired in 2008 and 2009 occurred as of the beginning of 2008 and were reflected in the Company's results from that date. The pro forma effect of the 2010 acquisitions on 2010 was not material. The pro forma effect of the 2009 and 2010 acquisitions on 2009 was not material. For 2008, in addition to the businesses acquired in 2009, the pro forma results include the 2008 acquisitions, the more significant of which are GL TRADE S.A., Strohl Systems Group, Inc. and Advanced Portfolio Technologies, Inc. The 2010 acquisitions are excluded from the 2008 pro forma results. This unaudited pro forma information should not be relied upon as necessarily being indicative of the historical results that would have been obtained if the acquisitions had actually occurred at the beginning of each period presented, nor of the results that may be obtained in the future. The pro forma adjustments include the effect of purchase accounting adjustments, interest expense and related tax effects.

	2008
Revenue	$5,823
Net loss	(256)

Discontinued Operations

In December 2010, the Company sold its PS UK operations for gross proceeds of £88 million ($138 million) and recorded a noncash loss on the sale of $94 million. In 2008 and 2010, impairment charges of $128 million and $91 million, respectively, were incurred related to the discontinued operations. The results for the discontinued operations for 2008, 2009 and 2010 were as follows (in millions):

	Year ended December 31,		
	2008	2009	2010
Revenue	$ 194	$177	**$ 180**
Operating income (loss), excluding goodwill impairment	(34)	6	**7**
Goodwill impairment charge	(128)	—	**(91)**
Loss on disposal	—	—	**(94)**
Interest expense	(1)	—	**—**
Income (loss) before income taxes	(163)	6	**(178)**
Benefit from (provision for) income taxes	13	(2)	**(2)**
Net income (loss) from discontinued operations	$(150)	$ 4	**$(180)**

3. Clearing Broker Assets and Liabilities:

Clearing broker assets and liabilities are comprised of the following (in millions):

	December 31, 2009	December 31, 2010
Segregated customer cash and treasury bills	$153	**$ 57**
Securities owned	40	**—**
Securities borrowed	116	**154**
Receivables from customers and other	23	**19**
Clearing broker assets	$332	**$230**
Payables to customers	$163	**$ 19**
Securities loaned	95	**137**
Customer securities sold short, not yet purchased	9	**—**
Payable to brokers and dealers	27	**54**
Clearing broker liabilities	$294	**$210**

Segregated customer cash and treasury bills are held by the Company on behalf of customers. Clearing broker securities consist of trading and investment securities at fair market values, which are based on quoted market rates. Securities borrowed and loaned are collateralized financing transactions which are cash deposits made to or received from other broker/dealers. Receivables from and payables to customers represent amounts due or payable on cash and margin transactions.

4. Property and Equipment:

Property and equipment consisted of the following (in millions):

	December 31, 2009	December 31, 2010
Computer and telecommunications equipment	$ 811	**$ 923**
Leasehold improvements	708	**772**
Office furniture and equipment	118	**142**
Buildings and improvements	143	**151**
Land	22	**19**
Construction in progress	48	**46**
	1,850	**2,053**
Accumulated depreciation and amortization	(931)	**(1,135)**
	$ 919	**$ 918**

5. Debt and Derivative Instruments:

Debt consisted of the following (in millions):

	December 31, 2009	December 31, 2010
Senior Secured Credit Facility:		
Secured revolving credit facility (A)	$ —	**$ —**
Tranche A, effective interest rate of 3.24% and 3.29% (A)	1,506	**1,447**
Tranche B, effective interest rate of 6.79% and 6.67% (A)	2,717	**2,468**
Incremental term loan, effective interest rate of 6.75% and 6.75% (A)	494	**479**
Total Senior Secured Credit Facility	4,717	**4,394**
Senior Notes due 2013 at 9.125% (C)	1,600	**—**
Senior Notes due 2014 at 4.875%, net of discount of $16 and $12 (B)	234	**238**
Senior Notes due 2015 at 10.625%, net of discount of $5 and $4 (C)	495	**496**
Senior Notes due 2018 at 7.375% (C)	—	**900**
Senior Notes due 2020 at 7.625% (C)	—	**700**
Senior Subordinated Notes due 2015 at 10.25% (C)	1,000	**1,000**
Secured accounts receivable facility, effective interest rate of 7.5% and 3.76% (D)	250	**313**
Other, primarily acquisition purchase price and capital lease obligations	19	**14**
	8,315	**8,055**
Short-term borrowings and current portion of long-term debt	(64)	**(9)**
Long-term debt	$8,251	**$8,046**

As a result of the LBO, the Company is highly leveraged. SunGard was in compliance with all covenants at December 31, 2010. Below is a summary of our debt instruments.

(A) Senior Secured Credit Facilities

SunGard's senior secured credit facilities (Credit Agreement) consist of (1) $1.39 billion of U.S. dollar-denominated tranche A term loans and $62 million of pound sterling-denominated tranche A term loans, each maturing on February 28, 2014, collectively referred to as the unextended term loans, (2) $2.41 billion of U.S. dollar-denominated tranche B term loans and $60 million of pound sterling-denominated tranche B term loans, each maturing on February 28, 2016, collectively referred to as the extended term loans, (3) $479 million of U.S. dollar-denominated incremental term loans maturing on February 28, 2014 and (4) an $829 million revolving credit facility with $580 million of commitments terminating on May 11, 2013, referred to as the extended revolving credit loans, and $249 million of commitments terminating on August 11, 2011, referred to as the unextended revolving credit loans. As of December 31, 2010, $796 million was available for borrowing under the revolving credit facility after giving effect to certain outstanding letters of credit.

Borrowings under the senior secured credit facilities bear interest at a rate equal to an applicable margin plus, at our option, either (a) a base rate that is the higher of (1) the prime rate of JPMorgan Chase Bank, N.A. and (2) the federal funds rate plus 1/2 of 1% or (b) LIBOR based on the costs of funds for deposits in the currency of such borrowing for either 30, 60, 90 or 180 days. The applicable margin for borrowings under the revolving credit facility and the term loan facility may change subject to attaining certain leverage ratios. In addition to paying interest on outstanding principal under the senior secured credit facilities, we pay a commitment fee to the lenders under the revolving credit facility in respect of the unutilized commitments. The commitment fee rates with respect to unused commitments terminating in 2011 and unused commitments terminating in 2013 are 0.50% per annum and 0.75% per annum, respectively, and may change subject to attaining certain leverage ratios. As of December 31, 2010, the interest rate for the extended term loans, after adjusting for interest rate swaps, was 6.67% and for the unextended term loans, after adjusting for interest rate swaps, was 3.29%. As of December 31, 2010, the interest rate options available under the revolving credit facility were (a) the base rate, which was 4.25% for the unextended revolving credit loans and 5.50% for extended revolving credit loans or (b) LIBOR plus 2.00% for unextended revolving credit loans and LIBOR plus 3.25% for extended revolving credit loans.

All obligations under the senior secured credit facilities are fully and unconditionally guaranteed by SunGard Holdco LLC and by substantially all domestic, 100% owned subsidiaries, referred to, collectively, as Guarantors.

SunGard is required to repay installments on the loans under the term loan facilities in quarterly principal amounts of 0.25% of their funded total principal amount through the maturity date for each class of term loans, at which time the remaining aggregate principal balance is due. Maturity dates for our tranche B term loan facilities will automatically become May 15, 2015 if the Senior Subordinated Notes are not extended, renewed or refinanced on or prior to May 15, 2015.

The senior secured credit facilities also require SunGard to prepay outstanding term loans, subject to certain exceptions, with excess cash flow and proceeds from certain asset sales, casualty and condemnation events, other borrowings and certain financings under SunGard's accounts receivable securitization program. Any required payments would be applied pro rata to the term loan lenders and to installments of the term loan facilities in direct order of maturity.

The senior secured credit facilities contain a number of covenants that, among other things, restrict, subject to certain exceptions, SunGard's (and most or all of its subsidiaries') ability to incur additional debt or issue preferred stock, pay dividends and distributions on or repurchase capital stock, create liens on assets, enter into sale and leaseback transactions, repay subordinated indebtedness, make investments, loans or advances, make capital expenditures, engage in certain transactions with affiliates, amend certain material agreements, change its lines of business, sell assets and engage in mergers or consolidations. In addition, under the senior secured credit facilities, SunGard is required to satisfy certain total leverage and interest coverage ratios.

In December 2010, we sold our PS UK operation for gross proceeds of £88 million ($138 million). Under SunGard's debt covenants, the Company was required to apply the "Net Proceeds," as defined in the Credit Agreement, to the repayment of outstanding term loans. Accordingly, SunGard repaid $96 million of its US dollar-denominated term loans, $3 million of pound sterling-denominated term loans and $2 million of our euro-denominated term loans. In addition, and concurrent with these mandatory prepayments, other available cash was used to voluntarily repay the remaining $164 million balance outstanding on the euro-denominated term loans. As a result of the repayment, SunGard is not required to make quarterly principal payments on the term loans until December 2012.

In June 2009, SunGard amended and restated its existing Credit Agreement to (a) extend the maturity date of $2.5 billion of its U.S. dollar-denominated term loans, £40 million of pound sterling-denominated term loans, and €120 million of euro-denominated term loans from February 2014 to February 2016, (b) reduce existing revolving credit commitments to $829 million from $1 billion and extend the termination date of $580 million of those commitments to May 2013, and (c) amend certain other provisions including those related to negative and financial covenants.

In September 2008, the Credit Agreement was amended to increase the amount of term loan borrowings by SunGard under the Credit Agreement by $500 million ("Incremental Term Loan"), and SunGard issued at a $6 million discount $500 million aggregate principal amount of 10.625% Senior Notes due 2015, together with the Incremental Term Loan, to fund the acquisition of GL TRADE and repay $250 million of senior notes due in January 2009. The second amendment to the Credit Agreement in September 2008 changed certain terms applicable to the Incremental Term Loan. Borrowings can be at either a Base Rate or a Eurocurrency Rate. Base Rate borrowings reset daily and bear interest at a minimum of 4.0% plus a spread of 2.75%. Eurocurrency borrowings can be made for periods of 30, 60, 90 or 180 days and bear interest at a minimum of 3.0% plus a spread of 3.75%. The interest rate at each of December 31, 2009 and 2010 was 6.75%. In January 2011, we amended SunGard's Incremental Term Loan to (a) eliminate the LIBOR and Base Rate floors and (b) reduce the Eurocurrency Rate spread from 3.75% to 3.50% and the base rate spread from 2.75% to 2.50% with no impact on maturity.

SunGard uses interest rate swap agreements to manage the amount of its floating rate debt in order to reduce its exposure to variable rate interest payments associated with the senior secured credit facilities. SunGard pays a stream of fixed interest payments for the term of the swap, and in turn, receives variable interest payments based on the one-month LIBOR rate or three-month LIBOR rate, which were 0.26% and 0.30%, respectively, at December 31, 2010. The net receipt or payment from the interest rate swap agreements is included in interest expense. A summary of the Company's interest rate swaps at December 31, 2010 follows:

Inception	Maturity	Notional Amount (in millions)	Interest rate paid	Interest rate received (LIBOR)
February 2006	February 2011	$ 800	5.00%	3-Month
January 2008	February 2011	750	3.17%	3-Month
January/February 2009	February 2012	1,200	1.78%	1-Month
February 2010	May 2013	500	1.99%	3-Month
Total / Weighted Average interest rate		$3,250	2.93%	

The interest rate swaps are designated and qualify as cash flow hedges and are included at estimated fair value as an asset or a liability in the consolidated balance sheet based on a discounted cash flow model using applicable market swap rates and certain assumptions. For 2008, 2009 and 2010, SunGard included an unrealized after-tax loss of $39 million, an unrealized after-tax gain of $18 million, and an unrealized after-tax gain of $21 million, respectively, in Other Comprehensive Income (Loss) related to the change in market value on the swaps. The market value of the swaps recorded in Other Comprehensive Income (Loss) may be recognized in the statement of operations if certain terms of the senior secured credit facilities change or if the loan is extinguished. The $70 million and $38 million fair value of the swap agreements at December 31, 2009 and 2010, respectively, is included in accrued expenses. The effects of the interest rate swaps are reflected in the effective interest rate for the senior secured credit facilities in the components of debt table above.

The table below summarizes the impact of the effective portion of interest rate swaps on the balance sheets and statements of operations for 2008, 2009 and 2010 (in millions):

	Classification	2008	2009	2010
Gain (loss) recognized in Accumulated Other Comprehensive Loss (OCI)	OCI	$(96)	$(51)	**$(49)**
Loss reclassified from accumulated OCI into income	Interest expense and amortization of deferred financing fees	32	80	**85**

The Company had no ineffectiveness related to its swap agreements.

The Company expects to reclassify in the next twelve months approximately $33 million of expense from accumulated other comprehensive income into earnings related to the Company's interest rate swaps based on the borrowing rates at December 31, 2010.

(B) Senior Notes due 2009 and 2014

On January 15, 2004, SunGard issued $500 million of senior unsecured notes, of which $250 million 3.75% notes were due and paid in full in January 2009 and $250 million 4.875% notes are due

2014, which are subject to certain standard covenants. As a result of the LBO, these senior notes became collateralized on an equal and ratable basis with loans under the senior secured credit facilities and are guaranteed by all subsidiaries that guarantee the senior notes due 2013, 2015, 2018 and 2020 and senior subordinated notes due 2015. The senior notes due 2014 are recorded at $234 million and $238 million as of December 31, 2009 and 2010, respectively, reflecting the remaining unamortized discount caused by the LBO. The $12 million discount at December 31, 2010 will be amortized and included in interest expense over the remaining periods to maturity.

(C) Senior Notes due 2013, 2015, 2018 and 2020 and Senior Subordinated Notes due 2015

The senior notes due 2013, 2015, 2018 and 2020 are senior unsecured obligations that rank senior in right of payment to future debt and other obligations that are, by their terms, expressly subordinated in right of payment to the senior notes, including the senior subordinated notes. The senior notes (i) rank equally in right of payment to all existing and future senior debt and other obligations that are not, by their terms, expressly subordinated in right of payment to the senior notes, (ii) are effectively subordinated in right of payment to all existing and future secured debt to the extent of the value of the assets securing such debt, and (iii) are structurally subordinated to all obligations of each subsidiary that is not a guarantor of the senior notes. All obligations under the senior notes are fully and unconditionally guaranteed, subject to certain exceptions, by substantially all domestic, wholly owned subsidiaries of SunGard. In November 2010, SunGard issued $900 million of 7.375% senior notes due 2018 and $700 million of 7.625% senior notes due 2020 and used the proceeds and excess cash to retire the $1.6 billion 9.125% senior notes due 2013.

The senior subordinated notes due 2015 are unsecured senior subordinated obligations that are subordinated in right of payment to the existing and future senior debt, including the senior secured credit facilities, the senior notes due 2009 and 2014 and the senior notes due 2013, 2015, 2018 and 2020. The senior subordinated notes (i) rank equally in right of payment to all future senior subordinated debt, (ii) are effectively subordinated in right of payment to all existing and future secured debt to the extent of the value of the assets securing such debt, (iii) are structurally subordinated to all obligations of each subsidiary that is not a guarantor of the senior subordinated notes, and (iv) rank senior in right of payment to all future debt and other obligations that are, by their terms, expressly subordinated in right of payment to the senior subordinated notes.

The senior notes due 2015, 2018 and 2020 and senior subordinated notes due 2015 are redeemable in whole or in part, at SunGard's option, at any time at varying redemption prices that generally include premiums, which are defined in the applicable indentures. In addition, upon a change of control, SunGard is required to make an offer to redeem all of the senior notes and senior subordinated notes at a redemption price equal to 101% of the aggregate principal amount thereof plus accrued and unpaid interest.

The indentures governing the senior notes due 2015, 2018 and 2020 and senior subordinated notes due 2015 contain a number of covenants that restrict, subject to certain exceptions, SunGard's ability and the ability of its restricted subsidiaries to incur additional debt or issue certain preferred shares, pay dividends on or make other distributions in respect of its capital stock or make other restricted payments, make certain investments, enter into certain types of transactions with affiliates, create liens securing certain debt without securing the senior notes due 2015, 2018 and 2020 or senior subordinated notes due 2015, as applicable, sell certain assets, consolidate, merge, sell or otherwise dispose of all or substantially all of its assets and designate its subsidiaries as unrestricted subsidiaries.

The senior notes due 2018 and 2020 contain registration rights by which the Company has agreed to use its reasonable best efforts to register with the U.S. Securities & Exchange Commission notes having substantially identical terms. The Company will use its reasonable best efforts to cause the exchange offer to be completed or, if required, to have one or more shelf registration statements declared effective, within 360 days after the issue date of the senior notes due 2018 and 2020.

If the Company fails to meet this target (a "registration default") with respect to the senior notes due 2018 and 2020, the annual interest rate on the senior notes due 2018 and 2020 will increase by 0.25% for each subsequent 90-day period during which the registration default continues, up to a maximum additional interest rate of 1.0% per year over the applicable interest rate. If the registration default is corrected or, if it is not corrected, upon the two year anniversary of the issue date of the senior notes due 2018 and 2020, the applicable interest rate on such senior notes due 2018 and 2020 will revert to the original level.

(D) Accounts Receivable Securitization Program

In December 2008, SunGard terminated its off-balance sheet accounts receivable securitization program. Under this accounts receivable facility, eligible receivables were sold to third-party conduits through a wholly owned, bankruptcy remote, special purpose entity that was not consolidated for financial reporting purposes. SunGard serviced the receivables and charged a monthly servicing fee at market rates. The third-party conduits were sponsored by certain lenders under SunGard's senior secured credit facilities. Sales of receivables under the facility qualified as sales under applicable accounting rules. Accordingly, at December 31, 2008, these receivables, totaling $363 million, net of applicable allowances, and the corresponding borrowings totaling $77 million were excluded from SunGard's consolidated balance sheet. SunGard's retained interest in receivables sold as of December 31, 2008 was $285 million. The loss on sale of receivables and discount on retained interests were included in other expense and totaled $25 million for 2008. The gain or loss on sale of receivables was determined at the date of transfer based upon the fair value of the assets sold and the interests retained. SunGard estimated fair value based on the present value of expected cash flows.

In March 2009, SunGard entered into a syndicated three-year receivables facility. The facility limit was $317 million, which consisted of a term loan commitment of $181 million and a revolving commitment of $136 million. Advances may be borrowed and repaid under the revolving commitment with no impact on the facility limit. The term loan commitment may be repaid at any time at SunGard's option, but will result in a permanent reduction in the facility limit. On September 30, 2010, SunGard entered into an Amended and Restated Credit and Security Agreement ("Agreement") related to its receivables facility. Among other things, the amendment (a) increased the borrowing capacity under the facility from $317 million to $350 million, (b) increased the term loan component to $200 million from $181 million, (c) extended the maturity date to September 30, 2014, (d) removed the 3% LIBOR floor and set the interest rate to one-month LIBOR plus 3.5%, which at December 31, 2010 was 3.76%, and (e) amended certain terms. At December 31, 2010, $200 million was drawn against the term loan commitment and $113 million was drawn against the revolving commitment, which represented the full amount available for borrowing based on the terms and conditions of the facility. At December 31, 2010, $680 million of accounts receivable secure the borrowings under the receivables facility.

The facility is subject to a fee on the unused portion of 1.00% per annum. The receivables facility contains certain covenants and SunGard is required to satisfy and maintain specified facility performance ratios, financial ratios and other financial condition tests.

Future Maturities

At December 31, 2010, annual maturities of long-term debt during the next five years and thereafter are as follows (in millions):

2011	$ 9
2012	8
2013	47
2014[1]	2,482
2015[2]	1,522
Thereafter	3,987

(1) Included in 2014 are debt discounts of $12 million.
(2) Included in 2015 are debt discounts of $4 million.

6. Fair Value Measurements:

The following table summarizes assets and liabilities measured at fair value on a recurring basis at December 31, 2010 (in millions):

	Fair Value Measures Using			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents—money market funds	$210	$—	$—	$210
Clearing broker assets—treasury bills	2	—	—	2
	$212	$—	$—	$212
Liabilities				
Interest rate swap agreements and other	$—	$ 34	$—	$ 34

The following table summarizes assets and liabilities measured at fair value on a recurring basis at December 31, 2009 (in millions):

	Fair Value Measures Using			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents—money market funds	$168	$—	$—	$168
Clearing broker assets—treasury bills	151	—	—	151
Clearing broker assets—securities owned	40	—	—	40
	$359	$—	$—	$359
Liabilities				
Clearing broker liabilities—customer securities sold short, not yet purchased	$ 9	$—	$—	$ 9
Interest rate swap agreements	—	70	—	70
	$ 9	$ 70	$—	$ 79

A Level 1 fair value measure is based upon quoted prices in active markets for identical assets or liabilities. A Level 2 fair value measure is based upon quoted prices for similar assets and liabilities in active markets or inputs that are observable. A Level 3 fair value measure is based upon inputs that are unobservable (for example, cash flow modeling inputs based on assumptions).

Cash and cash equivalents—money market funds and Clearing broker assets—U.S. treasury bills are recognized and measured at fair value in the Company's financial statements. Clearing broker assets and liabilities—securities owned and customer securities sold short, not yet purchased are recorded at closing exchange-quoted prices. Fair values of the interest rate swap agreements are calculated using a discounted cash flow model using observable applicable market swap rates and assumptions and are compared to market valuations obtained from brokers.

During 2009, the Company recorded impairment charges on certain of its FS customer base and software assets of $18 million and $17 million, respectively, as a result of changes to the cash flow projections of the applicable businesses. These non-recurring fair value measures are classified as Level 3 in the fair value hierarchy and were valued using discounted cash flow models. The valuation inputs included estimates of future cash flows, expectations about possible variations in the amount and timing of cash flows and discount rates based on the risk-adjusted cost of capital.

The following table summarizes assets and liabilities measured at fair value on a non-recurring basis at December 31, 2010 (in millions):

	Fair Value Measures Using			
	Level 1	Level 2	Level 3	Total Gains (Losses)
Assets				
Goodwill	$—	$—	$560	$(328)

The following table summarizes assets and liabilities measured at fair value on a non-recurring basis at December 31, 2009 (in millions):

	Fair Value Measures Using			
	Level 1	Level 2	Level 3	Total Gains (Losses)
Assets				
Goodwill	$—	$—	$928	$(1,126)

The fair value of goodwill is categorized in Level 3, fair value measurement using significant unobservable inputs, and is estimated by a combination of discounted cash flows based on (i) projected earnings in the future (the income approach) and (ii) a comparative analysis of revenue and EBITDA multiples of public companies in similar markets (the market approach). This requires the use of various assumptions including projections of future cash flows, perpetual growth rates and discount rates. Goodwill with a carrying value of $888 million was written down to fair value of $560 million and a $328 million impairment loss was recognized, of which $237 million is reflected in continuing operations and $91 million is reflected in discontinued operations as discussed further in Notes 1 and 2.

Goodwill with a carrying value of $2,054 million was written down to fair value of $928 million and a $1,126 million impairment loss was recognized, which is reflected in continuing operations for the year ended December 31, 2009 as discussed further in Note 1.

Fair Value of Financial Instruments

The following table presents the carrying amounts and fair values of financial instruments (in millions):

	December 31, 2009		December 31, 2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Floating rate debt	$4,967	$4,815	**$4,707**	**$4,644**
Fixed rate debt	3,348	3,507	**3,348**	**3,432**

The fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses, to the extent the underlying liability will be settled in cash, approximate carrying values because of the short-term nature of these instruments. The derivative financial instruments are carried at fair value. The fair value of SunGard's floating rate and fixed rate long-term debt is primarily based on market rates.

7. Preferred Stock

SCCII

SCCII has preferred and common stock outstanding at December 31, 2009 and 2010. The preferred stock is non-voting and ranks senior in right of payment to the common stock. Each share of preferred stock has a liquidation preference of $100 (the initial class P liquidation preference) plus an amount equal to the accrued and unpaid dividends accruing at a rate of 11.5% per year of the initial Class P liquidation preference ($100 per share), compounded quarterly. Holders of preferred stock are entitled to receive cumulative preferential dividends to the extent a dividend is declared by the Board of Directors of SCCII at a rate of 11.5% per year of the initial Class P liquidation preference ($100 per share) payable quarterly in arrears. The aggregate amount of cumulative but undeclared preferred stock dividends at December 31, 2009 and 2010 was $641 million and $837 million, respectively ($65.25 and $85.29 per share, respectively). No dividends have been declared since inception.

Preferred shares and stock awards based in preferred shares are held by certain members of management. In the case of termination resulting from disability or death, an employee or his/her estate may exercise a put option which would require the Company to repurchase vested shares at the current fair market value. These shares of preferred stock must be classified as temporary equity (between liabilities and stockholder's equity) on the balance sheet of SCCII.

SCC

Preferred stock of SCCII is classified as Noncontrolling interest in the equity section or temporary equity on the balance sheet of SCC.

8. Common Stock

SCC has nine classes of common stock, Class L and Class A-1 through A-8. Class L common stock has identical terms as Class A common stock except as follows:

- Class L common stock has a liquidation preference: distributions by SCC are first allocated to Class L common stock up to its $81 per share liquidation preference plus an amount sufficient to generate a rate of return of 13.5% per annum, compounded quarterly ("Class L Liquidation Preference"). All holders of Common stock, as a single class, share in any remaining distributions pro rata based on the number of outstanding shares of Common stock;
- each share of Class L common stock automatically converts into Class A common stock upon an initial public offering or other registration of the Class A common stock and is convertible into Class A common stock upon a majority vote of the holders of the outstanding Class L common stock upon a change in control or other realization events. If converted, each share of Class L common stock is convertible into one share of Class A common stock plus an additional number of shares of Class A common stock determined by dividing the Class L Liquidation Preference at the date of conversion by the adjusted market value of one share of Class A common stock as set forth in the certificate of incorporation of SCC; and
- holders of Class A common stock and Class L common stock will generally vote as a single class, except that the election of directors is structured to permit the holders of one or more specific series of Class A common stock to elect separate directors.

In the case of termination resulting from disability or death, an employee or his/her estate may exercise a put option which would require the Company to repurchase vested shares at the current fair market value. These common shares must be classified as temporary equity (between liabilities and equity) on the balance sheet of SCC.

9. Stock Option and Award Plans and Stock-Based Compensation:

The SunGard 2005 Management Incentive Plan as amended from time to time (Plan) was established to provide long-term equity incentives. The Plan authorizes the issuance of equity subject to awards made under the Plan for up to 70 million shares of Class A common stock and 7 million shares of Class L common stock of SCC and 2.5 million shares of preferred stock of SCCII.

Under the Plan, awards of time-based and performance-based options have been granted to purchase "Units" in the Parent Companies. Each "Unit" consists of 1.3 shares of Class A common stock and 0.1444 shares of Class L common stock of SCC and 0.05 shares of preferred stock of SCCII. The shares comprising a Unit are in the same proportion as the shares issued to all stockholders of the Parent Companies. Options on Units are exercisable only for whole Units and cannot be separately exercised for the individual classes of stock. Beginning in 2007, hybrid equity awards generally were granted under the Plan, which awards are composed of restricted stock units (RSUs) for Units and options to purchase Class A common stock in SCC. Currently, equity awards are being granted for RSUs. All awards under the Plan are granted at fair market value on the date of grant.

Time-based options vest over five years as follows: 25% one year after date of grant, and 1/48th of the remaining balance each month thereafter for 48 months. Time-based RSUs vest over five years as follows: 10% one year after date of grant, and 1/48th of the remaining balance each month thereafter for 48 months. Performance-based options and RSUs are earned upon the attainment of certain annual earnings goals based on Internal EBITA (defined as operating income before amortization of acquisition-related intangible assets, stock compensation expense and certain other items) targets for

the Company during a specified performance period, generally five years. Time-based and performance-based options can partially or fully vest upon a change of control and certain other termination events, subject to certain conditions, and expire ten years from the date of grant. Once vested, time-based and performance-based RSUs become payable in shares upon the first to occur of a change of control, separation from service without cause, or the date that is five years (ten years for modified performance-based RSUs) after the date of grant.

During the third quarter of 2009, the Company amended the terms of unvested performance awards granted prior to 2009 by (i) reducing performance targets for 2009 and 2010 to budgeted Internal EBITA, (ii) reducing the number of shares that are earned at the reduced targets, (iii) delaying vesting of earned shares, and, (iv) in the case of certain RSUs, increasing the length of time for distribution, or release, of vested awards. Excluding the 15 senior executive management award holders at that time, all 290 award holders participated in the amendments. During the fourth quarter of 2009, senior executive management's performance awards were amended consistent with non-senior executive awards and in addition were amended to modify or add, as applicable, vesting on a return-on-equity basis terms. All amended equity awards were revalued at the modification dates at the respective fair market value. There was no expense recognized as a result of the modifications.

During the second quarter of 2010, the Company amended the terms of all unvested performance awards outstanding with performance periods after 2010 by reducing the performance targets for those periods to the budgeted Internal EBITA for the applicable year. All 280 award holders participated in the amendments, and there was no expense recognized as a result of the modification.

The total fair value of options that vested for 2008, 2009 and 2010 was $32 million, $24 million and $18 million, respectively. The total fair value of RSUs that vested for the years 2008, 2009 and 2010 was $3 million, $10 million and $13 million, respectively. At December 31, 2009 and 2010, approximately 592,000 and 804,000 RSU Units, respectively, were vested.

The fair value of option Units granted in each year using the Black-Scholes pricing model and related assumptions follow:

	Year ended December 31,		
	2008	2009	2010
Weighted-average fair value on date of grant	$ 7.67	$ 7.64	**$ 7.37**
Assumptions used to calculate fair value:			
Volatility	37%	43%	**36%**
Risk-free interest rate	1.5%	2.1%	**1.9%**
Expected term	5.0 years	5.0 years	**5.0 years**
Dividends	zero	zero	**zero**

The fair value of Class A options granted in each year using the Black-Scholes pricing model and related assumptions follow:

	Year ended December 31,		
	2008	2009	2010
Weighted-average fair value on date of grant	$ 1.73	$ 0.28	**$ 0.23**
Assumptions used to calculate fair value:			
Volatility	84%	81%	**156%**
Risk-free interest rate	2.8%	2.3%	**2.1%**
Expected term	5.0 years	5.0 years	**5.0 years**
Dividends	zero	zero	**zero**

The fair value of each option award is estimated on the date of grant using the Black-Scholes option-pricing model. Since the Company is not publicly traded, the Company utilizes equity valuations based on (a) stock market valuations of public companies in comparable businesses, (b) recent transactions involving comparable companies and (c) any other factors deemed relevant. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. Expected volatilities are based on implied volatilities from market comparisons of certain publicly traded companies and other factors. The expected term of stock options granted is derived from historical experience and expectations and represents the period of time that stock options granted are expected to be outstanding. The requisite service period is generally five years from the date of grant.

For 2008, 2009 and 2010, the Company included non-cash stock compensation expense of $35 million, $33 million and $31 million, respectively, in sales, marketing and administration expenses. At December 31, 2010, there is approximately $7 million and $46 million, respectively, of unearned non-cash stock-based compensation related to time-based options and RSUs that the Company expects to record as expense over a weighted average of 2.5 and 3.7 years, respectively. In addition, at December 31, 2010, there is approximately $36 million and $44 million, respectively, of unearned non-cash stock-based compensation related to performance-based options and RSUs that the Company could record as expense over a weighted average of 3.1 and 4.0 years, respectively, depending on the level of achievement of financial performance goals. Included in the performance award amounts above are approximately 892,000 option Units ($5.0 million), 483,000 class A options ($0.5 million) and 226,000 RSUs ($4.5 million) that were earned during 2009 and 2010, but that will vest monthly during 2011 through 2013. For time-based options and RSUs, compensation expense is recorded on a straight-line basis over the requisite service period of five years. For performance-based options and RSUs, recognition of compensation expense starts when the achievement of financial performance goals becomes probable and is recorded over the remaining service period.

The following table summarizes option/RSU activity:

	Units					
	Options (in millions)	Weighted-Average Price	RSUs (in millions)	Weighted-Average Price	Class A Options (in millions)	Weighted-Average Price
Outstanding at December 31, 2007	35.2	$16.03	1.1	$21.14	2.7	$2.26
Granted	0.4	22.17	2.8	23.75	7.1	2.56
Exercised / released	(1.4)	9.11	—		—	
Canceled	(2.4)	18.16	(0.2)	22.24	(0.4)	2.58
Outstanding at December 31, 2008	31.8	16.24	3.7	23.07	9.4	2.47
Granted	0.4	19.00	1.5	19.10	3.7	0.42
Exercised / released	(1.7)	10.56	—		—	
Canceled	(2.5)	18.14	(0.2)	23.36	(0.6)	2.50
Outstanding at December 31, 2009	28.0	16.46	5.0	21.87	12.5	1.86
Granted	**0.2**	**21.32**	**2.3**	**21.23**	**2.0**	**0.25**
Exercised / released	**(0.7)**	**11.94**	**(0.1)**	**22.86**	**—**	
Canceled	**(1.3)**	**18.09**	**(0.8)**	**22.16**	**(2.1)**	**1.97**
Outstanding at December 31, 2010	**26.2**	**16.54**	**6.4**	**21.59**	**12.4**	**1.58**

Included in the table above are 3.1 million option Units (weighted-average exercise price of $18.38), 0.8 million RSUs (weighted-average price of $21.90) and 1.9 million Class A options (weighted-average exercise price of $1.87) that have not vested and for which the performance period has ended. These options and RSUs may be canceled in the future.

Shares available for grant under the 2005 plan at December 31, 2010 were approximately 11.3 million shares of Class A common stock and 1.9 million shares of Class L common stock of SunGard Capital Corp. and 0.7 million shares of preferred stock of SunGard Capital Corp. II.

The total intrinsic value of options exercised during the years 2008, 2009 and 2010 was $20 million, $16 million and $7 million, respectively.

Cash proceeds received by SCC, including proceeds received by SCCII, from exercise of stock options was $3 million, $5 million and $1 million in 2008, 2009 and 2010, respectively. Cash proceeds received by SCCII from exercise of stock options was $1 million in each of 2008 and 2009 and $0.4 million in 2010.

The tax benefit from options exercised during 2008, 2009 and 2010 was $7 million, $6 million and $2 million, respectively. The tax benefit from release of RSUs during 2008, 2009 and 2010 was $0.1 million, $0.1 million and $0.8 million, respectively. The tax benefit is realized by SCC since SCC files as a consolidated group which includes SCCII and SunGard.

The following table summarizes information as of December 31, 2010 concerning options for Units and Class A shares that have vested and that are expected to vest in the future:

	Vested and Expected to Vest			Exercisable		
Exercise Price	Number of Options Outstanding (in millions)	Weighted-average Remaining Life (years)	Aggregate Intrinsic Value (in millions)	Number of Options (in millions)	Weighted-average Remaining Life (years)	Aggregate Intrinsic Value (in millions)
Units						
$ 4.50	3.29	2.9	$ 55	3.29	2.9	$ 55
18.00 - 24.51 . .	15.20	4.9	47	13.62	4.8	43
Class A Shares						
0.21 - 0.44 . . .	3.69	8.9	—	0.68	8.6	—
1.41	0.99	7.9	—	0.43	7.9	—
2.22 - 3.06 . . .	4.00	7.2	—	2.26	7.2	—

10. Savings Plans:

The Company and its subsidiaries maintain savings and other defined contribution plans. Certain of these plans generally provide that employee contributions are matched with cash contributions by the Company subject to certain limitations including a limitation on the Company's contributions to 4% of the employee's compensation. Total expense for continuing operations under these plans aggregated $54 million in 2008, $58 million in 2009 and $63 million in 2010.

11. Income Taxes:

The provision (benefit) for income taxes for 2008, 2009 and 2010 consisted of the following (in millions):

	SCC			SCCII			SunGard		
	2008	**2009**	**2010**	**2008**	**2009**	**2010**	**2008**	**2009**	**2010**
Current:									
Federal	$ 92	$ 22	**$ (2)**	$ 92	$ 23	**$ (2)**	$ 93	$ 23	**$ (1)**
State	18	17	**9**	18	17	**9**	18	17	**9**
Foreign	35	52	**54**	35	52	**54**	35	52	**54**
	145	91	**61**	145	92	**61**	146	92	**62**
Deferred:									
Federal	(83)	(141)	**(70)**	(83)	(141)	**(70)**	(84)	(141)	**(71)**
State	3	3	**(9)**	3	3	**(9)**	3	3	**(9)**
Foreign	(14)	(28)	**(11)**	(14)	(28)	**(11)**	(14)	(28)	**(11)**
	(94)	(166)	**(90)**	(94)	(166)	**(90)**	(95)	(166)	**(91)**
	$ 51	$ (75)	**$(29)**	$ 51	$ (74)	**$(29)**	$ 51	$ (74)	**$(29)**

Income (loss) before income taxes for 2008, 2009 and 2010 consisted of the following (in millions):

	SCC			SCCII			SunGard		
	2008	**2009**	**2010**	**2008**	**2009**	**2010**	**2008**	**2009**	**2010**
U.S. operations	$(78)	$(1,249)	**$(583)**	$(78)	$(1,249)	**$(583)**	$(78)	$(1,249)	**$(583)**
Foreign operations	37	53	**164**	37	53	**164**	37	53	**164**
	$(41)	$(1,196)	**$(419)**	$(41)	$(1,196)	**$(419)**	$(41)	$(1,196)	**$(419)**

Differences between income tax expense (benefit) at the U.S. federal statutory income tax rate and the Company's effective income tax rate for 2008, 2009 and 2010 were as follows (in millions):

	SCC			SCCII			SunGard		
	2008	**2009**	**2010**	**2008**	**2009**	**2010**	**2008**	**2009**	**2010**
Tax at federal statutory rate	$ (15)	$(419)	**$(146)**	$ (15)	$(419)	**$(146)**	$ (15)	$(419)	**$(146)**
State income taxes, net of federal benefit	15	13	**7**	15	13	**7**	15	13	**7**
Foreign taxes, net of U.S. foreign tax credit	29	(11) [1]	**(6)**	29	(11) [1]	**(6)**	29	(11) [1]	**(6)**
Tax rate changes	—	(1)	**(13)**	—	(1)	**(13)**	—	(1)	**(13)**
Nondeductible goodwill impairment charge	—	343	**79**	—	343	**79**	—	343	**79**
Nondeductible expenses	4	4	**3**	4	4	**3**	4	4	**3**
Change in tax positions	17	(1)	**—**	17	(1)	**—**	17	(1)	**—**
Research and development credit	—	(2)	**(3)**	—	(2)	**(3)**	—	(2)	**(3)**
U.S. income taxes on non-U.S. unremitted earnings	1	3	**48**	1	3	**48**	1	3	**48**
Other, net	—	(4)	**2**	—	(3)	**2**	—	(3)	**2**
	$ 51	$ (75)	**$ (29)**	$ 51	$ (74)	**$ (29)**	$ 51	$ (74)	**$ (29)**
Effective income tax rate	(124)%	6%	**7%**	(124)%	6%	**7%**	(124)%	6%	**7%**

(1) Foreign taxes, net in 2009 includes a $12 million favorable adjustment primarily related to utilization in our 2008 U.S. federal income tax return of foreign tax credit carryforwards that were not expected to be utilized at the time of the 2008 tax provision.

Deferred income taxes are recorded based upon differences between financial statement and tax bases of assets and liabilities. Deferred tax assets and liabilities at December 31, 2009 and 2010 consisted of the following (in millions):

	SCC		SCCII		SunGard	
	December 31, 2009	**December 31, 2010**	**December 31, 2009**	**December 31, 2010**	**December 31, 2009**	**December 31, 2010**
Current:						
Trade receivables and retained interest	$ 15	**$ 12**	$ 15	**$ 12**	$ 15	**$ 12**
Accrued expenses, net	14	**7**	14	**7**	14	**7**
Total current deferred income tax asset	29	**19**	29	**19**	29	**19**
Valuation allowance	(10)	**(9)**	(10)	**(9)**	(10)	**(9)**
Net current deferred income tax asset	$ 19	**$ 10**	$ 19	**$ 10**	$ 19	**$ 10**
Long-term:						
Property and equipment	$ 34	**$ 29**	$ 34	**$ 29**	$ 34	**$ 29**
Intangible assets	(1,458)	**(1,320)**	(1,458)	**(1,319)**	(1,458)	**(1,319)**
Net operating loss carry-forwards	122	**136**	122	**136**	122	**136**
Stock compensation	45	**50**	45	**50**	45	**50**
U.S. income taxes on non-U.S. unremitted earnings	(4)	**(52)**	(4)	**(52)**	(4)	**(52)**
Other, net	19	**6**	19	**6**	23	**10**
Total long-term deferred income tax liability	(1,242)	**(1,151)**	(1,242)	**(1,150)**	(1,238)	**(1,146)**
Valuation allowance	(60)	**(61)**	(60)	**(61)**	(60)	**(61)**
Net long-term deferred income tax liability	$(1,302)	**$(1,212)**	$(1,302)	**$(1,211)**	$(1,298)	**$(1,207)**

The net operating loss carryforwards total $2.2 billion, primarily U.S. state of $1.9 billion and U.S. federal of $136 million. These tax loss carryforwards expire between 2011 and 2030 and utilization is limited in certain jurisdictions. The Company recorded the benefit of tax loss carryforwards of $2 million, $23 million and $32 million in 2008, 2009 and 2010, respectively. A valuation allowance for deferred income tax assets associated with certain net operating loss carryforwards has been established.

A reconciliation of the beginning and ending amount of unrecognized tax benefits follows (in millions):

	2008	2009	2010
Balance at beginning of year	$ 20	$38	**$ 38**
Additions for tax positions of prior years	17	1	**17**
Reductions for tax positions of prior years	—	(4)	**(4)**
Settlements for tax positions of prior years	—	(3)	**(18)**
Additions for tax positions of current year	—	5	**4**
Additions for incremental interest	1	1	**—**
Balance at end of year	$ 38	$38	**$ 37**

Included in the balance of unrecognized tax benefits at December 31, 2010 is approximately $2 million (net of state benefit) of accrued interest and penalties. The Company recognizes interest and penalties related to uncertain tax positions in income tax expense.

The Company is currently under audit by the Internal Revenue Service for the calendar years 2007 and 2008 and various state and foreign jurisdiction tax years remain open to examination as well. At any time some portion of the Company's operations are under audit. Accordingly, certain matters may be resolved within the next 12 months which could result in a change in the unrecognized tax benefit liability.

As part of the Company's strategy on the deployment of global cash, during the fourth quarter of 2010, the Company determined that unremitted earnings of approximately $446 million which had previously been considered to be indefinitely reinvested in its non-U.S. operations may be repatriated. Accordingly, deferred tax expense of $48 million was recognized to establish the deferred tax liability associated with unremitted earnings. As of December 31, 2010, the Company provided a deferred tax liability of approximately $52 million for non-U.S. withholding and U.S. income taxes associated with the future repatriation of earnings for certain non-U.S. subsidiaries.

12. Segment Information:

The Company has four segments: FS, HE and PS, which together form the Company's Software & Processing Solutions business, and AS.

FS primarily serves financial services companies through a broad range of complementary software solutions that process their investment and trading transactions. The principal purpose of most of these systems is to automate the many detailed processes associated with trading securities, managing investment portfolios and accounting for investment assets.

HE primarily provides software, strategic and systems integration consulting, and technology management services to colleges and universities.

PS primarily provides software and processing solutions designed to meet the specialized needs of local, state and federal governments, public safety and justice agencies, public schools, utilities, non-profits and other public sector institutions.

AS helps its customers maintain access to the information and computer systems they need to run their businesses by providing them with cost-effective resources to keep their IT systems reliable and secure. AS offers a complete range of availability services, including recovery services, managed services, consulting services and business continuity management software.

The Company evaluates the performance of its segments based on operating results before interest, income taxes, goodwill impairment, amortization of acquisition-related intangible assets, stock compensation and certain other costs. The operating results for each segment follow (in millions):

2008	FS	HE	PS	AS	Total Operating Segments	Corporate and Other Items	Consolidated Total
Revenue	$3,078	$ 540	$ 216	$1,567	$ 5,401	$ —	$ 5,401
Depreciation and amortization	70	10	5	189	274	—	274
Operating income (loss)	608	130	66	443	1,247	(615)[1]	632
Cash paid for property and equipment and software	91	24	7	269	391	—	391

2009	FS	HE	PS	AS	Total Operating Segments	Corporate and Other Items	Consolidated Total
Revenue	$3,068	$ 526	$ 221	$1,517	$ 5,332	$ —	$ 5,332
Depreciation and amortization	77	13	6	192	288	—	288
Operating income (loss)	618	138	60	380	1,196	(1,777)[1]	(581)
Total assets	8,605	2,086	1,046	5,695	17,432	(3,452)[2]	13,980
Cash paid for property and equipment and software	82	8	11	222	323	—	323

2010	FS	HE	PS	AS	Total Operating Segments	Corporate and Other Items	Consolidated Total
Revenue	**$2,807**	**$ 502**	**$ 214**	**$1,469**	**$ 4,992**	**$ —**	**$ 4,992**
Depreciation and amortization	**82**	**13**	**6**	**190**	**291**	**—**	**291**
Operating income (loss)	**624**	**131**	**57**	**326**	**1,138**	**(870)[1]**	**268**
Total assets	**8,830**	**2,107**	**852**	**5,957**	**17,746**	**(4,778)[2]**	**12,968**
Cash paid for property and equipment and software	**93**	**14**	**8**	**196**	**311**	**1**	**312**

(1) Includes corporate administrative expenses, goodwill impairments, stock compensation expense, management fees paid to the Sponsors, other costs and certain other items, and amortization of acquisition-related intangible assets of $472 million, $529 million and $484 million in the years ended December 31, 2008, 2009 and 2010, respectively.

(2) Includes items that are eliminated in consolidation, deferred income taxes and, in 2009, the assets of the Company's discontinued operations of $310 million.

Amortization of acquisition-related intangible assets by segment follows (in millions):

	FS	HE	PS	AS	Total Operating Segments	Corporate	Consolidated Total
2008	$286[1]	$34	$19[1]	$129	$468	$4	$472
2009	303[2]	33	21	170	527	2	529
2010	**259**	**33**	**20**	**171**	**483**	**1**	**484**

(1) Includes the combined effect of approximately $67 million of impairment charges related to software and customer base affecting both FS and PS.

(2) Includes approximately $35 million of impairment charges related to software and customer base.

The FS segment is organized to align with customer-facing business areas. FS revenue by business area follows (in millions):

	Year ended December 31,	
	2009	2010
Position, Risk & Operations	$ 581	**$ 668**
Global Trading	989	**589**
Wealth Management	380	**389**
Asset Management	371	**362**
Banking	186	**203**
Corporate Liquidity	167	**175**
Insurance	162	**175**
Global Services	115	**120**
Technology, Deployment & Distribution	84	**92**
All other	33	**34**
Total Financial Systems	$3,068	**$2,807**

The Company's revenue by customer location follows (in millions):

	Year ended December 31,		
	2008	2009	2010
United States	$3,952	$3,835	**$3,435**
International:			
United Kingdom	445	415	**457**
Continental Europe	609	597	**585**
Asia/Pacific	104	188	**254**
Canada	169	158	**165**
Other	122	139	**96**
	1,449	1,497	**1,557**
	$5,401	$5,332	**$4,992**

The Company's property and equipment by geographic location follows (in millions):

	December 31, 2009	December 31, 2010
United States	$614	**$612**
International:		
United Kingdom	186	**179**
Continental Europe	64	**62**
Canada	44	**40**
Asia/Pacific	10	**22**
Other	1	**3**
	305	**306**
	$919	**$918**

13. Related Party Transactions:

SunGard is required to pay management fees to affiliates of the Sponsors in connection with management consulting services provided to SunGard and the Parent Companies. These services include financial, managerial and operational advice and implementation strategies for improving the operating, marketing and financial performance of SunGard and its subsidiaries. The management fees are equal to 1% of quarterly Adjusted EBITDA, defined as earnings before interest, taxes, depreciation and amortization and goodwill impairment, further adjusted to exclude unusual items and other adjustments as defined in the management agreement, and are payable quarterly in arrears. In addition, these affiliates of the Sponsors may be entitled to additional fees in connection with certain financing, acquisition, disposition and change in control transactions. For the years ended December 31, 2008, 2009 and 2010, SunGard recorded $23 million, $15 million and $17 million, respectively, relating to management fees in sales, marketing and administration expenses in the statement of operations, of which $4 million and $6 million, respectively, is included in other accrued expenses at December 31, 2009 and 2010, respectively.

Two of the Company's Sponsors, Goldman Sachs & Co. and Kohlberg Kravis Roberts & Co., and/or their respective affiliates served as co-managers in connection with SunGard's 2008 debt offering of $500 million Senior Notes due 2015 and $500 million Incremental Term Loan. In connection with serving in such capacity, Goldman Sachs & Co. and Kohlberg Kravis Roberts & Co. were paid $26 million and $4 million, respectively, for customary fees and expenses.

One of the Company's Sponsors, Goldman Sachs & Co. and/or its respective affiliates served as a joint book-running manager in connection with SunGard's 2010 debt offering of $900 million Senior Notes due 2018 and $700 million Senior Notes due 2018. In connection with serving in such capacity, Goldman Sachs & Co. was paid $10 million for customary fees and expenses.

14. Commitments, Contingencies and Guarantees:

The Company leases a substantial portion of its computer equipment and facilities under operating leases. The Company's leases are generally non-cancelable or cancelable only upon payment of cancellation fees. All lease payments are based on the passage of time, but include, in some cases, payments for insurance, maintenance and property taxes. There are no bargain purchase options on operating leases at favorable terms, but most facility leases have one or more renewal options and have either fixed or Consumer Price Index escalation clauses. Certain facility leases include an annual escalation for increases in utilities and property taxes. In addition, certain facility leases are subject to restoration clauses, whereby the facility may need to be restored to its original condition upon termination of the lease. There were $28 million of restoration liabilities included in accrued expenses at December 31, 2010.

Future minimum rentals under operating leases with initial or remaining non-cancelable lease terms in excess of one year at December 31, 2010 follow (in millions):

2011	$ 210
2012	195
2013	165
2014	147
2015	129
Thereafter	519
	$1,365

Rent expense from continuing operations aggregated $222 million in 2008, $243 million in 2009 and $237 million in 2010. At December 31, 2010, the Company had $42 million of outstanding letters of credit and bid bonds issued primarily as security for performance under certain customer contracts.

In the event that the management agreement described in Note 13 is terminated by the Sponsors (or their affiliates) or SunGard and its Parent Companies, the Sponsors (or their affiliates) will receive a lump sum payment equal to the present value of the annual management fees that would have been payable for the remainder of the term of the management agreement. The initial term of the management agreement is ten years, and it extends annually for one year unless the Sponsors (or their affiliates) or SunGard and its Parent Companies provide notice to the other. The initial ten year term expires August 11, 2015.

The Company is presently a party to certain lawsuits arising in the ordinary course of its business. In the opinion of management, none of its current legal proceedings are expected to have a material impact on the Company's business or financial results. The Company's customer contracts generally include typical indemnification of customers, primarily for intellectual property infringement claims. Liabilities in connection with such obligations have not been material.

15. Quarterly Financial Data (unaudited):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2009				
Revenue	$1,295	$1,330	$1,291	$ 1,416
Gross profit[1]	637	673	695	793
Loss before income taxes	(45)	(7)	(45)	(1,099)[3]
Loss from continuing operations (SCC)	(35)	(8)	(37)[2]	(1,041)[3]
Loss from continuing operations (SCCII and SunGard)	(35)	(8)	(37)[2]	(1,042)[3]
Income (loss) from discontinued operations	1	1	(3)	5
Net loss (SCC)	(34)	(7)	(40)[2]	(1,036)[3]
Net loss (SCCII and SunGard)	(34)	(7)	(40)[2]	(1,037)[3]
Net loss attributable to SCC	(76)	(51)	(86)[2]	(1,084)[3]
2010				
Revenue	**$1,200**	**$1,253**	**$1,201**	**$ 1,338**
Gross profit[1]	**632**	**694**	**663**	**802**
Loss before income taxes	**(88)**	**(20)**	**(300)[4]**	**(11)**
Loss from continuing operations	**(56)**	**(21)**	**(288)[4]**	**(25)**
Income (loss) from discontinued operations	**2**	**—**	**(90)[5]**	**(92)[6]**
Net loss	**(54)**	**(21)**	**(378)[4][5]**	**(117)[6]**
Net loss attributable to SCC	**(101)**	**(70)**	**(429)[4][5]**	**(161)[6]**

(1) Gross profit equals revenue less cost of sales and direct operating expenses.

(2) Includes a $12 million favorable adjustment primarily related to utilization in our 2008 U.S. federal income tax return of foreign tax credit carryforwards that were not expected to be utilized at the time of the 2008 tax provision.

(3) Includes a pre-tax goodwill impairment charge of $1.13 billion.

(4) Includes a pre-tax goodwill impairment charge of $237 million.

(5) Includes a pre-tax goodwill impairment charge of $91 million.

(6) Includes a pre-tax loss on sale of the discontinued operation of $94 million.

16. Supplemental Cash Flow Information:

Supplemental cash flow information for 2008, 2009 and 2010 follows (in millions):

	Year ended December 31,		
	2008	2009	2010
Supplemental information:			
Interest paid	$ 550	$596	**$625**
Income taxes paid, net of refunds	$ 134	$135	**$ 43**
Acquired businesses:			
Property and equipment	$ 11	$—	**$ 5**
Software products	140	10	**21**
Customer base	198	5	**27**
Goodwill	629	2	**25**
Other tangible and intangible assets	67	—	**8**
Deferred income taxes	(117)	(1)	**(5)**
Purchase price obligations and debt assumed	(74)	(1)	**(2)**
Net current liabilities assumed	(133)	(2)	**3**
Cash paid for acquired businesses, net of cash acquired of $78, $1 and $10, respectively	$ 721	$ 13	**$ 82**

17. Supplemental Guarantor Condensed Consolidating Financial Statements:

SunGard's senior notes are jointly and severally, fully and unconditionally guaranteed on a senior unsecured basis and the senior subordinated notes are jointly and severally, fully and unconditionally guaranteed on an unsecured senior subordinated basis, in each case, subject to certain exceptions, by substantially all wholly owned, domestic subsidiaries of SunGard (collectively, the "Guarantors"). Each of the Guarantors is 100% owned, directly or indirectly, by SunGard. None of the other subsidiaries of SunGard, either direct or indirect, nor any of the Holding Companies, guarantee the senior notes and senior subordinated notes ("Non-Guarantors"). The Guarantors also unconditionally guarantee the senior secured credit facilities, described in Note 5.

The following tables present the financial position, results of operations and cash flows of SunGard (referred to as "Parent Company" for purposes of this note only), the Guarantor subsidiaries, the Non-Guarantor subsidiaries and Eliminations as of December 31, 2009 and 2010, and for the years ended December 31, 2008, 2009 and 2010 to arrive at the information for SunGard on a consolidated basis. SCC and SCCII are neither parties to nor guarantors of the debt issued as described in Note 5.

Supplemental Condensed Consolidating Balance Sheet

(in millions)	December 31, 2009 Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Current:					
Cash and cash equivalents	$ 126	$ (9)	$ 525	$ —	$ 642
Intercompany balances	(6,563)	5,787	776	—	—
Trade receivables, net	—	734	354	—	1,088
Prepaid expenses, taxes and other current assets	2,017	77	397	(1,968)	523
Current assets of discontinued operations	—	—	90	—	90
Total current assets	(4,420)	6,589	2,142	(1,968)	2,343
Property and equipment, net	1	603	315	—	919
Intangible assets, net	164	3,756	551	—	4,471
Intercompany balances	961	(691)	(270)	—	—
Goodwill	—	4,895	1,132	—	6,027
Long-term assets of discontinued operations	—	—	220	—	220
Investment in subsidiaries	13,394	2,490	—	(15,884)	—
Total Assets	$10,100	$17,642	$4,090	$(17,852)	$13,980
Liabilities and Stockholder's Equity					
Current:					
Short-term and current portion of long-term debt	$ 45	$ 7	$ 12	$ —	$ 64
Accounts payable and other current liabilities	272	2,901	1,019	(1,968)	2,224
Current liabilities of discontinued operations	—	—	60	—	60
Total current liabilities	317	2,908	1,091	(1,968)	2,348
Long-term debt	7,687	3	561	—	8,251
Intercompany debt	82	103	(23)	(162)	—
Deferred income taxes	(53)	1,234	117	—	1,298
Long-term liabilities of discontinued operations	—	—	8	8	16
Total liabilities	8,033	4,248	1,754	(2,122)	11,913
Total stockholder's equity	2,067	13,394	2,336	(15,730)	2,067
Total Liabilities and Stockholder's Equity	$10,100	$17,642	$4,090	$(17,852)	$13,980

Supplemental Condensed Consolidating Balance Sheet

(in millions)	December 31, 2010				
	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Current:					
Cash and cash equivalents	$ 179	$ —	$ 599	$ —	$ 778
Intercompany balances	(7,500)	6,659	841	—	—
Trade receivables, net	2	702	357	—	1,061
Prepaid expenses, taxes and other current assets	2,729	85	309	(2,705)	418
Total current assets	(4,590)	7,446	2,106	(2,705)	2,257
Property and equipment, net	—	602	316	—	918
Intangible assets, net	150	3,330	539	—	4,019
Intercompany balances	(4)	—	4	—	—
Goodwill	—	4,657	1,117	—	5,774
Investment in subsidiaries	14,012	2,456	—	(16,468)	—
Total Assets	$ 9,568	$18,491	$4,082	$(19,173)	$12,968
Liabilities and Stockholder's Equity					
Current:					
Short-term and current portion of long-term debt	$ —	$ 2	$ 7	$ —	$ 9
Accounts payable and other current liabilities	203	3,661	940	(2,705)	2,099
Total current liabilities	203	3,663	947	(2,705)	2,108
Long-term debt	7,607	2	437	—	8,046
Intercompany debt	(195)	65	249	(119)	—
Deferred income taxes	346	749	112	—	1,207
Total liabilities	7,961	4,479	1,745	(2,824)	11,361
Total stockholder's equity	1,607	14,012	2,337	(16,349)	1,607
Total Liabilities and Stockholder's Equity	$ 9,568	$18,491	$4,082	$(19,173)	$12,968

Supplemental Condensed Consolidating Schedule of Operations

(in millions)	Year ended December 31, 2008				
	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Total revenue	$ —	$3,540	$1,954	$ (93)	$5,401
Costs and expenses:					
Cost of sales and direct operating	—	1,558	1,136	(93)	2,601
Sales, marketing and administration	112	584	417	—	1,113
Product development	—	183	126	—	309
Depreciation and amortization	—	205	69	—	274
Amortization of acquisition-related intangible assets	4	373	95	—	472
	116	2,903	1,843	(93)	4,769
Income (loss) from operations	(116)	637	111	—	632
Net interest income (expense)	(533)	(18)	(29)		(580)
Other income (expense)	173	(209)	(72)	15	(93)
Income (loss) before income taxes	(476)	410	10	15	(41)
Benefit from (provision for) income taxes	234	(212)	(73)	—	(51)
Income (Loss) from continuing operations	(242)	198	(63)	15	(92)
Loss from discontinued operations, net of tax	—	—	(150)	—	(150)
Net income (loss)	$(242)	$ 198	$ (213)	$ 15	$ (242)

Supplemental Condensed Consolidating Schedule of Operations

(in millions)	Year ended December 31, 2009				
	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Total revenue	$ —	$3,429	$2,006	$(103)	$ 5,332
Costs and expenses:					
Cost of sales and direct operating	—	1,462	1,175	(103)	2,534
Sales, marketing and administration	99	593	396	—	1,088
Product development	—	166	182	—	348
Depreciation and amortization	—	214	74	—	288
Amortization of acquisition-related intangible assets	2	404	123	—	529
Goodwill impairment charges	—	1,126	—	—	1,126
	101	3,965	1,950	(103)	5,913
Income (loss) from operations	(101)	(536)	56	—	(581)
Net interest income (expense)	(547)	(48)	(35)	—	(630)
Other income (expense)	(707)	(21)	11	732	15
Income (loss) before income taxes	(1,355)	(605)	32	732	(1,196)
Benefit from (provision for) income taxes	237	(101)	(62)	—	74
Income (loss) from continuing operations	(1,118)	(706)	(30)	732	(1,122)
Income from discontinued operations, net of tax	—	—	4	—	4
Net loss	$(1,118)	$ (706)	$ (26)	$ 732	$(1,118)

Supplemental Condensed Consolidating Schedule of Operations

(in millions)	Year ended December 31, 2010				
	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Total revenue	$ —	$3,624	$1,531	$(163)	$4,992
Costs and expenses:					
Cost of sales and direct operating	—	1,532	832	(163)	2,201
Sales, marketing and administration	112	583	446	—	1,141
Product development	—	107	263	—	370
Depreciation and amortization	—	205	86	—	291
Amortization of acquisition-related intangible assets	1	406	77	—	484
Goodwill impairment charges	—	237	—	—	237
	113	3,070	1,704	(163)	4,724
Income (loss) from operations	(113)	554	(173)	—	268
Net interest income (expense)	(591)	(110)	65	—	(636)
Other income (expense)	42	(198)	5	100	(51)
Income (loss) before income taxes	(662)	246	(103)	100	(419)
Benefit from (provision for) income taxes	272	(146)	(97)	—	29
Income (loss) from continuing operations	(390)	100	(200)	100	(390)
Loss from discontinued operations, net of tax	—	—	(180)	—	(180)
Net income (loss)	$(390)	$ 100	$ (380)	$ 100	$ (570)

Supplemental Condensed Consolidating Schedule of Cash Flows

(in millions)	Year ended December 31, 2008				
	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash flow from operations:					
Net income (loss)	$ (242)	$ 198	$(213)	$ 15	$ (242)
Loss from discontinued operations	—	—	(150)	—	(150)
Income (loss) from continuing operations	(242)	198	(63)	15	(92)
Non cash adjustments	(128)	720	196	(15)	773
Changes in operating assets and liabilities	(672)	462	(95)	—	(305)
Cash flow provided by (used in) continuing operations	(1,042)	1,380	38	—	376
Cash flow provided by discontinued operations	—	—	9	—	9
Cash flow provided by (used in) operations	(1,042)	1,380	47	—	385
Investment activities:					
Intercompany transactions	141	(439)	298	—	—
Cash paid for acquired businesses, net of cash acquired	—	(657)	(64)	—	(721)
Cash paid for property and equipment and software	1	(261)	(131)	—	(391)
Other investing activities	4	(12)	12	—	4
Cash provided by (used in) continuing operations	146	(1,369)	115	—	(1,108)
Cash used in discontinued operations	—	—	(17)	—	(17)
Cash provided by (used in) investment activities	146	(1,369)	98	—	(1,125)
Financing activities:					
Net repayments of debt	1,390	3	(52)	—	1,341
Other financing activities	(22)	—	—	—	(22)
Cash provided by (used in) continuing operations	1,368	3	(52)	—	1,319
Cash provided by discontinued operations	—	—	—	—	—
Cash provided by (used in) financing activities	1,368	3	(52)	—	1,319
Effect of exchange rate changes on cash	—	—	(31)	—	(31)
Increase in cash and cash equivalents	472	14	62	—	548
Beginning cash and cash equivalents	39	2	386	—	427
Ending cash and cash equivalents	$ 511	$ 16	$ 448	$—	$ 975

Supplemental Condensed Consolidating Schedule of Cash Flows

(in millions)	Year ended December 31, 2009				
	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash flow from operations:					
Net income (loss)	$(1,118)	$ (706)	$ (26)	$ 732	$(1,118)
Income from discontinued operations	—	—	4	—	4
Income (loss) from continuing operations	(1,118)	(706)	(30)	732	(1,122)
Non cash adjustments	776	1,646	148	(732)	1,838
Changes in operating assets and liabilities	(334)	(115)	339	—	(110)
Cash flow provided by (used in) continuing operations	(676)	825	457	—	606
Cash flow provided by discontinued operations	—	—	33	—	33
Cash flow provided by (used in) operations	(676)	825	490	—	639
Investment activities:					
Intercompany transactions	1,138	(598)	(540)	—	—
Cash paid for acquired businesses, net of cash acquired	—	(13)	—	—	(13)
Cash paid for property and equipment and software	—	(231)	(92)	—	(323)
Other investing activities	—	—	5	—	5
Cash provided by (used in) continuing operations	1,138	(842)	(627)	—	(331)
Cash used in discontinued operations	—	—	(2)	—	(2)
Cash provided by (used in) investment activities	1,138	(842)	(629)	—	(333)
Financing activities:					
Net repayments of debt	(844)	(8)	229	—	(623)
Other financing activities	(3)	—	—	—	(3)
Cash provided by (used in) continuing operations	(847)	(8)	229	—	(626)
Cash used in discontinued operations	—	—	(2)	—	(2)
Cash provided by (used in) financing activities	(847)	(8)	227	—	(628)
Effect of exchange rate changes on cash	—	—	11	—	11
Increase (decrease) in cash and cash equivalents	(385)	(25)	99	—	(311)
Beginning cash and cash equivalents	511	16	448	—	975
Ending cash and cash equivalents	$ 126	$ (9)	$ 547	$ —	$ 664

Supplemental Condensed Consolidating Schedule of Cash Flows

(in millions)	Year ended December 31, 2010				
	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash flow from operations:					
Net income (loss)	$(390)	$ 100	$(380)	$ 100	$ (570)
Loss from discontinued operations	—	—	(180)	—	(180)
Income (loss) from continuing operations	(390)	100	(200)	100	(390)
Non cash adjustments	25	937	194	(100)	1,056
Changes in operating assets and liabilities	(339)	409	(22)	—	48
Cash flow provided by (used in) continuing operations	(704)	1,446	(28)	—	714
Cash flow provided by discontinued operations	—	—	7	—	7
Cash flow provided by (used in) operations	(704)	1,446	(21)	—	721
Investment activities:					
Intercompany transactions	984	(1,142)	158	—	—
Cash paid for acquired businesses, net of cash acquired	—	(82)	—	—	(82)
Cash paid for property and equipment and software	(1)	(221)	(90)	—	(312)
Other investing activities	(2)	14	(3)	—	9
Cash provided by (used in) continuing operations	981	(1,431)	65	—	(385)
Cash provided by discontinued operations	—	—	125	—	125
Cash provided by (used in) investment activities	981	(1,431)	190	—	(260)
Financing activities:					
Net repayments of debt	(212)	(6)	(114)	—	(332)
Other financing activities	(12)	—	—	—	(12)
Cash provided by (used in) continuing operations	(224)	(6)	(114)	—	(344)
Cash provided by discontinued operations	—	—	—	—	—
Cash provided by (used in) financing activities	(224)	(6)	(114)	—	(344)
Effect of exchange rate changes on cash	—	—	(3)	—	(3)
Increase (decrease) in cash and cash equivalents	53	9	52	—	114
Beginning cash and cash equivalents	126	(9)	547	—	664
Ending cash and cash equivalents	$ 179	$ —	$ 599	$ —	$ 778

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

(a) ***Evaluation of Disclosure Controls and Procedures***: Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, as of the end of the period covered by this Report. Based on that evaluation, the chief executive officer and chief financial officer concluded that our disclosure controls and procedures as of the end of the period covered by this Report were effective.

(b) ***Management's Annual Report on Internal Control Over Financial Reporting***: This information is incorporated by reference to above ITEM 8-FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

(c) ***Change in Internal Control over Financial Reporting***: No change in our internal control over financial reporting occurred during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Our executive officers and directors are listed below.

Name	Age	Principal Position with SunGard Data Systems Inc.
Executive Officers		
Cristóbal Conde	50	President, Chief Executive Officer and Director
Harold C. Finders	55	Interim Group Chief Executive Officer, Financial Systems
Till M. Guldimann	61	Vice Chairman
Ron M. Lang	59	Group Chief Executive Officer, Higher Education
Karen M. Mullane	46	Vice President and Controller
Brian Robins	52	Senior Vice President and Chief Marketing Officer
Gilbert O. Santos	51	Group Chief Executive Officer, Public Sector
Victoria E. Silbey	47	Senior Vice President—Legal and General Counsel
Andrew A. Stern	53	Group Chief Executive Officer, Availability Services
Richard C. Tarbox	58	Senior Vice President—Corporate Development
Kathleen Weslock	55	Senior Vice President—Human Resources and Chief Human Resources Officer
Robert F. Woods	55	Senior Vice President—Finance and Chief Financial Officer
Directors		
Chinh E. Chu	44	Director
John Connaughton	45	Director
James H. Greene, Jr.	60	Director
Glenn H. Hutchins	55	Chairman of the Board of Directors
James L. Mann	76	Director
John Marren	47	Director
Sanjeev Mehra	52	Director
Julie Richardson	47	Director

Mr. Conde has been Chief Executive Officer since 2002, President since 2000 and a director since 1999. Mr. Conde served as Chief Operating Officer from 1999 to 2002 and Executive Vice President from 1998 to 1999. Before then, Mr. Conde was Chief Executive Officer of SunGard Trading Systems Group from 1991 to 1998. Mr. Conde was cofounder of a trading and risk systems business that we acquired in 1987.

Mr. Finders has been Interim Group Chief Executive Officer, Financial Systems, since January 2011 and Division Chief Executive Officer, Financial Systems, from 2007 to 2010. Mr. Finders was Group Chief Executive Officer, SunGard Europe from 2005 to 2007. From 2001 to 2005, Mr. Finders headed the SunGard Investment Management Systems businesses based in Europe. From 1996 to 2001, he held various senior management positions with us overseeing a number of our European financial systems businesses. Mr. Finders headed a Geneva-based wealth management systems business that we acquired in 1996.

Mr. Guldimann has been Vice Chairman since 2002. He was our Senior Vice President, Strategy and a member of our board of directors from 1999 to 2002. Mr. Guldimann was Vice Chairman from 1997 to 1999 and Senior Vice President from 1995 to 1997 of a trading and risk systems business that we acquired in 1998.

Mr. Lang has been Group Chief Executive Officer, SunGard Higher Education since 2009 and Group Chief Executive Officer, Enterprise Solutions Group from 2005 until January 2009. He was Chief Product Officer—Financial Systems from January to December 2005. From 2000 to 2005, Mr. Lang was Group Chief Executive Officer, SunGard Trading Systems and was responsible for our SunGard Brokerage Systems and SunGard Financial Networks groups from 2003 to January 2005. Mr. Lang was Vice President of Marketing from 1997 to 1998 and President from 1998 to 2000 of a trading and risk systems business that we acquired in 1998.

Ms. Mullane has been Vice President and Controller since 2006, Vice President and Director of SEC Reporting from 2005 to 2006, Director of SEC Reporting from 2004 to 2005 and Manager of SEC Reporting from 1999 to 2004. From 1997 to 1999, she was Vice President of Finance at NextLink Communications of Pennsylvania and, from 1994 to 1997, she was Director of Finance at EMI Communications. Ms. Mullane is a director and/or officer of most of our domestic subsidiaries.

Mr. Robins has been Senior Vice President—Chief Marketing Officer since 2005. From 2003 to 2005, he was Senior Vice President—Corporate Marketing and was Vice President—Corporate Marketing from 2000 to 2003. From 1995 to 2000, Mr. Robins held various marketing positions, including Vice President—Marketing, with a trading and risk systems business that we acquired in 1998.

Mr. Santos has been Group Chief Executive Officer, SunGard Public Sector since 2007. Mr. Santos held various senior executive positions, including most recently President and Chief Executive Officer, with a business that we acquired in 2003 and that he joined in 1998. From 1983 to 1998, Mr. Santos held various executive positions at Motorola, Inc., including Director of the Public Sector Solutions Division and Land Mobile Sector Strategy Office.

Ms. Silbey has been Senior Vice President—Legal and General Counsel since 2006 and Vice President —Legal and General Counsel from 2005 to 2006. From 1997 to 2005, Ms. Silbey held various legal positions with us, including Vice President—Legal and Assistant General Counsel from 2004 to 2005. From 1991 to 1997, she was a lawyer with Morgan, Lewis & Bockius LLP, Philadelphia. Ms. Silbey is a director and officer of most of our domestic and foreign subsidiaries.

Mr. Stern has been Group Chief Executive Officer, SunGard Availability Services since June 2010. Mr. Stern held various senior positions with USinternetworking, Inc. (acquired by AT&T in 2006), including Chief Executive Officer from 2000 to 2008, Chairman from 2002 to 2006, Chief Operating Officer from 1999 to 2000 and Executive Vice President and Chief Financial Officer from 1998 to 1999. Previously, he served as Executive Vice President, Strategy and Reinsurance Operations at USF&G.

Mr. Tarbox has been Senior Vice President—Corporate Development since 2001 and was Vice President—Corporate Development from 1987 to 2001.

Ms. Weslock has been Senior Vice President—Human Resources and Chief Human Resources Officer since 2006. From 2005 to 2006, Ms. Weslock was head of Human Resources at Deloitte Financial Services LLP, and from 2001 to 2005 she was Director of Global Human Resources for Shearman & Sterling LLP, an international law firm.

Mr. Woods has been Senior Vice President—Finance and our Chief Financial Officer since January 2010. From 2004 to 2009, Mr. Woods was Chief Financial Officer of IKON Office Solutions,

a document management systems and services company. Previously, he served as Vice President and Controller and Vice President and Treasurer at IBM Corporation and Vice President, Finance for IBM Asia-Pacific. Mr. Woods is currently a director of Insight Enterprises, Inc.

Mr. Chu has been a Director since 2005. Mr. Chu is a Senior Managing Director in the Corporate Private Equity group of The Blackstone Group, a private equity firm which he joined in 1990. Mr. Chu serves on the Boards of Directors of Catalent Pharma Solutions, Inc., DJO Incorporated, Graham Packaging Company Inc. and HealthMarkets, Inc. and previously served on the Board of Directors of Celanese Corporation, Financial Guaranty Insurance Company and Nalco Holding Company.

Mr. Connaughton has been a Director since 2005. Mr. Connaughton has been a Managing Director of Bain Capital Partners, LLC, a global private investment firm, an Officer of Bain Capital Partners, LLC since 1997 and a member of the firm since 1989. Mr. Connaughton currently serves on the Boards of Directors of Air Medical Holdings, Inc., Clear Channel Communications, Inc., CRC Health Group, Inc., Hospital Corporation of America, Inc., Quintiles Transnational Corp., Warner Chilcott Ltd. and Warner Music Group Corp. and previously served on the Board of Directors of AMC Entertainment Inc., CMP Susquehanna Holdings Corp., Epoch Senior Living, M|C Communications (PriMed), ProSiebenSat.1.Media and Stericycle Inc.

Mr. Greene has been a Director since 2005. Mr. Greene joined Kohlberg Kravis Roberts & Co. LP, a global alternative asset management firm ("KKR"), in 1986 and was a General Partner of KKR from 1993 until 1996, when he became a member of KKR & Co. L.L.C. until October 2009. Mr. Greene is currently a member of KKR Management, LLC, which is the general partner of KKR & Co. L.P. Mr. Greene serves on the Board of Directors of Aricent Inc., TASC, Inc. and Western New York Energy, LLC and previously served on the Board of Directors of Accuride Corporation, Alliance Imaging, Inc., Avago Technologies, Sun Microsystems, Inc. and Zhone Technologies, Inc.

Mr. Hutchins has been Chairman of the Board of Directors since 2005. Mr. Hutchins is a co-founder and Co-Chief Executive of Silver Lake, a technology investment firm that was established in 1999. Mr. Hutchins serves on the Board of Directors of The Nasdaq OMX Group, Inc. and previously served on the Board of Directors of Gartner, Inc., Seagate Technology and TD Ameritrade Holding Corp.

Mr. Mann has been a Director since September 2006 and has been employed by SunGard since 1983. Mr. Mann served as Chairman of the Board from 1987 to 2005 and as a Director from 1983 to 1986. Mr. Mann served as Chief Executive Officer from 1986 to 2002, President from 1986 to 2000, and Chief Operating Officer from 1983 to 1985. Mr. Mann serves on the Board of Directors of athenahealth, Inc.

Mr. Marren has been a Director since 2005. Mr. Marren joined TPG Capital LP, a private equity firm, in 2000 as a partner and leads the firm's technology team. From 1996 to 2000, he was a Managing Director at Morgan Stanley. From 1992 to 1996, he was a Managing Director and Senior Semiconductor Research Analyst at Alex Brown & Sons. Mr. Marren is currently the Chairman of the Board of MEMC Electronic Materials, Inc. and serves on the Board of Directors of Avaya Inc. and Freescale Semiconductor Inc. and previously served on the Board of Directors of Conexant Systems Inc. and ON Semiconductor Corporation.

Mr. Mehra has been a Director since 2005. Mr. Mehra has been a partner of Goldman, Sachs & Co. since 1998 and a Managing Director of Goldman, Sachs & Co.'s Principal Investment Area of its

Merchant Banking Division since 1996. He serves on the Boards of Directors of ARAMARK Corporation, First Aviation Services, Inc., Hawker Beechcraft, Inc., KAR Auction Services, Inc. and Sigma Electric and previously served on the Board of Directors of Hexcel Corporation and Nalco Holding Company.

Ms. Richardson has been a Director since 2005. Ms. Richardson has been a Managing Director of Providence Equity Partners since 2003 and oversees the New York-based team. Between 1998 and 2003, Ms. Richardson held various roles at JPMorgan, including Vice Chairman of the firm's investment banking division and Global Co-Head of the firm's Telecom, Media and Technology group. Prior to joining JPMorgan in 1998, Ms. Richardson was a Managing Director at Merrill Lynch, where she spent over 11 years. Ms. Richardson serves on the Boards of Directors of Altegrity, Open Solutions Inc. and Stream Global Services.

The Amended and Restated Certificate of Incorporation of SCC is structured to permit the holders of specific classes of Class A common stock representing funds affiliated with each Sponsor group to elect separate directors (the "Sponsor Directors") and also allows for the holders of all outstanding common stock to elect the chief executive officer as an additional director (the "CEO director"). The Principal Investor Agreement dated August 10, 2005 by and among the four parent companies and the Sponsors further contains agreements among the parties with respect to the election of our directors. Each Sponsor is entitled to elect one representative to the Board of Directors of SCC, which will then cause the Board of Directors or Managers, as applicable, of the other three parent companies and of SunGard to consist of the same members. In August 2005, in accordance with both the Amended and Restated Certificate of Incorporation of SCC and the Principal Investor Agreement, each of Ms. Richardson and Messrs. Chu, Connaughton, Greene, Hutchins, Marren and Mehra were elected to the Boards as Sponsor Directors and Mr. Conde was elected to the Boards as the CEO Director.

In accordance with the charter of the Nominating and Corporate Governance Committee, to the extent consistent with applicable agreements, the Nominating and Corporate Governance Committee will identify, recommend and recruit qualified candidates to fill new positions on the Boards and will conduct the appropriate and necessary inquiries into the backgrounds and qualifications of possible candidates. In September 2006, James L. Mann was selected to serve as a director due to his extensive business and management expertise from having served as SunGard's chief executive officer from 1986 to 2002, his acute business judgment, and his extensive knowledge of the industries in which the Company operates.

As a group, the Sponsor Directors possess experience in owning and managing enterprises like the Company and are familiar with corporate finance, strategic business planning activities and issues involving stakeholders more generally. All of the Company's directors possess high ethical standards, act with integrity, and exercise careful, mature judgment. Each is committed to employing their skills and abilities to aid the long-term interests of the stakeholders of the Company.

The Board has determined that Mr. Connaughton qualifies as an "audit committee financial expert" within the meaning of regulations adopted by the Securities and Exchange Commission. Mr. Connaughton is not an independent director because of his affiliation with Bain Capital Partners, LLC, the affiliated funds of which hold a 13.70% equity interest in SCC and SCCII (collectively referred to as the "Parent Companies").

We adopted a Global Business Conduct and Compliance Program that is applicable to our directors and employees, including the chief executive officer, chief financial officer and controller.

The Global Business Conduct and Compliance Program is available on our website at www.sungard.com/corporateresponsibility. A free copy of our Global Business Conduct and Compliance Program may be requested from:

SunGard Data Systems Inc.
Chief Compliance Officer
680 East Swedesford Road
Wayne, PA 19087

If we make any substantive amendments to the Global Business Conduct and Compliance Program which apply to our chief executive officer, chief financial officer or controller or grant any waiver, including any implicit waiver, from a provision of the Global Business Conduct and Compliance Program to our directors or executive officers, we will disclose the nature of the amendment or waiver on our website at www.sungard.com/corporateresponsibility or in a report on Form 8-K.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires the Company's officers and directors, and persons who own more than ten percent of a registered class of the Company's equity securities, to file reports of securities ownership and changes in such ownership with the SEC. Officers, directors and greater than ten percent shareholders also are required by rules promulgated by the SEC to furnish the Company with copies of all Section 16(a) forms they file. Based solely upon a review of the copies of such forms furnished to the Company or written representations that all reportable transaction were reported, the Company believes that all Section 16(a) filing requirements were timely met during 2010, except that (i) Form 4s were filed for Mr. Robins on December 13, 2010 with respect to an option exercise on April 20, 2010; (ii) Form 4s were filed for Mr. Mann on December 13, 2010 with respect to the grant of equity awards on September 15, 2010; and (iii) Form 4s were filed for Mr. Woods on December 13, 2010 with respect to the grant of equity awards on November 18, 2010.

ITEM 11. EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Executive Summary

This section discusses the principles underlying our executive compensation policies and decisions. It provides qualitative information regarding the manner in which compensation is earned by our executive officers and places in context the data presented in the tables that follow. In addition, in this section, we address the compensation paid or awarded during fiscal year 2010 to our chief executive officer (principal executive officer), chief financial officer (principal financial officer) and three other executive officers who were the most highly compensated executive officers in fiscal year 2010. We refer to these five executive officers as our "named executives."

Our executive compensation programs have remained substantially the same for several years. The primary focus of our compensation philosophy is to pay for performance. We believe our programs are effectively designed and align well with the interests of our stockholders and are instrumental to achieving our business strategy.

Our compensation policies and objectives during 2010 were influenced by a variety of factors. One factor was the uncertainty regarding whether, when and to what extent the worldwide economic

conditions that impacted our 2009 financial results would improve during 2010. As a result of this economic uncertainty and how it would impact our industry and our business, the Compensation Committee took a conservative approach to compensation programs in 2010.

Highlighted below are some of the key actions and decisions with respect to our executive compensation programs for fiscal 2010 as approved by the Compensation Committee:

- Salary Increases. Following 2009 in which no salary increases were awarded to the named executives as part of a Company-wide restriction on salary increases, 2010 salary increases to the named executives were no more than 2%.
- The Compensation Committee targets annual base salaries to approximate the 60th percentile of base salaries of survey data, with the performance-based executive incentive compensation ("EIC") bonus designed to allow the named executive to earn total target cash compensation at the 85th percentile of survey data only where the named executive achieves specific performance objectives.
- Strong Performance-Based Compensation Awards and Payouts. Our executive compensation is tightly linked with performance.
- As with past years, we adopted EIC plans through which the named executives were eligible to earn cash incentive compensation based upon achievement of specific financial objectives for 2010 approved by the Compensation Committee that are designed to challenge the named executives to high performance.
- In 2010, we made changes to the annual EIC bonus to ensure that we reward performance that is consistent with our goals and appropriately balance short- and long-term incentives. The total 2010 EIC bonus (including any override earned) were capped at 1.75 times the target EIC bonus for our corporate-level senior executives and at 3.0 times the target EIC bonus for our segment-level senior executives.
- In accordance with new SEC rules, we evaluated risks associated with our compensation programs. As described below under the Risk Considerations in Our Compensation Programs, the Compensation Committee concluded that our compensation policies and practices for 2010 do not create risks that are reasonably likely to have a material adverse effect on the Company.

Administration of Our Compensation Program

Our executive compensation program is overseen and administered by the Compensation Committee. The Compensation Committee operates under a written charter adopted by our Board and has responsibility for discharging the responsibilities of the Board of Directors relating to the compensation of the Company's executive officers and related duties. Management, including our chief executive officer, or CEO, evaluates a number of factors in developing cash and equity compensation recommendations to the Compensation Committee for its consideration and approval. Following this in-depth review and in consultation with management, our CEO makes compensation recommendations for our corporate executive officers and our named executives, including the CEO, to the Compensation Committee based on his evaluation of each officer's performance, expectations for the coming year and market compensation data. Our CEO also provides an overview of compensation for other executive officers. The Compensation Committee reviews these proposals and makes all final compensation decisions for corporate executive officers and named executives by exercising its discretion in accepting, modifying or rejecting any management recommendations, including any recommendations from our CEO.

Objectives of Our Compensation Program

Our executive compensation program is intended to meet three principal objectives:

- to provide competitive compensation packages to attract and retain superior executive talent;
- to reward successful performance by the executive and the Company by linking a significant portion of compensation to future financial and business results; and
- to further align the interests of executive officers with those of our ultimate stockholders by providing long-term equity compensation and meaningful equity ownership.

To meet these objectives, our compensation program balances short-term and long-term performance goals and mixes fixed and at-risk compensation that is directly related to stockholder value and overall performance.

Our compensation program for senior executives, including the named executives, is designed to reward Company performance. The compensation program is intended to reinforce the importance of performance and accountability at various operational levels, and therefore a significant portion of total compensation is in both cash and stock-based compensation incentives that reward performance as measured against established goals, i.e., “pay for performance.” Each element of our compensation program is reviewed individually and considered collectively with the other elements of our compensation program to ensure that it is consistent with the goals and objectives of both that particular element of compensation and our overall compensation program. For each named executive, we look at each individual’s contributions to our overall results, our operating and financial performance compared with the targeted goals, and our size and complexity compared with companies in our compensation peer group.

Elements of Our Executive Compensation Program

In 2010, the principal elements of compensation for named executives were:

- annual cash compensation consisting of base salary and performance-based incentive bonuses;
- long-term equity incentive compensation;
- benefits and perquisites; and
- severance compensation and change of control protection.

Annual Cash Compensation

Management, including our CEO, develops recommendations for annual executive cash compensation plans by using compensation survey data for a broad set of organizations of comparable business, size and complexity, and then compares the survey results to publicly available compensation data for a group of companies we consider to be our peer group. We believe that the compensation practices of these companies provide us with appropriate benchmarks because they also provide technology products and services to a variety of customers and compete with us for executives and other employees.

The survey data used for 2010 compensation purposes comes from two sources: Radford Executive Benchmark Survey, which focuses on technology companies; and Towers Perrin Compensation Data Bank, which focuses on a broader array of organizations including professional services, high-tech and manufacturing companies. For purposes of establishing compensation recommendations, we use a blend of the Radford and Towers Perrin survey data to reflect our size and industry.

From the Radford survey data for our corporate-level named executives, we assessed compensation from 221 public and private companies using a weighted average of 25% for companies with annual revenues between $1 billion and $3 billion and a 75% weighted average for companies with annual revenues over $3 billion. From the Radford survey data for our division-level named executives, we assessed compensation from 222 public and private companies with annual revenues from $0.5 billion to $3 billion. From the Towers Perrin survey data we assessed compensation of 428 companies with annual revenues statistically regressed to $5.5 billion for our corporate-level named executives and to the applicable SunGard division's revenue for our division-level named executives.

The companies we consider within our peer group are financial services and software companies of similar industry and revenue as the Company, and some of which various businesses within the Company compete against for business and for talent. Peer group compensation data is limited to publicly available information and therefore generally does not provide precise comparisons by position as offered by the more comprehensive survey data from Radford and Towers Perrin. As a result, the peer group data provides limited guidance and does not dictate the setting of executive officers' compensation. The following companies comprised our peer group in 2010:

Automatic Data Processing, Inc.	DST Systems, Inc.	MasterCard Incorporated
BMC Software, Inc.	Fidelity National Information Services, Inc.	Paychex, Inc.
Broadridge Financial Solutions, Inc.	Fiserv, Inc.	SEI Investments Company
Computer Sciences Corporation	Iron Mountain Incorporated	The Western Union Company
Convergys Corporation		

Our annual cash compensation packages for executive officers include base salary and an EIC bonus. We generally target the 60th percentile of the survey data as our benchmark for base salary and the 85th percentile as our benchmark for total on-target cash compensation. Because we pay for performance, we weight the cash compensation more heavily toward the performance incentives and less toward the base salary.

Base Salary. For base salary, we generally target the 60th percentile of the blended survey data to provide a fixed compensation based on competitive market practice that is not subject to performance risk while also considering other factors, such as individual and Company performance. We review the base salaries for each named executive annually as well as at the time of any promotion or significant change in job responsibilities. Base salaries are determined for each named executive based on his or her position and responsibility by using survey data. Salary for each named executive for calendar year 2010 is reported in Table 1—Summary Compensation Table below.

Performance-Based Incentive Compensation. The annual EIC bonus for executive officers is designed to reward our executives for the achievement of annual financial goals related to the business for which they have responsibility. A minimum incentive may be earned at threshold EIC goals, which are set generally at levels that reflect an improvement over prior year results, and no payment is awarded if the threshold goal is not achieved. On-target EIC goals are set generally at levels that reflect budgeted performance. Consistent with our focus on pay for performance, additional amounts can be earned when actual performance exceeds on-target performance. Additional mid-point goals between threshold and target with corresponding incentive amounts are also established. The Company may revise or cancel an executive's EIC at any time as a result of a significant change in circumstances or the occurrence of an unusual event that was not anticipated when the performance plan was approved.

Internal EBITA targets are adjusted to take into account acquisitions and/or dispositions which were not included in the budgeted EIC targets and other one-time adjustments as approved by the Compensation Committee.

In 2010, we made changes to the annual EIC bonus plan to ensure that we reward performance that is consistent the our goals and appropriately balance short- and long-term incentives. The total 2010 EIC bonuses (including any override earned) were capped at 1.75 times the target EIC bonus for our corporate-level senior executives and at 3.0 times the target EIC bonus for our division-level senior executives.

The financial measures used for the 2010 EIC bonuses for the named executives were one or more of the following: (i) Internal EBITA, which represents actual earnings before interest, taxes and amortization, noncash stock compensation expense, management fees paid to the Sponsors and certain other unusual items, (ii) budgeted revenue growth of the Company's business segments, and (iii) the run rate for services provided for which we will be billing effective at the start of a year. These metrics were selected as the most appropriate measures upon which to base the 2010 EIC bonuses for the named executives because they are important metrics that management and the Sponsors use to evaluate the performance of the Company or a particular business. While we have established threshold, mid-point, and on-target Internal EBITA goals, as set forth in the table below, EIC bonuses may be increased if the applicable Internal EBITA goal is exceeded. As a result, the named executives may be entitled to receive an increase in bonus equal to a small percentage of the amount by which the applicable Internal EBITA goal is exceeded. We refer to any such increase in the bonus as an "override."

Because the 2010 on-target goal was lower than the 2008 on-target goal as a result of the impact of the economic crisis on the Company, it was determined that for the corporate-level named executives, Messrs. Conde and Woods, (i) if the actual 2010 Internal EBITA is above the 2010 Internal EBITA goal but below the actual 2008 Internal EBITA, they would receive 1/3 of the applicable override; and (ii) if the actual 2010 Internal EBITA exceeds the actual 2008 Internal EBITA, they would receive the override amount described in clause (i) plus an amount equal to the override rate multiplied by the amount by which the actual 2010 Internal EBITA exceeds actual 2008 Internal EBITA. The same approach was followed for Mr. Stern's 2010 Availability Services Internal EBITA goal, except that the 2010 on-target goal was measured against the 2009 on-target goal (rather than the 2008 on-target goal used for Messrs. Conde and Woods).

For our Financial Systems division-level named executives, Mr. Ashton, whose employment with the Company terminated effective as of December 31, 2010, and Mr. Finders, EIC bonuses earned on the achievement of Internal EBITA goals were also subject to a multiplier that, depending upon the achievement of year-over-year revenue growth goals of the Financial Systems segment, could result in a further increase or decrease of any bonus earned based on the achievement of Internal EBITA goals. As set forth in the table below, the multiplier ranged from 0 to 1.5, meaning that revenue growth results could reduce or increase amounts earned by these named executives based on the achievement of Internal EBITA goals; with a multiplier of 1 resulting in no adjustment to the award established by the Internal EBITA goals.

The following table provides the 2010 threshold, mid-point and on-target goals for the named executives and the EIC bonuses paid to them based on actual results from 2010:

	Internal EBITA Goals (in thousands)			Actual 2010 EIC Bonus
Name and Type of Internal EBITA Goal	**Threshold**	**Mid-Point**	**On-Target**	**Payment**
Cristóbal Conde				
Consolidated Company Internal EBITA	$1,075,000	$1,103,000	$1,131,000	$1,847,471 (1)
Robert F. Woods				
Consolidated Company Internal EBITA	$1,075,000	$1,103,000	$1,131,000	$ 698,037 (1)
James E. Ashton III				
Financial Systems Segment Internal EBITA	$ 622,250	$ 638,625	$ 655,000	$ 549,971 (2)
Harold C. Finders				
Financial Systems Segment Internal EBITA	$ 622,250	$ 638,625	$ 655,000	$ 584,176 (2)
Andrew A. Stern				
Availability Services Segment Internal EBITA	$ 302,918	$ 319,747	$ 336,576	$ 306,250 (3)
Availability Services Segment Traditional Recovery Starting Run Rate	$ 49,013	$ 50,303	$ 51,593	$ 58,100 (3)
Availability Services Segment Managed Services Starting Run Rate	$ 36,281	$ 37,235	$ 38,190	$ 42,885 (3)

(1) Represents the EIC bonus earned as a result of the consolidated Company achieving 99.66% of the on-target 2010 Internal EBITA goal with no override earned.

(2) Represents the EIC bonus earned as a result of the Financial Systems Segment achieving 99.88% of the on-target 2010 Internal EBITA goal with no override earned. The revenue multiplier applicable to the 2010 EBITA incentive amounts earned was 1 in 2010; therefore, it did not increase or decrease the incentive payment earned based on the achievement of the on-target Internal EBITA goal.

(3) Represents the EIC bonus earned as a result of the Availability Segment achieving the on-target 2010 Internal EBITA goal and between mid-point and on-target for the run rate goals. Mr. Stern's EIC bonus was prorated for the portion of the year that he was employed by the Company.

The following table provides the low, target and maximum multiplier applicable to the 2010 Internal EBITA incentive amounts earned by Messrs. Ashton and Finders, which is based on the percentage increase or decrease in revenue of the Financial Systems segment as compared to the prior year.

Name	**0 Multiplier Low**	**1 Multiplier Target**	**1.5 Multiplier Max**	**Actual 2010 Multiplier**
James E. Ashton III				
Financial Systems Segment Revenue Growth (% increase/(decrease) over prior year)	2.0%	4.0-10.4%	14.0%	1
Harold C. Finders				
Financial Systems Segment Revenue Growth (% increase/(decrease) over prior year)	2.0%	4.0-10.4%	14.0%	1

Further, in recognition of the extraordinary effort by Mr. Finders during the fourth quarter of 2010 after the announcement of Mr. Ashton's termination of employment at year end, Mr. Finders received a one-time discretionary bonus of $100,000 in addition to his 2010 EIC bonus.

Long-Term Equity Compensation

We intend for our equity program to be the primary vehicle for offering long-term incentives and rewarding our executive officers, managers and key employees. We have either a combination of RSUs and Class A options ("hybrid awards") or RSUs because of the direct relationship between the value of this equity and the value of our stock. We believe that these grants are the best method of motivating our executive officers to manage our Company in a manner that is consistent with the interests of our Company and our stockholders. We also regard our equity program as a key retention tool. Retention is an important factor in our determination of the type of award to grant and the number of underlying Units or shares to grant.

In 2005 in connection with the LBO, executive officers and other managers and key employees were granted a combination of time-based and performance-based options to purchase equity in the Parent Companies. The size of these initial option grants were commensurate with the executive's position, performance and tenure with the Company and were agreed to in connection with the LBO. These grants were intended to cover the period between the grant date and December 31, 2010, absent promotions or other unusual circumstances. In 2007, Mr. Finders received an option award due to his promotion to Division Chief Executive Officer, Financial Systems. In 2009, Messrs. Ashton and Finders received hybrid awards for outstanding performance in difficult economic conditions and for retention purposes. When Messrs. Stern and Woods joined the Company in 2010, they were each granted equity commensurate with their roles. Additionally, as a result of Mr. Woods' performance during his first year, additional equity grants originally scheduled to be awarded in the future pursuant to his employment agreement, were in fact granted to him in 2010. Additional information on all 2010 and outstanding grants to the named executives is shown in Table 2—2010 Grants of Plan-Based Awards and Table 3—Outstanding Equity Awards at 2010 Fiscal Year-End below.

Performance-based options granted to the named executives vest upon the attainment of certain annual or cumulative earnings goals based on Internal EBITA targets for the Company during a specified performance period, generally five or six years. The annual vesting goals for the performance-based options were agreed to by the Sponsors and senior management in 2005 in connection with the LBO and require sustained and superior company-wide performance in each of the years in the performance period but allow for additional vesting for over performance.

In 2009, the performance-based equity awards were amended. As a result of the general economic situation, the turbulence in the financial services industry and continued uncertainty in the markets, the Compensation Committee determined that the original performance targets established in 2005 and the benefit of accelerated vesting for senior executives in certain liquidity events were not achievable. The performance-based equity held by named executives was amended to, among other things, reduce the performance targets for 2009 and 2010 to reflect the Company's enterprise-wide EBITA budget for those calendar years; reduce the number of shares available for vesting; and spread vesting over three years as follows: 25% of the earned award vested on December 31 of the applicable calendar year, and the remaining 75% vesting in equal monthly installments over the next 36 months. For Messrs. Ashton, Conde and Finders and certain other senior executives only, the performance-based awards were also amended to extend through 2013 the awards' ability to vest on an accelerated basis in the event of a change in control of the Company.

In 2010, based on the same rationale discussed above causing the original performance targets to not be achievable, the Compensation Committee approved the amendments of the performance-based

equity awards to reduce the performance targets for 2011 through 2014, as applicable, to reflect the Company's enterprise-wide EBITA budget for those applicable calendar years.

The 2009 and 2010 amendments to the EBITA targets in each of the applicable named executive's awards are the same as the amendments made to outstanding performance-based options and RSUs held by other Company employees.

Based upon actual year-end 2010 results, 4.96% of each 2005 performance-based option award vested out of a maximum of 16.67% available to vest each of six years in the performance period, and 5.95% of each performance-based equity award granted after 2006 vested out of a maximum of 20% available to vest each of five years in the performance period.

Benefits and Perquisites

We offer a variety of health and welfare programs to all eligible employees, including the named executives. The named executives are eligible for the same benefit programs on the same basis as the rest of the Company's employees in the particular country in which the named executive resides, including medical and dental care coverage, life insurance coverage, short-and long-term disability and a 401(k) or defined contribution pension plan.

The Company limits the use of perquisites as a method of compensation and provides executive officers with only those perquisites that we believe are reasonable and consistent with our overall compensation program to better enable the Company to attract and retain superior employees for key positions. The perquisites provided to the named executives include leased automobiles and related tax gross-ups and are quantified in Table 1—Summary Compensation Table below.

Employment Agreements, Severance Compensation & Change of Control Protection

In connection with the LBO, the Company entered into definitive employment agreements with certain senior managers, including Messrs. Conde, Ashton and Finders. Messrs. Stern and Woods entered into employment agreements with the Company when they each joined in 2010 (see below description). The executives with such agreements are eligible for payments if employment terminates or, for certain executives, if there is a change of control, as described under "Potential Payments on Termination or Change of Control" below. The agreements were designed to retain executives and provide continuity of management in the event of an actual or threatened change of control.

The agreements include the following terms:

- An initial term followed by one-year automatic renewals unless terminated on one year's advance notice.
- Base salary subject to review periodically for appropriate increases by the CEO or the Compensation Committee pursuant to the Company's normal performance review policies for senior level executives.
- The opportunity to participate in all short-term and long-term incentive programs, including an annual cash bonus, established by the Company for senior level executives.
- Employee benefits consistent with those made available to the Company's senior level executives.

- Participation in the equity plan of SCC and SCCII.
- For certain executives, the right to receive certain severance payments as defined in the applicable agreements, including upon a termination without "cause," a resignation for "good reason" or a "change of control." For Messrs. Conde, Ashton and Finders, these terms were consistent with the severance payments provided for under the change of control agreement with the Company in effect prior to the LBO. See "Potential Payments Upon Termination or Change of Control" below.
- Certain restrictive covenants (noncompetition, confidentiality and nonsolicitation) that continue for applicable post-termination periods.
- For certain executives, the right to receive a tax gross-up payment should any payment provided under the agreement be subject to the excise tax under section 4999 of the Internal Revenue Code of 1986, as amended.

Additionally, under the terms of Mr. Stern's employment agreement, Mr. Stern (i) is eligible for equity in AS upon a spin-off of AS and cash compensation upon a sale or other disposition of all or some portion of AS prior to a spin-off or upon a spin-off followed by an initial public offering of common stock of the entity controlling AS; (ii) received a grant of time-based equity awards in June 2010 and is entitled to a subsequent additional grant of time-based equity awards on the earlier of June 1, 2012 or the date of a spin-off of AS; and (iii) received a performance award with vesting of earned cash or equity payments based on three financial performance measures of the AS business in the four trailing quarters prior to a monetization event. For this purpose, a monetization event means the sale of at least 20% of either the outstanding equity of the entity controlling AS or the AS assets, but excludes a spin-off of AS, a primary initial public offering or the incurrence of debt.

In addition, under the terms of the equity awards made to executives (except to Mr. Stern), full or partial acceleration of vesting of equity occurs if a change of control takes place or due to certain other termination events. These arrangements and potential post-employment termination compensation payments are described in more detail in the section entitled "Potential Payments Upon Termination or Change of Control" below.

Accounting and Tax Implications

The accounting and tax treatment of particular forms of compensation do not materially affect the Compensation Committee's compensation decisions. However, we evaluate the effect of such accounting and tax treatment on an ongoing basis and will make appropriate modifications to compensation policies where appropriate.

Stock Ownership

The Company does not have a formal policy requiring stock ownership by management. Many senior managers, including certain named executives, who were employed by the Company at the time of the LBO, however, have committed significant personal capital to our Company in connection with the LBO. See "Beneficial Ownership" under ITEM 12 below.

Compensation Committee Report

We have reviewed and discussed the foregoing Compensation Discussion and Analysis with management. Based on our review and discussion with management, we have recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Annual Report on Form 10-K.

James H. Greene, Jr., Chairperson
John Connaughton
John Marren
Julie Richardson

Risk Considerations in Our Compensation Programs

In 2010, management conducted a risk assessment to evaluate risks associated with the Company's compensation policies and practices. This evaluation was done with the assistance, in part, of Pearl Meyer and Partners, an independent consultant retained by management for this purpose.

The results of the review were shared with the Compensation Committee. After consideration of the review, the Compensation Committee concluded that the Company's compensation programs and policies, considered as a whole, including applicable risk-mitigation features, are not reasonably likely to have a material adverse effect on the Company. Following are some of the features of our program designed to help us appropriately manage business risk:

- Our compensation programs utilize different types of compensation providing a balance of short-term and long-tem incentives with fixed and variable components.
- Our established performance goals are reasonable given past performance and market conditions. These performance measures balance annual and long-term components with emphasis on revenue as well as EBITA to prevent a focus on top line growth only.
- As part of the review, caps on payments from the EIC bonus plan were instituted in 2010, which in conjunction with threshold performance hurdles ensure that incentive compensation is not overly emphasized.
- Our equity compensation program provides a mix of performance and time based equity awards and has multiple-year performance criteria and vesting.

Summary Compensation Table

The following table contains certain information about compensation earned in 2010, 2009 and 2008 by the named executives.

Table 1—Summary Compensation Table

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards[1] ($)	Non-Equity Incentive Plan Compensation[2] ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation[3] ($)	Total ($)
Cristóbal Conde	2010	950,000	—	—	—	1,847,471	—	58,767	2,856,238
President, Chief	2009	931,000	—	—	—	2,168,428	—	57,879	3,157,307
Executive Officer and Director	2008	931,000	—	—	—	1,946,000	—	47,588	2,924,588
Robert F. Woods[4]	2010	500,000	—	5,016,599	129,108	698,037	—	31,763	6,375,507
Senior Vice President—Finance and Chief Financial Officer									
James E. Ashton III[5]	2010	515,100	—	—	—	549,971	—	2,310,878	3,375,949
Former Division Chief Executive	2009	510,000	—	359,244	13,285	1,355,091	—	57,049	2,294,669
Officer, Financial Systems	2008	510,000	—	—	—	770,130	—	51,084	1,331,214
Harold C. Finders[6]	2010	599,077	$100,000	—	—	584,176	—	279,677	1,562,930
Interim Group Chief Executive	2009	571,089	—	359,244	13,285	1,365,180	—	119,963	2,428,761
Officer, Financial Systems	2008	522,532	—	—	—	731,666	—	71,505	1,325,703
Andrew A. Stern[7]	2010	306,250	—	2,994,457	87,120	407,235	—	15,976	3,811,037
Group Chief Executive Officer, Availability Services									

(1) Amounts shown are the aggregate grant date fair value of awards granted pursuant to the SunGard 2005 Management Incentive Plan computed in accordance with FASB ASC Topic 718 and include the incremental value, if any, of amendments made to performance based awards in 2010 (see the *Compensation Discussion and Analysis* above for a description of the amendments). For a discussion of the assumptions made in such valuation, see Note 9 to the Company's 2010 financial statements. For more details on grants awarded in 2010, see Table 2—2010 Grants of Plan-Based Awards below.

(2) The amounts in this column reflect the cash EIC awards payable under performance-based incentive compensation, which is discussed in further detail above in the Compensation Discussion and Analysis.

(3) For Mr. Conde, amount includes health and welfare benefits, matching 401(k) savings plan contributions, car lease payments and related maintenance expenses, automobile tax gross-ups ($15,354 in 2010, $13,801 in 2009 and $12,341 in 2008), and annual sales incentive award trips.

For Mr. Woods, amount includes health and welfare benefits, matching 401(k) savings plan contributions and car allowance.

For Mr. Ashton, amount includes separation payments made pursuant to Mr. Ashton's employment agreement (as further described under *Potential Payments Upon Termination or Change of Control*), which includes a tax gross-up ($28,278) for the portion of the separation payment related to health and welfare benefits. In addition for Mr. Ashton, amount also includes annual health and welfare benefits, matching 401(k) savings plan contributions, car lease payments and related maintenance expenses, automobile tax gross-ups ($10,615 in 2010, $9,317 in 2009 and $11,524 in 2008), and annual sales incentive award trips.

For Mr. Finders, amount includes health and welfare benefits, company defined contribution pension plan contributions, car lease payments and related fuel and maintenance expenses, annual sales incentive award trips, and, in 2010, a travel allowance of $90,694 and a related tax gross-up ($60,765).

For Mr. Stern, amount includes health and welfare benefits and matching 401(k) savings plan contributions.

(4) Mr. Woods joined SunGard as of January 1, 2010 and therefore was not a named executive in 2009 or 2008.

(5) Mr. Ashton's employment with the Company terminated effective as of December 31, 2010. Mr. Ashton had been Division Chief Executive Officer, Financial Systems, since 2007. Mr. Ashton was Group Chief Executive Officer, SunGard Trading, Treasury & Risk Management from 2005 to 2007, Group Chief Executive Officer, SunGard Trading and Risk Systems from 1999 to 2005 and Group Chief Executive Officer, SunGard Treasury Systems from 2003 to 2005. From 1997 to 1999, he served as Senior Vice President and General Manager of a wealth management systems business that we acquired in 1997.

(6) Mr. Finders' compensation was paid in Swiss Francs (CHF). The effect of currency conversion of CHF into U.S. dollars for purposes of this Table indicates that Mr. Finders received larger salary increases than in fact occurred in CHF. Mr. Finders' annual salary rate was CHF 634,125 in 2010 (a 1% increase over 2009 salary rate), and his annual salary rate was CHF 627,847 in both 2008 and 2009. All amounts have been converted into U.S. dollars at the currency exchange rates used for purposes of the Company's annual operating budget and establishing compensation for the applicable year, as follows: 0.94473 in 2010; 0.909599 in 2009; and 0.832260 in 2008. In recognition of the extraordinary effort by Mr. Finders during the fourth quarter of 2010 after the announcement of Mr. Ashton's termination of employment at year end, Mr. Finders received a one-time discretionary bonus of $100,000 in addition to his 2010 EIC bonus.

(7) Mr. Stern joined SunGard as of June 1, 2010 and therefore was not a named executive in 2009 or 2008.

Grants of Plan-Based Awards in Fiscal Year 2010

To provide long-term equity incentives following the LBO, the SunGard 2005 Management Incentive Plan ("Plan") was established. The Plan as amended authorizes the issuance of equity subject to awards made under the Plan for up to 70 million shares of Class A common stock and 7 million shares of Class L common stock of SCC and 2.5 million shares of preferred stock of SCCII.

Under the Plan, awards of time-based and performance-based options have been granted to purchase "Units" in the Parent Companies. Each "Unit" consists of 1.3 shares of Class A common stock and 0.1444 shares of Class L common stock of SCC and 0.05 shares of preferred stock of SCCII. The shares comprising a Unit are in the same proportion as the shares issued to all stockholders of the

Parent Companies. The options are exercisable only for whole Units and cannot be separately exercised for the individual classes of stock. In 2010, grants under the Plan included hybrid awards and RSUs. All awards under the Plan are granted at fair market value on the date of grant.Performance-based awards were amended as described above in the Compensation Discussion and Analysis.

Time-based options vest over five years as follows: 25% one year after date of grant, and 1/48th of the remaining balance each month thereafter for 48 months. Time-based RSUs vest over five years as follows: 10% one year after date of grant, and 1/48th of the remaining balance each month thereafter for 48 months. Performance-based options and RSUs are earned for each of 2009 and 2010 based on the attainment of the Company's enterprise-wide EBITA budget with 25% vesting at December 31 of the applicable calendar year and 75% vesting in 36 equal monthly installments beginning January 31. With respect to each of 2011, 2012, 2013 and 2014, vesting will occur upon the attainment of certain annual or cumulative earnings goals based on Internal EBITA targets for the Company for each year.

For certain named executives, time-based and performance-based options can partly or fully vest upon a change of control and certain other termination events, subject to certain conditions, and expire ten years from the date of grant. Once vested, time-based and performance-based RSUs become payable in shares upon the first to occur of a change of control, separation from service without cause, or the date that is five years after the date of grant (or ten years after the date of grant for certain RSUs as amended in 2009).

The following table contains information concerning grants of plan-based awards to the named executives during 2010.

Table 2—2010 Grants of Plan-Based Awards

Name	Grant Type	Grant Date	Estimated Possible Payouts under Non-Equity Incentive Plan Awards[1] ($)	Estimated Future Payouts Under Equity Incentive Plan Awards[2]			All Other Stock Awards: Number of Shares of Stock or Units[3] (#)	All Other Option Awards: Number of Securities Underlying Options[4] (#)	Exercise or Base Price of Option Awards ($/Sh)	Grant Date Fair Value of Stock and Option Awards[5] ($)
				Threshold (#)	Target (#)	Maximum (#)				
Cristóbal Conde	EIC	N/A	1,847,471	—	—	—	—	—	—	—
Robert F. Woods	EIC	N/A	698,037	—	—	—	—	—	—	—
	RSUs	01/01/10		11,608	58,038	138,384	76,881	—	—	2,698,262
	Options	01/01/10		29,232	146,159	348,500	—	193,612	0.28	95,132
	RSUs	05/12/10		4,643	23,215	55,354	30,752	—	—	1,167,803
	Options	05/12/10		11,693	58,464	139,400	—	77,445	0.25	33,976
	RSUs	11/18/10		4,643	23,215	55,354	30,752	—	—	1,150,534
James E. Ashton III	EIC	N/A	549,971	—	—	—	—	—	—	—
Harold C. Finders	EIC	N/A	584,176	—	—	—	—	—	—	—
Andrew A. Stern	EIC	N/A	407,235	—	—	—	—	—	—	—
	RSUs	06/21/10		—	—	—	138,376	—	—	2,994,457
	Options	06/21/10		—	—	—	—	348,479	0.25	87,120

(1) Amounts reflect the cash EIC bonuses paid to the named executives under the performance-based incentive compensation, which is described in further detail above, including the threshold,

mid-point, and on-target goals, in the Compensation Discussion and Analysis and reported in the "Non-Equity Incentive Plan Compensation" column of Table 1—Summary Compensation Table above.

(2) Represents performance-based RSUs and Class A options.

(3) Represents time-based RSUs.

(4) Represents time-based Class A options.

(5) Amounts shown are the aggregate grant date fair value of awards granted pursuant to the SunGard 2005 Management Incentive Plan computed in accordance with FASB ASC Topic 718 and include the incremental value, if any, of amendments made to performance based awards in 2010 (see the Compensation Discussion and Analysis above for a description of the amendments). For a discussion of the assumptions made in such valuation, see Note 9 to the Company's 2010 financial statements.

Outstanding Equity Awards at 2010 Fiscal Year-End

The following table contains certain information with respect to options held as of December 31, 2010 by the named executives.

Table 3—Outstanding Equity Awards at 2010 Fiscal Year-End

	Option Awards					Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options[1] (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested[2] ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested[1] (#)	Equity Incentive PlanAwards: Market or PayoutValue of Unearned Shares,Units or Other Rights That Have Not Vested[2] ($)
Cristóbal Conde	1,771,994[3]	—	—	18.00	08/11/2015				
	833,109[4]	233,475[5]	—	18.00	08/11/2015				
Robert F. Woods	—[6]	193,612	—	.28	01/01/2020				
	—[6]	77,445	—	.25	05/12/2020				
	5,186[7]	15,557[8]	123,927	.28	01/01/2020				
	2,074[7]	6,223[8]	49,571	.25	05/12/2020				
						83,058[9]	1,770,797	49,209	1,049,143
						33,223[9]	708,314	19,684	419,660
						33,223[9]	708,314	19,684	419,660
James E. Ashton III	203,888[3]	—	—	18.00	08/11/2015				
	170,653[10]	—	—	18.00	08/11/2015				
	11,496[11]	— [12]	—	0.44	09/14/2019				
	10,171[13]	—	—	0.44	09/14/2019				
						— [14]	—	— [14]	—
Harold C. Finders	177,202[3]	—	—	18.00	08/11/2015				
	71,443[15]	34,890	—	20.72	09/20/2017				
	53,312[4]	23,348[5]	—	18.00	08/11/2015				
	30,042[16]	16,812[5]	17,015	20.72	09/20/2017				
	11,496[11]	27,226	—	0.44	09/14/2019				
	4,048[17]	6,122[5]	18,589	0.44	09/14/2019				
						15,404[18]	328,413	7,381	157,373
Andrew A. Stern	— [19]	348,479	—	0.25	06/21/2020				
						138,376[20]	$2,950,176	—	—

(1) Represents anticipated achievement of performance goals in future years for unearned portions of performance-based awards.

(2) Based upon a fair market value of $21.32 per Unit as of December 31, 2010.

(3) Represents fully vested time-based options granted on August 12, 2005 which vested over five years.

(4) Represents performance-based options granted on August 12, 2005, which (i) vested upon the attainment of certain annual earnings goals for the Company during the six-year period beginning January 1, 2005 for calendar years 2005-2008 and (ii) were earned and vested for calendar years 2009 and 2010 pursuant to the awards amended in 2009; vesting of the remaining earned portion is described in note 5.

(5) Represents the unvested portion of performance-based options earned for calendar years 2009 and 2010, which vests in 36 equal monthly installments beginning January 31, 2010 and January 31, 2011, respectively.

(6) Represents the vested portion of time-based Class A options granted on January 1, 2010 or May 12, 2010, which vest over five years with 25% vesting one year from the date of grant, and 1/48th of the remaining balance vesting each month thereafter for 48 months.

(7) Performance-based Class A options granted on January 1, 2010 or May 12, 2010, are earned upon the attainment of certain annual earnings goals for the Company during the five-year period beginning January 1, 2010. Represents performance-based Class A options earned and vested for calendar year 2010. Vesting of the remaining earned portion is described in note 8.

(8) Represents the unvested portion of performance-based options earned for calendar year 2010, which vests in 36 equal monthly installments beginning January 31, 2011.

(9) Represents the unvested portion of (i) time-based RSUs granted on January 1, 2010, May 12, 2010 or November 18, 2010, which vest over five years with 10% vesting on the first anniversary of the date of grant, and 1/48th of the remaining balance vesting each month thereafter for 48 months, and (ii) performance-based RSUs earned for calendar year 2010.

(10) Represents performance-based options granted on August 12, 2005 which (i) vested upon the attainment of certain annual earnings goals for the Company during the six-year period beginning January 1, 2005 for calendar years 2005-2008 and (ii) were earned for calendar years 2009 and 2010 pursuant to the awards amended in 2009 and which became fully vested upon Mr. Ashton's termination on December 31, 2010.

(11) Represents the vested portion of time-based Class A options granted on September 14, 2009, which vest over five years with 25% vesting one year from the date of grant, and 1/48th of the remaining balance vesting each month thereafter for 48 months.

(12) Pursuant to the terms of Mr. Ashton's equity agreement, all unvested time-based Class A options were forfeited upon his termination on December 31, 2010.

(13) Performance-based Class A options granted on September 14, 2009 are earned upon the attainment of certain annual earnings goals for the Company during the five-year period beginning January 1, 2009. Represents performance-based Class A options earned for calendar years 2009 and 2010 which became fully vested upon Mr. Ashton's termination on December 31, 2010.

(14) Upon Mr. Ashton's termination on December 31 2010, all earned performance based RSUs became fully vested and all unearned performance-based RSU's and all unvested time-based RSUs were forfeited.

(15) Represents the vested portion of time-based options granted on September 21, 2007, which vest over five years with 25% vesting one year from the date of grant, and 1/48th of the remaining balance vesting each month thereafter for 48 months.

(16) Represents performance-based options granted on September 21, 2007, which (i) vested upon the attainment of certain annual earnings goals for the Company during the five-year period beginning January 1, 2007 for calendar years 2007-2008 and (ii) were earned and vested for calendar years 2009 and 2010 pursuant to the 2009 amended awards; vesting of the remaining earned portion is described in note 5.

(17) Performance-based Class A options granted on September 14, 2009 are earned upon the attainment of certain annual earnings goals for the Company during the five-year period beginning January 1, 2009. Represents performance-based Class A options earned and vested for calendar years 2009 and 2010. Vesting of the remaining earned portion is described in note 5.

(18) Represents the unvested portion of (i) time-based RSUs granted on September 14, 2009, which vest over five years with 10% vesting on the first anniversary of the date of grant, and 1/48th of the remaining balance vesting each month thereafter for 48 months, and (ii) performance-based RSUs earned for calendar years 2009 and 2010.

(19) Represents the vested portion of time-based Class A options granted on June 21, 2010, which vest over five years with 25% vesting one year from the date of grant, and 1/48th of the remaining balance vesting each month thereafter for 48 months.

(20) Represents the unvested portion of time-based RSUs granted on June 21, 2010, which vest over five years with 10% vesting on the first anniversary of the date of grant, and 1/48th of the remaining balance vesting each month thereafter for 48 months.

Option Exercises and Stock Vested

The following table contains certain information with respect to stock option exercises and the vesting of RSUs during 2010 for each of the named executives.

Table 4—2010 Option Exercises and Stock Vesting

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting(1) (#)	Value Realized on Vesting(2) ($)
Cristóbal Conde	—	—	—	—
Robert F. Woods	—	—	3,706	79,022
James E. Ashton III	—	—	4,050	86,350
Harold C. Finders	—	—	2,815	60,010
Andrew A. Stern	—	—	—	—

(1) For Mr. Woods, represents the vested portion of performance-based RSUs earned for calendar year 2010. For Messrs. Ashton and Finders, represents the vested portion of (i) time-based RSUs granted in 2009, which vest over five years with 10% vesting on the first anniversary of the date of grant, and 1/48th of the remaining balance vesting each month thereafter for 48 months, and (ii) performance-based RSUs earned for calendar year 2010 for Mr. Ashton and performance-based RSUs vested for calendar year 2010 for Mr. Finders. RSUs are not distributed until first to occur of a change of control, separation from service without cause or five years after date of grant.

(2) Based upon a fair market value of $21.32 per Unit as of December 31, 2010.

Pension Benefits

None of the named executives receive benefits under any defined benefit or actuarial pension plan.

Employment and Change of Control Agreements

As discussed above, the Company entered into a definitive employment agreement with each of the named executives. The terms of these agreements are described above under Compensation Discussion and Analysis.

Potential Payments Upon Termination or Change of Control

Pursuant to the terms of the executive employment agreements and equity award agreements, set forth below is a description of the potential payments the named executives would receive if their employment was terminated on December 31, 2010.

The terms cause, good reason, change of control and sale of business are defined in the executive employment agreements. Forms of these agreements for Messrs. Conde, Ashton and Finders have been filed as exhibits to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005. Mr. Woods' employment agreement has been filed as an exhibit to the Company's Current Report on Form 8-K dated December 16, 2009. Mr. Stern's employment agreement has been filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2010.

Termination without Cause or Resignation for Good Reason; Certain Change in Control or Sale of Business Transactions. If a named executive's employment is terminated by the Company without cause, or a named executive terminates his employment in certain circumstances which constitute good reason, including for certain named executives, certain change of control and sale of business transactions, then:

- the Company will pay the named executive the following:
  - a lump sum cash severance amount equal to the applicable multiplier multiplied by the sum of 2010 base salary and target incentive bonus;
  - a lump sum cash payment of all earned or accrued compensation (as may be defined in the agreement) as of December 31, 2010, including a pro rata payment of the named executive's target incentive bonus for 2010;
  - a lump sum cash payment in an amount equal to the applicable multiplier multiplied by the Company's cost of the named executive's medical, dental and vision coverage in effect on December 31, 2010, as increased by a tax gross-up payment equal to the income and FICA tax imposed on such payment;
  - with the exception of Messrs. Stern and Woods, a lump sum cash payment in an amount equal to the applicable multiplier multiplied by $17,500, in lieu of retirement, life insurance and long term disability coverage, as increased by a tax gross-up payment equal to the income and FICA tax imposed on such payment; and
  - for certain named executives, an amount equal to any excise tax charged to the named executive as a result of the receipt of any change of control payments;

- performance-based equity awards vest on a pro rata basis through the termination date, any unvested portion of performance-based equity awards earned for calendar years 2009 and 2010 become fully vested at the termination date, time-based equity awards immediately stop vesting and all unvested time-based equity awards are forfeited;
- with the exception of Mr. Stern, if a change of control occurs and employment is not offered, then all unvested performance-based equity awards vest on a return-on-equity basis and with the exception of Messrs. Stern and Woods, all unvested time-based equity awards become fully vested. For Mr. Woods, all unvested time-based equity vests if his employment is terminated without cause within six months following a change of control;
- with the exception of Mr. Stern, if a sale of one of our four business segments occurs and the named executive works for that business segment but his employment agreement is not retained or assumed, then performance-based equity awards vest on a pro rata basis through the termination date, any unvested portion of performance-based equity awards earned for calendar years 2009 and 2010 become fully vested at the termination date, all unvested time-based equity awards become fully vested and all unvested performance-based equity awards are forfeited.

Resignation without Good Reason; Voluntary Retirement and Certain Change in Control Transactions. If a named executive terminates his employment voluntarily without good reason, including for certain named executives, certain change of control transactions and retirements, then:

- with the exception of certain voluntary retirements, the Company will pay the named executive only a lump sum cash payment of all accrued compensation with the exception of his 2010 pro rated target incentive bonus. Under the terms of Mr. Conde's employment agreement, if a change of control occurs and Mr. Conde is offered employment but he resigns, his resignation is considered for good reason;
- with the exception of Messrs. Stern and Woods, if the named executive voluntarily retires, provided he is at least 62 years of age, the Company will pay the named executive a lump sum cash payment of all accrued compensation and upon satisfying certain conditions, $10,000 per month for twelve months from the date of termination ("consulting period"), all performance-based equity awards stop vesting as of the date of termination, no performance-based equity awards are earned in the year of termination, all time-based equity awards continue to vest throughout the consulting period and all unvested performance-based equity awards are forfeited;
- all performance-based equity awards stop vesting as of the date of termination, no performance-based equity awards are earned in the year of termination, all time-based equity awards immediately stop vesting, and all unvested time-based and performance-based equity awards are forfeited;
- if a change of control occurs and employment is offered but the named executive resigns, then all amended unvested performance-based options on Units vest on a return-on-equity basis, performance-based RSUs and Class A performance-based options do not vest, no performance-based equity is earned in the year of termination and all unvested time-based equity awards become fully vested for those awards granted before January 2010 and all other time-based equity awards immediately stop vesting at the date of termination.

Termination for Cause. If the Company terminates a named executive's employment for cause, then:

- the Company will pay the named executive only a lump sum cash payment of all accrued compensation with the exception of his 2010 pro rated target incentive bonus;
- all vested and unvested time and performance equity awards are forfeited.

Disability or Death. If a named executive's employment is terminated due to his disability or death, then:

- the Company will pay the named executive (or his beneficiary in the event of death) a lump sum cash payment of all accrued compensation, including a pro rata payment of the named executive's target incentive bonus for 2010;
- in the event of disability, if the named executive elected to participate, he shall receive payments under an insurance policy offered through the Company until he reaches retirement age as defined by the 1983 Amended Social Security Normal Retirement Age or other applicable law;
- in the event of death, the named executive's beneficiary shall receive payments under an insurance policy offered through the Company; and
- performance-based equity awards vest on a pro rata basis through the termination date, any unvested portion of performance-based equity awards earned for calendar years 2009 and 2010 become fully vested at the termination date, all time-based equity awards immediately stop vesting and all unvested time-based equity awards are forfeited.

In order to receive any of the above described severance benefits, the named executive is required to execute a release of all claims against the Company. In order to exercise stock options or receive distribution of RSU shares, the named executive must execute a certificate of compliance with respect to the restrictive covenants contained in his employment agreement and all other agreements with the Company.

With the exception of Mr. Ashton, the tables below reflect the amount of compensation payable to each of the named executives in the event of termination of such executive's employment. The amounts shown assume that such termination was effective as of December 31, 2010, and thus includes amounts earned through such time and are estimates of the amounts which would be paid out to the named executives upon their termination. The actual amounts to be paid, if any, can only be determined at the time of such named executive's separation from the Company. Mr. Ashton's employment with the Company terminated effective as of December 31, 2010. The table for Mr. Ashton reflects the actual amount of compensation he is entitled to receive.

Cristóbal Conde—Potential Termination Payments and Benefits

Executive Benefits and Payment Upon Termination	Termination Without Cause or Resignation For Good Reason	Termination For Cause; Resignation Without Good Reason	Termination Due to Change of Control	Termination Due to Disability	Termination Due to Death
Compensation:					
Base Salary & Target Incentive Bonus[1]	$ 8,805,000	—	$ 8,805,000	—	—
Target Incentive Bonus of Year of Termination	$ 1,985,000	—	$ 1,985,000	$1,985,000	$1,985,000
Time-Based Equity[2]	—	—	—	—	—
Performance-Based Equity	$ 775,136[3]	—	$ 7,823,362[4]	$ 775,136[3]	$ 775,136[3]
Benefits & Perquisites:					
Health and Welfare Benefits[5]	$ 181,824	—	$ 181,824	—	—
Disability Benefits[6]	—	—	—	$ 962,110	—
Life Insurance Proceeds	—	—	—	—	$1,000,000
Accrued Vacation Pay	$ 18,269	$18,269	$ 18,269	$ 18,269	$ 18,269
Excise Tax & Gross-Up	—	—	—	—	—
Total:	$11,765,229	$18,269	$18,813,455	$3,740,515	$3,778,405

(1) Consists of three times the sum of (a) 2010 base salary of $950,000 and (b) 2010 target incentive bonus of $1,985,000.

(2) Excludes the value of vested time-based equity.

(3) Represents the value of the accelerated unvested portion of the performance-based equity earned for calendar years 2009 and 2010 based upon a fair market price of $21.32 per Unit as of December 31, 2010. Excludes the value of vested performance-based equity earned for calendar years 2009 and 2010.

(4) Represents the value of accelerated unvested performance-based equity if the Sponsors receive an amount constituting at least 300% of their equity investment ("Investment") and an internal rate of return ("IRR") of 16% or higher. If the Sponsors receive less than 300% of their Investment or an amount constituting at least 300% of their Investment but less than 14% IRR, the performance-based equity will not accelerate. Excludes the value of vested performance-based equity.

(5) Consists of three times the sum of (a) the Company's cost of Mr. Conde's medical, dental and vision coverage and (b) $17,500 in lieu of the Company's retirement plan matching contribution, life insurance and long-term disability coverage. The health and welfare benefits have been increased by a tax gross-up equal to the estimated income and FICA tax that would be imposed on such payments.

(6) Reflects the estimated lump-sum present value of all future payments which Mr. Conde would be entitled to receive under the Company's fully insured disability program. Mr. Conde is entitled to receive such benefits until he reaches the age of 67.

Robert F. Woods—Potential Termination Payments and Benefits

Executive Benefits and Payment Upon Termination	Termination Without Cause	Termination For Cause	Termination Due to Retirement or Resignation without Good Reason	Termination Due to Change of Control Employment Not Offered	Termination Due to Disability	Termination Due to Death
Compensation:						
Base Salary & Target Incentive Bonus[1]	$2,500,000	—	—	$ 3,750,000	—	—
Target Incentive Bonus of Year of Termination	$ 750,000	—	—	$ 750,000	$ 750,000	$ 750,000
Time-Based Equity[2]	—	—	—	$ 2,950,368	—	—
Performance-Based Equity	$ 237,067[3]	—	—	$ 5,231,619[4]	$ 237,067[3]	$ 237,067[3]
Benefits & Perquisites:						
Health Benefits[5]	$ 28,457	—	—	$ 28,457	—	—
Disability Benefits[6]	—	—	—	—	$ 771,185	—
Life Insurance Proceeds	—	—	—	—	—	$1,000,000
Accrued Vacation Pay	$ 9,615	$9,615	$9,615	$ 9,615	$ 9,615	$ 9,615
Excise Tax & Gross-Up	—	—	—	—	—	—
Total:	$3,525,139	$9,615	$9,615	$12,720,059	$1,767,867	$1,996,682

(1) With regard to (i) a termination without cause, consists of two times the sum of (a) 2010 base salary of $500,000 and (b) 2010 target incentive bonus of $750,000 and (ii) a termination due to a change of control, consists of three times the sum of (a) 2010 base salary of $500,000 and (b) 2010 target incentive bonus of $750,000.

(2) Represents the value of accelerated unvested time-based equity based upon a fair market price of $21.32 per Unit as of December 31, 2010. Excludes the value of underwater time-based equity.

(3) Represents the value of the accelerated unvested portion of the performance-based equity earned for calendar year 2010. Excludes the value of vested performance-based equity earned for calendar year 2010 and underwater performance-based equity.

(4) Represents the value of accelerated unvested performance-based equity if the Sponsors receive an amount constituting at least 300% of their Investment and an IRR of 16% or higher. If the Sponsors receive less than 300% of their Investment or an amount constituting at least 300% of their Investment but less than 14% IRR, the performance-based equity will not accelerate. Excludes the value of vested and underwater performance-based equity.

(5) Represents two times the Company's cost of Mr. Woods's medical, dental and vision coverage. The health benefits have been increased by a tax gross-up equal to the estimated income and FICA tax that would be imposed on such payments.

(6) Reflects the estimated lump-sum present value of all future payments which Mr. Woods would be entitled to receive under the Company's fully insured disability program. Mr. Woods is entitled to receive such benefits until he reaches the age of 66 years and 2 months.

James E. Ashton III—Termination Payments and Benefits

Executive Benefits and Payment Upon Termination	Termination Without Cause or Resignation For Good Reason
Compensation:	
Base Salary & Target Incentive Bonus[1]	$2,158,000
Incentive Bonus of Year of Termination	$ 549,971
Time-Based Equity Awards[2]	—
Performance-Based Equity Awards	$ 175,853[3]
Benefits & Perquisites:	
Health and Welfare Benefits[4]	$ 71,410
Accrued Vacation Pay	$ 23,774
Excise Tax & Gross-Up	—
Total:	$2,979,008

(1) Consists of two times the sum of (a) 2010 base salary of $515,000 and (b) 2010 target incentive bonus of $564,000.

(2) All unvested time-based equity awards were forfeited upon Mr. Ashton's termination effective December 31 2010.

(3) Represents the value of the accelerated unvested portion of the performance-based equity awards earned for calendar years 2009 and 2010. Excludes the value of vested performance-based equity earned for calendar years 2009 and 2010, and underwater performance-based equity.

(4) Consists of (a) $17,500 in lieu of the Company's retirement plan matching contribution, life insurance and long-term disability coverage and (b) two times the Company's cost for Mr. Ashton's medical, dental and vision coverage. The health and welfare benefits have been increased by a tax gross-up equal to the income and FICA tax imposed on such payments.

Harold C. Finders—Potential Termination Payments and Benefits

Executive Benefits and Payment Upon Termination	Termination Without Cause or Resignation For Good Reason	Termination For Cause; Resignation Without Good Reason	Termination Due to Sale of Business Employment Not Offered	Termination Due to Change of Control Employment Not Offered	Termination Due to Change of Control Employment Offered but Resigns	Termination Due to Disability	Termination Due to Death
Compensation:							
Base Salary & Target Incentive Bonus[1]	$2,710,580	—	$2,710,580	$2,710,580	—	—	—
Target Incentive Bonus of Year of Termination	$ 677,645	—	$ 677,645	$ 677,645	—	$ 677,645	$ 677,645
Time-Based Equity Awards[2]	—	—	$ 297,521	$ 297,521	$297,521	—	—
Performance-Based Equity Awards	$ 139,434[3]	—	$ 139,434[3]	$1,434,960[4]	$ 22,968[5]	$ 139,434[3]	$ 139,434[3]
Benefits & Perquisites:							
Health and Welfare Benefits[6]	$ 107,491	—	$ 107,491	$ 107,491	—	—	—
Disability Benefits[7]	—	—	—	—	—	$16,655,065	—
Death Benefits[8]	—	—	—	—	—	—	$2,994,301
Accrued Vacation Pay	—	—	—	—	—	—	—
Excise Tax & Gross-Up	—	—	—	—	—	—	—
Total:	$3,635,150	—	$3,932,671	$5,228,197	$320,489	$17,472,144	$3,811,380

(1) Consists of two times the sum of (a) 2010 base salary of $677,645 and (b) 2010 target incentive bonus of $677,645. Mr. Finders' payments would be in Swiss Francs (CHF). All amounts reported in the table have been converted into U.S. dollars at the December 31, 2010 currency exchange rate of 1.06863.

(2) Represents the value of accelerated unvested time-based equity awards based upon a fair market price of $21.32 per Unit as of December 31, 2010. Excludes the value of vested and underwater time-based equity.

(3) Represents the value of the accelerated unvested portion of the performance-based equity awards earned for calendar years 2009 and 2010. Excludes the value of vested performance-based equity earned for calendar years 2009 and 2010, and underwater performance-based equity.

(4) Represents the value of accelerated unvested performance-based equity if the Sponsors receive an amount constituting at least 300% of their Investment and an IRR of 16% or higher. If the Sponsors receive less than 300% of their Investment or an amount constituting at least 300% of their Investment but less than 14% IRR, the performance-based equity will not accelerate. Excludes the value of vested and underwater performance-based equity.

(5) Represents the value of accelerated unvested performance-based equity if the Sponsors receive an amount constituting at least 200% of their Investment. If the Sponsors receive an amount constituting less than 200% of their Investment this performance-based equity will not accelerate. Excludes the value of vested and underwater performance-based equity.

(6) Consists of two times the sum of (a) the Company's cost for Mr. Finders' medical benefits and (b) $17,500 in lieu of the Company's defined contribution pension plan contribution, life insurance and long-term disability coverage. The health and welfare benefits have been increased by a tax gross-up equal to the estimated taxes that would be imposed on such payments.

(7) Represents a lump sum payment upon disability due to an accident of $15,635,126 and the estimated present value of annual annuity payments to age 65. Upon disability due to sickness, Mr. Finders would receive $4,321,893, which represents the estimated present value of annual annuity payments to age 65. Each of Mr. Finders' children would also receive an annual annuity payment of $52,021 until they reach the age of 25 (four and seven years remaining). Portions of the reported benefits payable upon Mr. Finders' disability are financed by contributions made by Mr. Finders.

(8) Represents a lump sum payment upon death due to an accident. Mr. Finders' spouse would also receive an annual annuity for life of $53,859 and each of his children would receive an annual annuity of $20,197 until they reach the age of 25 (four and seven years remaining). Upon death due to sickness, Mr. Finders' estate would receive a lump sum of $1,956,186 and Mr. Finders' spouse would receive an annual annuity for life of $273,866 and each of his children would receive an annual annuity of $52,021 until they reach the age of 25 (four and seven years remaining). Portions of the reported benefits payable upon Mr. Finders' death are financed by contributions made by Mr. Finders.

Andrew A. Stern—Termination Payments and Benefits

Executive Benefits and Payment Upon Termination	Termination Without Cause or Resignation For Good Reason	Termination For Cause	Termination Due to Retirement or Other Voluntary Termination	Termination Due to Disability	Termination Due to Death
Compensation:					
Base Salary & Target Incentive Bonus[1]	$2,550,000	—	—	—	—
Target Incentive Bonus of Year of Termination[2]	$ 439,726	—	—	$ 439,726	$ 439,726
Time-Based Equity Awards	—	—	—	—	—
Performance-Based Equity Awards	—	—	—	—	—
Benefits & Perquisites:					
Health and Welfare Benefits[3]	$ 13,071	—	—	—	—
Disability Benefits[4]	—	—	—	$1,302,683	—
Life Insurance Proceeds	—	—	—	—	$1,000,000
Accrued Vacation Pay	$ 24,879	$24,879	$24,879	$ 24,879	$ 24,879
Excise Tax & Gross-Up	—	—	—	—	—
Total:	$3,027,676	$24,879	$24,879	$1,767,288	$1,464,605

(1) Consists of two times the sum of (a) 2010 base salary of $525,000 and (b) 2010 target incentive bonus of $750,000.

(2) Represents the pro rated 2010 target incentive bonus pursuant to the terms of Mr. Stern's employment agreement.

(3) Consists of the sum of the Company's cost for Mr. Stern's medical, dental and vision coverage. The health and welfare benefits have been increased by a tax gross-up equal to the estimated income and FICA tax that would be imposed on such payments.

(4) Reflects the estimated lump-sum present value of all future payments which Mr. Stern would be entitled to receive under the Company's fully insured disability program. Mr. Stern is entitled to receive such benefits until he reaches the age of 66 years and 6 months.

Director Compensation

None of our directors except Mr. Mann receive compensation for serving as directors. Mr. Mann receives annual director equity awards; he does not receive any cash director fees. On September 15, 2010, Mr. Mann was granted a time-based equity grant consisting of an RSU for 1,868 Units and a Class A option for 4,704 shares at an exercise price of $0.21 per share. The RSU vests over five years as follows: 10% one year after date of grant, and 1/48th of the remaining balance each month thereafter for 48 months. Once vested, the RSUs become payable in shares upon the first to occur of a change of control, removal or resignation as a director, or the date that is five years after the date of grant. The option expires ten years from the date of grant and vests over five years as follows: 25% one year after date of grant and 1/48th of the remaining balance each month thereafter for 48 months. The following table contains for Mr. Mann compensation received during the year ended December 31, 2010 for serving as a director of the Company.

Name	Fees Earned or Paid in Cash ($)	Stock Awards[(1)] ($)	Option Awards[(1)] ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
James L. Mann[(2)]	—	39,826	988	—	—	—	40,814

(1) The amount in this column reflects the fair value as of grant date, in accordance with FASB ASC Topic 718, of awards granted pursuant to the SunGard 2005 Management Incentive Plan. For a discussion of the assumptions made in such valuation, see Note 9 to the Company's 2010 financial statements.

(2) In addition to serving as a director, Mr. Mann is currently an employee of the Company and received in 2010 a base salary of $300,000 and health and welfare benefits, a matching 401(k) savings plan contribution, automobile benefits including reimbursement of fuel and maintenance expenses and an automobile tax gross-up ($3,785).

Compensation Committee Interlocks and Insider Participation

Our Compensation Committee is currently comprised of Messrs. Connaughton, Greene and Marren, who were each appointed to the Compensation Committee in 2005 in connection with the LBO, and Ms. Richardson, who was appointed to the Compensation Committee in 2008. None of these individuals has been at any time an officer or employee of our Company. During 2010, we had no compensation committee "interlocks" — meaning that it was not the case that an executive officer of ours served as a director or member of the compensation committee of another entity and an executive officer of the other entity served as a director or member of our Compensation Committee.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Equity Compensation Plan Information

There are no compensation plans under which our common stock is authorized for issuance. The following table contains certain information as of December 31, 2010 with respect to the SunGard 2005 Management Incentive Plan, as amended, under which equity in the Parent Companies is authorized for issuance.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (A)			Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (B)	Number of Securities Remaining Available for Issuance Under Equity Compensation Plans (excluding Securities Reflected in Column (A)) (C)		
	Shares of Class A Common Stock	Shares of Class L Common Stock	Shares of Preferred Stock		Shares of Class A Common Stock	Shares of Class L Common Stock	Shares of Preferred Stock
Equity compensation plans approved by security holders							
Options for Units	34,041,401	3,781,214	1,309,285	$16.54			
Restricted Stock Units	8,318,890	924,037	319,957	$21.59*	11,292,284	1,854,850	718,438
Options for Class A Common Stock	12,383,780			$ 1.58			
Equity compensation plans not approved by security holders	—	—	—	—	—	—	—
Total	54,744,071	4,705,251	1,629,242		11,292,284	1,854,850	718,438

* Value of RSUs as of date of grant.

Beneficial Ownership

All of our outstanding stock is beneficially owned by SCC and SCCII through its wholly owned subsidiaries. The following table presents information regarding beneficial ownership of the equity securities of SCC and SCCII as of February 15, 2011 by each person who is known by us to beneficially own more than 5% of the equity securities of SCC and SCCII, by each of our directors, by each of the named executives, and by all of our directors and executive officers as a group.

Name of Beneficial Owner	Number of Shares Beneficially Owned[1]			Percent of Classes[2]
	Class A Common	Class L Common	Preferred	
Bain Funds[3]	34,849,657	3,872,184	1,340,371	13.65%
Blackstone Funds[4]	34,849,657	3,872,184	1,340,371	13.65%
GS Limited Partnerships[5]	28,393,651	3,154,850	1,092,063	11.12%
KKR Funds[6]	34,849,657	3,872,184	1,340,371	13.65%
Providence Equity Funds[7]	21,295,238	2,366,138	819,048	8.34%
Silver Lake Funds[8]	34,488,546	3,832,061	1,326,483	13.51%
TPG Funds[9]	34,849,657	3,872,184	1,340,371	13.65%
James E. Ashton III[10] (named executive)	516,944	55,014	19,049	—
Chinh E. Chu[4][11] (director)	34,849,657	3,872,184	1,340,371	13.65%
Cristóbal Conde[10][12] (director and named executive)	5,007,035	556,220	192,578	1.96%
John Connaughton[13] (director)	—	—	—	—
Harold C. Finders[10] (named executive)	580,362	62,401	24,438	—
James H. Greene, Jr.[14] (director)	—	—	—	—
Glenn H. Hutchins[8][15] (director)	34,488,546	3,832,061	1,326,483	13.51%
James L. Mann[10] (director)	87,585	8,939	3,094	—
John Marren[16] (director)	—	—	—	—
Sanjeev Mehra[5][17] (director)	28,393,651	3,154,850	1,092,063	11.12%
Julie Richardson[7][18] (director)	21,295,238	2,366,138	819,048	8.34%
Andrew A. Stern[10] (named executive)	—	—	—	—
Robert F. Woods[10] (named executive)	88,194	2,404	832	—
All 20 directors and executive officers as a group[10][11][12] [13][14][15][16][17][18][19]	130,546,883	14,484,510	5,016,790	51.10%

(1) Includes shares held in the beneficial owner's name or jointly with others, or in the name of a bank, nominee or trustee for the beneficial owner's account. Unless otherwise indicated in the footnotes to this table and subject to community property laws where applicable, we believe that each stockholder named in this table has sole voting and investment power with respect to the shares indicated as beneficially owned. Class A shares of common stock of SCC, Class L shares of common stock of SCC and preferred shares of SCCII are referred to in the notes to this table as, respectively, Class A shares, Class L shares and preferred shares.

(2) Unless otherwise indicated, the beneficial ownership of any named person does not exceed, in the aggregate, one percent of the outstanding equity securities of SCC and SCCII Corp. II on February 15, 2011, as adjusted as required by applicable rules.

(3) Includes (i) 34,693,273 Class A shares, 3,801,832 Class L shares and 1,313,076 preferred shares held by Bain Capital Integral Investors, LLC ("Bain Integral"), whose administrative member is Bain Capital Investors, LLC ("BCI"); and (ii) 156,384 Class A shares, 70,352 Class L shares and 27,295 preferred shares held by BCIP TCV, LLC ("BCIP TCV" and, together with Bain Integral, the "Bain Funds"), whose administrative member is BCI. The address of each of the entities listed in this footnote is c/o Bain Capital, LLC, 111 Huntington Avenue, Boston, Massachusetts 02199.

(4) Includes (i) 18,317,228 Class A shares, 2,035,248 Class L shares and 704,509 preferred shares held by Blackstone Capital Partners IV L.P. ("BCP IV"), whose general partner is Blackstone Management Associates IV L.L.C. ("BMA IV"); (ii) 289,253 Class A shares, 32,139 Class L shares and 11,125 preferred shares held by Blackstone Capital Partners IV-A L.P. ("BCP IV-A"), whose general partner is BMA IV; (iii) 810,541 Class A shares, 90,060 Class L shares and 31,175 preferred shares held by Blackstone Family Investment Partnership IV-A L.P. ("BFIP IV-A"), whose general partner is BMA IV; (iv) 66,204 Class A shares, 7,356 Class L shares and 2,546 preferred shares held by Blackstone Participation Partnership IV L.P. ("BPP IV"), whose general partner is BMA IV; (v) 14,444,444 Class A shares, 1,604,938 Class L shares and 555,556 preferred shares held by Blackstone GT Communications Partners L.P. ("BGTCP"), whose general partner is Blackstone Communications Management Associates I L.L.C. ("BCMA IV"); and (vi) 921,986 Class A shares,102,443 Class L shares and 35,461 preferred shares held by Blackstone Family Communications Partnership L.P. ("BFCP" and, collectively with BCP IV, BCP IV-A, BFIP IV-A, BPP IV and BGTCP, the "Blackstone Funds"), whose general partner is BCMA IV. Messrs. Peter G. Peterson and Stephen A. Schwarzman are the founding members of BMA IV and BCMA IV and as such may be deemed to share beneficial ownership of the shares held or controlled by the Blackstone Funds. Each of BMA IV and BCMA IV and Messrs. Peterson and Schwarzman disclaims beneficial ownership of such shares. The address of each of the entities listed in this footnote is c/o The Blackstone Group, L.P., 345 Park Avenue, New York, New York 10154.

(5) The Goldman Sachs Group, Inc., which we refer to as GS Grup, Goldman, Sachs & Co., which we refer to as Goldman Sachs, and certain of their affiliates may be deemed to own beneficially and indirectly Class A shares, Class L shares and preferred shares which are owned directly or indirectly by investment partnerships of which affiliates of Goldman Sachs and GS Group are the general partner, managing limited partner or managing partner. We refer to these investment partnerships as the GS Limited Partnerships. Goldman Sachs is an affiliate of each of, and investment manager for certain of, the GS Limited Partnerships. GS Group, Goldman, Sachs and the GS Limited Partnerships share voting power and investment power with certain of their respective affiliates. The GS Limited Partnerships and their respective beneficial ownership of shares of SCC and SCC II include: (i) 8,034,125 Class A shares, 892,681 Class L shares and 309,005 preferred shares held by GS Capital Partners 2000, L.P.; (ii) 2,552,674 Class A shares, 283,630 Class L shares and 98,180 preferred shares held by GS Capital Partners 2000 Employee Fund, L.P.; (iii) 2,919,293 Class A shares, 324,366 Class L shares and preferred 112,281 held by GS Capital Partners 2000 Offshore, L.P.; (iv) 354,921 Class A shares, 39,436 Class L shares and 13,651 preferred shares held by Goldman Sachs Direct Investment Fund 2000, L.P.; (v) 335,812 Class A shares, 37,312 Class L shares and 12,916 preferred shares held by GS Capital Partners 2000 GmbH & Co. Beteiligungs KG; (vi) 7,475,480 Class A shares, 830,609 Class L shares and 287,518 preferred shares held by GS Capital Partners V Fund, L.P.; (vii) 3,861,537 Class A shares, 429,060 Class L shares and 148,521 preferred shares held by GS Capital Partners V Offshore Fund, L.P.; (viii) 296,373 Class A shares, 32,930 Class L shares and 11,399 preferred shares held by GS Capital Partners V GmbH & Co. KG; and (ix) 2,563,436 Class A shares,

284,826 Class L shares and 98,594 preferred shares held by GS Capital Partners V Institutional, L.P. Each of Goldman Sachs and GS Group disclaims beneficial ownership of the shares owned directly and indirectly by the GS Limited Partnerships, except to the extent of their pecuniary interest therein, if any. The address for GS Group, Goldman Sachs and the GS Limited Partnerships is 200 West Street, New York, New York 10282.

(6) Includes (i) 33,937,852 Class A shares, 3,770,872 Class L shares and 1,305,302 preferred shares held by KKR Millennium Fund L.P. ("KKR Millennium Fund"), whose general partner is KKR Associates Millennium L.P., whose general partner is KKR Millennium GP LLC; and (ii) 911,806 Class A shares, 101,312 Class L shares and 35,069 preferred shares held by KKR Partners III, L.P. ("KKR III" and, together with KKR Millennium Fund, the "KKR Funds"), whose general partner is KKR III GP LLC. The address of each of the entities listed in this footnote is c/ o Kohlberg Kravis Roberts & Co. L.P., 9 West 57th Street, New York, New York 10019.

(7) Includes (i) 18,390,397 Class A shares, 2,043,377 Class L shares and 707,323 preferred shares held by Providence Equity Partners V LP ("PEP V"), whose general partner is Providence Equity GP V LP, whose general partner is Providence Equity Partners V L.L.C. ("PEP V LLC"); and (ii) 2,904,841 Class A shares, 322,760 Class L shares and 111,725 preferred shares held by Providence Equity Partners V-A LP ("PEP V-A" and, together with PEP V, the "Providence Equity Funds"), whose general partner is Providence Equity GP V LP, whose general partner is PEP V LLC. PEP V LLC may be deemed to share beneficial ownership of the shares owned by PEP V and PEP V-A. PEP V LLC disclaims this beneficial ownership. Messrs. Angelakis, Creamer, Masiello, Mathieu, Nelson, Pelson and Salem are members of PEP V LLC and may also be deemed to possess indirect beneficial ownership of the securities owned by the Providence Equity Funds, but disclaim such beneficial ownership. The address of each of the entities listed in this footnote is c/o Providence Equity Partners Inc., 50 Kennedy Plaza, 18th Floor, Providence, Rhode Island 02903.

(8) Includes (i) 34,440,889 Class A shares, 3,826,765 Class L shares and 1,324,650 preferred shares held by Silver Lake Partners II, L.P. ("SLP II"), whose general partner is Silver Lake Technology Associates II, L.L.C. ("SLTA II"); and (ii) 47,657 Class A shares, 5,295 Class L shares and 1,833 preferred shares held by Silver Lake Technology Investors II, L.P. ("SLTI II" and, together with SLP II, the "Silver Lake Funds"), whose general partner is SLTA II. The address of each of the entities listed in this footnote is c/o Silver Lake, 9 West 57th Street, 32nd Floor, New York, New York 10019.

(9) Includes (i) 20,745,833 Class A shares, 2,305,093 Class L shares and 797,917 preferred shares held by TPG Partners IV, L.P. ("TPG IV"), whose general partner is TPG GenPar IV, L.P. ("TPG GenPar IV"), whose general partner is TPG Advisors IV, Inc. ("TPG Advisors IV"); (ii) 2,349,389 Class A shares, 261,043 Class L shares and 90,361 preferred shares held by T3 Partners II, L.P. ("T3 Partners II"), whose general partner is T3 GenPar II, L.P. ("T3 GenPar II"), whose general partner is T3 Advisors II, Inc. ("T3 Advisors II"); (iii) 377,000 Class A shares, 41,889 Class L shares and 14,500 preferred shares held by T3 Parallel II, L.P. ("T3 Parallel II"), whose general partner is T3 GenPar II, whose general partner is T3 Advisors II; (iv) 5,416,667 Class A shares, 601,852 Class L shares and 208,333 preferred shares held by TPG Solar III LLC ("TPG Solar III"), whose managing member is TPG Partners III, L.P. ("TPG Partners III"), whose general partner is TPG GenPar III, L.P. ("TPG GenPar III"), whose general partner is TPG Advisors III, Inc. ("TPG Advisors III"); and (v) 5,960,768 Class A shares, 662,308 Class L shares and 229,260 preferred shares held by TPG Solar Co-Invest LLC ("TPG Solar Co-Invest" and, collectively with TPG IV, T3 Partners II, T3 Parallel II and TPG Solar III, the "TPG Funds"), whose managing member is TPG GenPar IV, whose general partner is TPG Advisors IV. Messrs. David Bonderman and James G. Coulter are directors, officers and sole shareholders of each of TPG Advisors IV, T3 Advisors II and TPG Advisors III. Because of these relationships, each of Messrs. Bonderman and Coulter and TPG Advisors IV, T3 Advisors II and TPG

Advisors III may be deemed to have investment powers and beneficial ownership with respect to the shares directly held by the TPG Funds. The address of each of the entities and persons identified in this footnote is c/o TPG Capital, L.P., 301 Commerce Street, Fort Worth, Texas 76102.

(10) Includes the following shares which the beneficial owner has the right to acquire within 60 days after February 15, 2011 by exercising stock options:

Beneficial Owner	Shares of Class A Common Stock	Shares of Class L Common Stock	Shares of Preferred Stock
James E. Ashton III	516,944	55,014	19,049
Cristóbal Conde	3,418,146	379,677	131,467
Harold C. Finders	469,140	50,045	17,328
James L. Mann	15,363	915	317
Andrew A. Stern	—	—	—
Robert F. Woods	88,194	2,404	832
All 20 directors and officers as a group	7,444,663	806,501	279,257

(11) Mr. Chu, a director of the Parent Companies and SunGard, is a member of BMA IV and BCMA IV and a senior managing director of The Blackstone Group, L.P. Amounts disclosed for Mr. Chu are also included above in the amounts disclosed in the table next to "Blackstone Funds." Mr. Chu disclaims beneficial ownership of any shares owned directly or indirectly by the Blackstone Funds, except to the extent of his pecuniary interest therein. Mr. Chu does not have sole voting or investment power with respect to the shares owned by the Blackstone Funds.

(12) In connection with a loan, Mr. Conde pledged the following shares as security: 361,111.11 Class A shares, 40,123.46 Class L shares and 13,888.89 preferred shares.

(13) BCI is controlled by an Investment Committee comprised of the following Managing Directors of Bain Capital: Andrew Balson, Steven Barnes, Joshua Bekenstein, John Connaughton, Todd Cook, Paul Edgerley, Christopher Gordon, Blair Hendrix, Jordan Hitch, Matthew Levin, Ian Loring, Philip Loughlin, Mark Nunnelly, Stephen Pagliuca, Ian Reynolds, Mark Verdi, Michael Ward and Stephen Zide. Because investment and voting decisions at BCI are made jointly by Managing Directors of the entity, no individual Managing Director of BCI is the beneficial owner of the securities, except with respect to the shares in which such member holds a pecuniary interest. Mr. Connaughton, a director of the Parent Companies and SunGard, is a member and Managing Director of BCI and may therefore be deemed to beneficially own the amounts disclosed in the table next to "Bain Funds." Mr. Connaughton disclaims beneficial ownership of any shares owned directly or indirectly by the Bain Funds, except to the extent of his pecuniary interest therein.

(14) Mr. Greene, a director of the Parent Companies and SunGard, is an executive of Kohlberg Kravis Roberts & Co. L.P. and/or one or more of its affiliates. Mr. Greene disclaims beneficial ownership of any shares owned directly or indirectly by the KKR Funds, except to the extent of his pecuniary interest therein.

(15) Mr. Hutchins, a director of the Parent Companies and SunGard, is a managing director of SLTA II. Amounts disclosed for Mr. Hutchins are also included above in the amounts disclosed in the table next to "Silver Lake Funds." Mr. Hutchins disclaims beneficial ownership of any shares owned directly or indirectly by the Silver Lake Funds, except to the extent of his pecuniary interest therein.

(16) Mr. Marren, a director of the Parent Companies and SunGard, is a senior partner of TPG Capital, L.P., an affiliate of the TPG Funds.

(17) Mr. Mehra, a director of the Parent Companies and SunGard, is a managing director of Goldman Sachs. Amounts disclosed for Mr. Mehra are also included above in the amounts disclosed in the table next to "GS Limited Partnerships." Mr. Mehra disclaims beneficial ownership of any shares owned directly or indirectly by the GS Limited Partnerships, except to the extent of his pecuniary interest therein.

(18) Ms. Richardson, a director of the Parent Companies and SunGard, is a managing director of Providence Equity Partners, Inc., an affiliate of the Providence Equity Funds. Amounts disclosed for Ms. Richardson are also included above in the amounts disclosed in the table next to "Providence Equity Funds." Ms. Richardson disclaims beneficial ownership of any shares owned directly or indirectly by the Providence Equity Funds, except to the extent of her pecuniary interest therein.

(19) Excluding shares beneficially owned by Ms. Richardson and Messrs. Chu, Hutchins and Mehra and by Mr. Ashton, who is no longer an executive officer, the number of shares beneficially owned by all directors and executive officers as a group is as follows: Class A shares—11,519,791; Class L shares—1,259,277; preferred shares—438,825; percent of classes—4.47%.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Pursuant to our Global Business Conduct and Compliance Program, all employees and directors (including our named executives) who have, or whose immediate family members have, any financial interests in other entities where such involvement is or may appear to cause a conflict of interest situation are required to report to us the conflict. If the conflict involves a director or executive officer or is considered material, the situation will be reviewed by the Compliance Committee. The Compliance Committee will then consult with the Audit Committee and determine whether a conflict exists or will exist, and if so, what action should be taken to resolve the conflict or potential conflict. In other cases, conflicts are reviewed and resolved by the Compliance Committee. Additionally, in connection with the LBO, the Company's four parent companies and the Sponsors entered into a principal investor agreement which requires affiliated party transactions involving the Sponsors to be approved by the majority of Sponsors not involved in the affiliated party transaction.

Other than as described under this heading, the Company has not adopted any formal policies or procedures for the review, approval or ratification of certain related-party transactions that may be required to be reported under the SEC disclosure rules. Such transactions, if and when they are proposed or have occurred, have traditionally been (and will continue to be) reviewed by the Audit Committee (other than the committee members involved, if any) on a case-by-case basis.

On August 11, 2005, upon completion of the LBO, the Company and its four parent companies entered into a management agreement with affiliates of each of the Sponsors pursuant to which such entities or their affiliates will provide management consultant services, including financial, managerial and operational advice and implementation of strategies for improving the operating, marketing and financial performance of the Company and its subsidiaries. Under the management agreement, affiliates of the Sponsors receive quarterly annual management fees equal to 1% of the Company's quarterly "EBITDA," as defined in the Indenture dated August 11, 2005 governing the senior notes due 2013 (but assuming the management fee had not been paid for purposes of such calculation), and reimbursement for out-of-pocket expenses incurred by them or their affiliates in connection with the provision of management consulting services pursuant to the agreement. During the years ended December 31, 2008, 2009 and 2010, the Company recorded $23 million, $15 million and $17 million respectively relating to management fees.

In the event that the management agreement is terminated, the Sponsors will receive a lump sum payment equal to the present value of the annual management fees that would have been payable for the remainder of the term of the management agreement. The initial term of the management agreement is ten years, and it extends annually for one year unless the Sponsors or the Company and its parent companies provide notice to the other. Finally, the management agreement provides that affiliates of the Sponsors will be entitled to receive a fee equal to 1% of the gross transaction value in connection with certain subsequent financing, acquisition, disposition and change of control transactions in excess of a threshold amount.

In addition to serving as a director, Mr. Mann is currently an employee of the Company and accordingly in 2010 received salary and benefits. See note 2 to the table under "Director Compensation."

Our Sponsors and/or their respective affiliates have from time to time entered into, and may continue to enter into, arrangements with us to use our products and services, or for us to use the Sponsors affiliates' products and services, in the ordinary course of business, which often result in revenues or costs to SunGard in excess of $120,000 annually.

In November 2010, Goldman Sachs & Co. received $10 million in fees in connection with the early retirement of our senior unsecured notes due 2013 and the issuance of senior unsecured notes due 2018 and 2020.

Effective February 16, 2007, we entered into a three-year participation agreement with one-year renewal terms ("participation agreement") with Core Trust Purchasing Group, a division of HealthTrust Purchasing Corporation ("CPG"), designating CPG as our exclusive "group purchasing organization" for the purchase of certain products and services from third party vendors. CPG secures from vendors pricing terms for goods and services that are believed to be more favorable than participants in the group purchasing organization could obtain for themselves on an individual basis. Under the participation agreement, we must purchase 80% of the requirements of our participating locations for core categories of specified products and services, from vendors participating in the group purchasing arrangement with CPG or CPG may terminate the contract. In connection with purchases by its participants (including us), CPG receives a commission from the vendors in respect of such purchases. Although CPG is not affiliated with Blackstone, in consideration for Blackstone's facilitating our participation in CPG and monitoring the services CPG provides to us, CPG remits a portion of the commissions received from vendors in respect of our purchases under the participation agreement to an affiliate of Blackstone, with whom Chinh E. Chu, a member of our Boards of Directors, is affiliated and in which he may have an indirect pecuniary interest.

DIRECTOR INDEPENDENCE

SCC, SCCII and SunGard are privately-held corporations. Our Sponsor Directors are not independent because of their affiliations with funds which hold more than 5% equity interests in the Parent Companies. Messrs. Conde and Mann are not independent directors because they are currently employed by the Company.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Auditors' Fees

The following table shows the fees for professional audit services rendered by PricewaterhouseCoopers LLP for the audit of our annual financial statements and review of our interim financial statements for 2009 and 2010, and fees for other services rendered by PricewaterhouseCoopers LLP for 2009 and 2010.

Fees	2009	2010
Audit fees[1]	$6,822,000	$ 7,180,000
Audit-related fees[2]	$ 728,000	$ 1,715,000
Tax fees[3]	$ 679,000	$ 1,080,000
All other fees[4]	$ 180,000	$ 43,000
Total Fees	$8,409,000	$10,018,000

(1) In 2009, consists of services rendered in connection with the audit of our annual financial statements ($3,407,000), consultation on technical accounting issues ($25,000) and certain broker/

dealer audits and statutory audits ($3,126,000). In 2010, consists of services rendered in connection with the audit of our annual financial statements ($3,632,000), other SEC filings ($84,000) and certain broker/dealer audits and statutory audits ($3,464,000).

(2) Consists of SAS 70 data center audit fees, savings plan audits and special audits.

(3) Consists of worldwide tax services.

(4) Consists of other IT-related services and accounting research software fees.

Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Registered Public Accounting Firm

The Audit Committee pre-approves all audit and permissible non-audit services provided by our independent registered public accounting firm. These services may include audit services, audit-related services, tax services and other services. The Audit Committee has adopted policies and procedures for the pre-approval of services provided by our independent registered public accounting firm. The policies and procedures provide that management and our independent registered public accounting firm jointly submit to the Audit Committee a schedule of audit and non-audit services for approval as part of the annual plan for each year. In addition, the policies and procedures provide that the Audit Committee may also pre-approve particular services not in the annual plan on a case-by-case basis. For each proposed service, management must provide a detailed description of the service and the projected fees and costs (or a range of such fees and costs) for the service. The policies and procedures require management and our independent registered public accounting firm to provide quarterly updates to the Audit Committee regarding services rendered to date and services yet to be performed.

The Audit Committee may delegate pre-approval authority for audit and non-audit services to one or more of its members, who can pre-approve services up to a maximum fee of $50,000. Any such pre-approved service must be reported to the Audit Committee at the next scheduled quarterly meeting.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)(1) Financial Statements

See ITEM 8—FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

(a)(2) Financial Statement Schedules

None.

(a)(3) Exhibits

The Exhibits that are incorporated by reference in this Report on Form 10-K or are filed with this Report are listed in the LIST OF EXHIBITS following the signature page of this Report.

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, each of the registrants has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SUNGARD CAPITAL CORP.
SUNGARD CAPITAL CORP. II
SUNGARD DATA SYSTEMS INC.

Date: March 1, 2011

By: /s/ CRISTÓBAL CONDE
Cristóbal Conde,
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the registrants and in the capacities and on the dates indicated.

Signature	Capacity	Date
/s/ CRISTÓBAL CONDE **Cristóbal Conde**	President, Chief Executive Officer and Director (principal executive officer)	March 1, 2011
/s/ ROBERT F. WOODS **Robert F. Woods**	Chief Financial Officer (principal financial officer)	March 1, 2011
/s/ KAREN M. MULLANE **Karen M. Mullane**	Vice President and Controller (principal accounting officer)	March 1, 2011
/s/ CHINH E. CHU **Chinh E. Chu**	Director	March 1, 2011
/s/ JOHN CONNAUGHTON **John Connaughton**	Director	March 1, 2011
/s/ JAMES H. GREENE, JR. **James H. Greene, Jr.**	Director	March 1, 2011
/s/ GLENN H. HUTCHINS **Glenn H. Hutchins**	Chairman of the Board of Directors	March 1, 2011
/s/ JAMES MANN **James Mann**	Director	March 1, 2011
/s/ JOHN MARREN **John Marren**	Director	March 1, 2011
/s/ SANJEEV MEHRA **Sanjeev Mehra**	Director	March 1, 2011
/s/ JULIE RICHARDSON **Julie Richardson**	Director	March 1, 2011

List of Exhibits

NUMBER	DOCUMENT
3.1	Amended and Restated Certificate of Incorporation of SunGard (incorporated by reference to the Exhibits filed with SunGard's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2005 (Commission File No. 1-12989)).
3.2	Amended and Restated Bylaws of SunGard (incorporated by reference to the Exhibits filed with SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 2007 (Commission File No. 1-12989)).
3.3	Amended and Restated Certificate of Incorporation of SunGard Capital Corp. (incorporated by reference to the Exhibits filed with SunGard Capital Corp.'s Registration Statement on Form 10-12G filed on April 30, 2009 (Commission File No. 000-53653)).
3.4	Amended and Restated Bylaws of SunGard Capital Corp. (incorporated by reference to the Exhibits filed with SunGard Capital Corp.'s Registration Statement on Form 10-12G filed on April 30, 2009 (Commission File No. 000-53653)).
3.5	Amended and Restated Certificate of Incorporation of SunGard Capital Corp. II (incorporated by reference to the Exhibits filed with SunGard Capital Corp. II's Registration Statement on Form 10-12G filed on April 30, 2009 (Commission File No. 000-53654)).
3.6	Amended and Restated Bylaws of SunGard Capital Corp. II (incorporated by reference to the Exhibits filed with SunGard Capital Corp. II's Registration Statement on Form 10-12G filed on April 30, 2009 (Commission File No. 000-53654)).
4.1	Indenture dated January 15, 2004 between SunGard and The Bank of New York, as trustee (incorporated by reference to the Exhibits filed with SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 2003 (Commission File No. 1-12989)).
4.2	Indenture, dated as of August 11, 2005, among Solar Capital Corp., SunGard Data Systems Inc., Guarantors named therein and The Bank of New York, as Trustee, governing the 10 ¼% Senior Subordinated Notes (incorporated by reference to the Exhibits filed with SunGard's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2005 (Commission File No. 1-12989)).
4.3	Indenture, dated as of September 29, 2008, among SunGard Data Systems Inc., Guarantors named therein and The Bank of New York Mellon, as Trustee, governing the 10.625% Senior Notes (incorporated by reference to the Exhibits filed with SunGard's Current Report on Form 8-K dated September 29, 2008 and filed October 3, 2008 (Commission File No. 1-12989)).
4.4	Indenture, dated as of November 16, 2010, among SunGard Data Systems Inc., Guarantors named therein and The Bank of New York Mellon, as Trustee, governing the 7.375% Senior Notes (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Current Report on Form 8-K dated November 15, 2010 and filed November 16, 2010 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).

NUMBER	DOCUMENT
4.5	Indenture, dated as of November 16, 2010, among SunGard Data Systems Inc., Guarantors named therein and The Bank of New York Mellon, as Trustee, governing the 7.625% Senior Notes (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Current Report on Form 8-K dated November 15, 2010 and filed November 16, 2010 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).
4.6	Registration Rights Agreement, dated as of November 16, 2010, among SunGard Data Systems, Inc., Guarantors named therein and J.P. Morgan Securities and Goldman, Sachs & Co. as Representatives for the Initial Purchasers relating to the 7.375% Senior Notes due 2018 and 7.625% Senior Notes due 2020 (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Current Report on Form 8-K dated November 15, 2010 and filed November 16, 2010 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).
10.1	Lease, dated April 12, 1984, between SunGard and Broad and Noble Associates, Inc., relating to SunGard's facility at 401 North Broad Street, Philadelphia, Pennsylvania, and Amendments thereto, dated October 18, 1989, September 30, 1991 and November 19, 1992 ("401 Lease") (incorporated by reference to the Exhibits filed with SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 1992 (Commission File No. 0-14232)).
10.2	Amendment to 401 Lease, dated October 9, 1995 (incorporated by reference to the Exhibits filed with SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 1995 (Commission File No. 0-14232)).
10.3	Amendment to 401 Lease, dated December 23, 1996 (incorporated by reference to the Exhibits filed with SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 1996 (Commission File No. 0-14232)).
10.4	Amendment to 401 Lease, dated March 1997 (incorporated by reference to the Exhibits filed with SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 1997 (Commission File No. 1-12989)).
10.5	Amendment to 401 Lease, dated December 18, 1997 (incorporated by reference to the Exhibits filed with SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 1997 (Commission File No. 1-12989)).
10.6	Amendment to 401 Lease, dated June 9, 1999 (incorporated by reference to the Exhibits filed with SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 1999 (Commission File No. 1-12989)).
10.7	Amendment to 401 Lease, dated June 29, 2000 (incorporated by reference to the Exhibits filed with SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 2000 (Commission File No. 1-12989)).
10.8	Amendment to 401 Lease, dated March 31, 2006 (incorporated by reference to the Exhibits filed with SunGard's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2006 (Commission File No. 1-12989)).

NUMBER	DOCUMENT
10.9†	Lease, effective January 1, 2010 and dated November 20, 2009, between SunGard and Callowhill Management, Inc. relating to SunGard's facility at 401 North Broad Street, Philadelphia, Pennsylvania (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 2009 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively).
10.10	October 1999 Lease by and between Russo Family Limited Partnership and SunGard (as successor to Comdisco, Inc.); Amendment to Lease Agreement, dated November 15, 2001, by and between Russo Family Limited Partnership and SunGard; and Lease Assignment and Assumption Agreement, dated November 15, 2001, between Comdisco, Inc. and SunGard (each relating to SunGard's facility at 777 Central Boulevard, Carlstadt, New Jersey) (incorporated by reference to the Exhibits filed with SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 2001 (Commission File No. 1-12989)).
10.11	Amended and Restated Lease Agreement, dated November 23, 2009, by and between Russo Family Limited Partnership, L.P. and SunGard relating to SunGard's facility at 777 Central Boulevard, Carlstadt, New Jersey (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 2009 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively).
10.12	August 2002 Lease Agreement between 760 Washington Avenue, L.L.C. and SunGard relating to SunGard's facility at 760 Washington Avenue, Carlstadt, New Jersey ("760 Washington Lease") (incorporated by reference to the Exhibits filed with SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 2002 (Commission File No. 1-12989)).
10.13	Amendment to 760 Washington Lease, dated May 16, 2003 (incorporated by reference to the Exhibits filed with SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 2003 (Commission File No. 1-12989)).
10.14	Amended and Restated Lease Agreement, dated November 23, 2009, by and between 760 Washington Avenue, L.L.C. and SunGard relating to SunGard's facility at 760 Washington Avenue, Carlstadt, New Jersey (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 2009 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).
10.15	January 2005 Lease Agreement between 410 Commerce L.L.C. and SunGard relating to SunGard's facility at 410 Commerce Boulevard, Carlstadt, New Jersey ("410 Commerce Boulevard Lease") (incorporated by reference to the Exhibits filed with SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 2004 (Commission File No. 1-12989)).
10.16	Amendment to 410 Commerce Boulevard Lease, dated November 23, 2009 (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 2009 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).

NUMBER	DOCUMENT
10.17	Amended and Restated Credit Agreement, dated as of June 9, 2009 among SunGard Data Systems Inc. and the Overseas Borrowers party thereto as Borrowers, SunGard Holdco LLC, the Lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer (incorporated by reference to the Exhibit filed on SunGard's Current Report on Form 8-K dated June 9, 2009 and filed June 10, 2009 (Commission File No. 1-12989)).
10.18*	First Refinancing Amendment, dated as of January 31, 2011 to the Amended and Restated Credit Agreement, dated as of June 9, 2009 (filed with this Report).
10.19	Guarantee Agreement, dated as of August 11, 2005, among SunGard Holdco LLC, SunGard Data Systems Inc., Solar Capital Corp., the Subsidiaries of SunGard Data Systems Inc. identified therein and JPMorgan Chase Bank, N.A., as Administrative Agent (incorporated by reference to the Exhibits filed with SunGard's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2005 (Commission File No. 1-12989)).
10.20	Security Agreement, dated as of August 11, 2005, among SunGard Holdco LLC, SunGard Data Systems Inc., Solar Capital Corp., the Subsidiaries of SunGard Data Systems Inc. identified therein and JPMorgan Chase Bank, N.A., as Collateral Agent (incorporated by reference to the Exhibits filed with SunGard's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2005 (Commission File No. 1-12989)).
10.21	Intellectual Property Security Agreement, dated as of August 11, 2005, among SunGard Holdco LLC, SunGard Data Systems Inc., Solar Capital Corp., the Subsidiaries of SunGard Data Systems Inc. identified therein and JPMorgan Chase Bank, N.A., as Collateral Agent (incorporated by reference to the Exhibits filed with SunGard's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2005 (Commission File No. 1-12989)).
10.22	Amended and Restated Credit and Security Agreement, dated as of September 30, 2010, by and among SunGard AR Financing LLC as the Borrower, the financial institutions signatory thereto from time to time as the Lenders, and General Electric Capital Corporation as a Lender, as Swing Line Lender and as the Administrative Agent (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Current Report on Form 8-K dated September 30, 2010 and filed October 6, 2010 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).
10.23	Receivables Sale Agreement, dated as of March 27, 2009, by and among each of the persons signatory thereto from time to time as Sellers, SunGard AR Financing LLC as the Buyer, and SunGard Data Systems Inc., as the Seller Agent (incorporated by reference to the Exhibits filed with SunGard's Current Report on Form 8-K dated March 27, 2009 and filed on April 2, 2009 (Commission File No. 1-12989)).
10.24	Seller Support Agreement, dated as of March 27, 2009, by SunGard Data Systems Inc., in favor of SunGard AR Financing LLC (incorporated by reference to the Exhibits filed with SunGard's Current Report on Form 8-K dated March 27, 2009 and filed on April 2, 2009 (Commission File No. 1-12989)).

NUMBER	DOCUMENT
10.25(1)	Form of Change in Control Agreement including the 30-Day Clause between SunGard Data Systems Inc. and certain key executives of SunGard Data Systems Inc., effective December 15, 2004 (incorporated by reference to the Exhibits filed with SunGard's Current Report on Form 8-K dated December 14, 2004 and filed on December 20, 2004).
10.26(1)	Form of Change in Control Agreement not including the 30-Day Clause between SunGard Data Systems Inc. and certain key executives of SunGard Data Systems Inc., effective December 15, 2004 (incorporated by reference to the Exhibits filed with SunGard's Current Report on Form 8-K dated December 14, 2004 and filed on December 20, 2004).
10.27(1)	Form of Executive Employment Agreement, effective as of August 11, 2005, between SunGard Data Systems Inc. and certain executive officers of SunGard Data Systems Inc. (incorporated by reference to the Exhibits filed with SunGard's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2005 (Commission File No. 1-12989)).
10.28(1)	Form of Executive Employment Agreement, effective as of August 11, 2005, between SunGard Data Systems Inc. and certain executive officers of SunGard Data Systems Inc. located in California, the United Kingdom and Switzerland (incorporated by reference to the Exhibits filed with SunGard's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2005 (Commission File No. 1-12989)).
10.29(1)	Form of Executive Employment Agreement, effective as of August 11, 2005, between SunGard Data Systems Inc. and certain executive officers of SunGard Data Systems Inc. employed by a subsidiary of SunGard Data Systems Inc. (incorporated by reference to the Exhibits filed with SunGard's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2005 (Commission File No. 1-12989)).
10.30(1)	Form of Executive Employment Agreement, effective as of August 11, 2005, between SunGard Data Systems Inc. and certain executive officers of SunGard Data Systems Inc. located in California, the United Kingdom and Switzerland employed by a subsidiary of SunGard Data Systems Inc. (incorporated by reference to the Exhibits filed with SunGard's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2005 (Commission File No. 1-12989)).
10.31(1)	Employment Agreement between Cristóbal Conde and SunGard Data Systems Inc., dated and effective as of August 11, 2005 (incorporated by reference to the Exhibits filed with SunGard's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2005 (Commission File No. 1-12989)).
10.32(1)	Employment Agreement between Kathleen Weslock and SunGard Data Systems Inc., dated and effective as of March 16, 2010 (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 2009 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).
10.33(1)	Employment Agreement between Eric Berg and SunGard Availability Services LP, dated and effective as of October 9, 2007 (incorporated by reference to the Exhibits filed with SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 2007 (Commission File No. 1-12989)).

NUMBER	DOCUMENT
10.34(1)	Employment Agreement between Karen Mullane and SunGard Data Systems Inc., dated and effective as of December 29, 2009 (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 2009 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).
10.35(1)	Employment Agreement between Gil Santos and SunGard HTE Inc. (now named SunGard Public Sector Inc.), dated and effective as of November 15, 2007 ("Santos Employment Agreement") (incorporated by reference to the Exhibits filed with SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 2007 (Commission File No. 1-12989)).
10.36(1)	Amendment dated February 27, 2010 to Santos Employment Agreement (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 2009 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).
10.37(1)	Employment Agreement between Robert Woods and SunGard Data Systems Inc., effective as of January 1, 2010 (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Current Report on Form 8-K dated December 16, 2009 and filed on December 22, 2009 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).
10.38(1)	Employment Agreement between Andrew Stern and SunGard Data Systems Inc., SunGard Capital Corp. and SunGard Capital Corp. II, effective as of June 1, 2010 and forms of initial equity awards granted to Andrew Stern on June 21, 2010 included as Exhibits A and B (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2010 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).
10.39(1)	Agreement between James L. Mann and SunGard Data Systems Inc. dated August 16, 2002 (incorporated by reference to the Exhibits filed with SunGard's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2002 (Commission File No. 1-12989)), as amended by Amendment dated as of February 25, 2004 (incorporated by reference to the Exhibits filed with SunGard's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2004 (Commission File No. 1-12989)).
10.40*(1)	SunGard 2005 Management Incentive Plan as Amended December 22, 2010 (filed with this Report).
10.41(1)	SunGard Dividend Rights Plan as Amended September 6, 2007 (incorporated by reference to the Exhibits filed with SunGard's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2007 (Commission File No. 1-12989)).
10.42(1)	Forms of Rollover Stock Option Award Agreements (incorporated by reference to the Exhibits filed with SunGard's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2005 (Commission File No. 1-12989)).
10.43(1)	Forms of Time-Based Stock Option Award Agreements (incorporated by reference to the Exhibits filed with SunGard's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2005 (Commission File No. 1-12989)).

NUMBER	DOCUMENT
10.44(1)	Forms of Performance-Based Stock Option Award Agreements (incorporated by reference to the Exhibits filed with SunGard's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2005 (Commission File No. 1-12989)).
10.45(1)	Forms of Time-Based Restricted Stock Unit Award Agreements (incorporated by reference to the Exhibits filed with SunGard's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2007 (Commission File No. 1-12989)).
10.46(1)	Forms of Performance-Based Restricted Stock Unit Award Agreements (incorporated by reference to the Exhibits filed with SunGard's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2007 (Commission File No. 1-12989)).
10.47(1)	Forms of Time-Based Class A Stock Option Award Agreements (incorporated by reference to the Exhibits filed with SunGard's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2007 (Commission File No. 1-12989)).
10.48(1)	Forms of Performance-Based Class A Stock Option Award Agreements (incorporated by reference to the Exhibits filed with SunGard's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2007 (Commission File No. 1-12989)).
10.49(1)	Form of Amendment to the Performance Based Stock Option Award Agreements (incorporated by reference to the Exhibits filed with Schedule TO of SunGard Capital Corp. and SunGard Capital Corp. II, each filed August 13, 2009 (Commission File Nos. 5-84880 and 5-84881, respectively)).
10.50(1)	Form of Amendment to the Performance-Based Restricted Stock Unit Award Agreements (incorporated by reference to the Exhibits filed with Schedule TO of SunGard Capital Corp. and SunGard Capital Corp. II, each filed August 13, 2009 (Commission File Nos. 5-84880 and 5-84881, respectively)).
10.51(1)	Form of Amendment to the Performance-Based Class A Stock Option Award Agreements (incorporated by reference to the Exhibits filed with Schedule TO of SunGard Capital Corp. and SunGard Capital Corp. II, each filed August 13, 2009 (Commission File Nos. 5-84880 and 5-84881, respectively))
10.52(1)	Forms of Amendment to Senior Management Performance-Based Stock Option Award Agreements (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Current Report on Form 8-K dated November 30, 2009 and filed on December 3, 2009 (Commission File No's.000-53653, 000-53654 and 1-12989, respectively)).
10.53(1)	Form of Amendment to Senior Management Performance-Based Class A Stock Option Award Agreement (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Current Report on Form 8-K dated November 30, 2009 and filed on December 3, 2009 (Commission File No's.000-53653, 000-53654 and 1-12989, respectively)).
10.54(1)	Form of Amendment to Senior Management Performance-Based Restricted Stock Unit Award Agreement (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Current Report on Form 8-K dated November 30, 2009 and filed on December 3, 2009 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).

NUMBER	DOCUMENT
10.55(1)	Forms of 2009 Senior Management Performance-Based Restricted Stock Unit Award Agreements (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2009 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).
10.56(1)	Forms of 2009 Senior Management Performance-Based Class A Stock Option Award Agreements (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2009 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).
10.57(1)	Form of 2009 Senior Management Time-Based Restricted Stock Unit Award Agreement (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2009 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).
10.58(1)	Form of 2009 Senior Management Time-Based Class A Stock Option Award Agreement (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2009 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).
10.59(1)	Forms of May 2010 Performance-Based Restricted Stock Unit Award Agreements (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2010 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).
10.60(1)	Forms of May 2010 Performance-Based Class A Stock Option Award Agreements (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2010 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).
10.61(1)	Forms of May 2010 Time-Based Restricted Stock Unit Award Agreements (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2010 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).
10.62(1)	Forms of May 2010 Time-Based Class A Stock Option Award Agreements (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2010 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).
10.63(1)	Forms of June 25, 2010 Amendment to the Performance-Based Equity Award Agreements (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2010 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).
10.64(1)	Summary Description of SunGard's Annual Executive Incentive Compensation Program (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 2009 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).

NUMBER	DOCUMENT
10.65(1)	Form of Indemnification Agreement entered into by SunGard with certain officers (incorporated by reference to the Exhibits filed with SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 1991 (Commission File No. 0-14232)).
10.66(1)	Form of Indemnification Agreement between SunGard Capital Corporation, SunGard Capital Corporation II, SunGard Holding Corporation, SunGard HoldCo LLC, SunGard Data Systems Inc. and directors and certain executive officers of SunGard Data Systems Inc. (incorporated by reference to the Exhibits filed with SunGard's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2005 (Commission File No. 1-12989)).
10.67	Stockholders Agreement, dated as of August 10, 2005, by and among SunGard Capital Corp., SunGard Capital Corp. II, SunGard Holding Corp., SunGard Holdco LLC, Solar Capital Corp. and Certain Stockholders of SunGard Capital Corp. and SunGard Capital Corp. II (incorporated by reference to the Exhibits filed with SunGard's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2005 (Commission File No. 1-12989))
10.68	Participation, Registration Rights and Coordination Agreement, dated as of August 10, 2005, by and among SunGard Capital Corp., SunGard Capital Corp. II, SunGard Holding Corp., SunGard Holdco LLC, Solar Capital Corp. and Certain Persons who will be Stockholders of SunGard Capital Corp. and SunGard Capital Corp. II (incorporated by reference to the Exhibits filed with SunGard's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2005 (Commission File No. 1-12989)).
10.69	Principal Investor Agreement, dated as of August 10, 2005, by and among SunGard Capital Corp., SunGard Capital Corp. II, SunGard Holding Corp., SunGard Holdco LLC, Solar Capital Corp. and the Principal Investors ("Principal Investor Agreement") (incorporated by reference to the Exhibits filed with SunGard's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2005 (Commission File No. 1-12989)).
10.70	Amendment No. 2 to Principal Investor Agreement, dated as of January 31, 2008 (incorporated by reference to the Exhibits filed with SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 2007 (Commission File No. 1-12989)).
10.71	Management Agreement, dated as of August 11, 2005, by and among SunGard Data Systems Inc., SunGard Capital Corp., SunGard Capital Corp. II, SunGard Holding Corp., SunGard Holdco LLC, Bain Capital Partners, LLC, Blackstone Communications Advisors I L.L.C., Blackstone Management Partners IV L.L.C., Goldman, Sachs & Co., Kohlberg Kravis Roberts & Co. L.P., Providence Equity Partners V Inc., Silver Lake Management Company, L.L.C. and TPG GenPar IV, L.P. (incorporated by reference to the Exhibits filed with SunGard's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2005 (Commission File No. 1-12989)).
12.1 *	Computation of Ratio of Earnings to Fixed Charges (filed with this Report).
21.1 *	Subsidiaries of the Registrants (filed with this Report).

NUMBER	DOCUMENT
23.1*	Consent of Independent Registered Public Accounting Firm regarding SunGard's consolidated financial statements (filed with this Report).
31.1*	Certification of Cristóbal Conde, Chief Executive Officer, required by Rule 13a-14(a) or Rule 15d-14(a) and Section 302 of the Sarbanes-Oxley Act of 2002 (filed with this Report).
31.2*	Certification of Robert F. Woods, Chief Financial Officer, required by Rule 13a-14(a) or Rule 15d-14(a) and Section 302 of the Sarbanes-Oxley Act of 2002 (filed with this Report).
32.1*	Certification of Cristóbal Conde, Chief Executive Officer, required by Rule 13a-14(b) or Rule 15d-14(b) and Section 906 of the Sarbanes-Oxley Act of 2002 (filed with this Report).
32.2*	Certification of Robert F. Woods, Chief Financial Officer, required by Rule 13a-14(b) or Rule 15d-14(b) and Section 906 of the Sarbanes-Oxley Act of 2002 (filed with this Report).

† Portions of this exhibit have been omitted in accordance with an order granting confidential treatment.

* Filed with this report.

(1) Management contract or compensatory plan or arrangement.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

(Mark One)

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

for the fiscal year ended December 31, 2011

or

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

for the transition period from to

Commission File Numbers:

SunGard Capital Corp. 000-53653
SunGard Capital Corp. II 000-53654
SunGard Data Systems Inc. 001-12989

SunGard® Capital Corp.
SunGard® Capital Corp. II
SunGard® Data Systems Inc.

(Exact name of registrant as specified in its charter)

Delaware	**20-3059890**
Delaware	**20-3060101**
Delaware	**51-0267091**
(State of incorporation)	**(I.R.S. Employer Identification No.)**

680 East Swedesford Road, Wayne, Pennsylvania 19087

(Address of principal executive offices, including zip code)

484-582-2000

(Telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:
None

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

Restricted Stock Units Granting Conditional Rights to Units Consisting of:

Class A Common Stock of SunGard Capital Corp., par value $0.001 per share,

Class L Common Stock of SunGard Capital Corp., par value $0.001 per share, and

Preferred Stock of SunGard Capital Corp. II, par value $0.001 per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

SunGard Capital Corp.	Yes ☐	No ☑
SunGard Capital Corp. II	Yes ☐	No ☑
SunGard Data Systems Inc.	Yes ☐	No ☑

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

SunGard Capital Corp.	Yes ☐ No ☑
SunGard Capital Corp. II	Yes ☐ No ☑
SunGard Data Systems Inc.	Yes ☑ No ☐

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

SunGard Capital Corp.	Yes ☑ No ☐
SunGard Capital Corp. II	Yes ☑ No ☐
SunGard Data Systems Inc.	Yes ☐ No ☑

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

SunGard Capital Corp.	Yes ☑ No ☐
SunGard Capital Corp. II	Yes ☑ No ☐
SunGard Data Systems Inc.	Yes ☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference into Part III of this Form 10-K or any amendment to this Form 10-K.

SunGard Capital Corp. ☑ SunGard Capital Corp. II ☑ SunGard Data Systems Inc. ☑

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

SunGard Capital Corp.	Large accelerated filer ☐.	Accelerated filer ☐.	Non-accelerated filer ☑.	Smaller reporting company ☐.
SunGard Capital Corp.II	Large accelerated filer ☐.	Accelerated filer ☐.	Non-accelerated filer ☑.	Smaller reporting company ☐.
SunGard Data Systems Inc.	Large accelerated filer ☐.	Accelerated filer ☐.	Non-accelerated filer ☑.	Smaller reporting company ☐.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

SunGard Capital Corp.	Yes ☐ No ☑
SunGard Capital Corp. II	Yes ☐ No ☑
SunGard Data Systems Inc.	Yes ☐ No ☑

The aggregate market value of the registrants' voting stock held by nonaffiliates is zero. The registrants are privately held corporations.

The number of shares of the registrants' common stock outstanding as of March 1, 2012:

SunGard Capital Corp.:	256,624,031 shares of Class A common stock and 28,513,717 shares of Class L common stock
SunGard Capital Corp. II:	100 shares of common stock
SunGard Data Systems Inc.:	100 shares of common stock

DOCUMENTS INCORPORATED BY REFERENCE

None.

Table of Contents

		Page
Forward-Looking Statements		1
	PART I	
Item 1.	Business	1
	Who We Are	
	Our Strengths	
	Our Business Strategy	
	Business Segment Overview	2
	Financial Systems	2
	Availability Services	4
	Other	6
	Acquisitions	6
	Product Development	7
	Marketing	7
	Brand and Intellectual Property	7
	Competition	8
	Employees	8
Item 1A.	Risk Factors	9
Item 1B.	Unresolved Staff Comments	20
Item 2.	Properties	20
Item 3.	Legal Proceedings	20
Item 4.	Mine Safety Disclosures	20
	PART II	
Item 5.	Market for Registrants' Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	20
Item 6.	Selected Financial Data	21
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	23
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	54
Item 8.	Financial Statements and Supplementary Data	55
Item 9.	Changes In and Disagreements With Accountants on Accounting and Financial Disclosure	115
Item 9A.	Controls and Procedures	115
Item 9B.	Other Information	117
	PART III	
Item 10.	Directors, Executive Officers and Corporate Governance	118
Item 11.	Executive Compensation	122
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	153
Item 13.	Certain Relationships and Related Transactions, and Director Independence	159
Item 14.	Principal Accountant Fees and Services	160
	PART IV	
Item 15.	Exhibits and Financial Statement Schedules	162
Signatures		163
List of Exhibits		164

Explanatory Note

This Annual Report on Form 10-K is a combined report being filed separately by three registrants: SunGard Capital Corp. ("SCC"), SunGard Capital Corp. II ("SCCII") and SunGard Data Systems Inc. ("SunGard"). SCC and SCCII are collectively referred to as the "Parent Companies." Unless the context indicates otherwise, any reference in this report to the "Company," "we," "us" and "our" refer to the Parent Companies together with their direct and indirect subsidiaries, including SunGard. Each registrant hereto is filing on its own behalf all of the information contained in this annual report that relates to such registrant. Each registrant hereto is not filing any information that does not relate to such registrant, and therefore makes no representation as to any such information.

Forward-Looking Statements

Certain of the matters we discuss in this Report on Form 10-K may constitute forward-looking statements. You can identify forward-looking statements because they contain words such as "believes," "expects," "may," "will," "should," "seeks," "approximately," "intends," "plans," "estimates," or "anticipates" or similar expressions which concern our strategy, plans or intentions. These forward-looking statements are subject to risks and uncertainties that may change at any time, and, therefore, our actual results may differ materially from those we expected. We describe some of the factors that we believe could affect our results in ITEM 1A—RISK FACTORS. We assume no obligation to update any written or oral forward-looking statements made by us or on our behalf as a result of new information, future events or other factors.

PART I

ITEM 1. BUSINESS

We are one of the world's leading software and technology services companies. We provide software and technology services to financial services, education and public sector organizations. We also provide disaster recovery services, managed services, information availability consulting services and business continuity management software. We serve approximately 25,000 customers in more than 70 countries. Our high quality software solutions, excellent customer support and specialized technology services result in strong customer retention rates across all of our business segments and create long-term customer relationships. We believe that we are one of the most efficient operators of mission-critical IT solutions as a result of the economies of scale we derive from serving multiple customers on shared processing platforms.

We operate our business in three segments: Financial Systems ("FS"), Availability Services ("AS") and Other, which is comprised of K-12 Education ("K-12") and Public Sector ("PS"). On January 19 and 20, 2012, the Company completed the sale of its Higher Education ("HE") business, which is included in discontinued operations for purposes of this Report on Form 10-K.

FS provides mission-critical software and technology services to virtually every type of financial services institution, including buy-side and sell-side institutions, third-party administrators, wealth managers, retail banks, insurance companies, corporate treasuries and energy trading firms. Our broad range of complementary software solutions and associated technology services help financial services institutions automate the business processes associated with trading, managing portfolios and accounting for investment assets.

AS provides disaster recovery services, managed services, information availability consulting services and business continuity management software to over 9,000 customers in North America and Europe. With five million square feet of data center and operations space, AS 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. Through direct sales and channel partners, AS helps organizations ensure their people and customers have uninterrupted access to the information systems they need in order to do business.

Other (K-12 and PS) provides software and technology services designed to meet the specialized needs of local, state and federal governments, public safety and justice agencies, public and private schools, utilities, nonprofits and other public sector institutions.

With a large portfolio of proprietary products and services in each of our three business segments, we have a diversified and stable business. Our base of approximately 25,000 customers includes most of the world's largest financial services firms, a variety of other financial services firms, corporate and government treasury departments, energy companies, school districts, local governments and nonprofit organizations. Our AS business serves customers across virtually all industries. Our revenue is highly diversified by customer and product. During each of the past three fiscal years, no single customer has accounted for more than 10% of total revenue. On average for the past three fiscal years, services revenue has been approximately 91% of total revenue. About 80% of services revenue is highly recurring as a result of multiyear contracts and is generated from (1) software-related services including software maintenance and support, processing and rentals and (2) recovery and managed services. The remaining services revenue includes (1) professional services, which are recurring in nature as a result of long-term customer relationships and (2) broker/dealer fees, which are largely correlated with trading volumes.

We were acquired in August 2005 in a leveraged buy-out ("LBO") by a consortium of private equity investment funds associated with Bain Capital Partners, The Blackstone Group, Goldman, Sachs & Co., Kohlberg Kravis Roberts & Co., Providence Equity Partners, Silver Lake and TPG. As a result of the LBO, we are highly leveraged and our equity is not publicly traded.

Our Sponsors continually evaluate various strategic alternatives with respect to the Company, including a potential spin-off of the AS business to our current equity holders. We expect that if we were to spin-off the AS business, AS would incur new debt and we would repay a portion of our existing indebtedness. Additionally, along with any spin-off of AS, we would receive cash proceeds from an issuance of equity of one of our Parent Companies. There can be no assurance that we will ultimately pursue any strategic alternatives with respect to any business segment, including AS, or an equity issuance or, if we do, what the structure or timing for any such transaction would be.

To the extent required by ITEM 1 of Form 10-K, financial information regarding our business segments is included in Note 12 to our Consolidated Financial Statements.

Business Segment Overview

Financial Systems

FS provides mission critical software and technology services to financial services institutions, corporate and government treasury departments and energy companies. Our solutions automate the many complex business processes associated primarily with trading, managing investment portfolios and accounting for investment assets, and also address the processing requirements of a broad range of

users within the financial services sector. In addition, we provide technology services that focus on application implementation and integration of these solutions, custom software development and application management. Since our inception, we have consistently enhanced our solutions to add new features, process new types of financial instruments, meet new regulatory requirements, incorporate new technologies and meet evolving customer needs.

We deliver many of our solutions as an application-service provider, primarily from our data centers located in North America and Europe that customers access through the Internet or virtual private networks. We also deliver some of our solutions by licensing the software to customers for use on their own computers and premises.

Our FS business offers software and technology services to a broad range of users, including asset managers, chief financial officers, compliance officers, custodians, fund administrators, insurers and reinsurers, market makers, plan administrators, registered investment advisors, treasurers, traders and wealth managers. At the beginning of 2012, we realigned our FS businesses to better serve the needs of our customers. To provide our solutions, FS is grouped into businesses that focus on the specific requirements of our customers, as follows:

Asset Management: We offer solutions that help institutional investors, hedge funds, private equity firms, fund administrators and securities transfer agents improve both investment decision-making and operational efficiency, while managing risk and increasing transparency. Our solutions support every stage of the investment process, from research and portfolio management, to valuation, risk management, compliance, investment accounting, transfer agency and client reporting.

Banking: We provide banks with an integrated solution suite for asset/liability management, budgeting and planning, regulatory compliance and profitability. Our solutions also manage all aspects of universal banking including back-office transaction processing, front-office multichannel delivery, card management and payments.

Capital Markets: Our capital markets solutions help banks, broker/dealers, futures commission merchants and other financial institutions to increase the efficiency, transparency and control of their trading operations across multiple platforms, asset classes and markets. Supporting the entire trade lifecycle from front-to-back, these solutions provide everything from connectivity, execution services and risk management to securities finance, collateral management and compliance. Additionally, these solutions help customers to create and manage consolidated views across all their positions and risk.

Corporate Liquidity & Energy: Our solutions for corporate liquidity help businesses facilitate connectivity between their buyers, suppliers, banks, data providers and other stakeholders to increase visibility of cash, improve communication and response time, reduce risk, and help drive maximum value from working capital. Our end-to-end collaborative financial management framework helps chief financial officers and treasurers bring together receivables, treasury and payments for a single view of cash and risk, and to optimize business processes for enhanced liquidity management. Our energy and commodities solutions help energy companies, corporate hedgers, hedge funds and financial services firms to compete efficiently in global energy and commodities markets by streamlining and integrating the trading, risk management and operations of physical commodities and their associated financial instruments.

Insurance: We provide solutions for the insurance industry in each of the following major business lines: life and health, annuities and pensions, property and casualty, reinsurance and

asset management. Our software and services support functions from the front-office through the back-office, from customer service, policy administration and actuarial calculations to financial and investment accounting and reporting.

Wealth Management: We provide wealth management solutions that help banks, trust companies, brokerage firms, insurance firms, benefit administrators and independent advisors acquire, service and grow their client relationships. We provide solutions for client acquisition, transaction management, trust accounting and recordkeeping that can be deployed as stand-alone products, or as part of an integrated wealth management platform.

FS also has a global services organization that delivers business consulting, technology and managed and professional services for financial services institutions, energy companies and corporations. Leveraging our global delivery model, our consultants and developers worldwide help customers manage their complex data needs, optimize end-to-end business processes and assist with systems integration, while providing full application development, maintenance, testing and support services.

The FS segment is organized to align with customer-facing business areas. FS revenue by business area based on the 2011 organizational structure was as follows (in millions):

	2010	2011
Capital Markets	$ 670	**$ 730**
Global Trading	659	**567**
Asset Management	362	**388**
Wealth Management	389	**367**
Banking	203	**229**
Corporate Liquidity	175	**190**
Insurance	175	**175**
Other	174	**189**
Total Financial Systems	$2,807	**$2,835**

FS revenues by customer-facing business area based on the new 2012 alignment (in millions):

	2010	2011
Capital Markets	$1,166	**$1,129**
Asset Management	430	**466**
Wealth Management	374	**357**
Corporate Liquidity & Energy	257	**264**
Banking	231	**252**
Insurance	175	**175**
Other	174	**192**
Total Financial Systems	$2,807	**$2,835**

Availability Services

AS helps customers improve the resilience of their mission critical systems by designing, implementing and managing cost-effective solutions using people, processes and technology to address enterprise IT availability needs. As the pioneer of commercial disaster recovery in the 1970s, we believe our specialization in information availability solutions, together with our vast experience, technology expertise, resource management capabilities, vendor neutrality and diverse service

offerings, have uniquely positioned us to meet customers' varied needs in an environment in which businesses are critically dependent on the availability of IT. Our comprehensive portfolio of services extends from always-ready standby services to high availability advanced recovery services and always-on production and managed services. This includes planning and provisioning of enterprise cloud computing and SaaS platforms. Additionally, we provide business continuity management software and consulting services to help customers design, implement and maintain plans to protect their central business systems. To serve our more than 9,000 customers, we have approximately 5,000,000 square feet of data center and operations space at over 80 facilities in ten countries. Since inception, we have helped customers recover from unplanned interruptions resulting from major disasters including 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.

We provide the following four categories of services: recovery services, managed services, consulting services and business continuity management software. The combination of all services provides our customers with a complete set of IT operations and information availability management solutions.

Although high availability and recovery services remain our principal revenue generating services, managed services, consulting services and business continuity management software increasingly account for a greater percentage of new sales. Because advanced recovery and managed services are often unique to individual customers and utilize a greater proportion of dedicated (versus shared) resources, they typically require modestly more capital expenditures. Cloud solutions, however, are changing industry economics to allow for lower-cost, partially dedicated solutions.

Recovery Services: We help customers maintain access to the information and computer systems needed to run their businesses by providing cost-effective solutions to keep IT systems operational and secure in the event of an unplanned business disruption. These business disruptions can range from man-made events (e.g., power outages, telecommunications disruptions and acts of terrorism) to natural disasters (e.g., floods, hurricanes and earthquakes). We offer a complete range of recovery services tailored to application uptime requirements. These requirements are typically based on the criticality of the supported business processes. Some of these solutions can be delivered using processors, servers, storage devices, networks and other resources and infrastructure that are subscribed to by multiple customers. Recovery services range from basic standby infrastructure recovery services, workforce continuity services, and mobile recovery options to advanced recovery or high availability solutions. Managed recovery services represents a growing area, with industry regulations and the growing complexity of heterogeneous environments (i.e., cloud, virtual, physical) fuelling demand. Our managed recovery program offering—in which AS personnel lead planning, set-up, maintenance, testing and execution of a recovery solution—addresses key customer needs. Demand has also increased for cloud-based recovery services.

Managed Services: We provide IT infrastructure and production services that customers use to run their businesses on a day-to-day basis. These services range from co-located IT infrastructure (e.g., we provide data center space, power, cooling and network connectivity) to fully managed infrastructure services (e.g., we fully manage the daily operation of a customer's IT infrastructure). Managed services help customers augment their IT resources and skills without having to hire full-time internal IT staff and make capital investments in infrastructure. In addition to managed hosting services for physical infrastructures, cloud hosting as well as managed services solutions spanning

mixed physical and virtual environments are becoming more commonplace. In 2010, we launched enterprise-grade cloud services and have augmented these with high availability, multi-site solutions and private cloud options in 2011. Geographically, we deliver cloud services out of the U.S., Canada and Great Britain and a lower-cost cloud option out of Ireland.

Consulting Services: We offer consulting services to help customers solve critical business availability and IT infrastructure problems. AS realigned its consulting organization in 2011 to follow a traditional partner-led practice model. Current capabilities include enterprise resiliency, technology architecture and infrastructure operations, taken to market through vertical practices focused in financial services, healthcare, manufacturing, energy and outsourcing. Consulting services focused on addressing operational risk primarily for financial institutions were also launched in 2011.

Business Continuity Management Software: We provide customized software that facilitates business continuity, with automated business continuity management (BCM) systems and incident management modules for more than 1,600 customers. There are strong growth prospects driven by customers' lack of internal IT expertise, the required familiarity with the regulatory environment and the growing demand for centralization of BCM planning and governance.

Availability Services operates across the UK and in Europe, delivering a very similar set of services as in the Americas. With locations in the UK, Ireland, France, Sweden, Belgium and Luxembourg, we have considerable ability to support customers from the European Union territories. Recently opened India operations provides workforce continuity services out of two locations.

Other

K-12 Education: We provide administrative information software solutions and related implementation and support services for K-12 school districts and private schools throughout the United States. Our software and technology services help school districts improve the efficiency of their operations and use Web-based technologies to serve their constituents. We offer a fully integrated suite of products for student information, learning management, special education, financial and human resource activities.

Public Sector: PS provides software and technology services designed to meet the specialized needs of local, state and federal governments, public safety and justice agencies, utilities and public sector institutions as well as nonprofits. More than 120 million citizens in North America live in municipalities that rely on our products and services. Our public administration solutions support a range of specialized enterprise resource planning and administrative processes for functions such as accounting, human resources, payroll, utility billing, land management and managed IT services. Public safety and justice agencies use our solutions to manage emergency dispatch operations, citizen and incident records, mobile computing in the field, and the operation of courts and jails. Our e-Government solutions help local governments to use the Internet and wireless technologies to serve their constituents. In December 2010, we sold our Public Sector U.K. operation.

Acquisitions

To complement our organic growth, we have a highly disciplined program to identify, evaluate, execute and integrate acquisitions. Generally, we seek to acquire businesses that broaden our existing product lines and service offerings by adding complementary products and service offerings and by

expanding our geographic reach. During 2011, we spent approximately $35 million in cash to acquire five businesses. The following table lists the businesses we acquired in 2011:

Acquired Company/Business	Date Acquired	Description
PredictiveMetrics, Inc.	01/31/11	A provider of predictive scoring and analytical services.
Valuelink Information Systems Limited	03/22/11	A provider of validated financial data solutions.
Stratix Technologies Inc.	03/31/11	A provider of IT consulting services to Canadian financial services companies.
Finace	8/31/11	A provider of securities lending and collateral management software.
Northern Arch	9/30/11	A global leasing and financing process management solution.

Product Development

We continually support, upgrade and enhance our systems and develop new products to meet the needs of our customers for operational efficiency and resilience and to leverage advances in technology.

Our expenditures for software development during the years ended December 31, 2010 and 2011, including amounts that were capitalized, totaled approximately $191 million and $212 million, respectively. In 2010 and 2011, software development expenses were 6% and 7%, respectively, of revenue from software and processing solutions. These amounts do not include routine software support costs, nor do they include costs incurred in performing certain customer-funded development projects in the ordinary course of business.

Marketing

Most of our FS solutions are marketed throughout North America and Western Europe and many are marketed worldwide, including Asia Pacific, Central and Eastern Europe, the Middle East, Africa and Latin America. Our AS solutions are marketed primarily in North America and Europe. Our K-12 and PS solutions are marketed in North America. Our revenue from sales outside the United States during the years ended December 31, 2009, 2010 and 2011 totaled approximately $1.45 billion, $1.50 billion and $1.67 billion, respectively.

Brand and Intellectual Property

We own registered marks for the SUNGARD name and own or have applied for trademark registrations for many of our services and software products.

To protect our proprietary services and software, we rely upon a combination of copyright, patent, trademark and trade secret law, confidentiality restrictions in contracts with employees, customers and others, software security measures, and registered copyrights and patents. We also have established policies requiring our personnel and representatives to maintain the confidentiality of our proprietary property. We have a few registrations of our copyrights and a number of patents and patent applications pending. We will continue to apply for software and business method patents on a

case-by-case basis and will continue to monitor ongoing developments in the evolving software and business method patent field (see ITEM 1A—RISK FACTORS).

Competition

Because most of our computer services and software solutions are specialized and technical in nature, most of the niche areas in which we compete have a relatively small number of significant competitors. Some of our existing competitors and some potential competitors have substantially greater financial, technological and marketing resources than we have.

Financial Systems. In our FS business, we compete with numerous other data processing and software vendors that may be broadly categorized into two groups. The first group is comprised of specialized financial systems companies that are much smaller than we are. The second group is comprised of large computer services companies whose principal businesses are not in the financial systems area, some of which are also active acquirors. We also face competition from the internal processing and IT departments of our customers and prospects. The key competitive factors in marketing financial systems are the accuracy and timeliness of processed information provided to customers, features and adaptability of the software, level and quality of customer support, degree of responsiveness, level of software development expertise, total cost of ownership and return on investment. We believe that we compete effectively with respect to each of these factors and that our leadership, reputation and experience in this business are important competitive advantages.

Availability Services. In our AS business, the greatest source of competition for recovery and advanced recovery services is in-house dedicated solutions that the enterprise develops and maintains internally instead of purchasing from a services provider. The declining cost of infrastructure has made these solutions more accessible, yet the growing complexity of IT environments driven by cloud and virtualization has increased the challenge of sustaining in-house business continuity programs. Historically, the single largest commercial competitor for recovery and advanced recovery services has been IBM Corporation, which, like us, currently provides the full continuum of information availability services. We also face moderate competition from specialized vendors, including hardware manufacturers, data-replication and virtualization software companies, outsourcers, managed hosting companies; IT services companies and telecommunications companies. Competition among managed services, including cloud and data center service providers, is fragmented across various competitor types, such as major telecommunication providers, IT outsourcers, niche cloud vendors, real estate investment trusts and regional colocation providers. We compete effectively with respect to the key competitive dimensions in the information availability industry, namely economies of scale, quality of infrastructure, scope and quality of services, including breadth of supported hardware platforms and network capacity, level and quality of customer support, level of technical expertise, vendor neutrality, and price. We are positioned with important competitive advantages including our experience, reliability and reputation as an innovator in information availability solutions, our proven track record, our financial stability and our ability to provide the entire portfolio of information availability services as a single vendor solution.

Employees

As of December 31, 2011, we had approximately 17,500 employees in continuing operations. Our success depends partly on our continuing ability to retain and attract skilled technical, sales and management personnel. While skilled personnel are in high demand and competition exists for their talents, we have been able to retain and attract highly qualified personnel (see ITEM 1A—RISK FACTORS). We believe that our employee relations are excellent.

ITEM 1A. RISK FACTORS

Certain of the matters we discuss in this Report on Form 10-K may constitute forward-looking statements. You can identify forward-looking statements because they contain words such as "believes," "expects," "may," "will," "should," "seeks," "approximately," "intends," "plans," "estimates," or "anticipates" or similar expressions which concern our strategy, plans or intentions. All statements we make relating to estimated and projected earnings, margins, costs, expenditures, cash flows, growth rates and financial results are forward-looking statements. In addition, we, through our senior management, from time to time make forward-looking public statements concerning our expected future operations and performance and other developments. All of these forward-looking statements are subject to risks and uncertainties that may change at any time, and, therefore, our actual results may differ materially from those we expected. We derive most of our forward-looking statements from our operating budgets and forecasts, which are based upon many detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and, of course, it is impossible for us to anticipate all factors that could affect our actual results. Some of the factors that we believe could affect our results include:

- general economic and market conditions;
- the condition of the financial services industry, including the effect of any further consolidation among financial services firms;
- our high degree of debt-related leverage;
- the effect of war, terrorism, natural disasters or other catastrophic events;
- the effect of disruptions to our systems and infrastructure;
- the timing and magnitude of software sales;
- the timing and scope of technological advances;
- customers taking their information availability solutions in-house;
- the trend in information availability toward solutions utilizing more dedicated resources;
- the market and credit risks associated with broker/dealer operations;
- the ability to retain and attract customers and key personnel;
- risks relating to the foreign countries where we transact business;
- the integration and performance of acquired businesses;
- the ability to obtain patent protection and avoid patent-related liabilities in the context of a rapidly developing legal framework for software and business-method patents;
- a material weakness in our internal controls; and
- unanticipated changes in our tax provision or the adoption of new tax legislation.

The factors described in this paragraph and other factors that may affect our business or future financial results, as and when applicable, are discussed in our filings with the Securities and Exchange Commission ("SEC"), including this Report on Form 10-K. We assume no obligation to update any written or oral forward-looking statements made by us or on our behalf as a result of new information, future events or other factors.

Risks Related to Our Indebtedness

Our substantial leverage could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or our industry, expose us to interest rate risk to the extent of our variable rate debt and prevent us from meeting our debt obligations.

As a result of being acquired on August 11, 2005 by a consortium of private equity investment funds, we are highly leveraged and our debt service requirements are significant.

Our high degree of debt-related leverage could have important consequences, including:

- making it more difficult for us to make payments on our debt obligations;
- increasing our vulnerability to general economic and industry conditions;
- requiring a substantial portion of cash flow from operations to be dedicated to the payment of principal and interest on our indebtedness, therefore reducing our ability to use our cash flow to fund our operations, capital expenditures and future business opportunities;
- exposing us to the risk of increased interest rates as certain of our borrowings, including borrowings under our senior secured credit facilities, are at variable rates of interest;
- restricting us from making acquisitions or causing us to make non-strategic divestitures;
- limiting our ability to obtain additional financing for working capital, capital expenditures, product development, debt service requirements, acquisitions and general corporate or other purposes; and
- limiting our ability to adjust to changing market conditions and placing us at a competitive disadvantage compared to our competitors who are less highly leveraged.

We and our subsidiaries may be able to incur substantial additional indebtedness in the future, subject to the restrictions contained in our senior secured credit agreement and the indentures relating to our senior notes due 2015, 2018 and 2020 and senior subordinated notes due 2015. If new indebtedness is added to our current debt levels, the related risks that we now face could intensify.

Our debt agreements contain restrictions that limit our flexibility in operating our business.

Our senior secured credit agreement and the indentures governing our senior notes due 2015, 2018 and 2020 and senior subordinated notes due 2015 contain various covenants that limit our ability to engage in specified types of transactions. These covenants limit our ability to, among other things:

- incur additional indebtedness or issue certain preferred shares;
- pay dividends on, repurchase or make distributions in respect of our capital stock or make other restricted payments;
- make certain investments;
- sell certain assets;
- create liens;
- consolidate, merge, sell or otherwise dispose of all or substantially all of our assets; and
- enter into certain transactions with our affiliates.

In addition, under the senior secured credit agreement, we are required to satisfy and maintain specified financial ratios and other financial condition tests. Our ability to meet those financial ratios and tests can be affected by events beyond our control, and we may not be able to meet those ratios and tests. A breach of any of these covenants could result in a default under the senior secured credit agreement. Upon an event of default under the senior secured credit agreement, the lenders could elect to declare all amounts outstanding to be immediately due and payable and terminate all commitments to extend further credit.

If we were unable to repay those amounts, the lenders under the senior secured credit agreement could proceed against the collateral granted to them to secure that indebtedness. We have pledged a significant portion of our assets as collateral under the senior secured credit agreement and the senior notes due 2014, to the extent required by the indenture governing these notes. If the lenders under the senior secured credit agreement accelerate the repayment of borrowings, we may not have sufficient assets to repay the senior secured credit facilities and the senior notes, as well as our unsecured indebtedness.

Risks Related to Our Business

Our business depends largely on the economy and financial markets, and a slowdown or downturn in the economy or financial markets could adversely affect our business and results of operations.

When there is a slowdown or downturn in the economy, a drop in stock market levels or trading volumes, or an event that disrupts the financial markets, our business and financial results may suffer for a number of reasons. Customers may react to worsening conditions by reducing their capital expenditures in general or by specifically reducing their IT spending. In addition, customers may curtail or discontinue trading operations, delay or cancel IT projects, or seek to lower their costs by renegotiating vendor contracts. Also, customers with excess IT resources may choose to take their information availability solutions in-house rather than obtain those solutions from us. Moreover, competitors may respond to market conditions by lowering prices and attempting to lure away our customers to lower cost solutions. If any of these circumstances remain in effect for an extended period of time, there could be a material adverse effect on our financial results. Because our financial performance tends to lag behind fluctuations in the economy, our recovery from any particular downturn in the economy may not occur until after economic conditions have generally improved.

Our business depends to a significant degree on the financial services industry, and a weakening of, or further consolidation in, or new regulations affecting, the financial services industry could adversely affect our business and results of operations.

Because our customer base is concentrated in the financial services industry, our business is largely dependent on the health of that industry. When there is a general downturn in the financial services industry, or if our customers in that industry experience financial or business problems, our business and financial results may suffer. If financial services firms continue to consolidate, there could be a material adverse effect on our business and financial results. When a customer merges with a firm using its own solution or another vendor’s solution, it could decide to consolidate on a non-SunGard system, which could have an adverse effect on our financial results.

To the extent newly adopted regulations negatively impact the business, operations or financial condition of our customers, our business and financial results could be adversely affected. We could be required to invest a significant amount of time and resources to comply with additional regulations or

to modify the manner in which we provide products and services to our customers; and such regulations could limit how much we can charge for our services. We may not be able to update our existing products and services, or develop new ones at all or in a timely manner, to satisfy our customers' needs. Any of these events, if realized, could have a material adverse effect on our business and financial results.

Catastrophic events may disrupt or otherwise adversely affect the markets in which we operate, our business and our profitability.

Our business may be adversely affected by a war, terrorist attack, natural disaster or other catastrophe. A catastrophic event could have a direct negative impact on us or an indirect impact on us by, for example, affecting our customers, the financial markets or the overall economy. The potential for a direct impact is due primarily to our significant investment in our infrastructure. Although we maintain redundant facilities and have contingency plans in place to protect against both man-made and natural threats, it is impossible to fully anticipate and protect against all potential catastrophes. Despite our preparations, a security breach, criminal act, military action, power or communication failure, flood, severe storm or the like could lead to service interruptions and data losses for customers, disruptions to our operations, or damage to our important facilities. The same disasters or circumstances that may lead to our customers requiring access to our availability services may negatively impact our own ability to provide such services. Our three largest availability services facilities are particularly important, and a major disruption at one or more of those facilities could disrupt or otherwise impair our ability to provide services to our availability services customers. If any of these events happen, we may be exposed to unexpected liability, our customers may leave, our reputation may be tarnished, and there could be a material adverse effect on our business and financial results.

Our application service provider systems may be subject to disruptions that could adversely affect our reputation and our business.

Our application service provider systems maintain and process confidential data on behalf of our customers, some of which is critical to their business operations. For example, our capital markets systems maintain account and trading information for our customers and their clients, and our wealth management and insurance systems maintain investor account information for retirement plans, insurance policies and mutual funds. There is no guarantee that the systems and procedures that we maintain to protect against unauthorized access to such information are adequate to protect against all security breaches. If our application service provider systems are disrupted or fail for any reason, or if our systems or facilities are infiltrated or damaged by unauthorized persons, our customers could experience data loss, financial loss, harm to reputation and significant business interruption. If that happens, we may be exposed to unexpected liability, our customers may leave, our reputation may be tarnished, and there could be a material adverse effect on our business and financial results.

Because the sales cycle for our software is typically lengthy and unpredictable, our results may fluctuate from period to period.

Our operating results may fluctuate from period to period and be difficult to predict in a particular period due to the timing and magnitude of software sales. We offer a number of our software solutions on a license basis, which means that the customer has the right to run the software on its own computers. The customer usually makes a significant up-front payment to license software, which we generally recognize as revenue when the license contract is signed and the software is delivered. The size of the up-front payment often depends on a number of factors that are different for each customer,

such as the number of customer locations, users or accounts. As a result, the sales cycle for a software license may be lengthy and take unexpected turns. Thus, it is difficult to predict when software sales will occur or how much revenue they will generate. Since there are few incremental costs associated with software sales, our operating results may fluctuate from quarter to quarter and year to year due to the timing and magnitude of software sales.

Rapid changes in technology and our customers' businesses could adversely affect our business and financial results.

Our business may suffer if we do not successfully adapt our products and services to changes in technology and changes in our customers' businesses. These changes can occur rapidly and at unpredictable intervals and we may not be able to respond adequately. If we do not successfully update and integrate our products and services to adapt to these changes, or if we do not successfully develop new products and services needed by our customers to keep pace with these changes, then our business and financial results may suffer. Our ability to keep up with technology and business changes is subject to a number of risks and we may find it difficult or costly to, among other things:

- update our products and services and to develop new products fast enough to meet our customers' needs;
- make some features of our products and services work effectively and securely over the Internet;
- integrate more of our FS solutions;
- update our products and services to keep pace with business, regulatory and other developments in the financial services industry, where many of our customers operate; and
- update our services to keep pace with advancements in hardware, software and telecommunications technology.

Some technological changes, such as advancements that have facilitated the ability of our AS customers to develop their own internal solutions, may render some of our products and services less valuable or eventually obsolete. In addition, because of ongoing, rapid technological changes, the useful lives of some technology assets have become shorter and customers are therefore replacing these assets more often. As a result, our customers are increasingly expressing a preference for contracts with shorter terms, which could make our revenue less predictable in the future.

Customers taking their information availability solutions in-house or leveraging inexpensive shared cloud-based solutions may create greater pressure on our organic revenue growth rate.

Our AS solutions allow customers to leverage our technology expertise and process-IP, resource management capabilities and substantial infrastructure investments. Technological advances in recent years have significantly reduced the cost and the complexity of developing in-house solutions. Some customers, especially among the very largest having significant IT resources, prefer to develop and maintain their own in-house availability solutions, which can result in a loss of revenue from those customers. If this trend continues or worsens, there will be continued pressure on our organic revenue growth rate. Also, cloud-based solutions are often perceived as inherently redundant and highly available. This is a misconception, as high availability is only provided when expressly engineered into a cloud environment. However, this belief along with the opportunity to leverage inexpensive cloud infrastructure for shared recovery options can, over time, become a more significant competitive threat especially in the area of availability solutions for less critical applications.

The trend toward information availability solutions utilizing more single customer dedicated resources likely will lower our overall operating margin rate over time.

In the information availability services industry, especially among our more sophisticated customers, there is preference for solutions that utilize some level of dedicated resources, such as blended advanced recovery services and managed services. The primary reason for this is that adding dedicated resources, although more costly, provides greater control, increases security, reduces data loss and facilitates quicker responses to business interruptions. Advanced recovery services often result in greater use of dedicated resources with a modest decrease in operating margin rate. Managed services require significant dedicated resources and, therefore, have an appropriately lower operating margin rate.

Our brokerage operations are highly regulated and are riskier than our other businesses.

Organizations like the SEC, the Financial Services Authority and the Financial Industry Regulatory Authority can, among other things, fine, censure, issue cease-and-desist orders and suspend or expel a broker/dealer or any of its officers or employees for failures to comply with the many laws and regulations that govern brokerage activities. Such sanctions may arise out of currently-conducted activities or those conducted in prior periods. Our ability to comply with these laws and regulations is largely dependent on our establishment, maintenance and enforcement of an effective brokerage compliance program. Our failure to establish, maintain and enforce proper brokerage compliance procedures, even if unintentional, could subject us to significant losses, lead to disciplinary or other actions, and tarnish our reputation. Regulations affecting the brokerage industry may change, which could adversely affect our financial results.

We are exposed to certain risks relating to the execution and clearance services provided by our brokerage operations to customers and counterparties (including other broker/dealers), active traders, hedge funds, and other institutional and noninstitutional clients. These risks include, but are not limited to, customers failing to pay for securities commitments in the marketplace, trading errors, the inability or failure to settle trades, and trade execution or clearance systems failures. In our other businesses, we generally can disclaim liability for trading losses that may be caused by our software, but in our brokerage operations, we may not be able to limit our liability for trading losses even when we are not at fault. As a result we may suffer losses that are disproportionate to the relatively modest profit contributions of this business.

If we fail to comply with government regulations in connection with our business or providing technology services to certain financial institutions, our business and results of operations may be adversely affected.

Because we act as a third-party service provider to financial institutions and provide mission-critical applications for many financial institutions that are regulated by one or more member agencies of the Federal Financial Institutions Examination Council (“FFIEC”), we are subject to examination by the member agencies of the FFIEC. More specifically, we are a Multi-Regional Data Processing Servicer of the FFIEC because we provide mission critical applications for financial institutions from several data centers located in different geographic regions. As a result, the FFIEC conducts periodic reviews of certain of our operations in order to identify existing or potential risks associated with our operations that could adversely affect the financial institutions to whom we provide services, evaluate our risk management systems and controls, and determine our compliance with applicable laws that affect the services we provide to financial institutions. In addition to examining areas such as our management of technology, data integrity, information confidentiality and service availability, the

reviews also assess our financial stability. Our incurrence of significant debt in connection with the LBO increases the risk of an FFIEC agency review determining that our financial stability has been weakened. A sufficiently unfavorable review from the FFIEC could result in our financial institution customers not being allowed to use our technology services, which could have a material adverse effect on our business and financial condition.

If we fail to comply with any regulations applicable to our business, we may be exposed to unexpected liability and/or governmental proceedings, our customers may leave, our reputation may be tarnished, and there could be a material adverse effect on our business and financial results. In addition, the future enactment of more restrictive laws or rules on the federal or state level, or, with respect to our international operations, in foreign jurisdictions on the national, provincial, state or other level, could have an adverse impact on business and financial results.

If we are unable to retain or attract customers, our business and financial results will be adversely affected.

If we are unable to keep existing customers satisfied, sell additional products and services to existing customers or attract new customers, then our business and financial results may suffer. A variety of factors could affect our ability to successfully retain and attract customers, including the level of demand for our products and services, the level of customer spending for information technology, the level of competition from customers that develop their own solutions internally and from other vendors, the quality of our customer service, our ability to update our products and develop new products and services needed by customers, and our ability to integrate and manage acquired businesses. Further, the markets in which we operate are highly competitive and we may not be able to compete effectively. Our services revenue, which has been largely recurring in nature, comes from the sale of our products and services under fixed-term contracts. We do not have a unilateral right to extend these contracts when they expire. Revenue from our broker/dealer businesses is not subject to minimum or ongoing contractual commitments on the part of brokerage customers. If customers cancel or refuse to renew their contracts, or if customers reduce the usage levels or asset values under their contracts, there could be a material adverse effect on our business and financial results.

If we fail to retain key employees, our business may be harmed.

Our success depends on the skill, experience and dedication of our employees. If we are unable to retain and attract sufficiently experienced and capable personnel, especially in product development, sales and management, our business and financial results may suffer. For example, if we are unable to retain and attract a sufficient number of skilled technical personnel, our ability to develop high quality products and provide high quality customer service may be impaired. Experienced and capable personnel in the technology industry remain in high demand, and there is continual competition for their talents. When talented employees leave, we may have difficulty replacing them, and our business may suffer. There can be no assurance that we will be able to successfully retain and attract the personnel that we need.

We are subject to the risks of doing business internationally.

A portion of our revenue is generated outside the United States, primarily from customers located in Europe. Over the past few years we have expanded our operations in India and acquired businesses in China and Singapore in an effort to increase our presence throughout Asia Pacific. Because we sell our services outside the United States, our business is subject to risks associated with doing business

internationally. Accordingly, our business and financial results could be adversely affected due to a variety of factors, including:

- changes in a specific country's or region's political and cultural climate or economic condition;
- unexpected or unfavorable changes in foreign laws and regulatory requirements;
- difficulty of effective enforcement of contractual provisions in local jurisdictions;
- inadequate intellectual property protection in foreign countries;
- trade-protection measures, import or export licensing requirements such as Export Administration Regulations promulgated by the U.S. Department of Commerce and fines, penalties or suspension or revocation of export privileges;
- the effects of applicable foreign tax law and potentially adverse tax law changes;
- significant adverse changes in foreign currency exchange rates;
- longer accounts receivable cycles;
- managing a geographically dispersed workforce; and
- difficulties associated with repatriating cash in a tax-efficient manner.

In foreign countries, particularly in those with developing economies, certain business practices may exist that are prohibited by laws and regulations applicable to us, such as the U.S. Foreign Corrupt Practices Act. Although our policies and procedures require compliance with these laws and are designed to facilitate compliance with these laws, our employees, contractors and agents may take actions in violation of applicable laws or our policies. Any such violation, even if prohibited by our policies, could have a material adverse effect on our business and reputation.

Our acquisition program is part of our strategy but, because of the uncertainties involved, this program may not be successful and we may not be able to successfully integrate and manage acquired businesses.

Generally, we seek to acquire businesses that broaden our existing product lines and service offerings by adding complementary products and service offerings and by expanding our geographic reach. There can be no assurance that our acquisition program will be successful or that we will be able to identify suitable acquisition candidates and successfully complete acquisitions. In addition, we may finance any future acquisition with debt, which would increase our overall levels of indebtedness and related interest costs. If we are unable to successfully integrate and manage acquired businesses, then our business and financial results may suffer. It is possible that the businesses we have acquired and businesses that we acquire in the future may perform worse than expected, be subject to an adverse litigation outcome or prove to be more difficult to integrate and manage than expected. If that happens, there may be a material adverse effect on our business and financial results for a number of reasons, including:

- we may have to devote unanticipated financial and management resources to acquired businesses;
- we may not be able to realize expected operating efficiencies or product integration benefits from our acquisitions;
- we may have to write off goodwill or other intangible assets; and
- we may incur unforeseen obligations or liabilities (including assumed liabilities not fully indemnified by the seller) in connection with acquisitions.

We could lose revenue due to "fiscal funding" or "termination for convenience" clauses in certain customer contracts, especially in our K-12 and PS businesses.

Certain of our customer contracts, particularly those with governments and school districts, may be partly or completely terminated by the customer due to budget cuts or sometimes for any reason at all. These types of clauses are often called "fiscal funding" or "termination for convenience" clauses. If a customer exercises one of these clauses, the customer would be obligated to pay for the services we performed up to the date of exercise, but would not have to pay for any further services. In addition, governments and school districts may require contract terms that differ from our standard terms. While we have not been materially affected by exercises of these clauses or other unusual terms in the past, we may be in the future. If customers that collectively represent a substantial portion of our revenue were to invoke the fiscal funding or termination for convenience clauses of their contracts, our future business and results of operations could be adversely affected.

The private equity firms that acquired the Company ("Sponsors") control us and may have conflicts of interest with us.

Investment funds associated with or designated by the Sponsors indirectly own, through their ownership in the Parent Companies, a substantial portion of our capital stock. As a result, the Sponsors have control over our decisions to enter into any corporate transaction regardless of whether noteholders believe that any such transaction is in their own best interests. For example, the Sponsors could cause us to make acquisitions or pay dividends that increase the amount of indebtedness that is secured or that is senior to our senior subordinated notes or to sell assets.

Additionally, the Sponsors are in the business of making investments in companies and may from time to time acquire and hold interests in businesses that compete directly or indirectly with us. One or more of the Sponsors may also pursue acquisition opportunities that may be complementary to our business and, as a result, those acquisition opportunities may not be available to us. So long as investment funds associated with or designated by the Sponsors continue to indirectly own a significant amount of the outstanding shares of our common stock, even if such amount is less than 50%, the Sponsors will continue to be able to strongly influence or effectively control our decisions.

If we are unable to protect our proprietary technologies and defend infringement claims, we could lose one of our competitive advantages and our business could be adversely affected.

Our success depends in part on our ability to protect our proprietary products and services and to defend against infringement claims. If we are unable to do so, our business and financial results may suffer. To protect our proprietary technology, we rely upon a combination of copyright, patent, trademark and trade secret law, confidentiality restrictions in contracts with employees, customers and others, software security measures, and registered copyrights and patents. Despite our efforts to protect the proprietary technology, unauthorized persons may be able to copy, reverse engineer or otherwise use some of our technology. It also is possible that others will develop and market similar or better technology to compete with us. Furthermore, existing patent, copyright and trade secret laws may afford only limited protection, and the laws of certain countries do not protect proprietary technology as well as United States law. For these reasons, we may have difficulty protecting our proprietary technology against unauthorized copying or use. If any of these events happens, there could be a material adverse effect on the value of our proprietary technology and on our business and financial results. In addition, litigation may be necessary to protect our proprietary technology. This type of litigation is often costly and time-consuming, with no assurance of success.

We may be sued for violating the intellectual property rights of others.

The software industry is characterized by the existence of a large number of trade secrets, copyrights and the rapid issuance of patents, as well as frequent litigation based on allegations of infringement or other violations of intellectual property rights. We may unknowingly violate the intellectual property rights of others. Some of our competitors or other third parties may have been more aggressive than us in applying for or obtaining patent protection for innovative proprietary technologies both in the United States and internationally. In addition, we use a limited amount of open source software in our products and may use more open source software in the future. Because open source software is developed by numerous independent parties over whom we exercise no supervision or control, allegations of infringement for using open source software are possible. Although we monitor our use and our suppliers' use of open source software to avoid subjecting our products to conditions we do not intend, the terms of many open source licenses have not been interpreted by United States or other courts, and there is a risk that these licenses could be construed in a manner that could impose unanticipated conditions or restrictions on our ability to commercialize our products.

As a result of all of these factors, there can be no assurance that in the future third parties will not assert infringement claims against us and preclude us from using a technology in our products or require us to enter into royalty and licensing arrangements on terms that are not favorable to us, or force us to engage in costly infringement litigation, which could result in us paying monetary damages or being forced to redesign our products to avoid infringement. Additionally, our licenses and service agreements with our customers generally provide that we will defend and indemnify them for claims against them relating to our alleged infringement of the intellectual property rights of third parties with respect to our products or services. We might have to defend or indemnify our customers to the extent they are subject to these types of claims. Any of these claims may be difficult and costly to defend and may lead to unfavorable judgments or settlements, which could have a material adverse effect on our reputation, business and financial results. For these reasons, we may find it difficult or costly to add or retain important features in our products and services.

At present, we are vigorously defending a number of patent infringement cases. While we do not believe we have a potential liability for damages or royalties from any known current legal proceedings or claims related to the infringement of patent or other intellectual property rights that would individually or in the aggregate materially adversely affect our financial condition and operating results, the results of such legal proceedings cannot be predicted with certainty. Should we fail to prevail in any of the matters related to infringement of patent or other intellectual property rights of others or should several of these matters be resolved against us in the same reporting period, it could have a material adverse effect on our business and financial results.

Defects, design errors or security flaws in our products could harm our reputation and expose us to potential liability.

Most of our products are very complex software systems that are regularly updated. No matter how careful the design and development, complex software often contains errors and defects when first introduced and when major new updates or enhancements are released. If errors or defects are discovered in our current or future products, we may not be able to correct them in a timely manner, if at all. In our development of updates and enhancements to our products, we may make a major design error that makes the product operate incorrectly or less efficiently.

In addition, certain of our products include security features that are intended to protect the privacy and integrity of customer data. Despite these security features, our products and systems, and our customers' systems may be vulnerable to break-ins and similar problems caused by third parties, such as hackers bypassing firewalls and misappropriating confidential information. Such break-ins or other disruptions could jeopardize the security of information stored in and transmitted through our computer systems and those of our customers, subject us to liability and tarnish our reputation. We may need to expend significant capital resources in order to eliminate or work around errors, defects, design errors or security problems. Any one of these problems in our products may result in the loss of or a delay in market acceptance of our products, the diversion of development resources, a lower rate of license renewals or upgrades and damage to our reputation, and in turn may increase service and warranty costs.

We have concluded that our internal control over financial reporting was not effective as of December 31, 2011 as a result of our identification of a material weakness related to accounting for deferred income taxes. A material weakness in our internal controls could have a material adverse affect on us.

Effective internal controls are necessary for us to provide reasonable assurance with respect to our financial reports and to effectively prevent fraud. If we cannot provide reasonable assurance with respect to our financial reports and effectively prevent fraud, our reputation and operating results could be harmed. Internal control over financial reporting may not prevent or detect misstatements because of its inherent limitations, including the possibility of human error, the circumvention or overriding of controls, or fraud. Further, the complexities of our quarter- and year-end closing processes increase the risk that a weakness in internal controls over financial reporting may go undetected. Therefore, even effective internal controls can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements. In addition, projections of any evaluation of effectiveness of internal control over financial reporting to future periods are subject to the risk that the control may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In connection with our assessment of internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act of 2002 as of December 31, 2011, we identified a material weakness related to our accounting for deferred income taxes. For a discussion of our internal control over financial reporting and a description of the identified material weakness, see "Management's Report on Internal Control Over Financial Reporting" included in Item 9A of this Report. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

A material weakness in our internal control over financial reporting could adversely impact our ability to provide timely and accurate financial information. We plan to implement a number of remediation steps to address the material weakness as described in Item 9A of this Report. If we are unsuccessful in implementing or following our remediation plan, we may not be able to timely or accurately report our financial condition, results of operations or cash flows or maintain effective disclosure controls and procedures. If we are unable to report financial information timely and accurately or to maintain effective disclosure controls and procedures, we could be subject to, among other things, regulatory or enforcement actions by the SEC, any one of which could adversely affect our business prospects.

Unanticipated changes in our tax provision or the adoption of new tax legislation could affect our profitability or cash flow.

We are subject to income taxes in the United States and many foreign jurisdictions. Significant judgment is required in determining our worldwide provision for income taxes. We regularly are under audit by tax authorities. Although we believe our tax provision is reasonable, the final determination of our tax liability could be materially different from our historical income tax provisions, which could have a material effect on our financial position, results of operations or cash flows. In addition, tax-law amendments in the U.S. and other jurisdictions could significantly impact how U.S. multinational corporations are taxed. Although we cannot predict whether or in what form such legislation will pass, if enacted it could have a material adverse effect on our business and financial results.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We lease space, primarily for availability services facilities, data centers, sales offices, customer support offices and administrative offices, in many locations worldwide. We also own some of our computer and office facilities. Our principal facilities include our leased Availability Services facilities in Philadelphia, Pennsylvania (629,800 square feet), Carlstadt, New Jersey (661,000 square feet), and Hounslow, England (195,000 square feet) and include our financial systems application service provider centers in Voorhees, New Jersey; Birmingham, Alabama; Burlington, Massachusetts; Hopkins, Minnesota; Ridgefield, New Jersey; and Wayne, Pennsylvania. We believe that our leased and owned facilities are adequate for our present operations.

ITEM 3. LEGAL PROCEEDINGS

We are presently a party to certain lawsuits arising in the ordinary course of our business. We believe that none of our current legal proceedings will be material to our business, financial condition or results of operations.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANTS' COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our outstanding common stock is privately held, and there is no established public trading market for our common stock. As of March 1, 2012, there were 376 holders of record of each of Class A common stock and Class L common stock of SCC, and there was one holder of record of common stock of SunGard.

See ITEM 7-LIQUIDITY AND CAPITAL RESOURCES—COVENANT COMPLIANCE for a description of restrictions on our ability to pay dividends.

Item 6. SELECTED FINANCIAL DATA

SunGard Capital Corp.

(in millions)	2007	2008	2009	2010	2011
Income Statement Data [1]					
Revenue	$ 4,154	$ 4,861	$ 4,806	$ 4,490	**$ 4,499**
Operating income (loss)	522	534	(686)	205	**333**
Net loss from continuing operations	(121)	(146)	(1,184)	(414)	**(75)**
Net income (loss) from discontinued operations	61	(96)	67	(156)	**(76)**
Net loss	(60)	(242)	(1,117)	(570)	**(151)**
Cash Flow Data					
Cash flow from operations	$ 689	$ 384	$ 640	$ 721	**$ 678**
Balance Sheet Data					
Total assets	$14,842	$15,778	$13,980	$12,968	**$12,550**
Total short-term and long-term debt	7,485	8,875	8,315	8,055	**7,829**
Equity	3,384	2,869	1,914	1,452	**1,375**

SunGard Capital Corp. II

(in millions)	2007	2008	2009	2010	2011
Income Statement Data [1]					
Revenue	$ 4,154	$ 4,861	$ 4,806	$ 4,490	**$ 4,499**
Operating income (loss)	523	534	(686)	205	**333**
Net loss from continuing operations	(121)	(146)	(1,185)	(414)	**(75)**
Net income (loss) from discontinued operations	61	(96)	67	(156)	**(76)**
Net loss	(60)	(242)	(1,118)	(570)	**(151)**
Cash Flow Data					
Cash flow from operations	$ 701	$ 385	$ 640	$ 721	**$ 678**
Balance Sheet Data					
Total assets	$14,840	$15,778	$13,980	$12,968	**$12,550**
Total short-term and long-term debt	7,485	8,875	8,315	8,055	**7,829**
Stockholders' equity	3,505	3,011	2,026	1,567	**1,433**

SunGard Data Systems Inc.

(in millions)	2007	2008	2009	2010	2011
Income Statement Data [1]					
Revenue	$ 4,154	$ 4,861	$ 4,806	$ 4,490	**$ 4,499**
Operating income (loss)	523	534	(686)	205	**333**
Net loss from continuing operations	(121)	(146)	(1,185)	(414)	**(73)**
Net income (loss) from discontinued operations	61	(96)	67	(156)	**(76)**
Net loss	(60)	(242)	(1,118)	(570)	**(149)**
Cash Flow Data					
Cash flow from operations	$ 701	$ 385	$ 639	$ 721	**$ 678**
Balance Sheet Data					
Total assets	$14,840	$15,778	$13,980	$12,968	**$12,550**
Total short-term and long-term debt	7,485	8,875	8,315	8,055	**7,829**
Stockholder's equity	3,556	3,063	2,067	1,607	**1,461**

(1) Included in 2007 loss from continuing operations is $28 million of expense associated with the early retirement of $400 million of senior floating rate notes due 2013, of which $19 million represented the retirement premium paid to noteholders.

Included in 2008 loss from continuing operations are intangible asset write-offs of $67 million and foreign currency losses and unused alternative financing commitment fees associated with the acquisition of GL TRADE S.A. of $17 million. Included in 2008 income from discontinued operations is a goodwill impairment charge of $128 million.

Included in 2009 loss from continuing operations is a goodwill impairment charge of $1.13 billion and intangible asset write-offs of $35 million.

Included in 2010 loss from continuing operations are goodwill impairment charges of $205 million and $58 million of expense, including tender and call premiums of $39 million, associated with the early retirement of $1.6 billion senior notes due 2013 and euro denominated term loans. Included in 2010 loss from discontinued operations are goodwill impairment charges of $123 million and a loss on disposal of discontinued operations of $94 million.

Included in 2011 loss from continuing operations are goodwill impairment charges of $48 million that are related to prior year periods but have been corrected in 2011 and an income tax benefit of $48 million reflecting the amortization of the deferred tax liability which benefit would have been reflected in the statement of comprehensive income had the 2009 adjustment not been made. Included in 2011 income (loss) from discontinued operations is $135 million of deferred tax expense related to the book-over-tax basis difference of a HE subsidiary that is classified as held for sale at December 31, 2011 and a goodwill impairment charge of $3 million.

See Notes 1, 2 and 6 of Notes to Consolidated Financial Statements.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

We are one of the world's leading software and technology services companies. We provide software and technology services to financial services, education and public sector organizations. We also provide disaster recovery services, managed services, information availability consulting services and business continuity management software. We serve approximately 25,000 customers in more than 70 countries. Our high quality software solutions, excellent customer support and specialized technology services result in strong customer retention rates across all of our business segments and create long-term customer relationships. We believe that we are one of the most efficient operators of mission-critical IT solutions as a result of the economies of scale we derive from serving multiple customers on shared processing platforms.

We operate our business in three segments: Financial Systems ("FS"), Availability Services ("AS") and Other, which is comprised of K-12 Education ("K-12") and Public Sector ("PS"). Our FS segment primarily serves financial services companies, corporate and government treasury departments and energy companies. Our AS segment serves IT-dependent companies across virtually all industries. Our Other segment primarily serves state and local governments, nonprofit organizations and K-12 school districts and private schools throughout the U.S.

SunGard Data Systems Inc. ("SunGard") was acquired on August 11, 2005 in a leveraged buy-out by a consortium of private equity investment funds associated with Bain Capital Partners, The Blackstone Group, Goldman Sachs & Co., Kohlberg Kravis Roberts & Co., Providence Equity Partners, Silver Lake and TPG (the "LBO").

SunGard is a wholly owned subsidiary of SunGard Holdco LLC, which is wholly owned by SunGard Holding Corp., which is wholly owned by SunGard Capital Corp. II ("SCCII"), which is a subsidiary of SunGard Capital Corp ("SCC"). SCCII and SCC are collectively referred to as the "Parent Companies." All four of these companies were formed for the purpose of facilitating the LBO and are collectively referred to as the "Holding Companies."

FS provides mission-critical software and technology services to virtually every type of financial services institution, including buy-side and sell-side institutions, third-party administrators, wealth managers, retail banks, insurance companies, corporate treasuries and energy trading firms. Our broad range of complementary software solutions and associated technology services help financial services institutions automate the business processes associated with trading, managing portfolios and accounting for investment assets.

AS provides disaster recovery services, managed IT services, information availability consulting services and business continuity management software to over 9,000 customers in North America and Europe. With five million square feet of data center and operations space, AS 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. Through direct sales and channel partners, AS helps organizations ensure their people and customers have uninterrupted access to the information systems they need in order to do business.

Other provides software and technology services designed to meet the specialized needs of local, state and federal governments, public safety and justice agencies, public and private schools, utilities, nonprofits and other public sector institutions.

SunGard's results of operations typically trail current economic activity, largely due to the multi-year contracts that generate the majority of our revenue. We participate in the financial services and public sector industries and, in our availability services business, across a broad cross-section of the economy. Each of these sectors, to varying degrees, has experienced some disruption. The results in 2010 and 2011 reflect the impact of these challenging economic conditions. In response, we are focused on right-sizing our expense base in line with expected revenue opportunities but have continued to invest in capital spending, product development and to opportunistically acquire technology through acquisitions.

The following discussion reflects the results of operations and financial condition of SCC, which are materially the same as the results of operations and financial condition of SCCII and SunGard. Therefore, the discussions provided are applicable to each of SCC, SCCII and SunGard unless otherwise noted. Also, the following discussion includes historical and certain forward-looking information that should be read together with the accompanying Consolidated Financial Statements and related footnotes and the discussion above of certain risks and uncertainties (see ITEM 1A—RISK FACTORS) that could cause future operating results to differ materially from historical results or the expected results indicated by forward-looking statements.

Use of Estimates and Critical Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make many estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses. Those estimates and judgments are based on historical experience, future expectations and other factors and assumptions we believe to be reasonable under the circumstances. We review our estimates and judgments on an ongoing basis and revise them when necessary. Actual results may differ from the original or revised estimates. A summary of our significant accounting policies is contained in Note 1 of Notes to Consolidated Financial Statements. A description of the most critical policies and those areas where estimates have a relatively greater effect in the financial statements follows. Our management has discussed the critical accounting policies described below with our audit committee.

Intangible Assets and Purchase Accounting

Purchase accounting requires that all assets and liabilities be recorded at fair value on the acquisition date, including identifiable intangible assets separate from goodwill. Identifiable intangible assets include customer base (which includes customer contracts and relationships), software and trade name. Goodwill represents the excess of cost over the fair value of net assets acquired.

The estimated fair values and useful lives of identifiable intangible assets are based on many factors, including estimates and assumptions of future operating performance and cash flows of the acquired business, the nature of the business acquired, the specific characteristics of the identified intangible assets, and our historical experience and that of the acquired business. The estimates and assumptions used to determine the fair values and useful lives of identified intangible assets could change due to numerous factors, including product demand, market conditions, technological developments, economic conditions and competition. In connection with our determination of fair values for the LBO and for other significant acquisitions, we engage independent appraisal firms to assist us with the valuation of intangible (and certain tangible) assets acquired and certain assumed obligations.

We periodically review carrying values and useful lives of long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. Factors that could indicate an impairment include significant underperformance of the asset as compared to historical or projected future operating results, or significant negative industry or economic trends. When we determine that the carrying value of an asset may not be recoverable, the related estimated future undiscounted cash flows expected to result from the use and eventual disposition of the asset are compared to the carrying value of the asset. If the sum of the estimated future undiscounted cash flows is less than the carrying amount, we record an impairment charge based on the difference between the carrying value of the asset and its fair value, which we estimate based on discounted expected future cash flows. In determining whether an asset is impaired, we make assumptions regarding recoverability of costs, estimated future cash flows from the asset, intended use of the asset and other relevant factors. If these estimates or their related assumptions change, we may be required to record impairment charges for these assets.

We are required to perform a goodwill impairment test, a two-step test, annually and more frequently when negative conditions or a triggering event arise. We complete our annual goodwill impairment test as of July 1 for each of our 13 reporting units. In step one, the estimated fair value of each reporting unit is compared to its carrying value. We estimate the fair values of each reporting unit by a combination of (i) estimation of the discounted cash flows of each of the reporting units based on projected earnings in the future (the income approach) and (ii) a comparative analysis of revenue and EBITDA multiples of public companies in similar markets (the market approach). If there is a deficiency (the estimated fair value of a reporting unit is less than the carrying value), a step two test is required. In step two, the amount of any goodwill impairment is measured by comparing the implied fair value of the reporting unit's goodwill to the carrying value of goodwill, with any resulting impairment reflected in operations. The implied fair value is determined in the same manner as the amount of goodwill recognized in a business combination.

In September 2011, the FASB issued amended guidance that will simplify how entities test goodwill for impairment. After assessment of certain qualitative factors, if it is determined to be more likely than not that the fair value of a reporting unit is less than its carrying amount, entities must perform the quantitative analysis of the goodwill impairment test. Otherwise, the quantitative test(s) become optional. The guidance is effective January 1, 2012 with early adoption permitted. The Company will adopt this guidance for our 2012 goodwill impairment test.

Estimating the fair value of a reporting unit requires various assumptions including projections of future cash flows, perpetual growth rates and discount rates that reflect the risks associated with achieving those cash flows. The assumptions about future cash flows and growth rates are based on management's assessment of a number of factors including the reporting unit's recent performance against budget, performance in the market that the reporting unit serves, as well as industry and general economic data from third party sources. Discount rate assumptions are based on an assessment of the risk inherent in those future cash flows. Changes to the underlying businesses could affect the future cash flows, which in turn could affect the fair value of the reporting unit. For our most recent annual impairment test as of July 1, 2011, the discount rates used were between 10% and 12% and perpetual growth rates used were between 3% or 4%, based on the specific characteristics of the reporting unit. Based on the results of the step one tests, the Company determined that the fair values of each of its reporting units exceeded carrying value and a step two test was not required for any of the 13 reporting units.

The Company has three reporting units, whose goodwill balances in the aggregate total $1.2 billion as of December 31, 2011, where the excess of the estimated fair value over carrying value of the reporting unit was less than 15% of the carrying value as of the July 1, 2011 impairment test. A one percentage point decrease in the perpetual growth rate or a one percentage point increase in the discount rate would cause each of these reporting units to fail the step one test and require a step two analysis, and some or all of this goodwill could be impaired. Furthermore, if any of these units fail to achieve expected performance levels in the next twelve months or experience a downturn in the business below current expectations, goodwill could be impaired. The Company's remaining 10 reporting units each had estimated fair values which exceeded of the carrying value of the reporting unit by at least 20% as of the July 1, 2011 impairment test. Two of the Company's 13 reporting units, whose combined goodwill balance was $929 million and was included in assets held for sale as of December 31, 2011, were sold in connection with the HE sale in January 2012.

In 2009, we recorded an adjustment to the state income tax rate used to calculate the deferred income tax liabilities associated with the intangible assets at the LBO date which resulted in reductions to our deferred tax liability and goodwill balances of approximately $114 million. During 2011 we determined that the 2009 adjustment was incorrect and have reversed it, thereby increasing the deferred tax liability and goodwill balances each by approximately $100 million for continuing operations and $14 million for assets (liabilities) held for sale. During 2011, as a result of this correction, we recorded a goodwill impairment charge of $48 million, of which $36 million related to the impairment charge in 2009 and $12 million related to the impairment charge in 2010, and recorded a $3 million goodwill impairment charge in discontinued operations that related to the 2010 impairment charge. In addition, we recorded an income tax benefit of $48 million, of which $35 million related to prior periods, reflecting the amortization of the deferred income tax liability which benefit would have been reflected in the statement of comprehensive income had the 2009 adjustment not been made. Had we recorded the goodwill impairment charges in the correct periods, the impairment charge for 2009 would have been $1.162 billion, and the impairment charge in 2010 would have been $217 million. We have assessed the impact of correcting these errors in the current period and do not believe that these amounts are material to any prior period financial statements, nor is the correction of these errors material to the 2011 financial statements. As a result, we have not restated any prior period amounts.

Based on the results of the step one test for the July 1 annual impairment test for 2010, we determined that the carrying values of our PS reporting unit, our Public Sector United Kingdom ("PS UK") reporting unit, which has since been sold and is included in discontinued operations, and our Higher Education Managed Services ("HE MS") reporting unit, which, along with the remainder of HE, was sold in January 2012 and is included in discontinued operations, were in excess of their respective fair values and a step two test was required for each of these reporting units. The primary driver for the decline in the fair value of the reporting units compared to the prior year is the reduction in the perpetual growth rate assumption used for each of these three reporting units, stemming from the recent disruption in the global financial markets, particularly the markets which these three reporting units serve. Furthermore, there was a decline in the cash flow projections for the PS and PS UK reporting units, compared to those used in the 2009 goodwill impairment test, as a result of decline in the overall outlook for these two reporting units. Additionally, the discount rate assumption used for the PS UK reporting unit was higher than the discount rate used in the 2009 impairment test.

A one percentage point increase in the perpetual growth rate or a one percentage point decrease in the discount rate would have resulted in our HE MS reporting unit having a fair value in excess of carrying value and a step two test would not have been required.

Prior to completing the step two tests, we first evaluated the long-lived assets, primarily the software, customer base and property and equipment, for impairment. In performing the impairment tests for long-lived assets, we estimated the undiscounted cash flows for the asset groups over the remaining useful lives of the reporting unit's primary asset and compared that to the carrying value of the asset groups. There was no impairment of the long-lived assets.

In completing the step two tests to determine the implied fair value of goodwill and therefore the amount of impairment, we first determined the fair value of the tangible and intangible assets and liabilities. Based on the testing performed, we determined that the carrying value of goodwill exceeded its implied fair value for each of the three reporting units and recorded a goodwill impairment charge of $328 million, of which $205 million is presented in continuing operations and $123 million in discontinued operations.

During 2009, based on an evaluation of year-end results and a reduction in the revenue growth outlook for the AS business, we concluded that AS had experienced a triggering event in its North American reporting unit ("AS NA"), one of two reporting units identified in the July 1, 2009 annual impairment test where the excess of the estimated fair value over the carrying value was less than 10%. As a result, we determined that the carrying value of AS NA was in excess of its fair value. In completing the step two test, we determined that the carrying value of AS NA's goodwill exceeded its implied fair value by $1.126 billion and recorded a goodwill impairment charge for this amount.

Revenue Recognition

In the fourth quarter of 2010 we adopted, retrospective to the beginning of the year, the provisions of Accounting Standards Update No. 2009-13, Revenue Recognition—Multiple—Deliverable Revenue Arrangements ("ASU 2009-13") and Accounting Standards Update 2009-14, Software—Certain Revenue Arrangements that Include Software Elements ("ASU 2009-14"). ASU 2009-13 amended existing accounting guidance for revenue recognition for multiple-element arrangements by establishing a selling price hierarchy that allows for the best estimated selling price ("BESP") to determine the allocation of arrangement consideration to a deliverable in a multiple element arrangement where neither vendor specific objective evidence ("VSOE") nor third-party evidence ("TPE") is available for that deliverable. ASU 2009-14 modifies the scope of existing software guidance to exclude tangible products containing software components and non-software components that function together to deliver the product's essential functionality. In addition, ASU 2009-14 provides guidance on how a vendor should allocate arrangement consideration to non-software and software deliverables in an arrangement where the vendor sells tangible products containing software components that are essential in delivering the tangible product's functionality.

The following criteria must be met in determining whether revenue may be recorded: persuasive evidence of a contract exists; services have been provided; the price is fixed or determinable; and collection is reasonably assured.

We generate revenue from the following sources: (1) services revenue, which includes revenue from processing services, software maintenance and support, software rentals, recovery and managed services, professional services and broker/dealer fees; and (2) software license fees, which result from contracts that permit the customer to use a SunGard product at the customer's site.

Services revenue is recorded as the services are provided based on the fair value of each element. Most AS services revenue consists of fixed monthly fees based upon the specific computer configuration or business process for which the service is being provided. When recovering from an

interruption, customers generally are contractually obligated to pay additional fees, which typically cover the incremental costs of supporting customers during recoveries. FS services revenue includes monthly fees, which may include a fixed minimum fee and/or variable fees based on a measure of volume or activity, such as the number of accounts, trades or transactions, users or the number of hours of service.

For fixed-fee professional services contracts, services revenue is recorded based upon proportional performance, measured by the actual number of hours incurred divided by the total estimated number of hours for the project. Changes in the estimated costs or hours to complete the contract and losses, if any, are reflected in the period during which the change or loss becomes known.

License fees result from contracts that permit the customer to use a SunGard software product at the customer's site. Generally, these contracts are multiple-element arrangements since they usually provide for professional services and ongoing software maintenance. In these instances, license fees are recognized upon the signing of the contract and delivery of the software if the license fee is fixed or determinable, collection is probable, and there is sufficient vendor specific evidence of the fair value of each undelivered element. When there are significant program modifications or customization, installation, systems integration or related services, the professional services and license revenue are combined and recorded based upon proportional performance, measured in the manner described above. Revenue is recorded when billed when customer payments are extended beyond normal billing terms, or at acceptance when there is significant acceptance, technology or service risk. Revenue also is recorded over the longest service period in those instances where the software is bundled together with post-delivery services and there is not sufficient evidence of the fair value of each undelivered service element.

With respect to software related multiple-element arrangements, sufficient evidence of fair value is defined as VSOE. If there is no VSOE of the fair value of the delivered element (which is usually the software) but there is VSOE of the fair value of each of the undelivered elements (which are usually maintenance and professional services), then the residual method is used to determine the revenue for the delivered element. The revenue for each of the undelivered elements is set at the fair value of those elements using VSOE of the price paid when each of the undelivered elements is sold separately. The revenue remaining after allocation to the undelivered elements (i.e., the residual) is allocated to the delivered element.

VSOE supporting the fair value of maintenance is based on the optional renewal rates for each product and is typically 18% to 20% of the software license fee per year. VSOE supporting the fair value of professional services is based on the standard daily rates charged when those services are sold separately.

In some software related multiple-element arrangements, the maintenance or services rates are discounted. In these cases, a portion of the software license fee is deferred and recognized as the maintenance or services are performed based on VSOE of the services.

From time to time we enter into arrangements with customers who purchase non-software related services from us at the same time, or within close proximity, of purchasing software (non-software multiple-element arrangements). Each element within a non-software multiple-element arrangement is accounted for as a separate unit of accounting provided the following criteria are met: the delivered services have value to the customer on a standalone basis; and, for an arrangement that includes a general right of return relative to the delivered services, delivery or performance of the undelivered service is considered probable and is substantially controlled by us. Where the criteria for a separate

unit of accounting are not met, the deliverable is combined with the undelivered element(s) and treated as a single unit of accounting for the purposes of allocation of the arrangement consideration and revenue recognition.

For our non-software multiple-element arrangements, we allocate revenue to each element based on a selling price hierarchy at the arrangement inception. During 2009 the fair value of each undelivered element was determined using VSOE, and the residual method was used to assign a fair value to the delivered element if its VSOE was not available. Under the new rules for 2010 and 2011 described above, the selling price for each element is based upon the following selling price hierarchy: VSOE then TPE then BESP. The total arrangement consideration is allocated to each separate unit of accounting for each of the non-software deliverables using the relative selling prices of each unit based on this hierarchy. We limit the amount of revenue recognized for delivered elements to an amount that is not contingent upon future delivery of additional products or services or meeting of any specified performance conditions. Since under the new hierarchy a fair value for each element will be determinable, the residual method is no longer used.

To determine the selling price in non-software multiple-element arrangements, we establish VSOE of the selling price using the price charged for a deliverable when sold separately. Where VSOE does not exist, TPE is established by evaluating similar competitor products or services in standalone arrangements with similarly situated customers. If we are unable to determine the selling price because VSOE or TPE doesn't exist, we determine BESP for the purposes of allocating the arrangement by considering pricing practices, margin, competition, and geographies in which we offer our products and services.

Unbilled receivables are created when services are performed or software is delivered and revenue is recognized in advance of billings. Deferred revenue is created when billing occurs in advance of performing services or when all revenue recognition criteria have not been met.

We believe that our revenue recognition practices comply with the complex and evolving rules governing revenue recognition. Future interpretations of existing accounting standards, new standards or changes in our business practices could result in changes in our revenue recognition accounting policies that could have a material effect on our consolidated financial results.

Accounting for Income Taxes

We recognize deferred income tax assets and liabilities based upon the expected future tax consequences of events that have been recognized in our financial statements or tax returns. Deferred income tax assets and liabilities are calculated based on the difference between the financial and tax bases of assets and liabilities using the currently enacted income tax rates in effect during the years in which the differences are expected to reverse. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized. Deferred tax assets for which no valuation allowance is recorded may not be realized upon changes in facts and circumstances. Tax benefits related to uncertain tax positions taken or expected to be taken on a tax return are recorded when such benefits meet a more likely than not threshold. Otherwise, these tax benefits are recorded when a tax position has been effectively settled, which means that the appropriate taxing authority has completed their examination even though the statute of limitations remains open, or the statute of limitation expires. Considerable judgment is required in assessing and estimating these amounts and differences between the actual outcome of these future tax consequences and our estimates could have a material effect on our consolidated financial results.

Accounting for Stock-Based Compensation

Stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense over the appropriate service period. Fair value for stock options is computed using the Black-Scholes pricing model. Determining the fair value of stock-based awards requires considerable judgment, including estimating the expected term of stock options, expected volatility of our stock price, and the number of awards expected to be forfeited. In addition, for stock-based awards where vesting is dependent upon achieving certain operating performance goals, we estimate the likelihood of achieving the performance goals. Differences between actual results and these estimates could have a material effect on our consolidated financial results. A deferred income tax asset is recorded over the vesting period as stock compensation expense is recognized. Our ability to use the deferred tax asset is ultimately based on the actual value of the stock option upon exercise or restricted stock unit upon distribution. If the actual value is lower than the fair value determined on the date of grant, then there could be an income tax expense for the portion of the deferred tax asset that cannot be used, which could have a material effect on our consolidated financial results.

Results of Operations

We evaluate performance of our segments based on operating results before interest, income taxes, goodwill impairment charges, amortization of acquisition-related intangible assets, stock compensation and certain other costs (see Note 12 of Notes to Consolidated Financial Statements). During 2010, we sold our PS UK operation which is presented as discontinued operations. In January 2012, we sold our Higher Education business which is also presented as discontinued operations.

Except as otherwise noted, all explanations below refer to changes in results excluding the impacts from changes in currency translation, which we refer to as constant currency, a non-GAAP measure. We believe presenting our results on a constant currency basis is meaningful for assessing how our underlying businesses have performed due to the fact that we have international operations that are material to our overall operations. As a result, total revenues and expenses are affected by changes in the U.S. Dollar against international currencies. To present this information, current period results for entities reporting in currencies other than U.S. Dollars are converted to U.S. Dollars at the average exchange rate used in the prior year period rather than the actual exchange rates in effect during the current year period. In each of the tables below, we present the percent change based on actual, unrounded results in reported currency and in constant currency. Also, percentages may not add due to rounding.

Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

The following table sets forth, for the periods indicated, certain amounts included in our Consolidated Statements of Operations and the relative percentage that those amounts represent to consolidated revenue (unless otherwise indicated).

						Constant Currency		
	Year Ended December 31, 2010		Year Ended December 31, 2011		Percent Increase (Decrease) 2011 vs. 2010	Year Ended December 31, 2011		Percent Increase (Decrease) 2011 vs. 2010
(in millions)		percent of revenue		percent of revenue			percent of revenue	
Revenue								
Financial systems (FS)	$2,807	63%	$2,835	63%	1%	**$2,775**	**63%**	(1)%
Availability services (AS)	1,469	33%	1,461	32%	(1)%	**1,441**	**33%**	(2)%
Other [1]	214	5%	203	5%	(5)%	**203**	**5%**	(5)%
	$4,490	100%	$4,499	100%	— %	**$4,419**	**100%**	(2)%
Costs and Expenses								
Cost of sales and direct operating	$1,937	43%	$1,891	42%	(2)%	**$1,855**	**42%**	(4)%
Sales, marketing and administration	1,042	23%	1,095	24%	5%	**1,071**	**24%**	3%
Product development and maintenance	372	8%	422	9%	14%	**408**	**9%**	10%
Depreciation and amortization	278	6%	272	6%	(2)%	**268**	**6%**	(4)%
Amortization of acquisition-related intangible assets	451	10%	438	10%	(3)%	**435**	**10%**	(3)%
Goodwill impairment	205	5%	48	1%	(77)%	**48**	**1%**	(77)%
	$4,285	95%	$4,166	93%	(3)%	**$4,085**	**92%**	(5)%
Operating Income								
Financial systems [2]	$ 622	22%	$ 600	21%	(4)%	**$ 603**	**22%**	(3)%
Availability services [2]	326	22%	321	22%	(2)%	**316**	**22%**	(3)%
Other [1][2]	57	27%	57	28%	(2)%	**57**	**28%**	(2)%
Corporate administration	(71)	(2)%	(96)	(2)%	(34)%	**(96)**	**(2)%**	(34)%
Amortization of acquisition-related intangible assets	(451)	(10)%	(438)	(10)%	3%	**(435)**	**(10)%**	3%
Goodwill impairment	(205)	(5)%	(48)	(1)%	77%	**(48)**	**(1)%**	77%
Stock Compensation expense	(29)	(1)%	(33)	(1)%	(12)%	**(33)**	**(1)%**	(12)%
Other costs [3]	(44)	(1)%	(30)	(1)%	32%	**(30)**	**(1)%**	32%
	$ 205	5%	$ 333	7%	62%	**$ 334**	**8%**	62%

(1) Other includes our PS and K-12 businesses. The K-12 business had been included in our Higher Education segment prior to our agreement in the third quarter of 2011 to sell our Higher Education business excluding K-12 ("HE"). As a result of that agreement, HE is now included in discontinued operations.

(2) Percent of revenue is calculated as a percent of revenue from FS, AS and Other, respectively.

(3) Other costs include management fees paid to the Sponsors, purchase accounting adjustments and certain other costs, partially offset in each year by capitalized software development costs.

The following table sets forth, for the periods indicated, certain supplemental revenue data and the relative percentage that those amounts represent to total revenue.

(in millions)	Year Ended December 31, 2010	percent of revenue	Year Ended December 31, 2011	percent of revenue	Percent Increase (Decrease) 2011 vs. 2010	Constant Currency: Year Ended December 31, 2011	Constant Currency: percent of revenue	Constant Currency: Percent Increase (Decrease) 2011 vs. 2010
Financial Systems								
Services	$2,448	55%	$2,503	56%	2%	**$2,453**	**56%**	— %
License and resale fees	257	6%	259	6%	1%	**250**	**6%**	(3)%
Total products and services	2,705	60%	2,762	61%	2%	**2,703**	**61%**	— %
Reimbursed expenses	102	2%	73	2%	(29)%	**72**	**2%**	(29)%
	$2,807	63%	$2,835	63%	1%	**$2,775**	**63%**	(1)%
Availability Services								
Services	$1,452	32%	$1,438	32%	(1)%	**$1,419**	**32%**	(2)%
License and resale fees	3	— %	3	— %	1%	**3**	**— %**	— %
Total products and services	1,455	32%	1,441	32%	(1)%	**1,422**	**32%**	(2)%
Reimbursed expenses	14	— %	20	— %	40%	**19**	**— %**	35%
	$1,469	33%	$1,461	32%	(1)%	**$1,441**	**33%**	(2)%
Other								
Services	$ 175	4%	$ 173	4%	(1)%	**$ 173**	**4%**	(1)%
License and resale fees	35	1%	27	1%	(21)%	**27**	**1%**	(21)%
Total products and services	210	5%	200	4%	(5)%	**200**	**5%**	(5)%
Reimbursed expenses	4	— %	3	— %	(17)%	**3**	**— %**	(17)%
	$ 214	5%	$ 203	5%	(5)%	**$ 203**	**5%**	(5)%
Total Revenue								
Services	$4,075	91%	$4,114	91%	1%	**$4,045**	**92%**	(1)%
License and resale fees	295	7%	289	6%	(2)%	**280**	**6%**	(5)%
Total products and services	4,370	97%	4,403	98%	1%	**4,325**	**98%**	(1)%
Reimbursed expenses	120	3%	96	2%	(20)%	**94**	**2%**	(21)%
	$4,490	100%	$4,499	100%	— %	**$4,419**	**100%**	(2)%

Results of operations, excluding broker/dealer business

We assess our performance both with and without one of our global trading businesses, a broker/dealer with an inherently lower margin than our other FS businesses, whose performance is a function of market volatility and customer mix (the "Broker/Dealer"). By excluding the Broker/Dealer's results, we are able to perform additional analysis of our business which we believe is important in understanding the results of both the Broker/Dealer and the other FS businesses. We use the information excluding the Broker/Dealer for a variety of purposes and we regularly communicate our results excluding this business to our board of directors.

The following is a reconciliation of revenue excluding the Broker/Dealer and operating income (loss) excluding the Broker/Dealer, which are each non-GAAP measures, to the corresponding reported GAAP measures that we believe to be most directly comparable. While these adjusted results are useful for analysis purposes, they should not be considered as an alternative to our reported GAAP results.

	Year Ended December 31,				
				Constant Currency	
	2010	2011	% change	2011	% change
Revenue					
Total	$4,490	**$4,499**	— %	**$4,419**	(2)%
Less Broker/Dealer business	184	**79**		**79**	
Total excluding Broker/Dealer business	$4,306	**$4,420**	3%	**$4,340**	1%
Financial Systems	$2,807	**$2,835**	1%	**$2,775**	(1)%
Less Broker/Dealer business	184	**79**		**79**	
Financial Systems excluding Broker/Dealer business	$2,623	**$2,756**	5%	**$2,696**	3%
Operating Income (loss)					
Total	$ 205	**$ 333**	62%	**$ 334**	62%
Less Broker/Dealer business	(33)(1)	**(10)(1)**		**(10)(1)**	
Total excluding Broker/Dealer business	$ 238	**$ 343**	44%	**$ 344**	44%
Operating margin	6%	**8%**		**8%**	
Financial Systems	$ 622	**$ 600**	(4)%	**$ 603**	(3)%
Less Broker/Dealer business	(21)(1)	**(6) (1)**		**(6)**	(1)
Financial Systems excluding Broker/Dealer business	$ 643	**$ 606**	(6)%	**$ 609**	(5)%
Operating margin	25%	**22%**		**23%**	

(1) The operating income (loss) related to the Broker/Dealer excluded from Total and FS differ because we evaluate performance of our segments based on operating results before goodwill impairment charges, amortization of acquisition-related intangible assets, stock compensation and certain other costs.

Operating Income:

Our total reported operating margin was 7% in 2011 compared to 5% in 2010. Excluding the impact of the Broker/Dealer and on a constant currency basis, total operating margin was 8% and 6% in 2011 and 2010, respectively. Included in 2011 and 2010 were restructuring charges of $77 million and $40 million, respectively, primarily related to severance actions of $66 million and $29 million, respectively. Also included in the 2011 and 2010 restructuring costs were $4 million and $9 million, respectively, of costs to shutdown the Broker/Dealer professional trading business, and $4 million of lease exit costs in 2011. The increase in the operating margin is primarily due to a $205 million goodwill impairment charge in 2010, partially offset by a $48 million goodwill impairment charge and an $86 million increase in employment-related expenses in 2011. The higher employment expenses included the severance charges noted above. We are continuing to identify and evaluate additional cost savings and productivity improvements. Any further actions taken could result in additional charges that may have a material impact to our results of operations in future periods.

Financial Systems:

The FS operating margin was 22% in each of 2011 and 2010. Excluding the impact of the Broker/Dealer and on a constant currency basis, the FS operating margin was 23% and 25% in 2011 and 2010, respectively. This decrease in the margin percentage is due to the increase in expense exceeding the revenue increase of $73 million. The expense increase is due mainly to a $69 million increase in employment-related costs resulting from business expansion, merit increases and increased software development and maintenance expenses, and includes a $27 million increase in severance charges. Also impacting the period was a $7 million decrease in license fees and $3 million of lease exit costs, partially offset by a $6 million decrease in consultant expense and a $5 million decrease in facilities expenses.

The most important factors affecting the FS operating margin are:

- the level of customer IT spending and its impact on the overall demand for professional services and software license sales,
- the rate and value of contract renewals, new contract signings and contract terminations,
- the overall condition of the financial services industry and the effect of any further consolidation among financial services firms,
- the level of trading volumes, and
- the operating margins of recently acquired businesses, which tend to be lower at the outset and improve over a number of years.

Availability Services:

The AS operating margin was 22% in each of 2011 and 2010, respectively. On a constant currency basis, we maintained the operating margin in 2011 on $28 million of lower revenue mainly due to cost containment. The operating margin was impacted by the following:

North America:

- decreases of $22 million in equipment expense, $6 million of employment-related expense, and $5 million of depreciation and amortization on a $59 million decrease in revenue in our higher-margin recovery services business (“RS”);

- a revenue increase of $27 million and an $8 million decrease in depreciation and amortization, partially offset by a $15 million increase employment-related expenses, including a $3 million increase in severance, a $6 million increase in facilities expenses and a $2 million increase in equipment expenses in our lower-margin managed services business ("MS"); and
- a $7 million increase in segment administration employment-related expense primarily related to developing new products and a $6 million increase in segment advertising costs.

Europe:

- a $9 million increase in revenue and a $2 million decrease in equipment expense, partially offset by a $4 million increase in facilities and a $2 million increase in employment-related expenses.

The most important factors affecting the AS operating margin are:

- the rate and value of contract renewals, new contract signings and contract terminations,
- the timing and magnitude of equipment and facilities expenditures,
- the level and success of new product development, and
- the trend toward availability solutions utilizing more dedicated resources.

Other:

The operating margin for Other was 28% and 27% for 2011 and 2010, respectively. The operating margin increased due primarily to the decrease in employment-related expense being proportionately more than the decrease in revenue.

The most important factors affecting the operating margin of Other are:

- the rate and value of contract renewals, new contract signings and contract terminations,
- the level of government and school district funding, and
- the level of customer IT spending and its impact on the overall demand for professional services and software license sales.

Revenue:

Total reported revenue was $4.50 billion in 2011 compared to $4.49 billion in 2010. On a constant currency basis, revenue decreased 2% as reported and increased 1% excluding the Broker/Dealer.

Our revenue is highly diversified by customer and product. During each of the past three fiscal years, no single customer has accounted for more than 10% of total revenue. On average for the past three fiscal years, services revenue has been approximately 91% of total revenue. About 80% of services revenue is highly recurring as a result of multi-year contracts and is generated from (1) software-related services including software maintenance and support, processing and rentals; and (2) recovery and managed services. The remaining services revenue includes (1) professional services, which are recurring in nature as a result of long-term customer relationships; and (2) broker/dealer fees, which are largely correlated with trading volumes. On a constant currency basis, services revenue decreased to $4.05 billion from $4.08 billion, representing approximately 92% of total revenue in 2011 compared to 91% in 2010. The revenue decrease was mainly due to a $77 million decrease in broker/dealer fees by the Broker/Dealer and a $62 million decrease in RS, partially offset by increases of $42 million from FS acquisitions, $38 million in FS processing revenue and $27 million in MS.

Professional services revenue was $689 million and $681 million in 2011 and 2010, respectively. The change was due to FS acquisitions and an increase in FS, partially offset by decreases in AS and Other. Revenue from total broker/dealer fees was $164 million and $217 million in 2011 and 2010, respectively.

Revenue from license and resale fees was $280 million and $295 million for 2011 and 2010, respectively, and includes software license revenue of $243 million and $255 million, respectively.

Financial Systems:

FS reported revenue was $2.84 billion in 2011 compared to $2.81 billion in 2010, an increase of 1%. On a constant currency basis and excluding the Broker/Dealer, revenue increased 3%. Processing revenue increased $38 million, or 5%, due mainly to increases in transaction volumes and additional hosted services and increased $8 million from acquired businesses. Professional services revenue increased $13 million from acquired businesses and increased $6 million, or 1%, due primarily to implementation, consulting and project work associated with new and expanded customer relationships sold in the past twelve months. Software rental revenue decreased $6 million, or 2%, due primarily to customer attrition. Reported revenue from license and resale fees included software license revenue of $240 million, an increase of $3 million compared to 2010. On a constant currency basis, software license revenue decreased $7 million, or 3%.

Availability Services:

AS reported revenue decreased $8 million, or 1%, in 2011 from the prior year. On a constant currency basis, revenue decreased 2%. In North America, which accounts for over 75% of our AS business, revenue decreased 4% with decreases of $62 million in RS and $8 million in professional services revenue exceeding a $27 million increase in MS revenue. Revenue in Europe, primarily from our U.K. operations, increased $9 million, or 3%, where an increase in managed services revenue was partially offset by a decrease in recovery services revenue, and included a $1.5 million increase from a business acquired in 2010.

Most of our RS revenue which is derived from tape-based solutions, has been declining due primarily to attrition to other service providers and customer internal solutions, and demand for recovery services has been shifting from tape-based solutions to disk- and cloud-based advanced recovery solutions. Separately, in MS, demand has been increasing for outsourced management of IT operations and applications. We expect these trends to continue in the future.

Other:

Reported revenue and constant currency revenue from Other both decreased $11 million, or 5%, from the prior year. Professional services revenue decreased $4 million. Revenue from license and resale fees included software license revenue of $9 million in 2011, a $6 million decrease from the prior year.

Costs and Expenses:

Total costs decreased to 92% of revenue in 2011 from 95% of revenue in 2010. Excluding the goodwill impairment charges of $48 million and $205 million in 2011 and 2010, respectively, and the Broker/Dealer's total costs of $89 million in 2011 and $217 million in 2010, total costs as a percentage of total revenue (also excluding the Broker/Dealer) was 91% in 2011 compared to 90% in 2010, and increased $86 million.

Cost of sales and direct operating expenses as a percentage of total revenue were 42% in 2011 and 43% in 2010. Excluding the Broker/Dealer's expenses of $79 million in 2011 and $189 million in 2010, cost of sales and direct operating expenses as a percentage of total revenue (also excluding the Broker/Dealer) were unchanged at 41%, and increased $28 million. Impacting the period were a $23 million increase from acquired businesses, a $17 million increase in FS employment-related expenses, including a $4 million increase in severance, and a $10 million increase in AS facilities costs, mainly utilities, expansions of certain facilities that occurred in the second half of 2010 and a new facility added during the second quarter of 2010. These expense increases were partially offset by a $21 million decrease in AS equipment expense, primarily resulting from renegotiation of maintenance contracts, and a $4 million decrease in AS employment-related expenses, which includes a $6 million decrease in severance.

Excluding the Broker/Dealer expenses, sales, marketing and administration expenses as a percentage of total revenue (also excluding the Broker/Dealer) were 24% in each of 2011 and 2010, and increased $44 million. Increases in sales, marketing and administration expenses were primarily due to a $35 million increase in severance and executive transition costs, an $11 million increase resulting from acquired businesses and a $6 million increase in AS advertising expenses. These increases were partially offset by decreases of a combined $7 million of FS and AS facilities costs and the $5 million decrease in Broker/Dealer shutdown costs noted above.

Because AS product development and maintenance costs are insignificant, it is more meaningful to measure product development and maintenance expenses as a percentage of revenue excluding AS. Product development and maintenance expense was 14% and 12% of revenue excluding AS, respectively, and increased $36 million. The increase is primarily related to a $42 million increase in FS employment-related expenses to maintain our existing software products and enhance functionality of our software products to attract and retain customers. Included in the $42 million increase in employment-related expenses is a $4 million increase in severance.

Depreciation and amortization was 6% of total revenue in each of 2011 and 2010, but decreased $10 million due primarily to certain AS leased facility improvements becoming fully depreciated during 2010.

Excluding the Broker/Dealer, amortization of acquisition-related intangible assets was 10% of total revenue (also excluding the Broker/Dealer) in each of 2011 and 2010, but decreased $14 million due primarily to the impact of software that was fully amortized in 2010, partially offset by the impact of acquired businesses. During 2011, we recorded impairment charges of our customer base and software assets of $3 million and $4 million, respectively. During 2010, we recorded impairment charges of our customer base and software assets of $1 million and $2 million, respectively. These impairments are the result of reduced cash flow projections related to the software and customer base assets that were impaired.

We recorded goodwill impairment charges of $48 million and $205 million in 2011 and 2010, respectively. These impairments are described in the Use of Estimates and Critical Accounting Policies section above.

Interest expense was $524 million and $638 million in 2011 and 2010, respectively. The decrease in interest expense was due primarily to interest rate decreases mainly due to the expiration of certain of our interest rate swaps and the refinancing of the senior notes due 2013, as well as decreased term loan borrowings resulting from prepayments that occurred in December 2010.

The loss on extinguishment of debt in 2010 was due to the early extinguishments of our $1.6 billion of senior notes due in 2013 and our euro-denominated term loans. The loss included $39 million of tender and call premiums.

Other income was $7 million in 2010, and included $4 million in foreign currency transaction gains related to our euro-denominated term loans.

We believe that our overall effective income tax rate should typically be between 38% and 40%. However, the effective income tax rates for 2011 and 2010 were a tax benefit of 62% and 14%, respectively, due to certain unusual items. The rate in 2011 includes the impact of tax rate changes, including amortization of the deferred income tax liability which benefit would have been reflected in the statement of comprehensive income had a 2009 adjustment not been made (see intangible assets and purchase accounting discussion above), the benefits of foreign taxes, net of U.S. foreign tax credit, and a deferred income tax adjustment associated with the future repatriation of unremitted earnings of certain non-U.S. subsidiaries, partially offset by the nondeductible goodwill impairment charge. The reported benefit in 2010 includes nondeductible goodwill impairment charges and a $45 million charge for recording deferred income taxes on unremitted earnings of certain non-U.S. subsidiaries which are no longer considered to be permanently reinvested, partially offset by a $13 million benefit due primarily to the impact of state tax rate changes on deferred tax assets and liabilities.

Loss from discontinued operations, net of tax, was $76 million in 2011 and $156 million in 2010. During 2011, discontinued operations includes our HE business, which was sold in January 2012, and in which we recorded $135 million of deferred income tax expense related to the book-over-tax basis difference in a subsidiary of this business. During 2010, discontinued operations includes our HE business and our PS UK business which was sold in 2010. The results of our PS UK operation included an impairment charge, net of tax, of $91 million and a loss on disposal of approximately $94 million which included the write-off of the currency translation adjustment (CTA) which is included as a separate component of equity. Also in 2010, we recorded a goodwill impairment charge of $32 million related to HE MS.

Accreted dividends on SCCII’s cumulative preferred stock were $225 million and $191 million in 2011 and 2010, respectively. The increase in dividends is due to compounding. No dividends have been declared by SCCII.

Year Ended December 31, 2010 Compared to Year Ended December 31, 2009

The following table sets forth, for the periods indicated, certain amounts included in our Consolidated Statements of Operations and the relative percentage that those amounts represent to consolidated revenue (unless otherwise indicated).

						Constant Currency		
	Year Ended December 31, 2009		Year Ended December 31, 2010		Percent Increase (Decrease)	Year Ended December 31, 2010		Percent Increase (Decrease)
(in millions)		percent of revenue		percent of revenue	2010 vs. 2009		percent of revenue	2010 vs. 2009
Revenue								
Financial systems (FS)	$ 3,068	64%	$2,807	63%	(9)%	$2,821	63%	(8)%
Availability services (AS)	1,517	32%	1,469	33%	(3)%	1,469	33%	(3)%
Other [1]	221	5%	214	5%	(3)%	214	5%	(3)%
	$ 4,806	100%	$4,490	100%	(7)%	$4,504	100%	(6)%
Costs and Expenses								
Cost of sales and direct operating	$ 2,249	47%	$1,937	43%	(14)%	$1,938	43%	(14)%
Sales, marketing and administration	992	21%	1,042	23%	5%	1,043	23%	5%
Product development and maintenance	354	7%	372	8%	5%	379	8%	7%
Depreciation and amortization	275	6%	278	6%	1%	278	6%	1%
Amortization of acquisition-related intangible assets	496	10%	451	10%	(9)%	450	10%	(9)%
Goodwill impairment	1,126	23%	205	5%	(82)%	205	5%	(82)%
	$ 5,492	114%	$4,285	95%	(22)%	$4,293	95%	(22)%
Operating Income								
Financial systems [2]	$ 618	20%	$ 622	22%	1%	$ 628	22%	2%
Availability services [2]	380	25%	326	22%	(14)%	325	22%	(15)%
Other [1][2]	60	27%	57	27%	(3)%	57	27%	(3)%
Corporate administration	(57)	(1)%	(71)	(2)%	(24)%	(71)	(2)%	(24)%
Amortization of acquisition-related intangible assets	(496)	(10)%	(451)	(10)%	9%	(450)	(10)%	9%
Goodwill impairment	(1,126)	(23)%	(205)	(5)%	82%	(205)	(5)%	82%
Stock compensation expense	(31)	(1)%	(29)	(1)%	6%	(29)	(1)%	6%
Other costs [3]	(34)	(1)%	(44)	(1)%	(30)%	(44)	(1)%	(30)%
	$ (686)	(14)%	$ 205	5%	130%	$ 211	5%	131%

(1) Other includes our PS and K-12 businesses. The K-12 business had been included in our Higher Education segment prior to our agreement in the third quarter of 2011 to sell HE. As a result of that agreement, HE is now included in discontinued operations.

(2) Percent of revenue is calculated as a percent of revenue from FS, AS and Other, respectively.

(3) Other costs include management fees paid to the Sponsors, purchase accounting adjustments and certain other costs, partially offset in each year by capitalized software development costs.

The following table sets forth, for the periods indicated, certain supplemental revenue data and the relative percentage that those amounts represent to total revenue.

(in millions)	Year Ended December 31, 2009	percent of revenue	Year Ended December 31, 2010	percent of revenue	Percent Increase (Decrease) 2010 vs. 2009	Constant Currency: Three Months Ended December 31, 2010	percent of revenue	Constant Currency: Percent Increase (Decrease) 2010 vs. 2009
Financial Systems								
Services	$2,737	57%	$2,448	55%	(11)%	$2,458	55%	(10)%
License and resale fees	196	4%	257	6%	31%	261	6%	33%
Total products and services	2,933	61%	2,705	60%	(8)%	2,719	60%	(7)%
Reimbursed expenses	135	3%	102	2%	(25)%	102	2%	(25)%
	$3,068	64%	$2,807	63%	(9)%	$2,821	63%	(8)%
Availability Services								
Services	$1,496	31%	$1,452	32%	(3)%	$1,452	32%	(3)%
License and resale fees	4	— %	3	— %	(35)%	3	— %	(35)%
Total products and services	1,500	31%	1,455	32%	(3)%	1,455	32%	(3)%
Reimbursed expenses	17	— %	14	— %	(13)%	14	— %	(11)%
	$1,517	32%	$1,469	33%	(3)%	$1,469	33%	(3)%
Other								
Services	$ 172	4%	$ 175	4%	2%	$ 175	4%	2%
License and resale fees	45	1%	35	1%	(23)%	35	1%	(23)%
Total products and services	217	5%	210	5%	(3)%	210	5%	(3)%
Reimbursed expenses	4	— %	4	— %	(4)%	4	— %	(4)%
	$ 221	5%	$ 214	5%	(3)%	$ 214	5%	(3)%
Total Revenue								
Services	$4,405	92%	$4,075	91%	(7)%	$4,085	91%	(7)%
License and resale fees	245	5%	295	7%	20%	299	7%	21%
Total products and services	4,650	97%	4,370	97%	(6)%	4,384	97%	(6)%
Reimbursed expenses	156	3%	120	3%	(23)%	120	3%	(23)%
	$4,806	100%	$4,490	100%	(7)%	$4,504	100%	(6)%

Results of operations, excluding broker/dealer business

The following is a reconciliation of revenue excluding the Broker/Dealer and operating income (loss) excluding the Broker/Dealer, which are each non-GAAP measures, to the corresponding reported GAAP measures that we believe to be most directly comparable. While these adjusted results are useful for analysis purposes, they should not be considered as an alternative to our reported GAAP results.

	Year Ended December 31,				
				Constant Currency	
	2009	2010	% change	2010	% change
Revenue					
Total	$4,806	**$4,490**	(7)%	**$4,504**	(6)%
Less Broker/Dealer business	587	**184**		**184**	
Total excluding Broker/Dealer business	$4,219	**$4,306**	2%	**$4,320**	2%
Financial Systems	$3,068	**$2,807**	(9)%	**$2,821**	(8)%
Less Broker/Dealer business	587	**184**		**184**	
Financial Systems excluding Broker/Dealer business	$2,481	**$2,623**	6%	**$2,637**	6%
Operating Income (loss)					
Total	$ (686)	**$ 205**	130%	**$ 211**	131%
Less Broker/Dealer business	31 (1)	**(33)(1)**		**(33)(1)**	
Total excluding Broker/Dealer business	$ (717)	**$ 238**	133%	**$ 244**	134%
Operating margin	(17) %	**6%**		**6%**	
Financial Systems	$ 618	**$ 622**	1%	**$ 628**	2%
Less Broker/Dealer business	34 (1)	**(21)(1)**		**(21)(1)**	
Financial Systems excluding Broker/Dealer business	$ 584	**$ 643**	10%	**$ 649**	11%
Operating margin	24 %	**25%**		**25%**	

(1) The operating income (loss) related to the Broker/Dealer excluded from Total and FS differ because we evaluate performance of our segments based on operating results before goodwill impairment charges, amortization of acquisition-related intangible assets, stock compensation and certain other costs.

Operating Income:

Our total operating margin increased to 5% in 2010 from (14)% in 2009 due to $205 million of goodwill impairment charges in 2010 and $1.13 billion of goodwill impairment charges in 2009. In addition, the operating margin was also impacted by a $58 million increase in license fees, the impact from the Broker/Dealer and the decline in AS margin performance.

Financial Systems:

The FS operating margin increased to 22% in 2010 from 20% in 2009. The operating margin improvement is mainly due to a $67 million increase in software license fees, including the recognition of $32 million of license fee backlog that existed at December 31, 2009. Margin improvement from the reduced contribution from the Broker/Dealer and reduced facilities expense was mostly offset by increased employment-related and other operating expenses. The impact of the decrease in the Broker/ Dealer's revenue and operating income on FS operating margin is an increase in 2010 of one margin point.

Availability Services:

The AS operating margin was 22% in 2010 compared to 25% in 2009. The lower margin was driven by the lower mix of revenue from higher margin RS, which typically use shared resources, and an absolute decline in RS margin due mainly to the lower revenue on a relatively stable fixed cost base and costs related to eliminating redundant network capacity resulting from the redesign and re-architecture of our data communications network. RS cost savings initiatives also produced expense savings in 2010 including lower facilities and employment-related costs. In addition, AS operating margin was impacted by an increase in revenue from lower margin MS, which use dedicated resources, and an absolute decline in MS margin due mainly to higher facilities costs, primarily utility costs related to cooling due to warmer summer temperatures and the addition of a new facility, increased employment-related and temporary staffing costs due to an increased focus on service delivery, and increased costs associated with the redesign and re-architecture of our data communications network and natural demand resulting from revenue growth. Also impacting the change in the margin was a decrease in other administrative expenses in North America, including reduced bad debt expense resulting from improved collections and lower professional services expenses, and the decrease in the margin in our European business mostly due to an increase in employment-related costs and depreciation and amortization, partially offset by reduced bad debt expense.

Other:

The operating margin from Other was 27% in each of 2010 and 2009. Although revenue decreased $7 million, we maintained the operating margin primarily by decreasing employment-related expense.

Revenue:

Total reported revenue was $4.49 billion in 2010 compared to $4.81 billion in 2009, a decrease of 7%. On a constant currency basis, revenue decreased 6% primarily due to a decline in the Broker/ Dealer's revenue of $403 million, comprised of $367 million of broker/dealer fees and $36 million of reimbursed expenses, partially offset by a $58 million increase in software license fees. Excluding the Broker/Dealer, revenue increased 2%.

Services reported revenue decreased to $4.09 billion from $4.41 billion, representing approximately 91% of total revenue in 2010 compared to 92% in 2009. The revenue decrease was mainly due to the $367 million decrease in broker/dealer fees noted above.

Professional services reported revenue was $681 million and $644 million in 2010 and 2009, respectively. On a constant currency basis, professional services revenue increased $42 million. The change was due to an increase of $56 million in FS, partially offset by a $14 million decrease in AS. Revenue from total broker/dealer fees was $217 million and $570 million in 2010 and 2009, respectively.

Reported revenue from license and resale fees was $295 million and $245 million for 2010 and 2009, respectively, and includes software license revenue of $255 million and $201 million, respectively. On a constant currency basis, software license revenue increased $58 million, or 29%.

SunGard ended 2009 with a software license backlog of $35 million in FS, which consisted of signed contracts for licensed software that (i) at our election, was not shipped to the customer until 2010, (ii) we voluntarily extended payment terms or (iii) included products or services not yet deliverable and from which the license element cannot be separated. Of this backlog, $32 million was recognized in 2010.

Financial Systems:

FS reported revenue was $2.81 billion in 2010 compared to $3.07 billion in 2009, a decrease of 9%. On a constant currency basis, revenue decreased by 8% in 2010. Excluding the Broker/Dealer business, revenue increased 6%. The 6% increase is primarily driven by increases in software license, professional services and processing revenue. Professional services revenue increased $56 million, or 10%, due to a general increase in demand from existing clients as well as new projects. Processing revenue increased $23 million, or 3%, mainly driven by increases in transaction volumes and additional hosted services. Reported revenue from license and resale fees included software license revenue of $237 million, an increase of $63 million compared to 2009, reflecting the recognition in 2010 of $32 million that was in backlog at December 31, 2009 and improved economic conditions in 2010. On a constant currency basis, software license revenue increased $67 million, or 39%.

Availability Services:

AS revenue was $1.47 billion in 2010 compared to $1.52 billion in 2009, a 3% decrease. In North America, which accounts for approximately 80% of our AS business, revenue decreased 4.5% where decreases in RS and professional services revenue exceeded growth in MS revenue. Revenue in Europe, primarily from our U.K. operations, increased 1.5%, where increases in managed services revenue were partially offset by decreases in recovery services revenue, and increased $4 million from the impact of an acquisition.

Other:

Revenue from Other was $214 million in 2010 compared to $221 million in 2009. The $7 million, or 3%, decrease was due primarily to an $8 million decrease in software license fees. Revenue from license and resale fees included software license fees of $15 million and $23 million in 2010 and 2009, respectively.

Costs and Expenses:

Total costs decreased to 95% of revenue in 2010 from 114% of 2009 revenue. Excluding the goodwill impairment charges of $205 million in 2010 and $1.13 billion in 2009 and the Broker/Dealer's total costs of $217 million in 2010 and $556 million in 2009, total costs as a percentage of total revenue (also excluding the Broker/Dealer) was unchanged at 90% and increased $59 million.

Cost of sales and direct operating expenses as a percentage of total revenue was 43% in 2010 and 47% in 2009, largely the result of the lower volumes of the Broker/Dealer. Excluding the Broker/Dealer's expenses of $189 million in 2010 and $534 million in 2009, cost of sales and direct operating expenses as a percentage of total revenue (also excluding the Broker/Dealer) was 40% in 2010 compared to 41% in 2009, and increased $35 million. Also impacting the period were increases of $11 million in employee-related expenses of Other, $11 million of AS data communications network costs associated with the redesign and re-architecture of our data communications network and $10 million of AS facilities, partially offset by a decrease of $12 million in FS employment-related expense.

Sales, marketing and administration expenses as a percentage of total revenue was 23% and 21% in 2010 and 2009, respectively. Excluding the Broker/Dealer's expenses of $22 million in 2010 and $13 million in 2009, sales, marketing and administration expenses as a percentage of total revenue (also excluding the Broker/Dealer) was 24% and 23% in 2010 and 2009, respectively. The resulting $40 million increase in sales, marketing and administration expenses was due primarily to a $31 million increase in FS employment-related expense resulting from increased employment to support both growth in the business and international expansion, principally in Asia and Brazil, as well as annual increases following cost restraint in 2009 due to economic conditions and includes a $7 million increase in severance. Also impacting the change were increases of $8 million of advertising and trade show expenses, $8 million of currency transaction losses and $5 million of professional services expense, partially offset by decreases of $13 million of FS facilities expense, resulting from facilities consolidation in 2009, and $9 million of bad debt expense in AS,.

Because AS software development costs are insignificant, it is more meaningful to measure product development and maintenance expense as a percentage of revenue from software and processing solutions. In 2010 and 2009, software development expenses were 12% and 11%, respectively, of revenue excluding AS, an increase of $24 million. The increase is primarily related to a $16 million increase in FS employment-related expenses to maintain our existing software products and to enhance functionality of our software products to attract and retain customers.

Amortization of acquisition-related intangible assets was 10% of total revenue in each of 2010 and 2009. During 2009, we shortened the remaining useful lives of certain intangible assets and also recorded impairment charges of our customer base and software assets of $18 million and $17 million, respectively. These impairments are the result of reduced cash flow projections related to the software and customer base assets that were impaired.

We recorded goodwill impairment charges of $205 million in Other in 2010 and $1.13 billion in AS in 2009. These impairments are described in the Use of Estimates and Critical Accounting Policies section above.

Interest expense was $638 million in 2010 compared to $637 million in 2009. Interest expense in 2010 compared to 2009 was impacted by the following: (a) lower average borrowings under our term loans at a slightly higher interest rate, (b) higher average debt outstanding resulting from the timing of

our borrowings and delayed repayment due to calling bonds that were not tendered related to the refinance of our $1.6 billion of senior notes due 2013 at a lower interest rate, (c) higher average borrowings on our accounts receivable facility at a lower interest rate and (d) lower average borrowings under our revolving credit facility.

The loss on extinguishment of debt in 2010 was due to the early extinguishments of our $1.6 billion of senior notes due in 2013 and our euro-denominated term loans. The loss included $39 million of tender and call premiums.

Other income was $7 million in 2010 compared to $15 million in 2009. The decrease is due primarily to a $9 million decrease in foreign currency transaction gains related to our euro-denominated term loans.

The effective income tax rates for each of 2010 and 2009 were a tax benefit of 14% and 9%, respectively, reflecting nondeductible goodwill impairment charges in both years. The reported benefit in 2010 also includes a $45 million charge for recording deferred income taxes on unremitted earnings of certain non-U.S. subsidiaries which are no longer considered to be permanently reinvested, partially offset by a $13 million benefit due primarily to the impact of state tax rate changes on deferred tax assets and liabilities. The reported benefit from income taxes in 2009 also includes a $12 million favorable adjustment primarily related to utilization in our 2008 U.S. federal income tax return of foreign tax credit carryforwards that were not expected to be utilized at the time of the 2008 tax provision.

Loss from discontinued operations, net of tax, was $156 million in 2010 compared to income from discontinued operations, net of tax, of $67 million in 2009. Discontinued operations includes our HE and PS UK businesses in both years. During 2010, we sold our PS UK operation which included an impairment charge, net of tax, of $91 million and a loss on disposal of approximately $94 million which included the write-off of the currency translation adjustment (CTA) which is included as a separate component of equity. Also in 2010, we recorded a goodwill impairment charge of $32 million related to HE MS.

Accreted dividends on SCCII's cumulative preferred stock were $191 million and $180 million in 2010 and 2009, respectively. The increase in dividends is due to compounding. No dividends have been declared by SCCII.

Liquidity and Capital Resources:

At December 31, 2011, cash and cash equivalents in continuing operations were $868 million, an increase of $97 million from December 31, 2010, while availability under our revolving credit facility was $858 million. Approximately $249 million of cash and cash equivalents at December 31, 2011 was held by our wholly owned non-US subsidiaries. While available to fund operations and strategic investment opportunities abroad, most of these funds cannot be repatriated for use in the United States without incurring additional tax costs and, in some cases, are in countries with currency restrictions. Also, approximately $70 million of cash and cash equivalents at December 31, 2011 relates to our broker/dealer operations which is not readily available for general corporate use without adversely affecting the operation of the broker/dealer businesses.

Cash flow from continuing operations was $602 million in 2011 compared to cash flow from continuing operations of $603 million in 2010. Savings of cash payments of interest, principally

resulting from the expiration of interest rate swaps and interest rate reductions from refinancing the senior notes due 2013, was mostly offset by lower operating earnings before interest and taxes and less cash provided by working capital. Cash flow from continuing operations was $603 million in 2010 compared to cash flow from continuing operations of $550 million in 2009. The increase in cash flow from continuing operations is due primarily to the termination in December 2008 of our off-balance sheet accounts receivable securitization program, which reduced 2009 operating cash flow, and $94 million less of income tax payments, net of refunds, in 2010, partially offset by the reduction in operating income after adjusting for the noncash goodwill impairments in 2010 and 2009.

Net cash used by continuing operations in investing activities was $315 million in 2011 and $376 million in 2010. During 2011, we spent $35 million for five acquisitions, whereas we spent $82 million for four acquisitions during 2010. Capital expenditures for continuing operations were $276 million in 2011 and $298 million in 2010. In 2009, net cash used by continuing operations in investing activities was $323 million, primarily related to $13 million spent on three acquisitions and $315 million of capital expenditures.

In 2011, net cash used by continuing operations in financing activities was $253 million, which included $239 million of debt payments. In 2010, net cash used by continuing operations in financing activities was $344 million, which included the repurchase and optional redemption of our senior notes due 2013 along with the associated premiums and $265 million of term loan prepayments, and the issuance of $900 million of senior notes due 2018 and $700 million of senior notes due 2020 (net of associated fees). We also increased our borrowings under our accounts receivable securitization program by $63 million in 2010. In 2009, net cash used by continuing operations in financing activities was $627 million, primarily related to repayment at maturity of the $250 million senior secured notes and repayment of $500 million of borrowings under our revolving credit facility, partially offset by cash received from the new receivables facility (net of associated fees).

As a result of the LBO (August 11, 2005), we are highly leveraged. See Note 5 of Notes to Consolidated Financial Statements which contains a full description of our debt. Total debt outstanding as of December 31, 2011 was $7.83 billion, which consists of the following (in millions):

	December 31, 2011
Senior Secured Credit Facilities:	
Secured revolving credit facility	**$ —**
Tranche A, effective interest rate of 3.33%	**1,386**
Tranche B, effective interest rate of 4.32%	**2,407**
Incremental term loan at 3.78%	**479**
Total Senior Secured Credit Facilities	**4,272**
Senior Notes due 2014 at 4.875%, net of discount of $8	**242**
Senior Notes due 2015 at 10.625%, net of discount of $3	**497**
Senior Notes due 2018 at 7.375%	**900**
Senior Notes due 2020 at 7.625%	**700**
Senior Subordinated Notes due 2015 at 10.25%	**1,000**
Secured accounts receivable facility at 3.79%	**200**
Other, primarily acquisition purchase price and capital lease obligations	**18**
Total debt	**7,829**
Short-term borrowings and current portion of long-term debt	**(10)**
Long-term debt	**$7,819**

Senior Secured Credit Facilities

As of December 31, 2011, our senior secured credit facilities ("Credit Agreement") consist of (1) $1.39 billion of U.S. dollar-denominated tranche A term loans maturing on February 28, 2014, (2) $2.41 billion of U.S. dollar-denominated tranche B term loans maturing on February 28, 2016, (3) $479 million of U.S. dollar-denominated incremental term loans maturing on February 28, 2014, and (4) an $880 million revolving credit facility that expires on May 11, 2013. At December 31, 2011, we have $858 million of borrowing capacity available to us on the revolving credit facility after giving effect to $22 million in outstanding letters of credit.

As more fully discussed in Note 2 of Notes to Consolidated Financial Statements, in January 2012, we completed the sale of HE. The "net cash proceeds," as defined in the Credit Agreement, from the sale were $1.22 billion, which we applied on a pro-rata basis to the repayment of a portion of outstanding indebtedness as follows (in millions):

	December 31, 2011	Less: Repayment on January 20, 2012	Remaining Balance
Senior Secured Credit Facilities:			
Secured revolving credit facility	$ —	$ —	$ —
Tranche A	1,386	(396)	990
Tranche B	2,407	(689)	1,718
Incremental term loan	479	(137)	342
Total Senior Secured Credit Facilities	$4,272	$(1,222)	$3,050

During the third and fourth quarters of 2011, we repaid in full our tranche A and tranche B pound sterling-denominated term loans totaling £78 million.

On March 2, 2012, we amended the Credit Agreement to, among other things, extend the maturity date of approximately $908 million of tranche A and incremental term loans from February 28, 2014 to February 28, 2017, extend the maturity of our $880 million revolving credit facility from May 11, 2013 to November 29, 2016, and amend certain covenants and other provisions in order to, among other things, permit the potential spin-off of AS.

On November 10, 2011, we amended the Credit Agreement to modify the definition of consolidated EBITDA to allow for the inclusion of EBITDA generated by discontinued operations until such operations are actually sold for purposes of calculating compliance with certain financial covenants.

On March 11, 2011, we amended the Credit Agreement to, among other things, obtain new revolving credit commitments of $300 million that increased the Company's aggregate revolving credit commitments by $50 million to approximately $880 million.

On January 31, 2011, we amended the Credit Agreement to, among other things, (a) eliminate the LIBOR and Base Rate floors and (b) reduce the Eurocurrency interest rate spread to 3.50% from 3.75% and the base rate spread to 2.50% from 2.75% with no impact on maturity.

Senior Notes

On November 1, 2010, we issued $900 million of 7.375% senior notes due November 2018 and $700 million of 7.625% senior notes due November 2020. The proceeds, together with other cash, were used to retire the former $1.6 billion 9.125% senior notes that would have been due 2013.

On February 21, 2012, we announced that we will redeem all of our outstanding 10.625% Senior Notes due 2015 under the Indenture dated as of September 29, 2008 (as amended or supplemented from time to time, the "2015 Indenture") among SunGard, the guarantors named therein, and The Bank of New York Mellon, as trustee. We expect to redeem the 2015 senior notes on April 2, 2012 at a redemption price equal to 105.313% of the aggregate principal amount plus accrued and unpaid interest to the redemption date, pursuant to Section 3.07(d) of the 2015 Indenture.

Secured Accounts Receivable Facility

In March 2009, SunGard entered into a syndicated three-year secured accounts receivable facility. The facility limit was $317 million, which consisted of a term loan commitment of $181 million and a revolving commitment of $136 million. Advances may be borrowed and repaid under the revolving commitment with no impact on the facility limit. The term loan commitment may be repaid at any time at SunGard's option, but will result in a permanent reduction in the facility limit. On September 30, 2010, SunGard entered into an Amended and Restated Credit and Security Agreement related to its receivables facility. Among other things, the amendment (a) increased the borrowing capacity under the facility from $317 million to $350 million, (b) increased the term loan component to $200 million from $181 million, (c) extended the maturity date to September 30, 2014, (d) removed the 3% LIBOR floor and set the interest rate to one-month LIBOR plus 3.5%, which at December 31, 2011 was 3.79%, and (e) amended certain terms.

In connection with the sale of our HE business, the participating HE subsidiaries were removed from the receivables facility, effective as of October 3, 2011. As a result, the combined total amount available for borrowing under the receivables facility was reduced from $350 million to $290 million.

At December 31, 2011, $200 million was drawn against the term loan commitment and none was drawn against the revolving commitment. At December 31, 2011, $572 million of accounts receivables secured the borrowings under the receivables facility.

SunGard is subject to a fee on the unused portion of 0.75% per annum. The receivables facility contains certain covenants and we are required to satisfy and maintain specified facility performance ratios, financial ratios and other financial condition tests.

Interest Rate Swaps

We use interest rate swap agreements to manage the amount of our floating rate debt in order to reduce our exposure to variable rate interest payments associated with the senior secured credit facilities. We pay a stream of fixed interest payments for the term of the swap, and in turn, receive variable interest payments based on one-month LIBOR or three-month LIBOR (0.295% and 0.581%, respectively, at December 31, 2011). The net receipt or payment from the interest rate swap agreements is included in interest expense. A summary of our interest rate swaps at December 31, 2011 follows (in millions):

Inception	Maturity	Notional Amount (in millions)	Interest rate paid	Interest rate received (LIBOR)
January / February 2009	February 2012	$1,200	1.78%	1-Month
February 2010	May 2013	500	1.99%	3-Month
Total/Weighted average interest rate		$1,700	1.84%	

Contractual Obligations

At December 31, 2011, our contractual obligations follow (in millions):

	Total	2012	2013 - 2014	2015 - 2016	2017 and After
Short-term and long-term debt [1]	$ 7,829	$ 10	$2,365	$3,853	$1,601
Interest payments [2]	2,147	462	847	492	346
Operating leases	1,140	194	315	238	393
Purchase obligations [3]	252	150	93	5	4
	$11,368	$816	$3,620	$4,588	$2,344

Taking into effect the sale of HE, the January 2012 prepayment of $1.222 billion of term loans, the March 2012 extension of the maturity date of $908 million of term loans to 2017, and the April 2012 early redemption of our 10.625% Senior Notes, our contractual obligations are as follows (in millions):

	Total	2012	2013	2014	2015 - 2016	2017 and After
Short-term and long-term debt [5]	$ 6,637	$ 537[4]	$ 7	$ 865	$2,719	$2,509
Interest payments [6]	2,013	412	374	352	520	355
Operating leases	1,125	190	165	145	234	391
Purchase obligations [3]	231	138	62	27	4	—
	$10,005	$1,277	$608	$1,392	$3,476	$3,252

(1) The senior notes due 2014 and the senior notes due 2015 are recorded at $242 million and $497 million, respectively, as of December 31, 2011, reflecting the remaining unamortized discount. The $11 million discount at December 31, 2011 will be amortized and included in interest expense over the remaining periods to maturity.

(2) Interest payments consist of interest on both fixed-rate and variable-rate debt. Variable-rate debt consists primarily of the tranche A secured term loan facility ($1.39 billion at 3.33%), the tranche B term loan facility ($2.41 billion at 4.32%), the incremental term loan ($479 million at 3.78%) and the secured accounts receivable facility ($200 million at 3.79%), each as of December 31, 2011. See Note 5 of Notes to Consolidated Financial Statements.

(3) Purchase obligations include our estimate of the minimum outstanding obligations under noncancelable commitments to purchase goods or services.

(4) Includes $500 million of senior notes recorded at a $3 million discount and a call premium of $27 million. The $3 million discount will be expensed through the date of redemption of the notes.

(5) The senior notes due 2014 are recorded at $242 million as of December 31, 2011, reflecting the remaining unamortized discount. The $8 million discount at December 31, 2011 will be amortized and included in interest expense over the remaining periods to maturity.

(6) Interest payments consist of interest on both fixed-rate and variable-rate debt. Variable-rate debt consists primarily of the tranche A secured term loan facility ($254 million at 3.33%), the tranche B term loan facility ($1.72 billion at 4.32%), the new tranche C term loan facility ($908 million at 4.05%), the incremental term loan ($170 million at 3.78%) and the secured accounts receivable facility ($200 million at 3.79%), each as of December 31, 2011. See Note 5 of Notes to Consolidated Financial Statements.

At December 31, 2011, contingent purchase price obligations that depend upon the operating performance of certain acquired businesses were $7 million, of which $4 million is included in other accrued expenses. We also have outstanding letters of credit and bid bonds that total approximately $37 million.

We expect our cash on hand, cash flows from operations and availability under our revolving credit facility and our accounts receivable facility to provide sufficient liquidity to fund our current obligations, projected working capital requirements and capital spending for a period that includes at least the next 12 months.

Depending on market conditions, SunGard, its Sponsors and their affiliates may from time to time repurchase debt securities issued by SunGard, in privately negotiated or open market transactions, by tender offer or otherwise.

Covenant Compliance

Our senior secured credit agreement and the indentures governing our senior notes due 2015, 2018 and 2020 and our senior subordinated notes due 2015 contain various covenants that limit our ability to engage in specified types of transactions. These covenants limit our ability to, among other things:

- incur additional indebtedness or issue certain preferred shares,
- pay dividends on, repurchase or make distributions in respect of our capital stock or make other restricted payments,
- make certain investments,
- sell certain assets,
- create liens,
- consolidate, merge, sell or otherwise dispose of all or substantially all of our assets, and
- enter into certain transactions with our affiliates.

In addition, pursuant to the Principal Investor Agreement by and among our Holding Companies and the Sponsors, we are required to obtain approval from certain Sponsors prior to the declaration or payment of any dividend by us or any of our subsidiaries (other than dividends payable to us or any of our wholly owned subsidiaries).

Under the senior secured credit agreement, we are required to satisfy and maintain specified financial ratios and other financial condition tests. As of December 31, 2011, we are in compliance with all financial and nonfinancial covenants. While we believe that we will remain in compliance, our continued ability to meet those financial ratios and tests can be affected by events beyond our control, and there is no assurance that we will continue to meet those ratios and tests.

Adjusted earnings before interest, taxes, depreciation and amortization ("EBITDA") is a non-GAAP measure used to determine our compliance with certain covenants contained in the indentures governing the senior notes due 2015, 2018 and 2020 and senior subordinated notes due 2015 and in our senior secured credit agreement. Adjusted EBITDA is defined as EBITDA further adjusted to exclude unusual items and other adjustments permitted in calculating covenant compliance under the indentures and our senior secured credit agreement. We believe that including supplementary information concerning Adjusted EBITDA is appropriate to provide additional information to investors to demonstrate compliance with our financing covenants.

The breach of covenants in our senior secured credit agreement that are tied to ratios based on Adjusted EBITDA could result in a default and the lenders could elect to declare all amounts borrowed due and payable. Any such acceleration would also result in a default under our indentures. Additionally, under our debt agreements, our ability to engage in activities such as incurring additional indebtedness, making investments and paying dividends is also tied to ratios based on Adjusted EBITDA.

Adjusted EBITDA does not represent net income (loss) or cash flow from operations as those terms are defined by GAAP and does not necessarily indicate whether cash flows will be sufficient to fund cash needs. While Adjusted EBITDA and similar measures are frequently used as measures of operations and the ability to meet debt service requirements, these terms are not necessarily comparable to other similarly titled captions of other companies due to the potential inconsistencies in

the method of calculation. Adjusted EBITDA does not reflect the impact of earnings or charges resulting from matters that we may consider not to be indicative of our ongoing operations. In particular, the definition of Adjusted EBITDA in the indentures allows us to add back certain noncash, extraordinary or unusual charges that are deducted in calculating net income (loss). However, these are expenses that may recur, vary greatly and are difficult to predict. Further, our debt instruments require that Adjusted EBITDA be calculated for the most recent four fiscal quarters. As a result, the measure can be disproportionately affected by a particularly strong or weak quarter. Further, it may not be comparable to the measure for any subsequent four-quarter period or any complete fiscal year.

The following is a reconciliation for SunGard of income (loss) from continuing operations, which is a GAAP measure of our operating results, to Adjusted EBITDA as defined in our debt agreements (in millions). The terms and related calculations are defined in the indentures.

	2009	2010	2011
Loss from continuing operations	$(1,185)	$ (414)	**$ (73)**
Interest expense, net	630	636	**521**
Income tax benefit	(116)	(68)	**(118)**
Depreciation and amortization	771	729	**710**
EBITDA	100	883	**1,040**
Goodwill impairment charges	1,126	205	**48**
Purchase accounting adjustments (a)	17	13	**11**
Non-cash charges (b)	33	36	**34**
Restructuring and other charges (c)	37	56	**99**
Acquired EBITDA, net of disposed EBITDA (d)	4	7	**—**
Pro forma expense savings related to acquisitions (e)	4	2	**—**
Loss on extinguishment of debt (f)	—	58	**3**
Adjusted EBITDA from continuing operations	1,321	1,260	**1,235**
Adjusted EBITDA from Operations Held for Sale	163	147	**138**
Adjusted EBITDA—senior secured credit facilities, senior notes due 2015, 2018 and 2020 and senior subordinated notes due 2015	$ 1,484	$1,407	**$1,373**

(a) Purchase accounting adjustments include the adjustment of deferred revenue and lease reserves to fair value at the dates of the LBO and subsequent acquisitions made by SunGard and certain acquisition-related compensation expense.

(b) Non-cash charges include stock-based compensation (see Note 9 of Notes to Consolidated Financial Statements) and loss on the sale of assets.

(c) Restructuring and other charges include severance and related payroll taxes, reserves to consolidate certain facilities, strategic initiative expenses, certain other expenses associated with acquisitions made by the Company, gains or losses related to fluctuation of foreign currency exchange rates impacting the foreign-denominated debt, management fees paid to the Sponsors, and franchise and similar taxes reported in operating expenses, partially offset by certain charges relating to the receivables facility.

(d) Acquired EBITDA net of disposed EBITDA reflects the EBITDA impact of businesses that were acquired or disposed of during the period as if the acquisition or disposition occurred at the beginning of the period.

(e) Pro forma adjustments represent the full-year impact of savings resulting from post-acquisition integration activities.

(f) Loss on extinguishment of debt includes in 2010 the loss on extinguishment of $1.6 billion of senior notes due in 2013 and the write-off of deferred financing fees related to the refinancing of a portion of our U.S. Dollar-denominated term loans and retirement of $100 million of pound Sterling-denominated term loans.

Our covenant requirements and actual ratios for the year ended December 31, 2011 are as follows:

	Covenant Requirements	Actual Ratios
Senior secured credit facilities [1]		
Minimum Adjusted EBITDA to consolidated interest expense ratio	1.95x	2.93x
Maximum total debt to Adjusted EBITDA	5.75x	4.96x
Senior notes due 2015, 2018 and 2020 and senior subordinated notes due 2015 [2]		
Minimum Adjusted EBITDA to fixed charges ratio required to incur additional debt pursuant to ratio provisions	2.00x	2.91x

(1) Our senior secured credit facilities require us to maintain an Adjusted EBITDA to consolidated interest expense ratio starting at a minimum of 1.95x for the four-quarter period ended December 31, 2011 and increasing over time to 2.10x by the end of 2012 and 2.20x by the end of 2013. Consolidated interest expense is defined in the senior secured credit facilities as consolidated cash interest expense less cash interest income further adjusted for certain non-cash or non-recurring interest expense and the elimination of interest expense and fees associated with SunGard's accounts receivable facility. Beginning with the four-quarter period ending December 31, 2011, we are required to maintain a consolidated total debt to Adjusted EBITDA ratio of 5.75x and decreasing over time to 5.25x by the end of 2012 and to 4.75x by the end of 2013. Consolidated total debt is defined in the senior secured credit facilities as total debt less certain indebtedness and further adjusted for cash and cash equivalents on our balance sheet in excess of $50 million. Failure to satisfy these ratio requirements would constitute a default under the senior secured credit facilities. If our lenders failed to waive any such default, our repayment obligations under the senior secured credit facilities could be accelerated, which would also constitute a default under our indentures.

(2) Our ability to incur additional debt and make certain restricted payments under our indentures, subject to specified exceptions, is tied to an Adjusted EBITDA to fixed charges ratio of at least 2.0x, except that we may incur certain debt and make certain restricted payments and certain permitted investments without regard to the ratio, such as our ability to incur up to an aggregate principal amount of $5.75 billion under credit facilities (inclusive of amounts outstanding under our senior credit facilities from time to time; as of December 31, 2011, we had $4.27 billion outstanding under our term loan facilities and available commitments of $858 million under our revolving credit facility), to acquire persons engaged in a similar business that become restricted subsidiaries and to make other investments equal to 6% of our consolidated assets. Fixed charges is defined in the indentures governing the Senior Notes due 2015, 2018 and 2020 and the Senior Subordinated Notes due 2015 as consolidated interest expense less interest income, adjusted for acquisitions, and further adjusted for non-cash interest and the elimination of interest expense and fees associated with the accounts receivable facility.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK:

We do not use derivative financial instruments for trading or speculative purposes. We have invested our available cash in short-term, highly liquid financial instruments, substantially all having initial maturities of three months or less. When necessary, we have borrowed to fund acquisitions.

At December 31, 2011, we had total debt of $7.83 billion, including $4.47 billion of variable rate debt. We entered into interest rate swap agreements which fixed the interest rates for $1.7 billion of our variable rate debt. Swap agreements expiring in February 2012 have a notional value of $1.2 billion and effectively fix the variable portion of our interest rates at 1.78%. Swap agreements expiring in May 2013 have a notional value of $500 million and effectively fix the variable portion of our interest rates at 1.99%. Our remaining variable rate debt of $2.77 billion is subject to changes in underlying interest rates, and, accordingly, our interest payments will fluctuate. During the period when all of our interest rate swap agreements are effective, a 1% change in interest rates would result in a change in interest of approximately $28 million per year. Upon the expiration of each interest rate swap agreement in February 2012 and May 2013, a 1% change in interest rates would result in a change in interest of approximately $40 million and $45 million per year, respectively. See Note 5 of Notes to Consolidated Financial Statements.

During 2011, approximately 37% of our revenue was from customers outside the United States with approximately 78% of this revenue coming from customers located in the United Kingdom, Continental Europe and Canada. Only a portion of the revenue from customers outside the United States is denominated in other currencies, the majority being pounds sterling and euros. Revenue and expenses of our foreign operations are generally denominated in their respective local currencies. We continue to monitor our exposure to currency exchange rates and we enter into currency hedging transactions from time to time to mitigate certain currency exposures.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

SunGard Capital Corp.
SunGard Capital Corp. II
SunGard Data Systems Inc.

Index to Consolidated Financial Statements

Reports of Independent Registered Public Accounting Firm 56

SunGard Capital Corp.

Consolidated Balance Sheets 59
Consolidated Statements of Comprehensive Income 60
Consolidated Statements of Cash Flows 61
Consolidated Statement of Changes in Equity 62

SunGard Capital Corp. II

Consolidated Balance Sheets 64
Consolidated Statements of Comprehensive Income 65
Consolidated Statements of Cash Flows 66
Consolidated Statement of Changes in Stockholders' Equity 67

SunGard Data Systems Inc.

Consolidated Balance Sheets 69
Consolidated Statements of Comprehensive Income 70
Consolidated Statements of Cash Flows 71
Consolidated Statement of Changes in Stockholder's Equity 72

Notes to Consolidated Financial Statements 73

Reports of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of SunGard Capital Corp.:

In our opinion, the accompanying consolidated balance sheets and the related statements of comprehensive income, of changes in equity and of cash flows present fairly, in all material respects, the financial position of SunGard Capital Corp. and its subsidiaries ("the Company") at December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company did not maintain, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) because a material weakness in internal control over financial reporting related to deferred income tax accounting existed as of that date. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. The material weakness referred to above is described in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A. We considered this material weakness in determining the nature, timing, and extent of audit tests applied in our audit of the 2011 consolidated financial statements and our opinion regarding the effectiveness of the Company's internal control over financial reporting does not affect our opinion on those consolidated financial statements. The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in management's report referred to above. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
March 16, 2012

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of SunGard Capital Corp. II:

In our opinion, the accompanying consolidated balance sheets and the related statements of comprehensive income, of changes in stockholders' equity and of cash flows present fairly, in all material respects, the financial position of SunGard Capital Corp. II and its subsidiaries ("the Company") at December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company did not maintain, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) because a material weakness in internal control over financial reporting related to deferred income tax accounting existed as of that date. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. The material weakness referred to above is described in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A. We considered this material weakness in determining the nature, timing, and extent of audit tests applied in our audit of the 2011 consolidated financial statements and our opinion regarding the effectiveness of the Company's internal control over financial reporting does not affect our opinion on those consolidated financial statements. The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in management's report referred to above. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
March 16, 2012

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholder of SunGard Data Systems Inc.:

In our opinion, the accompanying consolidated balance sheets and the related statements of comprehensive income, of changes in stockholder's equity and of cash flows present fairly, in all material respects, the financial position of SunGard Data Systems Inc. and its subsidiaries ("the Company") at December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company did not maintain, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) because a material weakness in internal control over financial reporting related to deferred income tax accounting existed as of that date. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. The material weakness referred to above is described in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A. We considered this material weakness in determining the nature, timing, and extent of audit tests applied in our audit of the 2011 consolidated financial statements and our opinion regarding the effectiveness of the Company's internal control over financial reporting does not affect our opinion on those consolidated financial statements. The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in management's report referred to above. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
March 16, 2012

SunGard Capital Corp.

Consolidated Balance Sheets

(In millions except share and per-share amounts)	December 31, 2010	December 31, 2011
Assets		
Current:		
Cash and cash equivalents	$ 771	**$ 868**
Trade receivables, net of allowance for doubtful accounts of $37 and $38	833	**802**
Earned but unbilled receivables	135	**149**
Prepaid expenses and other current assets	166	**117**
Clearing broker assets	230	**213**
Deferred income taxes	7	**—**
Assets held for sale	1,339	**1,326**
Total current assets	3,481	**3,475**
Property and equipment, less accumulated depreciation of $1,109 and $1,296	892	**893**
Software products, less accumulated amortization of $1,203 and $1,431	723	**554**
Customer base, less accumulated amortization of $1,049 and $1,269	1,806	**1,580**
Other intangible assets, less accumulated amortization of $23 and $22	187	**144**
Trade name, less accumulated amortization of $7 and $10	1,023	**1,019**
Goodwill	4,856	**4,885**
Total Assets	$12,968	**$12,550**
Liabilities and Equity		
Current:		
Short-term and current portion of long-term debt	$ 9	**$ 10**
Accounts payable	63	**60**
Accrued compensation and benefits	284	**300**
Accrued interest expense	103	**92**
Other accrued expenses	406	**341**
Clearing broker liabilities	210	**179**
Deferred revenue	887	**862**
Deferred income taxes	—	**76**
Liabilities related to assets held for sale	246	**230**
Total current liabilities	2,208	**2,150**
Long-term debt	8,046	**7,819**
Deferred income taxes	1,110	**1,125**
Total liabilities	11,364	**11,094**
Commitments and contingencies		
Noncontrolling interest in preferred stock of SCCII subject to a put option	54	**28**
Class L common stock subject to a put option	87	**47**
Class A common stock subject to a put option	11	**6**
Stockholders' equity:		
Class L common stock, convertible, par value $.001 per share; cumulative 13.5% per annum, compounded quarterly; aggregate liquidation preference of $4,699 million and $5,383 million; 50,000,000 shares authorized, 28,670,331 and 28,842,773 shares issued	—	**—**
Class A common stock, par value $.001 per share; 550,000,000 shares authorized, 258,037,523 and 259,589,718 shares issued	—	**—**
Capital in excess of par value	2,703	**2,768**
Treasury stock, 326,329 and 387,638 shares of Class L common stock; and 2,940,981 and 3,492,925 shares of Class A common stock	(34)	**(39)**
Accumulated deficit	(2,970)	**(3,346)**
Accumulated other comprehensive income (loss)	(29)	**(46)**
Total SunGard Capital Corp. stockholders' equity (deficit)	(330)	**(663)**
Noncontrolling interest in preferred stock of SCCII	1,782	**2,038**
Total equity	1,452	**1,375**
Total Liabilities and Equity	$12,968	**$12,550**

The accompanying notes are an integral part of these consolidated financial statements.

SunGard Capital Corp.

Consolidated Statements of Comprehensive Income

(In millions)	Year ended December 31, 2009	2010	2011
Revenue:			
Services	$ 4,405	$4,075	**$4,114**
License and resale fees	245	295	**289**
Total products and services	4,650	4,370	**4,403**
Reimbursed expenses	156	120	**96**
	4,806	4,490	**4,499**
Costs and expenses:			
Cost of sales and direct operating	2,249	1,937	**1,891**
Sales, marketing and administration	992	1,042	**1,095**
Product development and maintenance	354	372	**422**
Depreciation and amortization	275	278	**272**
Amortization of acquisition-related intangible assets	496	451	**438**
Goodwill impairment charges	1,126	205	**48**
	5,492	4,285	**4,166**
Operating income (loss)	(686)	205	**333**
Interest income	7	2	**3**
Interest expense and amortization of deferred financing fees	(637)	(638)	**(524)**
Loss on extinguishment of debt	—	(58)	**(3)**
Other income (expense)	15	7	**—**
Income (loss) from continuing operations before income taxes	(1,301)	(482)	**(191)**
Benefit from (provision for) income taxes	117	68	**116**
Income (loss) from continuing operations	(1,184)	(414)	**(75)**
Income (loss) from discontinued operations, net of tax	67	(156)	**(76)**
Net income (loss)	(1,117)	(570)	**(151)**
Income attributable to the noncontrolling interest (including $5 million, $3 million and $– million in temporary equity)	(180)	(191)	**(225)**
Net income (loss) attributable to SunGard Capital Corp.	(1,297)	(761)	**(376)**
Other Comprehensive income (loss):			
Foreign currency translation	80	(41)	**(26)**
Less: foreign currency translation reclassified into income	—	109	**—**
Foreign currency translation, net	80	68	**(26)**
Unrealized gain (loss) on derivative instruments	(51)	(49)	**(16)**
Less: gain (loss) on derivatives reclassified into income	80	85	**34**
Less: income tax benefit (expense)	(11)	(12)	**(9)**
Net unrealized gain (loss) on derivative instruments, net of tax	18	24	**9**
Comprehensive income (loss) attributable to SunGard Capital Corp.	$(1,199)	$ (669)	**$ (393)**

The accompanying notes are an integral part of these consolidated financial statements.

SunGard Capital Corp.

Consolidated Statements of Cash Flows

(In millions)	Year ended December 31, 2009	2010	2011
Cash flow from operations:			
Net income (loss)	$(1,117)	$ (570)	**$(151)**
Income (loss) from discontinued operations	67	(156)	**(76)**
Income (loss) from continuing operations	(1,184)	(414)	**(75)**
Reconciliation of income (loss) from continuing operations to cash flow from (used in) operations:			
Depreciation and amortization	771	729	**710**
Goodwill impairment charge	1,126	205	**48**
Deferred income tax provision (benefit)	(157)	(83)	**(157)**
Stock compensation expense	31	29	**33**
Amortization of deferred financing costs and debt discount	42	43	**40**
Loss on extinguishment of debt	—	58	**3**
Other non-cash items	(14)	3	**2**
Accounts receivable and other current assets	(15)	22	**73**
Accounts payable and accrued expenses	(73)	29	**(35)**
Clearing broker assets and liabilities, net	(39)	18	**(14)**
Deferred revenue	62	(36)	**(26)**
Cash flow from (used in) continuing operations	550	603	**602**
Cash flow from (used in) discontinued operations	90	118	**76**
Cash flow from (used in) operations	640	721	**678**
Investment activities:			
Cash paid for acquired businesses, net of cash acquired	(13)	(82)	**(35)**
Cash paid for property and equipment and software	(315)	(298)	**(276)**
Other investing activities	5	4	**(4)**
Cash provided by (used in) continuing operations	(323)	(376)	**(315)**
Cash provided by (used in) discontinued operations	(10)	116	**(11)**
Cash provided by (used in) investment activities	(333)	(260)	**(326)**
Financing activities:			
Cash received from issuance of common stock	4	1	**3**
Cash received from issuance of preferred stock	1	—	**3**
Cash received from borrowings, net of fees	202	1,633	**1**
Cash used to repay debt	(825)	(1,924)	**(239)**
Premium paid to retire debt	—	(41)	**—**
Cash used to purchase treasury stock	(6)	(12)	**(9)**
Other financing activities	(3)	(1)	**(12)**
Cash provided by (used in) continuing operations	(627)	(344)	**(253)**
Cash provided by (used in) discontinued operations	(2)	—	**—**
Cash provided by (used in) financing activities	(629)	(344)	**(253)**
Effect of exchange rate changes on cash	11	(3)	**(4)**
Increase (decrease) in cash and cash equivalents	(311)	114	**95**
Beginning cash and cash equivalents includes cash of discontinued operations: 2009, $12; 2010, $27; 2011, $7	975	664	**778**
Ending cash and cash equivalents includes cash of discontinued operations: 2009, $27; 2010, $7; 2011, $5	$ 664	$ 778	**$ 873**

The accompanying notes are an integral part of these consolidated financial statements.

SunGard Capital Corp.

Consolidated Statement of Changes in Equity

	Common Stock				Treasury Stock			
					Common Stock			
	Number of Shares issued				Shares			
(In millions)	Class L	Class A	Par Value	Capital in Excess of Par Value	Class L	Class A	Par Value	Amount
Balances at December 31, 2008	29	256	$—	$2,613	—	2	$—	$ (24)
Net income (loss)	—	—	—	—	—	—	—	—
Foreign currency translation	—	—	—	—	—	—	—	—
Net unrealized gain on derivative instruments (net of tax provision of $11)	—	—	—	—	—	—	—	—
Stock compensation expense	—	—	—	33	—	—	—	—
Issuance of common and preferred stock	—	2	—	(1)	—	—	—	—
Purchase of treasury stock	—	—	—	—	—	—	—	(3)
Expiration of put option	—	—	—	44	—	—	—	—
Transfer intrinsic value of vested restricted stock units to temporary equity	—	—	—	(9)	—	—	—	—
Other	—	—	—	(2)	—	—	—	—
Balances at December 31, 2009	29	258	—	2,678	—	2	—	(27)
Net income (loss)	—	—	—	—	—	—	—	—
Foreign currency translation including the impact of the sale of a business of $109	—	—	—	—	—	—	—	—
Net unrealized gain on derivative instruments (net of tax provision of $12)	—	—	—	—	—	—	—	—
Stock compensation expense	—	—	—	31	—	—	—	—
Issuance of common and preferred stock	—	—	—	1	—	—	—	—
Purchase of treasury stock	—	—	—	(1)	—	1	—	(7)
Expiration of put option	—	—	—	10	—	—	—	—
Transfer intrinsic value of vested restricted stock units to temporary equity	—	—	—	(13)	—	—	—	—
Other	—	—	—	(3)	—	—	—	—
Balances at December 31, 2010	29	258	—	2,703	—	3	—	(34)
Net income (loss)	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Foreign currency translation	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Net unrealized gain on derivative instruments (net of tax provision of $9)	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Stock compensation expense	**—**	**—**	**—**	**35**	**—**	**—**	**—**	**—**
Issuance of common and preferred stock	**—**	**2**	**—**	**6**	**—**	**—**	**—**	**—**
Purchase of treasury stock	**—**	**—**	**—**	**(1)**	**—**	**—**	**—**	**(5)**
Expiration of put option	**—**	**—**	**—**	**58**	**—**	**—**	**—**	**—**
Transfer intrinsic value of vested restricted stock units to temporary equity	**—**	**—**	**—**	**(21)**	**—**	**—**	**—**	**—**
Other	**—**	**—**	**—**	**(12)**	**—**	**—**	**—**	**—**
Balances at December 31, 2011	**29**	**260**	**$—**	**$2,768**	**—**	**3**	**$—**	**$ (39)**

The accompanying notes are an integral part of these consolidated financial statements.

SunGard Capital Corp.

Consolidated Statement of Changes in Equity (continued)

(In millions)	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)		Noncontrolling interest	Total
		Foreign Currency Translation	Net Unrealized Gain (Loss) on Derivative Instruments		
Balances at December 31, 2008	$ (912)	$(159)	$ (60)	$1,411	$ 2,869
Net income (loss)	(1,297)	—	—	175	(1,122)
Foreign currency translation	—	80	—	—	80
Net unrealized gain on derivative instruments (net of tax provision of $11)	—	—	18	—	18
Stock compensation expense	—	—	—	—	33
Issuance of common and preferred stock	—	—	—	1	—
Purchase of treasury stock	—	—	—	(2)	(5)
Expiration of put option	—	—	—	8	52
Transfer intrinsic value of vested restricted stock units to temporary equity	—	—	—	—	(9)
Other	—	—	—	—	(2)
Balances at December 31, 2009	(2,209)	(79)	(42)	1,593	1,914
Net income (loss)	(761)	—	—	188	(573)
Foreign currency translation including the impact of the sale of a business of $109	—	68	—	—	68
Net unrealized gain on derivative instruments (net of tax provision of $12)	—	—	24	—	24
Stock compensation expense	—	—	—	—	31
Issuance of common and preferred stock	—	—	—	—	1
Purchase of treasury stock	—	—	—	(3)	(11)
Expiration of put option	—	—	—	3	13
Transfer intrinsic value of vested restricted stock units to temporary equity	—	—	—	—	(13)
Other	—	—	—	1	(2)
Balances at December 31, 2010	(2,970)	(11)	(18)	1,782	1,452
Net income (loss)	**(376)**	**—**	**—**	**225**	**(151)**
Foreign currency translation	**—**	**(26)**	**—**	**—**	**(26)**
Net unrealized gain on derivative instruments (net of tax provision of $9)	**—**	**—**	**9**	**—**	**9**
Stock compensation expense	**—**	**—**	**—**	**—**	**35**
Issuance of common and preferred stock	**—**	**—**	**—**	**1**	**7**
Purchase of treasury stock	**—**	**—**	**—**	**(2)**	**(8)**
Expiration of put option	**—**	**—**	**—**	**32**	**90**
Transfer intrinsic value of vested restricted stock units to temporary equity	**—**	**—**	**—**	**—**	**(21)**
Other	**—**	**—**	**—**	**—**	**(12)**
Balances at December 31, 2011	**$(3,346)**	**$ (37)**	**$ (9)**	**$2,038**	**$ 1,375**

The accompanying notes are an integral part of these consolidated financial statements.

SunGard Capital Corp. II

Consolidated Balance Sheets

(In millions except share and per-share amounts) (Unaudited)	December 31, 2010	December 31, 2011
Assets		
Current:		
Cash and cash equivalents	$ 771	**$ 868**
Trade receivables, less allowance for doubtful accounts of $37 and $38	833	**802**
Earned but unbilled receivables	135	**149**
Prepaid expenses and other current assets	166	**117**
Clearing broker assets	230	**213**
Deferred income taxes	7	**—**
Assets held for sale	1,339	**1,326**
Total current assets	3,481	**3,475**
Property and equipment, less accumulated depreciation of $1,109 and $1,296	892	**893**
Software products, less accumulated amortization of $1,203 and $1,431	723	**554**
Customer base, less accumulated amortization of $1,049 and $1,269	1,806	**1,580**
Other intangible assets, less accumulated amortization of $23 and $22	187	**144**
Trade name, less accumulated amortization of $7 and $10	1,023	**1,019**
Goodwill	4,856	**4,885**
Total Assets	$12,968	**$12,550**
Liabilities and Stockholders' Equity		
Current:		
Short-term and current portion of long-term debt	$ 9	**$ 10**
Accounts payable	63	**60**
Accrued compensation and benefits	284	**300**
Accrued interest expense	103	**92**
Other accrued expenses	406	**342**
Clearing broker liabilities	210	**179**
Deferred revenue	887	**862**
Deferred income taxes	—	**76**
Liabilities related to assets held for sale	246	**230**
Total current liabilities	2,208	**2,151**
Long-term debt	8,046	**7,819**
Deferred income taxes	1,110	**1,124**
Total liabilities	11,364	**11,094**
Commitments and contingencies		
Preferred stock subject to a put option	37	**23**
Stockholders' equity:		
Preferred stock, par value $.001 per share; cumulative 11.5% per annum, compounded quarterly; aggregate liquidation preference of $1,818 million and $2,046 million; 14,999,000 shares authorized, 9,924,392 and 9,984,091 issued	—	**—**
Common stock, par value $.001 per share; 1,000 shares authorized, 100 shares issued and oustanding	—	**—**
Capital in excess of par value	3,747	**3,785**
Treasury stock, 112,987 and 134,215 shares	(14)	**(18)**
Accumulated deficit	(2,137)	**(2,288)**
Accumulated other comprehensive income (loss)	(29)	**(46)**
Total stockholders' equity	1,567	**1,433**
Total Liabilities and Stockholders' Equity	$12,968	**$12,550**

The accompanying notes are an integral part of these consolidated financial statements.

SunGard Capital Corp. II

Consolidated Statements of Comprehensive Income

(In millions)	Year ended December 31, 2009	2010	2011
Revenue:			
Services	$ 4,405	$4,075	**$4,114**
License and resale fees	245	295	**289**
Total products and services	4,650	4,370	**4,403**
Reimbursed expenses	156	120	**96**
	4,806	4,490	**4,499**
Costs and expenses:			
Cost of sales and direct operating	2,249	1,937	**1,891**
Sales, marketing and administration	992	1,042	**1,095**
Product development and maintenance	354	372	**422**
Depreciation and amortization	275	278	**272**
Amortization of acquisition-related intangible assets	496	451	**438**
Goodwill impairment charges	1,126	205	**48**
	5,492	4,285	**4,166**
Operating income (loss)	(686)	205	**333**
Interest income	7	2	**3**
Interest expense and amortization of deferred financing fees	(637)	(638)	**(524)**
Loss on extinguishment of debt	—	(58)	**(3)**
Other income (expense)	15	7	**—**
Income (loss) from continuing operations before income taxes	(1,301)	(482)	**(191)**
Benefit from (provision for) income taxes	116	68	**116**
Income (loss) from continuing operations	(1,185)	(414)	**(75)**
Income (loss) from discontinued operations, net of tax	67	(156)	**(76)**
Net income (loss)	(1,118)	(570)	**(151)**
Other Comprehensive income (loss):			
Foreign currency translation	80	(41)	**(26)**
Less: foreign currency translation reclassified into income	—	109	**—**
Foreign currency translation, net	80	68	**(26)**
Unrealized gain (loss) on derivative instruments	(51)	(49)	**(16)**
Less: gain (loss) on derivatives reclassified into income	80	85	**34**
Less: income tax benefit (expense)	(11)	(12)	**(9)**
Net unrealized gain (loss) on derivative instruments, net of tax	18	24	**9**
Comprehensive income (loss)	$(1,020)	$ (478)	**$ (168)**

The accompanying notes are an integral part of these consolidated financial statements.

SunGard Capital Corp. II

Consolidated Statements of Cash Flows

(In millions)	Year ended December 31, 2009	2010	2011
Cash flow from operations:			
Net income (loss)	$(1,118)	$ (570)	**$(151)**
Income (loss) from discontinued operations	67	(156)	**(76)**
Income (loss) from continuing operations	(1,185)	(414)	**(75)**
Reconciliation of net income (loss) from continuing operations to cash flow from (used in) operations:			
Depreciation and amortization	771	729	**710**
Goodwill impairment charge	1,126	205	**48**
Deferred income tax provision (benefit)	(157)	(83)	**(157)**
Stock compensation expense	31	29	**33**
Amortization of deferred financing costs and debt discount	42	43	**40**
Loss on extinguishment of debt	—	58	**3**
Other non-cash items	(14)	3	**2**
Accounts receivable and other current assets	(15)	22	**73**
Accounts payable and accrued expenses	(72)	29	**(35)**
Clearing broker assets and liabilities, net	(39)	18	**(14)**
Deferred revenue	62	(36)	**(26)**
Cash flow from (used in) continuing operations	550	603	**602**
Cash flow from (used in) discontinued operations	90	118	**76**
Cash flow from (used in) operations	640	721	**678**
Investment activities:			
Cash paid for acquired businesses, net of cash acquired	(13)	(82)	**(35)**
Cash paid for property and equipment and software	(315)	(298)	**(276)**
Other investing activities	5	4	**(4)**
Cash provided by (used in) continuing operations	(323)	(376)	**(315)**
Cash provided by (used in) discontinued operations	(10)	116	**(11)**
Cash used in investment activities	(333)	(260)	**(326)**
Financing activities:			
Cash received from issuance of preferred stock	1	—	**3**
Cash received from borrowings, net of fees	202	1,633	**1**
Cash used to repay debt	(825)	(1,924)	**(239)**
Premium paid to retire debt	—	(41)	**—**
Cash used to purchase treasury stock	(2)	(4)	**(4)**
Other financing activities	(3)	(8)	**(14)**
Cash provided by (used in) continuing operations	(627)	(344)	**(253)**
Cash provided by (used in) discontinued operations	(2)	—	**—**
Cash provided by (used in) financing activities	(629)	(344)	**(253)**
Effect of exchange rate changes on cash	11	(3)	**(4)**
Increase (decrease) in cash and cash equivalents	(311)	114	**95**
Beginning cash and cash equivalents includes cash of discontinued operations: 2009, $12; 2010, $27; 2011, $7	975	664	**778**
Ending cash and cash equivalents includes cash of discontinued operations: 2009, $27; 2010, $7; 2011, $5	$ 664	$ 778	**$ 873**

The accompanying notes are an integral part of these consolidated financial statements.

SunGard Capital Corp. II

Consolidated Statement of Changes in Stockholders' Equity

(In millions)	Preferred Stock		Common Stock		Capital in Excess of Par Value
	Number of Shares issued	Par Value	Number of Shares issued	Par Value	
Balances at December 31, 2008	10	$—	—	$—	$3,687
Net income (loss)	—	—	—	—	—
Foreign currency translation	—	—	—	—	—
Net unrealized gain on derivative instruments (net of tax provision of $11)	—	—	—	—	—
Stock compensation expense	—	—	—	—	33
Purchase of treasury stock	—	—	—	—	—
Expiration of put option	—	—	—	—	15
Other	—	—	—	—	(11)
Balances at December 31, 2009	10	—	—	—	3,724
Net income (loss)	—	—	—	—	—
Foreign currency translation including the impact of the sale of a business of $109	—	—	—	—	—
Net unrealized gain on derivative instruments (net of tax provision of $12)	—	—	—	—	—
Stock compensation expense	—	—	—	—	31
Purchase of treasury stock	—	—	—	—	—
Transfer intrinsic value of vested restricted stock units to temporary equity	—	—	—	—	(4)
Expiration of put option	—	—	—	—	4
Other	—	—	—	—	(8)
Balances at December 31, 2010	10	—	—	—	3,747
Net income (loss)	**—**	**—**	**—**	**—**	**—**
Foreign currency translation	**—**	**—**	**—**	**—**	**—**
Net unrealized gain on derivative instruments (net of tax provision of $9)	**—**	**—**	**—**	**—**	**—**
Stock compensation expense	**—**	**—**	**—**	**—**	**35**
Issuance of preferred stock	**—**	**—**	**—**	**—**	**2**
Purchase of treasury stock	**—**	**—**	**—**	**—**	**—**
Transfer intrinsic value of vested restricted stock units to temporary equity	**—**	**—**	**—**	**—**	**(8)**
Expiration of put option	**—**	**—**	**—**	**—**	**23**
Other	**—**	**—**	**—**	**—**	**(14)**
Balances at December 31, 2011	**10**	**$—**	**—**	**$—**	**$3,785**

The accompanying notes are an integral part of these consolidated financial statements.

SunGard Capital Corp. II

Consolidated Statement of Changes in Stockholders' Equity (continued)

	Treasury Stock (Preferred Stock)			Accumulated Other Comprehensive Income (Loss)		
(In millions)	Shares	Amount	Retained Earnings (Accumulated Deficit)	Foreign Currency Translation	Net Unrealized Gain (Loss) on Derivative Instruments	Total
Balances at December 31, 2008	—	$ (8)	$ (449)	$(159)	$ (60)	$ 3,011
Net income (loss)	—	—	(1,118)	—	—	(1,118)
Foreign currency translation	—	—	—	80	—	80
Net unrealized gain on derivative instruments (net of tax provision of $11)	—	—	—	—	18	18
Stock compensation expense	—	—	—	—	—	33
Purchase of treasury stock	—	(2)	—	—	—	(2)
Expiration of put option	—	—	—	—	—	15
Other	—	—	—	—	—	(11)
Balances at December 31, 2009	—	(10)	(1,567)	(79)	(42)	2,026
Net income (loss)	—	—	(570)	—	—	(570)
Foreign currency translation including the impact of the sale of a business of $109	—	—	—	68	—	68
Net unrealized gain on derivative instruments (net of tax provision of $12)	—	—	—	—	24	24
Stock compensation expense	—	—	—	—	—	31
Purchase of treasury stock	—	(4)	—	—	—	(4)
Transfer intrinsic value of vested restricted stock units to temporary equity	—	—	—	—	—	(4)
Expiration of put option	—	—	—	—	—	4
Other	—	—	—	—	—	(8)
Balances at December 31, 2010	—	(14)	(2,137)	(11)	(18)	1,567
Net income (loss)	**—**	**—**	**(151)**	**—**	**—**	**(151)**
Foreign currency translation	**—**	**—**	**—**	**(26)**	**—**	**(26)**
Net unrealized gain on derivative instruments (net of tax provision of $9)	**—**	**—**	**—**	**—**	**9**	**9**
Stock compensation expense	**—**	**—**	**—**	**—**	**—**	**35**
Issuance of preferred stock	**—**	**—**	**—**	**—**	**—**	**2**
Purchase of treasury stock	**—**	**(4)**	**—**	**—**	**—**	**(4)**
Transfer intrinsic value of vested restricted stock units to temporary equity	**—**	**—**	**—**	**—**	**—**	**(8)**
Expiration of put option	**—**	**—**	**—**	**—**	**—**	**23**
Other	**—**	**—**	**—**	**—**	**—**	**(14)**
Balances at December 31, 2011	**$—**	**$ (18)**	**$(2,288)**	**$ (37)**	**$ (9)**	**$ 1,433**

The accompanying notes are an integral part of these consolidated financial statements.

SunGard Data Systems Inc.

Consolidated Balance Sheets

(In millions except share and per-share amounts)	December 31, 2010	December 31, 2011
Assets		
Current:		
Cash and cash equivalents	$ 771	**$ 868**
Trade receivables, net of allowance for doubtful accounts of $37 and $38	833	**802**
Earned but unbilled receivables	135	**149**
Prepaid expenses and other current assets	166	**117**
Clearing broker assets	230	**213**
Deferred income taxes	7	**—**
Assets held for sale	1,339	**1,326**
Total current assets	3,481	**3,475**
Property and equipment, less accumulated depreciation of $1,109 and $1,296	892	**893**
Software products, less accumulated amortization of $1,203 and $1,431	723	**554**
Customer base, less accumulated amortization of $1,049 and $1,269	1,806	**1,580**
Other intangible assets, less accumulated amortization of $23 and $22	187	**144**
Trade name, less accumulated amortization of $7 and $10	1,023	**1,019**
Goodwill	4,856	**4,885**
Total Assets	$12,968	**$12,550**
Liabilities and Stockholder's Equity		
Current:		
Short-term and current portion of long-term debt	$ 9	**$ 10**
Accounts payable	63	**60**
Accrued compensation and benefits	284	**300**
Accrued interest expense	103	**92**
Other accrued expenses	407	**342**
Clearing broker liabilities	210	**179**
Deferred revenue	887	**862**
Deferred income taxes	—	**76**
Liabilities related to assets held for sale	246	**230**
Total current liabilities	2,209	**2,151**
Long-term debt	8,046	**7,819**
Deferred income taxes	1,106	**1,119**
Total liabilities	11,361	**11,089**
Commitments and contingencies		
Stockholder's equity:		
Common stock, par value $.01 per share; 100 shares authorized, issued and outstanding	—	**—**
Capital in excess of par value	3,773	**3,793**
Accumulated deficit	(2,137)	**(2,286)**
Accumulated other comprehensive income (loss)	(29)	**(46)**
Total stockholder's equity	1,607	**1,461**
Total Liabilities and Stockholder's Equity	$12,968	**$12,550**

The accompanying notes are an integral part of these consolidated financial statements.

SunGard Data Systems Inc.

Consolidated Statements of Comprehensive Income

(In millions)	Year ended December 31, 2009	2010	2011
Revenue:			
Services	$ 4,405	$4,075	**$4,114**
License and resale fees	245	295	**289**
Total products and services	4,650	4,370	**4,403**
Reimbursed expenses	156	120	**96**
	4,806	4,490	**4,499**
Costs and expenses:			
Cost of sales and direct operating	2,249	1,937	**1,891**
Sales, marketing and administration	992	1,042	**1,095**
Product development and maintenance	354	372	**422**
Depreciation and amortization	275	278	**272**
Amortization of acquisition-related intangible assets	496	451	**438**
Goodwill impairment charges	1,126	205	**48**
	5,492	4,285	**4,166**
Operating income (loss)	(686)	205	**333**
Interest income	7	2	**3**
Interest expense and amortization of deferred financing fees	(637)	(638)	**(524)**
Loss on extinguishment of debt	—	(58)	**(3)**
Other income (expense)	15	7	**—**
Income (loss) from continuing operations before income taxes	(1,301)	(482)	**(191)**
Benefit from (provision for) income taxes	116	68	**118**
Income (loss) from continuing operations	(1,185)	(414)	**(73)**
Income (loss) from discontinued operations, net of tax	67	(156)	**(76)**
Net income (loss)	(1,118)	(570)	**(149)**
Other Comprehensive income (loss):			
Foreign currency translation	80	(41)	**(26)**
Less: foreign currency translation reclassified into income	—	109	**—**
Foreign currency translation, net	80	68	**(26)**
Unrealized gain (loss) on derivative instruments	(51)	(49)	**(16)**
Less: gain (loss) on derivatives reclassified into income	80	85	**34**
Less: income tax benefit (expense)	(11)	(12)	**(9)**
Net unrealized gain (loss) on derivative instruments, net of tax	18	24	**9**
Comprehensive income (loss)	$(1,020)	$ (478)	**$ (166)**

The accompanying notes are an integral part of these consolidated financial statements.

SunGard Data Systems Inc.

Consolidated Statements of Cash Flows

(In millions)	Year ended December 31, 2009	2010	2011
Cash flow from operations:			
Net income (loss)	$(1,118)	$ (570)	**$(149)**
Income (loss) from discontinued operations	67	(156)	**(76)**
Income (loss) from continuing operations	(1,185)	(414)	**(73)**
Reconciliation of net income (loss) from continuing operations to cash flow from (used in) operations:			
Depreciation and amortization	771	729	**710**
Goodwill impairment charge	1,126	205	**48**
Deferred income tax provision (benefit)	(157)	(84)	**(158)**
Stock compensation expense	31	29	**33**
Amortization of deferred financing costs and debt discount	42	43	**40**
Loss on extinguishment of debt	—	58	**3**
Other non-cash items	(14)	3	**2**
Accounts receivable and other current assets	(15)	22	**73**
Accounts payable and accrued expenses	(73)	30	**(36)**
Clearing broker assets and liabilities, net	(39)	18	**(14)**
Deferred revenue	62	(36)	**(26)**
Cash flow from (used in) continuing operations	549	603	**602**
Cash flow from (used in) discontinued operations	90	118	**76**
Cash flow from (used in) operations	639	721	**678**
Investment activities:			
Cash paid for acquired businesses, net of cash acquired	(13)	(82)	**(35)**
Cash paid for property and equipment and software	(315)	(298)	**(276)**
Other investing activities	5	4	**(4)**
Cash provided by (used in) continuing operations	(323)	(376)	**(315)**
Cash provided by (used in) discontinued operations	(10)	116	**(11)**
Cash used in investment activities	(333)	(260)	**(326)**
Financing activities:			
Cash received from borrowings, net of fees	202	1,633	**1**
Cash used to repay debt	(825)	(1,924)	**(239)**
Premium paid to retire debt	—	(41)	**—**
Other financing activities	(3)	(12)	**(15)**
Cash provided by (used in) continuing operations	(626)	(344)	**(253)**
Cash provided by (used in) discontinued operations	(2)	—	**—**
Cash provided by (used in) financing activities	(628)	(344)	**(253)**
Effect of exchange rate changes on cash	11	(3)	**(4)**
Increase (decrease) in cash and cash equivalents	(311)	114	**95**
Beginning cash and cash equivalents includes cash of discontinued operations: 2009, $12; 2010, $27; 2011, $7	975	664	**778**
Ending cash and cash equivalents includes cash of discontinued operations: 2009, $27; 2010, $7; 2011, $5	$ 664	$ 778	**$ 873**

The accompanying notes are an integral part of these consolidated financial statements.

SunGard Data Systems Inc.

Consolidated Statement of Changes in Stockholder's Equity

(In millions)	Common Stock: Number of Shares issued	Common Stock: Par Value	Capital in Excess of Par Value	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss): Foreign Currency Translation	Accumulated Other Comprehensive Income (Loss): Net Unrealized Gain (Loss) on Derivative Instruments	Total
Balances at December 31, 2008	—	$—	$3,731	$ (449)	$(159)	$ (60)	$ 3,063
Net income (loss)	—	—	—	(1,118)	—	—	(1,118)
Foreign currency translation	—	—	—	—	80	—	80
Net unrealized gain on derivative instruments (net of tax provision of $11)	—	—	—	—	—	18	18
Stock compensation expense	—	—	33	—	—	—	33
Other	—	—	(9)	—	—	—	(9)
Balances at December 31, 2009	—	—	3,755	(1,567)	(79)	(42)	2,067
Net income (loss)	—	—	—	(570)	—	—	(570)
Foreign currency translation including the impact of the sale of a business of $109	—	—	—	—	68	—	68
Net unrealized gain on derivative instruments (net of tax provision of $12)	—	—	—	—	—	24	24
Stock compensation expense	—	—	31	—	—	—	31
Other	—	—	(13)	—	—	—	(13)
Balances at December 31, 2010	—	—	3,773	(2,137)	(11)	(18)	1,607
Net income (loss)	**—**	**—**	**—**	**(149)**	**—**	**—**	**(149)**
Foreign currency translation	**—**	**—**	**—**	**—**	**(26)**	**—**	**(26)**
Net unrealized gain on derivative instruments (net of tax provision of $9)	**—**	**—**	**—**	**—**	**—**	**9**	**9**
Stock compensation expense	**—**	**—**	**35**	**—**	**—**	**—**	**35**
Other	**—**	**—**	**(15)**	**—**	**—**	**—**	**(15)**
Balances at December 31, 2011	**—**	**$—**	**$3,793**	**$(2,286)**	**$ (37)**	**$ (9)**	**$ 1,461**

The accompanying notes are an integral part of these consolidated financial statements.

SunGard Capital Corp.
SunGard Capital Corp. II
SunGard Data Systems Inc.

Notes to Consolidated Financial Statements

1. Basis of Presentation and Summary of Significant Accounting Policies:

SunGard Data Systems Inc. ("SunGard") was acquired on August 11, 2005 (the "LBO") in a leveraged buy-out by a consortium of private equity investment funds associated with Bain Capital Partners, The Blackstone Group, Goldman Sachs & Co., Kohlberg Kravis Roberts & Co., Providence Equity Partners, Silver Lake and TPG (collectively, the "Sponsors").

SunGard is a wholly owned subsidiary of SunGard Holdco LLC, which is wholly owned by SunGard Holding Corp., which is wholly owned by SunGard Capital Corp. II ("SCCII"), which is a subsidiary of SunGard Capital Corp. ("SCC"). SCC and SCCII are collectively referred to as the "Parent Companies." All four of these companies were formed in 2005 for the purpose of facilitating the LBO and are collectively referred to as the "Holding Companies." SCC, SCCII and SunGard are separate reporting companies and are collectively referred to as the "Company."

The Holding Companies have no other operations beyond those of their ownership of SunGard. SunGard is one of the world's leading software and technology services companies and has three segments: Financial Systems ("FS"), Availability Services ("AS") and Other, which is comprised of the Company's Public Sector business ("PS") and K-12 Education business. The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries. All significant intercompany transactions and accounts have been eliminated.

Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make many estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses. The Company evaluates its estimates and judgments on an ongoing basis and revises them when necessary. Actual results may differ from the original or revised estimates.

The presentation of certain prior year amounts has been revised to conform to the current year presentation.

Revenue Recognition

In the fourth quarter of 2010 the Company adopted, retrospective to the beginning of the year, the provisions of Accounting Standards Update No. 2009-13, Revenue Recognition—Multiple-Deliverable Revenue Arrangements ("ASU 2009-13") and Accounting Standards Update 2009-14, Software-Certain Revenue Arrangements that Include Software Elements ("ASU 2009-14"). ASU 2009-13 amended existing accounting guidance for revenue recognition for multiple-element arrangements by establishing a selling price hierarchy that allows for the best estimated selling price ("BESP") to determine the allocation of arrangement consideration to a deliverable in a multiple element arrangement where neither vendor specific objective evidence ("VSOE") nor third-party evidence ("TPE") is available for that deliverable. ASU 2009-14 modifies the scope of existing software guidance to exclude tangible products containing software components and non-software components

that function together to deliver the product's essential functionality. In addition, ASU 2009-14 provides guidance on how a vendor should allocate arrangement consideration to non-software and software deliverables in an arrangement where the vendor sells tangible products containing software components that are essential in delivering the tangible product's functionality. The impact of the adoption of ASU 2009-13 and ASU 2009-14 was not material to the results of operations for 2010.

The following criteria must be met in determining whether revenue may be recorded: persuasive evidence of a contract exists; services have been provided; the price is fixed or determinable; and collection is reasonably assured.

The Company generates revenue from the following sources: (1) services revenue, which includes revenue from processing services, software maintenance and support, software rentals, recovery and managed services, professional services and broker/dealer fees; and, (2) software license fees, which result from contracts that permit the customer to use a SunGard product at the customer's site.

Services revenue is recorded as the services are provided based on the fair value of each element. Most AS services revenue consists of fixed monthly fees based upon the specific computer configuration or business process for which the service is being provided. When recovering from an interruption, customers generally are contractually obligated to pay additional fees, which typically cover the incremental costs of supporting customers during recoveries. FS services revenue includes monthly fees, which may include a fixed minimum fee and/or variable fees based on a measure of volume or activity, such as the number of accounts, trades or transactions, users or the number of hours of service.

For fixed-fee professional services contracts, services revenue is recorded based upon proportional performance, measured by the actual number of hours incurred divided by the total estimated number of hours for the project. Changes in the estimated costs or hours to complete the contract and losses, if any, are reflected in the period during which the change or loss becomes known.

License fees result from contracts that permit the customer to use a SunGard software product at the customer's site. Generally, these contracts are multiple-element arrangements since they usually provide for professional services and ongoing software maintenance. In these instances, license fees are recognized upon the signing of the contract and delivery of the software if the license fee is fixed or determinable, collection is probable, and there is sufficient vendor specific evidence of the fair value of each undelivered element. When there are significant program modifications or customization, installation, systems integration or related services, the professional services and license revenue are combined and recorded based upon proportional performance, measured in the manner described above. Revenue is recorded when billed when customer payments are extended beyond normal billing terms, or at acceptance when there is significant acceptance, technology or service risk. Revenue also is recorded over the longest service period in those instances where the software is bundled together with post-delivery services and there is not sufficient evidence of the fair value of each undelivered service element.

With respect to software related multiple element arrangements, sufficient evidence of fair value is defined as VSOE. If there is no VSOE of the fair value of the delivered element (which is usually the software) but there is VSOE of the fair value of each of the undelivered elements (which are usually maintenance and professional services), then the residual method is used to determine the revenue for the delivered element. The revenue for each of the undelivered elements is set at the fair value of those

elements using VSOE of the price paid when each of the undelivered elements is sold separately. The revenue remaining after allocation to the undelivered elements (i.e., the residual) is allocated to the delivered element.

VSOE supporting the fair value of maintenance is based on the optional renewal rates for each product and is typically 18% to 20% of the software license fee per year. VSOE supporting the fair value of professional services is based on the standard daily rates charged when those services are sold separately.

In some software related multiple-element arrangements, the maintenance or services rates are discounted. In these cases, a portion of the software license fee is deferred and recognized as the maintenance or services are performed based on VSOE of the services.

From time to time, the Company enters into arrangements with customers that purchase non-software related services at the same time, or within close proximity, of purchasing software (non-software multiple-element arrangements). Each element within a non-software multiple-element arrangement is accounted for as a separate unit of accounting provided the following criteria are met: the delivered services have value to the customer on a standalone basis; and for an arrangement that includes a general right of return relative to the delivered services, delivery or performance of the undelivered service is considered probable and is substantially controlled by the Company. Where the criteria for a separate unit of accounting are not met, the deliverable is combined with the undelivered element(s) and treated as a single unit of accounting for the purposes of allocation of the arrangement consideration and revenue recognition.

For non-software multiple-element arrangements, the Company allocates revenue to each element based on a selling price hierarchy at the arrangement inception. During 2009 the fair value of each undelivered element was determined using VSOE, and the residual method was used to assign a fair value to the delivered element if its VSOE was not available. Under the new rules for 2010 and 2011 described above, the selling price for each element is based upon the following selling price hierarchy: VSOE then TPE then BESP. The total arrangement consideration is allocated to each separate unit of accounting for each of the non-software deliverables using the relative selling prices of each unit based on this hierarchy. The Company limits the amount of revenue recognized for delivered elements to an amount that is not contingent upon future delivery of additional products or services or meeting of any specified performance conditions. Since under the new hierarchy a fair value for each element will be determinable, the residual method is no longer used.

To determine the selling price in non-software multiple-element arrangements, the Company establishes VSOE of the selling price using the price charged for a deliverable when sold separately. Where VSOE does not exist, TPE is established by evaluating similar competitor products or services in standalone arrangements with similarly situated customers. If the Company is unable to determine the selling price because VSOE or TPE doesn’t exist, it determines BESP for the purposes of allocating the arrangement by considering pricing practices, margin, competition and geographies in which it offers its products and services.

Unbilled receivables are created when services are performed or software is delivered and revenue is recognized in advance of billings. Deferred revenue is created when billing occurs in advance of performing services or when all revenue recognition criteria have not been met.

Cash and Cash Equivalents

Cash and cash equivalents consist of investments that are readily convertible into cash and have original maturities of three months or less.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of accounts receivable. The Company sells a significant portion of its products and services to the financial services industry and could be affected by the overall condition of that industry. The Company believes that any credit risk associated with accounts receivable is substantially mitigated by the relatively large number of customer accounts and reasonably short collection terms. Accounts receivable are stated at estimated net realizable value, which approximates fair value. By policy, the Company places its available cash and short-term investments with institutions of high credit-quality and limits the amount of credit exposure to any one issuer.

Foreign Currency Translation

The functional currency of each of the Company's foreign operations is generally the local currency of the country in which the operation is located. All assets and liabilities are translated into U.S. dollars using exchange rates in effect at the balance sheet date. Revenue and expenses are translated using average exchange rates during the period.

Increases and decreases in net assets resulting from currency translation are reflected in stockholder's equity as a component of accumulated other comprehensive income (loss).

Legal Fees

Legal fees expected to be incurred defending the Company in connection with an asserted claim are accrued when they are probable of being incurred and can be reasonably estimated.

Property and Equipment

Property and equipment are recorded at cost and depreciated on the straight-line method over the estimated useful lives of the assets (three to eight years for equipment and ten to 40 years for buildings and improvements). Leasehold improvements are amortized ratably over their remaining lease term or useful life, if shorter. Depreciation and amortization of property and equipment in continuing operations was $237 million in 2009, $232 million in 2010 and $221 million in 2011.

Software Products

Software development costs are expensed as incurred and consist primarily of design and development costs of new products and significant enhancements to existing products incurred before the establishment of technological feasibility. Recoverable costs incurred subsequent to technological feasibility of new products and enhancements to existing products as well as costs incurred to purchase or to create and implement internal-use software, which includes software coding, installation, testing and certain data conversions, and software obtained through business acquisitions are capitalized and amortized over the estimated useful lives of the related products, generally three to twelve years (average life is eight years), using the straight-line method or the ratio of current revenue to current and

anticipated revenue from such software, whichever provides the greater amortization. Amortization of all software products of continuing operations, including software acquired in business acquisitions and software purchased for internal use, aggregated $269 million in 2009, $245 million in 2010 and $236 million in 2011. Software development expense of continuing operations was $180 million in 2010 and $201 million in 2011. Capitalized development costs of continuing operations were $11 million in 2010 and $10 million in 2011.

Purchase Accounting and Intangible Assets

Purchase accounting requires that all assets and liabilities be recorded at fair value on the acquisition date, including identifiable intangible assets separate from goodwill. Identifiable intangible assets include customer base (which includes customer contracts and relationships), software and trade name. Goodwill represents the excess of cost over the fair value of net assets acquired.

The estimated fair values and useful lives of identifiable intangible assets are based on many factors, including estimates and assumptions of future operating performance and cash flows of the acquired business, the nature of the business acquired, the specific characteristics of the identified intangible assets, and our historical experience and that of the acquired business. The estimates and assumptions used to determine the fair values and useful lives of identified intangible assets could change due to numerous factors, including product demand, market conditions, technological developments, economic conditions and competition. In connection with our determination of fair values for the LBO and for other significant acquisitions, the Company engages independent appraisal firms to assist with the valuation of intangible (and certain tangible) assets acquired and certain assumed obligations.

Customer Base Intangible Assets

Customer base intangible assets represent customer contracts and relationships obtained as a result of the LBO and as part of acquired businesses and are amortized using the straight-line method over their estimated useful lives, ranging from three to 18 years (average life is 12 years). Amortization of all customer base intangible assets of continuing operations aggregated $253 million in 2009, $246 million in 2010 and $245 million in 2011.

Other Intangible Assets

Other intangible assets consist primarily of deferred financing costs incurred in connection with debt issued in the LBO and amendments to our debt and other financing transactions (see Note 5), noncompetition agreements, long-term accounts receivable, prepayments and long-term investments. Deferred financing costs are amortized over the term of the related debt. Noncompetition agreements are amortized using the straight-line method over their stated terms, ranging from two to five years.

Impairment Reviews for Long-Lived Assets

The Company periodically reviews carrying values and useful lives of long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. Factors that could indicate an impairment include significant underperformance of the asset as compared to historical or projected future operating results, or significant negative industry or economic trends. When the Company determines that the carrying

value of an asset may not be recoverable, the related estimated future undiscounted cash flows expected to result from the use and eventual disposition of the asset are compared to the carrying value of the asset. If the sum of the estimated future undiscounted cash flows is less than the carrying amount, an impairment charge is recorded based on the difference between the carrying value of the asset and its fair value, which the Company estimates based on discounted expected future cash flows. In determining whether an asset is impaired, the Company makes assumptions regarding recoverability of costs, estimated future cash flows from the asset, intended use of the asset and other relevant factors. If these estimates or their related assumptions change, impairment charges for these assets may be required.

Future Amortization of Acquisition-Related Intangible Assets

Based on amounts recorded at December 31, 2011, total expected amortization of all acquisition-related intangible assets in each of the years ended December 31 follows (in millions):

2012	$392
2013	338
2014	285
2015	228
2016	211

Trade Name

The trade name intangible asset primarily represents the fair value of the SunGard trade name at the LBO and is an indefinite-lived asset not subject to amortization. The Company performed its annual impairment test of the SunGard trade name in the third quarter and based on the results of this test, the fair value of the trade name exceeded its carrying value, resulting in no impairment of the trade name. As a result of the expected sale of the Higher Education business (“HE”), future cash flows which drive the value of the trade name were decreased, and the amount by which the estimated fair value of the trade name exceeded its carrying value was lower in the current year impairment test compared to prior years. A one-percent decrease in the assumed royalty rate or a one-percent increase in the discount rate assumption would have resulted in an impairment of the trade name asset. To the extent that additional businesses are divested in the future or there is a deterioration of projected future earnings in the business, the cash flows supporting the trade name will further decline and impairment charges may result.

Goodwill

Generally accepted accounting principles in the United States require the Company to perform a goodwill impairment test, a two-step test, annually and more frequently when negative conditions or a triggering event arise. The Company completes its annual goodwill impairment test as of July 1 for each of its 13 reporting units. In step one, the estimated fair value of each reporting unit is compared to its carrying value. The Company estimated the fair values of each reporting unit by a combination of (i) estimation of the discounted cash flows of each of the reporting units based on projected earnings in the future (the income approach) and (ii) a comparative analysis of revenue and EBITDA multiples of public companies in similar markets (the market approach). If there is a deficiency (the estimated fair value of a reporting unit is less than its carrying value), a step two test is required. In step two, the amount of any goodwill impairment is measured by comparing the implied fair value of the reporting

unit's goodwill to the carrying value of goodwill, with the resulting impairment reflected in operations. The implied fair value is determined in the same manner as the amount of goodwill recognized in a business combination.

Estimating the fair value of a reporting unit requires various assumptions including projections of future cash flows, perpetual growth rates and discount rates that reflect the risks associated with achieving those cash flows. The assumptions about future cash flows and growth rates are based on management's assessment of a number of factors including the reporting unit's recent performance against budget, performance in the market that the reporting unit serves as well as industry and general economic data from third party sources. Discount rate assumptions are based on an assessment of the risk inherent in those future cash flows. Changes to the underlying businesses could affect the future cash flows, which in turn could affect the fair value of the reporting unit. For the most recent annual impairment test as of July 1, 2011, the discount rates and perpetual growth rates used were between 10% and 12% and 3% and 4%, respectively. Based on the results of the step one tests, the Company determined that the fair values of each of its reporting units exceeded carrying value and a step two test was not required for any of its 13 reporting units.

The Company has three reporting units, whose goodwill balances in the aggregate total $1.2 billion as of December 31, 2011, where the excess of the estimated fair value over the carrying value of the reporting unit was less than 15% of the carrying value as of the July 1, 2011 impairment test. A one percentage point decrease in the perpetual growth rate or a one percentage point increase in the discount rate would cause each of these reporting units to fail the step one test and require a step two analysis, and some or all of this goodwill could be impaired. Furthermore, if any of these units fail to achieve expected performance levels in the next twelve months or experience a downturn in the business below current expectations, goodwill could be impaired. The Company's remaining 10 reporting units, whose goodwill balances in aggregate total $4.6 billion at December 31, 2011 each had estimated fair values which exceeded the carrying value of the reporting unit by at least 20% as of the July 1, 2011 impairment test. Two of the Company's 13 reporting units, whose combined goodwill balance was $929 million and was included in assets held for sale as of December 31, 2011, were sold in connection with the HE sale in January 2012.

In 2009, the Company recorded an adjustment to the state income tax rate used to calculate the deferred income tax liabilities associated with the intangible assets at the LBO date which resulted in reductions to the deferred tax liability and goodwill balances of approximately $114 million. During 2011 the Company determined that the 2009 adjustment was incorrect and has reversed it, thereby increasing the deferred tax liability and goodwill balances each by approximately $100 million for continuing operations and $14 million for assets (liabilities) held for sale. As a result of this correction, the Company recorded a goodwill impairment charge of $48 million in continuing operations, of which $36 million related to the impairment charge in 2009 and $12 million related to the impairment charge in 2010, and recorded a $3 million goodwill impairment charge in discontinued operations that related to the 2010 impairment charge. In addition, the Company recorded an income tax benefit of $48 million, of which $35 million related to prior periods, reflecting the amortization of the deferred income tax liability which benefit would have been reflected in the statement of comprehensive income had the 2009 adjustment not been made. Had the Company recorded the goodwill impairment charges in the correct periods, the impairment charge for 2009 would have been $1.162 billion, and the impairment charge in 2010 would have been $217 million recorded in continuing operations. The Company has assessed the impact of correcting these errors in the current period and does not believe that these amounts are material to any prior period financial statements, nor is the correction of these errors material to the 2011 financial statements. As a result, the Company has not restated any prior period amounts.

Based on the results of the step one test for the July 1 annual impairment test for 2010, the Company determined that the carrying values of its PS reporting unit, its Public Sector United Kingdom ("PS UK") reporting unit, which was sold in December 2010 and is included in discontinued operations, and its Higher Education Managed Services ("HE MS") reporting units, which, along with the remainder of HE, was sold in January 2012 and is included in discontinued operations, were in excess of their respective fair values and a step two test was required for each of these reporting units. The primary driver for the decline in the fair value of each of the reporting units compared to the prior year is the reduction in the perpetual growth rate assumption used for each of these three reporting units, stemming from the recent disruption in the global financial markets, particularly the markets which these three reporting units serve. Furthermore, there was a decline in the cash flow projections for the PS and PS UK reporting units, compared to those used in the 2009 goodwill impairment test, as a result of decline in the overall outlook for these two reporting units. Additionally, the discount rate assumption used for the PS UK reporting unit was higher than the discount rate used in the 2009 impairment test.

A one percentage point increase in the perpetual growth rate or a one percentage point decrease in the discount rate would have resulted in the HE MS reporting unit having a fair value in excess of carrying value and a step two test would not have been required.

Prior to completing the step two tests, the Company first evaluated the long-lived assets, primarily the software, customer base and property and equipment, for impairment. In performing the impairment tests for long-lived assets, the Company estimated the undiscounted cash flows for the asset groups over the remaining useful lives of the reporting unit's primary asset and compared that to the carrying value of the asset groups. There was no impairment of the long-lived assets.

In completing the step two tests to determine the implied fair value of goodwill and therefore the amount of impairment, the Company first determined the fair value of the tangible and intangible assets and liabilities. Based on the testing performed, the Company determined that the carrying value of goodwill exceeded its implied fair value for each of the three reporting units and recorded a goodwill impairment charge of $328 million, of which $205 million is now presented in continuing operations and $123 million in discontinued operations.

During 2009, based on an evaluation of year-end results and a reduction in the revenue growth outlook for the AS business, the Company concluded that AS had experienced a triggering event in its North American reporting unit ("AS NA"), one of two reporting units identified in the July 1, 2009 annual impairment test where the excess of the estimated fair value over the carrying value was less than 10%. As a result, the Company determined that the carrying value of AS NA was in excess of its fair value. In completing the step two test, we determined that the carrying value of AS NA's goodwill exceeded its implied fair value by $1.126 billion and recorded a goodwill impairment charge for this amount.

The following table summarizes changes in goodwill by segment (in millions):

	Cost				Accumulated Impairment			
	FS	AS	Other	Subtotal	AS	Other	Subtotal	Total
Balance at December 31, 2009	$3,457	$2,211	$535	$6,203	$(1,126)	$ —	$(1,126)	$5,077
2010 acquisitions	24	1	—	25	—	—	—	25
Adjustments related to the LBO and prior year acquisitions	(2)	(1)	(1)	(4)	—	—	—	(4)
Impairment charges	—	—	—	—	—	(205)	(205)	(205)
Effect of foreign currency translation	(29)	(8)	—	(37)	—	—	—	(37)
Balance at December 31, 2010	3,450	2,203	534	6,187	(1,126)	(205)	(1,331)	4,856
2011 acquisitions	**6**	**—**	**—**	**6**	**—**	**—**	**—**	**6**
Adjustments related to the LBO and prior year acquisitions	**42**	**38**	**11**	**91**	**—**	**—**	**—**	**91**
Impairment charges	**—**	**—**	**—**	**—**	**(36)**	**(12)**	**(48)**	**(48)**
Effect of foreign currency translation	**(18)**	**(2)**	**—**	**(20)**	**—**	**—**	**—**	**(20)**
Balance at December 31, 2011	**$3,480**	**$2,239**	**$545**	**$6,264**	**$(1,162)**	**$(217)**	**$(1,379)**	**$4,885**

During 2011 the Company determined that a 2009 adjustment impacting goodwill and deferred income tax liability was incorrect and has reversed it, thereby increasing the goodwill and deferred tax liability balances associated with continuing operations each by approximately $100 million. The adjustment, which was not material to any prior period financial statements, is reflected in the "Adjustments related to the LBO and prior year acquisitions" line in 2011. See Goodwill discussion above.

Stock Compensation

Stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense over the appropriate service period. Fair value for stock options is computed using the Black-Scholes pricing model. Determining the fair value of stock-based awards requires considerable judgment, including estimating the expected term of stock options, expected volatility of the Company's stock price, and the number of awards expected to be forfeited. In addition, for stock-based awards where vesting is dependent upon achieving certain operating performance goals, the Company estimates the likelihood of achieving the performance goals. Differences between actual results and these estimates could have a material effect on the consolidated financial results. A deferred income tax asset is recorded over the vesting period as stock compensation expense is recognized. The Company's ability to use the deferred tax asset is ultimately based on the actual value of the stock option upon exercise or restricted stock unit upon distribution. If the actual value is lower than the fair value determined on the date of grant, there could be an income tax expense for the portion of the deferred tax asset that cannot be used, which could have a material effect on the consolidated financial results.

Income Taxes

The Company recognizes deferred income tax assets and liabilities based upon the expected future tax consequences of events that have been recognized in the financial statements or tax returns. Deferred income tax assets and liabilities are calculated based on the difference between the financial and tax bases of assets and liabilities using the currently enacted income tax rates in effect during the years in which the differences are expected to reverse. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized. Deferred tax

assets for which no valuation allowance is recorded may not be realized upon changes in facts and circumstances. Tax benefits related to uncertain tax positions taken or expected to be taken on a tax return are recorded when such benefits meet a more likely than not threshold. Otherwise, these tax benefits are recorded when a tax position has been effectively settled, which means that the appropriate taxing authority has completed their examination even though the statute of limitations remains open, or the statute of limitation expires. Considerable judgment is required in assessing and estimating these amounts and differences between the actual outcome of these future tax consequences and estimates made could have a material effect on the consolidated financial results.

Recent Accounting Pronouncements

In May 2011, the Financial Accounting Standard Board ("FASB") revised the fair value measurement and disclosure requirements so that the requirements under GAAP and International Financial Reporting Standards ("IFRS") are the same. The guidance clarifies the FASB's intent about the application of existing fair value measurements and requires enhanced disclosures, most significantly related to unobservable inputs used in a fair value measurement that is categorized within Level 3 of the fair value hierarchy. The guidance is effective prospectively during interim and annual periods beginning after December 15, 2011. The Company does not anticipate that this adoption will have a significant impact on its financial position or results of operations.

In June 2011, the FASB issued amended guidance relating to the presentation requirements of comprehensive income within an entity's financial statements. Under the guidance, an entity has the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income in a single continuous statement or in two separate but consecutive statements. The amended guidance eliminates the previously available option of presenting the components of other comprehensive income as part of the statement of changes in equity. In addition, an entity is required to present on the face of the financial statements reclassification adjustments for items that are reclassified from other comprehensive income to net income in the statement where the components of net income and the components of other comprehensive income are presented. The amendment is effective for fiscal years beginning after December 15, 2011 and will be applied retrospectively. In October 2011, the FASB announced that the specific requirement to present items that are reclassified from other comprehensive income to net income alongside their respective components of net income and other comprehensive income will be deferred. Therefore, those requirements will not be effective for fiscal years and interim periods within those years beginning after December 31, 2011. The Company early adopted the single statement presentation option in 2011.

In September 2011, the FASB issued amended guidance that will simplify how entities test goodwill for impairment. After assessment of certain qualitative factors, if it is determined to be more likely than not that the fair value of a reporting unit is less than its carrying amount, entities must perform the quantitative analysis of the goodwill impairment test. Otherwise, the quantitative test(s) become optional. The guidance is effective January 1, 2012 with early adoption permitted. The Company will adopt this guidance for the 2012 goodwill impairment test.

2. Acquisitions and Discontinued Operations:

Acquisitions

The Company seeks to acquire businesses that broaden its existing product lines and service offerings by adding complementary products and service offerings and by expanding its geographic reach. During 2011, the Company completed five acquisitions in its FS segment. Cash paid, subject to certain adjustments, was $35 million.

During 2010, the Company completed three acquisitions in its FS segment and one in its AS segment, and, in 2009, the Company completed three acquisitions in its FS segment.

At December 31, 2011, contingent purchase price obligations that depend upon the operating performance of certain acquired businesses were $7 million, of which $4 million is included in other accrued expenses.

Discontinued Operations

In December 2010, the Company sold its PS UK business. Also, as previously disclosed, the Company announced that SCC, SunGard, private equity firm Hellman & Friedman Capital Partners VI, L.P. ("Hellman & Friedman") and certain of their respective affiliates had entered into an Agreement and Plan of Merger dated as of August 4, 2011, and that SunGard, SunGard Higher Education Inc. and certain affiliates of Hellman & Friedman had entered into an Asset Purchase Agreement dated as of August 4, 2011 (together, the "Transaction Agreements") to sell SunGard's HE business (excluding K-12). The transactions closed in January 2012. SunGard used the net cash proceeds (as defined in its senior secured credit agreement) of $1.222 billion, which is the gross transaction value of $1.775 billion less applicable taxes and fees, to repay a pro-rata portion of its outstanding term loans (see Note 5).

The results for the discontinued operations for the years ended December 31, 2009, 2010 and 2011 were as follows (in millions):

	Year ended December 31,		
	2009	2010	2011
Revenue	$702	$ 683	**$ 492**
Operating income (loss), excluding goodwill impairment	111	102	**98**
Goodwill impairment charge	—	(123)	**(3)**
Operating income (loss)	111	(21)	**95**
Loss on sale of business	—	(94)	**—**
Income (loss) before income taxes	111	(115)	**95**
Benefit from (provision for) income taxes	(44)	(41)	**(171)**
Income (loss) from discontinued operations	$ 67	$(156)	**$ (76)**

Included in 2009 was revenue and operating income related to HE of $526 million and $104 million, respectively. Included in 2010 was revenue and operating income related to HE of $503 million and $63 million, respectively. Also in 2010, the Company recorded $123 million of goodwill impairment charges, of which $91 million was related to PS UK and $32 million was related to HE MS and a loss on disposal of approximately $94 million which included the write-off of the currency translation adjustment (CTA) which is included as a separate component of equity. In 2011, the Company recorded $135 million of deferred tax expense related to the book-over-tax basis difference in a HE subsidiary. Also in 2011, the Company increased goodwill by $14 million and recorded a $3 million goodwill impairment charge (see Goodwill discussion in Note 1).

Assets held for sale and liabilities related to assets held for sale consisted of the following (in millions) at December 31, 2010 and 2011, respectively:

	December 31, 2010	December 31, 2011
Cash	$ 7	**$ 5**
Accounts receivable, less allowance for doubtful accounts of $4 and $7	62	**51**
Earned but unbilled receivables	32	**37**
Prepaid expenses and other current assets	11	**10**
Deferred income taxes	3	**3**
Property and equipment, less accumulated depreciation of $26 and $26	27	**31**
Software products, less accumulated amortization of $98 and $110	86	**78**
Customer base, less accumulated amortization of $110 and $121	193	**182**
Goodwill	918	**929**
Assets held for sale	$1,339	**$1,326**
Accounts payable	$ 1	**$ 1**
Accrued compensation and benefits	18	**15**
Other accrued expenses	15	**12**
Deferred revenue	110	**106**
Deferred income taxes	102	**96**
Liabilities related to assets held for sale	$ 246	**$ 230**

3. Clearing Broker Assets and Liabilities:

Clearing broker assets and liabilities are comprised of the following (in millions):

	December 31, 2010	December 31, 2011
Segregated customer cash and treasury bills	$ 57	**$ 23**
Securities borrowed	154	**157**
Receivables from customers and other	19	**33**
Clearing broker assets	$230	**$213**
Payables to customers	$ 19	**$ 16**
Securities loaned	137	**145**
Payable to brokers and dealers	54	**18**
Clearing broker liabilities	$210	**$179**

Segregated customer cash and treasury bills are held by the Company on behalf of customers. Securities borrowed and loaned are collateralized financing transactions which are cash deposits made to or received from other broker/dealers. Receivables from and payables to customers represent amounts due or payable on cash and margin transactions.

4. Property and Equipment:

Property and equipment consisted of the following (in millions):

	December 31, 2010	December 31, 2011
Computer and telecommunications equipment	$ 901	**$ 993**
Leasehold improvements	766	**845**
Office furniture and equipment	135	**148**
Buildings and improvements	136	**138**
Land	17	**17**
Construction in progress	46	**48**
	2,001	**2,189**
Accumulated depreciation and amortization	(1,109)	**(1,296)**
	$ 892	**$ 893**

5. Debt and Derivative Instruments:

Debt consisted of the following (in millions):

	December 31, 2010	December 31, 2011
Senior Secured Credit Facilities:		
Secured revolving credit facility (A)	$ —	**$ —**
Tranche A, effective interest rate of 3.29% and 3.33% (A)	1,447	**1,386**
Tranche B, effective interest rate of 6.67% and 4.32% (A)	2,468	**2,407**
Incremental term loan at 6.75% and 3.78% (A)	479	**479**
Total Senior Secured Credit Facilities	4,394	**4,272**
Senior Notes due 2014 at 4.875%, net of discount of $12 and $8 (B)	238	**242**
Senior Notes due 2015 at 10.625%, net of discount of $4 and $3 (C)	496	**497**
Senior Notes due 2018 at 7.375% (C)	900	**900**
Senior Notes due 2020 at 7.625% (C)	700	**700**
Senior Subordinated Notes due 2015 at 10.25% (C)	1,000	**1,000**
Secured accounts receivable facility, at 3.76% and 3.79% (D)	313	**200**
Other, primarily acquisition purchase price and capital lease obligations	14	**18**
Total debt	8,055	**7,829**
Short-term borrowings and current portion of long-term debt	(9)	**(10)**
Long-term debt	$8,046	**$7,819**

As a result of the LBO, the Company is highly leveraged. SunGard was in compliance with all covenants at December 31, 2011. Below is a summary of our debt instruments.

(A) Senior Secured Credit Facilities

As of December 31, 2011, SunGard's senior secured credit facilities ("Credit Agreement") consist of (1) $1.39 billion of U.S. dollar-denominated tranche A term loans maturing on February 28, 2014, (2) $2.41 billion of U.S. dollar-denominated tranche B term loans maturing on February 28, 2016,

(3) $479 million of U.S. dollar-denominated incremental term loans maturing on February 28, 2014 and (4) a $880 million, revolving credit facility terminating on May 11, 2013. As of December 31, 2011, $858 million was available for borrowing under the revolving credit facility after giving effect to $22 million of outstanding letters of credit.

During the third and fourth quarters of 2011, SunGard repaid in full its tranche A and tranche B pound sterling-denominated term loans totaling £78 million.

On March 2, 2012, SunGard amended its Credit Agreement to, among other things, extend the maturity date of approximately $908 million of tranche A and incremental term loans from February 28, 2014 to February 28, 2017, extend the maturity of the $880 million revolving credit facility from May 11, 2013 to November 29, 2016, and amend certain covenants and other provisions, in order to, among other things, permit the potential spin-off of AS.

On November 10, 2011, SunGard amended the Credit Agreement to modify the definition of consolidated EBITDA to allow for the inclusion of EBITDA generated by discontinued operations until such operations are actually sold for purposes of calculating compliance with certain financial covenants.

On March 11, 2011, SunGard amended the Credit Agreement to, among other things, obtain new revolving credit commitments of $300 million that increased SunGard's aggregate revolving credit commitments by $50 million to approximately $880 million.

On January 31, 2011, SunGard amended the Credit Agreement to, among other things, (a) eliminate the LIBOR and Base Rate floors and (b) reduce the Eurocurrency interest rate spread to 3.50% from 3.75% and the base rate spread to 2.50% from 2.75% with no impact on maturity.

Borrowings under the Credit Agreement bear interest at a rate equal to an applicable margin plus, at SunGard's option, either (a) a base rate that is the higher of: (1) the prime rate of JPMorgan Chase Bank, N.A. and (2) the federal funds rate plus one-half of 1% or (b) LIBOR based on the costs of funds for deposits in the currency of such borrowing for either 30, 60, 90 or 180 days. The applicable margin for borrowings under Credit Agreement may change subject to attaining certain leverage ratios. In addition to paying interest on outstanding principal under the Credit Agreement, the Company pays a commitment fee to the lenders under the revolving credit facility in respect of the unutilized commitments. The commitment fee rate is currently 0.75% per annum and may change subject to attaining certain leverage ratios. As of December 31, 2011, the applicable interest rates under the Credit Agreement and the effective interest rates adjusted for swaps (if applicable) are as follows:

	Applicable interest rate	Effective rate adjusted for swaps
Revolving credit facility	3.55%	N/A
Tranche A	2.03%	3.33%
Tranche B	3.98%	4.32%
Incremental term loan	3.78%	N/A

All obligations under the Credit Agreement are fully and unconditionally guaranteed by SunGard Holdco LLC and by substantially all domestic, 100% owned subsidiaries, referred to, collectively, as Guarantors.

The Credit Agreement also requires SunGard to prepay outstanding term loans, subject to certain exceptions, with excess cash flow and proceeds from certain asset sales, casualty and condemnation events, other borrowings and certain financings under the Company's secured accounts receivable facility. Any required payments would be applied pro rata to the term loan lenders and to installments of the term loans in direct order of maturity. Pursuant to the terms of the Credit Agreement, SunGard made the following mandatory prepayments:

- In January 2012, the Company completed the sale of HE and used net cash proceeds (as defined in the Credit Agreement) of $1.22 billion to repay, on a pro-rata basis, outstanding term loans as follows (in millions):

	December 31, 2011	Less: Repayment on January 20, 2012	Remaining Balance
Senior Secured Credit Facilities:			
Secured revolving credit facility	$ —	$ —	$ —
Tranche A	1,386	(396)	990
Tranche B	2,407	(689)	1,718
Incremental term loan	479	(137)	342
Total Senior Secured Credit Facilities	$4,272	$(1,222)	$3,050

- In December 2010, the Company sold its PS UK operation for gross proceeds of £88 million ($138 million). SunGard used net cash proceeds to repay $96 million of U.S. dollar-denominated term loans, $3 million of pound sterling-denominated term loans and $2 million of euro-denominated term loans. In addition, and concurrent with these mandatory prepayments, other available cash was used to voluntarily repay the remaining $164 million balance outstanding on the euro-denominated term loans.

SunGard is required to repay installments on the loans under the term loan facilities in quarterly principal amounts of 0.25% of their funded total principal amount through the maturity date for each class of term loans, at which time the remaining aggregate principal balance is due, subject to certain springing maturity provisions. However, as a result of loan prepayments, SunGard is no longer required to make quarterly principal payments on the tranche A, tranche B or incremental term loans.

The Credit Agreement contains a number of covenants that, among other things, restrict, subject to certain exceptions, SunGard's (and most or all of its subsidiaries') ability to incur additional debt or issue preferred stock, pay dividends and distributions on or repurchase capital stock, create liens on assets, enter into sale and leaseback transactions, repay subordinated indebtedness, make investments, loans or advances, make capital expenditures, engage in certain transactions with affiliates, amend certain material agreements, change its lines of business, sell assets and engage in mergers or consolidations. In addition, under the Credit Agreement, SunGard is required to satisfy certain total leverage and interest coverage ratios.

SunGard uses interest rate swap agreements to manage the amount of its floating rate debt in order to reduce its exposure to variable rate interest payments associated with the Credit Agreement. SunGard pays a stream of fixed interest payments for the term of the swap, and in return, receives variable interest payments based on the one-month LIBOR rate or three-month LIBOR rate, which was 0.295% and 0.581%, respectively, at December 31, 2011. The net receipt or payment from the interest

rate swap agreements is included in interest expense. A summary of the Company's interest rate swaps at December 31, 2011 follows (in millions):

Inception	Maturity	Notional Amount (in millions)	Interest rate paid	Interest rate received (LIBOR)
January/February 2009	February 2012	$1,200	1.78%	1-Month
February 2010	May 2013	500	1.99%	3-Month
Total / Weighted Average interest rate		$1,700	1.84%	

The interest rate swaps are designated and qualify as cash flow hedges and are included at estimated fair value as an asset or a liability in the consolidated balance sheet based on a discounted cash flow model using applicable market swap rates and certain assumptions. For 2009, 2010 and 2011, the Company included unrealized after-tax gains of $18 million, $21 million, and $17 million, respectively, in Other Comprehensive Income (Loss) related to the change in market value of the swaps. The market value of the swaps recorded in Other Comprehensive Income (Loss) may be recognized in the statement of operations if certain terms of the Credit Agreement change or if the loan is extinguished. The fair values of the swap agreements at December 31, 2010 and 2011 are $38 million and $11 million, respectively and are included in other accrued expenses. The effects of the interest rate swaps are reflected in the effective interest rate for the Credit Agreement loans in the components of debt table above. The Company had no ineffectiveness related to its swap agreements. The Company expects to reclassify in the next twelve months approximately $10 million of expense related to the Company's interest rate swaps from accumulated Other Comprehensive Income into earnings based on the borrowing rates at December 31, 2011.

(B) Senior Notes due 2014

On January 15, 2004, SunGard issued $500 million of senior unsecured notes, of which $250 million 3.75% notes were due and paid in full in January 2009 and $250 million 4.875% notes are due January 2014, which are subject to certain standard covenants. As a result of the LBO, these senior notes became collateralized on an equal and ratable basis with loans under the Credit Agreement and are guaranteed by all subsidiaries that guarantee the senior notes due 2015, 2018 and 2020 and senior subordinated notes due 2015. The senior notes due 2014 are recorded at $242 million as of December 31, 2011 reflecting the remaining unamortized discount caused by the LBO of $8 million that will continue to be amortized as interest expense over the remaining periods to maturity.

(C) Senior Notes due 2015, 2018 and 2020 and Senior Subordinated Notes due 2015

The senior notes due 2015, 2018 and 2020 are senior unsecured obligations that rank senior in right of payment to future debt and other obligations that are, by their terms, expressly subordinated in right of payment to the senior notes, including the senior subordinated notes. The senior notes (i) rank equally in right of payment to all existing and future senior debt and other obligations that are not, by their terms, expressly subordinated in right of payment to the senior notes, (ii) are effectively subordinated in right of payment to all existing and future secured debt to the extent of the value of the assets securing such debt, and (iii) are structurally subordinated to all obligations of each subsidiary that is not a guarantor of the senior notes. All obligations under the senior notes are fully and unconditionally guaranteed, subject to certain exceptions, by substantially all domestic, wholly owned subsidiaries of SunGard. In November 2010, SunGard issued $900 million of 7.375% senior notes due

2018 and $700 million of 7.625% senior notes due 2020 and used the proceeds and excess cash to retire the $1.6 billion 9.125% senior notes due 2013.

The senior subordinated notes due 2015 are unsecured senior subordinated obligations that are subordinated in right of payment to the existing and future senior debt, including the senior secured credit facilities, the senior notes due 2014 and the senior notes due 2015, 2018 and 2020. The senior subordinated notes (i) rank equally in right of payment to all future senior subordinated debt, (ii) are effectively subordinated in right of payment to all existing and future secured debt to the extent of the value of the assets securing such debt, (iii) are structurally subordinated to all obligations of each subsidiary that is not a guarantor of the senior subordinated notes, and (iv) rank senior in right of payment to all future debt and other obligations that are, by their terms, expressly subordinated in right of payment to the senior subordinated notes.

The senior notes due 2015, 2018 and 2020 and senior subordinated notes due 2015 are redeemable in whole or in part, at SunGard's option, at any time at varying redemption prices that generally include premiums, which are defined in the applicable indentures. In addition, upon a change of control, SunGard is required to make an offer to redeem all of the senior notes and senior subordinated notes at a redemption price equal to 101% of the aggregate principal amount thereof plus accrued and unpaid interest.

The indentures governing the senior notes due 2015, 2018 and 2020 and senior subordinated notes due 2015 contain a number of covenants that restrict, subject to certain exceptions, SunGard's ability and the ability of its restricted subsidiaries to incur additional debt or issue certain preferred shares, pay dividends on or make other distributions in respect of its capital stock or make other restricted payments, make certain investments, enter into certain types of transactions with affiliates, create liens securing certain debt without securing the senior notes due 2015, 2018 and 2020 or senior subordinated notes due 2015, as applicable, sell certain assets, consolidate, merge, sell or otherwise dispose of all or substantially all of its assets and designate its subsidiaries as unrestricted subsidiaries.

On February 21, 2012, SunGard announced its intention to redeem all of its outstanding 10.625% senior notes due 2015 under the Indenture dated as of September 29, 2008 (as amended or supplemented from time to time, the "2015 Indenture") among SunGard, the guarantors named therein, and The Bank of New York Mellon, as trustee. SunGard expects to redeem the 2015 senior notes on April 2, 2012 at a redemption price equal to 105.313% of the aggregate principal amount plus accrued and unpaid interest to the redemption date, pursuant to Section 3.07(d) of the 2015 Indenture.

(D) Secured Accounts Receivable Facility

In March 2009, SunGard entered into a syndicated three-year secured accounts receivable facility. The facility limit was $317 million, which consisted of a term loan commitment of $181 million and a revolving commitment of $136 million. Advances may be borrowed and repaid under the revolving commitment with no impact on the facility limit. The term loan commitment may be repaid at any time at SunGard's option, but will result in a permanent reduction in the facility limit. On September 30, 2010, SunGard entered into an Amended and Restated Credit and Security Agreement related to its receivables facility. Among other things, the amendment (a) increased the borrowing capacity under the facility from $317 million to $350 million, (b) increased the term loan component to $200 million from $181 million, (c) extended the maturity date to September 30, 2014, (d) removed the 3% LIBOR floor and set the interest rate to one-month LIBOR plus 3.5%, which at December 31, 2011 was 3.79%, and (e) amended certain terms.

In connection with the sale of the Company's HE business, the participating HE subsidiaries were removed from the receivables facility, effective as of October 3, 2011. As a result, the combined total amount available for borrowing under the receivables facility was reduced from $350 million to $290 million.

At December 31, 2011, $200 million was drawn against the term loan commitment and none was drawn against the revolving commitment. At December 31, 2011, $572 million of accounts receivables secured the borrowings under the receivables facility.

SunGard is subject to a fee on the unused portion of 0.75% per annum. The receivables facility contains certain covenants and SunGard is required to satisfy and maintain specified facility performance ratios, financial ratios and other financial condition tests.

Future Maturities

At December 31, 2011, the contractual future maturities of debt and the future maturities of debt reflecting the impact of the $1.22 billion debt repayment made on January 20, 2012, the March 2012 extension of the maturity date of $908 million of term loans to 2017, and the early redemption of the 10.625% senior notes due 2015 (collectively, the "Debt Transactions") are as follows (in millions):

	Contractual	Reflecting the Debt Transactions
thru 12/31 2012	$ 10	$ 507[2]
2013	52	7
2014	2,313[1]	865[1]
2015	1,522[2]	1,000
2016	2,331	1,719
Thereafter	1,601	2,509

(1) Included are debt discounts of $8 million.
(2) Included are debt discounts of $3 million.

6. Fair Value Measurements:

The following table summarizes assets and liabilities measured at fair value on a recurring basis at December 31, 2011 (in millions):

	Fair Value Measures Using			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents—money market funds	$351	$—	$—	$351
Liabilities				
Interest rate swap agreements and other	$—	$ 15	$—	$ 15

The following table summarizes assets and liabilities measured at fair value on a recurring basis at December 31, 2010 (in millions):

	Fair Value Measures Using			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents—money market funds	$210	$—	$—	$210
Clearing broker assets—treasury bills	2	—	—	2
	$212	$—	$—	$212
Liabilities				
Interest rate swap agreements and other	$—	$ 34	$—	$ 34

A Level 1 fair value measure is based upon quoted prices in active markets for identical assets or liabilities. A Level 2 fair value measure is based upon quoted prices for similar assets and liabilities in active markets or inputs that are observable. A Level 3 fair value measure is based upon inputs that are unobservable (for example, cash flow modeling inputs based on assumptions).

Cash and cash equivalents – money market funds and Clearing broker assets – U.S. treasury bills are recognized and measured at fair value in the Company's financial statements. Fair values of the interest rate swap agreements are calculated using a discounted cash flow model using observable applicable market swap rates and assumptions and are compared to market valuations obtained from brokers.

During 2009, the Company recorded impairment charges on certain of its FS customer base and software assets of $18 million and $17 million, respectively, as a result of changes to the cash flow projections of the applicable businesses. These non-recurring fair value measures are classified as Level 3 in the fair value hierarchy and were valued using discounted cash flow models. The valuation inputs included estimates of future cash flows, expectations about possible variations in the amount and timing of cash flows and discount rates based on the risk-adjusted cost of capital.

The following table summarizes assets and liabilities measured at fair value on a non-recurring basis at December 31, 2010 (in millions):

	Fair Value Measures Using			Excluding 2011 impairment adjustment	Including 2011 impairment adjustment
	Level 1	Level 2	Level 3	Total Gains (Losses)	Total Gains (Losses)
Assets					
Goodwill	$—	$—	$560	$(328)	$(340)

The following table summarizes assets and liabilities measured at fair value on a non-recurring basis at December 31, 2009 (in millions):

	Fair Value Measures Using			Excluding 2011 impairment adjustment	Including 2011 impairment adjustment
	Level 1	Level 2	Level 3	Total Gains (Losses)	Total Gains (Losses)
Assets					
Goodwill	$—	$—	$928	$(1,126)	$(1,162)

The fair value of goodwill is categorized in Level 3, fair value measurement using significant unobservable inputs, and is estimated by a combination of discounted cash flows based on (i) projected earnings in the future (the income approach) and (ii) a comparative analysis of revenue and EBITDA multiples of public companies in similar markets (the market approach). This requires the use of various assumptions including projections of future cash flows, perpetual growth rates and discount rates. Goodwill with a carrying value of $888 million was written down to fair value of $560 million and a $328 million impairment loss was recognized, of which $205 million is reflected in continuing operations and $123 million is reflected in discontinued operations as discussed further in Notes 1 and 2. If the Company had not recorded the incorrect adjustment to reduce goodwill and deferred income tax liabilities in 2009, the carrying value in 2010 of goodwill related to the units that incurred the goodwill impairment would have been $12 million higher, resulting in an incremental $12 million impairment charge in 2010. The incremental goodwill impairment charge was recorded in 2011.

Goodwill with a carrying value of $2,054 million was written down to fair value of $928 million and a $1,126 million impairment loss was recognized, which is reflected in continuing operations for the year ended December 31, 2009 as discussed further in Note 1. If the Company had not recorded the incorrect adjustment to reduce goodwill and deferred income tax liabilities in 2009, the carrying value in 2009 of goodwill related to the unit that incurred the goodwill impairment would have been $36 million higher, resulting in an incremental $36 million impairment charge in 2009. The incremental goodwill impairment charge was recorded in 2011.

Fair Value of Financial Instruments

The following table presents the carrying amounts and fair values of financial instruments (in millions):

	December 31, 2010		December 31, 2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Floating rate debt	$4,707	$4,644	**$4,472**	**$4,372**
Fixed rate debt	3,348	3,432	**3,357**	**3,454**

The fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses, to the extent the underlying liability will be settled in cash, approximate carrying values because of the short-term nature of these instruments. The derivative financial instruments are carried at fair value. The fair value of SunGard's floating rate and fixed rate long-term debt is primarily based on market rates.

7. Preferred Stock

SCCII

SCCII has preferred and common stock outstanding at December 31, 2010 and 2011. The preferred stock is non voting and ranks senior in right of payment to the common stock. Each share of preferred stock has a liquidation preference of $100 (the initial class P liquidation preference) plus an amount equal to the accrued and unpaid dividends accruing at a rate of 11.5% per year of the initial Class P liquidation preference ($100 per share), compounded quarterly. Holders of preferred stock are entitled to receive cumulative preferential dividends to the extent a dividend is declared by the Board of Directors of SCCII at a rate of 11.5% per year of the initial Class P liquidation preference ($100 per share) payable quarterly in arrears. The aggregate amount of cumulative but undeclared preferred stock dividends at December 31, 2010 and 2011 was $837 million and $1,061 million, respectively ($85.29 and $107.76 per share, respectively). No dividends have been declared since inception.

Preferred shares and stock awards based in preferred shares are held by certain members of management. In the case of termination resulting from disability or death, an employee or his/her estate may exercise a put option which would require the Company to repurchase vested shares at the current fair market value. Accordingly, these shares of preferred stock must be classified as temporary equity (between liabilities and stockholder's equity) on the balance sheet of SCCII.

SCC

Preferred stock of SCCII is classified as Noncontrolling interest in the equity section or temporary equity on the balance sheet of SCC.

8. Common Stock

SCC has nine classes of common stock, Class L and Class A-1 through A-8. Class L common stock has identical terms as Class A common stock except as follows:

- Class L common stock has a liquidation preference: distributions by SCC are first allocated to Class L common stock up to its $81 per share liquidation preference plus an amount sufficient to generate a rate of return of 13.5% per annum, compounded quarterly ("Class L Liquidation Preference"). All holders of Common stock, as a single class, share in any remaining distributions pro rata based on the number of outstanding shares of Common stock;
- each share of Class L common stock automatically converts into Class A common stock upon an initial public offering or other registration of the Class A common stock and is convertible into Class A common stock upon a majority vote of the holders of the outstanding Class L common stock upon a change in control or other realization events. If converted, each share of Class L common stock is convertible into one share of Class A common stock plus an additional number of shares of Class A common stock determined by dividing the Class L Liquidation Preference at the date of conversion by the adjusted market value of one share of Class A common stock as set forth in the certificate of incorporation of SCC; and
- holders of Class A common stock and Class L common stock will generally vote as a single class, except that the election of directors is structured to permit the holders of one or more specific series of Class A common stock to elect separate directors.

In the case of termination resulting from disability or death, an employee or his/her estate may exercise a put option which would require the Company to repurchase vested shares at the current fair market value. Accordingly, these common shares must be classified as temporary equity (between liabilities and equity) on the balance sheet of SCC.

9. Stock Option and Award Plans and Stock-Based Compensation:

The SunGard 2005 Management Incentive Plan ("Plan") as amended from time to time was established to provide long-term equity incentives. The Plan authorizes the issuance of equity subject to awards made under the Plan for up to 70 million shares of Class A common stock and 7 million shares of Class L common stock of SCC and 2.5 million shares of preferred stock of SCCII.

Under the Plan, awards of time-based and performance-based options have been granted to purchase "Units" in the Parent Companies. Each "Unit" consists of 1.3 shares of Class A common stock and 0.1444 shares of Class L common stock of SCC and 0.05 shares of preferred stock of SCCII. The shares comprising a Unit are in the same proportion as the shares issued to all stockholders of the Parent Companies. Options on Units cannot be separately exercised for the individual classes of stock. Beginning in 2007, hybrid equity awards generally were granted under the Plan, which awards are composed of restricted stock units ("RSUs") for Units in the Parent Companies and options to purchase Class A common stock in SCC. Currently, equity awards are granted for RSUs. All awards under the Plan are granted at fair market value on the date of grant.

Time-based options granted prior to May 2011 vest over five years as follows: 25% one year after date of grant, and 1/48th of the remaining balance each month thereafter for 48 months. Time-based RSUs granted prior to May 2011 vest over five years as follows: 10% one year after date of grant, and 1/48th of the remaining balance each month thereafter for 48 months. Time-based options and RSUs granted in May 2011 or later vest over four years as follows: 28% one year after date of grant, and 2% each month thereafter for 36 months. Performance-based options and RSUs are earned upon the attainment of certain annual or cumulative earnings goals based on Internal EBITA (defined as operating income before amortization of acquisition-related intangible assets, stock compensation expense and certain other items) targets for the Company during a specified performance period. For awards granted prior to May 2011, the performance period was generally five years. For awards granted in 2011 (but after May 2011), the performance period is 18 months. Time-based and performance-based options can partially or fully vest upon a change of control and certain other termination events, subject to certain conditions, and expire ten years from the date of grant. Once vested, time-based and performance-based RSUs become payable in shares upon the first to occur of a change of control, separation from service without cause, or the date that is five years (ten years for modified performance-based RSUs) after the date of grant.

During the third quarter of 2009, the Company amended the terms of unvested performance awards granted prior to 2009 by (i) reducing performance targets for 2009 and 2010 to budgeted Internal EBITA, (ii) reducing the number of shares that are earned at the reduced targets, (iii) delaying vesting of earned shares, and, (iv) in the case of certain RSUs, increasing the length of time for distribution, or release, of vested awards. Excluding the 15 senior executive management award holders at that time, all 290 award holders participated in the amendments. During the fourth quarter of 2009, senior executive management's performance awards were amended consistent with non-senior executive awards and in addition were amended to modify or add, as applicable, vesting on return-on-equity basis terms. All amended equity awards were revalued at the modification dates at the respective fair market value. There was no expense recognized as a result of the modifications.

During the second quarter of 2010, the Company amended the terms of all unvested performance awards outstanding with performance periods after 2010 by reducing the performance targets for those periods to the budgeted Internal EBITA for the applicable year. All 280 award holders participated in the amendments, and there was no expense recognized as a result of the modification.

The total fair value of options that vested for 2009, 2010 and 2011 was $24 million, $18 million and $8 million, respectively. The total fair value of RSUs that vested for the years 2009, 2010 and 2011 was $10 million, $13 million and $22 million, respectively. At December 31, 2010 and 2011, approximately 0.8 million and 1.6 million RSUs, respectively, were vested.

The fair value of option Units granted in each year using the Black-Scholes pricing model and related assumptions follow:

	Year ended December 31,		
	2009	2010	2011
Weighted-average fair value on date of grant	$ 7.64	$ 7.37	**$ 9.76**
Assumptions used to calculate fair value:			
Volatility	43%	36%	**43%**
Risk-free interest rate	2.1%	1.9%	**1.6%**
Expected term	5.0 years	5.0 years	**5.0 years**
Dividends	zero	zero	**zero**

The fair value of Class A options granted in each year using the Black-Scholes pricing model and related assumptions follow:

	Year ended December 31,	
	2009	2010
Weighted-average fair value on date of grant	$ 0.28	$ 0.23
Assumptions used to calculate fair value:		
Volatility	81%	156%
Risk-free interest rate	2.3%	2.1%
Expected term	5.0 years	5.0 years
Dividends	zero	zero

The fair value of each option award is estimated on the date of grant using the Black-Scholes option-pricing model. Since the Company is not publicly traded, the Company utilizes equity valuations based on (a) stock market valuations of public companies in comparable businesses, (b) recent transactions involving comparable companies and (c) any other factors deemed relevant. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. Expected volatilities are based on implied volatilities from market comparisons of certain publicly traded companies and other factors. The expected term of stock options granted is derived from historical experience and expectations and represents the period of time that stock options granted are expected to be outstanding. The requisite service period is generally four or five years from the date of grant.

For 2009, 2010 and 2011, the Company included non-cash stock compensation expense of $31 million, $29 million and $33 million, respectively, in sales, marketing and administration expenses (in continuing operations). In each of 2009, 2010 and 2011, the Company included non-cash stock compensation expense of $2 million in income (loss) from discontinued operations. At December 31, 2011, there is approximately $4 million and $61 million, respectively, of unearned non-cash stock-based compensation related to time-based options and RSUs that the Company expects to record as expense over a weighted average of 1.5 and 3.8 years, respectively. In addition, at December 31, 2011, there is approximately $7 million and $41 million, respectively, of unearned non-cash stock-based compensation related to performance-based options and RSUs that the Company could record as

expense over a weighted average of 2.1 and 2.8 years, respectively, depending on the level of achievement of financial performance goals. Included in the performance award amounts above are approximately 270,000 option Units ($1.5 million), 224,000 class A options ($0.3 million) and 112,000 RSUs ($2.2 million) that were earned during 2009 and 2010, but that will vest monthly during 2012 and 2013. For time-based options and RSUs, compensation expense is recorded on a straight-line basis over the requisite service period of four or five years. For performance-based options and RSUs, recognition of compensation expense starts when the achievement of financial performance goals becomes probable and is recorded over the remaining service period.

The following table summarizes option/RSU activity:

	Units					
	Options (in millions)	Weighted-Average Price	RSUs (in millions)	Weighted-Average Price	Class A Options (in millions)	Weighted-Average Price
Outstanding at December 31, 2008	31.8	$16.24	3.7	$23.07	9.4	$2.47
Granted	0.4	19.00	1.5	19.10	3.7	0.42
Exercised / released	(1.7)	10.56	—		—	
Canceled	(2.5)	18.14	(0.2)	23.36	(0.6)	2.50
Outstanding at December 31, 2009	28.0	16.46	5.0	21.87	12.5	1.86
Granted	0.2	21.32	2.3	21.23	2.0	0.25
Exercised / released	(0.7)	11.94	(0.1)	22.86	—	
Canceled	(1.3)	18.09	(0.8)	22.16	(2.1)	1.97
Outstanding at December 31, 2010	26.2	16.54	6.4	21.59	12.4	1.58
Granted	**0.2**	**24.74**	**2.4**	**24.40**	**—**	
Exercised / released	**(2.0)**	**10.39**	**(0.3)**	**21.92**	**—**	
Canceled	**(4.2)**	**18.05**	**(0.9)**	**21.41**	**(2.4)**	**1.48**
Outstanding at December 31, 2011	**20.2**	**16.93**	**7.6**	**22.50**	**10.0**	**1.60**

Included in the table above are 2.8 million option Units (weighted-average exercise price of $18.54), 1.0 million RSUs (weighted-average price of $21.82) and 1.9 million Class A options (weighted-average exercise price of $1.93) that have not vested and for which the performance period has ended. These options and RSUs may be canceled in the future.

Shares available for grant under the 2005 plan at December 31, 2011 were approximately 18.8 million shares of Class A common stock and 2.4 million shares of Class L common stock of SunGard Capital Corp. and 0.9 million shares of preferred stock of SunGard Capital Corp. II.

The total intrinsic value of options exercised during the years 2009, 2010 and 2011 was $16 million, $7 million and $25 million, respectively.

Cash proceeds received by SCC, including proceeds received by SCCII, from exercise of stock options was $5 million, $1 million and $0.3 million in 2009, 2010 and 2011, respectively. Cash proceeds received by SCCII from exercise of stock options was $1 million in 2009, $0.4 million in 2010 and $0.08 million in 2011. Cash proceeds received by SCC, including proceeds received by SCCII, from purchases of stock were $6 million in 2011. Cash proceeds received by SCCII from purchases of stock were $3 million in 2011.

The tax benefit from options exercised during 2009, 2010 and 2011 was $6 million, $2 million and $9 million, respectively. The tax benefit from release of RSUs during 2009, 2010 and 2011 was $0.1 million, $0.8 million and $2 million, respectively. The tax benefit is realized by SCC since SCC files as a consolidated group which includes SCCII and SunGard.

The following table summarizes information as of December 31, 2011 concerning options for Units and Class A shares that have vested and that are expected to vest in the future:

	Vested and Expected to Vest			Exercisable		
Exercise Price	Number of Options Outstanding (in millions)	Weighted-average Remaining Life (years)	Aggregate Intrinsic Value (in millions)	Number of Options (in millions)	Weighted-average Remaining Life (years)	Aggregate Intrinsic Value (in millions)
Units						
$ 4.50	2.14	2.0	$ 35	2.14	2.0	$ 35
18.00-24.51	13.97	4.0	34	13.20	3.8	33
Class A Shares						
0.21 - 0.44	3.01	8.0	—	1.32	7.9	—
1.4148	0.57	6.9	—	0.37	6.9	—
2.22 - 3.06	3.29	6.2	—	2.51	6.2	—

10. Savings Plans:

The Company and its subsidiaries maintain savings and other defined contribution plans. Certain of these plans generally provide that employee contributions are matched with cash contributions by the Company subject to certain limitations including a limitation on the Company's contributions to 4% of the employee's compensation. Total expense for continuing operations under these plans aggregated $51 million in 2009, $56 million in 2010 and $63 million in 2011.

11. Income Taxes:

The continuing operations provision (benefit) for income taxes for 2009, 2010 and 2011 consisted of the following (in millions):

	SCC			SCCII			SunGard		
	2009	2010	2011	2009	2010	2011	2009	2010	2011
Current:									
Federal	$ (19)	$(41)	**$ (24)**	$ (18)	$(41)	**$ (24)**	$ (18)	$(41)	**$ (26)**
State	8	3	**4**	8	3	**4**	8	3	**4**
Foreign	51	53	**62**	51	53	**62**	51	53	**62**
	40	15	**42**	41	15	**42**	41	15	**40**
Deferred:									
Federal	(131)	(63)	**(103)**	(131)	(63)	**(103)**	(131)	(63)	**(103)**
State	3	(8)	**(39)**	3	(8)	**(39)**	3	(8)	**(39)**
Foreign	(29)	(12)	**(16)**	(29)	(12)	**(16)**	(29)	(12)	**(16)**
	(157)	(83)	**(158)**	(157)	(83)	**(158)**	(157)	(83)	**(158)**
	$(117)	$(68)	**$(116)**	$(116)	$(68)	**$(116)**	$(116)	$(68)	**$(118)**

Income (loss) from continuing operations before income taxes for 2009, 2010 and 2011 consisted of the following (in millions):

	SCC			SCCII			SunGard		
	2009	2010	2011	2009	2010	2011	2009	2010	2011
U.S. operations	$(1,352)	$(641)	**$(341)**	$(1,352)	$(641)	**$(341)**	$(1,352)	$(641)	**$(341)**
Foreign operations	51	159	**150**	51	159	**150**	51	159	**150**
	$(1,301)	$(482)	**$(191)**	$(1,301)	$(482)	**$(191)**	$(1,301)	$(482)	**$(191)**

Differences between income tax expense (benefit) at the U.S. federal statutory income tax rate and the Company's continuing operations effective income tax rate for 2009, 2010 and 2011 were as follows (in millions):

	SCC			SCCII			SunGard		
	2009	2010	2011	2009	2010	2011	2009	2010	2011
Tax at federal statutory rate	$(455)	$(169)	**$ (67)**	$(455)	$(169)	**$ (67)**	$(455)	$(169)	**$ (67)**
State income taxes, net of federal benefit	9	3	**(6)**	9	3	**(6)**	9	3	**(6)**
Foreign taxes, net of U.S. foreign tax credit[1]	(12)	(6)	**(20)**	(12)	(6)	**(20)**	(12)	(6)	**(20)**
Tax rate changes	(1)	(13)	**(31)**[2]	(1)	(13)	**(31)**[2]	(1)	(13)	**(31)**[2]
Nondeductible goodwill impairment charge	343	68	**17**	343	68	**17**	343	68	**17**
Nondeductible expenses	3	5	**6**	3	5	**6**	3	5	**6**
Change in tax positions	(1)	—	**(1)**	(1)	—	**(1)**	(1)	—	**(1)**
Research and development credit	(1)	(2)	**(3)**	(1)	(2)	**(3)**	(1)	(2)	**(3)**
U.S. income taxes on non-U.S. unremitted earnings	3	45	**(11)**	3	45	**(11)**	3	45	**(11)**
Other, net	(5)	1	**—**	(4)	1	**—**	(4)	1	**(2)**
	$(117)	$ (68)	**$(116)**	$(116)	$ (68)	**$(116)**	$(116)	$ (68)	**$(118)**
Effective income tax rate	9%	14%	**61%**	9%	14%	**61%**	9%	14%	**62%**

(1) Includes favorable adjustments in 2009 and 2011 of $12 million and $4 million, respectively, related to foreign tax credits not previously recognized. Also includes $5 million, $6 million and $8 million in 2009, 2010 and 2011, respectively, related to benefits of a temporary reduction in statutory tax rates. These temporary tax rates will expire between 2012 and 2024.

(2) During 2011, the Company determined that a 2009 adjustment was incorrect and reversed it, thereby increasing the deferred tax liability and goodwill balances. The Company recorded an income tax benefit of $35 million reflecting the amortization of the deferred income tax liability which benefit would have been reflected in the statement of comprehensive income had the 2009 adjustment not been made (see goodwill discussion in Note 1).

Deferred income taxes are recorded based upon differences between financial statement and tax bases of assets and liabilities. Deferred income tax assets and liabilities at December 31, 2010 and 2011 consisted of the following (in millions):

	SCC		SCCII		SunGard	
	December 31, 2010	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010	December 31, 2011
Current:						
Accounts receivable	$ 12	**$ 14**	$ 12	**$ 14**	$ 12	**$ 14**
Accrued expenses, net	7	**9**	7	**9**	7	**9**
Tax credit carryforwards	—	**55**	—	**55**	—	**55**
Outside basis difference	—	**(135)**	—	**(135)**	—	**(135)**
Total current deferred income tax asset (liability)	19	**(57)**	19	**(57)**	19	**(57)**
Valuation allowance	(7)	**(14)**	(7)	**(14)**	(7)	**(14)**
Net current deferred income tax asset (liability)	12	**(71)**	12	**(71)**	12	**(71)**
Less: amounts classified as held for sale	(5)	**(5)**	(5)	**(5)**	(5)	**(5)**
Net current deferred income tax asset (liability) – continuing operations	$ 7	**$ (76)**	$ 7	**$ (76)**	$ 7	**$ (76)**
Long-term:						
Property and equipment	$ 29	**$ 7**	$ 29	**$ 7**	$ 29	**$ 7**
Intangible assets	(1,319)	**(1,302)**	(1,319)	**(1,302)**	(1,319)	**(1,302)**
Net operating loss carry-forwards	111	**111**	111	**111**	111	**111**
Tax credit carryforwards	25	**—**	25	**—**	25	**—**
Stock compensation	50	**60**	50	**60**	50	**60**
U.S. income taxes on non-U.S. unremitted earnings	(52)	**(40)**	(52)	**(40)**	(52)	**(40)**
Other, net	6	**(8)**	6	**(8)**	10	**(2)**
Total long-term deferred income tax liability	(1,150)	**(1,172)**	(1,150)	**(1,172)**	(1,146)	**(1,166)**
Valuation allowance	(63)	**(52)**	(63)	**(52)**	(63)	**(52)**
Net long-term deferred income tax liability	(1,213)	**(1,224)**	(1,213)	**(1,224)**	(1,209)	**(1,218)**
Less: amounts classified as held for sale	103	**99**	103	**99**	103	**99**
Net long-term deferred income tax liability – continuing operations	$(1,110)	**$(1,125)**	$(1,110)	**$(1,125)**	$(1,106)	**$(1,119)**

The deferred income tax assets and liabilities include amounts classified as held for sale on the face of the financial statements.

The Company recorded a $135 million deferred tax liability as of December 31, 2011 related to the book-over-tax basis difference in a Higher Education subsidiary. The deferred tax provision is reflected in discontinued operations.

As of December 31, 2011 the gross net operating loss carryforwards, totaling $890 million, are primarily U.S. state of $579 million, U.S. federal of $124 million and foreign of $187 million. These tax loss carryforwards expire between 2012 and 2031 and utilization is limited in certain jurisdictions.

Foreign losses of $22 million are subject to a separate return limitation. The tax benefit of the net operating loss carryforwards of $111 million consists of U.S. state of $19 million, U.S. federal of $44 million and foreign of $48 million. The Company recorded the benefit of net operating loss carryforwards of $7 million, $10 million and $9 million in 2009, 2010 and 2011, respectively. The valuation allowance for deferred tax assets of $70 million and $66 million as of December 31, 2010 and 2011, respectively, relate principally to the uncertainty of the utilization of certain tax loss carryforwards in various jurisdictions.

Foreign tax credit carryforwards of $25 million and $30 million generated in 2010 and 2011, respectively, can be carried forward up to 10 years and expire in 2020 and 2021.

A reconciliation of the beginning and ending amount of unrecognized tax benefits follows (in millions):

	2009	2010	2011
Balance at beginning of year	$38	$ 38	**$ 37**
Additions for tax positions of prior years	2	17	**1**
Reductions for tax positions of prior years	(4)	(4)	**(1)**
Additions for tax positions of current year	5	4	**2**
Settlements for tax positions of prior years	(3)	(18)	**(17)**
Balance at end of year	$38	$ 37	**$ 22**

As of December 31, 2011 the Company had unrecognized tax benefits of approximately $22 million which if recognized would affect the effective tax rate. Included in the balance of unrecognized tax benefits at December 31, 2011 is approximately $2 million (net of state benefit) of accrued interest and penalties. The Company recognizes interest and penalties related to uncertain tax positions in income tax expense.

Tax years after 2006 remain open for audit by the Internal Revenue Service. In addition, tax years after 2003 remain open for audit by various state, local and foreign jurisdictions. The Company anticipates that it is reasonably possible that between $0 and $17 million of unrecognized tax benefits may be resolved within the next 12 months.

During the fourth quarter of 2010, the Company determined that it could no longer conclude that the earnings of all its foreign subsidiaries could be expected to be permanently reinvested outside the U.S. The recognition of U.S. income tax is required when earnings of the foreign subsidiaries are no longer considered permanently reinvested outside the U.S. As of December 31, 2010 and 2011, the Company provided a deferred income tax liability of approximately $52 million and $40 million, respectively for non-U.S. withholding and U.S. income taxes associated with the future repatriation of earnings for certain non-U.S. subsidiaries.

12. Segment Information:

The Company has three segments: FS, AS and Other. FS primarily serves financial services companies through a broad range of complementary software solutions that process their investment and trading transactions. The principal purpose of most of these systems is to automate the many detailed processes associated with trading securities, managing investment portfolios and accounting for investment assets.

AS helps its customers maintain access to the information and computer systems they need to run their businesses by providing them with cost-effective resources to keep their IT systems reliable and secure. AS offers a complete range of availability services, including recovery services, managed services, consulting services and business continuity management software.

Other primarily provides software and processing solutions designed to meet the specialized needs of local, state and federal governments, public safety and justice agencies, public schools, utilities, non-profits and other public sector institutions.

The Company evaluates the performance of its segments based on operating results before interest, income taxes, goodwill impairment, amortization of acquisition-related intangible assets, stock compensation and certain other costs. The operating results for each segment follow (in millions):

2009	FS	AS	Other	Total Operating Segments	Corporate and Other Items	Consolidated Total
Revenue	$3,068	$1,517	$221	$4,806	$ —	$4,806
Depreciation and amortization	77	192	6	275	—	275
Operating income (loss)	618	380	60	1,058	(1,744)(1)	(686)
Cash paid for property and equipment and software	82	222	11	315	—	315

2010	FS	AS	Other	Total Operating Segments	Corporate and Other Items	Consolidated Total
Revenue	$2,807	$1,469	$214	$ 4,490	$ —	$ 4,490
Depreciation and amortization	82	190	6	278	—	278
Operating income (loss)	622	326	57	1,005	(800)(1)	205
Total assets	8,830	5,957	852	15,639	(2,671)(2)	12,968
Cash paid for property and equipment and software	93	196	8	297	1	298

2011	FS	AS	Other	Total Operating Segments	Corporate and Other Items	Consolidated Total
Revenue	**$2,835**	**$1,461**	**$203**	**$ 4,499**	**$ —**	**$ 4,499**
Depreciation and amortization	**83**	**180**	**8**	**271**	**1**	**272**
Operating income (loss)	**600(3)**	**321(3)**	**57**	**978**	**(645)(1)(3)**	**333**
Total assets	**8,685**	**3,793**	**776**	**13,254**	**(704)(2)**	**12,550**
Cash paid for property and equipment and software	**89**	**178**	**5**	**272**	**4**	**276**

(1) Includes goodwill impairments; stock compensation expense; management fees paid to the Sponsors; certain other costs; amortization of acquisition-related intangible assets; and corporate administrative expenses of $57 million, $71 million and $96 million in the years ended December 31, 2009, 2010 and 2011, respectively.

(2) Includes items that are eliminated in consolidation, deferred income taxes and the assets of the Company's discontinued operations of $1,339 million in 2010 and $1,326 million in 2011.

(3) Includes $41 million, $9 million and $16 million of severance and executive transition costs in FS, AS and corporate, respectively. Also, includes $3 million and $1 million of lease exit costs in FS and AS, respectively. At December 31, 2011, the Company had accrued severance of $39 million which it expects to pay in 2012, the majority of which by the end of the second quarter.

Amortization of acquisition-related intangible assets by segment follows (in millions):

	FS	AS	Other	Total Operating Segments	Corporate	Consolidated Total
2009	$303[1]	$170	$21	$494	$2	$496
2010	259	171	20	450	1	451
2011	**246[2]**	**172**	**19**	**437**	**1**	**438**

(1) Includes approximately $35 million of impairment charges related to software and customer base.

(2) Includes approximately $7 million of impairment charges related to software and customer base.

The FS segment is organized to align with customer-facing business areas. FS revenue by business area follows (in millions):

	2010	2011
Capital Markets	$ 670	**$ 730**
Global Trading	659	**567**
Asset Management	362	**388**
Wealth Management	389	**367**
Banking	203	**229**
Corporate Liquidity	175	**190**
Insurance	175	**175**
Other	174	**189**
Total Financial Systems	$2,807	**$2,835**

The Company's revenue by customer location follows (in millions):

	Year ended December 31,		
	2009	2010	2011
United States	$3,358	$2,991	**$2,828**
International:			
United Kingdom	410	452	**451**
Continental Europe	591	581	**685**
Asia/Pacific	181	244	**263**
Canada	147	165	**173**
Other	119	57	**99**
	1,448	1,499	**1,671**
	$4,806	$4,490	**$4,499**

The Company's property and equipment by geographic location follows (in millions):

	December 31, 2010	December 31, 2011
United States	$586	**$593**
International:		
United Kingdom	179	**169**
Continental Europe	62	**59**
Canada	40	**38**
Asia/Pacific	22	**31**
Other	3	**3**
	$892	**$893**

13. Related Party Transactions:

SunGard is required to pay management fees to affiliates of the Sponsors in connection with management consulting services provided to SunGard and the Parent Companies. These services include financial, managerial and operational advice and implementation strategies for improving the operating, marketing and financial performance of SunGard and its subsidiaries. The management fees are equal to 1% of quarterly Adjusted EBITDA, defined as earnings before interest, taxes, depreciation and amortization and goodwill impairment, further adjusted to exclude unusual items and other adjustments as defined in the management agreement, and are payable quarterly in arrears. In addition, these affiliates of the Sponsors may be entitled to additional fees in connection with certain financing, acquisition, disposition and change in control transactions. For the years ended December 31, 2009, 2010 and 2011, SunGard recorded $14 million, $16 million and $12 million, respectively, relating to management fees in sales, marketing and administration expenses in the statement of comprehensive income, of which $6 million and $4 million, respectively, is included in other accrued expenses at December 31, 2010 and 2011, respectively. In addition, for the years ended December 31, 2009, 2010 and 2011, SunGard recorded $1 million, $2 million and $1 million, respectively, relating to management fees in income (loss) from discontinued operations in the statement of comprehensive income.

In connection with the sale of HE, the Sponsors are entitled to a management fee of $17.8 million which will be paid in the first quarter of 2012.

One of the Company's Sponsors, Goldman Sachs & Co. and/or its respective affiliates, served as a joint book-running manager in connection with SunGard's 2010 debt offering of $900 million Senior Notes due 2018 and $700 million Senior Notes due 2020. In connection with serving in such capacity, Goldman Sachs & Co. was paid $10 million for customary fees and expenses.

14. Commitments, Contingencies and Guarantees:

The Company leases a substantial portion of its computer equipment and facilities under operating leases. The Company's leases are generally non-cancelable or cancelable only upon payment of cancellation fees. All lease payments are based on the passage of time, but include, in some cases, payments for insurance, maintenance and property taxes. There are no bargain purchase options on operating leases at favorable terms, but most facility leases have one or more renewal options and have either fixed or Consumer Price Index escalation clauses. Certain facility leases include an annual

escalation for increases in utilities and property taxes. In addition, certain facility leases are subject to restoration clauses, whereby the facility may need to be restored to its original condition upon termination of the lease. There were $30 million of restoration liabilities included in accrued expenses at December 31, 2011.

Future minimum rentals under operating leases with initial or remaining non-cancelable lease terms in excess of one year for continuing operations at December 31, 2011 follow (in millions):

2012	$ 190
2013	165
2014	145
2015	124
2016	110
Thereafter	391
	$1,125

Rent expense from continuing operations aggregated $238 million in 2009, $233 million in 2010 and $234 million in 2011. At December 31, 2011, the Company had $37 million of outstanding letters of credit and bid bonds issued primarily as security for performance under certain customer contracts.

In the event that the management agreement described in Note 13 is terminated by the Sponsors (or their affiliates) or SunGard and its Parent Companies, the Sponsors (or their affiliates) will receive a lump sum payment equal to the present value of the annual management fees that would have been payable for the remainder of the term of the management agreement. The initial term of the management agreement is ten years, and it extends annually for one year unless the Sponsors (or their affiliates) or SunGard and its Parent Companies provide notice to the other. The initial ten year term expires August 11, 2015.

The Company is presently a party to certain lawsuits arising in the ordinary course of its business. In the opinion of management, none of its current legal proceedings are expected to have a material impact on the Company's business or financial results. The Company's customer contracts generally include typical indemnification of customers, primarily for intellectual property infringement claims. Liabilities in connection with such obligations have not been material.

The Company has had patent infringement lawsuits filed against it or certain of its customers claiming that certain of its products infringe the intellectual property rights of others. Adverse results in these lawsuits may include awards of substantial monetary damages, costly royalty or licensing agreements, or limitations on the Company's ability to offer certain features, functionalities, products, or services, and may also cause the Company to change its business practices, and require development of non-infringing products or technologies, which could result in a loss of revenues and otherwise harm the Company's business. Also, certain agreements with previously owned businesses of the Company require indemnification to the new owners for certain matters as part of the sale of those businesses.

The Company evaluates, on a regular basis, developments in its legal matters. The Company records a provision for a liability when it believes that it is both probable that a liability has been incurred, and the amount can be reasonably estimated. At December 31, 2011, the Company has not accrued for any outstanding patent infringement or indemnification matters, except for legal fees that it expects to incur in order to defend itself against any asserted claims.

In its outstanding legal matters in which it has not made an accrual, but for which it is reasonably possible that a loss may occur, the Company is unable to estimate a range of loss for such matters due to various reasons, including, among others: (1) that the proceedings are in early stages, (2) that there is uncertainty as to the outcome of pending appeals, motions, or settlements, (3) that there are significant factual issues to be resolved, and (4) that there are novel legal issues presented. Such legal matters are inherently unpredictable and subject to significant uncertainties, some of which are beyond the Company's control. Based on current knowledge, the Company believes that the final outcome of the matters discussed above, will not, individually or in the aggregate, have a material adverse effect on its business, consolidated financial position, results of operations, or cash flows. While the Company intends to vigorously defend these matters, in light of the uncertainties involved in such matters, there exists the possibility of adverse outcomes, and the final outcome of a particular matter could have a material adverse effect on results of operations or cash flows in a particular period.

15. Quarterly Financial Data (unaudited):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2010				
Revenue	$1,080	$1,122	$1,079	$1,209
Gross profit[1]	575	635	605	738
Income (loss) before income taxes	(110)	(43)	(287)[2]	(42)
Income (loss) from continuing operations	(67)	(33)	(261)[2]	(53)
Income (loss) from discontinued operations	13	12	(117)[3]	(64)[4]
Net income (loss)	(54)	(21)	(378)[2][3]	(117)[4]
Net loss attributable to SCC	(101)	(70)	(429)[2][3]	(161)[4]
2011				
Revenue	**$1,086**	**$1,133**	**$1,110**	**$1,170**
Gross profit[1]	**593**	**657**	**633**	**725**
Income (loss) before income taxes	**(89)**	**(51)**	**(68)**	**17[6]**
Income (loss) from continuing operations (SCC & SCCII)	**(78)**	**(31)**	**(41)**	**75[6]**
Income (loss) from continuing operations (SunGard)	**(78)**	**(31)**	**(41)**	**77[6]**
Income (loss) from discontinued operations	**55**	**(42)**	**(106)[5]**	**17**
Net income (loss) (SCC & SCCII)	**(23)**	**(73)**	**(147)[5]**	**92[6]**
Net income (loss) (SunGard)	**(23)**	**(73)**	**(147)[5]**	**94[6]**
Net loss attributable to SCC	**(77)**	**(128)**	**(204)[5]**	**33[6]**

(1) Gross profit equals revenue less cost of sales and direct operating expenses.

(2) Includes a pre-tax goodwill impairment charge of $205 million.

(3) Includes a pre-tax goodwill impairment charge of $123 million.

(4) Includes a pre-tax loss on sale of the discontinued operation of $94 million.

(5) Includes a $133 million deferred income tax expense related to the book-over-tax basis difference of a HE subsidiary that was classified as discontinued operations.

(6) Includes a $48 million goodwill impairment charge related to the correction in 2011 of an incorrect adjustment in 2009 to reduce goodwill and deferred income tax liabilities (see Notes 1 and 6).

16. Supplemental Cash Flow Information:

Supplemental cash flow information for 2009, 2010 and 2011 follows (in millions):

	Year ended December 31,		
	2009	2010	2011
Supplemental information:			
Interest paid	$607	$639	**$496**
Income taxes paid, net of refunds of $6 million, $64 million and $58 million, respectively	$137	$ 43	**$ 37**
Acquired businesses:			
Property and equipment	$—	$ 5	**$ 1**
Software products	10	21	**21**
Customer base	5	27	**12**
Goodwill	2	25	**6**
Other intangible assets	—	8	**—**
Deferred income taxes	(1)	(5)	**(5)**
Purchase price obligations and debt assumed	(1)	(2)	**(1)**
Net current liabilities assumed	(2)	3	**1**
Cash paid for acquired businesses, net of cash acquired of $1 and $10 and $4 million, respectively	$ 13	$ 82	**$ 35**

17. Supplemental Guarantor Condensed Consolidating Financial Statements:

SunGard's senior unsecured notes are jointly and severally, fully and unconditionally guaranteed on a senior unsecured basis and the senior subordinated notes are jointly and severally, fully and unconditionally guaranteed on an unsecured senior subordinated basis, in each case, subject to certain exceptions, by substantially all wholly owned, domestic subsidiaries of SunGard (collectively, the "Guarantors"). Each of the Guarantors is 100% owned, directly or indirectly, by SunGard. None of the other subsidiaries of SunGard, either direct or indirect, nor any of the Holding Companies, guarantee the senior notes and senior subordinated notes ("Non-Guarantors"). The Guarantors and SunGard Holdco LLC also unconditionally guarantee the senior secured credit facilities, described in Note 5. The Guarantors are subject to release under certain circumstances as described below.

The indentures evidencing the guarantees provide for a Guarantor to be automatically and unconditionally released and discharged from its guarantee obligations in certain circumstances, including upon the earliest to occur of:

- The sale, exchange or transfer of the subsidiary's capital stock or all or substantially all of its assets;
- Designation of the Guarantor as an "unrestricted subsidiary" for purposes of the indenture covenants;
- Release or discharge of the Guarantor's guarantee of certain other indebtedness; or
- Legal defeasance or covenant defeasance of the indenture obligations when provision has been made for them to be fully satisfied.

The following tables present the financial position, results of operations and cash flows of SunGard (referred to as "Parent Company" for purposes of this note only), the Guarantor subsidiaries, the Non-Guarantor subsidiaries and Eliminations as of December 31, 2010 and 2011, and for the years ended December 31, 2009, 2010 and 2011 to arrive at the information for SunGard on a consolidated basis. SCC and SCCII are neither parties to nor guarantors of the debt issued as described in Note 5.

Supplemental Condensed Consolidating Balance Sheet

(in millions)	December 31, 2010				
	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Current:					
Cash and cash equivalents	$ 179	$ 4	$ 588	$ —	$ 771
Intercompany balances	(6,865)	6,028	837	—	—
Trade receivables, net	2	617	349	—	968
Prepaid expenses, taxes and other current assets	2,544	72	307	(2,520)	403
Assets held for sale	—	1,327	20	(8)	1,339
Total current assets	(4,140)	8,048	2,101	(2,528)	3,481
Property and equipment, net	—	576	316	—	892
Intangible assets, net	150	3,050	539	—	3,739
Goodwill	—	3,739	1,117	—	4,856
Intercompany balances	(4)	—	4	—	—
Investment in subsidiaries	13,562	2,444	—	(16,006)	—
Total Assets	$ 9,568	$17,857	$4,077	$(18,534)	$12,968
Liabilities and Stockholder's Equity					
Current:					
Short-term and current portion of long-term debt	$ —	$ 2	$ 7	$ —	$ 9
Accounts payable and other current liabilities	203	3,343	928	(2,520)	1,954
Liabilities related to assets held for sale	—	235	11	—	246
Total current liabilities	203	3,580	946	(2,520)	2,209
Long-term debt	7,607	2	437	—	8,046
Intercompany debt	(195)	65	249	(119)	—
Deferred income taxes	346	648	112	—	1,106
Total liabilities	7,961	4,295	1,744	(2,639)	11,361
Total stockholder's equity	1,607	13,562	2,333	(15,895)	1,607
Total Liabilities and Stockholder's Equity	$ 9,568	$17,857	$4,077	$(18,534)	$12,968

Supplemental Condensed Consolidating Balance Sheet

(in millions)	December 31, 2011 Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Current:					
Cash and cash equivalents	$ 529	$ (15)	$ 354	$ —	$ 868
Intercompany balances	(5,247)	4,516	731	—	—
Trade receivables, net	2	603	346	—	951
Prepaid expenses, taxes and other current assets	1,461	54	271	(1,456)	330
Assets held for sale	—	1,315	13	(2)	1,326
Total current assets	(3,255)	6,473	1,715	(1,458)	3,475
Property and equipment, net	—	588	305	—	893
Intangible assets, net	120	2,701	476	—	3,297
Goodwill	—	3,784	1,101	—	4,885
Intercompany balances	250	1	(251)	—	—
Investment in subsidiaries	12,673	2,253	—	(14,926)	—
Total Assets	$ 9,788	$15,800	$3,346	$(16,384)	$12,550
Liabilities and Stockholder's Equity					
Current:					
Short-term and current portion of long-term debt	$ —	$ 3	$ 7	$ —	$ 10
Accounts payable and other current liabilities	296	2,170	901	(1,456)	1,911
Liabilities related to assets held for sale	—	219	11	—	230
Total current liabilities	296	2,392	919	(1,456)	2,151
Long-term debt	7,612	2	205	—	7,819
Intercompany debt	82	19	16	(117)	—
Deferred income taxes	337	714	68	—	1,119
Total liabilities	8,327	3,127	1,208	(1,573)	11,089
Total stockholder's equity	1,461	12,673	2,138	(14,811)	1,461
Total Liabilities and Stockholder's Equity	$ 9,788	$15,800	$3,346	$(16,384)	$12,550

Supplemental Condensed Consolidating Schedule of Operations

(in millions)	Year ended December 31, 2009				
	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Total revenue	$ —	$2,928	$1,981	$(103)	$ 4,806
Costs and expenses:					
Cost of sales and direct operating	—	1,193	1,159	(103)	2,249
Sales, marketing and administration	96	506	390	—	992
Product development and maintenance	—	171	183	—	354
Depreciation and amortization	—	201	74	—	275
Amortization of acquisition-related intangible assets	2	371	123	—	496
Goodwill impairment charges	—	1,126	—	—	1,126
	98	3,568	1,929	(103)	5,492
Operating income (loss)	(98)	(640)	52	—	(686)
Net interest income (expense)	(580)	(113)	63	—	(630)
Other income (expense)	(745)	39	(87)	808	15
Income (loss) from continuing operations before income taxes	(1,423)	(714)	28	808	(1,301)
Benefit from (provision for) income taxes	238	(63)	(59)	—	116
Income (loss) from continuing operations	(1,185)	(777)	(31)	808	(1,185)
Income (loss) from discontinued operations, net of tax	67	67	5	(72)	67
Net loss	$(1,118)	$ (710)	$ (26)	$ 736	$(1,118)

Supplemental Condensed Consolidating Schedule of Operations

(in millions)	Year ended December 31, 2010				
	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Total revenue	$ —	$3,148	$1,505	$(163)	$4,490
Costs and expenses:					
Cost of sales and direct operating	—	1,284	816	(163)	1,937
Sales, marketing and administration	109	403	530	—	1,042
Product development and maintenance	—	108	264	—	372
Depreciation and amortization	—	193	85	—	278
Amortization of acquisition-related intangible assets	1	373	77	—	451
Goodwill impairment charges	—	205	—	—	205
	110	2,566	1,772	(163)	4,285
Operating income (loss)	(110)	582	(267)	—	205
Net interest income (expense)	(591)	(382)	337	—	(636)
Other income (expense)	15	(12)	(267)	213	(51)
Income (loss) from continuing operations before income taxes	(686)	188	(197)	213	(482)
Benefit from (provision for) income taxes	272	(117)	(87)	—	68
Income (loss) from continuing operations	(414)	71	(284)	213	(414)
Income (loss) from discontinued operations, net of tax	(156)	(156)	(186)	342	(156)
Net loss	$(570)	$ (85)	$ (470)	$ 555	$ (570)

Supplemental Condensed Consolidating Schedule of Operations

(in millions)	Year ended December 31, 2011				
	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Total revenue	$ —	$2,986	$ 1,513	$ —	$4,499
Costs and expenses:					
Cost of sales and direct operating	—	1,155	736	—	1,891
Sales, marketing and administration	132	511	452	—	1,095
Product development and maintenance	—	82	340	—	422
Depreciation and amortization	—	183	89	—	272
Amortization of acquisition-related intangible assets	1	348	89	—	438
Goodwill impairment charges	—	48	—	—	48
	133	2,327	1,706	—	4,166
Operating income (loss)	(133)	659	(193)	—	333
Net interest income (expense)	(489)	(423)	391	—	(521)
Other income (expense)	329	(791)	(1,895)	2,354	(3)
Income (loss) from continuing operations before income taxes	(293)	(555)	(1,697)	2,354	(191)
Benefit from (provision for) income taxes	220	(33)	(69)	—	118
Income (loss) from continuing operations	(73)	(588)	(1,766)	2,354	(73)
Income (loss) from discontinued operations, net of tax	(76)	59	(1)	(58)	(76)
Net loss	$(149)	$ (529)	$(1,767)	$2,296	$ (149)

Supplemental Condensed Consolidating Schedule of Cash Flows

(in millions)	Year ended December 31, 2009				
	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash flow from operations:					
Net income (loss)	$(1,118)	$ (710)	$ (26)	$ 736	$(1,118)
Income (loss) from discontinued operations	67	67	5	(72)	67
Income (loss) from continuing operations	(1,185)	(777)	(31)	808	(1,185)
Non cash adjustments	845	1,614	148	(808)	1,799
Changes in operating assets and liabilities	(309)	(103)	347	—	(65)
Cash flow from (used in) continuing operations	(649)	734	464	—	549
Cash flow from (used in) discontinued operations	—	57	33	—	90
Cash flow from (used in) operations	(649)	791	497	—	639
Investment activities:					
Intercompany transactions	1,046	(513)	(533)	—	—
Cash paid for acquired businesses, net of cash acquired	—	(13)	—	—	(13)
Cash paid for property and equipment and software	—	(223)	(92)	—	(315)
Other investing activities	—	—	5	—	5
Cash provided by (used in) continuing operations	1,046	(749)	(620)	—	(323)
Cash provided by (used in) discontinued operations	65	(59)	(16)	—	(10)
Cash provided by (used in) investment activities	1,111	(808)	(636)	—	(333)
Financing activities:					
Net repayments of long-term debt	(844)	(8)	229	—	(623)
Other financing activities	(3)	—	—	—	(3)
Cash provided by (used in) continuing operations	(847)	(8)	229	—	(626)
Cash provided by (used in) discontinued operations	—	—	(2)	—	(2)
Cash provided by (used in) financing activities	(847)	(8)	227	—	(628)
Effect of exchange rate changes on cash	—	—	11	—	11
Increase (decrease) in cash and cash equivalents	(385)	(25)	99	—	(311)
Beginning cash and cash equivalents	511	16	448	—	975
Ending cash and cash equivalents	$ 126	$ (9)	$ 547	$ —	$ 664

Supplemental Condensed Consolidating Schedule of Cash Flows

(in millions)	Year ended December 31, 2010				
	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash flow from operations:					
Net income (loss)	$(570)	$ (84)	$(471)	$ 555	$(570)
Income (loss) from discontinued operations	(156)	(156)	(186)	342	(156)
Income (loss) from continuing operations	(414)	72	(285)	213	(414)
Non cash adjustments	51	959	186	(213)	983
Changes in operating assets and liabilities	(317)	364	(13)	—	34
Cash flow from (used in) continuing operations	(680)	1,395	(112)	—	603
Cash flow from (used in) discontinued operations	—	112	6	—	118
Cash flow from (used in) operations	(680)	1,507	(106)	—	721
Investment activities:					
Intercompany transactions	707	(1,099)	392	—	—
Cash paid for acquired businesses, net of cash acquired	—	(82)	—	—	(82)
Cash paid for property and equipment and software	(1)	(207)	(90)	—	(298)
Other investing activities	(2)	9	(3)	—	4
Cash provided by (used in) continuing operations	704	(1,379)	299	—	(376)
Cash provided by (used in) discontinued operations	253	(112)	(25)	—	116
Cash provided by (used in) investment activities	957	(1,491)	274	—	(260)
Financing activities:					
Net repayments of long-term debt	(212)	(6)	(114)	—	(332)
Other financing activities	(12)	—	—	—	(12)
Cash provided by (used in) continuing operations	(224)	(6)	(114)	—	(344)
Cash provided by (used in) discontinued operations	—	—	—	—	—
Cash provided by (used in) financing activities	(224)	(6)	(114)	—	(344)
Effect of exchange rate changes on cash	—	—	(3)	—	(3)
Increase in cash and cash equivalents	53	10	51	—	114
Beginning cash and cash equivalents	126	(9)	547	—	664
Ending cash and cash equivalents	$ 179	$ 1	$ 598	$ —	$ 778

Supplemental Condensed Consolidating Schedule of Cash Flows

(in millions)	Year ended December 31, 2011				
	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash flow from operations:					
Net income (loss)	$(149)	$ (528)	$(1,768)	$ 2,296	$(149)
Income (loss) from discontinued operations	(76)	59	(1)	(58)	(76)
Income (loss) from continuing operations	(73)	(587)	(1,767)	2,354	(73)
Non cash adjustments	651	2,224	157	(2,354)	678
Changes in operating assets and liabilities	(181)	151	27	—	(3)
Cash flow from (used in) continuing operations	397	1,788	(1,583)	—	602
Cash flow from (used in) discontinued operations	(1)	77	—	—	76
Cash flow from (used in) operations	396	1,865	(1,583)	—	678
Investment activities:					
Intercompany transactions	(90)	(1,605)	1,695	—	—
Cash paid for acquired businesses, net of cash acquired	—	(14)	(21)	—	(35)
Cash paid for property and equipment and software	—	(189)	(87)	—	(276)
Other investing activities	(4)	1	(1)	—	(4)
Cash provided by (used in) continuing operations	(94)	(1,807)	1,586	—	(315)
Cash provided by (used in) discontinued operations	68	(74)	(5)	—	(11)
Cash provided by (used in) investment activities	(26)	(1,881)	1,581	—	(326)
Financing activities:					
Net repayments of long-term debt	(5)	—	(233)	—	(238)
Other financing activities	(15)	—	—	—	(15)
Cash provided by (used in) continuing operations	(20)	—	(233)	—	(253)
Cash provided by (used in) discontinued operations	—	—	—	—	—
Cash provided by (used in) financing activities	(20)	—	(233)	—	(253)
Effect of exchange rate changes on cash	—	—	(4)	—	(4)
Increase (decrease) in cash and cash equivalents	350	(16)	(239)	—	95
Beginning cash and cash equivalents	179	1	598	—	778
Ending cash and cash equivalents	$ 529	$ (15)	$ 359	$ —	$ 873

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

(a) ***Evaluation of Disclosure Controls and Procedures:***

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, as of the end of the period covered by this Report. Based on that evaluation, the chief executive officer and chief financial officer concluded that our disclosure controls and procedures as of the end of the period covered by this Report were not effective because of a material weakness in our internal control over financial reporting related to accounting for income taxes, as described below.

Notwithstanding the material weakness in accounting for income taxes, management has concluded that the consolidated financial statements included in this Annual Report on Form 10-K fairly present, in all material respects, the financial position of the Company at December 31, 2011 and 2010 and their consolidated results of operations and cash flows for each of the three years in the period ended December 31, 2011 in conformity with U.S. generally accepted accounting principles.

(b) ***Management's Report on Internal Control Over Financial Reporting***

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies and procedures may deteriorate.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

Management conducted an assessment of the Company's internal control over financial reporting as of December 31, 2011 based on the criteria established by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control—Integrated Framework ("COSO Framework"). Because of the material weakness described below related to the Company's accounting for deferred income taxes, management concluded that the Company did not maintain effective internal control over financial reporting as of December 31, 2011, based on the criteria in the COSO Framework.

Management did not maintain effective controls over the Company's accounting for deferred income taxes. Specifically, controls over the calculations of deferred income taxes did not operate effectively as of December 31, 2011 which, as a result, impacted the accuracy of the deferred income tax liability and income tax expense accounts. This control deficiency, caused principally by inadequate staffing and technical expertise in key positions related to accounting for deferred income taxes, resulted in the restatement of the Company's quarterly financial information as of and for the three and nine months ended September 30, 2011 and adjustments to the Company's consolidated financial statements for the year ended December 31, 2011. Additionally, this control deficiency could result in future misstatements of the deferred income tax liability and income tax expense accounts and related disclosures that could result in a material misstatement of the consolidated financial statements that would not be prevented or detected. Management has concluded that the identified control deficiency constitutes a material weakness.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2011 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their reports with respect to the Company which appears herein.

Background and Remediation Plan

On January 24, 2012, the Company filed an amendment to its Quarterly Report on Form 10-Q for the quarter ended September 30, 2011 to restate certain financial statement amounts related to deferred income taxes. Such amendment included the disclosure of a material weakness in the Company's internal control over financial reporting relating to the full and timely execution of a control over the calculation of the Company's deferred income tax liability related to a significant, non-recurring transaction, that is, the sale of its Higher Education business.

In connection with the preparation of the year-end tax provision and the December 31, 2011 assessment of the effectiveness of the Company's internal control over financial reporting, management reviewed the status of the above described specific income tax control failure as well as its other controls related to its deferred income tax accounts and disclosures. Although the deficient control that gave rise to the material weakness noted at September 30, 2011 operated timely and correctly at December 31, 2011 with respect to the aforementioned significant, non-recurring transaction, management identified additional control failures related to deferred income taxes and other errors in the Company's accounting for deferred income taxes. The discovery of these errors, some of which related to prior periods, did not require revision or restatement of any prior year financial statements. The effect of these errors has been discussed in the goodwill section of Note 1 to the Consolidated Financial Statements.

Management has determined that its processes and procedures over accounting for deferred income taxes are not adequate and sustainable for the Company's size and complexity. As a result, the Company plans to implement a number of steps to remediate the material weakness discussed above and improve its internal control over financial reporting related to accounting for deferred income taxes. Specifically, the following are planned: hiring additional qualified tax personnel; reviewing all areas of the tax accounting process, including deferred income taxes; strengthening controls and improving the reporting tools and quality of data used in the analysis of deferred income tax accounts and related disclosures; and increasing the level of certain income tax review activities during the financial close process.

Management is committed to improving the Company's internal control processes and will develop and present to the Audit Committee a plan and timetable for the implementation of the remediation measures described above and will meet frequently with the Committee to monitor the status of remediation activities. Management believes that the measures described above should remediate the material weakness identified and strengthen the Company's internal control over financial reporting related to accounting for deferred income taxes. As the Company continues to evaluate and improve its internal control over financial reporting related to accounting for deferred income taxes, additional measures to remediate the material weakness or modifications to certain of the remediation procedures described above may be necessary. The Company expects to complete the required remedial actions during 2012.

(c) ***Change in Internal Control over Financial Reporting***

Other than the above, no change in our internal control over financial reporting occurred during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Our executive officers and directors are listed below.

Name	Age	Principal Position with SunGard Data Systems Inc.
Executive Officers		
Vincent R. Coppola	55	Senior Vice President, Global Business Services & Technology
Harold C. Finders	56	Chief Executive Officer, Financial Systems
Russell P. Fradin	56	President, Chief Executive Officer and Director
John (Mack) M. Gill	42	Senior Vice President—Corporate Development and Strategy
Karen M. Mullane	47	Vice President and Controller
Victoria E. Silbey	48	Senior Vice President—Legal and Chief Legal Officer
Andrew A. Stern	54	Chief Executive Officer, Availability Services
Kathleen Weslock	56	Senior Vice President—Human Resources and Chief Human Resources Officer
Robert F. Woods	57	Senior Vice President—Finance and Chief Financial Officer
Directors		
Chinh E. Chu	45	Director
John Connaughton	46	Director
James H. Greene, Jr.	61	Director
Glenn H. Hutchins	56	Chairman of the Board of Directors
James L. Mann	77	Director
John Marren	49	Director
Sanjeev Mehra	53	Director
Julie Richardson	48	Director

Mr. Coppola has served as Senior Vice President, Global Business Services & Technology since December 2011 and as Senior Vice President—Operations, Financial Systems from August to December 2011. Prior to joining SunGard, Mr. Coppola served as Chief Operating Officer, Consulting during 2010 at Hewitt Associates, a global provider of human resources consulting and outsourcing solutions, and as Senior Vice President—Global Business Services & New Products, New Markets at Hewitt from 2008 to 2009. From 1982 to 2007, he held various senior executive positions with Automatic Data Processing, Inc., a provider of benefits and payroll processing services.

Mr. Finders has been Chief Executive Officer, Financial Systems, since March 2011, Interim Chief Executive Officer, Financial Systems, from January to March 2011, and Division Chief Executive Officer, Financial Systems, from 2007 to 2010. Mr. Finders was Group Chief Executive Officer, SunGard Europe from 2005 to 2007. From 2001 to 2005, Mr. Finders headed the SunGard Investment Management Systems businesses based in Europe. From 1996 to 2001, he held various senior management positions with us overseeing a number of our European financial systems businesses. Mr. Finders headed a Geneva-based wealth management systems business that we acquired in 1996.

Mr. Fradin has been Chief Executive Officer, President and a director since May 2011. From 2010 to May 2011, Mr. Fradin was chairman and chief executive officer of Aon Hewitt, a global provider of human resources consulting and outsourcing solutions and a business unit of Aon Corporation, and

from 2006 to 2010, Mr. Fradin was chief executive officer of Hewitt Associates. Mr. Fradin was President and Chief Executive Officer of The BISYS Group, Inc., a provider of outsourcing solutions for the financial services sector, from 2004 to 2006, and from 1997 to 2004 he held various senior executive positions with Automatic Data Processing, Inc., a provider of benefits and payroll processing services.

Mr. Gill has been Senior Vice President, Corporate Development and Strategy since November 2011, President of SunGard Global Technology from March 2011 to November 2011, and President of SunGard Global Services from 2009 to March 2011. From 1994 to 2009, he held various positions with us overseeing a number of our financial systems businesses, including Offshore Services.

Ms. Mullane has been Vice President and Controller since 2006, Vice President and Director of SEC Reporting from 2005 to 2006, Director of SEC Reporting from 2004 to 2005 and Manager of SEC Reporting from 1999 to 2004. From 1997 to 1999, she was Vice President of Finance at NextLink Communications of Pennsylvania and, from 1994 to 1997, she was Director of Finance at EMI Communications. Ms. Mullane is a director and/or officer of most of our domestic and foreign subsidiaries.

Ms. Silbey has been Senior Vice President—Legal since 2006, Chief Legal Officer since February 2011, General Counsel from 2006 to February 2011 and Vice President—Legal and General Counsel from 2005 to 2006. From 1997 to 2005, Ms. Silbey held various legal positions with us, including Vice President—Legal and Assistant General Counsel from 2004 to 2005. From 1991 to 1997, she was a lawyer with Morgan, Lewis & Bockius LLP, Philadelphia. Ms. Silbey is a director and officer of most of our domestic and foreign subsidiaries.

Mr. Stern has been Chief Executive Officer, SunGard Availability Services since June 2010. Mr. Stern held various senior positions with USinternetworking, Inc. (acquired by AT&T in 2006), including Chief Executive Officer from 2000 to 2008, Chairman from 2002 to 2006, Chief Operating Officer from 1999 to 2000 and Executive Vice President and Chief Financial Officer from 1998 to 1999. Previously, he served as Executive Vice President, Strategy and Reinsurance Operations at USF&G.

Ms. Weslock has been Senior Vice President—Human Resources and Chief Human Resources Officer since 2006. From 2005 to 2006, Ms. Weslock was head of Human Resources at Deloitte Financial Services LLP, and from 2001 to 2005 she was Director of Global Human Resources for Shearman & Sterling LLP, an international law firm.

Mr. Woods has been Senior Vice President—Finance and our Chief Financial Officer since January 2010. From 2004 to 2009, Mr. Woods was Chief Financial Officer of IKON Office Solutions, a document management systems and services company. Previously, he served as Vice President and Controller and Vice President and Treasurer at IBM Corporation and Vice President, Finance for IBM Asia-Pacific.

Mr. Chu has been a Director since 2005. Mr. Chu is a Senior Managing Director in the Corporate Private Equity group of The Blackstone Group, a private equity firm which he joined in 1990. Mr. Chu serves on the Boards of Directors of Catalent Pharma Solutions, Inc., DJO Incorporated. and HealthMarkets, Inc. and previously served on the Board of Directors of Celanese Corporation, Financial Guaranty Insurance Company, Graham Packaging Company Inc. and Nalco Holding Company.

Mr. Connaughton has been a Director since 2005. Mr. Connaughton has been a Managing Director of Bain Capital Partners, LLC, a global private investment firm, an Officer of Bain Capital Partners, LLC since 1997 and a member of the firm since 1989. Mr. Connaughton currently serves on the Boards of Directors of Air Medical Holdings, Inc., Clear Channel Communications, Inc., CRC Health Group, Inc., Hospital Corporation of America, Inc., Quintiles Transnational Corp. and Warner Chilcott Ltd. and previously served on the Board of Directors of AMC Entertainment Inc., CMP Susquehanna Holdings Corp., Epoch Senior Living, M|C Communications (PriMed), ProSiebenSat.1.Media, Stericycle Inc. and Warner Music Group Corp.

Mr. Greene has been a Director since 2005. Mr. Greene joined Kohlberg Kravis Roberts & Co. LP, a global alternative asset management firm ("KKR"), in 1986 and was a General Partner of KKR from 1993 until 1996, when he became a member of KKR & Co. L.L.C. until October 2009. Mr. Greene is currently a member of KKR Management, LLC, which is the general partner of KKR & Co. L.P. Mr. Greene serves on the Board of Directors of Aricent Inc., TASC, Inc. and Western New York Energy, LLC and previously served on the Board of Directors of Accuride Corporation, Alliance Imaging, Inc., Avago Technologies, Sun Microsystems, Inc. and Zhone Technologies, Inc.

Mr. Hutchins has been Chairman of the Board of Directors since 2005. Mr. Hutchins is a co-founder and Managing Director of Silver Lake, a technology investment firm that was established in 1999 and was Co-Chief Executive until 2011. Mr. Hutchins serves on the Board of Directors of The Nasdaq OMX Group, Inc.

Mr. Mann has been a Director since 2006 and has been employed by SunGard since 1983. Mr. Mann served as Chairman of the Board from 1987 to 2005 and as a Director from 1983 to 1986. Mr. Mann served as Chief Executive Officer from 1986 to 2002, President from 1986 to 2000, and Chief Operating Officer from 1983 to 1985. Mr. Mann serves on the Board of Directors of athenahealth, Inc.

Mr. Marren has been a Director since 2005. Mr. Marren joined TPG Capital, a private equity firm, in 2000 as a partner and leads the firm's technology team. From 1996 to 2000, he was a Managing Director at Morgan Stanley. From 1992 to 1996, he was a Managing Director and Senior Semiconductor Research Analyst at Alex Brown & Sons. Mr. Marren is currently the Chairman of the Board of MEMC Electronic Materials, Inc. and serves on the Board of Directors of Avaya Inc. and Freescale Semiconductor Inc. and previously served on the Board of Directors of Conexant Systems Inc. and ON Semiconductor Corporation.

Mr. Mehra has been a Director since 2005. Mr. Mehra has been a partner of Goldman, Sachs & Co. since 1998 and a Managing Director of Goldman, Sachs & Co.'s Principal Investment Area of its Merchant Banking Division since 1996. He serves on the Boards of Directors of ARAMARK Corporation, Hawker Beechcraft, Inc. and KAR Auction Services, Inc. and previously served on the Board of Directors of Burger King Holdings, Inc., Madison River Telephone Company, LLC and Nalco Holding Company.

Ms. Richardson has been a Director since 2005. Ms. Richardson has been a Managing Director of Providence Equity Partners since 2003 and oversees the New York-based team. Between 1998 and 2003, Ms. Richardson held various roles at JPMorgan, including Vice Chairman of the firm's investment banking division and Global Co-Head of the firm's Telecom, Media and Technology

group. Prior to joining JPMorgan in 1998, Ms. Richardson was a Managing Director at Merrill Lynch, where she spent over 11 years. Ms. Richardson serves on the Boards of Directors of Altegrity, Open Solutions Inc., SRA International, Inc. and Stream Global Services and previously served on the Board of Directors of eTelecare Global Services.

The Amended and Restated Certificate of Incorporation of SCC is structured to permit the holders of specific classes of Class A common stock representing funds affiliated with each Sponsor group to elect separate directors (the "Sponsor Directors") and also allows for the holders of all outstanding common stock to elect additional directors. The Principal Investor Agreement dated August 10, 2005 by and among the four parent companies and the Sponsors further contains agreements among the parties with respect to the election of our directors. Each Sponsor is entitled to elect one representative to the Board of Directors of SCC, which will then cause the Board of Directors or Managers, as applicable, of the other three parent companies and of SunGard to consist of the same members. Annually since 2005, in accordance with both the Amended and Restated Certificate of Incorporation of SCC and the Principal Investor Agreement, each of Ms. Richardson and Messrs. Chu, Connaughton, Greene, Hutchins, Marren and Mehra have been elected to the Boards as Sponsor Directors.

In accordance with the charter of the Nominating and Corporate Governance Committee, to the extent consistent with applicable agreements, the Nominating and Corporate Governance Committee will identify, recommend and recruit qualified candidates to fill new positions on the Boards and will conduct the appropriate and necessary inquiries into the backgrounds and qualifications of possible candidates. In 2006, James L. Mann was selected to serve as a director due to his extensive business and management expertise from having served as SunGard's chief executive officer from 1986 to 2002, his acute business judgment, and his extensive knowledge of the industries in which the Company operates.

On May 31, 2011, in connection with becoming the chief executive officer and in accordance with his employment agreement, Russell P. Fradin was elected to serve as a director on the Boards.

As a group, the Sponsor Directors possess experience in owning and managing enterprises like the Company and are familiar with corporate finance, strategic business planning activities and issues involving stakeholders more generally. All of the Company's directors possess high ethical standards, act with integrity, and exercise careful, mature judgment. Each is committed to employing their skills and abilities to aid the long-term interests of the stakeholders of the Company.

The Board has determined that Mr. Connaughton qualifies as an "audit committee financial expert" within the meaning of regulations adopted by the Securities and Exchange Commission. Mr. Connaughton is not an independent director because of his affiliation with Bain Capital Partners, LLC, the affiliated funds of which hold a 13.58% equity interest in our Parent Companies.

We adopted a Global Business Conduct and Compliance Program that is applicable to our directors and employees, including the chief executive officer, chief financial officer and controller. The Global Business Conduct and Compliance Program is available on our website at www.sungard.com/corporateresponsibility. A free copy of our Global Business Conduct and Compliance Program may be requested from: SunGard Data Systems Inc., attention Chief Compliance Officer, 680 East Swedesford Road, Wayne, PA 19087.

If we make any substantive amendments to the Global Business Conduct and Compliance Program which apply to our chief executive officer, chief financial officer or controller or grant any waiver, including any implicit waiver, from a provision of the Global Business Conduct and

Compliance Program to our directors or executive officers, we will disclose the nature of the amendment or waiver on our website at www.sungard.com/corporateresponsibility or in a report on Form 8-K.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires the Company's officers and directors, and persons who own more than ten percent of a registered class of the Company's equity securities, to file reports of securities ownership and changes in such ownership with the SEC. Officers, directors and greater than ten percent shareholders also are required by rules promulgated by the SEC to furnish the Company with copies of all Section 16(a) forms they file. Based solely upon a review of the copies of such forms furnished to the Company or written representations that all reportable transaction were reported, the Company believes that all Section 16(a) filing requirements were timely met during 2011.

ITEM 11. EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Executive Summary

This section discusses the principles underlying our executive compensation policies and decisions. It provides qualitative information regarding the manner in which compensation is earned by our executive officers and places in context the data presented in the tables that follow. In addition, in this section, we address the compensation paid or awarded during fiscal year 2011 to our chief executive officer (principal executive officer), former chief executive officer, chief financial officer (principal financial officer), and three other executive officers and two former executive officers who were the most highly compensated executive officers in fiscal year 2011. We refer to these eight executive officers as our "named executives."

The compensation of Russell P. Fradin, our President and Chief Executive Officer, was based on the terms of the employment agreement entered into with Mr. Fradin in connection with the commencement of his employment on May 31, 2011. In addition to the components of Mr. Fradin's compensation discussed below, he received a make-up cash bonus of $1,000,000 related to his former employment and a time-based restricted stock unit ("RSU") award for 307,000 Units (defined below), which vests 33 1/3% on each of the first three anniversaries of the date of grant, May 31, 2011. The employment agreement also provides for acceleration of vesting of some benefits in connection with specified events of termination, which are described below under "Potential Payments Upon Termination or Change in Control." For a further description of the terms of Mr. Fradin's employment agreement, see below.

Our executive compensation programs have remained substantially the same for several years. The primary focus of our compensation philosophy is to pay for performance. We believe our programs are effectively designed and align well with the interests of our stockholders and are instrumental to achieving our business strategy.

Highlighted below are some of the key actions and decisions with respect to our executive compensation programs for fiscal 2011 as approved by the Compensation Committee:

- The Compensation Committee targets annual base salaries to approximate the 60th percentile of base salaries of survey data, with the performance-based executive incentive compensation

("EIC") bonus designed to allow the named executive to earn total target cash compensation at the 85th percentile of survey data only where the named executive achieves specific performance objectives.

- Our executive compensation is tightly linked with performance.
- As with past years, the Compensation Committee approved EIC plans by which the named executives were eligible to earn cash incentive compensation based upon achievement of specific financial objectives for 2011 that are designed to challenge the named executives to high performance.
- Individual EIC bonuses (including any override earned) were capped at 1.75 times the target EIC bonus for our corporate-level senior executives and at no higher than 3.0 times the target EIC bonus for our segment-level senior executives.
- We evaluated risks associated with our compensation programs. As described below under the Risk Considerations in Our Compensation Programs, we concluded that our compensation policies and practices for 2011 do not create risks that are reasonably likely to have a material adverse effect on the Company.

Administration of Our Compensation Program

Our executive compensation program is overseen and administered by the Compensation Committee. The Compensation Committee operates under a written charter adopted by our Board and has responsibility for discharging the responsibilities of the Board of Directors relating to the compensation of the Company's executive officers and related duties. Management, including our chief executive officer, or CEO, evaluates a number of factors in developing cash and equity compensation recommendations to the Compensation Committee for its consideration and approval. Following this review and in consultation with management, our CEO makes compensation recommendations for our corporate executive officers and our named executives, including the CEO, to the Compensation Committee based on his evaluation of each officer's performance, expectations for the coming year and market compensation data. Our CEO also provides an overview of compensation for other executive officers. The Compensation Committee reviews these proposals and makes all final compensation decisions for these officers by exercising its discretion in accepting, modifying or rejecting any management recommendations, including any recommendations from our CEO. Annual base salaries and target EIC goals for 2011 were approved prior to Mr. Fradin joining the Company in May 2011.

Objectives of Our Compensation Program

Our executive compensation program is intended to meet three principal objectives:

- to provide competitive compensation packages to attract and retain superior executive talent;
- to reward successful performance by the executive and the Company by linking a significant portion of compensation to future financial and business results; and
- to further align the interests of executive officers with those of our ultimate stockholders by providing long-term equity compensation and meaningful equity ownership.

To meet these objectives, our compensation program balances short-term and long-term performance goals and mixes fixed and at-risk compensation that is directly related to stockholder value and overall performance.

Our compensation program for senior executives, including the named executives, is designed to reward Company performance. The compensation program is intended to reinforce the importance of performance and accountability at various operational levels, and therefore a significant portion of total compensation is in both cash and stock-based compensation incentives that reward performance as measured against established goals, i.e., "pay for performance." Each element of our compensation program is reviewed individually and considered collectively with the other elements of our compensation program to ensure that it is consistent with the goals and objectives of both that particular element of compensation and our overall compensation program. For each named executive, we look at each individual's contributions to our overall results, our operating and financial performance compared with the targeted goals, and our size and complexity compared with companies in our compensation peer group.

Elements of Our Executive Compensation Program

In 2011, the principal elements of compensation for named executives were:

- annual cash compensation consisting of base salary and performance-based EIC bonuses;
- long-term equity incentive compensation;
- benefits and perquisites; and
- severance compensation and change of control protection.

Annual Cash Compensation

Management, including our CEO, develops recommendations for annual executive cash compensation plans by using compensation survey data for a broad set of organizations of comparable business, size and complexity, and then compares the survey results to publicly available compensation data for a group of companies we consider to be our peer group. We believe that the compensation practices of these companies provide us with appropriate benchmarks because they also provide technology products and services to a variety of customers and compete with us for executives and other employees.

The survey data used for 2011 compensation purposes comes from four sources: Radford Global Technology Survey, which focuses on technology companies; Towers Watson Survey Report on Top Management Compensation, which focuses on a broader array of organizations including professional services, high-tech and manufacturing companies; Mercer US Global Premium Executive Remuneration Survey, which focuses on public and private high technology service companies; and the Hildebrandt Baker Robbins Law Department Survey, which focuses on benchmarking compensation in the legal environment. For purposes of establishing compensation recommendations, we used a blend of these surveys to reflect our size, industry and appropriateness of the position matched.

The companies we consider within our peer group are financial services and software companies of similar industry and revenue as the Company, and some of which various businesses within the Company compete against for business and for talent. In reviewing the peer group list for use in 2011, the peer group was updated to remove seven companies that had too high or too low revenue as compared to the Company (Computer Sciences Corporation, Convergys Corporation, DST Systems Inc., Broadridge Financial Solutions, Paychex Inc., BMC Software Inc. and SEI Investments Company) and to add five companies that met the revenue and industry type parameters (CA Inc., First Data Corporation, Intuit Inc., Symantec Corporation and Visa Inc.). Revenue of these additional five

companies in 2010 ranged from $3.1 billion to $9.1 billion. Peer group compensation data is limited to publicly available information and therefore generally does not provide precise comparisons by position as offered by the more comprehensive survey data from other public surveys used in our broader analysis as described above. As a result, the peer group data provides limited guidance and does not dictate the setting of executive officers' compensation. The following companies comprised our peer group in 2011:

Automatic Data Processing, Inc.	Fiserv, Inc.	Symantec Corporation
CA, Inc.	Intuit Inc.	Visa Inc.
Fidelity National Info Services, Inc.	Iron Mountain Incorporated	The Western Union Company
First Data Corporation	MasterCard Incorporated	

Our annual cash compensation packages for executive officers include base salary and an EIC bonus. We generally target the 60th percentile of the survey data as our benchmark for base salary and the 85th percentile as our benchmark for total on-target cash compensation. Because we pay for performance, we weight the cash compensation more heavily toward the performance incentives and less toward the base salary.

Base Salary. For base salary, we generally target the 60th percentile of the blended survey data to provide a fixed compensation based on competitive market practice that is not subject to performance risk while also considering other factors, such as individual and Company performance. We review the base salaries for each named executive annually as well as at the time of any promotion or significant change in job responsibilities. Base salaries are determined for each named executive based on his or her position and responsibility by using survey data. Salary for each named executive for calendar year 2011 is reported in the Summary Compensation Table below.

Performance-Based Incentive Compensation. The annual EIC bonus for executive officers is designed to reward our executives for the achievement of annual financial goals related to the business for which they have responsibility. A minimum incentive may be earned at threshold EIC goals, and no payment is awarded if the threshold goal is not achieved. On-target EIC goals are set generally at levels that reflect budgeted performance. Consistent with our focus on pay for performance, additional amounts can be earned when actual performance exceeds on-target performance. Additional mid-point goals between threshold and target with corresponding incentive amounts are also established. The Company may revise or cancel an executive's EIC at any time as a result of a significant change in circumstances or the occurrence of an unusual event that was not anticipated when the performance plan was approved. Internal EBITA targets are adjusted to take into account acquisitions and/or dispositions which were not included in the budgeted EIC targets and other one-time adjustments as approved by the Compensation Committee. Individual EIC bonuses (including any override earned) were capped at 1.75 times the target EIC bonus for our corporate-level senior executives and at 3.00 times the target EIC bonus for our segment-level senior executives.

The financial measures used for the 2011 EIC bonuses for the named executives were one or more of the following: (i) Internal EBITA, which represents actual earnings before interest, taxes and amortization, noncash stock compensation expense, management fees paid to the Sponsors and certain other unusual items, (ii) budgeted revenue growth of the Company's business segments, (iii) the run rate for services provided for which we will be billing effective at the start of a year and (iv) EBITDA minus CAPEX, which represents actual earnings before interest, taxes, depreciation and amortization less capital expenditures. These metrics were selected as the most appropriate measures upon which to

base the 2011 EIC bonuses for the named executives because they are important metrics that management and the Board use to evaluate the performance of the Company or a particular business. While we have established threshold, mid-point and on-target performance goals, as set forth in the table below, bonuses may be increased if the applicable goal is exceeded. As a result, the named executives may be entitled to receive an increase in bonus equal to a small percentage of the amount by which the applicable Internal EBITA goal is exceeded. We refer to any such increase in the bonus as an "override."

For Mr. Finders, our FS segment-level named executive, the EIC bonus earned on the achievement of the Internal EBITA goal was also subject to a multiplier that, depending upon the achievement of year-over-year revenue goal of the FS segment, could result in a further increase or decrease of any bonus earned based on the achievement of the Internal EBITA goal. The multiplier ranged from: .25x for 1% revenue growth to 1x for 3-9% revenue growth, to 1.5x for 11% revenue growth, meaning that revenue growth results could reduce or increase amounts earned by Mr. Finders based on the achievement of Internal EBITA goals; with a multiplier of 1 resulting in no adjustment to the award established by the Internal EBITA goals. Because the threshold Internal EBITA goal for FS was not met in 2011, Mr. Finders did not receive an EIC bonus and therefore the revenue multiplier was not applicable.

The following table provides the 2011 threshold, mid-point and on-target goals for the named executives and the EIC bonuses earned by them based on actual 2011 results. Messrs. Conde and Robins were not employed at year-end 2011 and therefore are excluded from the table.

	2011 Performance Goals (in thousands)			Actual 2011 EIC Bonus
Name and Type of Internal EBITA Goal	**Threshold**	**Mid-Point**	**On-Target**	**Payment**
Russell P. Fradin				
Consolidated Company Internal EBITA	$1,050,000	$1,077,000	$1,105,000	$791,500 (1)(2)
Robert F. Woods				
Consolidated Company Internal EBITA	$1,050,000	$1,077,000	$1,105,000	$596,250 (1)
Harold C. Finders				
Financial Systems Segment Internal EBITA	$ 655,500	$ 672,750	$ 690,000	$ — (3)
Victoria E. Silbey				
Consolidated Company Internal EBITA	$1,050,000	$1,077,000	$1,105,000	$487,500 (1)
Andrew A. Stern				
Availability Services Segment Internal EBITA	$ 274,350	$ 280,250	$ 295,000	$463,005 (4)
Availability Services Segment Starting Run Rate	$ 111,909	$ 113,639	$ 115,370	$ —
Availability Services Segment EBITDA minus CAPEX	$ 252,000	$ 260,000	$ 280,000	$395,423 (4)
Richard C. Tarbox				
Consolidated Company Internal EBITA	$1,050,000	$1,077,000	$1,105,000	$573,750 (1)

(1) Represents the EIC bonus earned as a result of the consolidated Company achieving 98.8% of the on-target 2011 Internal EBITA goal with no override earned.

(2) Mr. Fradin's bonus payment is pro-rated for the number of days Mr. Fradin was employed in 2011.

(3) See below description of discretionary bonuses received by Mr. Finders in 2011.

(4) Represents the EIC bonus earned as a result of the Availability Services Segment achieving between over-goal target and maximum for the applicable goals and includes amounts earned for achievement of individual objectives related to the applicable financial goal.

In recognition of Mr. Finders' promotion in 2011 to Chief Executive Officer, FS, Mr. Finders received a one-time discretionary bonus of $96,180 (CHF 100,000) at the time of his promotion. Further, despite not achieving his target EIC goal for 2011, in recognition of overseeing a large scale organizational FS restructuring and strong fourth quarter 2011 results in FS, Mr. Finders received a bonus of $330,858, equal to 50% of the amount that could have been earned at target under his 2011 EIC.

Long-Term Equity Compensation

We intend for our equity program to be the primary vehicle for offering long-term incentives and rewarding our executive officers, managers and key employees because of the direct relationship between the value of these equity awards and the value of our stock. From 2007 to 2010, we generally granted a combination of RSUs and Class A options ("hybrid awards") and as of mid-2010 we generally have granted RSUs. We believe that these grants are the best method of motivating our executive officers to manage our Company in a manner that is consistent with the interests of our Company and our stockholders. We also regard our equity program as a key retention tool. Retention is an important factor in our determination of the type of award to grant and the number of underlying "Units" or shares to grant. Each "Unit" consists of 1.3 shares of Class A common stock and 0.1444 shares of Class L common stock of SCC and 0.05 shares of preferred stock of SCCII.

In 2005 in connection with the LBO, executive officers and other managers and key employees were granted a combination of time-based and performance-based options to purchase equity in the Parent Companies. The size of these initial option grants were commensurate with the executive's position, performance and tenure with the Company and were agreed to in connection with the LBO. These grants were intended to cover the period between the grant date and December 31, 2010, absent promotions or other unusual circumstances. Performance-based options granted to the named executives vest upon the attainment of certain annual or cumulative earnings goals based on Internal EBITA targets for the Company during a specified performance period, generally five or six years. The annual vesting goals for the performance-based options were agreed to by the Sponsors and senior management in 2005 in connection with the LBO and required sustained and superior company-wide performance in each of the years in the performance period but allowed for additional vesting for over performance. In subsequent years, Messrs. Finders, Robins and Tarbox and Ms. Silbey each received additional awards for outstanding performance in difficult economic conditions and for retention purposes. When Messrs. Fradin, Stern and Woods joined the Company, they were each granted equity awards commensurate with their roles. Additionally, as a result of Mr. Woods' performance during his first year, additional equity grants originally scheduled to be awarded in the future pursuant to his employment agreement, were granted to him in 2010.

In 2009 and 2010, performance-based equity awards were amended. As a result of the general economic situation, the turbulence in the financial services industry and continued uncertainty in the markets, the Compensation Committee determined that the original performance targets established in 2005 and the benefit of accelerated vesting for senior executives in certain liquidity events were not achievable. The performance-based equity held was amended to, among other things, reduce the performance targets for 2009 through 2014 to reflect the Company's enterprise-wide EBITA budget for those calendar years; reduce the number of shares available for vesting; and for vesting under awards for calendar years 2009 and 2010 spread vesting over three years as follows: 25% of the earned award vested on December 31 of the applicable calendar year, and the remaining 75% vesting in equal monthly installments over the next 36 months. For Messrs. Conde, Finders, Robins and Tarbox, Ms. Silbey and certain other senior executives only, the performance-based awards were also amended

to extend through 2013 the awards' ability to vest on an accelerated basis in the event of a change in control of the Company. The 2009 and 2010 amendments to the EBITA targets in each of the applicable named executive's awards were the same as the amendments made to outstanding performance-based options and RSUs held by other Company employees.

Based upon actual year-end 2011 results, 6.67% of each performance-based equity award granted 2007 through 2010 vested out of a maximum of 20% available to vest each of five years in the performance period.

In 2011, given that vesting under the original 2005 equity grants was completed, management and the Compensation Committee worked closely together to develop a transition equity program for 2011 while considering various issues for the future equity program. Additionally, the Compensation Committee engaged compensation consultants, Mercer, to help finalize the terms of the 2011 equity program. With Mr. Fradin's further input upon his joining SunGard, the 2011 equity program was finalized and in June 2011 grants of time- and performance-based RSUs were awarded to Messrs. Finders and Robins and to Ms. Silbey and other managers and key employees. The 2011 time-based RSU awards vest 28% one year after date of grant, and 1/36th of the remaining balance vesting monthly for the next 36 months. The 2011 performance-based RSUs cover an 18-month performance period from July 1, 2011 to December 31, 2012 and vest, to the extent earned, 52% at the end of the performance period, and 1/24th of the remaining balance vesting monthly for the next 24 months. Additional information on all 2011 and outstanding grants to the named executives is shown below in the 2011 Grants of Plan-Based Awards table and Outstanding Equity Awards at 2011 Fiscal Year-End table.

Benefits and Perquisites

We offer a variety of health and welfare programs to all eligible employees, including the named executives. The named executives are eligible generally for the same benefit programs on the same basis as the rest of the Company's employees in the particular country in which the named executive resides, including medical and dental care coverage, life insurance coverage, short-and long-term disability and a 401(k) or defined contribution pension plan.

The Company limits the use of perquisites as a method of compensation and provides executive officers with only those perquisites that we believe are reasonable and consistent with our overall compensation program to better enable the Company to attract and retain superior employees for key positions. The perquisites provided to the named executives are described in the Summary Compensation Table below.

Employment Agreements, Severance Compensation & Change of Control Protection

Employment Agreement with Russell P. Fradin: On May 13, 2011, we entered into a definitive employment agreement with Mr. Fradin, with an effective date of May 31, 2011, pursuant to which he was appointed President and Chief Executive Officer of SunGard and a member of the Board of Directors. The terms include the following:

- A term through May 31, 2016, with one-year renewals automatically effective 30 days before expiration, unless terminated on 30 days' advance notice.

- An annual base salary of $900,000, subject to review periodically for appropriate increases by the Compensation Committee pursuant to the Company's normal performance review policies for senior level executives; a target annual bonus of 200% of his annual base salary, which for 2011 was pro-rated for the number of days Mr. Fradin was employed; and a one-time make-up cash bonus equal to $1,000,000 related to bonus forgone from his previous employer (which after-tax cash payment was used by Mr. Fradin to make an equity investment in the Company as discussed below).
- Employee benefits consistent with those made available to the Company's senior level executives, and relocation benefits consistent with the Company's relocation policy.
- A grant of a time-based RSU award of 307,000 Units on May 31, 2011, which vests as to 33 1/3% on each of the first three anniversaries of the date of grant,
- An agreement that the Company will grant 1,200,000 options on a future date ("Future Options"), of which 600,000 will vest as to 20% on each of the first five anniversaries of May 31, 2011 and 600,000 will vest based on attainment of Company performance goals.
- An agreement that the Company will grant RSUs on a future date ("Future RSUs") equal to the excess of the aggregate fair market value of 1,200,000 shares of Company stock on the date of grant of the Future Options over the fair market value of 1,200,000 Units on May 31, 2011, of which 600,000 will vest as to 20% on each of the first five anniversaries of May 31, 2011 and 600,000 will vest based on attainment of Company performance goals.
- An aggregate $5,000,000 equity investment to be made by Mr. Fradin in the Company at fair market value, which was made as follows: in June 2011 in the amount of $681,014 at the FMV of $24.74 per Unit and in December 2011 in the amount of $4,318,986 at the FMV of $20.68 per Unit.
- Mr. Fradin will be subject to any Company recoupment/clawback policy applicable to senior executives of the Company. If no such policy exists and the Company is required to restate its financials (for periods beginning after May 31, 2011), then the Board of Directors may seek to recover or require reimbursement of any related annual bonus paid to Mr. Fradin for the applicable period. If Mr. Fradin violates the noncompetition, nonsolicitation or confidentiality covenants set forth in the employment agreement within the two years following termination of employment, then the Board of Directors may recover severance benefits paid to Mr. Fradin.
- Certain restrictive covenants (noncompetition, confidentiality and nonsolicitation) that continue for two years following the termination date.
- The right to receive certain severance payments and benefits upon certain terminations. See "Potential Payments Upon Termination or Change of Control" below.
- If an excise tax under sections 280G and 4999 of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code") will be triggered by any payments upon a change in control prior to an initial public offering, the Company will in good faith seek to obtain stockholder approval of such payments so that they are exempt from the excise tax under sections 280G and 4999 of the Internal Revenue Code. After an initial public offering, the Company will either (i) pay Mr. Fradin any amounts subject to sections 280G and 4999 of the Internal Revenue Code (and Mr. Fradin will be responsible for the excise tax) or (ii) reduce such payments so that no amounts are subject to sections 280G and 4999 of the Internal Revenue Code, whichever results in a better after-tax amount for Mr. Fradin.

Mr. Fradin's employment agreement was the result of arm's-length negotiation between representatives of Mr. Fradin and the Chairperson of the Compensation Committee, who received advice and input from counsel, and was approved by both the Compensation Committee and the Board. The Compensation Committee and Board believed that the salary, bonus and long-term compensation provided under the employment agreement were in the aggregate consistent with the compensation packages provided to CEOs in comparable positions.

Other Executive Employment Agreements: In connection with the 2005 LBO, the Company entered into definitive employment agreements with certain senior managers, including Messrs. Conde, Finders, Robins and Tarbox and Ms. Silbey. Messrs. Stern and Woods entered into employment agreements with the Company when they each joined the Company in 2010. The executives with such agreements are eligible for payments if employment terminates or, for certain executives, if there is a change of control, as described under "Potential Payments on Termination or Change of Control" below. The agreements were designed to retain executives and provide continuity of management in the event of an actual or threatened change of control.

The agreements include the following terms:

- An initial term followed by one-year automatic renewals unless terminated on one year's advance notice.
- Base salary subject to review periodically for appropriate increases by the CEO or the Compensation Committee pursuant to the Company's normal performance review policies for senior level executives.
- The opportunity to participate in all short-term and long-term incentive programs, including an annual cash bonus, established by the Company for senior level executives.
- Employee benefits consistent with those made available to the Company's senior level executives.
- Participation in the equity plan of SCC and SCCII.
- For certain executives, the right to receive certain severance payments as defined in the applicable agreements, including upon a termination without "cause," a resignation for "good reason" or a "change of control." For Messrs. Conde, Finders, Robins and Tarbox and Ms. Silbey, these terms were consistent with the severance payments provided for under the change of control agreement with the Company in effect prior to the LBO. See "Potential Payments Upon Termination or Change of Control" below.
- Certain restrictive covenants (noncompetition, confidentiality and nonsolicitation) that continue for applicable post-termination periods.
- For certain executives, the right to receive a tax gross-up payment or the right to require the Company to obtain stockholder approval should any payment provided under the agreement be subject to the excise tax under section 4999 of the Internal Revenue Code.

Additionally, under the terms of Mr. Stern's employment agreement, Mr. Stern (i) is eligible for equity in AS upon a spin-off of AS and cash compensation upon a sale or other disposition of all or some portion of AS prior to a spin-off or upon a spin-off followed by an initial public offering of common stock of the entity controlling AS; (ii) received a grant of time-based equity awards in June 2010 and is entitled to a subsequent additional grant of time-based equity awards on the earlier of June 1, 2012 or the date of a spin-off of AS; and (iii) received a performance award with vesting of earned cash or equity payments based on three financial performance measures of the AS business in the four trailing quarters prior to a monetization event. For this purpose, a monetization event

means the sale of at least 20% of either the outstanding equity of the entity controlling AS or the AS assets, but excludes a spin-off of AS, a primary initial public offering or the incurrence of debt.

In order to provide Mr. Woods with the same terms as other more recently hired executives, on May 17, 2011, Mr. Woods' employment agreement was amended to provide severance benefits upon his resignation for good reason, without regard to a change of control, and to modify the definition of resignation for good reason to include (1) a material change in the geographic location at which he is required to work or (2) a material breach by the Company of his employment agreement. The method of calculating the amount of severance benefits was not changed. Additionally, under the amendment, a material and adverse change in Mr. Woods' positions or responsibilities will not be deemed to have occurred for this purpose solely as a result of a spin-off of the AS business of the Company, the sale of some or all of the assets of the AS business or an initial public offering relating to the stock of the Company or any of its affiliates.

In addition, under the terms of the equity awards made to executives (except to Mr. Stern), full or partial acceleration of vesting of equity occurs if a change of control takes place or due to certain other termination events. These arrangements and potential post-employment termination compensation payments are described in more detail in the section entitled "Potential Payments Upon Termination or Change of Control" below.

Accounting and Tax Implications

The accounting and tax treatment of particular forms of compensation do not materially affect the Compensation Committee's compensation decisions. However, we evaluate the effect of such accounting and tax treatment on an ongoing basis and will make appropriate modifications to compensation policies where appropriate.

Stock Ownership

The Company does not have a formal policy requiring stock ownership by management. Many senior managers have committed significant personal capital to our Company. See "Beneficial Ownership" under ITEM 12 below.

Compensation Committee Report

We have reviewed and discussed the foregoing Compensation Discussion and Analysis with management. Based on our review and discussion with management, we have recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Annual Report on Form 10-K.

James H. Greene, Jr., Chairperson
John Connaughton
John Marren
Julie Richardson

Risk Considerations in Our Compensation Programs

In 2011, we conducted a risk assessment to evaluate risks associated with the Company's compensation policies and practices and concluded that the Company's compensation programs and policies, considered as a whole, including applicable risk-mitigation features, are not reasonably likely to have a material adverse effect on the Company. Following are some of the features of our program designed to help us appropriately manage business risk:

- Our compensation programs utilize different types of compensation providing a balance of short-term and long-term incentives with fixed and variable components.
- Our established performance goals are reasonable given past performance and market conditions. These performance measures balance annual and long-term components with emphasis on revenue as well as EBITA to prevent a focus on top line growth only.
- As part of a prior review, caps on payments from the EIC bonus plan were instituted, which in conjunction with threshold performance hurdles ensure that incentive compensation is not overly emphasized.
- Our equity compensation program provides a mix of performance- and time-based equity awards and has multiple-year performance criteria and vesting.

Summary Compensation Table

The following table contains certain information about compensation earned in 2011, 2010 and 2009 by the named executives.

Summary Compensation Table

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards[1] ($)	Option Awards[2] ($)	Non-Equity Incentive Plan Compensation[3] ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation[4] ($)	Total ($)
Russell P. Fradin[5]									
President, Chief Executive Officer and Director	2011	528,460	1,000,000	6,886,010	—	791,500	—	222,991	9,428,961
Cristóbal Conde[6]	2011	405,600	—	—	—	—	—	10,899,962	11,305,562
Former President, Chief	2010	950,000	—	—	—	1,847,471	—	58,767	2,856,238
Executive Officer and Director	2009	931,000	—	—	—	2,168,428	—	57,879	3,157,307
Robert F. Woods[7]	2011	520,000	—	220,681	—	596,250	—	31,762	1,368,693
Senior Vice President—Finance and Chief Financial Officer	2010	500,000	—	5,016,599	129,108	698,037	—	31,763	6,375,507
Harold C. Finders[8]	2011	637,383	427,038	1,323,590	—	—	—	308,878	2,696,888
Chief Executive Officer,	2010	599,077	100,000	—	—	584,176	—	279,677	1,562,930
Financial Systems	2009	571,089	—	359,244	13,285	1,365,180	—	119,963	2,428,761
Victoria E. Silbey[9]	2011	478,000	—	551,455	—	487,500	—	33,922	1,550,876
Senior Vice President—Legal and Chief Legal Officer									
Andrew A. Stern[10]	2011	542,000	—	—	—	858,428	—	23,698	1,424,126
Chief Executive Officer,	2010	306,250	—	2,994,457	87,120	407,235	—	15,976	3,811,037
Availability Services									
Former Executive Officers									
Brian Robins[11]	2011	355,640	—	331,021	—	—	—	3,019,289	3,705,950
Former Senior Vice President—Marketing and Chief Marketing Officer									
Richard C. Tarbox[12]	2011	478,000	—	—	—	573,750	—	3,948,754	5,000,504
Former Senior Vice	2010	463,000	—	—	—	689,661	—	55,159	1,207,820
President—Corporate Development	2009	454,000	—	179,621	6,642	808,996	—	55,203	1,504,462

(1) Amounts shown are the fair market value of RSUs granted and reflect the fair market value per Unit on the date of grant multiplied by the number of RSUs granted; amounts for 2010 and 2009 reflect the value of performance-based awards that could be earned at the target performance goal. The amount in this column for Mr. Fradin excludes any value associated with the Future RSUs, which have not yet been granted and which are discussed in further detail above in the "Compensation Discussion and Analysis." For more details on grants awarded in 2011, see the 2011 Grants of Plan-Based Awards table below.

(2) Amounts shown are the aggregate grant date fair value of options granted pursuant to the SunGard 2005 Management Incentive Plan computed in accordance with FASB ASC Topic 718; amounts for 2010 and 2009 reflect the value of performance-based awards that could be earned at the target performance goal. For a discussion of the assumptions made in such valuation, see Note 9 to the

Company's Consolidated Financial Statements. For Mr. Fradin, excludes any value associated with the Future Options, which have not yet been granted and which are discussed in further detail above in the "Compensation Discussion and Analysis."

(3) Amounts shown in this column reflect the cash EIC awards payable under performance-based incentive compensation, which is discussed in further detail above in the "Compensation Discussion and Analysis."

(4) For Mr. Fradin, amount includes health and welfare benefits, car lease payments and related maintenance expenses, automobile tax gross-up ($5,795), relocation expenses ($134,039) and a relocation tax gross-up ($74,834).

For Mr. Conde, amount in 2011 includes total separation payments ($10,822,115) made pursuant to Mr. Conde's employment agreement, which includes a tax gross-up ($98,768) for the portion of the separation payment related to health and welfare benefits. In addition, amount also includes health and welfare benefits, matching 401(k) savings plan contributions, car lease payments ($12,300 in 2011), automobile tax gross-ups ($15,050 in 2011, $15,354 in 2010 and $13,801 in 2009), automobile maintenance expenses in 2010 and 2009, reimbursement of legal fees in 2011 ($17,516), annual sales incentive award trips and the value of computer equipment retained by Mr. Conde in 2011 ($16,774).

For Mr. Woods, amount includes health and welfare benefits, matching 401(k) savings plan contributions and car allowance ($12,360).

For Mr. Finders, amount includes health and welfare benefits ($49,716), company defined contribution pension plan contributions ($53,861), car lease payments ($31,066), annual sales incentive award trips, travel allowance ($96,180 in 2011 and $90,694 in 2010) and travel allowance tax gross-up ($71,090 in 2011 and $60,765 in 2010).

For Ms. Silbey, amount includes annual health and welfare benefits, matching 401(k) savings plan contributions, car lease payments ($12,275) and related maintenance expenses, and an automobile tax gross-up ($11,310).

For Mr. Stern, amount includes health and welfare benefits ($13,898 in 2011) and matching 401(k) savings plan contributions.

For Mr. Robins, amount in 2011 includes total separation payments ($2,974,005) made pursuant to Mr. Robins' employment agreement, which includes a tax gross-up ($68,750) for the portion of the separation payment related to health and welfare benefits. In addition, amount includes annual health and welfare benefits ($13,646), matching 401(k) savings plan contributions, car lease payments and related maintenance expenses, and an automobile tax gross-up ($12,064).

For Mr. Tarbox, amount in 2011 includes total separation payments ($3,902,551) made pursuant to Mr. Tarbox's employment agreement, which includes a tax gross-up ($61,446) for the portion of the separation payment related to health and welfare benefits. In addition, amount includes annual health and welfare benefits ($13,853 in 2011), matching 401(k) savings plan contributions, car lease payments and related maintenance expenses, and automobile tax gross-ups ($14,275 in 2011, $15,561 in 2010 and $13,649 in 2009).

(5) Mr. Fradin joined SunGard as of May 31, 2011 and therefore was not a named executive in 2010 or 2009. Mr. Fradin's 2011 annual rate of salary was $900,000, and his EIC was pro-rated for the period of time he was employed by the Company in 2011. In accordance with Mr. Fradin's employment agreement, he received a one-time make-up cash bonus equal to $1,000,000 related to bonus forgone from his previous employer.

(6) Mr. Conde resigned effective as of May 27, 2011. Mr. Conde was President from 2000 to May 2011 and Chief Executive Officer from 2002 to May 2011. From 1987 to 2000, Mr. Conde held various senior positions with the Company.

(7) Mr. Woods joined SunGard as of January 1, 2010 and therefore was not a named executive in 2009.

(8) Mr. Finders' compensation was paid in Swiss Francs (CHF). All amounts have been converted into U.S. dollars at the currency exchange rates used for purposes of the Company's annual operating budget and establishing compensation for the applicable year, as follows: 0.961797 in 2011; 0.944732 in 2010; and 0.909599 in 2009. The effect of currency conversion of CHF into U.S. dollars for purposes of this table indicates that Mr. Finders received larger salary increases than in fact occurred in CHF. Mr. Finders' annual salary rate was CHF 662,700 in 2011 (a 4.5% increase over his 2010 salary rate), CHF 634,125 in 2010 (a 1% increase over 2009 salary rate), and his annual salary rate was CHF 627,847 in 2009. In 2011, Mr. Finders received a bonus of $96,180 in recognition of his promotion to his current position of Chief Executive Officer, FS and a year-end bonus of $330,858, as discussed above in the "Compensation Discussion and Analysis." In 2010, Mr. Finders received a one-time discretionary bonus of $100,000 in addition to his 2010 EIC bonus.

(9) Ms. Silbey was not a named executive prior to 2011.

(10) Mr. Stern joined SunGard as of June 1, 2010 and therefore was not a named executive in 2009.

(11) Mr. Robins was not a named executive prior to 2011. Mr. Robins' executive officer status ended in September 2011 and his employment with the Company ended effective as of December 7, 2011. Mr. Robins was Senior Vice President-Marketing and Chief Marketing Officer since 2005, and from 1998 to 2005 Mr. Robins held various senior marketing positions with the Company.

(12) Mr. Tarbox's executive officer status ended in October 2011 and his employment with the Company ended effective as of December 31, 2011. Mr. Tarbox was Senior Vice President-Corporate Development since 2001 and Vice President-Corporate Development from 1987 to 2001.

Grants of Plan-Based Awards in Fiscal Year 2011

To provide long-term equity incentives following the LBO, the SunGard 2005 Management Incentive Plan ("Plan") was established. The Plan as amended authorizes the issuance of equity subject to awards made under the Plan for up to 70 million shares of Class A common stock and 7 million shares of Class L common stock of SCC and 2.5 million shares of preferred stock of SCCII.

Under the Plan, 2011 awards of time-based and performance-based RSUs have been granted for Units in the Parent Companies. The shares comprising a Unit are in the same proportion as the shares issued to all stockholders of the Parent Companies. All awards under the Plan are granted at fair market value on the date of grant.

Time-based RSUs granted in 2011 vest over four years as follows: 28% one year after date of grant, and 1/36th of the remaining balance each month thereafter for 36 months. Performance-based RSUs granted in 2011 vest upon the attainment of the Company's enterprise-wide EBITA budget for the 18-month period beginning July 1, 2011, 52% vesting at the end of the performance period, December 31, 2012, and 48% vesting in 24 equal monthly installments thereafter. Once vested,

time-based and performance-based RSUs granted in 2011 become payable in shares upon the first to occur of a change of control, separation from service without cause, or the date that is four years after the date of grant.

The following table contains information concerning grants of plan-based awards to the named executives during 2011.

2011 Grants of Plan-Based Awards

Name	Grant Type	Grant Date	Estimated Possible Payouts under Non-Equity Incentive Plan Awards[1] ($)	Estimated Future Payouts Under Equity Incentive Plan Awards[2]			All Other Stock Awards: Number of Shares of Stock or Units[3] (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/Sh)	Grant Date Fair Value of Stock and Option Awards[4] ($)
				Threshold (#)	Target (#)	Maximum (#)				
Russell P. Fradin[5]	EIC	N/A	791,500	—	—	—	—	—	—	—
	RSUs	05/31/11	—	—	—	—	307,000	—	—	6,886,010
Cristóbal Conde	EIC	N/A	—	—	—	—	—	—	—	—
Robert F. Woods	EIC	N/A	596,250	—	—	—	—	—	—	—
	RSUs	06/03/11	—	892	4,460	N/A	4,460	—	—	220,681
Harold C. Finders	EIC	N/A		—	—	—	—	—	—	—
	RSUs	06/03/11	—	5,5350	26,750	N/A	26,750	—	—	1,323,590
Victoria E. Silbey	EIC	N/A	487,500	—	—	—	—	—	—	—
	RSUs	06/03/11	—	2,229	11,145	N/A	11,145	—	—	551,455
Andrew A. Stern	EIC	N/A	858,428	—	—	—	—	—	—	—
Brian Robins[6]	EIC	N/A	—	—	—	—	—	—	—	—
	RSUs	06/03/11	—	1,338	6,690	N/A	6,690	—	—	331,021
Richard C. Tarbox	EIC	N/A	573,750	—	—	—	—	—	—	—

(1) Amounts reflect the cash EIC bonuses paid to the named executives under the performance-based incentive compensation, which is described in further detail above, including the threshold, mid-point, and on-target goals, in the Compensation Discussion and Analysis and reported in the "Non-Equity Incentive Plan Compensation" column of the Summary Compensation Table above.

(2) Represents performance-based RSUs.

(3) Represents time-based RSUs.

(4) Represents the fair market value per Unit on the date of grant multiplied by the number of RSUs granted.

(5) Excludes Mr. Fradin's Future Options and Future RSUs, which have not yet been granted and which are discussed in further detail above in the "Compensation Discussion and Analysis."

(6) Mr. Robins' 2011 equity grants were forfeited upon his termination of employment.

Outstanding Equity Awards at 2011 Fiscal Year-End

The following table contains certain information with respect to options and RSUs held as of December 31, 2011 by the named executives.

Outstanding Equity Awards at 2011 Fiscal Year-End

		Option Awards					Stock Awards			
Name	Grant Date	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options[1] (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested[2] ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested[1] (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested[2] ($)
Russell P. Fradin[3]	5/31/2011						307,000[4]	6,348,760	—	—
Cristóbal Conde	8/12/2005	1,066,583[5]	—	—	18.00	8/11/2015				
	8/12/2005	1,771,994[6]	—	—	18.00	8/11/2015				
Robert F Woods	1/1/2010	33,602[7]	10,371[8]	92,924	0.28	1/1/2020	4,118[9]	85,167	36,899	763,065
	1/1/2010	81,680[10]	111,932	—	0.28	1/1/2020	53,336[11]	1,102,978	—	—
	5/12/2010	13,441[7]	4,148[8]	37,170	0.25	5/12/2020	1,647[9]	34,067	14,760	305,228
	5/12/2010	27,832[10]	49,613	—	0.25	5/12/2020	23,640[11]	488,873	—	—
	11/18/2010						1,647[9]	34,067	14,760	305,228
	11/18/2010						27,099[11]	560,416	—	—
	6/3/2011						—	—	4,460	92,233
	6/3/2011						4,460[12]	92,233	—	—
Harold C. Finders	8/12/2005	63,009[13]	13,651[14]	—	18.00	8/11/2015				
	8/12/2005	177,202[6]	—	—	18.00	8/11/2015				
	9/21/2007	49,783[15]	9,830[14]	—	20.72	9/21/2017				
	9/21/2007	91,380[10]	14,953	—	20.72	9/21/2017				
	9/14/2009	11,237[16]	3,579[14]	12,390	0.44	9/14/2019	1,421[17]	29,396	4,920	101,743
	9/14/2009	18,756[10]	19,966	—	0.44	9/14/2019	9,514[11]	196,742	—	—
	6/3/2011						—	—	26,750	553,190
	6/3/2011						26,750[12]	553,190	—	—
Victoria E. Silbey	8/11/2005	31,272[18]	—	—	4.50	11/4/2014				
	8/11/2005	42,803[18]	—	—	4.50	3/3/2015				
	8/12/2005	62,004[13]	9,100[14]	—	18.00	8/11/2015				
	8/12/2005	99,612[6]	—	—	18.00	8/11/2015				
	9/14/2009	11,237[16]	3,579[14]	12,390	0.44	9/14/2019	1,421[17]	29,396	4,920	101,743
	9/14/2009	18,756[10]	19,966	—	0.44	9/14/2019	9,514[11]	196,742	—	—
	12/22/2010						824[9]	17,033	7,380	152,614
	12/22/2010						13,838[11]	286,170	—	—
	6/3/2011						—	—	11,145	230,479
	6/3/2011						11,145[12]	230,479	—	—
Andrew A. Stern	6/21/2010	119,790[10]	228,689	—	0.25	6/21/2020	108,971[11]	2,253,515	—	—
Brian Robins	8/11/2005	123,112[18]	—	—	4.50	3/6/2012				
	8/12/2005	71,104[5]	—	—	18.00	8/11/2015				
	8/12/2005	68,131[6]	—	—	18.00	8/11/2015				
Richard C. Tarbox	8/11/2005	239,278[18]	—	—	4.50	3/30/2012				
	8/12/2005	170,653[5]	—	—	18.00	8/11/2015				
	8/12/2005	176,159[6]	—	—	18.00	8/11/2015				
	9/14/2009	7,409[19]	—	—	0.44	9/14/2019				
	9/14/2009	9,379[10]	—	—	0.44	9/14/2019				

(1) Represents the quantity of unvested performance-based equity awards that can be earned upon the achievement of anticipated performance goals in future years.

(2) Based upon a fair market value of $20.68 per Unit as of December 31, 2011.

(3) Excludes Mr. Fradin's Future Options and Future RSUs, which have not yet been granted and which are discussed in further detail above in the "Compensation Discussion and Analysis."

(4) Represents the unvested portion of time-based RSUs which vest over three years with 33 1/3% vesting on each of the first three anniversaries of the date of grant.

(5) Represents performance-based options which (i) vested upon the attainment of certain annual earnings goals for the Company during the six-year period beginning January 1, 2005 for calendar years 2005-2008 and (ii) were earned for calendar years 2009 and 2010 pursuant to the awards amended in 2009 and which became fully vested upon the Named Executive's termination.

(6) Represents fully vested time-based options which vested over five years.

(7) Performance-based Class A options are earned upon the attainment of certain annual earnings goals for the Company over a five-year period beginning January 1 of the year of grant. Represents performance-based Class A options earned and vested for calendar years 2010 and 2011. Vesting of the remaining earned portion for calendar year 2010 is described in note 8.

(8) Represents the unvested portion of performance-based options earned for calendar year 2010, which vests in 36 equal monthly installments beginning January 31, 2011.

(9) Represents the unvested portion of performance-based RSUs earned for calendar year 2010.

(10) Represents the vested portion of time-based equity which vests over five years with 25% vesting one year from the date of grant, and 1/48th of the remaining balance vesting each month thereafter for 48 months.

(11) Represents the unvested portion of time-based RSUs which vest over five years with 10% vesting one year from the date of grant, and 1/48th of the remaining balance vesting each month thereafter for 48 months.

(12) Represents the unvested portion of time-based RSUs which vest over four years with 28% vesting one year from the date of grant, and 1/36th of the remaining balance vesting each month thereafter for 36 months.

(13) Represents performance-based options which (i) vested upon the attainment of certain annual earnings goals for the Company during the six-year period beginning January 1, 2005 for calendar years 2005-2008 and (ii) were earned and vested for calendar years 2009 and 2010 pursuant to the awards amended in 2009. Vesting of the remaining earned portion is described in note 14.

(14) Represents the unvested portion of performance-based options earned for calendar years 2009 and 2010, which vests in 36 equal monthly installments beginning January 31, 2010 and January 31, 2011, respectively.

(15) Represents performance-based options which (i) vested upon the attainment of certain annual earnings goals for the Company during the five-year period beginning January 1, 2007 for calendar years 2007-2008, (ii) were earned and vested for calendar years 2009 and 2010 pursuant to the 2009 amended awards, and (iii) were earned and vested for calendar year 2011. Vesting of the remaining earned portion for calendar years 2009 and 2010 is described in note 14.

(16) Performance-based Class A options are earned upon the attainment of certain annual earnings goals for the Company over a five-year period. Represents performance-based Class A options earned and vested for calendar years 2009, 2010 and 2011. Vesting of the remaining earned portion for calendar years 2009 and 2010 is described in note 14.

(17) Represents the unvested portion of performance-based RSUs earned for calendar years 2009 and 2010.

(18) To the extent that outstanding options were not exercised before the 2005 LBO, such options converted into fully vested options to purchase Units in the Parent Companies.

(19) Performance-based Class A options are earned upon the attainment of certain annual earnings goals for the Company over a five-year period beginning January 1 of the year of grant. Represents performance-based Class A options earned for calendar years 2009 and 2010 which became fully vested upon the Named Executive's termination.

Option Exercises and Stock Vested

The following table contains certain information with respect to stock option exercises and the vesting of RSUs during 2011 for each of the named executives.

2011 Option Exercises and Stock Vesting

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise[1] ($)	Number of Shares Acquired on Vesting[2] (#)	Value Realized on Vesting[3] ($)
Russell P. Fradin	—	—	—	—
Cristóbal Conde	—	—	—	—
Robert F. Woods	—	—	54,621	1,187,251
Harold C. Finders	—	—	6,314	137,638
Victoria E. Silbey	—	—	10,109	216,796
Andrew A. Stern	—	—	29,405	685,351
Brian Robins	46,889	788,671	1,480	30,936
Richard C. Tarbox	—	—	3,868	83,519

(1) Calculated by multiplying the number of Units acquired on exercise times the difference between the fair market value on the exercise date and the exercise price of the option.

(2) Represents RSUs that vested during 2011. RSUs are not distributed until first to occur of a change of control, separation from service without cause or five years after date of grant.

(3) Calculated by multiplying the number of vested RSUs times the fair market value on the vesting date.

Pension Benefits

None of the named executives receive benefits under any defined benefit or actuarial pension plan.

Employment and Change of Control Agreements

As discussed above, the Company entered into a definitive employment agreement with each of the named executives. The terms of these agreements are described above under Compensation Discussion and Analysis.

Potential Payments Upon Termination or Change of Control

Pursuant to the terms of the executive employment agreements and equity award agreements, set forth below is a description of the potential payments the named executives would receive if their employment was terminated on December 31, 2011.

The terms cause, good reason, change of control and sale of business are defined in the executive employment agreements. Forms of these agreements for Messrs. Conde, Finders, Robins and Tarbox and Ms. Silbey have been filed as exhibits to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005. Mr. Woods' employment agreement and related amendment have been filed as exhibits to the Company's Current Report on Form 8-K dated December 16, 2009 and Current Report on Form 8-K dated May 17, 2011, respectively. Mr. Stern's employment agreement has been filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2010. Mr. Fradin's employment agreement has been filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2011.

Russell P. Fradin

Upon *termination without cause or resignation for good reason:*

- a lump sum cash payment equal to two times the sum of his 2011 base salary and target incentive bonus;
- a lump sum cash payment of his pro rata incentive bonus based upon the incentive bonus he earned for 2011 multiplied by the number of days in which he was employed during 2011 divided by 365;
- a lump sum cash payment for the cost of premiums under Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA") for medical, dental and vision coverage less employee co-pay for such coverage for 18 months, as increased by a tax gross-up payment equal to the estimated income and FICA tax that would be imposed on such payments;
- a lump sum cash payment for accrued but unpaid base salary, unreimbursed business expenses, unused vacation time and all other payments, benefits or fringe benefits in accordance with the applicable plan or program; and
- time-based equity awards immediately stop vesting and all unvested time-based equity awards are forfeited.

Upon *change of control:*

- if a change of control or "in contemplation termination" (as defined below) occurs, the vesting of Mr. Fradin's existing time-based RSUs will fully accelerate.
- if a change of control occurs after May 31, 2013, the outstanding Future Options and Future RSUs will become fully vested (i) on the date of termination of employment if Mr. Fradin's employment is terminated by the Company without cause or by Mr. Fradin for good reason and such termination occurs on or within 18 months following the change of control or (ii) on the date of the change of control if an "in contemplation termination" has occurred;

- if the change of control occurs prior to May 31, 2013, then only 50% of the outstanding unvested Future Options and unvested Future RSUs will vest (a) on the date of termination of employment if Mr. Fradin's employment is terminated without cause or by Mr. Fradin for good reason within 18 months after the change of control or (b) the date of the change of control if an In Contemplation Termination has occurred, and the balance of the unvested Future Options and unvested Future RSUs will terminate. However, if the per share purchase price in the change of control plus the per share value of any of the Company's businesses or subsidiaries previously sold or spun-off following May 31, 2011 is at least 250% of the per Unit value of the parent companies' stock on August 11, 2005, then 100% of the outstanding unvested Future Options and unvested Future RSUs will vest (i) on the date of termination of employment if Mr. Fradin's employment is terminated without cause or by Mr. Fradin for good reason within 18 months after the Change of Control or (ii) the date of the Change of Control if an In Contemplation Termination has occurred; and
- an "in contemplation termination" is a termination of Mr. Fradin's employment without cause or for good reason within six months before change of control if such termination of employment is in contemplation of the change of control.

Upon *retirement or other voluntary termination*, a lump sum cash payment consisting of accrued amounts, if any and his time-based equity awards immediately stop vesting and any unvested time-based equity awards are forfeited.

Upon *termination for cause*, a lump sum cash payment of accrued amounts, if any and all vested and unvested time-based equity awards are forfeited.

Upon *termination for death or disability*, a lump sum cash payment of his pro rata incentive bonus and accrued amounts, if any. In the event of his death, Mr. Fradin's estate will receive payments under a life insurance policy funded by the Company. All time-based equity awards immediately stop vesting and all unvested time-based equity awards are forfeited.

Robert F. Woods

Upon *termination without cause or resignation for good reason:*

- a lump sum cash payment equal to two times the sum of his 2011 base salary and target incentive bonus, and for a change of control Mr. Woods receives three times the sum of his 2011 base salary and target incentive bonus;
- a lump sum cash payment of his pro rata target incentive bonus for 2011 and any earned or accrued compensation as of December 31, 2011;
- a lump sum cash payment in an amount equal to two times the Company's cost of Mr. Woods' medical, dental and vision coverage in effect on December 31, 2011, as increased by a tax gross-up payment equal to the income and FICA tax imposed on such payment;
- performance-based equity awards vest on a pro rata basis through the termination date, any unvested portion of performance-based equity awards earned for calendar year 2010 becomes fully vested at the termination date, and all unvested performance-based equity awards are forfeited; and
- time-based equity awards immediately stop vesting and all unvested time-based equity awards are forfeited.

Upon *change of control*:

- if a change of control occurs and employment is terminated, then all unvested performance-based equity awards granted before June 2011 vest on a return-on-equity basis and vesting of performance-based equity awards granted in June 2011 shall be determined by the Compensation Committee of the Board and the CEO in mutual consultation in a manner they jointly consider equitable under the circumstances, all unvested time-based equity awards vest if employment is terminated without cause within six months following a change of control.

Upon *retirement or other voluntary termination:*

- a lump sum cash payment of all accrued compensation. Mr. Woods is not entitled to receive his 2011 pro rata target incentive bonus; and
- all performance-based equity awards stop vesting as of the date of termination, no performance-based equity awards are earned in the year of termination, all time-based equity awards immediately stop vesting, and all unvested time-based and performance-based equity awards are forfeited.

Upon *termination for cause:*

- a lump sum cash payment of all accrued compensation. Mr. Woods is not entitled to receive his 2011 pro rata target incentive bonus; and
- all vested and unvested time and performance equity awards are forfeited.

Upon *disability or death:*

- a lump sum cash payment of all accrued compensation and a pro rata payment of his target incentive bonus for 2011;
- in the event of death, Mr. Woods' beneficiary shall receive payments under an insurance policy funded by the Company; and
- performance-based equity awards vest on a pro rata basis through the termination date, any unvested portion of performance-based equity awards earned for calendar year 2010 becomes fully vested at the termination date, all time-based equity awards immediately stop vesting and all unvested time-based equity awards are forfeited.

Harold C. Finders and Victoria E. Silbey

Upon *termination without cause or resignation for good reason:*

- a lump sum cash payment equal to the applicable multiplier multiplied by the sum of his or her 2011 base salary and target incentive bonus;
- a lump sum cash payment of all earned or accrued compensation, such as unpaid base salary, unused vacation, unreimbursed business expenses, accrued employment or retirement benefits under an employee benefit program and a pro rata payment of Mr. Finders and Ms. Silbey's target incentive bonus for 2011;
- a lump sum cash payment in an amount equal to the applicable multiplier multiplied by the Company's cost of Mr. Finders and Ms. Silbey's medical, dental and vision coverage in effect on December 31, 2011, as increased by a tax gross-up payment equal to the income and FICA tax imposed on such payment;

- a lump sum cash payment in an amount equal to the applicable multiplier multiplied by $17,500, in lieu of retirement, life insurance and long term disability coverage, as increased by a tax gross-up payment equal to the income and FICA tax imposed on such payment;
- performance-based equity awards vest on a pro rata basis through the termination date, any unvested portion of performance-based equity awards earned for calendar years 2009 and 2010 become fully vested at the termination date, and all unvested performance-based equity awards are forfeited;
- time-based equity awards immediately stop vesting and all unvested time-based equity awards are forfeited; and
- for Mr. Finders, if a sale of our FS business segment occurs but his employment agreement is not retained or assumed, then performance-based equity awards are treated as described above and all unvested time-based equity awards granted before June 2011 become fully vested, and unvested time-based equity granted in or after June 2011 immediately stops vesting.

Upon *change of control:*

- if a change of control occurs and employment is terminated or their employment agreement is not assumed, then all unvested performance-based equity awards granted before June 2011 vest on a return-on-equity basis, vesting of performance-based equity awards granted in June 2011 shall be determined by the Compensation Committee of the Board and the CEO in mutual consultation in a manner they jointly consider equitable under the circumstances, all unvested time-based equity awards granted before January 2010 become fully vested and all other unvested time-based equity awards vest if employment is terminated without cause within six months following a change of control; and
- for Ms. Silbey, a tax gross up payment equal to any excise tax charged and other taxes imposed on such payment as a result of the receipt of any change of control payments, but only if, despite cooperation between Ms. Silbey and the Company to obtain shareholder approval of the change of control payments so no excise tax is charged, shareholder approval is not obtained.

Upon *termination due to resignation without good reason*:

- a lump sum cash payment of all accrued compensation with the exception of his or her 2011 pro rata target incentive bonus; and
- all performance-based equity awards stop vesting as of the date of termination, no performance-based equity awards are earned in the year of termination, all time-based equity awards immediately stop vesting, and all unvested time-based and performance-based equity awards are forfeited.

Upon *termination for cause:*

- a lump sum cash payment of all accrued compensation with the exception of his or her 2011 pro rata target incentive bonus; and
- all vested and unvested time and performance equity awards are forfeited.

Upon *disability or death:*

- a lump sum cash payment of all accrued compensation, including a pro rata payment of his or her target incentive bonus for 2011;

- in the event of death, Mr. Finders beneficiaries shall receive payments under an insurance policy offered through and partially funded by the Company and Ms. Silbey's beneficiary shall receive payments under an insurance policy funded by the Company; and
- performance-based equity awards vest on a pro rata basis through the termination date, any unvested portion of performance-based equity awards earned for calendar years 2009 and 2010 become fully vested at the termination date, all time-based equity awards immediately stop vesting and all unvested time-based equity awards are forfeited.

Andrew A. Stern

Upon *termination without cause or resignation for good reason:*

- a lump sum cash payment equal to two times the sum of his 2011 base salary and target incentive bonus;
- a lump sum cash payment of his pro rata incentive bonus based upon the incentive bonus earned for 2011 multiplied by the number of days in which he was employed during 2011 divided by 365, and earned or accrued compensation as of December 31, 2011;
- a lump sum cash payment in an amount equal to the Company's cost of the his medical, dental and vision coverage in effect on December 31, 2011 for a one-year period, as increased by a tax gross-up payment equal to the income and FICA tax imposed on such payment; and
- all time-based equity awards immediately stop vesting and all unvested time-based equity awards are forfeited, except that, upon a sale or other disposition of 80% or more of the AS business, in exchange for the cancellation of his unvested time-based equity awards, a lump sum cash payment equal to 0.55% of the net proceeds received by the Company in the sale, reduced by the Company equity already received by him or vested pursuant to other Company equity awards.

Upon *retirement or other voluntary termination:*

- a lump sum cash payment of all accrued compensation. Mr. Stern is not entitled to receive a pro rata incentive bonus; and
- all time-based equity awards immediately stop vesting and all unvested time-based equity awards are forfeited.

Upon *termination for cause:*

- a lump sum cash payment of all accrued compensation. Mr. Stern is not entitled to receive a pro rata incentive bonus; and
- all vested and unvested time equity awards are forfeited.

Upon *disability or death:*

- a lump sum cash payment of all accrued compensation and a pro rata payment of his incentive bonus for 2011;
- in the event of death, Mr. Stern's beneficiary shall receive payments under an insurance policy funded by the Company; and
- all time-based equity awards immediately stop vesting and all unvested time-based equity awards are forfeited.

In order to receive any of the above described severance benefits, the named executive is required to execute a release of all claims against the Company. In order to exercise stock options or receive distribution of RSU shares, the named executive must execute a certificate of compliance with respect to the restrictive covenants contained in his employment agreement and all other agreements with the Company.

With the exception of Messrs. Conde, Robins and Tarbox, the tables below reflect the amount of compensation payable to each of the named executives in the event of termination of such executive's employment. The amounts shown assume that such termination was effective as of December 31, 2011, and thus includes amounts earned through such time and are estimates of the amounts which would be paid out to the named executives upon their termination. The actual amounts to be paid, if any, can only be determined at the time of such named executive's separation from the Company. Messrs. Conde's, Robins' and Tarbox's employment with the Company ended prior to or effective as of December 31, 2011 and therefore the table for each of these named executives reflects the actual separation payment received.

Russell P. Fradin — Potential Termination Payments and Benefits

Executive Benefits and Payment Upon Termination	Termination Without Cause or Resignation For Good Reason Without Change of Control	Retirement or Other Voluntary Termination	Termination For Cause	Termination Without Cause or Resignation For Good Reason With Change of Control	Termination Due to Disability	Termination Due to Death
Compensation:						
Base Salary & Target Incentive Bonus[1]	$5,400,000	—	—	$ 5,400,000	—	—
Incentive Bonus of Year of Termination[2]	$ 791,500	—	—	$ 791,500	$791,500	$ 791,500
Time-Based Equity Awards[3]	—	—	—	$ 6,348,760	—	—
Benefits & Perquisites:						
Health Benefits[4]	$ 26,053	—	—	$ 26,053	—	—
Life Insurance Proceeds	—	—	—	—	—	$1,000,000
Accrued Vacation Pay	$ 17,308	$17,308	$17,308	$ 17,308	$ 17,308	$ 17,308
Excise Tax & Gross-Up	—	—	—	—[5]	—	—
Total:	$6,234,861	$17,308	$17,308	$12,583,621	$808,808	$1,808,808

(1) Consists of two times the sum of (a) 2011 base salary of $900,000 and (b) 2011 target incentive bonus of $1,800,000.

(2) Represents the pro rata amount of Mr. Fradin's incentive bonus earned for 2011.

(3) Represents the value of accelerated unvested time-based RSUs based upon a fair market price of $20.68 per Unit as of December 31, 2011.

(4) Represents the cost of premiums under COBRA for medical, dental and vision coverage less employee co-pay for such coverage for 18 months, as increased by a tax gross-up payment equal to the estimated taxes that would be imposed on such payments.

(5) The Company and Mr. Fradin have agreed to cooperate to obtain shareholder approval of any change of control payments that would otherwise be subject to excise tax under section 4999 of the Internal Revenue Code, so the estimates assume that no excise will apply.

Cristóbal Conde—Separation Payments and Benefits

Separation Payments and Benefits	
Compensation:	
Base Salary & Target Incentive Bonus[1]	$ 9,093,000
Pro Rata Target Incentive Bonus of Year of Termination	$ 1,252,466
Payment in Lieu of Notice Period	$ 204,263
Time-Based Equity Awards[2]	—
Performance-Based Equity Awards[3]	$ 891,111
Benefits & Perquisites:	
Health and Welfare Benefits[4]	$ 195,696
Accrued Vacation Pay	$ 76,690
Total:	$11,713,226

(1) Consists of three times the sum of (a) 2011 base salary of $981,000 and (b) 2011 target incentive bonus of $2,050,000.

(2) Mr. Conde's time-based options were fully vested as of the date of his termination.

(3) Represents the value of the accelerated unvested portion of the performance-based equity awards earned for calendar years 2009 and 2010.

(4) Consists of three times the sum of (a) the Company's cost for Mr. Conde's medical, dental and vision coverage and (b) $17,500 in lieu of the Company's retirement plan matching contribution, life insurance and long-term disability coverage. The health and welfare benefits have been increased by a tax gross-up equal to the income and FICA tax imposed on such payments.

Robert F. Woods—Potential Termination Payments and Benefits

Executive Benefits and Payment Upon Termination	Termination Without Cause or Resignation For Good Reason Without Change of Control	Termination Due to Retirement or Other Voluntary Termination	Termination For Cause	Termination Without Cause or Resignation For Good Reason With Change of Control	Termination Due to Disability	Termination Due to Death
Compensation:						
Base Salary & Target Incentive Bonus[1]	$2,630,000	—	—	$ 3,945,000	—	—
Target Incentive Bonus of Year of Termination	$ 795,000	—	—	$ 795,000	$795,000	$ 795,000
Time-Based Equity Awards[2]	—	—	—	$ 2,244,500	—	—
Performance-Based Equity Awards	$ 153,300[3]	—	—	$ 4,654,542[4]	$153,300[3]	$ 153,300[3]
Benefits & Perquisites:						
Health Benefits[5]	$ 28,116	—	—	$ 28,116	—	—
Life Insurance Proceeds	—	—	—	—	—	$1,000,000
Accrued Vacation Pay	$ 10,000	$10,000	$10,000	$ 10,000	$ 10,000	$ 10,000
Total:	$3,616,416	$10,000	$10,000	$11,677,158	$958,300	$1,958,300

(1) With regard to (i) a termination without cause, consists of two times the sum of (a) 2011 base salary of $520,000 and (b) 2011 target incentive bonus of $795,000 and (ii) a termination due to a change of control, consists of three times the sum of (a) 2011 base salary of $520,000 and (b) 2011 target incentive bonus of $795,000.

(2) Represents the value of accelerated unvested time-based equity based upon a fair market price of $20.68 per Unit as of December 31, 2011. Excludes the value of underwater time-based options.

(3) Represents the value of the accelerated unvested portion of the performance-based equity earned for calendar year 2010. Excludes the value of underwater performance-based options.

(4) For performance-based equity awards granted before June 2011, represents the value of accelerated unvested performance-based equity if the Sponsors receive an amount constituting at least 300% of their Investment and an IRR of 16% or higher. If the Sponsors receive less than 300% of their Investment or an amount constituting at least 300% of their Investment but less than 14% IRR, the performance-based equity will not accelerate. Excludes the value of underwater performance-based options.

(5) Represents two times the Company's cost of Mr. Woods's medical, dental and vision coverage. The health benefits have been increased by a tax gross-up equal to the estimated income and FICA tax that would be imposed on such payments.

Harold C. Finders—Potential Termination Payments and Benefits

Executive Benefits and Payment Upon Termination	Termination Without Cause or Resignation For Good Reason Without Change of Control	Termination For Cause; Resignation Without Good Reason	Termination Due to Sale of Business Employment Not Offered	Termination Without Cause or Resignation For Good Reason With Change of Control	Termination Due to Disability	Termination Due to Death
Compensation						
Base Salary & Target Incentive Bonus[1]	$2,874,155	—	$2,874,155	$2,874,155	—	—
Target Incentive Bonus of Year of Termination	$ 731,998	—	$ 731,998	$ 731,998	$ 731,998	$ 731,998
Time-Based Equity Awards[2]	—	—	$ 196,742	$ 749,932	—	—
Performance-Based Equity Awards	$ 65,981[3]	—	$ 65,981[3]	$1,085,629[4]	$ 65,981[3]	$ 65,981[3]
Benefits & Perquisites:						
Health and Welfare Benefits[5]	$ 106,682	—	$ 106,682	$ 106,682	—	—
Disability Benefits[6]	—	—	—	—	$16,483,341	—
Death Benefits[7]	—	—	—	—	—	$2,981,187
Accrued Vacation Pay	$ 154,023	$154,023	$ 154,023	$ 154,023	$ 154,023	$ 154,023
Total:	$3,932,839	$154,023	$4,129,581	$5,702,419	$17,435,343	$3,933,189

(1) Consists of two times the sum of (a) 2011 base salary of $705,080 and (b) 2011 target incentive bonus of $731,998. Mr. Finders' payments would be in Swiss Francs (CHF). All amounts reported in the table have been converted into U.S. dollars at the December 31, 2011 currency exchange rate of 1.06395.

(2) Represents the value of applicable accelerated unvested time-based equity awards based upon a fair market price of $20.68 per Unit as of December 31, 2011. Excludes the value of underwater time-based options.

(3) Represents the value of the accelerated unvested portion of the performance-based equity awards earned for calendar years 2009 and 2010. Excludes the value of underwater performance-based options.

(4) For performance-based equity awards granted before June 2011, represents the value of accelerated unvested performance-based equity if the Sponsors receive an amount constituting at least 300% of their Investment and an IRR of 16% or higher. If the Sponsors receive less than 300% of their Investment or an amount constituting at least 300% of their Investment but less than 14% IRR, the performance-based equity will not accelerate. Excludes the value of underwater performance-based options.

(5) Consists of two times the sum of (a) the Company's cost for Mr. Finders' medical benefits and (b) $17,500 in lieu of the Company's defined contribution pension plan contribution, life insurance and long-term disability coverage. The health and welfare benefits have been increased by a tax gross-up equal to the estimated taxes that would be imposed on such payments.

(6) Represents a lump sum payment upon disability due to an accident of $15,556,652 and the estimated present value of annual annuity payments to age 65 from insurance coverage for which

the Company pays premiums. Upon disability due to sickness, Mr. Finders would receive annual annuity payments to age 65 but no lump sum payment and his children would receive an annual annuity until they reach the age of 25 (three and six years remaining).

(7) Represents a lump sum payment upon death due to an accident. Mr. Finders' spouse would also receive an annual annuity for life of $53,623 and each of his children would receive an annual annuity of $20,109 until they reach the age of 25 (three and six years remaining). Upon death due to sickness, Mr. Finders' estate would receive a smaller lump sum and his spouse and children would receive a larger annuity amount. Portions of the reported benefits payable upon Mr. Finders' death are financed by contributions made by Mr. Finders.

Victoria E. Silbey—Potential Termination Payments and Benefits

Executive Benefits and Payment Upon Termination	Termination Without Cause or Resignation For Good Reason Without Change of Control	Termination Due to Resignation Without Good Reason	Termination For Cause	Termination Without Cause or Resignation For Good Reason With Change of Control	Termination Due to Disability	Termination Due to Death
Compensation:						
Base Salary & Target Incentive Bonus[1]	$3,384,000	—	—	$3,384,000	—	—
Target Incentive Bonus of Year of Termination	$ 650,000	—	—	$ 650,000	$650,000	$ 650,000
Time-Based Equity Awards[2]	—	—	—	$ 713,390	—	—
Performance-Based Equity Awards	$ 70,819[3]	—	—	$1,400,942[4]	$ 70,819[3]	$ 70,819[3]
Benefits & Perquisites:						
Health and Welfare Benefits[5]	$ 92,268	—	—	$ 92,268	—	—
Life Insurance Proceeds	—	—	—	—	—	$ 957,000
Accrued Vacation Pay	$ 9,192	$9,192	$9,192	$ 9,192	$ 9,192	$ 9,192
Excise Tax & Gross-Up	—	—	—	—[6]	—	—
Total:	$4,206,279	$9,192	$9,192	$6,249,792	$730,011	$1,687,011

(1) Consists of three times the sum of (a) 2011 base salary of $478,000 and (b) 2011 target incentive bonus of $650,000.

(2) Represents the value of accelerated unvested time-based equity awards based upon a fair market price of $20.68 per Unit as of December 31, 2011. Excludes the value of underwater time-based options.

(3) Represents the value of the accelerated unvested portion of the performance-based equity awards earned for calendar years 2009 and 2010. Excludes the value of underwater performance-based options.

(4) For performance-based equity awards granted before June 2011, represents the value of accelerated unvested performance-based equity if the Sponsors receive an amount constituting at least 300% of their Investment and an IRR of 16% or higher. If the Sponsors receive less than

300% of their Investment or an amount constituting at least 300% of their Investment but less than 14% IRR, the performance-based equity will not accelerate. Excludes the value of underwater performance-based options.

(5) Consists of three times the sum of (a) the Company's cost for Ms. Silbey's medical benefits and (b) $17,500 in lieu of the Company's defined contribution pension plan contribution, life insurance and long-term disability coverage. The health and welfare benefits have been increased by a tax gross-up equal to the estimated taxes that would be imposed on such payments.

(6) The Company is obligated to pay a tax gross up payment to Ms. Silbey equal to the excise tax imposed under section 4999 of the Internal Revenue Code and other taxes imposed on such payment if an excise tax is charged in connection with any change of control payments. The Company and Ms. Silbey have agreed to cooperate to obtain shareholder approval of any change of control payments that would otherwise be subject to excise tax under section 4999 of the Internal Revenue Code, so the estimates assume that no excise tax will apply.

Andrew A. Stern—Potential Termination Payments and Benefits

Executive Benefits and Payment Upon Termination	Termination Without Cause or Resignation For Good Reason Without Change of Control	Termination Due to Retirement, Other Voluntary Termination or For Cause	Termination Without Cause or Resignation For Good Reason With Change of Control	Termination Due to Disability	Termination Due to Death
Compensation:					
Base Salary & Target Incentive Bonus[1]	$2,634,000	—	$2,634,000	—	—
Incentive Bonus of Year of Termination	$ 858,428	—	$ 858,428	$858,428	$ 858,428
Time-Based Equity Awards[2]	—	—	—	—	—
Benefits & Perquisites:					
Health and Welfare Benefits[3]	$ 22,043	—	$ 22,043	—	—
Life Insurance Proceeds	—	—	—	—	$1,000,000
Accrued Vacation Pay	$ 12,508	$12,508	$ 12,508	$ 12,508	$ 12,508
Excise Tax & Gross-Up	—	—	— [4]	—	—
Total:	$3,526,979	$12,508	$3,526,979	$870,936	$1,870,936

(1) Consists of two times the sum of (a) 2011 base salary of $542,000 and (b) 2011 target incentive bonus of $775,000.

(2) Mr. Stern is entitled to a cash payment upon a sale or other disposition of 80% or more of the AS business in exchange for the cancellation of his unvested time-based equity awards, as described above under Potential Payments Upon Termination or Change of Control—Andrew A. Stern.

(3) Consists of the sum of the Company's cost for Mr. Stern's medical, dental and vision coverage for one year. The health and welfare benefits have been increased by a tax gross-up equal to the estimated income and FICA tax that would be imposed on such payments.

(4) The Company and Mr. Stern have agreed to cooperate to obtain shareholder approval of any change of control payments that would otherwise be subject to excise tax under section 4999 of the Internal Revenue Code, so the estimates assume that no excise tax will apply.

Brian Robins—Separation Payments and Benefits

Separation Payments and Benefits	
Compensation:	
Base Salary & Target Incentive Bonus(1)	$2,400,000
Pro Rata Target Incentive Bonus of Year of Termination	$ 392,384
Time-Based Equity Awards(2)	—
Performance-Based Equity Awards(3)	$ 34,703
Benefits & Perquisites:	
Health and Welfare Benefits(4)	$ 159,698
Accrued Vacation Pay	$ 21,923
Total:	$3,008,708

(1) Consists of three times the sum of (a) 2011 base salary of $380,000 and (b) 2011 target incentive bonus of $420,000.

(2) All unvested time-based equity awards were forfeited upon Mr. Robins' termination.

(3) Represents the value of the accelerated unvested portion of the performance-based equity awards earned for calendar years 2009 and 2010.

(4) Consists of three times the sum of (a) the Company's cost for Mr. Robins' medical, dental and vision coverage and (b) $17,500 in lieu of the Company's retirement plan matching contribution, life insurance and long-term disability coverage. The health and welfare benefits have been increased by a tax gross-up equal to the income and FICA tax imposed on such payments.

Richard C. Tarbox —Separation Payments and Benefits

Separation Payments and Benefits	
Compensation:	
Base Salary & Target Incentive Bonus(1)	$3,729,000
Time-Based Equity Awards(2)	—
Performance-Based Equity Awards(3)	$ 77,568
Benefits & Perquisites:	
Health and Welfare Benefits(4)	$ 155,166
Accrued Vacation Pay	$ 18,385
Total:	$3,980,119

(1) Consists of three times the sum of (a) 2011 base salary of $478,000 and (b) 2011 target incentive bonus of $765,000.

(2) All unvested time-based equity awards were forfeited upon Mr. Tarbox's termination.

(3) Represents the value of the accelerated unvested portion of the performance-based equity awards earned for calendar years 2009 and 2010. Excludes the value of underwater performance-based options.

(4) Consists of three times the sum of (a) the Company's cost for Mr. Tarbox's medical, dental and vision coverage and (b) $17,500 in lieu of the Company's retirement plan matching contribution, life insurance and long-term disability coverage. The health and welfare benefits have been increased by a tax gross-up equal to the income and FICA tax imposed on such payments.

Director Compensation

None of our directors except Mr. Mann receive compensation for serving as directors. Mr. Mann receives annual director equity awards; he does not receive any cash director fees. On September 14, 2011, Mr. Mann was granted a time-based equity grant consisting of an RSU for 1,868 Units. The RSU vests over four years as follows: 25% one year after date of grant, and 1/36th of the remaining balance each month thereafter for 36 months. Once vested, the RSUs become payable in shares upon the first to occur of a change of control, removal or resignation as a director, or the date that is four years after the date of grant. The following table contains for Mr. Mann compensation received during the year ended December 31, 2011 for serving as a director of the Company.

Name	Fees Earned or Paid in Cash ($)	Stock Awards[1] ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
James L. Mann[2]	—	$38,630	—	—	—	—	$38,630

(1) Amount shown is the fair market value of RSUs granted and reflects the fair market value per Unit on the date of grant multiplied by the number of RSUs granted.

(2) In addition to serving as a director, Mr. Mann was an employee of the Company until August 31, 2011 and earned $128,000 in salary in 2011. While employed during 2011, Mr. Mann received health and welfare benefits, a matching 401(k) savings plan contribution, automobile benefits including reimbursement of fuel and maintenance expenses and an automobile tax gross-up ($6,166).

Compensation Committee Interlocks and Insider Participation

Our Compensation Committee is currently comprised of Messrs. Connaughton, Greene and Marren, who were each appointed to the Compensation Committee in 2005 in connection with the LBO, and Ms. Richardson, who was appointed to the Compensation Committee in 2008. None of these individuals has been at any time an officer or employee of our Company. During 2011, we had no compensation committee "interlocks" — meaning that it was not the case that an executive officer of ours served as a director or member of the compensation committee of another entity and an executive officer of the other entity served as a director or member of our Compensation Committee.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Equity Compensation Plan Information

There are no compensation plans under which our common stock is authorized for issuance. The following table contains certain information as of December 31, 2011 with respect to the SunGard 2005 Management Incentive Plan, as amended, under which equity in the Parent Companies is authorized for issuance.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (A)			Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (B)	Number of Securities Remaining Available for Issuance Under Equity Compensation Plans (excluding Securities Reflected in Column (A)) (C)		
	Shares of Class A Common Stock	Shares of Class L Common Stock	Shares of Preferred Stock		Shares of Class A Common Stock	Shares of Class L Common Stock	Shares of Preferred Stock
Equity compensation plans approved by security holders							
Options for Units	26,227,663	2,913,288	1,008,756	$16.93			
Restricted Stock Units	9,855,657	1,094,736	379,064	$22.50*	18,814,687	2,426,991	917,035
Options for Class A Common Stock	10,044,178			$ 1.60			
Equity compensation plans not approved by security holders	—	—	—	—	—	—	—
Total	46,127,498	4,008,024	1,387,820		18,814,687	2,426,991	917,035

* Value of RSUs as of date of grant.

Beneficial Ownership

All of our outstanding stock is beneficially owned by SCC and SCCII through its wholly owned subsidiaries. The following table presents information regarding beneficial ownership of the equity securities of SCC and SCCII as of March 1, 2012 by each person who is known by us to beneficially own more than 5% of the equity securities of SCC and SCCII, by each of our directors, by each of the named executives, and by all of our directors and executive officers as a group.

Name of Beneficial Owner	Number of Shares Beneficially Owned[1]			Percent of Classes[2]
	Class A Common	Class L Common	Preferred	
Bain Funds[3]	34,849,657	3,872,184	1,340,371	13.58%
Blackstone Funds[4]	34,849,657	3,872,184	1,340,371	13.58%
GS Limited Partnerships[5]	28,393,651	3,154,850	1,092,063	11.06%
KKR Funds[6]	34,849,657	3,872,184	1,340,371	13.58%
Providence Equity Funds[7]	21,295,238	2,366,138	819,048	8.30%
Silver Lake Funds[8]	34,488,546	3,832,061	1,326,483	13.44%
TPG Funds[9]	34,849,657	3,872,184	1,340,371	13.58%
Chinh E. Chu[4][11] (director)	34,849,657	3,872,184	1,340,371	13.58%
Cristóbal Conde[10][12] (former director and named executive)	5,331,578	592,398	205,061	2.08%
John Connaughton[13] (director)	—	—	—	—
Harold C. Finders[10] (named executive)	671,495	70,913	24,547	—
Russell P. Fradin (director and named executive)	307,257	34,140	11,818	—
James H. Greene, Jr.[14] (director)	—	—	—	—
Glenn H. Hutchins[8][15] (director)	34,488,546	3,832,061	1,326,483	13.44%
James L. Mann[10] (director)	94,688	9,239	3,198	—
John Marren[16] (director)	—	—	—	—
Sanjeev Mehra[5][17] (director)	28,393,651	3,154,850	1,092,063	11.06%
Julie Richardson[7][18] (director)	21,295,238	2,366,138	819,048	8.30%
Brian Robins[10] (named executive)	230,669	25,628	8,872	—
Victoria E. Silbey[10] (named executive)	364,966	36,856	12,758	—
Andrew A. Stern[10] (named executive)	158,017	4,247	1,470	—
Richard C. Tarbox [10] (named executive)	719,111	78,027	27,012	—
Robert F. Woods[10] (named executive)	266,844	10,103	3,497	—
All 17 directors and current executive officers as a group[10][11][12][13][14][15][16][17][18][19]	121,422,403	13,443,808	4,653,627	47.15%

(1) Includes shares held in the beneficial owner's name or jointly with others, or in the name of a bank, nominee or trustee for the beneficial owner's account. Unless otherwise indicated in the footnotes to this table and subject to community property laws where applicable, we believe that

each stockholder named in this table has sole voting and investment power with respect to the shares indicated as beneficially owned. Class A shares of common stock of SCC, Class L shares of common stock of SCC and preferred shares of SCCII are referred to in the notes to this table as, respectively, Class A shares, Class L shares and preferred shares.

(2) Unless otherwise indicated, the beneficial ownership of any named person does not exceed, in the aggregate, one percent of the outstanding equity securities of SCC and SCCII Corp. II on March 1, 2012, as adjusted as required by applicable rules.

(3) Includes (i) 34,693,273 Class A shares, 3,801,832 Class L shares and 1,313,076 preferred shares held by Bain Capital Integral Investors, LLC ("Bain Integral"), whose administrative member is Bain Capital Investors, LLC ("BCI"); and (ii) 156,384 Class A shares, 70,352 Class L shares and 27,295 preferred shares held by BCIP TCV, LLC ("BCIP TCV" and, together with Bain Integral, the "Bain Funds"), whose administrative member is BCI. The address of each of the entities listed in this footnote is c/o Bain Capital, LLC, John Hancock Tower, 200 Clarendon Street,111 Huntington Avenue, Boston, Massachusetts 0211699.

(4) Includes (i) 18,317,228 Class A shares, 2,035,248 Class L shares and 704,509 preferred shares held by Blackstone Capital Partners IV L.P. ("BCP IV"), whose general partner is Blackstone Management Associates IV L.L.C. ("BMA IV"); (ii) 289,253 Class A shares, 32,139 Class L shares and 11,125 preferred shares held by Blackstone Capital Partners IV-A L.P. ("BCP IV-A"), whose general partner is BMA IV; (iii) 810,541 Class A shares, 90,060 Class L shares and 31,175 preferred shares held by Blackstone Family Investment Partnership IV-A L.P. ("BFIP IV-A"), whose general partner is BMA IV; (iv) 66,204 Class A shares, 7,356 Class L shares and 2,546 preferred shares held by Blackstone Participation Partnership IV L.P. ("BPP IV"), whose general partner is BMA IV; (v) 14,444,444 Class A shares, 1,604,938 Class L shares and 555,556 preferred shares held by Blackstone GT Communications Partners L.P. ("BGTCP"), whose general partner is Blackstone Communications Management Associates I L.L.C. ("BCMA IV"); and (vi) 921,986 Class A shares,102,443 Class L shares and 35,461 preferred shares held by Blackstone Family Communications Partnership L.P. ("BFCP" and, collectively with BCP IV, BCP IV-A, BFIP IV-A, BPP IV and BGTCP, the "Blackstone Funds"), whose general partner is BCMA IV. Messrs. Peter G. Peterson and Stephen A. Schwarzman are the founding members of BMA IV and BCMA IV and as such may be deemed to share beneficial ownership of the shares held or controlled by the Blackstone Funds. Each of BMA IV and BCMA IV and Messrs. Peterson and Schwarzman disclaims beneficial ownership of such shares. The address of each of the entities listed in this footnote is c/o The Blackstone Group, L.P., 345 Park Avenue, New York, New York 10154.

(5) The Goldman Sachs Group, Inc., which we refer to as GS Group, Goldman, Sachs & Co., which we refer to as Goldman Sachs, and certain of their affiliates may be deemed to own beneficially and indirectly Class A shares, Class L shares and preferred shares which are owned directly or indirectly by investment partnerships of which affiliates of Goldman Sachs and GS Group are the general partner, managing limited partner or managing partner. We refer to these investment partnerships as the GS Limited Partnerships. Goldman Sachs is an affiliate of each of, and investment manager for certain of, the GS Limited Partnerships. GS Group, Goldman, Sachs and the GS Limited Partnerships share voting power and investment power with certain of their respective affiliates. The GS Limited Partnerships and their respective beneficial ownership of shares of SCC and SCC II include: (i) 8,034,125 Class A shares, 892,681 Class L shares and 309,005 preferred shares held by GS Capital Partners 2000, L.P.; (ii) 2,552,674 Class A shares, 283,630 Class L shares and 98,180 preferred shares held by GS Capital Partners 2000 Employee

Fund, L.P.; (iii) 2,919,293 Class A shares, 324,366 Class L shares and 112,281 preferred shares held by GS Capital Partners 2000 Offshore, L.P.; (iv) 354,921 Class A shares, 39,436 Class L shares and 13,651 preferred shares held by Goldman Sachs Direct Investment Fund 2000, L.P.; (v) 335,812 Class A shares, 37,312 Class L shares and 12,916 preferred shares held by GS Capital Partners 2000 GmbH & Co. Beteiligungs KG; (vi) 7,475,480 Class A shares, 830,609 Class L shares and 287,518 preferred shares held by GS Capital Partners V Fund, L.P.; (vii) 3,861,537 Class A shares, 429,060 Class L shares and 148,521 preferred shares held by GS Capital Partners V Offshore Fund, L.P.; (viii) 296,373 Class A shares, 32,930 Class L shares and 11,399 preferred shares held by GS Capital Partners V GmbH & Co. KG; and (ix) 2,563,436 Class A shares, 284,826 Class L shares and 98,594 preferred shares held by GS Capital Partners V Institutional, L.P. Each of Goldman Sachs and GS Group disclaims beneficial ownership of the shares owned directly and indirectly by the GS Limited Partnerships, except to the extent of their pecuniary interest therein, if any. The address for GS Group, Goldman Sachs and the GS Limited Partnerships is 200 West Street, New York, New York 10282.

(6) Includes (i) 33,937,852 Class A shares, 3,770,872 Class L shares and 1,305,302 preferred shares held by KKR Millennium Fund L.P. (“KKR Millennium Fund”), whose general partner is KKR Associates Millennium L.P., whose general partner is KKR Millennium GP LLC; and (ii) 911,806 Class A shares, 101,312 Class L shares and 35,069 preferred shares held by KKR Partners III, L.P. (“KKR III” and, together with KKR Millennium Fund, the “KKR Funds”), whose general partner is KKR III GP LLC. The address of each of the entities listed in this footnote is c/o Kohlberg Kravis Roberts & Co. L.P., 9 West 57th Street, New York, New York 10019.

(7) Includes (i) 18,390,397 Class A shares, 2,043,377 Class L shares and 707,323 preferred shares held by Providence Equity Partners V LP (“PEP V”), whose general partner is Providence Equity GP V LP, whose general partner is Providence Equity Partners V L.L.C. (“PEP V LLC”); and (ii) 2,904,841 Class A shares, 322,760 Class L shares and 111,725 preferred shares held by Providence Equity Partners V-A LP (“PEP V-A” and, together with PEP V, the “Providence Equity Funds”), whose general partner is Providence Equity GP V LP, whose general partner is PEP V LLC. PEP V LLC may be deemed to share beneficial ownership of the shares owned by PEP V and PEP V-A. PEP V LLC disclaims this beneficial ownership. Messrs. Angelakis, Creamer, Masiello, Mathieu, Nelson, Pelson and Salem are members of PEP V LLC and may also be deemed to possess indirect beneficial ownership of the securities owned by the Providence Equity Funds, but disclaim such beneficial ownership. The address of each of the entities listed in this footnote is c/o Providence Equity Partners Inc., 50 Kennedy Plaza, 18th Floor, Providence, Rhode Island 02903.

(8) Includes (i) 34,440,889 Class A shares, 3,826,765 Class L shares and 1,324,650 preferred shares held by Silver Lake Partners II, L.P. (“SLP II”), whose general partner is Silver Lake Technology Associates II, L.L.C. (“SLTA II”); and (ii) 47,657 Class A shares, 5,295 Class L shares and 1,833 preferred shares held by Silver Lake Technology Investors II, L.P. (“SLTI II” and, together with SLP II, the “Silver Lake Funds”), whose general partner is SLTA II. The address of each of the entities listed in this footnote is c/o Silver Lake, 9 West 57th Street, 32nd Floor, New York, New York 10019.

(9) Includes (i) 20,745,833 Class A shares, 2,305,093 Class L shares and 797,917 preferred shares held by TPG Partners IV, L.P. (“Partners IV”), whose general partner is TPG GenPar IV, L.P. (“GenPar IV”), whose general partner is TPG GenPar IV Advisors, LLC (“Advisors IV”), whose managing member is TPG Holdings I, L.P., whose general partner is TPG Holdings I-A, LLC, whose sole member is TPG Group Holdings (SBS), L.P., whose sole general

partner is TPG Group Holdings (SBS) Advisors, Inc., a Delaware corporation ("Group Advisors"); (ii) 2,349,389 Class A shares, 261,043 Class L shares and 90,361 preferred shares held by T3 Partners II, L.P. ("T3 Partners II"), whose general partner is T3 GenPar II, L.P. ("T3 GenPar II"), whose general partner is T3 Advisors II, Inc. ("T3 Advisors II"); (iii) 377,000 Class A shares, 41,889 Class L shares and 14,500 preferred shares held by T3 Parallel II, L.P. ("T3 Parallel II"), whose general partner is T3 GenPar II; (iv) 5,416,667 Class A shares, 601,852 Class L shares and 208,333 preferred shares held by TPG Solar III LLC ("Solar III"), whose managing member is TPG Partners III, L.P., whose general partner is TPG GenPar III, L.P., whose general partner is TPG Advisors III, Inc. ("Advisors III"); and (v) 5,960,768 Class A shares, 662,308 Class L shares and 229,260 preferred shares held by TPG Solar Co-Invest LLC ("Solar Co-Invest" and, collectively with Partners IV, T3 Partners II, T3 Parallel II and Solar III, the "TPG Funds"), whose managing member is GenPar IV. David Bonderman and James G. Coulter are officers, directors, and sole shareholders of Group Advisors, T3 Advisors II and TPG Advisors III and may therefore be deemed to beneficially own the shares held by the TPG Funds. Messrs. Bonderman and Coulter disclaim beneficial ownership of the shares held by the TPG Funds except to the extent of their pecuniary interest therein. The address of TPG Funds and Messrs. Bonderman and Coulter is c/o TPG Global, LLC, 301 Commerce Street, Fort Worth, Texas 76102.

(10) Includes the following shares which the beneficial owner has the right to acquire within 60 days after March 1, 2012 by stock option exercise or RSU distribution:

Beneficial Owner	Shares of Class A Common Stock	Shares of Class L Common Stock	Shares of Preferred Stock
Cristóbal Conde	3,690,150	410,017	141,929
Harold C. Finders	560,273	58,557	20,270
Russell P. Fradin	—	—	—
James L. Mann	22,465	1,214	420
Brian Robins	181,005	20,112	6,962
Victoria E. Silbey	364,966	36,856	12,758
Andrew A. Stern	158,017	4,247	1,470
Richard C. Tarbox	467,643	50,095	17,341
Robert F. Woods	266,844	10,103	3,497
All 17 directors and current executive officers as a group	1,804,207	152,902	52,928

(11) Mr. Chu, a director of the Parent Companies and SunGard, is a member of BMA IV and BCMA IV and a senior managing director of The Blackstone Group, L.P. Amounts disclosed for Mr. Chu are also included above in the amounts disclosed in the table next to "Blackstone Funds." Mr. Chu disclaims beneficial ownership of any shares owned directly or indirectly by the Blackstone Funds, except to the extent of his pecuniary interest therein. Mr. Chu does not have sole voting or investment power with respect to the shares owned by the Blackstone Funds.

(12) In connection with a loan, Mr. Conde pledged the following shares as security: 361,111.11 Class A shares, 40,123.46 Class L shares and 13,888.89 preferred shares.

(13) BCI is controlled by an Investment Committee comprised of the following Managing Directors of Bain Capital: Andrew Balson, Steven Barnes, Joshua Bekenstein, John Connaughton, Todd Cook,

Paul Edgerley, Christopher Gordon, Blair Hendrix, Jordan Hitch, Matthew Levin, Ian Loring, Philip Loughlin, Mark Nunnelly, Stephen Pagliuca, Ian Reynolds, Mark Verdi, Michael Ward and Stephen Zide. Because investment and voting decisions at BCI are made jointly by Managing Directors of the entity, no individual Managing Director of BCI is the beneficial owner of the securities, except with respect to the shares in which such member holds a pecuniary interest. Mr. Connaughton, a director of the Parent Companies and SunGard, is a member and Managing Director of BCI and may therefore be deemed to beneficially own the amounts disclosed in the table next to "Bain Funds." Mr. Connaughton disclaims beneficial ownership of any shares owned directly or indirectly by the Bain Funds, except to the extent of his pecuniary interest therein.

(14) Mr. Greene, a director of the Parent Companies and SunGard, is an executive of Kohlberg Kravis Roberts & Co. L.P. and/or one or more of its affiliates. Mr. Greene disclaims beneficial ownership of any shares owned directly or indirectly by the KKR Funds, except to the extent of his pecuniary interest therein.

(15) Mr. Hutchins, a director of the Parent Companies and SunGard, is a managing director of SLTA II. Amounts disclosed for Mr. Hutchins are also included above in the amounts disclosed in the table next to "Silver Lake Funds." Mr. Hutchins disclaims beneficial ownership of any shares owned directly or indirectly by the Silver Lake Funds, except to the extent of his pecuniary interest therein.

(16) Mr. Marren, a director of the Parent Companies and SunGard, is a TPG senior partner. of TPG Capital, L.P., an affiliate of the TPG Funds. Mr. Marren does not have voting or investment power over, and disclaims beneficial ownership of, the shares held by the TPG Funds.

(17) Mr. Mehra, a director of the Parent Companies and SunGard, is a managing director of Goldman Sachs. Amounts disclosed for Mr. Mehra are also included above in the amounts disclosed in the table next to "GS Limited Partnerships." Mr. Mehra disclaims beneficial ownership of any shares owned directly or indirectly by the GS Limited Partnerships, except to the extent of his pecuniary interest therein.

(18) Ms. Richardson, a director of the Parent Companies and SunGard, is a managing director of Providence Equity Partners, Inc., an affiliate of the Providence Equity Funds. Amounts disclosed for Ms. Richardson are also included above in the amounts disclosed in the table next to "Providence Equity Funds." Ms. Richardson disclaims beneficial ownership of any shares owned directly or indirectly by the Providence Equity Funds, except to the extent of her pecuniary interest therein.

(19) Excluding shares beneficially owned by Ms. Richardson and Messrs. Chu, Hutchins and Mehra and by Messrs. Conde, Robins and Tarbox, who are no longer executive officers, the number of shares beneficially owned by all directors and executive officers as a group is as follows: Class A shares—2,300,624; Class L shares—209,336; preferred shares—4,653,627; percent of classes—does not exceed, in the aggregate, one percent.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Pursuant to our Global Business Conduct and Compliance Program, all employees and directors (including our named executives) who have, or whose immediate family members have, any financial interests in other entities where such involvement is or may appear to cause a conflict of interest situation are required to report to us the conflict. If the conflict involves a director or executive officer or is considered material, the situation will be reviewed by the Compliance Committee. The Compliance Committee will then consult with the Audit Committee and determine whether a conflict exists or will exist, and if so, what action should be taken to resolve the conflict or potential conflict. In other cases, conflicts are reviewed and resolved by the Compliance Committee. Additionally, in connection with the LBO, the Company's four parent companies and the Sponsors entered into a principal investor agreement which requires affiliated party transactions involving the Sponsors to be approved by the majority of Sponsors not involved in the affiliated party transaction.

Other than as described under this heading, the Company has not adopted any formal policies or procedures for the review, approval or ratification of certain related-party transactions that may be required to be reported under the SEC disclosure rules. Such transactions, if and when they are proposed or have occurred, have traditionally been (and will continue to be) reviewed by the Audit Committee (other than the committee members involved, if any) on a case-by-case basis.

On August 11, 2005, upon completion of the LBO, the Company and its four parent companies entered into a management agreement with affiliates of each of the Sponsors pursuant to which such entities or their affiliates will provide management consultant services, including financial, managerial and operational advice and implementation of strategies for improving the operating, marketing and financial performance of the Company and its subsidiaries. Under the management agreement, affiliates of the Sponsors receive quarterly annual management fees equal to 1% of the Company's quarterly "EBITDA," as defined in the Indenture dated August 11, 2005 governing the senior notes due 2013 (but assuming the management fee had not been paid for purposes of such calculation), and reimbursement for out-of-pocket expenses incurred by them or their affiliates in connection with the provision of management consulting services pursuant to the agreement. During the years ended December 31, 2009, 2010 and 2011, the Company recorded $15 million, $17 million and $13 million, respectively, relating to management fees.

In the event that the management agreement is terminated, the Sponsors will receive a lump sum payment equal to the present value of the annual management fees that would have been payable for the remainder of the term of the management agreement. The initial term of the management agreement is ten years, and it extends annually for one year unless the Sponsors or the Company and its parent companies provide notice to the other. Finally, the management agreement provides that affiliates of the Sponsors will be entitled to receive a fee equal to 1% of the gross transaction value in connection with certain subsequent financing, acquisition, disposition and change of control transactions in excess of a threshold amount.

In addition to serving as a director, Mr. Mann was an employee of the Company until August 31, 2011 and accordingly in 2011 received salary and benefits for the period of time employed. See note 2 to the table under "Director Compensation."

Our Sponsors and/or their respective affiliates have from time to time entered into, and may continue to enter into, arrangements with us to use our products and services, or for us to use the Sponsors affiliates' products and services, in the ordinary course of business, which often result in revenues or costs to SunGard in excess of $120,000 annually.

In March 2011, Goldman Sachs & Co. received fees of $428,000 in connection with amendments to our senior secured credit facility.

Effective February 16, 2007, we entered into a three-year participation agreement with one-year renewal terms ("participation agreement") with Core Trust Purchasing Group, a division of HealthTrust Purchasing Corporation ("CPG"), designating CPG as our exclusive "group purchasing organization" for the purchase of certain products and services from third party vendors. CPG secures from vendors pricing terms for goods and services that are believed to be more favorable than participants in the group purchasing organization could obtain for themselves on an individual basis. Under the participation agreement, we must purchase 80% of the requirements of our participating locations for core categories of specified products and services, from vendors participating in the group purchasing arrangement with CPG or CPG may terminate the contract. In connection with purchases by its participants (including us), CPG receives a commission from the vendors in respect of such purchases. Although CPG is not affiliated with Blackstone, in consideration for Blackstone's facilitating our participation in CPG and monitoring the services CPG provides to us, CPG remits a portion of the commissions received from vendors in respect of our purchases under the participation agreement to an affiliate of Blackstone, with whom Chinh E. Chu, a member of our Boards of Directors, is affiliated and in which he may have an indirect pecuniary interest.

DIRECTOR INDEPENDENCE

SCC, SCCII and SunGard are privately-held corporations. Our Sponsor Directors are not independent because of their affiliations with funds which hold more than 5% equity interests in the Parent Companies. Messrs. Fradin and Mann are not independent directors because Mr. Fradin is currently employed by the Company and Mr. Mann was employed by the Company until August 31, 2011.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Auditors' Fees

The following table shows the fees for professional audit services rendered by PricewaterhouseCoopers LLP for the audit of our annual financial statements and review of our interim financial statements for 2010 and 2011, and fees for other services rendered by PricewaterhouseCoopers LLP for 2010 and 2011.

Fees	2011	2010
Audit fees[1]	$7,347,000	$ 7,180,000
Audit-related fees[2]	$1,252,000	$ 1,715,000
Tax fees[3]	$ 793,000	$ 1,080,000
All other fees[4]	$ 242,000	$ 43,000
Total Fees	$9,634,000	$10,018,000

(1) In 2010, consists of services rendered in connection with the audit of our annual financial statements ($3,632,000), other SEC filings ($84,000) and certain broker/dealer audits and

statutory audits ($3,464,000). In 2011, consists of services rendered in connection with the audit of our annual financial statements ($3,718,000), other SEC filings ($119,000) and certain broker/dealer audits and statutory audits ($3,510,000)

(2) Consists of SAS 70 data center audit fees, savings plan audits and special audits.

(3) Consists of worldwide tax services.

(4) Consists of other IT-related services, transaction due diligence fees, and accounting research software fees.

Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Registered Public Accounting Firm

The Audit Committee pre-approves all audit and permissible non-audit services provided by our independent registered public accounting firm. These services may include audit services, audit-related services, tax services and other services. The Audit Committee has adopted policies and procedures for the pre-approval of services provided by our independent registered public accounting firm. The policies and procedures provide that management and our independent registered public accounting firm jointly submit to the Audit Committee a schedule of audit and non-audit services for approval as part of the annual plan for each year. In addition, the policies and procedures provide that the Audit Committee may also pre-approve particular services not in the annual plan on a case-by-case basis. For each proposed service, management must provide a detailed description of the service and the projected fees and costs (or a range of such fees and costs) for the service. The policies and procedures require management and our independent registered public accounting firm to provide quarterly updates to the Audit Committee regarding services rendered to date and services yet to be performed.

The Audit Committee may delegate pre-approval authority for audit and non-audit services to one or more of its members, who can pre-approve services up to a maximum fee of $50,000. Any such pre-approved service must be reported to the Audit Committee at the next scheduled quarterly meeting.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)(1) Financial Statements

See ITEM 8—FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

(a)(2) Financial Statement Schedules

None.

(a)(3) Exhibits

The Exhibits that are incorporated by reference in this Report on Form 10-K or are filed with this Report are listed in the LIST OF EXHIBITS following the signature page of this Report.

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, each of the registrants has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SUNGARD CAPITAL CORP.
SUNGARD CAPITAL CORP. II
SUNGARD DATA SYSTEMS INC.

Date: March 16, 2012

By: /s/ RUSSELL P. FRADIN
Russell P. Fradin,
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the registrants and in the capacities and on the dates indicated.

Signature	Capacity	Date
/s/ RUSSELL P. FRADIN **Russell P. Fradin**	President, Chief Executive Officer and Director (principal executive officer)	March 16, 2012
/s/ ROBERT F. WOODS **Robert F. Woods**	Senior Vice President-Finance and Chief Financial Officer (principal financial officer)	March 16, 2012
/s/ KAREN M. MULLANE **Karen M. Mullane**	Vice President and Controller (principal accounting officer)	March 16, 2012
/s/ CHINH E. CHU **Chinh E. Chu**	Director	March 16, 2012
/s/ JOHN CONNAUGHTON **John Connaughton**	Director	March 16, 2012
/s/ JAMES H. GREENE, JR. **James H. Greene, Jr.**	Director	March 16, 2012
/s/ GLENN H. HUTCHINS **Glenn H. Hutchins**	Chairman of the Board of Directors	March 16, 2012
/s/ JAMES MANN **James Mann**	Director	March 16, 2012
/s/ JOHN MARREN **John Marren**	Director	March 16, 2012
/s/ SANJEEV MEHRA **Sanjeev Mehra**	Director	March 16, 2012
/s/ JULIE RICHARDSON **Julie Richardson**	Director	March 16, 2012

List of Exhibits

NUMBER	DOCUMENT
2.1	Agreement and Plan of Merger, dated as of August 4, 2011, by and among SunGard Capital Corp., SunGard Data Systems Inc., SunGard Investment Ventures LLC, SunGard Higher Education Inc., Sophia Holding I, L.P., Sophia Holding II, L.P., Sophia, L.P., Sophia Purchaser Company, L.P., Sophia HE Merger Sub, Inc. and Datatel Parent Corp. (incorporated by reference to the Exhibit filed on SunGard's Current Report on Form 8-K dated August 4, 2011 and filed August 10, 2011 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).
2.2	Asset Purchase Agreement, dated as of August 4, 2011, by and among SunGard Data Systems Inc., SunGard Higher Education Inc., Sophia, L.P. and Sophia Purchaser Company, L.P. incorporated by reference to the Exhibit filed on SunGard's Current Report on Form 8-K dated August 4, 2011 and filed August 10, 2011 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).
3.1	Amended and Restated Certificate of Incorporation of SunGard (incorporated by reference to the Exhibits filed with SunGard's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2005 (Commission File No. 1-12989)).
3.2	Amended and Restated Bylaws of SunGard (incorporated by reference to the Exhibits filed with SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 2007 (Commission File No. 1-12989)).
3.3	Amended and Restated Certificate of Incorporation of SunGard Capital Corp. (incorporated by reference to the Exhibits filed with SunGard Capital Corp.'s Registration Statement on Form 10-12G filed on April 30, 2009 (Commission File No. 000-53653)).
3.4	Amended and Restated Bylaws of SunGard Capital Corp. (incorporated by reference to the Exhibits filed with SunGard Capital Corp.'s Registration Statement on Form 10-12G filed on April 30, 2009 (Commission File No. 000-53653)).
3.5	Amended and Restated Certificate of Incorporation of SunGard Capital Corp. II (incorporated by reference to the Exhibits filed with SunGard Capital Corp. II's Registration Statement on Form 10-12G filed on April 30, 2009 (Commission File No. 000-53654)).
3.6	Amended and Restated Bylaws of SunGard Capital Corp. II (incorporated by reference to the Exhibits filed with SunGard Capital Corp. II's Registration Statement on Form 10-12G filed on April 30, 2009 (Commission File No. 000-53654)).
4.1	Indenture dated January 15, 2004 between SunGard and The Bank of New York, as trustee (incorporated by reference to the Exhibits filed with SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 2003 (Commission File No. 1-12989)).
4.2	Indenture, dated as of August 11, 2005, among Solar Capital Corp., SunGard Data Systems Inc., Guarantors named therein and The Bank of New York, as Trustee, governing the 10¼% Senior Subordinated Notes (incorporated by reference to the Exhibits filed with SunGard's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2005 (Commission File No. 1-12989)).

NUMBER	DOCUMENT
4.3	Indenture, dated as of September 29, 2008, among SunGard Data Systems Inc., Guarantors named therein and The Bank of New York Mellon, as Trustee, governing the 10.625% Senior Notes (incorporated by reference to the Exhibits filed with SunGard's Current Report on Form 8-K dated September 29, 2008 and filed October 3, 2008 (Commission File No. 1-12989)).
4.4	Indenture, dated as of November 16, 2010, among SunGard Data Systems Inc., Guarantors named therein and The Bank of New York Mellon, as Trustee, governing the 7.375% Senior Notes (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Current Report on Form 8-K dated November 15, 2010 and filed November 16, 2010 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).
4.5	Indenture, dated as of November 16, 2010, among SunGard Data Systems Inc., Guarantors named therein and The Bank of New York Mellon, as Trustee, governing the 7.625% Senior Notes (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Current Report on Form 8-K dated November 15, 2010 and filed November 16, 2010 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).
10.1	Lease, dated April 12, 1984, between SunGard and Broad and Noble Associates, Inc., relating to SunGard's facility at 401 North Broad Street, Philadelphia, Pennsylvania, and Amendments thereto, dated October 18, 1989, September 30, 1991 and November 19, 1992 ("401 Lease") (incorporated by reference to the Exhibits filed with SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 1992 (Commission File No. 0-14232)).
10.2	Amendment to 401 Lease, dated October 9, 1995 (incorporated by reference to the Exhibits filed with SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 1995 (Commission File No. 0-14232)).
10.3	Amendment to 401 Lease, dated December 23, 1996 (incorporated by reference to the Exhibits filed with SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 1996 (Commission File No. 0-14232)).
10.4	Amendment to 401 Lease, dated March 1997 (incorporated by reference to the Exhibits filed with SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 1997 (Commission File No. 1-12989)).
10.5	Amendment to 401 Lease, dated December 18, 1997 (incorporated by reference to the Exhibits filed with SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 1997 (Commission File No. 1-12989)).
10.6	Amendment to 401 Lease, dated June 9, 1999 (incorporated by reference to the Exhibits filed with SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 1999 (Commission File No. 1-12989)).
10.7	Amendment to 401 Lease, dated June 29, 2000 (incorporated by reference to the Exhibits filed with SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 2000 (Commission File No. 1-12989)).

NUMBER	DOCUMENT
10.8	Amendment to 401 Lease, dated March 31, 2006 (incorporated by reference to the Exhibits filed with SunGard's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2006 (Commission File No. 1-12989)).
10.9†	Lease, effective January 1, 2010 and dated November 20, 2009, between SunGard and Callowhill Management, Inc. relating to SunGard's facility at 401 North Broad Street, Philadelphia, Pennsylvania (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 2009 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively).
10.10	October 1999 Lease by and between Russo Family Limited Partnership and SunGard (as successor to Comdisco, Inc.); Amendment to Lease Agreement, dated November 15, 2001, by and between Russo Family Limited Partnership and SunGard; and Lease Assignment and Assumption Agreement, dated November 15, 2001, between Comdisco, Inc. and SunGard (each relating to SunGard's facility at 777 Central Boulevard, Carlstadt, New Jersey) (incorporated by reference to the Exhibits filed with SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 2001 (Commission File No. 1-12989)).
10.11	Amended and Restated Lease Agreement, dated November 23, 2009, by and between Russo Family Limited Partnership, L.P. and SunGard relating to SunGard's facility at 777 Central Boulevard, Carlstadt, New Jersey (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 2009 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively).
10.12	August 2002 Lease Agreement between 760 Washington Avenue, L.L.C. and SunGard relating to SunGard's facility at 760 Washington Avenue, Carlstadt, New Jersey ("760 Washington Lease") (incorporated by reference to the Exhibits filed with SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 2002 (Commission File No. 1-12989)).
10.13	Amendment to 760 Washington Lease, dated May 16, 2003 (incorporated by reference to the Exhibits filed with SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 2003 (Commission File No. 1-12989)).
10.14	Amended and Restated Lease Agreement, dated November 23, 2009, by and between 760 Washington Avenue, L.L.C. and SunGard relating to SunGard's facility at 760 Washington Avenue, Carlstadt, New Jersey (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 2009 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).
10.15	January 2005 Lease Agreement between 410 Commerce L.L.C. and SunGard relating to SunGard's facility at 410 Commerce Boulevard, Carlstadt, New Jersey ("410 Commerce Boulevard Lease") (incorporated by reference to the Exhibits filed with SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 2004 (Commission File No. 1-12989)).

NUMBER	DOCUMENT
10.16	Amendment to 410 Commerce Boulevard Lease, dated November 23, 2009 (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 2009 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).
10.17	Amended and Restated Credit Agreement, dated as of August 11, 2005, as amended and restated as of June 9, 2009, as further amended by the First Refinancing Amendment dated as of January 31, 2011, as further amended by the Second Refinancing and Incremental Amendment dated as of March 11, 2011 as further amended by the Third Amendment dated as of November 10, 2011, and as further amended by the Fourth Amendment and Restatement Agreement dated as of the March 2, 2012 among SunGard Data Systems Inc., SunGard UK Holdings Limited, SunGard Holdco LLC, JPMorgan Chase Bank, N.A., as Administrative Agent, and the lenders party thereto (incorporated by reference to the Exhibit filed on SunGard's Current Report on Form 8-K dated March 2, 2012 and filed March 7, 2012 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).
10.18	Guarantee Agreement, dated as of August 11, 2005, among SunGard Holdco LLC, SunGard Data Systems Inc., Solar Capital Corp., the Subsidiaries of SunGard Data Systems Inc. identified therein and JPMorgan Chase Bank, N.A., as Administrative Agent (incorporated by reference to the Exhibits filed with SunGard's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2005 (Commission File No. 1-12989)).
10.19	Security Agreement, dated as of August 11, 2005, among SunGard Holdco LLC, SunGard Data Systems Inc., Solar Capital Corp., the Subsidiaries of SunGard Data Systems Inc. identified therein and JPMorgan Chase Bank, N.A., as Collateral Agent (incorporated by reference to the Exhibits filed with SunGard's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2005 (Commission File No. 1-12989)).
10.20	Intellectual Property Security Agreement, dated as of August 11, 2005, among SunGard Holdco LLC, SunGard Data Systems Inc., Solar Capital Corp., the Subsidiaries of SunGard Data Systems Inc. identified therein and JPMorgan Chase Bank, N.A., as Collateral Agent (incorporated by reference to the Exhibits filed with SunGard's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2005 (Commission File No. 1-12989)).
10.21	Amended and Restated Credit and Security Agreement, dated as of September 30, 2010, by and among SunGard AR Financing LLC as the Borrower, the financial institutions signatory thereto from time to time as the Lenders, and General Electric Capital Corporation as a Lender, as Swing Line Lender and as the Administrative Agent (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Current Report on Form 8-K dated September 30, 2010 and filed October 6, 2010 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).
10.22	Receivables Sale Agreement, dated as of March 27, 2009, by and among each of the persons signatory thereto from time to time as Sellers, SunGard AR Financing LLC as the Buyer, and SunGard Data Systems Inc., as the Seller Agent (incorporated by reference to the Exhibits filed with SunGard's Current Report on Form 8-K dated March 27, 2009 and filed on April 2, 2009 (Commission File No. 1-12989)).

NUMBER	DOCUMENT
10.23	Seller Support Agreement, dated as of March 27, 2009, by SunGard Data Systems Inc., in favor of SunGard AR Financing LLC (incorporated by reference to the Exhibits filed with SunGard's Current Report on Form 8-K dated March 27, 2009 and filed on April 2, 2009 (Commission File No. 1-12989)).
10.24(1)	Form of Executive Employment Agreement, effective as of August 11, 2005, between SunGard Data Systems Inc. and certain executive officers of SunGard Data Systems Inc. (incorporated by reference to the Exhibits filed with SunGard's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2005 (Commission File No. 1-12989)).
10.25(1)	Form of Executive Employment Agreement, effective as of August 11, 2005, between SunGard Data Systems Inc. and certain executive officers of SunGard Data Systems Inc. located in California, the United Kingdom and Switzerland (incorporated by reference to the Exhibits filed with SunGard's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2005 (Commission File No. 1-12989)).
10.26(1)	Form of Executive Employment Agreement, effective as of August 11, 2005, between SunGard Data Systems Inc. and certain executive officers of SunGard Data Systems Inc. located in California, the United Kingdom and Switzerland employed by a subsidiary of SunGard Data Systems Inc. (incorporated by reference to the Exhibits filed with SunGard's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2005 (Commission File No. 1-12989)).
10.27(1)	Employment Agreement between Kathleen Weslock and SunGard Data Systems Inc., dated and effective as of March 16, 2010 (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 2009 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).
10.28(1)	Amendment dated May 12, 2011 to the Employment Agreement between Kathleen Weslock and SunGard Data Systems Inc., dated and effective as of March 16, 2010 (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2011 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).
10.29(1)	Employment Agreement between Karen Mullane and SunGard Data Systems Inc., dated and effective as of December 29, 2009 (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 2009 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).
10.30(1)	Employment Agreement between Robert Woods and SunGard Data Systems Inc., effective as of January 1, 2010 (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Current Report on Form 8-K dated December 16, 2009 and filed on December 22, 2009 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).
10.31(1)	Amendment dated May 17, 2011 to the Employment Agreement by and between SunGard Data Systems Inc. and Robert Woods effective as of January 1, 2010 (incorporated by reference to the Exhibit filed with SCC's, SCCII's and SunGard's Current Report on Form 8-K dated May 17, 2011 and filed on May 23, 2011 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).

NUMBER	DOCUMENT
10.32(1)	Employment Agreement between Andrew Stern and SunGard Data Systems Inc., SunGard Capital Corp. and SunGard Capital Corp. II, effective as of June 1, 2010 and forms of initial equity awards granted to Andrew Stern on June 21, 2010 included as Exhibits A and B (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2010 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).
10.33(1)††	Employment Agreement by and among Russell Fradin, SunGard Data Systems Inc., SunGard Capital Corp. and SunGard Capital Corp. II, dated May 13, 2011 and effective as of May 31, 2011 (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2011 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).
10.34(1)	SunGard 2005 Management Incentive Plan as Amended December 22, 2010 (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 2010 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).
10.35(1)	SunGard Dividend Rights Plan as Amended September 6, 2007 (incorporated by reference to the Exhibits filed with SunGard's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2007 (Commission File No. 1-12989)).
10.36(1)	Forms of Rollover Stock Option Award Agreements (incorporated by reference to the Exhibits filed with SunGard's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2005 (Commission File No. 1-12989)).
10.37(1)	Forms of Time-Based Stock Option Award Agreements (incorporated by reference to the Exhibits filed with SunGard's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2005 (Commission File No. 1-12989)).
10.38(1)	Forms of Performance-Based Stock Option Award Agreements (incorporated by reference to the Exhibits filed with SunGard's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2005 (Commission File No. 1-12989)).
10.39(1)	Forms of Time-Based Restricted Stock Unit Award Agreements (incorporated by reference to the Exhibits filed with SunGard's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2007 (Commission File No. 1-12989)).
10.40(1)	Forms of Performance-Based Restricted Stock Unit Award Agreements (incorporated by reference to the Exhibits filed with SunGard's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2007 (Commission File No. 1-12989)).
10.41(1)	Forms of Time-Based Class A Stock Option Award Agreements (incorporated by reference to the Exhibits filed with SunGard's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2007 (Commission File No. 1-12989)).
10.42(1)	Forms of Performance-Based Class A Stock Option Award Agreements (incorporated by reference to the Exhibits filed with SunGard's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2007 (Commission File No. 1-12989)).
10.43(1)	Form of Amendment to the Performance Based Stock Option Award Agreements (incorporated by reference to the Exhibits filed with Schedule TO of SunGard Capital Corp. and SunGard Capital Corp. II, each filed August 13, 2009 (Commission File Nos. 5-84880 and 5-84881, respectively)).

NUMBER	DOCUMENT
10.44(1)	Form of Amendment to the Performance-Based Restricted Stock Unit Award Agreements (incorporated by reference to the Exhibits filed with Schedule TO of SunGard Capital Corp. and SunGard Capital Corp. II, each filed August 13, 2009 (Commission File Nos. 5-84880 and 5-84881, respectively)).
10.45(1)	Form of Amendment to the Performance-Based Class A Stock Option Award Agreements (incorporated by reference to the Exhibits filed with Schedule TO of SunGard Capital Corp. and SunGard Capital Corp. II, each filed August 13, 2009 (Commission File Nos. 5-84880 and 5-84881, respectively))
10.46(1)	Forms of Amendment to Senior Management Performance-Based Stock Option Award Agreements (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Current Report on Form 8-K dated November 30, 2009 and filed on December 3, 2009 (Commission File No's.000-53653, 000-53654 and 1-12989, respectively)).
10.47(1)	Form of Amendment to Senior Management Performance-Based Class A Stock Option Award Agreement (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Current Report on Form 8-K dated November 30, 2009 and filed on December 3, 2009 (Commission File No's.000-53653, 000-53654 and 1-12989, respectively)).
10.48(1)	Form of Amendment to Senior Management Performance-Based Restricted Stock Unit Award Agreement (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Current Report on Form 8-K dated November 30, 2009 and filed on December 3, 2009 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).
10.49(1)	Forms of 2009 Senior Management Performance-Based Restricted Stock Unit Award Agreements (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2009 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).
10.50(1)	Forms of 2009 Senior Management Performance-Based Class A Stock Option Award Agreements (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2009 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).
10.51(1)	Form of 2009 Senior Management Time-Based Restricted Stock Unit Award Agreement (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2009 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).
10.52(1)	Form of 2009 Senior Management Time-Based Class A Stock Option Award Agreement (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2009 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).
10.53(1)	Forms of May 2010 Performance-Based Restricted Stock Unit Award Agreements (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2010 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).

NUMBER	DOCUMENT
10.54(1)	Forms of May 2010 Performance-Based Class A Stock Option Award Agreements (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2010 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).
10.55(1)	Forms of May 2010 Time-Based Restricted Stock Unit Award Agreements (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2010 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).
10.56(1)	Forms of May 2010 Time-Based Class A Stock Option Award Agreements (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2010 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).
10.57(1)	Forms of June 25, 2010 Amendment to the Performance-Based Equity Award Agreements (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2010 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).
10.58(1)	Form of June 2011 Time-Based Restricted Stock Unit Award Agreements (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2011 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).
10.59(1)	Form of June 2011 Performance-Based Restricted Stock Unit Award Agreements (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2011 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).
10.60(1)	Summary Description of SunGard's Annual Executive Incentive Compensation Program (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 2009 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).
10.61(1)	Form of Indemnification Agreement entered into by SunGard with certain officers (incorporated by reference to the Exhibits filed with SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 1991 (Commission File No. 0-14232)).
10.62(1)	Form of Indemnification Agreement between SunGard Capital Corporation, SunGard Capital Corporation II, SunGard Holding Corporation, SunGard HoldCo LLC, SunGard Data Systems Inc. and directors and certain executive officers of SunGard Data Systems Inc. (incorporated by reference to the Exhibits filed with SunGard's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2005 (Commission File No. 1-12989)).
10.63	Stockholders Agreement, dated as of August 10, 2005, by and among SunGard Capital Corp., SunGard Capital Corp. II, SunGard Holding Corp., SunGard Holdco LLC, Solar Capital Corp. and Certain Stockholders of SunGard Capital Corp. and SunGard Capital Corp. II (incorporated by reference to the Exhibits filed with SunGard's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2005 (Commission File No. 1-12989))

NUMBER		DOCUMENT
10.64		Participation, Registration Rights and Coordination Agreement, dated as of August 10, 2005, by and among SunGard Capital Corp., SunGard Capital Corp. II, SunGard Holding Corp., SunGard Holdco LLC, Solar Capital Corp. and Certain Persons who will be Stockholders of SunGard Capital Corp. and SunGard Capital Corp. II (incorporated by reference to the Exhibits filed with SunGard's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2005 (Commission File No. 1-12989)).
10.65		Principal Investor Agreement, dated as of August 10, 2005, by and among SunGard Capital Corp., SunGard Capital Corp. II, SunGard Holding Corp., SunGard Holdco LLC, Solar Capital Corp. and the Principal Investors ("Principal Investor Agreement") (incorporated by reference to the Exhibits filed with SunGard's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2005 (Commission File No. 1-12989)).
10.66		Amendment No. 2 to Principal Investor Agreement, dated as of January 31, 2008 (incorporated by reference to the Exhibits filed with SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 2007 (Commission File No. 1-12989)).
10.67		Management Agreement, dated as of August 11, 2005, by and among SunGard Data Systems Inc., SunGard Capital Corp., SunGard Capital Corp. II, SunGard Holding Corp., SunGard Holdco LLC, Bain Capital Partners, LLC, Blackstone Communications Advisors I L.L.C., Blackstone Management Partners IV L.L.C., Goldman, Sachs & Co., Kohlberg Kravis Roberts & Co. L.P., Providence Equity Partners V Inc., Silver Lake Management Company, L.L.C. and TPG GenPar IV, L.P. (incorporated by reference to the Exhibits filed with SunGard's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2005 (Commission File No. 1-12989)).
12.1	*	Computation of Ratio of Earnings to Fixed Charges (filed with this Report).
21.1	*	Subsidiaries of the Registrants (filed with this Report).
23.1	*	Consent of Independent Registered Public Accounting Firm regarding SunGard's consolidated financial statements (filed with this Report).
31.1	*	Certification of Russell P. Fradin, Chief Executive Officer, required by Rule 13a-14(a) or Rule 15d-14(a) and Section 302 of the Sarbanes-Oxley Act of 2002 (filed with this Report).
31.2	*	Certification of Robert F. Woods, Chief Financial Officer, required by Rule 13a-14(a) or Rule 15d-14(a) and Section 302 of the Sarbanes-Oxley Act of 2002 (filed with this Report).
32.1	*	Certification of Russell P. Fradin, Chief Executive Officer, required by Rule 13a-14(b) or Rule 15d-14(b) and Section 906 of the Sarbanes-Oxley Act of 2002 (filed with this Report).
32.2	*	Certification of Robert F. Woods, Chief Financial Officer, required by Rule 13a-14(b) or Rule 15d-14(b) and Section 906 of the Sarbanes-Oxley Act of 2002 (filed with this Report).
101	*	Interactive Data Files for SunGard Capital Corp., SunGard Capital Corp. II and SunGard Data Systems Inc. pursuant to Rule 405 of Regulation S-T: (i) Consolidated Balance Sheets as of December 31, 2010 and 2011, (ii) Consolidated Statements of Comprehensive Income for the years ended December 31, 2009, 2010 and 2011, (iii) Consolidated Statements of Cash Flows for the years ended December 31, 2009, 2010 and 2011, (iv) Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2009, 2010 and 2011 and (v) Notes to Consolidated Financial Statements.

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† Portions of this exhibit have been omitted in accordance with an order granting confidential treatment.

†† Portions of this exhibit have been omitted pursuant to a request for confidential treatment submitted by the registrants to the U.S. Securities and Exchange Commission.

* Filed with this report.

(1) Management contract or compensatory plan or arrangement.

Exhibit 12.1

SunGard Capital Corp.
SunGard Capital Corp. II
SunGard Data Systems Inc.
Computation of Ratio of Earnings to Fixed Charges (Unaudited)
($ in millions)

	Year Ended December 31,		
	2009	2010	2011
Fixed charges			
Interest expense	$ 595	$ 596	$ 485
Amortization of debt issuance costs and debt discount	42	43	40
Portion of rental expense representative of interest	79	78	78
Total fixed charges	$ 716	$ 717	$ 603
Earnings			
Income (loss) from continuing operations before income taxes	$(1,301)	$(482)	$(191)
Fixed charges per above	716	717	603
Total earnings	$ (585)	$ 235	$ 412
Ratio of earnings to fixed charges	*	*	*

* Earnings for the years ended December 31, 2009, 2010 and 2011 were inadequate to cover fixed charges by $1,301 million, $482 million and $191 million, respectively.

Exhibit 31.1

Certification of Russell P. Fradin
Required by Rule 13a-14(a) or Rule 15d-14(a) and
Section 302 of the Sarbanes-Oxley Act of 2002

I, Russell P. Fradin, certify that:

1. I have reviewed this annual report on Form 10-K of SunGard Capital Corp., SunGard Capital Corp. II and SunGard Data Systems Inc. (collectively, "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 16, 2012

/s/ Russell P. Fradin

Russell P. Fradin
President and Chief Executive Officer
SunGard Capital Corp., SunGard Capital Corp. II
& SunGard Data Systems Inc.

Exhibit 31.2

Certification of Robert F. Woods
Required by Rule 13a-14(a) or Rule 15d-14(a) and
Section 302 of the Sarbanes-Oxley Act of 2002

I, Robert F. Woods, certify that:

1. I have reviewed this annual report on Form 10-K of SunGard Capital Corp., SunGard Capital Corp. II and SunGard Data Systems Inc. (collectively, "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 16, 2012

/s/ Robert F. Woods

Robert F. Woods
Chief Financial Officer
SunGard Capital Corp., SunGard Capital Corp. II
& SunGard Data Systems Inc.

Exhibit 32.1

Certification of Russell P. Fradin
Required by Rule 13a-14(b) or Rule 15d-14(b) and
Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C.(S) 1350, as adopted), I, Russell P. Fradin, Chief Executive Officer of SunGard Capital Corp., SunGard Capital Corp. II and SunGard Data Systems Inc. (collectively, the "Company"), hereby certify that to my knowledge:

1. The Company's Annual Report on Form 10-K for the period ended December 31, 2011 (the "Periodic Report") fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 16, 2012

Russell P. Fradin

Russell P. Fradin
Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to SunGard Capital Corp., SunGard Capital Corp. II and SunGard Data Systems Inc. and will be retained by SunGard Capital Corp., SunGard Capital Corp. II and SunGard Data Systems Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

Certification of Robert F. Woods
Required by Rule 13a-14(b) or Rule 15d-14(b) and
Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C.(S) 1350, as adopted), I, Robert F. Woods, Chief Financial Officer of SunGard Capital Corp., SunGard Capital Corp. II and SunGard Data Systems Inc. (collectively, the "Company"), hereby certify that to my knowledge:

1. The Company's Annual Report on Form 10-K for the period ended December 31, 2011 (the "Periodic Report") fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 16, 2012

/s/ Robert F. Woods

Robert F. Woods
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to SunGard Capital Corp., SunGard Capital Corp. II and SunGard Data Systems Inc. and will be retained by SunGard Capital Corp., SunGard Capital Corp. II and SunGard Data Systems Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
for the fiscal year ended December 31, 2012

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
for the transition period from to

Commission File Numbers:

SunGard Capital Corp. 000-53653
SunGard Capital Corp. II 000-53654
SunGard Data Systems Inc. 001-12989

SunGard® Capital Corp.
SunGard® Capital Corp. II
SunGard® Data Systems Inc.

(Exact name of registrant as specified in its charter)

Delaware	**20-3059890**
Delaware	**20-3060101**
Delaware	**51-0267091**
(State of incorporation)	**(I.R.S. Employer Identification No.)**

680 East Swedesford Road, Wayne, Pennsylvania 19087
(Address of principal executive offices, including zip code)

484-582-2000
(Telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:
None

Securities registered pursuant to Section 12(g) of the Act:
Restricted Stock Units Granting Conditional Rights to Units Consisting of:
Class A Common Stock of SunGard Capital Corp., par value $0.001 per share,
Class L Common Stock of SunGard Capital Corp., par value $0.001 per share, and
Preferred Stock of SunGard Capital Corp. II, par value $0.001 per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

SunGard Capital Corp.	Yes ☐ No ☒
SunGard Capital Corp. II	Yes ☐ No ☒
SunGard Data Systems Inc.	Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

SunGard Capital Corp.	Yes ☐ No ☒
SunGard Capital Corp. II	Yes ☐ No ☒
SunGard Data Systems Inc.	Yes ☒ No ☐

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

SunGard Capital Corp.	Yes ☒ No ☐
SunGard Capital Corp. II	Yes ☒ No ☐
SunGard Data Systems Inc.	Yes ☐ No ☒

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

SunGard Capital Corp.	Yes ☒ No ☐
SunGard Capital Corp. II	Yes ☒ No ☐
SunGard Data Systems Inc.	Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference into Part III of this Form 10-K or any amendment to this Form 10-K.

SunGard Capital Corp. ☐ SunGard Capital Corp. II ☐ SunGard Data Systems Inc. ☒

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

SunGard Capital Corp.	Large accelerated filer ☐.	Accelerated filer ☐.	Non-accelerated filer ☒.	Smaller reporting company ☐.
SunGard Capital Corp.II	Large accelerated filer ☐.	Accelerated filer ☐.	Non-accelerated filer ☒.	Smaller reporting company ☐.
SunGard Data Systems Inc.	Large accelerated filer ☐.	Accelerated filer ☐.	Non-accelerated filer ☒.	Smaller reporting company ☐.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

SunGard Capital Corp.	Yes ☐ No ☒
SunGard Capital Corp. II	Yes ☐ No ☒
SunGard Data Systems Inc.	Yes ☐ No ☒

The aggregate market value of the registrants' voting stock held by nonaffiliates is zero. The registrants are privately held corporations.

The number of shares of the registrants' common stock outstanding as of March 1, 2013:

SunGard Capital Corp.:	256,474,160 shares of Class A common stock and 28,497,129 shares of Class L common stock
SunGard Capital Corp. II:	100 shares of common stock
SunGard Data Systems Inc.:	100 shares of common stock

DOCUMENTS INCORPORATED BY REFERENCE

None.

Table of Contents

		Page
Forward-Looking Statements		2
	PART I	
Item 1.	Business	2
	Segment Overview	3
	Financial Systems	3
	Availability Services	5
	Other	6
	Acquisitions	6
	Product Development	6
	Marketing	7
	Brand and Intellectual Property	7
	Competition	7
	Employees	8
Item 1A.	Risk Factors	8
Item 1B.	Unresolved Staff Comments	18
Item 2.	Properties	18
Item 3.	Legal Proceedings	18
Item 4.	Mine Safety Disclosures	18
	PART II	
Item 5.	Market for Registrants' Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	19
Item 6.	Selected Financial Data	19
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	21
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	47
Item 8.	Financial Statements and Supplementary Data	49
Item 9.	Changes In and Disagreements With Accountants on Accounting and Financial Disclosure	110
Item 9A.	Controls and Procedures	110
Item 9B.	Other Information	111
	PART III	
Item 10.	Directors, Executive Officers and Corporate Governance	112
Item 11.	Executive Compensation	116
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	145
Item 13.	Certain Relationships and Related Transactions, and Director Independence	149
Item 14.	Principal Accountant Fees and Services	151
	PART IV	
Item 15.	Exhibits and Financial Statement Schedules	152
Signatures		153
List of Exhibits		154

Explanatory Note

This Annual Report on Form 10-K ("Report") is a combined report being filed separately by three registrants: SunGard Capital Corp. ("SCC"), SunGard Capital Corp. II ("SCCII") and SunGard Data Systems Inc. ("SunGard"). SCC and SCCII are collectively referred to as the "Parent Companies." Unless the context indicates otherwise, any reference in this Report to the "Company," "we," "us" and "our" refer to the Parent Companies together with their direct and indirect subsidiaries, including SunGard. Each registrant hereto is filing on its own behalf all of the information contained in this Report that relates to such registrant. Each registrant hereto is not filing any information that does not relate to such registrant, and therefore makes no representation as to any such information.

Forward-Looking Statements

Certain of the matters we discuss in this Report may constitute forward-looking statements. You can identify forward-looking statements because they contain words such as "believes," "expects," "may," "will," "should," "seeks," "approximately," "intends," "plans," "estimates," or "anticipates" or similar expressions which concern our strategy, plans or intentions. These forward-looking statements are subject to risks and uncertainties that may change at any time, and, therefore, our actual results may differ materially from those we expected. We describe some of the factors that we believe could affect our results in ITEM 1A—RISK FACTORS. We assume no obligation to update any written or oral forward-looking statements made by us or on our behalf as a result of new information, future events or other factors.

PART I

ITEM 1. BUSINESS

We are one of the world's leading software and technology services companies. We provide software and technology services to financial services, education and public sector organizations. We also provide disaster recovery services, managed services, information availability consulting services and business continuity management software. We serve approximately 25,000 customers in more than 70 countries. Our high quality software solutions, excellent customer support and specialized technology services result in strong customer retention rates across all of our business segments and create long-term customer relationships.

We operate our business in three segments: Financial Systems ("FS"), Availability Services ("AS") and Other, which is comprised of K-12 Education ("K-12") and Public Sector ("PS"). On January 19 and 20, 2012, the Company completed the sale of its Higher Education ("HE") business, which is included in discontinued operations for purposes of this Report.

FS provides mission-critical software and technology services to virtually every type of financial services institution, including buy-side and sell-side institutions, third-party administrators, wealth managers, retail banks, insurance companies, corporate treasuries and energy trading firms. Our broad range of complementary software solutions and associated technology services help financial services institutions automate the business processes associated with trading, managing portfolios and accounting for investment assets.

AS 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, AS 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. Through direct sales and channel partners, AS helps organizations ensure their people and customers have uninterrupted access to the information systems they need in order to do business.

Other (K-12 and PS) provides software and technology services designed to meet the specialized needs of local, state and federal governments, public safety and justice agencies, public and private schools, utilities, nonprofits and other public sector institutions.

With a large portfolio of proprietary products and services in each of our three business segments, we have a diversified and stable business. Our base of approximately 25,000 customers includes most of the world's largest financial services firms, a variety of other financial services firms, corporate and government treasury departments, energy companies, school districts, local governments and nonprofit organizations. Our AS business serves customers across virtually all industries. Our revenue is highly diversified by customer and product. During each of the past three fiscal years, no single customer has accounted for more than 3% of total revenue. On average for the past three fiscal years, services revenue has been approximately 91% of total revenue. About 80% of services revenue is highly recurring as a result of multiyear contracts and is generated from (1) software-related services including software maintenance and support, processing and rentals and (2) recovery and managed services. The remaining services revenue includes (1) professional services, which are mainly generated from implementation and consulting services in connection with the sale of our products and (2) broker/dealer fees, which are largely correlated with trading volumes.

We were acquired in August 2005 in a leveraged buy-out ("LBO") by a consortium of private equity investment funds associated with Bain Capital Partners, The Blackstone Group, Goldman, Sachs & Co., Kohlberg Kravis Roberts & Co., Providence Equity Partners, Silver Lake and TPG. As a result of the LBO, we are highly leveraged and our equity is not publicly traded.

Our Sponsors continually evaluate various strategic alternatives with respect to the Company. There can be no assurance that we will ultimately pursue any strategic alternatives with respect to any business segment, or, if we do, what the structure or timing for any such transaction would be.

To the extent required by ITEM 1 of Form 10-K, financial information regarding our segments is included in Note 13 of the Notes to Consolidated Financial Statements.

Segment Overview

Financial Systems

FS provides mission critical software and technology services to financial services institutions, corporate and government treasury departments and energy companies. Our solutions automate the many complex business processes associated primarily with trading, managing investment portfolios and accounting for investment assets, and also address the processing requirements of a broad range of users within the financial services sector. In addition, we provide technology services that focus on application implementation and integration of these solutions, custom software development and application management. Since our inception, we have consistently enhanced our solutions to add new features, process new types of financial instruments, meet new regulatory requirements, incorporate new technologies and meet evolving customer needs on a global basis.

We deliver many of our solutions as an application-service provider, primarily from our data centers located in North America and Europe that customers access through the Internet or virtual private networks. We also deliver some of our solutions by licensing the software to customers for use on their own computers and premises.

Our FS business offers software and technology services to a broad range of users, including asset managers, chief financial officers, compliance officers, custodians, fund administrators, insurers and reinsurers, market makers, plan administrators, registered investment advisors, treasurers, traders and wealth managers. FS is grouped into complementary solutions that focus on the specific requirements of our customers, as follows:

Asset Management: We offer solutions that help institutional investors, hedge funds, private equity firms, fund administrators and securities transfer agents improve both investment decision-making and operational

efficiency, while managing risk and increasing transparency. Our solutions support every stage of the investment process, from research and portfolio management, to valuation, risk management, compliance, investment accounting, transfer agency and client reporting.

Banking: Our banking solutions help retail, corporate and international private banks to better manage their customers, capital and staff. We provide integrated solution suites for asset/liability management, budgeting and planning, regulatory compliance and profitability. We offer retail banks a range of solutions helping them address core banking, online and mobile banking, as well as customer and card management requirements. We also provide front-to-back-office solutions for equipment finance organizations and help international private banks with core banking, channel and client management, and various ASP services. Finally, we provide enterprise matching and reconciliation solutions to financial institutions.

Brokerage: Our brokerage solutions provide trade execution and network solutions to financial institutions, corporations and municipalities in North America, Europe and other global markets. Our trade execution and network solutions help both buy- and sell-side firms improve execution quality, minimize information leakage, decrease overall execution costs and address today's trade connectivity challenges.

Capital Markets: Our capital markets solutions help banks, broker/dealers, futures commission merchants and other financial institutions to increase the efficiency, transparency and control of their trading operations across multiple platforms, asset classes and markets. Supporting the entire trade lifecycle from front-to-back, these solutions provide everything from connectivity, execution services and risk management to securities finance, collateral management and compliance. Additionally, these solutions help customers to create and manage consolidated views across all their positions and risk.

Corporate Liquidity: Our solutions for corporate liquidity help businesses facilitate connectivity between their buyers, suppliers, banks, data providers and other stakeholders to increase visibility of cash, improve communication and response time, reduce risk, and help drive maximum value from working capital. Our end-to-end collaborative financial management framework helps chief financial officers and treasurers bring together receivables, treasury and payments for a single view of cash and risk, and to optimize business processes for enhanced liquidity management.

Energy. Our energy and commodities solutions help energy companies, corporate hedgers, hedge funds and financial services firms to compete efficiently in global energy and commodities markets by streamlining and integrating the trading, risk management and operations of physical commodities and their associated financial instruments.

Insurance: We provide solutions for the insurance industry in each of the following major business lines: life and health, annuities and pensions, property and casualty, reinsurance and asset management. Our software and services support functions from the front-office through the back-office, from customer service, policy administration and actuarial calculations to financial and investment accounting and reporting.

Wealth & Retirement Administration: We provide wealth management solutions that help banks, trust companies, brokerage firms, insurance firms, benefit administrators and independent advisors acquire, service and grow their client relationships. We provide solutions for client acquisition, transaction management, trust accounting and recordkeeping that can be deployed as stand-alone products, or as part of an integrated wealth management platform.

FS also has a global services organization that delivers business consulting, technology and managed and professional services for financial services institutions, energy companies and corporations. Leveraging our global delivery model, our consultants and developers worldwide help customers manage their complex data needs, optimize end-to-end business processes and assist with systems integration, while providing full application development, maintenance, testing and support services.

Availability Services

AS helps customers improve the resilience of their mission critical systems by designing, implementing and managing cost-effective solutions using people, processes and technology to address enterprise IT availability needs. As the pioneer of commercial disaster recovery in the 1970s, we believe our specialization in information availability solutions, together with our vast experience, technology expertise, resource management capabilities, vendor neutrality and diverse service offerings, have uniquely positioned us to help meet customers' varied needs in an environment in which businesses are critically dependent on the availability of IT. Our comprehensive portfolio of services extends from always-ready standby services to high availability advanced recovery services and always-on production and managed services. This includes planning and provisioning of enterprise cloud computing and SaaS platforms. Additionally, we provide business continuity management software and consulting services to help customers design, implement and maintain plans to protect their central business systems. To serve our more than 8,000 customers, we have approximately 5,000,000 square feet of data center and operations space at over 90 facilities in ten countries. Since inception, we have 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.

We provide the following four categories of services: recovery services, managed services, consulting services and business continuity management software. The combination of all of these services provides our customers with a complete set of IT operations and information availability management solutions.

Although high availability and recovery services remain as important revenue generating services, including our recently introduced managed recovery program ("MRP"), managed services, consulting services and business continuity management software increasingly account for a greater percentage of new sales. Because advanced recovery and managed services are often unique to individual customers and utilize a greater proportion of dedicated (versus shared) resources, they typically require modestly more capital expenditures. Cloud solutions, however, are changing industry economics to allow for lower-cost, partially dedicated solutions.

Recovery Services: We help customers maintain access to the information and computer systems needed to run their businesses by providing cost-effective solutions to keep IT systems operational and secure in the event of an unplanned business disruption. These business disruptions can range from man-made events (e.g., power outages, telecommunications disruptions and acts of terrorism) to natural disasters (e.g., floods, hurricanes and earthquakes). We offer a complete range of recovery services tailored to application uptime requirements. These requirements are typically based on the criticality of the supported business processes. Some of these solutions can be delivered using processors, servers, storage devices, networks and other resources and infrastructure that are subscribed to by multiple customers. Recovery services range from basic standby infrastructure recovery services, workforce continuity services, and mobile recovery options to advanced recovery or high availability solutions. Managed recovery services represent a growing area, with industry regulations and the growing complexity of heterogeneous environments (i.e., cloud, virtual, physical) fueling demand. Our MRP offering—in which AS personnel lead planning, set-up, maintenance, testing and execution of a recovery solution—addresses key customer needs, including on their own premises. Our ability to provide MRP on the customers' premises provides value to enterprises that have made investments to execute their recovery requirements on-site. Demand has also increased for cloud-based recovery services.

Managed Services: We provide IT infrastructure and production services that customers use to run their businesses on a day-to-day basis. These services range from co-located IT infrastructure (e.g., we provide data center space, power, cooling and network connectivity) to fully managed infrastructure services (e.g., we fully manage the daily operation of a customer's IT infrastructure). Managed services help customers augment their IT resources and skills without having to hire full-time internal IT staff and make capital investments in infrastructure. In addition to managed hosting services for physical infrastructures, cloud hosting as well as managed services solutions spanning mixed physical and virtual environments are becoming more commonplace. In 2010, we launched enterprise-grade cloud services and have augmented

these with high availability, multi-site solutions and private cloud options in 2011. Geographically, we deliver cloud services out of the U.S., Canada and Great Britain and a self-service cloud option out of Ireland.

Consulting Services: We offer consulting services to help customers solve critical business availability and IT infrastructure problems. Our six primary practice areas are information lifecycle governance, data protection, cloud, business continuity management, disaster recovery cost optimization and data center outsourcing. Current capabilities include enterprise resiliency, technology architecture, infrastructure operations and operational risk, taken to market through vertical practices focused in financial services, healthcare, manufacturing, energy and outsourcing.

Business Continuity Management Software: We provide customized software that facilitates business continuity, with automated business continuity management (BCM) systems and incident management modules for more than 1,500 customers. There are strong growth prospects driven by customers' lack of internal IT expertise, the required familiarity with the regulatory environment and the growing demand for centralization of BCM planning and governance.

Availability Services operates across the UK and in Europe, delivering a very similar set of services as in the Americas. With locations in the UK, Ireland, France, Sweden, Belgium and Luxembourg, we have considerable ability to support customers from the European Union. In addition, we have Indian operations which provide workforce continuity services out of three locations.

Other

K-12 Education: We provide administrative information software solutions and related implementation and support services for K-12 school districts and private schools throughout the United States. Our software and technology services help school districts improve the efficiency of their operations and use Web-based technologies to serve their constituents. We offer a fully integrated suite of products for student information, learning management, special education, financial and human resource activities.

Public Sector: PS provides software and technology services designed to meet the specialized needs of local, state and federal governments, public safety and justice agencies, utilities and public sector institutions as well as nonprofits. More than 115 million citizens in North America live in municipalities that rely on our products and services. Our public administration solutions support a range of specialized enterprise resource planning and administrative processes for functions such as accounting, human resources, payroll, utility billing, land management and managed IT services. Public safety and justice agencies use our solutions to manage emergency dispatch operations, citizen and incident records, mobile computing in the field, and the operation of courts and jails. Our e-Government solutions help local governments to use the Internet and wireless technologies to serve their constituents. In December 2010, we sold our Public Sector U.K. operation.

Acquisitions

To complement our organic growth, we have a highly disciplined program to identify, evaluate, execute and integrate acquisitions. Generally, we seek to acquire businesses that broaden our existing product lines and service offerings by adding complementary products and service offerings and by expanding our geographic reach. During 2012, we spent approximately $40 million in cash to acquire two businesses. The following table lists the businesses we acquired in 2012:

Acquired Company/Business	Date Acquired	Description
Syntesys	01/05/12	A European SWIFT service bureau and network of business and technical experts dedicated to serving the SWIFT community.
XcitekSolutionsPlus, LLC ("XSP")	12/21/12	A leading provider of end-to-end, automated corporate actions solutions.

Product Development

We continually support, upgrade and enhance our systems and develop new products to meet the needs of our customers for operational efficiency and resilience and to leverage advances in technology.

Our expenditures for software development during the years ended December 31, 2011 and 2012, including amounts that were capitalized, totaled approximately $190 million and $185 million, respectively. In 2011 and 2012, software development expenses were 4% and 4%, respectively, of revenue from software and processing solutions. These amounts do not include routine software support costs, nor do they include costs incurred in performing certain customer-funded development projects in the ordinary course of business.

Marketing

Most of our FS solutions are marketed throughout North America and Western Europe and many are marketed worldwide, including Asia Pacific, Central and Eastern Europe, the Middle East, Africa and Latin America. Our AS solutions are marketed primarily in North America and Europe. Our K-12 and PS solutions are marketed in North America. Our revenue from sales outside the United States during the years ended December 31, 2010, 2011 and 2012 totaled approximately $1.47 billion, $1.61 billion and $1.54 billion, respectively.

Brand and Intellectual Property

We own registered marks for the SUNGARD name and own or have applied for trademark registrations for many of our services and software products.

To protect our proprietary services and software, we rely upon a combination of copyright, patent, trademark and trade secret law, confidentiality restrictions in contracts with employees, customers and others, software security measures, and registered copyrights and patents. We also have established policies requiring our personnel and representatives to maintain the confidentiality of our proprietary property. We have a number of patents and patent applications pending as well as a few registrations of our copyrights. We will continue to apply for software and business method patents on a case-by-case basis and will continue to monitor ongoing developments in the evolving software and business method patent field (see ITEM 1A—RISK FACTORS).

Competition

Because most of our computer services and software solutions are specialized and technical in nature, most of the niche areas in which we compete have a relatively small number of significant competitors. Some of our existing competitors and some potential competitors have substantially greater financial, technological and marketing resources than we have.

Financial Systems. In our FS business, we compete with numerous other data processing and software vendors that may be broadly categorized into two groups. The first group is comprised of specialized financial systems companies that are much smaller than we are. The second group is comprised of large computer services companies whose principal businesses are not in the financial systems area, some of which are also active acquirors. We also face competition from the internal processing and IT departments of our customers and prospects. The key competitive factors in marketing financial systems are the accuracy and timeliness of processed information provided to customers, features and adaptability of the software, level and quality of customer support, degree of responsiveness, level of software development expertise, total cost of ownership and return on investment. We believe that we compete effectively with respect to each of these factors and that our leadership, reputation and experience in this business are important competitive advantages.

Availability Services. In our AS business, the greatest source of competition for recovery and advanced recovery services is in-house dedicated solutions that the enterprise develops and maintains internally instead of purchasing from a services provider. The declining cost of infrastructure has made these solutions more accessible, yet the growing complexity of IT environments driven by cloud and virtualization has increased the challenge of sustaining in-house business continuity programs. Historically, the single largest commercial competitor for recovery and advanced recovery services has been IBM Corporation, which, like us, currently

provides the full continuum of information availability services. We also face moderate competition from specialized vendors, including hardware manufacturers, data-replication and virtualization software companies, outsourcers, managed hosting companies; IT services companies and telecommunications companies. Competition among managed services, including cloud and data center service providers, is fragmented across various competitor types, such as major telecommunication providers, IT outsourcers, niche cloud vendors, real estate investment trusts and regional colocation providers. We compete effectively with respect to the key competitive dimensions in the information availability industry, namely economies of scale, quality of infrastructure, scope and quality of services, including breadth of supported hardware platforms and network capacity, level and quality of customer support, level of technical expertise, vendor neutrality, and price. We are positioned with important competitive advantages including our experience, reliability and reputation as an innovator in information availability solutions, our proven track record, our financial stability and our ability to provide the entire portfolio of information availability services as a single vendor solution.

Employees

As of December 31, 2012, we had approximately 17,000 employees. Our success depends partly on our continuing ability to retain and attract skilled technical, sales and management personnel. While skilled personnel are in high demand and competition exists for their talents, we have been able to retain and attract highly qualified personnel (see ITEM 1A—RISK FACTORS).

ITEM 1A. RISK FACTORS

Certain of the matters we discuss in this Report may constitute forward-looking statements. You can identify forward-looking statements because they contain words such as “believes,” “expects,” “may,” “will,” “should,” “seeks,” “approximately,” “intends,” “plans,” “estimates,” or “anticipates” or similar expressions which concern our strategy, plans or intentions. All statements we make relating to estimated and projected earnings, margins, costs, expenditures, cash flows, growth rates and financial results are forward-looking statements. In addition, we, through our senior management, from time to time make forward-looking public statements concerning our expected future operations and performance and other developments. All of these forward-looking statements are subject to risks and uncertainties that may change at any time, and, therefore, our actual results may differ materially from those we expected. We derive most of our forward-looking statements from our operating budgets and forecasts, which are based upon many detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and, of course, it is impossible for us to anticipate all factors that could affect our actual results. Some of the factors that we believe could affect our results include:

- global economic and market conditions;
- the condition of the financial services industry, including the effect of any further consolidation among financial services firms;
- our high degree of debt-related leverage;
- the effect of war, terrorism, natural disasters or other catastrophic events;
- the effect of disruptions to our systems and infrastructure;
- the timing and magnitude of software sales;
- the timing and scope of technological advances;
- customers taking their information availability solutions in-house;
- the trend in information availability toward solutions utilizing more dedicated resources;
- the market and credit risks associated with broker/dealer operations;
- the ability to retain and attract customers and key personnel;

- risks relating to the foreign countries where we transact business;
- the integration and performance of acquired businesses;
- the ability to obtain patent protection and avoid patent-related liabilities in the context of a rapidly developing legal framework for software and business-method patents;
- a material weakness in our internal controls; and
- unanticipated changes in our income tax provision or the enactment of new tax legislation, issuance of regulations or relevant judicial decisions.

The factors described in this paragraph and other factors that may affect our business or future financial results, as and when applicable, are discussed in our filings with the United States Securities and Exchange Commission ("SEC"), including this Report. We assume no obligation to update any written or oral forward-looking statements made by us or on our behalf as a result of new information, future events or other factors.

Risks Related to Our Indebtedness

Our substantial leverage could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or our industry, expose us to interest rate risk to the extent of our variable rate debt and prevent us from meeting our debt obligations.

As a result of being acquired on August 11, 2005 by a consortium of private equity investment funds, we are highly leveraged and our debt service requirements are significant.

Our high degree of debt-related leverage could have important consequences, including:

- making it more difficult for us to make payments on our debt obligations;
- increasing our vulnerability to general economic and industry conditions;
- requiring a substantial portion of cash flow from operations to be dedicated to the payment of principal and interest on our indebtedness, therefore reducing our ability to use our cash flow to fund our operations, capital expenditures and future business opportunities;
- exposing us to the risk of increased interest rates as certain of our borrowings, including borrowings under our senior secured credit facilities, are at variable rates of interest;
- restricting us from making acquisitions or causing us to make non-strategic divestitures;
- limiting our ability to obtain additional financing for working capital, capital expenditures, product development, debt service requirements, acquisitions and general corporate or other purposes; and
- limiting our ability to adjust to changing market conditions and placing us at a competitive disadvantage compared to our competitors who are less highly leveraged.

We and our subsidiaries may be able to incur substantial additional indebtedness in the future, subject to the restrictions contained in our senior secured credit agreement and the indentures relating to our senior notes due 2018 and 2020 and senior subordinated notes due 2019. If new indebtedness is added to our current debt levels, the related risks that we now face could intensify.

Our debt agreements contain restrictions that limit our flexibility in operating our business.

Our senior secured credit agreement and the indentures governing our senior notes due 2018 and 2020 and senior subordinated notes due 2019 contain various covenants that limit our ability to engage in specified types of transactions. These covenants limit our ability to, among other things:

- incur additional indebtedness or issue certain preferred shares;

- pay dividends on, repurchase or make distributions in respect of our capital stock or make other restricted payments;
- make certain investments;
- sell certain assets;
- create liens;
- consolidate, merge, sell or otherwise dispose of all or substantially all of our assets; and
- enter into certain transactions with our affiliates.

In addition, under the senior secured credit agreement, under certain circumstances, we are required to satisfy and maintain specified financial ratios and other financial condition tests. Our ability to meet those financial ratios and tests can be affected by events beyond our control, and we may not be able to meet those ratios and tests. A breach of any of these covenants could result in a default under the senior secured credit agreement. Upon an event of default under the senior secured credit agreement, the lenders could elect to declare all amounts outstanding to be immediately due and payable and terminate all commitments to extend further credit.

If we were unable to repay those amounts, the lenders under the senior secured credit agreement could proceed against the collateral granted to them to secure that indebtedness. We have pledged a significant portion of our assets as collateral under the senior secured credit agreement and the senior secured notes due 2014, to the extent required by the indenture governing these notes. If the lenders under the senior secured credit agreement accelerate the repayment of borrowings, we may not have sufficient assets to repay the senior secured credit facilities and the senior notes, as well as our unsecured indebtedness.

Risks Related to Our Business

Our business depends largely on the economy and financial markets, and a slowdown or downturn in the economy or financial markets could adversely affect our business and results of operations.

When there is a slowdown or downturn in the economy, a drop in stock market levels or trading volumes, or an event that disrupts the financial markets, our business and financial results may suffer for a number of reasons. Customers may react to worsening conditions by reducing their capital expenditures in general or by specifically reducing their IT spending. In addition, customers may curtail or discontinue trading operations, delay or cancel IT projects, or seek to lower their costs by renegotiating vendor contracts. Also, customers with excess IT resources may choose to take their information availability solutions in-house rather than obtain those solutions from us. Moreover, competitors may respond to market conditions by lowering prices and attempting to lure away our customers to lower cost solutions. If any of these circumstances remain in effect for an extended period of time, there could be a material adverse effect on our financial results. Because our financial performance tends to lag behind fluctuations in the economy, our recovery from any particular downturn in the economy may not occur until after economic conditions have generally improved.

Our business depends to a significant degree on the financial services industry, and a weakening of, or further consolidation in, or new regulations affecting, the financial services industry could adversely affect our business and results of operations.

Because our customer base is concentrated in the financial services industry, our business is largely dependent on the health of that industry. When there is a general downturn in the financial services industry, or if our customers in that industry experience financial or business problems, including bankruptcies, our business and financial results may suffer. If financial services firms continue to consolidate, there could be a material

adverse effect on our business and financial results. When a customer merges with a firm using its own solution or another vendor's solution, it could decide to consolidate on a non-SunGard system, which could have an adverse effect on our financial results.

To the extent newly adopted regulations negatively impact the business, operations or financial condition of our customers, our business and financial results could be adversely affected. We could be required to invest a significant amount of time and resources to comply with additional regulations or to modify the manner in which we provide products and services to our customers; and such regulations could limit how much we can charge for our services. We may not be able to update our existing products and services, or develop new ones at all or in a timely manner, to satisfy our customers' needs. Any of these events, if realized, could have a material adverse effect on our business and financial results.

Catastrophic events may disrupt or otherwise adversely affect the markets in which we operate, our business and our profitability.

Our business may be adversely affected by a war, terrorist attack, natural disaster or other catastrophe. A catastrophic event could have a direct negative impact on us or an indirect impact on us by, for example, affecting our customers, the financial markets or the overall economy. The potential for a direct impact is due primarily to our significant investment in our infrastructure. Although we maintain redundant facilities and have contingency plans in place to protect against both man-made and natural threats, it is impossible to fully anticipate and protect against all potential catastrophes. Despite our preparations, a security breach, criminal act, military action, power or communication failure, flood, severe storm or the like could lead to service interruptions and data losses for customers, disruptions to our operations, or damage to our important facilities. The same disasters or circumstances that may lead to our customers requiring access to our availability services may negatively impact our own ability to provide such services. Our three largest availability services facilities are particularly important, and a major disruption at one or more of those facilities could disrupt or otherwise impair our ability to provide services to our availability services customers. If any of these events happen, we may be exposed to unexpected liability, our customers may leave, our reputation may be tarnished, and there could be a material adverse effect on our business and financial results.

Our application service provider systems may be subject to disruptions that could adversely affect our reputation and our business.

Our application service provider systems maintain and process confidential data on behalf of our customers, some of which is critical to their business operations. For example, our capital markets systems maintain account and trading information for our customers and their clients, and our wealth management and insurance systems maintain investor account information for retirement plans, insurance policies and mutual funds. There is no guarantee that the systems and procedures that we maintain to protect against unauthorized access to such information are adequate to protect against all security breaches. If our application service provider systems are disrupted or fail for any reason, or if our systems or facilities are infiltrated or damaged by unauthorized persons, our customers could experience data loss, financial loss, harm to reputation and significant business interruption. If that happens, we may be exposed to unexpected liability, our customers may leave, our reputation may be tarnished, and there could be a material adverse effect on our business and financial results.

Because the sales cycle for our software is typically lengthy and unpredictable, our results may fluctuate from period to period.

Our operating results may fluctuate from period to period and be difficult to predict in a particular period due to the timing and magnitude of software sales. We offer a number of our software solutions on a license basis, which means that the customer has the right to run the software on its own computers. The customer usually makes a significant up-front payment to license software, which we generally recognize as revenue when the license contract is signed and the software is delivered. The size of the up-front payment often depends on a number of factors that are different for each customer, such as the number of customer locations, users or

accounts. As a result, the sales cycle for a software license may be lengthy and take unexpected turns. Thus, it is difficult to predict when software sales will occur or how much revenue they will generate. Since there are few incremental costs associated with software sales, our operating results may fluctuate from quarter to quarter and year to year due to the timing and magnitude of software sales.

Rapid changes in technology and our customers' businesses could adversely affect our business and financial results.

Our business may suffer if we do not successfully adapt our products and services to changes in technology and changes in our customers' businesses. These changes can occur rapidly and at unpredictable intervals and we may not be able to respond adequately. If we do not successfully update and integrate our products and services to adapt to these changes, or if we do not successfully develop new products and services needed by our customers to keep pace with these changes, then our business and financial results may suffer. Our ability to keep up with technology and business changes is subject to a number of risks and we may find it difficult or costly to, among other things:

- update our products and services and to develop new products fast enough to meet our customers' needs;
- make some features of our products and services work effectively and securely over the Internet;
- integrate more of our FS solutions;
- update our products and services to keep pace with business, regulatory and other developments in the financial services industry, where many of our customers operate; and
- update our services to keep pace with advancements in hardware, software and telecommunications technology.

Some technological changes, such as advancements that have facilitated the ability of our AS customers to develop their own internal solutions, may render some of our products and services less valuable or eventually obsolete. In addition, because of ongoing, rapid technological changes, the useful lives of some technology assets have become shorter and customers are therefore replacing these assets more often. As a result, our customers are increasingly expressing a preference for contracts with shorter terms, which could make our revenue less predictable in the future.

Customers taking their information availability solutions in-house or leveraging inexpensive shared cloud-based solutions may create greater pressure on our organic revenue growth rate.

Our AS solutions allow customers to leverage our technology expertise and process-IP, resource management capabilities and substantial infrastructure investments. Technological advances in recent years have significantly reduced the cost and the complexity of developing in-house solutions. Some customers, especially among the very largest having significant IT resources, prefer to develop and maintain their own in-house availability solutions, which can result in a loss of revenue from those customers. If this trend continues or worsens, there will be continued pressure on our organic revenue growth rate. Also, cloud-based solutions are often perceived as inherently redundant and highly available. This is a misconception, as high availability is only provided when expressly engineered into a cloud environment. However, this belief along with the opportunity to leverage inexpensive cloud infrastructure for shared recovery options can, over time, become a more significant competitive threat especially in the area of availability solutions for less critical applications.

The trend toward information availability solutions utilizing more single customer dedicated resources likely will lower our overall operating margin rate over time.

In the information availability services industry, especially among our more sophisticated customers, there is preference for solutions that utilize some level of dedicated resources, such as blended advanced recovery

services and managed services. The primary reason for this is that adding dedicated resources, although more costly, provides greater control, increases security, reduces data loss and facilitates quicker responses to business interruptions. Advanced recovery services often result in greater use of dedicated resources with a modest decrease in operating margin rate. Managed services require significant dedicated resources and, therefore, have an appropriately lower operating margin rate.

Our securities brokerage operations are highly regulated and are riskier than our other businesses.

Domestic and foreign regulatory and self-regulatory organizations, such as the SEC, the Financial Industry Regulatory Authority, and the (U.K.) Financial Services Authority can, among other things, fine, censure, issue cease-and-desist orders against, and suspend or expel a broker-dealer or its officers or employees for failure to comply with the many laws and regulations that govern brokerage activities. Such sanctions may arise out of currently-conducted activities or those conducted in prior periods. Our ability to comply with these laws and regulations is largely dependent on our establishment, maintenance, and enforcement of an effective brokerage compliance program. Failure to establish, maintain, and enforce proper brokerage compliance procedures, even if unintentional, could subject us to significant losses, lead to disciplinary or other actions, and tarnish our reputation. Regulations affecting the brokerage industry may change, which could adversely affect our financial results.

We are exposed to certain risks relating to the execution services provided by our brokerage operations to our customers and counterparties, which include other broker-dealers, active traders, hedge funds, asset managers, and other institutional and non-institutional clients. These risks include, but are not limited to, customers or counterparties failing to pay for or deliver securities, trading errors, the inability or failure to settle trades, and trade execution system failures. In our other businesses, we generally can disclaim liability for trading losses that may be caused by our software, but in our brokerage operations, we may not be able to limit our liability for trading losses or failed trades even when we are not at fault. As a result, we may suffer losses that are disproportionately large compared to the relatively modest profit contributions of our brokerage operations.

If we fail to comply with government regulations in connection with our business or providing technology services to certain financial institutions, our business and results of operations may be adversely affected.

Because we act as a third-party service provider to financial institutions and provide mission-critical applications for many financial institutions that are regulated by one or more member agencies of the Federal Financial Institutions Examination Council (“FFIEC”), we are subject to examination by the member agencies of the FFIEC. More specifically, we are a Multi-Regional Data Processing Servicer of the FFIEC because we provide mission critical applications for financial institutions from several data centers located in different geographic regions. As a result, the FFIEC conducts periodic reviews of certain of our operations in order to identify existing or potential risks associated with our operations that could adversely affect the financial institutions to whom we provide services, evaluate our risk management systems and controls, and determine our compliance with applicable laws that affect the services we provide to financial institutions. In addition to examining areas such as our management of technology, data integrity, information confidentiality and service availability, the reviews also assess our financial stability. Our incurrence of significant debt in connection with the LBO increases the risk of an FFIEC agency review determining that our financial stability has been weakened. A sufficiently unfavorable review from the FFIEC could result in our financial institution customers not being allowed to use our technology services, which could have a material adverse effect on our business and financial condition.

If we fail to comply with any regulations applicable to our business, we may be exposed to unexpected liability and/or governmental proceedings, our customers may leave, our reputation may be tarnished, and there could be a material adverse effect on our business and financial results. In addition, the future enactment of more restrictive laws or rules on the federal or state level, or, with respect to our international operations, in foreign jurisdictions on the national, provincial, state or other level, could have an adverse impact on business and financial results.

If we are unable to retain or attract customers, our business and financial results will be adversely affected.

If we are unable to keep existing customers satisfied, sell additional products and services to existing customers or attract new customers, then our business and financial results may suffer. A variety of factors could affect our ability to successfully retain and attract customers, including the level of demand for our products and services, the level of customer spending for information technology, the level of competition from customers that develop their own solutions internally and from other vendors, the quality of our customer service, our ability to update our products and develop new products and services needed by customers, and our ability to integrate and manage acquired businesses. Further, the markets in which we operate are highly competitive and we may not be able to compete effectively. Our services revenue, which has been largely recurring in nature, comes from the sale of our products and services under fixed-term contracts. We do not have a unilateral right to extend these contracts when they expire. Revenue from our broker/dealer businesses is not subject to minimum or ongoing contractual commitments on the part of brokerage customers. If customers cancel or refuse to renew their contracts, or if customers reduce the usage levels or asset values under their contracts, there could be a material adverse effect on our business and financial results.

If we fail to retain key employees, our business may be harmed.

Our success depends on the skill, experience and dedication of our employees. If we are unable to retain and attract sufficiently experienced and capable personnel, especially in product development, sales and management, our business and financial results may suffer. For example, if we are unable to retain and attract a sufficient number of skilled technical personnel, our ability to develop high quality products and provide high quality customer service may be impaired. Experienced and capable personnel in the technology industry remain in high demand, and there is continual competition for their talents. When talented employees leave, we may have difficulty replacing them, and our business may suffer. There can be no assurance that we will be able to successfully retain and attract the personnel that we need.

We are subject to the risks of doing business internationally.

A portion of our revenue is generated outside the United States, primarily from customers located in Europe. Over the past few years we have expanded our operations in certain emerging markets in Asia, Africa, Europe, the Middle East and South America. Because we sell our services outside the United States, our business is subject to risks associated with doing business internationally. Accordingly, our business and financial results could be adversely affected due to a variety of factors, including:

- changes in a specific country’s or region’s political and cultural climate or economic condition;
- unexpected or unfavorable changes in foreign laws and regulatory requirements;
- difficulty of effective enforcement of contractual provisions in local jurisdictions;
- inadequate intellectual property protection in foreign countries;
- trade-protection measures, import or export licensing requirements such as Export Administration Regulations promulgated by the U.S. Department of Commerce and fines, penalties or suspension or revocation of export privileges;
- the effects of applicable and potentially adverse foreign tax law changes;
- significant adverse changes in foreign currency exchange rates;
- longer accounts receivable cycles;
- managing a geographically dispersed workforce; and
- difficulties associated with repatriating cash in a tax-efficient manner.

In foreign countries, particularly in those with developing economies, certain business practices may exist that are prohibited by laws and regulations applicable to us, such as the U.S. Foreign Corrupt Practices Act and other anti-corruption laws. Although our policies and procedures require compliance with these laws and are designed to facilitate compliance with these laws, our employees, contractors and agents may take actions in violation of applicable laws or our policies. Any such violation, even if prohibited by our policies, could have a material adverse effect on our business and reputation.

Our acquisitions may not be successful and we may not be able to successfully integrate and manage acquired businesses.

Generally, we seek to acquire businesses that broaden our existing product lines and service offerings and expand our geographic reach. There can be no assurance that our acquisitions will be successful or that we will be able to identify suitable acquisition candidates and successfully complete acquisitions. In addition, we may finance any future acquisition with debt, which would increase our overall levels of indebtedness and related interest costs. If we are unable to successfully integrate and manage acquired businesses, then our business and financial results may suffer. It is possible that the businesses we have acquired and businesses that we acquire in the future may perform worse than expected, be subject to an adverse litigation outcome or prove to be more difficult to integrate and manage than expected. If that happens, there may be a material adverse effect on our business and financial results for a number of reasons, including:

- we may have to devote unanticipated financial and management resources to acquired businesses;
- we may not be able to realize expected operating efficiencies or product integration benefits from our acquisitions;
- we may have to write off goodwill or other intangible assets; and
- we may incur unforeseen obligations or liabilities (including assumed liabilities not fully indemnified by the seller) in connection with acquisitions.

We could lose revenue due to “fiscal funding” or “termination for convenience” clauses in certain customer contracts, especially in our K-12 and PS businesses.

Certain of our customer contracts, particularly those with governments and school districts, may be partly or completely terminated by the customer due to budget cuts or sometimes for any reason at all. These types of clauses are often called “fiscal funding” or “termination for convenience” clauses. If a customer exercises one of these clauses, the customer would be obligated to pay for the services we performed up to the date of exercise, but would not have to pay for any further services. In addition, governments and school districts may require contract terms that differ from our standard terms. While we have not been materially affected by exercises of these clauses or other unusual terms in the past, we may be in the future. If customers that collectively represent a substantial portion of our revenue were to invoke the fiscal funding or termination for convenience clauses of their contracts, our future business and results of operations could be adversely affected.

The private equity firms that acquired the Company (“Sponsors”) control us and may have conflicts of interest with us.

Investment funds associated with or designated by the Sponsors indirectly own, through their ownership in the Parent Companies, a substantial portion of our capital stock. As a result, the Sponsors have control over our decisions to enter into any corporate transaction regardless of whether noteholders believe that any such transaction is in their own best interests. For example, the Sponsors could cause us to make acquisitions or pay dividends that increase the amount of indebtedness that is secured or that is senior to our senior subordinated notes or to sell assets.

Additionally, the Sponsors are in the business of making investments in companies and may from time to time acquire and hold interests in businesses that compete directly or indirectly with us. One or more of the

Sponsors may also pursue acquisition opportunities that may be complementary to our business and, as a result, those acquisition opportunities may not be available to us. So long as investment funds associated with or designated by the Sponsors continue to indirectly own a significant amount of the outstanding shares of our common stock, even if such amount is less than 50%, the Sponsors will continue to be able to strongly influence or effectively control our decisions.

If we are unable to protect our proprietary technologies and defend infringement claims, we could lose one of our competitive advantages and our business could be adversely affected.

Our success depends in part on our ability to protect our proprietary products and services and to defend against infringement claims. If we are unable to do so, our business and financial results may suffer. To protect our proprietary technology, we rely upon a combination of copyright, patent, trademark and trade secret law, confidentiality restrictions in contracts with employees, customers and others, software security measures, and registered copyrights and patents. Despite our efforts to protect the proprietary technology, unauthorized persons may be able to copy, reverse engineer or otherwise use some of our technology. It also is possible that others will develop and market similar or better technology to compete with us. Furthermore, existing patent, copyright and trade secret laws may afford only limited protection, and the laws of certain countries do not protect proprietary technology as well as United States law. For these reasons, we may have difficulty protecting our proprietary technology against unauthorized copying or use. If any of these events happens, there could be a material adverse effect on the value of our proprietary technology and on our business and financial results. In addition, litigation may be necessary to protect our proprietary technology. This type of litigation is often costly and time-consuming, with no assurance of success.

We may be sued for violating the intellectual property rights of others.

The software industry is characterized by the existence of a large number of trade secrets, copyrights and the growing number of issued patents, as well as frequent litigation based on allegations of infringement or other violations of intellectual property rights. We may unknowingly violate the intellectual property rights of others. Some of our competitors or other third parties may have been more aggressive than us in applying for or obtaining patent rights for innovative proprietary technologies both in the United States and internationally. In addition, we use a limited amount of open source software in our products and may use more open source software in the future. Because open source software is developed by numerous independent parties over whom we exercise no supervision or control, allegations of infringement for using open source software are possible. Although we monitor our use and our suppliers' use of open source software to avoid subjecting our products to conditions we do not intend, the terms of many open source licenses have not been interpreted by United States or other courts, and there is a risk that these licenses could be construed in a manner that could impose unanticipated conditions or restrictions on our ability to commercialize our products.

As a result of all of these factors, there can be no assurance that in the future third parties will not assert infringement claims against us and preclude us from using a technology in our products or require us to enter into royalty and licensing arrangements on terms that are not favorable to us, or force us to engage in costly infringement litigation, which could result in us paying monetary damages or being forced to redesign our products to avoid infringement. Additionally, our licenses and service agreements with our customers generally provide that we will defend and indemnify them for claims against them relating to our alleged infringement of the intellectual property rights of third parties with respect to our products or services. We might have to defend or indemnify our customers to the extent they are subject to these types of claims. Any of these claims may be difficult and costly to defend and may lead to unfavorable judgments or settlements, which could have a material adverse effect on our reputation, business and financial results. For these reasons, we may find it difficult or costly to add or retain important features in our products and services.

At present, we are vigorously defending a number of patent infringement cases. While we do not believe we have a potential liability for damages or royalties from any known current legal proceedings or claims related to

the infringement of patent or other intellectual property rights that would individually or in the aggregate materially adversely affect our financial condition and operating results, the results of such legal proceedings cannot be predicted with certainty. Should we fail to prevail in any of the matters related to infringement of patent or other intellectual property rights of others or should several of these matters be resolved against us in the same reporting period, it could have a material adverse effect on our business and financial results.

Defects, design errors or security flaws in our products could harm our reputation and expose us to potential liability.

Most of our products are very complex software systems that are regularly updated. No matter how careful the design and development, complex software often contains errors and defects when first introduced and when major new updates or enhancements are released. If errors or defects are discovered in our current or future products, we may not be able to correct them in a timely manner, if at all. In our development of updates and enhancements to our products, we may make a major design error that makes the product operate incorrectly or less efficiently.

In addition, certain of our products include security features that are intended to protect the privacy and integrity of customer data. Despite these security features, our products and systems, and our customers' systems may be vulnerable to break-ins and similar problems caused by third parties, such as hackers bypassing firewalls and misappropriating confidential information. Such break-ins or other disruptions could jeopardize the security of information stored in and transmitted through our computer systems and those of our customers, subject us to liability and tarnish our reputation. We may need to expend significant capital resources in order to eliminate or work around errors, defects, design errors or security problems. Any one of these problems in our products may result in the loss of or a delay in market acceptance of our products, the diversion of development resources, a lower rate of license renewals or upgrades and damage to our reputation, and in turn may increase service and warranty costs.

A material weakness in our internal controls could have a material adverse affect on us.

Effective internal controls are necessary for us to provide reasonable assurance with respect to our financial reports and to effectively prevent fraud. If we cannot provide reasonable assurance with respect to our financial reports and effectively prevent fraud, our reputation and operating results could be harmed. Internal control over financial reporting may not prevent or detect misstatements because of its inherent limitations, including the possibility of human error, the circumvention or overriding of controls, or fraud. Further, the complexities of our quarter- and year-end closing processes increase the risk that a weakness in internal control over financial reporting may go undetected. Therefore, even effective internal controls can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements. In addition, projections of any evaluation of effectiveness of internal control over financial reporting to future periods are subject to the risk that the control may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness in our internal control over financial reporting could adversely impact our ability to provide timely and accurate financial information. If we are unable to report financial information timely and accurately or to maintain effective disclosure controls and procedures, we could be subject to, among other things, regulatory or enforcement actions by the SEC, any one of which could adversely affect our business prospects.

In connection with our assessment of internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act of 2002 as of December 31, 2011, we identified a material weakness related to our accounting for deferred income taxes. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. To remediate the material weakness, we developed and implemented a remediation plan. As a result of the remedial actions completed, as described in Item 9A of this Report, we have concluded that we have remediated the material weakness in accounting for deferred income taxes as of December 31, 2012.

Unanticipated changes in our income tax provision or the enactment of new tax legislation, issuance of regulations or relevant judicial decisions could affect our profitability or cash flow.

We are subject to income taxes in the United States and many foreign jurisdictions. Significant judgment is required in determining our worldwide provision for income taxes. We regularly are under examination by tax authorities. Although we believe our income tax provision is reasonable, the final determination of our tax liability could be materially different from our historical income tax provisions, which could have a material effect on our financial position, results of operations or cash flows. In addition, tax-law amendments in the U.S. and other jurisdictions could significantly impact how U.S. multinational corporations are taxed. Although we cannot predict whether or in what form such legislation will pass, if enacted it could have a material adverse effect on our business and financial results.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We lease space, primarily for availability services facilities, data centers, sales offices, customer support offices and administrative offices, in many locations worldwide. We also own some of our computer and office facilities. Our principal facilities include our leased Availability Services facilities in Philadelphia, Pennsylvania (592,000 square feet), Carlstadt, New Jersey (661,000 square feet), and Hounslow, England (195,000 square feet) and include our financial systems application service provider centers in Voorhees, New Jersey; Burlington, Massachusetts; Hopkins, Minnesota; Salem, New Hampshire; Ridgefield, New Jersey; and Wayne, Pennsylvania. We believe that our leased and owned facilities are adequate for our present operations.

ITEM 3. LEGAL PROCEEDINGS

We are presently a party to certain lawsuits arising in the ordinary course of our business. We believe that none of our current legal proceedings will be material to our business, financial condition or results of operations. Information with respect to this item may be found in Note 15 of the Notes to Consolidated Financial Statements in this Report, which information is incorporated into this Item 3 by reference.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANTS' COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our outstanding common stock is privately held, and there is no established public trading market for our common stock. As of March 1, 2013, there were 376 holders of record of each of Class A common stock and Class L common stock of SCC, and there was one holder of record of common stock of SunGard.

See ITEM 7-LIQUIDITY AND CAPITAL RESOURCES—COVENANT COMPLIANCE for a description of restrictions on our ability to pay dividends.

ITEM 6. SELECTED FINANCIAL DATA

SunGard Capital Corp.

	2008	2009	2010	2011	2012
			(in millions)		
Income Statement Data [1]					
Revenue	$ 4,795	$ 4,752	$ 4,437	$ 4,440	**$ 4,263**
Operating income (loss)	537	(684)	204	337	**74**
Loss from continuing operations	(142)	(1,181)	(414)	(71)	**(397)**
Income (loss) from discontinued operations	(100)	64	(156)	(80)	**331**
Net loss	(242)	(1,117)	(570)	(151)	**(66)**
Cash Flow Data					
Cash flow from continuing operations	N/A[2]	N/A[2]	$ 601	$ 606	**$ 645**
Cash flow from discontinued operations	N/A[2]	N/A[2]	120	72	**(401)**
Cash flow from operations	$ 384	$ 640	$ 721	$ 678	**$ 244**
Balance Sheet Data					
Total assets	$15,778	$13,980	$12,968	$12,550	**$10,018**
Total short-term and long-term debt	8,875	8,315	8,055	7,829	**6,662**
Equity	2,869	1,914	1,452	1,375	**614**

SunGard Capital Corp. II

	2008	2009	2010	2011	2012
			(in millions)		
Income Statement Data [1]					
Revenue	$ 4,795	$ 4,752	$ 4,437	$ 4,440	**$ 4,263**
Operating income (loss)	537	(684)	204	337	**74**
Loss from continuing operations	(142)	(1,182)	(414)	(69)	**(397)**
Income (loss) from discontinued operations	(100)	64	(156)	(80)	**331**
Net loss	(242)	(1,118)	(570)	(149)	**(66)**
Cash Flow Data					
Cash flow from continuing operations	N/A[2]	N/A[2]	$ 601	$ 606	**$ 645**
Cash flow from discontinued operations	N/A[2]	N/A[2]	120	72	**(401)**
Cash flow from operations	$ 385	$ 640	$ 721	$ 678	**$ 244**
Balance Sheet Data					
Total assets	$15,778	$13,980	$12,968	$12,550	**$10,018**
Total short-term and long-term debt	8,875	8,315	8,055	7,829	**6,662**
Stockholders' equity	3,011	2,026	1,567	1,433	**688**

SunGard Data Systems Inc.

	2008	2009	2010	2011	2012
			(in millions)		
Income Statement Data (1)					
Revenue	$ 4,795	$ 4,752	$ 4,437	$ 4,440	**$ 4,263**
Operating income (loss)	537	(684)	204	337	**74**
Loss from continuing operations	(142)	(1,182)	(414)	(69)	**(397)**
Income (loss) from discontinued operations	(100)	64	(156)	(80)	**331**
Net loss	(242)	(1,118)	(570)	(149)	**(66)**
Cash Flow Data					
Cash flow from continuing operations	N/A(2)	N/A(2)	$ 601	$ 606	**$ 645**
Cash flow from discontinued operations	N/A(2)	N/A(2)	120	72	**(401)**
Cash flow from operations	$ 385	$ 639	$ 721	$ 678	**$ 244**
Balance Sheet Data					
Total assets	$15,778	$13,980	$12,968	$12,550	**$10,018**
Total short-term and long-term debt	8,875	8,315	8,055	7,829	**6,662**
Stockholder's equity	3,063	2,067	1,607	1,461	**716**

(1) Included in the 2008 loss from continuing operations are intangible asset write-offs of $67 million and foreign currency losses and unused alternative financing commitment fees associated with the acquisition of GL TRADE S.A. of $17 million. Included in the 2008 income from discontinued operations is a goodwill impairment charge of $128 million.

Included in the 2009 loss from continuing operations is a goodwill impairment charge of $1.13 billion and intangible asset write-offs of $35 million.

Included in the 2010 loss from continuing operations is a goodwill impairment charge of $205 million and a loss on the extinguishment of debt of $58 million, including tender and call premiums of $39 million, associated with the early retirement of $1.6 billion senior notes due 2013 and euro denominated term loans. Included in the 2010 loss from discontinued operations is a goodwill impairment charge of $123 million and a loss on disposal of discontinued operations of $94 million.

Included in the 2011 loss from continuing operations are goodwill impairment charges of $48 million related to prior-year periods which have been corrected in 2011 and an income tax benefit of $48 million reflecting amortization of the deferred tax liability which benefit would have been reflected in prior years in the statement of comprehensive income. Included in the 2011 income (loss) from discontinued operations is $135 million of deferred tax expense related to the book-over-tax basis difference of a Higher Education ("HE") subsidiary that is classified as held for sale at December 31, 2011 and a goodwill impairment charge of $3 million.

Included in the 2012 loss from continuing operations is a goodwill impairment charge of $385 million and a loss on extinguishment of debt of $82 million, including tender and call premiums of $48 million, due primarily to the early extinguishments of the senior notes due 2015 and the senior subordinated notes due 2015, and the partial repayment of term loans in January and December 2012. Included in the 2012 income from discontinued operations are gains on the sale of discontinued operations of $571 million.

See Notes 1, 2, 5 and 6 of Notes to Consolidated Financial Statements.

(2) The split of cash flow from continuing operations and cash flow from discontinued operations is not available for 2008 and 2009 due to the sales of HE in 2011 and SunGard Global Services France in 2012.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

We are one of the world's leading software and technology services companies. We provide software and technology services to financial services, education and public sector organizations. We also provide disaster recovery services, managed services, information availability consulting services and business continuity management software. We serve approximately 25,000 customers in more than 70 countries. Our high quality software solutions, excellent customer support and specialized technology services result in strong customer retention rates across all of our business segments and create long-term customer relationships.

We operate our business in three segments: Financial Systems ("FS"), Availability Services ("AS") and Other, which is comprised of K-12 Education and Public Sector ("PS"). Our FS segment primarily serves financial services companies, corporate and government treasury departments and energy companies. Our AS segment serves IT-dependent companies across virtually all industries. Our Other segment, which is approximately 5% of our total revenue, primarily serves state and local governments, not-for-profit organizations and K-12 school districts and private schools throughout the U.S.

SunGard Data Systems Inc. ("SunGard") was acquired on August 11, 2005 in a leveraged buy-out by a consortium of private equity investment funds associated with Bain Capital Partners, The Blackstone Group, Goldman Sachs & Co., Kohlberg Kravis Roberts & Co., Providence Equity Partners, Silver Lake and TPG (the "LBO").

SunGard is a wholly owned subsidiary of SunGard Holdco LLC, which is wholly owned by SunGard Holding Corp., which is wholly owned by SunGard Capital Corp. II ("SCCII"), which is a subsidiary of SunGard Capital Corp ("SCC"). SCCII and SCC are collectively referred to as the "Parent Companies." All four of these companies were formed for the purpose of facilitating the LBO and are collectively referred to as the "Holding Companies." The use of "we", "our", "us" and similar terms is meant to refer to each of SCC, SCCII and SunGard.

FS provides mission-critical software and technology services to virtually every type of financial services institution, including buy-side and sell-side institutions, third-party administrators, wealth managers, retail banks, insurance companies, corporate treasuries and energy trading firms. Our broad range of complementary software solutions and associated technology services help financial services institutions automate the business processes associated with trading, managing portfolios and accounting for investment assets.

AS provides disaster recovery services, managed IT services, information availability consulting services and business continuity management software to more than 8,000 customers in North America and Europe. With approximately five million square feet of data center and operations space, AS 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. Through direct sales and channel partners, AS helps organizations have uninterrupted access to the information systems so that they can continue to transact business.

Our Other segment provides software and technology services designed to meet the specialized needs of local, state and federal governments, public safety and justice agencies, public and private schools, utilities, nonprofits, and other public sector institutions.

In 2012, the difficult economy resulted in cautious customer buying patterns, particularly in the established markets. In FS, this has resulted in fewer new license sales, which in turn drove lower professional services revenue. Offsetting this, processing revenues were fairly stable and license renewals were strong. In addition, in certain product lines, particularly within the emerging markets, we have consistently acquired new customers

which in turn resulted in additional professional services revenue. In AS, our managed recovery program, managed service offerings, and cloud solutions helped to offset a contraction in traditional recovery services revenue.

In this environment, we are managing carefully to protect our profit and improve our profit margins. We are specifically taking steps to exit lower margin or slower growing business lines. We are thoughtfully managing spending and shifting our investments into faster growing products and regions. This has resulted in improved cash flow, reduced debt and greater value to our shareholders.

Use of Estimates and Critical Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires us to make many estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses. Those estimates and judgments are based on historical experience, future expectations and other factors and assumptions we believe to be reasonable under the circumstances. We review our estimates and judgments on an ongoing basis and revise them when necessary. Actual results may differ from the original or revised estimates. A summary of our significant accounting policies is contained in Note 1 of Notes to Consolidated Financial Statements. A description of the most critical policies and those areas where estimates have a relatively greater effect in the financial statements follows. Management has discussed the critical accounting policies described below with our audit committee.

Intangible Assets and Purchase Accounting

Purchase accounting requires that all assets and liabilities be recorded at fair value on the acquisition date, including identifiable intangible assets separate from goodwill. Identifiable intangible assets include customer base (which includes customer contracts and relationships), software and trade name. Goodwill represents the excess of cost over the fair value of net assets acquired.

The estimated fair values and useful lives of identifiable intangible assets are based on many factors, including estimates and assumptions of future operating performance and cash flows of the acquired business, the nature of the business acquired, the specific characteristics of the identified intangible assets, and our historical experience and that of the acquired business. The estimates and assumptions used to determine the fair values and useful lives of identified intangible assets could change due to numerous factors, including product demand, market conditions, technological developments, economic conditions and competition. In connection with our determination of fair values, we may engage independent appraisal firms to assist us with the valuation of intangible (and certain tangible) assets acquired and certain assumed obligations.

We periodically review carrying values and useful lives of long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. Factors that could indicate an impairment include significant underperformance of the asset as compared to historical or projected future operating results, or significant negative industry or economic trends. When we determine that the carrying value of an asset may not be recoverable, the related estimated future undiscounted cash flows expected to result from the use and eventual disposition of the asset are compared to the carrying value of the asset. If the sum of the estimated future undiscounted cash flows is less than the carrying amount, we record an impairment charge based on the difference between the carrying value of the asset and its fair value, which we estimate based on discounted expected future cash flows. In determining whether an asset is impaired, we make assumptions regarding recoverability of costs, estimated future cash flows from the asset, intended use of the asset and other relevant factors. If these estimates or their related assumptions change, we may be required to record non-cash impairment charges for these assets.

GAAP requires the Company to perform a goodwill impairment test annually and test more frequently when negative conditions or a triggering event arise. In September 2011, the Financial Accounting Standards Board

("FASB") issued amended guidance that simplified how entities test goodwill for impairment. After an assessment of certain qualitative factors, if it is determined to be more likely than not that the fair value of a reporting unit is less than its carrying amount, entities must perform the quantitative analysis of the goodwill impairment test. Otherwise, the quantitative test(s) become optional. As allowed under the amended guidance, the Company chose not to assess the qualitative factors of its reporting units and, instead, performed the quantitative test.

We complete our annual goodwill impairment test as of July 1 for each of our 11 reporting units. In step one, we estimate the fair values of each reporting unit by a combination of (i) estimation of the discounted cash flows of each of the reporting units based on projected earnings in the future (the income approach) and (ii) a comparative analysis of revenue and EBITDA multiples of public companies in similar markets (the market approach). We then compare the estimated fair value to the carrying value. If there is a deficiency (the estimated fair value of a reporting unit is less than the carrying value), a step-two test is required. In step two, the amount of any goodwill impairment is measured by comparing the implied fair value of the reporting unit's goodwill to the carrying value of goodwill, with any resulting impairment reflected in operations. The implied fair value is determined in the same manner as the amount of goodwill recognized in a business combination.

Estimating the fair value of a reporting unit requires various assumptions including projections of future cash flows, perpetual growth rates and discount rates that reflect the risks associated with achieving those cash flows. The assumptions about future cash flows and growth rates are based on management's assessment of a number of factors including the reporting unit's recent performance, performance of the market that the reporting unit serves, as well as industry and general economic data from third party sources. Discount rate assumptions are based on an assessment of the risk inherent in those future cash flows. Changes to the underlying businesses could affect the future cash flows, which in turn could affect the fair value of the reporting unit. For the July 1, 2012 impairment test, the discount rates used were between 10% and 12% and the perpetual growth rates used were between 3% and 4%.

Based on the results of the step-one tests, we determined that the carrying value of our Availability Services North America ("AS NA") reporting unit was in excess of its respective fair value and a step-two test was required. The primary driver for the decline in the fair value of the AS NA reporting unit compared to the prior year is the decline in the cash flow projections for AS NA when compared to those used in the 2011 goodwill impairment test as a result of a decline in the overall outlook of this reporting unit. We continue to expect to grow the AS NA business over the long-term, albeit at a slower rate than previously planned.

Prior to completing the step-two test, we first evaluated certain long-lived assets, primarily the software, customer base and property and equipment, for impairment. In performing the impairment tests for long-lived assets, we estimated the undiscounted cash flows for the asset groups over the remaining useful lives of the reporting unit's primary asset and compared that to the carrying value of the asset groups. There was no impairment of the long-lived assets.

In completing the step-two test to determine the implied fair value of goodwill and therefore the amount of impairment, we first determined the fair value of the tangible and intangible assets and liabilities. Based on the testing performed, we determined that the carrying value of goodwill exceeded its implied fair value and recorded a non-cash goodwill impairment charge of $385 million.

The Company has one other reporting unit, whose goodwill balance was $299 million as of December 31, 2012, where the excess of the estimated fair value over the carrying value of the reporting unit was less than 15% of the carrying value. A one hundred basis point decrease in the perpetual growth rate or a one hundred basis point increase in the discount rate would not cause this reporting unit to fail step one and require a step-two analysis. However, if this unit fails to achieve expected performance levels in the near term or experiences a downturn in the business below current expectations, goodwill could be impaired.

The Company's remaining reporting units, whose goodwill balances in aggregate total $3.7 billion at December 31, 2012, each had estimated fair values which exceeded the carrying value of the reporting unit by at least 15% as of the July 1, 2012 impairment test.

In 2009, we recorded an adjustment to the state income tax rate used to calculate the deferred income tax liabilities associated with the intangible assets at the LBO date which resulted in reductions to our deferred tax liability and goodwill balances of approximately $114 million. During 2011, we determined that the 2009 adjustment was incorrect and reversed it, thereby increasing the December 31, 2011 deferred tax liability and goodwill balances each by approximately $100 million for continuing operations and $14 million for assets (liabilities) related to discontinued operations. As a result of this correction, we recorded a non-cash goodwill impairment charge of $48 million, of which $36 million related to the impairment charge in 2009 and $12 million related to the impairment charge in 2010, and recorded a non-cash goodwill impairment charge of $3 million in discontinued operations that related to the 2010 impairment charge. In addition, we recorded an income tax benefit of $48 million, of which $35 million related to prior periods, reflecting the amortization of the deferred income tax liability which would have been reflected in the statement of comprehensive income had the 2009 adjustment not been made. Had we recorded the goodwill impairment charges in the correct periods, the impairment charge for 2009 would have been $1.162 billion, and the impairment charge in 2010 would have been $217 million. We assessed the impact of correcting these errors in 2011 and do not believe that these amounts are material to any prior period financial statements, nor is the correction of these errors material to the 2011 financial statements. As a result, we have not restated any prior period amounts.

Based on the results of our July 1, 2010 step-one tests, we determined that the carrying values of our combined PS and K-12 Education reporting units, our Public Sector United Kingdom ("PS UK") reporting unit, which has since been sold and is included in discontinued operations, and our Higher Education Managed Services ("HE MS") reporting unit, which was sold in January 2012 and is included in discontinued operations, were in excess of their respective fair values and a step-two test was required for each of these reporting units. The primary driver for the decline in the fair value of the reporting units compared to the prior year is the reduction in the perpetual growth rate assumption used for each of these three reporting units, stemming from the disruption in the global financial markets, particularly the markets which these three reporting units serve. Furthermore, there was a decline in the cash flow projections for the PS and K-12 Education, and PS UK reporting units compared to those used in the 2009 goodwill impairment test as a result of decline in the overall outlook for these two reporting units. Additionally, the discount rate assumption used for the PS UK reporting unit was higher than the discount rate used in the 2009 impairment test.

A one percentage point increase in the perpetual growth rate or a one percentage point decrease in the discount rate would have resulted in our HE MS reporting unit having a fair value in excess of carrying value and a step-two test would not have been required.

Prior to completing the step-two tests, we first evaluated the long-lived assets, primarily the software, customer base and property and equipment, for impairment. In performing the impairment tests for long-lived assets, we estimated the undiscounted cash flows for the asset groups over the remaining useful lives of the reporting unit's primary asset and compared that to the carrying value of the asset groups. There was no impairment of the long-lived assets.

In completing the step-two tests to determine the implied fair value of goodwill and therefore the amount of impairment, we first determined the fair value of the tangible and intangible assets and liabilities. Based on the testing performed, we determined that the carrying value of goodwill exceeded its implied fair value for each of the three reporting units and recorded a non-cash goodwill impairment charge of $328 million, of which $205 million is presented in continuing operations and $123 million in discontinued operations.

Revenue Recognition

We generate revenue from the following sources: (1) services revenue, which includes revenue from processing services, software maintenance and support, software rentals, recovery and managed services, professional services and broker/dealer fees; and (2) software license fees, which result from contracts that permit the customer to use a SunGard product at the customer's site.

The following criteria must be met in determining whether revenue may be recorded: persuasive evidence of a contract exists; services have been provided; the price is fixed or determinable; and collection is reasonably assured.

Services revenue is recorded as the services are provided based on the fair value of each element. Most AS services revenue consists of fixed monthly fees based upon the specific computer configuration or business process for which the service is being provided. When recovering from an interruption, customers generally are contractually obligated to pay additional fees, which typically cover the incremental costs of supporting customers during recoveries. FS services revenue includes monthly fees, which may include a fixed minimum fee and/or variable fees based on a measure of volume or activity, such as the number of accounts, trades or transactions, users or the number of hours of service.

For fixed-fee professional services contracts, services revenue is recorded based upon proportional performance, measured by the actual number of hours incurred divided by the total estimated number of hours for the project. Changes in the estimated costs or hours to complete the contract and losses, if any, are reflected in the period during which the change or loss becomes known.

License fees result from contracts that permit the customer to use a SunGard software product at the customer's site. Generally, these contracts are multiple-element arrangements since they usually include professional services and ongoing software maintenance. In these instances, license fees are recognized upon the signing of the contract and delivery of the software if the license fee is fixed or determinable, collection is probable, and there is sufficient vendor specific evidence of the fair value of each undelivered element. When there are significant program modifications or customization, installation, systems integration or related services, the professional services and license revenue are combined and recorded based upon proportional performance, measured in the manner described above. Revenue is recorded when billed if customer payments are extended beyond normal billing terms, or at acceptance when there is significant acceptance, technology or service risk. Revenue also is recorded over the longest service period in those instances where the software is bundled together with post-delivery services and there is not sufficient evidence of the fair value of each undelivered service element.

With respect to software related multiple-element arrangements, sufficient evidence of fair value is defined as vendor specific objective evidence ("VSOE"). If there is no VSOE of the fair value of the delivered element (which is usually the software) but there is VSOE of the fair value of each of the undelivered elements (which are usually maintenance and professional services), then the residual method is used to determine the revenue for the delivered element. The revenue for each of the undelivered elements is set at the fair value of those elements using VSOE of the price paid when each of the undelivered elements is sold separately. The revenue remaining after allocation to the undelivered elements (i.e., the residual) is allocated to the delivered element.

VSOE supporting the fair value of maintenance is based on the optional renewal rates for each product and is typically 18% to 20% of the software license fee per year. VSOE supporting the fair value of professional services is based on the standard daily rates charged when those services are sold separately.

In some software related multiple-element arrangements, the maintenance or services rates are discounted. In these cases, a portion of the software license fee is deferred and recognized as the maintenance or services are performed based on VSOE of the services.

From time to time we enter into arrangements with customers who purchase non-software related services from us at the same time, or within close proximity, of purchasing software (non-software multiple-element arrangements). Each element within a non-software multiple-element arrangement is accounted for as a separate unit of accounting provided the following criteria are met: the delivered services have value to the customer on a standalone basis; and, for an arrangement that includes a general right of return relative to the delivered services, delivery or performance of the undelivered service is considered probable and is substantially controlled by us. Where the criteria for a separate unit of accounting are not met, the deliverable is combined with the undelivered element(s) and treated as a single unit of accounting for the purposes of allocation of the arrangement consideration and revenue recognition.

For our non-software multiple-element arrangements, we allocate revenue to each element based on a selling price hierarchy at the arrangement inception. The selling price for each element is based upon the following selling price hierarchy: VSOE, then third-party evidence ("TPE"), then best estimated selling price ("BESP"). The total arrangement consideration is allocated to each separate unit of accounting for each of the non-software deliverables using the relative selling prices of each unit based on this hierarchy. We limit the amount of revenue recognized for delivered elements to an amount that is not contingent upon future delivery of additional products or services or meeting of any specified performance conditions.

To determine the selling price in non-software multiple-element arrangements, we establish VSOE of the selling price using the price charged for a deliverable when sold separately. Where VSOE does not exist, TPE is established by evaluating similar competitor products or services in standalone arrangements with similarly situated customers. If we are unable to determine the selling price because VSOE or TPE doesn't exist, we determine BESP for the purposes of allocating the arrangement by considering pricing practices, margin, competition, and geographies in which we offer our products and services.

Unbilled receivables are created when services are performed or software is delivered and revenue is recognized in advance of billings. Deferred revenue is created when billing occurs in advance of performing services or when all revenue recognition criteria have not been met.

We believe that our revenue recognition practices comply with the complex and evolving rules governing revenue recognition. Future interpretations of existing accounting standards, new standards or changes in our business practices could result in changes in our revenue recognition accounting policies that could have a material effect on our consolidated financial results.

Accounting for Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred income tax assets and liabilities are calculated based on the difference between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases using the enacted income tax rates expected to be in effect during the years in which the temporary differences are expected to reverse. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized. Tax benefits related to uncertain tax positions taken or expected to be taken on a tax return are recorded only when such benefits are more likely than not of being sustained. Considerable judgment is required in assessing and estimating these amounts and differences between the actual outcome of these future tax consequences and our estimates could have a material effect on our consolidated financial results.

Accounting for Stock-Based Compensation

Stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense over the appropriate service period. Fair value for stock options is computed using the Black-Scholes pricing model. Determining the fair value of stock-based awards requires considerable judgment, including estimating the expected term of stock options, expected volatility of our stock price, and the number of

awards expected to be forfeited. Since the Company is not publicly traded, the Company utilizes equity valuations based on (a) stock market valuations of public companies in comparable businesses, (b) recent transactions involving comparable companies and (c) any other factors deemed relevant (see Note 7). In addition, for stock-based awards where vesting is dependent upon achieving certain operating performance goals, we estimate the likelihood of achieving the performance goals. Differences between actual results and these estimates could have a material effect on our consolidated financial results. A deferred income tax asset is recorded over the vesting period as stock compensation expense is recognized. Our ability to recognize a benefit for this deferred tax asset will be ultimately determined based on the actual value of the stock option upon exercise or restricted stock unit upon distribution. If the actual value is lower than the fair value determined on the date of grant, then there could be income tax expense for the portion of the deferred tax asset that cannot be realized, which could have a material effect on our consolidated financial results.

Results of Operations

We evaluate our performance using both GAAP and non-GAAP measures. Our primary non-GAAP measure is Internal Adjusted EBITDA, whose corresponding GAAP measure is income from continuing operations before income taxes (see Note 13 of Notes to Consolidated Financial Statements). Internal Adjusted EBITDA is defined as operating income excluding the following items:

- depreciation and amortization,
- amortization of acquisition-related intangible assets,
- goodwill impairment,
- severance and facility closure charges,
- stock compensation,
- management fees, and
- certain other costs.

We believe Internal Adjusted EBITDA is an effective tool to measure our operating performance since it excludes non-cash items and certain variable charges. We use Internal Adjusted EBITDA extensively to measure both SunGard and its reporting segments within the Company and also to our board of directors.

While Internal Adjusted EBITDA is useful for analysis purposes, it should not be considered as an alternative to our reported GAAP results. Also, Internal Adjusted EBITDA may not be comparable to similarly titled measures used by other companies. Internal Adjusted EBITDA is similar, but not identical, to adjusted EBITDA as defined in the Credit Agreement (as defined below) for purposes of our debt covenants.

During 2010, we sold our PS UK operation which is presented as discontinued operations. In January 2012, we sold our Higher Education business which is also presented as discontinued operations.

Except as otherwise noted, all explanations below exclude the impacts from changes in currency translation, which we refer to as constant currency, a non-GAAP measure. We believe presenting our results on a constant currency basis is meaningful for assessing how our underlying businesses have performed due to the fact that we have international operations that are material to our overall operations. As a result, total revenues and expenses are affected by changes in the U.S. Dollar against international currencies. To present this constant currency information, current period results for entities reporting in currencies other than U.S. Dollars are converted to U.S. Dollars at the average exchange rate used in the prior year period rather than the actual exchange rates in effect during the current year period. In each of the tables below, we present the percent change based on actual, unrounded results in reported currency and in constant currency. Also, percentages may not add due to rounding.

The following discussion reflects the results of operations and financial condition of SCC, which are materially the same as the results of operations and financial condition of SCCII and SunGard. Therefore, the discussions provided are applicable to each of SCC, SCCII and SunGard unless otherwise noted. Also, the following discussion includes historical and certain forward-looking information that should be read together with the accompanying Consolidated Financial Statements and related footnotes and the discussion above of certain risks and uncertainties (see ITEM 1A—RISK FACTORS) that could cause future operating results to differ materially from historical results or the expected results indicated by forward looking statements.

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

The following table sets forth, for the periods indicated, certain supplemental revenue data and the relative percentage that those amounts represent to total revenue.

						Constant Currency		
	Year Ended December 31, 2011		Year Ended December 31, 2012		Percent Increase (Decrease) 2012 vs. 2011	Year Ended December 31, 2012		Percent Increase (Decrease) 2012 vs. 2011
(in millions)		percent of revenue		percent of revenue			percent of revenue	
Financial Systems (FS)								
Services	$2,445	55%	$2,370	56%	(3)%	$2,403	56%	(2)%
License and resale fees	259	6%	244	6%	(6)%	251	6%	(3)%
Total products and services	2,704	61%	2,614	61%	(3)%	2,654	62%	(2)%
Reimbursed expenses	72	2%	40	1%	(45)%	40	1%	(44)%
Total	$2,776	63%	$2,654	62%	(4)%	$2,694	62%	(3)%
Availability Services (AS)								
Services	$1,438	32%	$1,383	32%	(4)%	$1,394	32%	(3)%
License and resale fees	2	— %	3	— %	(15)%	3	— %	(14)%
Total products and services	1,440	32%	1,386	32%	(4)%	1,397	32%	(3)%
Reimbursed expenses	20	— %	19	— %	(3)%	20	— %	— %
Total	$1,460	33%	$1,405	33%	(4)%	$1,417	33%	(3)%
Other [1]								
Services	$ 173	4%	$ 173	4%	— %	$ 173	4%	— %
License and resale fees	28	1%	28	1%	2%	28	1%	2%
Total products and services	201	5%	201	5%	— %	201	5%	— %
Reimbursed expenses	3	— %	3	— %	(12)%	3	— %	(12)%
Total	$ 204	5%	$ 204	5%	— %	$ 204	5%	— %
Total Revenue								
Services	$4,056	91%	$3,926	92%	(3)%	$3,970	92%	(2)%
License and resale fees	289	7%	275	6%	(5)%	282	7%	(3)%
Total products and services	4,345	98%	4,201	99%	(3)%	4,252	99%	(2)%
Reimbursed expenses	95	2%	62	1%	(35)%	63	1%	(34)%
Total	$4,440	100%	$4,263	100%	(4)%	$4,315	100%	(3)%

(1) Other includes our PS and K-12 Education businesses.

Revenue:

Total SunGard reported revenue decreased $177 million, or 4%, in 2012 compared to 2011. On a constant currency basis, revenue decreased $125 million, or 3%. Approximately $56 million of the $125 million decrease, or 1.3 points of the three percentage points of decrease, was due to a decrease in revenue as we intentionally exited certain lower margin services in our broker/dealer business (the "Broker/Dealer"). These revenues were generally "pass through" fees to stock exchanges, as mentioned below.

Our revenue is highly diversified by customer and product. During each of the past three fiscal years, no single customer has accounted for more than 3% of total revenue. On average for the past three fiscal years, services revenue has been approximately 91% of total revenue. About 80% of services revenue is highly recurring as a result of multi-year contracts and is generated from software-related services including software maintenance and support, processing and rentals; and recovery and managed services. The remaining services revenue includes professional services, which are mainly generated from implementation and consulting services in connection with the sale of our products; and broker/dealer fees, which are largely correlated with trading volumes. On a constant currency basis, services revenue decreased to $3.97 billion from $4.06 billion, representing approximately 92% of total revenue in 2012, an increase of 1% from 2011. The revenue decrease of $86 million was mainly due to a $54 million decrease in AS recovery services, a $53 million decrease in FS and AS professional services revenue, an $8 million decrease in FS software rental revenue and a $7 million decrease in broker/dealer fee revenue of which the Broker/Dealer's portion resulted in a decrease of $23 million, partially offset by a $16 million increase in AS managed services revenue, a $13 million increase from FS acquisitions and a $9 million increase in FS processing revenue.

Professional services revenue was $598 million and $648 million in 2012 and 2011, respectively, and are discussed in more detail below. Revenue from total broker/dealer fees was $157 million and $164 million in 2012 and 2011, respectively.

Reported revenue from license and resale fees includes software license revenue of $241 million and $252 million, respectively. On a constant currency basis, software license revenue decreased $4 million, or 2%. Reimbursed expense revenue decreased $32 million due to the decline in revenue in the Broker/Dealer.

Financial Systems segment:

FS reported revenue was $2.65 billion in 2012 compared to $2.78 billion in 2011, a decrease of 4%. On a constant currency basis, revenue decreased $82 million, or 3%. Two percentage points of the decrease, or $56 million, was related to lower revenue from the Broker/Dealer discussed above. Professional services revenue decreased $47 million, or 8%, due primarily to successful completion of projects during 2011 and relatively lower demand in 2012 driven by fewer new license sales, and was offset in part by a $5 million increase from acquisitions. Software rental revenue decreased $8 million, or 2%, due primarily to attrition. Broker/dealer fee revenue (excluding the Broker/Dealer) increased $16 million, or 12%, due primarily to increased trading activity during 2012. Processing revenue increased $9 million, or 1%, due mainly to the impact of new business signed in 2011, higher volumes and rate increases in 2012 and $5 million due to acquisitions. Reported revenue from software license revenue was $229 million, a decrease of $11 million from 2011. On a constant currency basis, software license revenue decreased $4 million, or 2%.

Availability Services segment:

AS reported revenue decreased $55 million, or 4%, in 2012 from the prior year. On a constant currency basis, revenue decreased 3%. In North America, which accounts for over 75% of our AS business, revenue decreased 4% where decreases of $54 million in recovery services ("RS") and $6 million in professional services revenue exceeded growth of $16 million in managed services ("MS") revenue. Revenue in Europe, primarily from our U.K. operations, was unchanged, where an increase in MS revenue was offset by a decrease in RS revenue.

Our RS revenue has been declining due to customers' shifting from traditional backup and recovery solutions to either in-house solutions or disk-, cloud-based or managed recovery solutions. Separately, in MS, demand has been increasing for outsourced management of IT operations and applications. We expect these trends to continue in the future.

Other segment:

Reported revenue and constant currency revenue were unchanged at $204 million in 2012. Professional services revenue decreased $2 million and processing revenue increased $2 million. Revenue from license and resale fees included software license revenue of $10 million in 2012, a $1 million increase from the prior year.

The following table sets forth, for the periods indicated, certain amounts included in our Consolidated Statements of Comprehensive Income and the relative percentage that those amounts represent to consolidated revenue (unless otherwise indicated).

						Constant Currency		
	Year Ended December 31, 2011		Year Ended December 31, 2012		Percent Increase (Decrease) 2012 vs. 2011	Year Ended December 31, 2012		Percent Increase (Decrease) 2012 vs. 2011
(in millions)		percent of revenue		percent of revenue			percent of revenue	
Revenue								
Financial Systems	$2,776	63%	$2,654	62%	(4)%	$2,694	62%	(3)%
Availability Services	1,460	33%	1,405	33%	(4)%	1,417	33%	(3)%
Other	204	5%	204	5%	— %	204	5%	— %
Total Revenue	$4,440	100%	$4,263	100%	(4)%	$4,315	100%	(3)%
Costs and Expenses								
Cost of sales and direct operating (excluding depreciation)	$1,848	42%	$1,740	41%	(6)%	$1,759	41%	(5)%
Sales, marketing and administration	1,108	25%	1,039	24%	(6)%	1,055	24%	(5)%
Product development and maintenance	393	9%	353	8%	(10)%	367	8%	(7)%
Depreciation and amortization	271	6%	287	7%	6%	290	7%	7%
Amortization of acquisition—related intangible assets	435	10%	385	9%	(11)%	387	9%	(11)%
Goodwill impairment	48	1%	385	9%	702%	385	9%	702%
Total Costs and Expenses	$4,103	92%	$4,189	98%	2%	$4,243	98%	3%
Internal Adjusted EBITDA								
Financial Systems [1]	$ 720	25.9%	$ 738	27.8%	2%	$ 738	27.4%	2%
Availability Services [1]	508	34.8%	480	34.2%	(6)%	484	34.2%	(5)%
Other [1]	63	31.2%	66	32.5%	5%	66	32.5%	5%
Corporate	(70)	(1.6)%	(44)	(1.0)%	38%	(44)	(1.0)%	37%
Total Internal Adjusted EBITDA	1,221	27.5%	1,240	29.1%	2%	1,244	28.8%	2%
Reconciliation of Internal Adjusted EBITDA to Operating Income								
Depreciation and amortization	(271)	(6.1)%	(287)	(6.7)%	(6)%	(290)	(6.7)%	(7)%
Amortization of acquisition—related intangible assets	(435)	(9.8)%	(385)	(9.0)%	11%	(387)	(9.0)%	11%
Goodwill impairment	(48)	(1.1)%	(385)	(9.0)%	(702)%	(385)	(8.9)%	(702)%
Severance and facility closure costs	(65)	(1.5)%	(50)	(1.2)%	23%	(51)	(1.2)%	22%
Stock compensation expense	(33)	(0.7)%	(38)	(0.9)%	(15)%	(38)	(0.9)%	(15)%
Management fees	(12)	(0.3)%	(14)	(0.3)%	(15)%	(14)	(0.3)%	(15)%
Other costs [2]	(20)	(0.4)%	(7)	(0.2)%	60%	(7)	(0.2)%	60%
Total Operating Income	$ 337	7.6%	$ 74	1.7%	(78)%	$ 72	1.7%	(79)%

(1) Percent of revenue is calculated as a percent of revenue from FS, AS and Other, respectively.

(2) Other costs include expenses related to strategic initiatives, currency transaction losses, costs to shut down certain services in our Broker/Dealer business (defined above) and certain other costs.

Operating Income:

Our total reported operating margin was 1.7% in 2012 compared to 7.6% in 2011. The most significant factor impacting the 5.9 margin point decrease is the $385 million goodwill impairment charge related to AS NA in 2012, whereas 2011 included a goodwill impairment of $48 million. The net impact of these charges was a 7.8 margin point decrease in 2012. The more significant factors impacting the remaining 1.9 margin point improvement are the following:

- 1.1 margin point increase, or $47 million, from the decrease in amortization of acquisition-related intangible assets;
- 0.6 margin point increase from the improvement in the FS internal adjusted EBITDA margin;
- 0.6 margin point increase, or $26 million, from the decrease in corporate expenses resulting from decreases of $20 million of employment-related expenses (excluding severance) and $7 million of advertising expenses;
- 0.3 margin point increase, or $14 million, from lower severance and corporate executive transition costs of $22 million offset in part by an $8 million increase in expenses to exit facilities; and
- 0.3 margin point increase, or $12 million, from the decrease in expenses related to strategic initiatives, currency transaction losses and costs incurred in 2011 due to the exit from the Broker/Dealer;

partially offset by

- 0.4 margin point decrease, or $18 million, from the increase in depreciation and amortization primarily resulting from a shift in AS investments to shorter-lived assets over the last two years while capital expenditures in total have declined; and
- 0.4 margin point decrease from the decrease in the AS internal adjusted EBITDA margin, which excludes the impact of severance.

Excluding the severance charges discussed above, FS improved its total operating margin by 0.6 points due mainly to expense management primarily from reduced external services fees and consulting expenses. Also excluding the severance charges, degradation of total margin by AS of 0.4 points was due primarily to the decrease in recovery services and professional services revenue, partially offset by an increase in revenue from managed services and the decrease in equipment expense.

Across the company, we have several programs designed to continually identify cost savings and productivity improvements. These programs serve to both improve our profitability and help fund our investments. The interplay of savings and investments may result in higher or lower costs in any given quarter. Moreover, short term charges required to secure our long term savings may impact our results in any particular quarter.

Segment Internal Adjusted EBITDA:

Financial Systems segment:

The most important factors affecting the FS Internal Adjusted EBITDA margin are:

- the level of customer IT spending and its impact on the overall demand for professional services and software license sales,
- the rate and value of contract renewals, new contract signings and contract terminations,
- the overall condition of the financial services industry and the effect of any further consolidation among financial services firms,

- the level of trading volumes, and
- the operating margins of recently acquired businesses, which tend to be lower at the outset and improve over a number of years.

More specifically, the FS Internal Adjusted EBITDA margin was 27.4% and 25.9% in 2012 and 2011, respectively. The more significant factors impacting the 1.5 margin point improvement are the 0.5 margin point increase, or $14 million, from the decrease in external services fees; the 0.4 margin point increase, or $12 million, from the decrease in consultant expense; the 0.3 margin point increase, or $9 million, from the increase in costs capitalized as software assets; the 0.3 margin point increase, or $8 million, from the decrease in facilities costs (excluding lease exit costs); and the 0.2 margin point increase, or $5 million, from the decrease in communications costs; partially offset by the 0.6 margin point decrease from increases in incentive compensation and employment-related taxes and benefits; and the 0.2 margin point decrease from acquired businesses.

Availability Services segment:

The most important factors affecting the AS Internal Adjusted EBITDA margin are:

- the rate and value of contract renewals, new contract signings and contract terminations,
- the timing and magnitude of equipment and facilities expenditures,
- the level and success of new product offerings, and
- the trend toward availability solutions utilizing more dedicated resources.

More specifically, the AS Internal Adjusted EBITDA margin was 34.2% and 34.8% in 2012 and 2011, respectively, a decrease of 0.6 margin points. In North America, RS, which typically uses shared resources, decreased the overall AS margin by 1.7 margin points in 2012 due primarily to a $54 million decrease in higher-margin recovery services revenue, partially offset by a $20 million decrease in equipment expense. Professional services decreased the overall AS margin by 0.3 margin points in 2012 due primarily to a $1 million increase in employment-related expenses on $6 million of lower revenue. Also in North America, decreases in advertising expenses of $4 million, external services fees of $3 million and employment-related expenses of $3 million helped the margin in 2012 by 0.7 margin points. MS helped the margin in 2012 by 0.6 margin points due primarily to a $16 million increase in typically lower margin managed services revenue, which uses dedicated resources, partially offset by a $4 million increase in employment-related expenses. The overall AS margin was helped by Europe in 2012 by 0.4 margin points due primarily to a $5 million decrease in employment-related expenses.

Other segment:

The most important factors affecting the margin of our Other segment are:

- the rate and value of contract renewals, new contract signings and contract terminations,
- the level of government and school district funding, and
- the level of customer IT spending and its impact on the overall demand for professional services and software license sales.

The Internal Adjusted EBITDA margin was 32.5% and 31.2% for 2012 and 2011, respectively. The margin increased 1.3 margin points due primarily to a $2 million increase in costs capitalized as software assets.

Costs and Expenses:

Total costs increased to 98% of revenue in 2012 from 92% of 2011 revenue. Excluding the goodwill impairment charges of $385 million and $48 million in 2012 and 2011, respectively, total costs as a percentage of total revenue were 89% in 2012 compared to 91% in 2011, and decreased $198 million.

Cost of sales and direct operating expenses (excluding depreciation) as a percentage of total revenue were 41% in 2012 and 42% in 2011, respectively, and decreased $88 million. Of the $88 million decrease, $45 million is due to a decrease in reimbursed expenses relating to the exit from certain services of our Broker/Dealer business as discussed above, and a $23 million decrease in AS equipment costs associated with increased self-maintenance, favorable price negotiations and improved network cost projects; partially offset by an $8 million increase from FS acquisitions.

Sales, marketing and administration expenses as a percentage of total revenue were 24% and 25% in 2012 and 2011, respectively, and decreased $53 million. Decreases in sales, marketing and administration expenses were primarily due to decreases of $34 million of corporate employment-related expenses mainly as a result of executive transition costs incurred in the second quarter of 2011 and other severance actions taken in 2011 and early 2012; $20 million of external services fees; and $15 million of advertising expense and related costs mainly resulting from cost savings initiatives; partially offset by a $5 million increase in stock compensation. Despite these reductions, we continue to make targeted sales investments to improve our growth potential as part of our global strategy.

Because AS product development and maintenance costs are insignificant, it is more meaningful to measure product development and maintenance expenses as a percentage of revenue excluding AS. Product development and maintenance expense was 12% and 13% of revenue excluding AS in 2012 and 2011, respectively, and decreased $27 million. The decrease in expense is primarily related to a $9 million increase in FS costs capitalized as software assets and a $5 million decrease in consulting expenses. The software capitalization costs reflect specific investments that we are making to improve the functionality of our software in response to customer needs.

Depreciation and amortization was 7% and 6% of total revenue in 2012 and 2011, respectively, and increased $19 million due mainly to a shift in AS investments to shorter-lived assets over the last two years despite a decline in total capital expenditures. Amortization of acquisition-related intangible assets was 9% and 10% of total revenue in 2012 and 2011, and decreased $48 million. The decrease is due primarily to the $47 million impact of software assets that were fully amortized in 2011 and $7 million of impairment charges in 2011, partially offset by the impact of acquired businesses. During 2011, we recorded impairment charges of our customer base and software assets of $3 million and $4 million, respectively. These impairments are the result of reduced cash flow projections related to the software and customer base assets that were impaired.

We recorded non-cash goodwill impairment charges of $385 million and $48 million in 2012 and 2011, respectively. These impairments are described in the Use of Estimates and Critical Accounting Policies section above.

Interest expense was $428 million and $524 million in 2012 and 2011, respectively. The decrease in interest expense was due primarily to the repayment in January 2012 of $1.22 billion of our outstanding term loans as a result of the sale of HE, the early extinguishment in April 2012 of the 2015 Notes (as defined below) and interest rate decreases resulting from the expiration of interest rate swaps in each of February 2011 and 2012.

The loss on extinguishment of debt was $82 million and $3 million in 2012 and 2011, respectively. The increase was due primarily to the early extinguishments of the senior notes due 2015 and the senior subordinated notes due 2015, and the partial repayment of term loans in January and December 2012.

The effective income tax rates for 2012 and 2011 were a tax benefit of 9% and 62%, respectively. The Company’s effective tax rate fluctuates from period to period due to changes in the mix of income or losses in jurisdictions with a wide range of tax rates, permanent differences between U.S. GAAP and local tax laws, and certain one-time items including tax rate changes, benefit of foreign taxes, net of a U.S. foreign tax credit, and adjustments related to the repatriation of unremitted earnings of foreign subsidiaries. The effective tax rates for 2012 and 2011 were also impacted by the goodwill impairment charges, which are largely nondeductible.

Income (loss) from discontinued operations, net of tax, was $331 million in 2012 and $(80) million in 2011. During 2012, we recorded a combined gain on the sales of businesses of $571 million. During 2011, we recorded $135 million of deferred income tax expense related to the book-over-tax basis difference in a subsidiary of our HE business. See Note 2 of Notes to Consolidated Financial Statements for further discussion.

Income (loss) attributable to the non-controlling interest represents accreted dividends on SCCII's cumulative preferred stock. The amount of accreted dividends was $251 million and $225 million in 2012 and 2011, respectively. The increase is due to compounding.

Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

The following table sets forth, for the periods indicated, certain supplemental revenue data and the relative percentage that those amounts represent to total revenue.

						Constant Currency		
	Year Ended December 31, 2010		Year Ended December 31, 2011		Percent Increase (Decrease) 2011 vs. 2010	Year Ended December 31, 2011		Percent Increase (Decrease) 2011 vs. 2010
(in millions)		percent of revenue		percent of revenue			percent of revenue	
Financial Systems (FS)								
Services	$2,396	54%	$2,445	55%	2%	$2,398	55%	— %
License and resale fees	257	6%	259	6%	1%	250	6%	(3)%
Total products and services	2,653	60%	2,704	61%	2%	2,648	61%	— %
Reimbursed expenses	101	2%	72	2%	(29)%	72	2%	(29)%
Total	$2,754	62%	$2,776	63%	1%	$2,720	62%	(1)%
Availability Services (AS)								
Services	$1,452	33%	$1,438	32%	(1)%	$1,419	33%	(2)%
License and resale fees	3	— %	3	— %	1%	3	— %	— %
Total products and services	1,455	33%	1,441	32%	(1)%	1,422	33%	(2)%
Reimbursed expenses	14	— %	20	— %	40%	19	— %	35%
Total	$1,469	33%	$1,461	33%	(1)%	$1,441	33%	(2)%
Other [(1)]								
Services	$ 175	4%	$ 173	4%	(1)%	$ 173	4%	(1)%
License and resale fees	35	1%	27	1%	(21)%	27	1%	(21)%
Total products and services	210	5%	200	5%	(5)%	200	5%	(5)%
Reimbursed expenses	4	— %	3	— %	(17)%	3	— %	(17)%
Total	$ 214	5%	$ 203	5%	(5)%	$ 203	5%	(5)%
Total Revenue								
Services	$4,023	91%	$4,056	91%	1%	$3,990	91%	(1)%
License and resale fees	295	7%	289	7%	(2)%	280	6%	(5)%
Total products and services	4,318	97%	4,345	98%	1%	4,270	98%	(1)%
Reimbursed expenses	119	3%	95	2%	(20)%	94	2%	(21)%
Total	$4,437	100%	$4,440	100%	— %	$4,364	100%	(2)%

(1) Other includes our PS and K-12 businesses.

Revenue:

Total SunGard reported revenue was $4.44 billion in 2011, an increase of $3 million from 2010. On a constant currency basis, revenue decreased $73 million, or 2%. Approximately $104 million of the $73 million decrease, or 2.4 points of the two percentage points of decrease, was due to a decrease in revenue from the Broker/Dealer.

On a constant currency basis, services revenue decreased to $3.99 billion from $4.02 billion, representing approximately 91% of total revenue in both 2011 and 2010. The revenue decrease was mainly due to a $77 million decrease in broker/dealer fees by the Broker/Dealer and a $59 million decrease in RS, partially offset by increases of $41 million from FS acquisitions, $38 million in FS processing revenue and $27 million in MS.

Professional services revenue was $634 million and $629 million in 2011 and 2010, respectively. The change was due to an increase in FS, partially offset by decreases in AS and Other. Revenue from total broker/dealer fees was $164 million and $217 million in 2011 and 2010, respectively.

Reported revenue from license and resale fees included software license revenue of $252 million and $255 million, respectively. On a constant currency basis, software license revenue decreased $13 million, or 5%. Reimbursed expense revenue decreased $25 million due to the decline in revenue in the Broker/Dealer.

Financial Systems segment:

FS reported revenue was $2.78 billion in 2011 compared to $2.75 billion in 2010, an increase of 1%. On a constant currency basis, revenue decreased $34 million, or 1%. Year over year, revenue was impacted by four percentage points, or $104 million, from lower Broker/Dealer revenue as discussed above. Processing revenue increased $38 million, or 5%, due mainly to increases in transaction volumes and additional hosted services and an increase of $8 million from acquired businesses. Professional services revenue increased $13 million from acquired businesses and increased $4 million, or 1%, due primarily to implementation, consulting and project work associated with new and expanded customer relationships sold in the past twelve months. Software rental revenue decreased $6 million, or 2%, due primarily to customer attrition. Reported revenue from license and resale fees included software license revenue of $240 million, an increase of $3 million compared to 2010. On a constant currency basis, software license revenue decreased $7 million, or 3%.

Availability Services segment:

AS reported revenue decreased $8 million, or 1%, in 2011 from the prior year. On a constant currency basis, revenue decreased 2%. In North America, which accounts for over 75% of our AS business, revenue decreased 4% with decreases of $59 million in RS and $9 million in professional services revenue exceeding a $27 million increase in MS revenue. Revenue in Europe, primarily from our U.K. operations, increased $9 million, or 3%, where an increase in managed services revenue was partially offset by a decrease in recovery services revenue, and included a $1.5 million increase from a business acquired in 2010.

Other segment:

Reported revenue and constant currency revenue from our Other segment both decreased $11 million, or 5%, in 2011 from 2010. Professional services revenue decreased $4 million. Revenue from license and resale fees included software license revenue of $9 million in 2011, a $6 million decrease from the prior year.

The following table sets forth, for the periods indicated, certain amounts included in our Consolidated Statements of Comprehensive Income and the relative percentage that those amounts represent to consolidated revenue (unless otherwise indicated).

(in millions)	Year Ended December 31, 2010	percent of revenue	Year Ended December 31, 2011	percent of revenue	Percent Increase (Decrease) 2011 vs. 2010	Constant Currency: Year Ended December 31, 2011	percent of revenue	Constant Currency: Percent Increase (Decrease) 2011 vs. 2010
Revenue								
Financial Systems	$2,754	62 %	$2,776	63%	1 %	$2,720	62%	(1)%
Availability Services	1,469	33 %	1,461	33%	(1)%	1,441	33%	(2)%
Other	214	5 %	203	5 %	(5)%	203	5 %	(5)%
Total Revenue	$4,437	100%	$4,440	100%	— %	$4,364	100%	(2)%
Costs and Expenses								
Cost of sales and direct operating (excluding depreciation)	$1,895	43%	$1,848	42%	(2)%	$1,815	42%	(4)%
Sales, marketing and administration	1,057	24%	1,108	25%	5 %	1,085	25%	3 %
Product development and maintenance	350	8%	393	9 %	12%	379	9 %	8 %
Depreciation and amortization	278	6%	271	6 %	(2)%	267	6 %	(4)%
Amortization of acquisition—related intangible assets	448	10%	435	10%	(3)%	432	10%	(4)%
Goodwill impairment	205	5%	48	1 %	(77)%	48	1 %	(77)%
Total Costs and Expenses	$4,233	95%	$4,103	92%	(3)%	$4,026	92%	(5)%
Internal Adjusted EBITDA								
Financial Systems [1]	$ 708	25.7%	$ 720	25.9%	2%	$ 721	26.5%	2%
Availability Services [1]	527	35.9%	508	34.8%	(3)%	501	34.8%	(5)%
Other [1]	69	32.4%	63	31.2%	(8)%	63	31.2%	(8)%
Corporate	(64)	(1.4)%	(70)	(1.6)%	(11)%	(70)	(1.6)%	(11)%
Total Internal Adjusted EBITDA	1,240	28.0%	1,221	27.5%	(2)%	1,215	27.9%	(2)%
Reconciliation of Internal Adjusted EBITDA to Operating Income								
Depreciation and amortization	(278)	(6.3)%	(271)	(6)%	(2)%	(267)	(6)%	(4)%
Amortization of acquisition—related intangible assets	(448)	(10.1)%	(435)	(9.8)%	3 %	(432)	(9.9)%	4 %
Goodwill impairment	(205)	(4.6)%	(48)	(1.1)%	77%	(48)	(1.1)%	77%
Severance and facility closure costs	(30)	(0.7)%	(65)	(1.5)%	(122)%	(65)	(1.5)%	(122)%
Stock compensation expense	(29)	(0.7)%	(33)	(0.7)%	(12)%	(33)	(0.8)%	(12)%
Management fees	(16)	(0.4)%	(12)	(0.3)%	25%	(12)	(0.3)%	25%
Other costs [2]	(30)	(0.7)%	(20)	(0.4)%	34%	(20)	(0.5)%	34%
Total Operating Income	$ 204	4.6%	$ 337	7.6%	65%	$ 338	7.7%	65%

(1) Percent of revenue is calculated as a percent of revenue from FS, AS and Other, respectively.

(2) Other costs include expenses related to strategic initiatives, currency transaction losses, costs to shut down certain services of the Broker/Dealer business (defined above) and certain other costs.

Operating Income:

Our total reported operating margin was 7.7% in 2011 compared to 4.6% in 2010. The most significant factor impacting the 3.1 margin point increase is the $205 million non-cash goodwill impairment charge related to our PS and K-12 businesses, which are included in Other, in 2010, whereas 2011 included a non-cash goodwill impairment of $48 million. The net impact of these charges was a 3.5 margin point increase in 2011. The more significant factors impacting the remaining 0.4 margin point decrease are the following:

- 0.8 margin point decrease, or $36 million, from the increase in restructuring costs including increases in severance and corporate executive transition of $33 million and a $3 million increase in expenses to exit facilities;
- 0.5 margin point decrease from the decrease in the AS margin, which excludes the impact of severance;
- 0.3 margin point decrease, or $13 million, from the decrease in software license fee revenue; and
- 0.2 margin point decrease, or $7 million, from the increase in corporate costs;

partially offset by

- 0.5 margin point increase from the lower activity level of the Broker/Dealer;
- 0.4 margin point increase, or $16 million, from the decrease in amortization of acquisition-related intangible assets;
- 0.2 margin point increase, or $11 million, from the decrease in depreciation and amortization due primarily to certain AS leased facility improvements becoming fully depreciated; and
- 0.2 margin point increase, or $10 million, from the decrease in expenses related to strategic initiatives, currency transaction losses and costs incurred by the Broker/Dealer to shutdown its professional trading business in 2011.

Segment Internal Adjusted EBITDA:

Financial Systems segment:

The FS Internal Adjusted EBITDA margin was 26.5% and 25.7% in 2011 and 2010, respectively. The more significant factors impacting the 0.8 margin point improvement are the 1.6 margin point improvement from the decreased activity level of the Broker/Dealer; the 0.5 margin point improvement, or $12 million, from the decrease in consultant expense; and the 0.1 margin point improvement, or $2 million, from the decrease in facilities costs (excluding lease exit costs). These increases in the operating margin were partially offset by the 1.2 margin point improvement, or $33 million, from the increase in employment-related costs (excluding severance) resulting from business expansion, merit increases and increased software development and maintenance expenses, the 0.5 margin point improvement from acquired businesses and the 0.2 margin point improvement, or $7 million, from the decrease in license fees.

Availability Services segment:

The AS Internal Adjusted EBITDA margin was 34.8% and 35.9% in 2011 and 2010, respectively, a decrease of 1.1 margin points. The overall AS margin was decreased by 0.8 margin points from increased expenses in North America in 2011 resulting from increased employment-related expenses of $9 million (excluding severance) primarily related to developing new products, and segment advertising costs of $6 million. Professional services had a 0.3 margin point decrease on the overall AS margin in 2011 due primarily to a $2 million decrease in employment-related expenses on $8 million of lower revenue. RS had a 0.3 margin point decrease on the overall AS margin in 2011 due primarily to a $59 million decrease in higher margin recovery services revenue, partially offset by a $22 million decrease in equipment expense. Software had a 0.5 margin point impact on the overall AS margin in 2011 due primarily to reduced employment-related expenses of $7 million. MS helped the overall AS margin in 2011 by 0.1 margin points due primarily to a $27 million increase in revenue, partially offset by an $11 million increase in employment-related expenses and a $6 million increase in

facilities costs. Europe helped the overall AS margin in 2011 by 0.1 margin points due primarily to a $9 million increase in revenue and a $2 million decrease in equipment expense, partially offset by a $4 million increase in facilities and a $2 million increase in employment-related expenses (excluding severance).

Other segment:

The Internal Adjusted EBITDA margin from our Other segment was 31.2% and 32.4% for 2011 and 2010, respectively. The more significant factors impacting the 1.2 margin point decrease are the 1.3 margin point impact, or $3 million, from the decrease in costs capitalized as software assets.

Costs and Expenses:

Total costs decreased to 92% of revenue in 2011 from 95% of 2010 revenue. Excluding the goodwill impairment charges of $48 million and $205 million in 2011 and 2010, respectively, total costs as a percentage of total revenue were 91% of revenue in each of 2011 and 2010, and decreased $49 million.

Cost of sales and direct operating expenses (excluding depreciation) as a percentage of total revenue were 42% in 2011 and 43% in 2010, and decreased $80 million. Impacting the comparison of 2011 compared to 2010 is a $110 million decrease in costs of the Broker/Dealer which includes a $95 million decrease in reimbursed expenses; a $21 million decrease in AS equipment expense, primarily resulting from renegotiation of maintenance contracts, and a $4 million decrease in AS employment-related expenses, which includes a $6 million decrease in severance. These expense decreases were partially offset by an increase in FS employment-related expenses, including a $3 million increase in severance; a $23 million increase from acquired businesses; and a $10 million increase in AS facilities costs, mainly utilities, expansions of certain facilities that occurred in the second half of 2010 and a new facility added during the second quarter of 2010.

Sales, marketing and administration expenses as a percentage of total revenue were 25% and 24% in 2011 and 2010, respectively, and increased $28 million. Increases in sales, marketing and administration expenses were primarily due to increases of $18 million of corporate employment-related expenses mainly as a result of executive transition costs incurred in the second quarter of 2011 and other severance actions taken in 2011; an $11 million increase resulting from acquired businesses; and a $6 million increase in AS advertising expenses. These increases were partially offset by decreases of a combined $7 million of FS and AS facilities costs and the $5 million decrease in Broker/Dealer shut-down costs noted above.

Because AS product development and maintenance costs are insignificant, it is more meaningful to measure product development and maintenance expenses as a percentage of revenue excluding AS. Product development and maintenance expense was 13% and 12% of revenue excluding AS, respectively, and increased $28 million. The increase is primarily related to an increase in FS employment-related expenses to maintain and enhance our existing software products in response to customer needs. Included in the increase in employment-related expenses is a $4 million increase in severance.

Depreciation and amortization was 6% of total revenue in each of 2011 and 2010, but decreased $11 million due primarily to certain AS leased facility improvements becoming fully depreciated during 2010.

Amortization of acquisition-related intangible assets was 10% of total revenue in each of 2011 and 2010, but decreased $16 million due primarily to the impact of software that was fully amortized in 2010, partially offset by the impact of acquired businesses. During 2011, we recorded impairment charges of our customer base and software assets of $3 million and $4 million, respectively. During 2010, we recorded impairment charges of our customer base and software assets of $1 million and $2 million, respectively. These impairments are the result of reduced cash flow projections related to the software and customer base assets that were impaired.

We recorded goodwill impairment charges of $48 million and $205 million in 2011 and 2010, respectively. These impairments are described in the Use of Estimates and Critical Accounting Policies section above.

Interest expense was $524 million and $638 million in 2011 and 2010, respectively. The decrease in interest expense was due primarily to interest rate decreases mainly due to the expiration of certain of our interest rate swaps and the refinancing of the senior notes due 2013, as well as decreased term loan borrowings resulting from prepayments that occurred in December 2010.

The loss on extinguishment of debt in 2010 was due to the early extinguishments of our $1.6 billion of senior notes due in 2013 and our euro-denominated term loans. The loss included $39 million of tender and call premiums.

Other income was $7 million in 2010, and included $4 million in foreign currency transaction gains related to our euro-denominated term loans.

The effective income tax rates for 2011 and 2010 were a tax benefit of 62% and 14%, respectively, due to certain unusual items. The rate in 2011 includes the impact of tax rate changes, the benefits of foreign taxes, net of U.S. foreign tax credit, and an adjustment associated with the future repatriation of unremitted earnings of certain non-U.S. subsidiaries, partially offset by the nondeductible goodwill impairment charge. The reported benefit in 2010 includes nondeductible goodwill impairment charges and a $45 million charge for recording deferred income taxes on unremitted earnings of certain non-U.S. subsidiaries which were no longer considered to be permanently reinvested, partially offset by a $13 million benefit due primarily to the impact of state tax rate changes on deferred tax assets and liabilities.

Loss from discontinued operations, net of tax, was $80 million in 2011 and $156 million in 2010. During 2011, discontinued operations included our European consulting business which was sold in 2012 and our HE business, which was sold in January 2012. During 2010, discontinued operations includes our European consulting business, our HE business and our PS UK business which was sold in 2010. The results of our PS UK operation included an impairment charge, net of tax, of $91 million and a loss on disposal of approximately $94 million which included the write-off of the currency translation adjustment (CTA) which is included as a separate component of equity. Also in 2010, we recorded a goodwill impairment charge of $32 million related to HE MS. See Note 1 of Notes to Consolidated Financial Statements for further discussion.

Accreted dividends on SCCII's cumulative preferred stock were $225 million and $191 million in 2011 and 2010, respectively. The increase in dividends is due to compounding. No dividends have been declared by SCCII through December 31, 2011.

Liquidity and Capital Resources:

At December 31, 2012, our liquidity was $1.40 billion, comprised of cash and cash equivalents of $546 million, a decrease of $327 million from December 31, 2011, and capacity under our revolving credit facility of $857 million. Approximately $248 million of cash and cash equivalents at December 31, 2012 was held by our wholly owned non-U.S. subsidiaries. While available to fund operations and strategic investment opportunities abroad, most of these funds cannot be repatriated for use in the United States without incurring additional tax costs and, in a few cases, are in countries with currency restrictions. Our re-evaluation during the fourth quarter of 2012 of amounts permanently reinvested has no impact on these additional tax costs or our ability to repatriate these funds. Also, approximately $72 million of cash and cash equivalents at December 31, 2012 relates to our broker/dealer operations and is not readily available for general corporate use.

Cash flow from continuing operations was $645 million in 2012 compared to cash flow from continuing operations of $606 million in 2011. Improving cash flow from continuing operations was the following:

- $51 million of lower interest payments in 2012;
- a $42 million increase in cash earned from operations, defined as operating income adjusted for certain noncash expenses and the cash portion of other income (expense); and

- $25 million more cash provided by working capital due primarily to a one-time benefit in 2012 from exiting certain lower margin services of the Broker/Dealer, partially offset by timing of payment of accounts payable and recognizing in 2012 a portion of our deferred revenue in excess of new sales;

partially offset by

- by a $79 million increase in income tax payments, net of refunds.

Cash flow from continuing operations in 2011 was $606 million compared to $601 million in 2010. Lower interest payments of $143 million in 2011, principally resulting from the expiration of interest rate swaps and interest rate reductions from refinancing the senior notes due 2013, was mostly offset by lower operating earnings before interest and taxes and less cash provided by working capital.

Net cash used by continuing operations in investing activities was $297 million in 2012 and $315 million in 2011. During 2012, we spent $40 million for two acquisitions, as compared to $35 million for five acquisitions during 2011. Capital expenditures for continuing operations were $260 million in 2012 and $276 million in 2011. Net cash used by continuing operations in investing activities was $376 million in 2010. During 2010, we spent $82 million for four acquisitions and $298 million for capital expenditures.

In 2012, net cash used by continuing operations in financing activities was $2.04 billion, which included the following:

- repayment of $1.22 billion of term loans resulting from the sale of HE;
- $1.02 billion to repurchase and optionally redeem $1 billion of senior subordinated notes due 2015;
- a $724 million preferred stock dividend;
- $527 million to redeem the 10.625% senior notes due 2015; and
- $217 million of optional prepayments of term loans;

partially offset by

- the issuance of $1 billion of senior subordinated notes due 2019; and
- a $720 million term loan to fund the dividend.

In 2011, net cash used by continuing operations in financing activities was $253 million, which included $239 million of debt payments. In 2010, net cash used by continuing operations in financing activities was $344 million, which included the repurchase and optional redemption of our senior notes due 2013 along with the associated premiums and $265 million of term loan prepayments, and the issuance of $900 million of senior notes due 2018 and $700 million of senior notes due 2020 (net of associated fees). We also increased our borrowings under our accounts receivable securitization program by $63 million in 2010.

As a result of the LBO (August 11, 2005), we are highly leveraged. See Note 5 of Notes to Consolidated Financial Statements which contains a full description of our debt. Total debt outstanding as of December 31, 2012 was $6.66 billion, which consists of the following (in millions):

	December 31, 2012
Senior Secured Credit Facilities:	
Secured revolving credit facility due November 29, 2016	**$ —**
Tranche A due February 28, 2014, effective interest rate of 1.96%	**207**
Tranche B due February 28, 2016, effective interest rate of 4.35%	**1,719**
Tranche C due February 28, 2017, effective interest rate of 4.17%	**908**
Tranche D due January 31, 2020, effective interest rate of 4.50%	**720**
Total Senior Secured Credit Facilities	**3,554**
Senior Secured Notes due 2014 at 4.875%, net of discount of $4	**246**
Senior Notes due 2018 at 7.375%	**900**
Senior Notes due 2020 at 7.625%	**700**
Senior Subordinated Notes due 2019 at 6.625%	**1,000**
Secured accounts receivable facility, at 3.71%	**250**
Other, primarily foreign bank debt, acquisition purchase price and capital lease obligations	**12**
Total debt	**6,662**
Short-term borrowings and current portion of long-term debt	**(63)**
Long-term debt	**$6,599**

Senior Secured Credit Facilities

We have an $880 million revolving credit facility, of which $857 million was available for borrowing after giving effect to $23 million of outstanding letters of credit as of December 31, 2012.

As more fully discussed in Note 2 of Notes to Consolidated Financial Statements, in January 2012, we completed the sale of HE. The net cash proceeds from the HE sale of $1.22 billion were applied on a pro-rata basis to repay a portion of our term loans, including $396 million of tranche A, $689 million of tranche B and $137 million of incremental term loans.

On March 2, 2012, we amended the Amended and Restated Credit Agreement dated as of August 11, 2005, as amended and restated from time to time ("Credit Agreement") to, among other things, extend the maturity date of $908 million in aggregate principal amount of tranche A and incremental term loans from February 28, 2014 to February 28, 2017 ("tranche C"), extend the maturity of our $880 million revolving credit facility commitments from May 11, 2013 to November 29, 2016, and amend certain covenants and other provisions in order to, among other things, permit the potential spin-off of the Availability Services business. The revolving credit facility commitments and tranche C each have springing maturities which are described in the Credit Agreement filed with SunGard's Form 8-K dated March 7, 2012.

On December 17, 2012, we amended our Credit Agreement to, among other things, allow for the issuance of a $720 million term loan ("tranche D"), permit incremental credit extensions under the restated credit agreement in an amount up to $750 million; and modify certain covenants and other provisions in order to, among other

things, permit additional restricted payments to be made with the net proceeds of the tranche D term loan and available cash in an aggregate amount not to exceed $750 million. Tranche D has certain springing maturities which are described in the Credit Agreement filed with SunGard's Form 8-K dated December 20, 2012.

On December 31, 2012, we voluntarily prepaid $48 million of the tranche A term loan and the entire outstanding incremental term loan balance of $169 million.

On March 8, 2013, SunGard amended and restated its Credit Agreement to, among other things, (i) issue an additional term loan of $2,200 million ("tranche E") maturing on March 8, 2020, the proceeds of which were used to (a) repay in full the $1,719 million tranche B term loan and (b) repay $481 million of the tranche C term loan; (ii) replace the $880 million of revolving commitments with $850 million of new revolving commitments, which will mature on March 8, 2018; and (iii) modify certain covenants and other provisions in order to, among other things (x) modify (and in the case of the term loan facility, remove) the financial maintenance covenants included therein and (y) permit the Company to direct the net cash proceeds of permitted dispositions otherwise requiring a prepayment of term loans to the prepayment of specific tranches of term loans at the Company's sole discretion. The interest rate on tranche E is LIBOR plus 3% with a 1% LIBOR floor, which at March 8, 2013 was 4.00%. SunGard is required to repay installments in quarterly principal amounts of 0.25% of its funded tranche E principal amount through the maturity date, at which time the remaining aggregate principal balance is due. Tranche E and the new revolving credit commitments are subject to certain springing maturities which are described in the Credit Agreement.

Senior and Senior Subordinated Notes

On November 16, 2010, we issued $900 million aggregate principal amount of 7.375% senior notes due 2018 and $700 million aggregate principal amount of 7.625% senior notes due 2020. The net proceeds, together with other cash, were used to retire the former $1.6 billion 9.125% senior notes that would have been due 2013.

On April 2, 2012, we redeemed for $527 million plus accrued and unpaid interest to the redemption date, all of our outstanding $500 million 10.625% senior notes due 2015 under the Indenture dated as of September 29, 2008.

On November 1, 2012, we issued $1 billion aggregate principal amount of 6.625% senior subordinated notes due 2019 ("senior subordinated notes due 2019") and used a portion of the net proceeds from this offering to repurchase approximately $490 million of our $1 billion 10.25% senior subordinated notes due 2015 ("existing senior subordinated notes"). On December 3, 2012, we redeemed the remaining existing senior subordinated notes. We paid a $21 million premium to extinguish the existing senior subordinated notes.

The senior subordinated notes due 2019 contain registration rights by which we have agreed to use our reasonable best efforts to register with the U.S. Securities & Exchange Commission notes having substantially identical terms. We will use our reasonable best efforts to cause the exchange offer to be completed or, if required, to have one or more shelf registration statements declared effective within 360 days after the issue date of the senior subordinated notes due 2019.

If we fail to satisfy this obligation (a "registration default"), the annual interest rate on the senior subordinated notes due 2019 will increase by an additional 0.25% for each subsequent 90-day period during which the registration default continues, up to a maximum additional interest rate of 1.00% per year. The applicable interest rate will revert to the original level upon the earlier of curing the registration default or November 1, 2014.

Secured Accounts Receivable Facility

In March 2009, we entered into a syndicated three-year secured accounts receivable facility. The facility limit was $317 million, which consisted of a term loan commitment of $181 million and a revolving commitment

of $136 million. Advances may be borrowed and repaid under the revolving commitment with no impact on the facility limit. The term loan commitment may be repaid at any time at our option, but will result in a permanent reduction in the facility limit. On September 30, 2010, we entered into an Amended and Restated Credit and Security Agreement related to our receivables facility. Among other things, the amendment (a) increased the borrowing capacity under the facility from $317 million to $350 million, (b) increased the term loan component from $181 million to $200 million, (c) extended the maturity date to September 30, 2014, (d) removed the 3% LIBOR floor and set the interest rate to one-month LIBOR plus 3.5%, which at December 31, 2012 was 3.71%, and (e) amended certain terms.

In connection with the sale of our HE business, the participating HE subsidiaries were removed from the receivables facility, effective as of October 3, 2011. As a result, we permanently reduced the maximum revolving commitment amount to $90 million for a combined total amount available for borrowing of $290 million.

On December 19, 2012, we entered into a Second Amended and Restated Credit and Security Agreement to, among other things, extend the maturity date to December 19, 2017 and reduce the aggregate commitments from $290 million to $275 million.

At December 31, 2012, $200 million was drawn against the term loan commitment and $50 million was drawn against the revolving commitment, which was repaid on January 2, 2013. At December 31, 2012, $519 million of accounts receivable secured the borrowings under the receivables facility.

The receivables facility includes a fee on the unused portion of 0.75% per annum and contains certain covenants. We are required to satisfy and maintain specified facility performance ratios, financial ratios and other financial condition tests.

Interest Rate Swaps

We use interest rate swap agreements to manage the amount of our floating rate debt in order to reduce our exposure to variable rate interest payments associated with the senior secured credit facilities. We pay a stream of fixed interest payments for the term of the swap, and in turn, receive variable interest payments based on one-month LIBOR or three-month LIBOR (0.21% and 0.31%, respectively, at December 31, 2012). The net receipt or payment from the interest rate swap agreements is included in interest expense. A summary of our interest rate swaps at December 31, 2012 follows (in millions):

Inception	Maturity	Notional Amount (in millions)	Interest rate paid	Interest rate received (LIBOR)
February 2010	May 2013	$500	1.99%	3-Month
August-September 2012	February 2017	400	0.69%	1-Month
Total/Weighted average interest rate		$900	1.41%	

Contractual Obligations

At December 31, 2012, our contractual obligations follow (in millions):

	Total	2013	2014	2015	2016—2017	Thereafter
Short-term and long-term debt [1]	$6,662	$ 63	$ 461	$ 8	$2,844	$3,286
Interest payments [2]	1,987	357	346	338	519	427
Operating leases	994	178	163	132	211	310
Purchase obligations [3]	223	141	50	27	5	—
	$9,866	$739	$1,020	$505	$3,579	$4,023

(1) The senior notes due 2014 are recorded at $246 million as of December 31, 2012, reflecting the remaining unamortized discount. The $4 million discount at December 31, 2012 will be amortized and included in interest expense over the remaining periods to maturity.

(2) Interest payments consist of interest on both fixed-rate and variable-rate debt. Variable-rate debt consists primarily of the tranche A secured term loan facility ($207 million at 1.96%), the tranche B term loan facility ($1.22 billion at 3.84%), the tranche C term loan facility ($508 million at 3.96%), the tranche D term loan facility ($720 million at 4.50%), and the secured accounts receivable facility ($250 million at 3.71%), each as of December 31, 2012. See Note 5 of Notes to Consolidated Financial Statements.

(3) Purchase obligations include our estimate of the minimum outstanding obligations under noncancelable commitments to purchase goods or services.

On a pro forma basis as of December 31, 2012, taking into account the March 8, 2013 Credit Agreement amendment, our contractual obligations are as follows (in millions):

	Total	2013	2014	2015	2016-2017	Thereafter
Short-term and long-term debt [1]	$ 6,662	$ 80	$ 483	$ 30	$ 688	$5,381
Interest payments [2]	2,320	356	347	339	660	618
Operating leases	994	178	163	132	211	310
Purchase obligations [3]	223	141	50	27	5	—
	$10,199	$755	$1,043	$528	$1,564	$6,309

At December 31, 2012, contingent purchase price obligations that depend upon the operating performance of certain acquired businesses were $6 million, of which $3 million is included in other long-term debt. We also have outstanding letters of credit and bid bonds that total approximately $36 million.

We expect our cash on hand, cash flows from operations, availability under our revolving credit facility and our accounts receivable facility to provide sufficient liquidity to fund our current obligations, projected working capital requirements and capital spending for a period that includes at least the next 12 months.

Depending on market conditions, SunGard, its Sponsors and their affiliates may from time to time repurchase debt securities issued by SunGard, in privately negotiated or open market transactions, by tender offer or otherwise.

Covenant Compliance

Our senior secured credit facilities and the indentures governing our senior notes due 2018 and 2020 and our senior subordinated notes due 2019 contain various covenants that limit our ability to engage in specified types of transactions. These covenants limit our ability to, among other things:

- incur additional indebtedness or issue certain preferred shares,
- pay dividends on, repurchase or make distributions in respect of our capital stock or make other restricted payments,
- make certain investments,
- sell certain assets,
- create liens,
- consolidate, merge, sell or otherwise dispose of all or substantially all of our assets, and
- enter into certain transactions with our affiliates.

In addition, pursuant to the Principal Investor Agreement by and among our Holding Companies and the Sponsors, we are required to obtain approval from certain Sponsors prior to the declaration or payment of any dividend by us or any of our subsidiaries (other than dividends payable to us or any of our wholly owned subsidiaries).

Under the senior secured credit agreement, we are required to satisfy and maintain specified financial ratios and other financial condition tests. As of December 31, 2012, we are in compliance with all financial and nonfinancial covenants. While we believe that we will remain in compliance, our continued ability to meet those financial ratios and tests can be affected by events beyond our control, and there is no assurance that we will continue to meet those ratios and tests.

Adjusted earnings before interest, taxes, depreciation and amortization ("EBITDA") is a non-GAAP measure used to determine our compliance with certain covenants contained in the indentures governing the senior notes due 2018 and 2020 and senior subordinated notes due 2019 and in our senior secured credit agreement. Adjusted EBITDA is defined as EBITDA further adjusted to exclude unusual items and other adjustments permitted in calculating covenant compliance under the indentures and our senior secured credit agreement. We believe that including supplementary information concerning Adjusted EBITDA is appropriate to provide additional information to investors to demonstrate compliance with our financing covenants.

A breach of covenants in our senior secured credit agreement that are tied to ratios based on Adjusted EBITDA could result in a default and the lenders could elect to declare all amounts borrowed due and payable. Any such acceleration would also result in a default under our indentures. Additionally, under our debt agreements, our ability to engage in activities such as incurring additional indebtedness, making investments and paying dividends is also tied to ratios based on Adjusted EBITDA.

Adjusted EBITDA does not represent net income (loss) or cash flow from operations as those terms are defined by GAAP and does not necessarily indicate whether cash flows will be sufficient to fund cash needs. While Adjusted EBITDA and similar measures are frequently used as measures of operations and the ability to meet debt service requirements, these terms are not necessarily comparable to other similarly titled captions of other companies due to the potential inconsistencies in the method of calculation. Adjusted EBITDA does not reflect the impact of earnings or charges resulting from matters that we may consider not to be indicative of our ongoing operations. In particular, the definition of Adjusted EBITDA in the indentures allows us to add back certain noncash, extraordinary or unusual charges that are deducted in calculating net income (loss). However, these are expenses that may recur, vary greatly and are difficult to predict. Further, our debt instruments require that Adjusted EBITDA be calculated for the most recent four fiscal quarters. As a result, the measure can be disproportionately affected by a particularly strong or weak quarter. Further, it may not be comparable to the measure for any subsequent four-quarter period or any complete fiscal year. Adjusted EBITDA is similar, but not identical, to Internal Adjusted EBITDA used to measure our performance (see Note 13 of Notes to Consolidated Financial Statements).

The following is a reconciliation for SunGard of income (loss) from continuing operations, which is a GAAP measure of our operating results, to Adjusted EBITDA as defined in our debt agreements (in millions). The terms and related calculations are defined in the credit agreement.

	2010	2011	2012
Income (loss) from continuing operations	$ (414)	$ (69)	$ (397)
Interest expense, net	636	521	427
Taxes	(69)	(118)	(38)
Depreciation and amortization	726	706	672
EBITDA	879	1,040	664
Goodwill impairment charge	205	48	385
Purchase accounting adjustments (a)	13	11	9
Non-cash charges (b)	36	34	39
Restructuring and other (c)	55	94	63
Acquired EBITDA, net of disposed EBITDA (d)	9	1	3
Pro forma expense savings related to acquisitions (e)	2	—	—
Loss on extinguishment of debt (f)	58	3	82
Adjusted EBITDA—senior secured credit facilities, senior notes due 2018 and 2020 and senior subordinated notes due 2019	$1,257	$1,231	$1,245

(a) Purchase accounting adjustments include the adjustment of deferred revenue and lease reserves to fair value at the dates of the LBO and subsequent acquisitions made by SunGard and certain acquisition-related compensation expense.

(b) Non-cash charges include stock-based compensation (see Note 9 of Notes to Consolidated Financial Statements) and loss on the sale of assets.

(c) Restructuring and other charges include severance and related payroll taxes, reserves to consolidate certain facilities, strategic initiative expenses, certain other expenses associated with acquisitions made by the Company, gains or losses related to fluctuation of foreign currency exchange rates impacting the foreign-denominated debt, management fees paid to the Sponsors, and franchise and similar taxes reported in operating expenses, partially offset by certain charges relating to the receivables facility.

(d) Acquired EBITDA net of disposed EBITDA reflects the EBITDA impact of businesses that were acquired or disposed of during the period as if the acquisition or disposition occurred at the beginning of the period.

(e) Pro forma adjustments represent the full-year impact of savings resulting from post-acquisition integration activities.

(f) Loss on extinguishment of debt includes in 2010 the loss on extinguishment of $1.6 billion of senior notes due in 2013 and the write-off of deferred financing fees related to the refinancing of a portion of our U.S. Dollar-denominated term loans and retirement of $100 million of pound Sterling-denominated term loans. Loss on extinguishment of debt includes in 2012 the write-off of deferred financing fees associated with the January 2012 repayment of $1.22 billion of our US$-denominated term loans, the April 2012 retirement of $500 million, 10.625% senior notes due 2015, the December 2012 retirement of $1 billion, 10.25% senior subordinated notes due 2015 and the December 2012 repayment of $217 million of US$-denominated term loans.

Our covenant requirements and actual ratios for the year ended December 31, 2012 are as follows:

	Covenant Requirements	Actual Ratios
Senior secured credit facilities (1)		
Minimum Adjusted EBITDA to consolidated interest expense ratio	2.10x	3.53x
Maximum total debt to Adjusted EBITDA	5.75x	4.75x
Senior notes due 2018 and 2020 and senior subordinated notes due 2019 (2)		
Minimum Adjusted EBITDA to fixed charges ratio required to incur additional debt pursuant to ratio provisions	2.00x	3.51x

(1) Our senior secured credit facility requires us to maintain an Adjusted EBITDA to consolidated interest expense ratio starting at a minimum of 2.10x for the four-quarter period ended December 31, 2012 and increasing to 2.20x at the end of 2013. Consolidated interest expense is defined in the senior secured credit facilities as consolidated cash interest expense less cash interest income further adjusted for certain non-cash or non-recurring interest expense and the elimination of interest expense and fees associated with SunGard's accounts receivable facility. Beginning with the four-quarter period ending December 31, 2011, we are required to maintain a consolidated total debt to Adjusted EBITDA ratio of 5.75x and decreasing over time to 5.50x by June 30, 2015, 5.25x by June 30, 2016 and to 4.75x by March 31, 2017. Consolidated total debt is defined in the senior secured credit facilities as total debt less certain indebtedness and further adjusted for cash and cash equivalents on our balance sheet in excess of $50 million. Failure to satisfy these ratio requirements would constitute a default under the senior secured credit facilities. If our lenders failed to waive any such default, our repayment obligations under the senior secured credit facilities could be accelerated, which would also constitute a default under our indentures.

(2) Our ability to incur additional debt and make certain restricted payments under our indentures, subject to specified exceptions, is tied to an Adjusted EBITDA to fixed charges ratio of at least 2.0x, except that we may incur certain debt and make certain restricted payments and certain permitted investments without regard to the ratio. This exception includes our ability to incur up to an aggregate principal amount of $5.75 billion under credit facilities (inclusive of amounts outstanding under our senior credit facilities from time to time. As of December 31, 2012, we had $3.55 billion outstanding under our term loan facilities and available commitments of $857 million under our revolving credit facility), to acquire persons engaged in a similar business that become restricted subsidiaries and to make other investments equal to 6% of our consolidated assets. Fixed charges is defined in the indentures governing the Senior Notes due 2018 and 2020 and the Senior Subordinated Notes due 2019 as consolidated interest expense less interest income, adjusted for acquisitions, and further adjusted for non-cash interest and the elimination of interest expense and fees associated with the accounts receivable facility.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK:

We do not use derivative financial instruments for trading or speculative purposes. We have invested our available cash in short-term, highly liquid financial instruments, substantially all having initial maturities of three months or less. When necessary, we have borrowed to fund acquisitions.

At December 31, 2012, we had total debt of $6.66 billion, including $3.80 billion of variable rate debt. We entered into interest rate swap agreements which fixed the interest rates for $900 million of our variable rate debt. Swap agreements expiring in May 2013 have a notional value of $500 million and effectively fix the variable portion of our interest rates at 1.99%. Swap agreements expiring in February 2017 with a notional value of $400 million effectively fix our interest rates at 0.69%. Our remaining variable rate debt of $2.90 billion is subject to changes in underlying interest rates, and, accordingly, our interest payments will fluctuate. During the period when all of our interest rate swap agreements are effective, a 1% change in interest rates would result in a

change in interest of approximately $29 million per year. Upon the expiration of the $500 million interest rate swap agreement in May 2013, a 1% change in interest rates would result in an incremental change in interest of approximately $5 million per year, or a total of $34 million. Upon the expiration of the $400 million interest rate swap agreement in February 2017, a 1% change in interest rates would result in an incremental change in interest of approximately $4 million, or a total of $38 million. See Note 5 of Notes to Consolidated Financial Statements.

During 2012, approximately 36% of our revenue was from customers outside the United States with approximately 76% of this revenue coming from customers located in the United Kingdom, Continental Europe and Canada. Only a portion of the revenue from customers outside the United States is denominated in other currencies, the majority being pound Sterling and Euros. Revenue and expenses of our foreign operations are generally denominated in their respective local currencies. We continue to monitor our exposure to currency exchange rates and we enter into currency hedging transactions from time to time to mitigate certain currency exposures.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

SunGard Capital Corp.
SunGard Capital Corp. II
SunGard Data Systems Inc.

Index to Consolidated Financial Statements

Reports of Independent Registered Public Accounting Firm 50

SunGard Capital Corp.

Consolidated Balance Sheets 53
Consolidated Statements of Comprehensive Income 54
Consolidated Statements of Cash Flows 55
Consolidated Statement of Changes in Equity 56

SunGard Capital Corp. II

Consolidated Balance Sheets 58
Consolidated Statements of Comprehensive Income 59
Consolidated Statements of Cash Flows 60
Consolidated Statement of Changes in Stockholders' Equity 61

SunGard Data Systems Inc.

Consolidated Balance Sheets 63
Consolidated Statements of Comprehensive Income 64
Consolidated Statements of Cash Flows 65
Consolidated Statement of Changes in Stockholder's Equity 66
Notes to Consolidated Financial Statements 67

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of SunGard Capital Corp.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of comprehensive income, of changes in equity and of cash flows present fairly, in all material respects, the financial position of SunGard Capital Corp. and its subsidiaries at December 31, 2012 and 2011, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2012 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
March 20, 2013

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of SunGard Capital Corp. II:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of comprehensive income, of changes in stockholders' equity and of cash flows present fairly, in all material respects, the financial position of SunGard Capital Corp. II and its subsidiaries at December 31, 2012 and 2011, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2012 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
March 20, 2013

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholder of SunGard Data Systems Inc.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of comprehensive income, of changes in stockholder's equity and of cash flows present fairly, in all material respects, the financial position of SunGard Data Systems Inc. and its subsidiaries at December 31, 2012 and 2011, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2012 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
March 20, 2013

SunGard Capital Corp.
Consolidated Balance Sheets
(In millions except share and per-share amounts)

	December 31, 2011	**December 31, 2012**
Assets		
Current:		
Cash and cash equivalents	$ 867	**$ 546**
Trade receivables, less allowance for doubtful accounts of $38 and $30	794	**781**
Earned but unbilled receivables	140	**119**
Prepaid expenses and other current assets	117	**224**
Clearing broker assets	213	**6**
Assets related to discontinued operations	1,350	**—**
Total current assets	3,481	**1,676**
Property and equipment, less accumulated depreciation of $1,296 and $1,509	893	**874**
Software products, less accumulated amortization of $1,431 and $1,649	554	**411**
Customer base, less accumulated amortization of $1,254 and $1,481	1,574	**1,367**
Other assets, less accumulated amortization of $22 and $27	144	**132**
Trade name	1,019	**1,019**
Goodwill	4,885	**4,539**
Total Assets	$12,550	**$10,018**
Liabilities and Equity		
Current:		
Short-term and current portion of long-term debt	$ 10	**$ 63**
Accounts payable	59	**32**
Accrued compensation and benefits	291	**297**
Accrued interest expense	92	**41**
Other accrued expenses	261	**234**
Clearing broker liabilities	179	**4**
Deferred revenue	862	**836**
Deferred income taxes	76	**—**
Liabilities related to discontinued operations	246	**—**
Total current liabilities	2,076	**1,507**
Long-term debt	7,819	**6,599**
Deferred and other income taxes	1,123	**1,127**
Other long-term liabilities	76	**95**
Total liabilities	11,094	**9,328**
Commitments and contingencies		
Noncontrolling interest in preferred stock of SCCII subject to a put option	28	**26**
Class L common stock subject to a put option	47	**45**
Class A common stock subject to a put option	6	**5**
Stockholders' equity:		
Class L common stock, convertible, par value $.001 per share; cumulative 13.5% per annum, compounded quarterly; aggregate liquidation preference of $5,383 million and $6,154 million; 50,000,000 shares authorized, 28,842,773 and 29,027,610 shares issued	—	**—**
Class A common stock, par value $.001 per share; 550,000,000 shares authorized, 259,589,718 and 261,251,822 shares issued	—	**—**
Capital in excess of par value	2,768	**2,483**
Treasury stock, 387,638 and 541,886 shares of Class L common stock; and 3,492,925 and 4,880,305 shares of Class A common stock	(39)	**(50)**
Accumulated deficit	(3,346)	**(3,391)**
Accumulated other comprehensive income (loss)	(46)	**(3)**
Total SunGard Capital Corp. stockholders' equity (deficit)	(663)	**(961)**
Noncontrolling interest in preferred stock of SCCII	2,038	**1,575**
Total equity	1,375	**614**
Total Liabilities and Equity	$12,550	**$10,018**

The accompanying notes are an integral part of these consolidated financial statements.

SunGard Capital Corp.
Consolidated Statements of Comprehensive Income
(In millions)

	Year ended December 31,		
	2010	2011	**2012**
Revenue:			
Services	$4,024	$4,056	**$3,926**
License and resale fees	294	289	**275**
Total products and services	4,318	4,345	**4,201**
Reimbursed expenses	119	95	**62**
Total revenue	4,437	4,440	**4,263**
Costs and expenses:			
Cost of sales and direct operating (excluding depreciation)	1,895	1,848	**1,740**
Sales, marketing and administration	1,057	1,108	**1,039**
Product development and maintenance	350	393	**353**
Depreciation and amortization	278	271	**287**
Amortization of acquisition-related intangible assets	448	435	**385**
Goodwill impairment charges	205	48	**385**
Total costs and expenses	4,233	4,103	**4,189**
Operating income (loss)	204	337	**74**
Interest income	2	3	**1**
Interest expense and amortization of deferred financing fees	(638)	(524)	**(428)**
Loss on extinguishment of debt	(58)	(3)	**(82)**
Other income (expense)	7	—	**—**
Income (loss) from continuing operations before income taxes	(483)	(187)	**(435)**
Benefit from (provision for) income taxes	69	116	**38**
Income (loss) from continuing operations	(414)	(71)	**(397)**
Income (loss) from discontinued operations, net of tax	(156)	(80)	**331**
Net income (loss)	(570)	(151)	**(66)**
Income attributable to the noncontrolling interest (including $3 million, $- million and $1 million in temporary equity)	(191)	(225)	(251)
Net income (loss) attributable to SunGard Capital Corp.	(761)	(376)	(317)
Other comprehensive income (loss):			
Foreign currency translation	(41)	(26)	**33**
Less: foreign currency translation reclassified into income	109	—	**—**
Foreign currency translation, net	68	(26)	33
Unrealized gain (loss) on derivative instruments	(49)	(16)	**(1)**
Less: gain (loss) on derivatives reclassified into income	85	34	**14**
Less: income tax benefit (expense)	(12)	(9)	**(3)**
Net unrealized gain (loss) on derivative instruments, net of tax	24	9	10
Other comprehensive income (loss), net of tax	92	(17)	**43**
Comprehensive income (loss)	(478)	(168)	**(23)**
Comprehensive income (loss) attributable to the non controlling interest	(191)	(225)	(251)
Comprehensive income (loss) attributable to SunGard Capital Corp.	$ (669)	$ (393)	$ (274)

The accompanying notes are an integral part of these consolidated financial statements.

SunGard Capital Corp.
Consolidated Statements of Cash Flows
(In millions)

	Year ended December 31,		
	2010	2011	**2012**
Cash flow from operations:			
Net income (loss)	$ (570)	$(151)	**$ (66)**
Income (loss) from discontinued operations	(156)	(80)	**331**
Income (loss) from continuing operations	(414)	(71)	**(397)**
Reconciliation of income (loss) from continuing operations to cash flow from (used in) operations:			
Depreciation and amortization	726	706	**672**
Goodwill impairment charge	205	48	**385**
Deferred income tax provision (benefit)	(83)	(155)	**(79)**
Stock compensation expense	29	33	**38**
Amortization of deferred financing costs and debt discount	43	40	**36**
Loss on extinguishment of debt	58	3	**82**
Other noncash items	3	2	**(1)**
Accounts receivable and other current assets	25	75	**51**
Accounts payable and accrued expenses	27	(35)	**(129)**
Clearing broker assets and liabilities, net	18	(14)	**33**
Deferred revenue	(36)	(26)	**(46)**
Cash flow from (used in) continuing operations	601	606	**645**
Cash flow from (used in) discontinued operations	120	72	**(401)**
Cash flow from (used in) operations	721	678	**244**
Investment activities:			
Cash paid for acquired businesses, net of cash acquired	(82)	(35)	**(40)**
Cash paid for property and equipment and software	(298)	(276)	**(260)**
Other investing activities	4	(4)	**3**
Cash provided by (used in) continuing operations	(376)	(315)	**(297)**
Cash provided by (used in) discontinued operations	116	(11)	**1,758**
Cash provided by (used in) investment activities	(260)	(326)	**1,461**
Financing activities:			
Cash received from issuance of common stock	1	3	**—**
Cash received from issuance of preferred stock	—	3	**—**
Cash received from borrowings, net of fees	1,633	1	**1,715**
Cash used to repay debt	(1,924)	(239)	**(2,946)**
Premium paid to retire debt	(41)	—	**(48)**
Dividends paid	—	—	**(724)**
Cash used to purchase treasury stock	(12)	(9)	**(22)**
Other financing activities	(1)	(12)	**(14)**
Cash provided by (used in) continuing operations	(344)	(253)	**(2,039)**
Cash provided by (used in) discontinued operations	—	—	**—**
Cash provided by (used in) financing activities	(344)	(253)	**(2,039)**
Effect of exchange rate changes on cash	(3)	(4)	**7**
Increase (decrease) in cash and cash equivalents	114	95	**(327)**
Beginning cash and cash equivalents includes cash of discontinued operations: 2010, $33; 2011, $23; 2012, $6	664	778	**873**
Ending cash and cash equivalents includes cash of discontinued operations: 2010, $23; 2011, $6; 2012, $-	$ 778	$ 873	**$ 546**

The accompanying notes are an integral part of these consolidated financial statements.

SunGard Capital Corp.
Consolidated Statement of Changes in Equity
(In millions)

	Temporary Equity			Permanent Equity							
	Subject to a put option			Common Stock				Treasury Stock			
				Number of Shares issued				Common Stock			
	Class L	Class A	Noncontrolling Interest	Class L	Class A	Par Value	Capital in Excess of Par Value	Shares Class L	Shares Class A	Par Value	Amount
Balances at December 31, 2009	$ 88	$ 11	$ 51	29	258	$ —	$2,678	—	2	$—	$ (27)
Net income (loss)	—	—	3	—	—	—	—	—	—	—	—
Foreign currency translation including the impact of the sale of a business of $109	—	—	—	—	—	—	—	—	—	—	—
Net unrealized gain on derivative instruments (net of tax expense of $12)	—	—	—	—	—	—	—	—	—	—	—
Stock compensation expense	—	—	—	—	—	—	31	—	—	—	—
Issuance of common and preferred stock	(1)	—	—	—	—	—	1	—	—	—	—
Purchase of treasury stock	—	—	—	—	—	—	(1)	—	1	—	(7)
Expiration of put option	(8)	(1)	(4)	—	—	—	10	—	—	—	—
Transfer intrinsic value of vested restricted stock units to temporary equity	8	1	4	—	—	—	(13)	—	—	—	—
Other	—	—	—	—	—	—	(3)	—	—	—	—
Balances at December 31, 2010	87	11	54	29	258	—	2,703	—	3	—	(34)
Net income (loss)	—	—	—	—	—	—	—	—	—	—	—
Foreign currency translation	—	—	—	—	—	—	—	—	—	—	—
Net unrealized gain on derivative instruments (net of tax expense of $9)	—	—	—	—	—	—	—	—	—	—	—
Stock compensation expense	—	—	—	—	—	—	35	—	—	—	—
Issuance of common and preferred stock	(1)	—	1	—	2	—	6	—	—	—	—
Purchase of treasury stock	(1)	—	—	—	—	—	(1)	—	—	—	(5)
Expiration of put option	(50)	(6)	(35)	—	—	—	58	—	—	—	—
Transfer intrinsic value of vested restricted stock units to temporary equity	12	1	8	—	—	—	(21)	—	—	—	—
Other	—	—	—	—	—	—	(12)	—	—	—	—
Balances at December 31, 2011	47	6	28	29	260	—	2,768	—	3	—	(39)
Net income (loss)	**—**	**—**	**1**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Foreign currency translation	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Net unrealized gain on derivative instruments (net of tax expense of $3)	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Stock compensation expense	**—**	**—**	**—**	**—**	**—**	**—**	**38**	**—**	**—**	**—**	**—**
Issuance of common and preferred stock	**(1)**	**—**	**(1)**	**—**	**1**	**—**	**1**	**—**	**—**	**—**	**—**
Dividends declared ($72.80 per preferred share)	**—**	**—**	**(3)**	**—**	**—**	**—**	**(300)**	**—**	**—**	**—**	**—**
Purchase of treasury stock	**(1)**	**—**	**—**	**—**	**—**	**—**	**(4)**	**1**	**2**	**—**	**(11)**
Expiration of put option	**(18)**	**(2)**	**(9)**	**—**	**—**	**—**	**24**	**—**	**—**	**—**	**—**
Transfer intrinsic value of vested restricted stock units to temporary equity	**18**	**1**	**10**	**—**	**—**	**—**	**(30)**	**—**	**—**	**—**	**—**
Other	**—**	**—**	**—**	**—**	**—**	**—**	**(14)**	**—**	**—**	**—**	**—**
Balances at December 31, 2012	**$ 45**	**$ 5**	**$ 26**	**29**	**261**	**$—**	**$2,483**	**1**	**5**	**$—**	**$ (50)**

The accompanying notes are an integral part of these consolidated financial statements.

SunGard Capital Corp.
Consolidated Statement of Changes in Equity (continued)
(In millions)

	Permanent Equity				
		Income (Loss)			
	Retained Earnings (Accumulated Deficit)	Foreign Currency Translation	Net Unrealized Gain (Loss) on Derivative Instruments	Noncontrolling interest	Total
Balances at December 31, 2009	$(2,209)	$ (79)	$ (42)	$1,593	$1,914
Net income (loss)	(761)	—	—	188	(573)
Foreign currency translation including the impact of the sale of a business of $109	—	68	—	—	68
Net unrealized gain on derivative instruments (net of tax expense of $12)	—	—	24	—	24
Stock compensation expense	—	—	—	—	31
Issuance of common and preferred stock	—	—	—	—	1
Purchase of treasury stock	—	—	—	(3)	(11)
Expiration of put option	—	—	—	3	13
Transfer intrinsic value of vested restricted stock units to temporary equity	—	—	—	—	(13)
Other	—	—	—	1	(2)
Balances at December 31, 2010	(2,970)	(11)	(18)	1,782	1,452
Net income (loss)	(376)	—	—	225	(151)
Foreign currency translation	—	(26)	—	—	(26)
Net unrealized gain on derivative instruments (net of tax expense of $9)	—	—	9	—	9
Stock compensation expense	—	—	—	—	35
Issuance of common and preferred stock	—	—	—	1	7
Purchase of treasury stock	—	—	—	(2)	(8)
Expiration of put option	—	—	—	32	90
Transfer intrinsic value of vested restricted stock units to temporary equity	—	—	—	—	(21)
Other	—	—	—	—	(12)
Balances at December 31, 2011	(3,346)	(37)	(9)	2,038	1,375
Net income (loss)	**(317)**	**—**	**—**	**251**	**(66)**
Foreign currency translation	**—**	**33**	**—**	**—**	**33**
Net unrealized gain on derivative instruments (net of tax expense of $3)	**—**	**—**	**10**	**—**	**10**
Stock compensation expense	**—**	**—**	**—**	**—**	**38**
Issuance of common and preferred stock	**—**	**—**	**—**	**—**	**1**
Dividends declared ($72.80 per preferred share)	**272**	**—**	**—**	**(714)**	**(742)**
Purchase of treasury stock	**—**	**—**	**—**	**(6)**	**(21)**
Expiration of put option	**—**	**—**	**—**	**6**	**30**
Transfer intrinsic value of vested restricted stock units to temporary equity	**—**	**—**	**—**	**—**	**(30)**
Other	**—**	**—**	**—**	**—**	**(14)**
Balances at December 31, 2012	**$(3,391)**	**$ (4)**	**$ 1**	**$1,575**	**$ 614**

The accompanying notes are an integral part of these consolidated financial statements.

SunGard Capital Corp. II
Consolidated Balance Sheets
(In millions except share and per-share amounts)

	December 31, 2011	**December 31, 2012**
Assets		
Current:		
Cash and cash equivalents	$ 867	**$ 546**
Trade receivables, less allowance for doubtful accounts of $38 and $30	794	**781**
Earned but unbilled receivables	140	**119**
Prepaid expenses and other current assets	117	**224**
Clearing broker assets	213	**6**
Assets related to discontinued operations	1,350	**—**
Total current assets	3,481	**1,676**
Property and equipment, less accumulated depreciation of $1,296 and $1,509	893	**874**
Software products, less accumulated amortization of $1,431 and $1,649	554	**411**
Customer base, less accumulated amortization of $1,254 and $1,481	1,574	**1,367**
Other assets, less accumulated amortization of $22 and $27	144	**132**
Trade name	1,019	**1,019**
Goodwill	4,885	**4,539**
Total Assets	$12,550	**$10,018**
Liabilities and Stockholders' Equity		
Current:		
Short-term and current portion of long-term debt	$ 10	**63**
Accounts payable	59	**32**
Accrued compensation and benefits	291	**297**
Accrued interest expense	92	**41**
Other accrued expenses	261	**231**
Clearing broker liabilities	179	**4**
Deferred revenue	862	**836**
Deferred income taxes	76	**—**
Liabilities related to discontinued operations	246	**—**
Total current liabilities	2,076	**1,504**
Long-term debt	7,819	**6,599**
Deferred and other income taxes	1,123	**1,127**
Other long-term liabilities	76	**76**
Total liabilities	11,094	**9,306**
Commitments and contingencies		
Preferred stock subject to a put option	23	**24**
Stockholders' equity:		
Preferred stock, par value $.001 per share; cumulative 11.5% per annum, compounded quarterly; aggregate liquidation preference of $2,046 million and $1,581 million; 14,999,000 shares authorized, 9,984,091 and 10,048,018 issued	—	**—**
Common stock, par value $.001 per share; 1,000 shares authorized, 100 shares issued and oustanding	—	**—**
Capital in excess of par value	3,785	**3,492**
Treasury stock, 134,215 and 187,576 shares	(18)	**(30)**
Accumulated deficit	(2,288)	**(2,771)**
Accumulated other comprehensive income (loss)	(46)	**(3)**
Total stockholders' equity	1,433	**688**
Total Liabilities and Stockholders' Equity	$12,550	**$10,018**

The accompanying notes are an integral part of these consolidated financial statements.

SunGard Capital Corp. II
Consolidated Statements of Comprehensive Income
(In millions)

	Year ended December 31,		
	2010	**2011**	**2012**
Revenue:			
Services	$4,024	$4,056	**$3,926**
License and resale fees	294	289	**275**
Total products and services	4,318	4,345	**4,201**
Reimbursed expenses	119	95	**62**
Total revenue	4,437	4,440	**4,263**
Costs and expenses:			
Cost of sales and direct operating (excluding depreciation)	1,895	1,848	**1,740**
Sales, marketing and administration	1,057	1,108	**1,039**
Product development and maintenance	350	393	**353**
Depreciation and amortization	278	271	**287**
Amortization of acquisition-related intangible assets	448	435	**385**
Goodwill impairment charges	205	48	**385**
Total costs and expenses	4,233	4,103	**4,189**
Operating income (loss)	204	337	**74**
Interest income	2	3	**1**
Interest expense and amortization of deferred financing fees	(638)	(524)	**(428)**
Loss on extinguishment of debt	(58)	(3)	**(82)**
Other income (expense)	7	—	**—**
Income (loss) from continuing operations before income taxes	(483)	(187)	**(435)**
Benefit from (provision for) income taxes	69	116	**38**
Income (loss) from continuing operations	(414)	(71)	**(397)**
Income (loss) from discontinued operations, net of tax	(156)	(80)	**331**
Net income (loss)	(570)	(151)	**(66)**
Other comprehensive income (loss):			
Foreign currency translation	(41)	(26)	**33**
Less: foreign currency translation reclassified into income	109	—	**—**
Foreign currency translation, net	68	(26)	33
Unrealized gain (loss) on derivative instruments	(49)	(16)	**(1)**
Less: gain (loss) on derivatives reclassified into income	85	34	**14**
Less: income tax benefit (expense)	(12)	(9)	**(3)**
Net unrealized gain (loss) on derivative instruments, net of tax	24	9	10
Comprehensive income (loss)	$ (478)	$ (168)	**$ (23)**

The accompanying notes are an integral part of these consolidated financial statements.

SunGard Capital Corp. II
Consolidated Statements of Cash Flows
(In millions)

	Year ended December 31,		
	2010	2011	**2012**
Cash flow from operations:			
Net income (loss)	$ (570)	$(151)	**$ (66)**
Income (loss) from discontinued operations	(156)	(80)	**331**
Income (loss) from continuing operations	(414)	(71)	**(397)**
Reconciliation of net income (loss) from continuing operations to cash flow from (used in) operations:			
Depreciation and amortization	726	706	**672**
Goodwill impairment charge	205	48	**385**
Deferred income tax provision (benefit)	(83)	(155)	**(79)**
Stock compensation expense	29	33	**38**
Amortization of deferred financing costs and debt discount	43	40	**36**
Loss on extinguishment of debt	58	3	**82**
Other noncash items	3	2	**(1)**
Accounts receivable and other current assets	25	75	**51**
Accounts payable and accrued expenses	27	(35)	**(129)**
Clearing broker assets and liabilities, net	18	(14)	**33**
Deferred revenue	(36)	(26)	**(46)**
Cash flow from (used in) continuing operations	601	606	**645**
Cash flow from (used in) discontinued operations	120	72	**(401)**
Cash flow from (used in) operations	721	678	**244**
Investment activities:			
Cash paid for acquired businesses, net of cash acquired	(82)	(35)	**(40)**
Cash paid for property and equipment and software	(298)	(276)	**(260)**
Other investing activities	4	(4)	**3**
Cash provided by (used in) continuing operations	(376)	(315)	**(297)**
Cash provided by (used in) discontinued operations	116	(11)	**1,758**
Cash used in investment activities	(260)	(326)	**1,461**
Financing activities:			
Cash received from issuance of preferred stock	—	3	**—**
Cash received from borrowings, net of fees	1,633	1	**1,715**
Cash used to repay debt	(1,924)	(239)	**(2,946)**
Premium paid to retire debt	(41)	—	**(48)**
Dividends paid	—	—	**(724)**
Cash used to purchase treasury stock	(4)	(4)	**(12)**
Other financing activities	(8)	(14)	**(24)**
Cash provided by (used in) continuing operations	(344)	(253)	**(2,039)**
Cash provided by (used in) discontinued operations	—	—	**—**
Cash provided by (used in) financing activities	(344)	(253)	**(2,039)**
Effect of exchange rate changes on cash	(3)	(4)	**7**
Increase (decrease) in cash and cash equivalents	114	95	**(327)**
Beginning cash and cash equivalents includes cash of discontinued operations: 2010, $33; 2011, $23; 2012, $6	664	778	**873**
Ending cash and cash equivalents includes cash of discontinued operations: 2010, $23; 2011, $6; 2012, $-	$ 778	$ 873	**$ 546**

The accompanying notes are an integral part of these consolidated financial statements.

SunGard Capital Corp. II
Consolidated Statement of Changes in Stockholders' Equity
(In millions)

	Temporary Equity	Permanent Equity				
		Preferred Stock		Common Stock		
	Preferred Stock subject to a put option	Number of Shares issued	Par Value	Number of Shares issued	Par Value	Capital in Excess of Par Value
Balances at December 31, 2009	$ 38	10	$—	—	$—	$ 3,724
Net income (loss)	—	—	—	—	—	—
Foreign currency translation including the impact of the sale of a business of $109	—	—	—	—	—	—
Net unrealized gain on derivative instruments (net of tax expense of $12)	—	—	—	—	—	—
Stock compensation expense	—	—	—	—	—	31
Purchase of treasury stock	—	—	—	—	—	—
Transfer intrinsic value of vested restricted stock units to temporary equity	4	—	—	—	—	(4)
Expiration of put option	(4)	—	—	—	—	4
Other	(1)	—	—	—	—	(8)
Balances at December 31, 2010	37	10	—	—	—	3,747
Net income (loss)	—	—	—	—	—	—
Foreign currency translation	—	—	—	—	—	—
Net unrealized gain on derivative instruments (net of tax expense of $9)	—	—	—	—	—	—
Stock compensation expense	—	—	—	—	—	35
Issuance of preferred stock	1	—	—	—	—	2
Purchase of treasury stock	—	—	—	—	—	—
Transfer intrinsic value of vested restricted stock units to temporary equity	8	—	—	—	—	(8)
Expiration of put option	(23)	—	—	—	—	23
Other	—	—	—	—	—	(14)
Balances at December 31, 2011	23	10	—	—	—	3,785
Net income (loss)	**—**	**—**	**—**	**—**	**—**	**—**
Foreign currency translation	**—**	**—**	**—**	**—**	**—**	**—**
Net unrealized gain on derivative instruments (net of tax expense of $3)	**—**	**—**	**—**	**—**	**—**	**—**
Stock compensation expense	**—**	**—**	**—**	**—**	**—**	**38**
Dividends declared ($72.80 per preferred share)	**—**	**—**	**—**	**—**	**—**	**(330)**
Purchase of treasury stock	**—**	**—**	**—**	**—**	**—**	**—**
Transfer intrinsic value of vested restricted stock units to temporary equity	**10**	**—**	**—**	**—**	**—**	**(10)**
Expiration of put option	**(9)**	**—**	**—**	**—**	**—**	**9**
Balances at December 31, 2012	**$ 24**	**10**	**$—**	**—**	**$—**	**$ 3,492**

The accompanying notes are an integral part of these consolidated financial statements.

SunGard Capital Corp. II
Consolidated Statement of Changes in Stockholders' Equity (continued)
(In millions)

	Permanent Equity					
	Treasury Stock (Preferred Stock)			Income (Loss)		
	Shares	Amount	Retained Earnings (Accumulated Deficit)	Foreign Currency Translation	Net Unrealized Gain (Loss) on Derivative Instruments	Total
Balances at December 31, 2009	—	$ (10)	$(1,567)	$ (79)	$ (42)	$2,026
Net income (loss)	—	—	(570)	—	—	(570)
Foreign currency translation including the impact of the sale of a business of $109	—	—	—	68	—	68
Net unrealized gain on derivative instruments (net of tax expense of $12)	—	—	—	—	24	24
Stock compensation expense	—	—	—	—	—	31
Purchase of treasury stock	—	(4)	—	—	—	(4)
Transfer intrinsic value of vested restricted stock units to temporary equity	—	—	—	—	—	(4)
Expiration of put option	—	—	—	—	—	4
Other	—	—	—	—	—	(8)
Balances at December 31, 2010	—	(14)	(2,137)	(11)	(18)	1,567
Net income (loss)	—	—	(151)	—	—	(151)
Foreign currency translation	—	—	—	(26)	—	(26)
Net unrealized gain on derivative instruments (net of tax expense of $9)	—	—	—	—	9	9
Stock compensation expense	—	—	—	—	—	35
Issuance of preferred stock	—	—	—	—	—	2
Purchase of treasury stock	—	(4)	—	—	—	(4)
Transfer intrinsic value of vested restricted stock units to temporary equity	—	—	—	—	—	(8)
Expiration of put option	—	—	—	—	—	23
Other	—	—	—	—	—	(14)
Balances at December 31, 2011	—	(18)	(2,288)	(37)	(9)	1,433
Net income (loss)	—	—	(66)	—	—	(66)
Foreign currency translation	—	—	—	33	—	33
Net unrealized gain on derivative instruments (net of tax expense of $3)	—	—	—	—	10	10
Stock compensation expense	—	—	—	—	—	38
Dividends declared ($72.80 per preferred share)	—	—	(417)	—	—	(747)
Purchase of treasury stock	—	(12)	—	—	—	(12)
Transfer intrinsic value of vested restricted stock units to temporary equity	—	—	—	—	—	(10)
Expiration of put option	—	—	—	—	—	9
Balances at December 31, 2012	$—	$ (30)	$(2,771)	$ (4)	$ 1	$ 688

The accompanying notes are an integral part of these consolidated financial statements.

SunGard Data Systems Inc.
Consolidated Balance Sheets
(In millions except share and per-share amounts)

	December 31, 2011	**December 31, 2012**
Assets		
Current:		
Cash and cash equivalents	$ 867	**$ 546**
Trade receivables, less allowance for doubtful accounts of $38 and $30	794	**781**
Earned but unbilled receivables	140	**119**
Prepaid expenses and other current assets	117	**224**
Clearing broker assets	213	**6**
Assets related to discontinued operations	1,350	**—**
Total current assets	3,481	**1,676**
Property and equipment, less accumulated depreciation of $1,296 and $1,509	893	**874**
Software products, less accumulated amortization of $1,431 and $1,649	554	**411**
Customer base, less accumulated amortization of $1,254 and $1,481	1,574	**1,367**
Other assets, less accumulated amortization of $22 and $27	144	**132**
Trade name	1,019	**1,019**
Goodwill	4,885	**4,539**
Total Assets	$12,550	**$10,018**
Liabilities and Stockholder's Equity		
Current:		
Short-term and current portion of long-term debt	$ 10	**$ 63**
Accounts payable	59	**32**
Accrued compensation and benefits	291	**297**
Accrued interest expense	92	**41**
Other accrued expenses	262	**234**
Clearing broker liabilities	179	**4**
Deferred revenue	862	**836**
Deferred income taxes	76	**—**
Liabilities related to discontinued operations	246	**—**
Total current liabilities	2,077	**1,507**
Long-term debt	7,819	**6,599**
Deferred and other income taxes	1,117	**1,120**
Other long-term liabilities	76	**76**
Total liabilities	11,089	**9,302**
Commitments and contingencies		
Stockholder's equity:		
Common stock, par value $.01 per share; 100 shares authorized, issued and outstanding	—	**—**
Capital in excess of par value	3,793	**3,490**
Accumulated deficit	(2,286)	**(2,771)**
Accumulated other comprehensive income (loss)	(46)	**(3)**
Total stockholder's equity	1,461	**716**
Total Liabilities and Stockholder's Equity	$12,550	**$10,018**

The accompanying notes are an integral part of these consolidated financial statements.

SunGard Data Systems Inc.
Consolidated Statements of Comprehensive Income
(In millions)

	Year Ended December 31,		
	2010	2011	**2012**
Revenue:			
Services	$4,024	$4,056	**$3,926**
License and resale fees	294	289	**275**
Total products and services	4,318	4,345	**4,201**
Reimbursed expenses	119	95	**62**
Total Revenue	4,437	4,440	**4,263**
Costs and expenses:			
Cost of sales and direct operating (excluding depreciation)	1,895	1,848	**1,740**
Sales, marketing and administration	1,057	1,108	**1,039**
Product development and maintenance	350	393	**353**
Depreciation and amortization	278	271	**287**
Amortization of acquisition-related intangible assets	448	435	**385**
Goodwill impairment charges	205	48	**385**
Total costs and expenses	4,233	4,103	**4,189**
Operating income (loss)	204	337	**74**
Interest income	2	3	**1**
Interest expense and amortization of deferred financing fees	(638)	(524)	**(428)**
Loss on extinguishment of debt	(58)	(3)	**(82)**
Other income (expense)	7	—	**—**
Income (loss) from continuing operations before income taxes	(483)	(187)	**(435)**
Benefit from (provision for) income taxes	69	118	**38**
Income (loss) from continuing operations	(414)	(69)	**(397)**
Income (loss) from discontinued operations, net of tax	(156)	(80)	**331**
Net income (loss)	(570)	(149)	**(66)**
Other comprehensive income (loss):			
Foreign currency translation	(41)	(26)	**33**
Less: foreign currency translation reclassified into income	109	—	**—**
Foreign currency translation, net	68	(26)	33
Unrealized gain (loss) on derivative instruments	(49)	(16)	**(1)**
Less: gain (loss) on derivatives reclassified into income	85	34	**14**
Less: income tax benefit (expense)	(12)	(9)	**(3)**
Net unrealized gain (loss) on derivative instruments, net of tax	24	9	10
Comprehensive income (loss)	$ (478)	$ (166)	**$ (23)**

The accompanying notes are an integral part of these consolidated financial statements.

SunGard Data Systems Inc.
Consolidated Statements of Cash Flows
(In millions)

	Year ended December 31,		
	2010	2011	**2012**
Cash flow from operations:			
Net income (loss)	$ (570)	$(149)	**$ (66)**
Income (loss) from discontinued operations	(156)	(80)	**331**
Income (loss) from continuing operations	(414)	(69)	**(397)**
Reconciliation of net income (loss) from continuing operations to cash flow from (used in) operations:			
Depreciation and amortization	726	706	**672**
Goodwill impairment charge	205	48	**385**
Deferred income tax provision (benefit)	(84)	(156)	**(80)**
Stock compensation expense	29	33	**38**
Amortization of deferred financing costs and debt discount	43	40	**36**
Loss on extinguishment of debt	58	3	**82**
Other noncash items	3	2	**(1)**
Accounts receivable and other current assets	25	75	**51**
Accounts payable and accrued expenses	28	(36)	**(128)**
Clearing broker assets and liabilities, net	18	(14)	**33**
Deferred revenue	(36)	(26)	**(46)**
Cash flow from (used in) continuing operations	601	606	**645**
Cash flow from (used in) discontinued operations	120	72	**(401)**
Cash flow from (used in) operations	721	678	**244**
Investment activities:			
Cash paid for acquired businesses, net of cash acquired	(82)	(35)	**(40)**
Cash paid for property and equipment and software	(298)	(276)	**(260)**
Other investing activities	4	(4)	**3**
Cash provided by (used in) continuing operations	(376)	(315)	**(297)**
Cash provided by (used in) discontinued operations	116	(11)	**1,758**
Cash used in investment activities	(260)	(326)	**1,461**
Financing activities:			
Cash received from borrowings, net of fees	1,633	1	**1,715**
Cash used to repay debt	(1,924)	(239)	**(2,946)**
Premium paid to retire debt	(41)	—	**(48)**
Dividends paid	—	—	**(724)**
Other financing activities	(12)	(15)	**(36)**
Cash provided by (used in) continuing operations	(344)	(253)	**(2,039)**
Cash provided by (used in) discontinued operations	—	—	**—**
Cash provided by (used in) financing activities	(344)	(253)	**(2,039)**
Effect of exchange rate changes on cash	(3)	(4)	**7**
Increase (decrease) in cash and cash equivalents	114	95	**(327)**
Beginning cash and cash equivalents includes cash of discontinued operations: 2010, $33; 2011, $23; 2012, $6	664	778	**873**
Ending cash and cash equivalents includes cash of discontinued operations: 2010, $23; 2011, $6; 2012, $-	$ 778	$ 873	**$ 546**

The accompanying notes are an integral part of these consolidated financial statements.

SunGard Data Systems Inc.
Consolidated Statement of Changes in Stockholder's Equity
(In millions)

	Common Stock				Accumulated Other Comprehensive Income (Loss)		
	Number of Shares issued	Par Value	Capital in Excess of Par Value	Retained Earnings (Accumulated Deficit)	Foreign Currency Translatin	Net Unrealized Gain (Loss) on Derivative Instruments	Total
Balances at December 31, 2009	—	$ —	$3,755	$(1,567)	$ (79)	$ (42)	$2,067
Net income (loss)	—	—	—	(570)	—	—	(570)
Foreign currency translation including the impact of the sale of a business of $109	—	—	—	—	68	—	68
Net unrealized gain on derivative instruments (net of tax expense of $12)	—	—	—	—	—	24	24
Stock compensation expense	—	—	31	—	—	—	31
Other	—	—	(13)	—	—	—	(13)
Balances at December 31, 2010	—	—	3,773	(2,137)	(11)	(18)	1,607
Net income (loss)	—	—	—	(149)	—	—	(149)
Foreign currency translation	—	—	—	—	(26)	—	(26)
Net unrealized gain on derivative instruments (net of tax expense of $9)	—	—	—	—	—	9	9
Stock compensation expense	—	—	35	—	—	—	35
Other	—	—	(15)	—	—	—	(15)
Balances at December 31, 2011	—	—	3,793	(2,286)	(37)	(9)	1,461
Net income (loss)	**—**	**—**	**—**	**(66)**	**—**	**—**	**(66)**
Foreign currency translation	**—**	**—**	**—**	**—**	**33**	**—**	**33**
Net unrealized gain on derivative instruments (net of tax expense of $3) and other	**—**	**—**	**—**	**—**	**—**	**10**	**10**
Dividend declared to Parent	**—**	**—**	**(327)**	**(419)**	**—**	**—**	**(746)**
Stock compensation expense	**—**	**—**	**38**	**—**	**—**	**—**	**38**
Other	**—**	**—**	**(14)**	**—**	**—**	**—**	**(14)**
Balances at December 31, 2012	**—**	**$ —**	**$3,490**	**$(2,771)**	**$ (4)**	**$ 1**	**$ 716**

The accompanying notes are an integral part of these consolidated financial statements.

SunGard Capital Corp.
SunGard Capital Corp. II
SunGard Data Systems Inc.

Notes to Consolidated Financial Statements

1. Basis of Presentation and Summary of Significant Accounting Policies:

SunGard Data Systems Inc. ("SunGard") was acquired on August 11, 2005 (the "LBO") in a leveraged buy-out by a consortium of private equity investment funds associated with Bain Capital Partners, The Blackstone Group, Goldman Sachs & Co., Kohlberg Kravis Roberts & Co., Providence Equity Partners, Silver Lake and TPG (collectively, the "Sponsors").

SunGard is a wholly owned subsidiary of SunGard Holdco LLC, which is wholly owned by SunGard Holding Corp., which is wholly owned by SunGard Capital Corp. II ("SCCII"), which is a subsidiary of SunGard Capital Corp. ("SCC"). SCC and SCCII are collectively referred to as the "Parent Companies." All four of these companies were formed in 2005 for the purpose of facilitating the LBO and are collectively referred to as the "Holding Companies." SCC, SCCII and SunGard are separate reporting companies and are collectively referred to as the "Company." The Holding Companies have no other operations beyond those of their ownership of SunGard.

SunGard is one of the world's leading software and technology services companies and has three segments: Financial Systems ("FS"), Availability Services ("AS") and Other, which is comprised of the Company's Public Sector business ("PS") and K-12 Education business. The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries. All significant intercompany transactions and accounts have been eliminated.

Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make many estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses. The Company evaluates its estimates and judgments on an ongoing basis and revises them when necessary. Actual results may differ from the original or revised estimates.

The presentation of certain prior year amounts has been revised to conform to the current year presentation as discussed further in Notes 1 and 18.

Revenue Recognition

The Company generates revenue from the following sources: (1) services revenue, which includes revenue from processing services, software maintenance and support, software rentals, recovery and managed services, professional services and broker/dealer fees; and, (2) software license fees, which result from contracts that permit the customer to use a SunGard product at the customer's site.

The following criteria must be met in determining whether revenue may be recorded: persuasive evidence of a contract exists; services have been provided; the price is fixed or determinable; and collection is reasonably assured.

Services revenue is recorded as the services are provided based on the fair value of each element. Most AS services revenue consists of fixed monthly fees based upon the specific computer configuration or business process for which the service is being provided. When recovering from an interruption, customers generally are contractually obligated to pay additional fees, which typically cover the incremental costs of supporting customers during recoveries. FS services revenue includes monthly fees, which may include a fixed minimum

fee and/or variable fees based on a measure of volume or activity, such as the number of accounts, trades or transactions, users or the number of hours of service.

For fixed-fee professional services contracts, services revenue is recorded based upon proportional performance, measured by the actual number of hours incurred divided by the total estimated number of hours for the project. Changes in the estimated costs or hours to complete the contract and losses, if any, are reflected in the period during which the change or loss becomes known.

License fees result from contracts that permit the customer to use a SunGard software product at the customer's site. Generally, these contracts are multiple-element arrangements since they usually provide for professional services and ongoing software maintenance. In these instances, license fees are recognized upon the signing of the contract and delivery of the software if the license fee is fixed or determinable, collection is probable, and there is sufficient vendor specific evidence of the fair value of each undelivered element. When there are significant program modifications or customization, installation, systems integration or related services, the professional services and license revenue are combined and recorded based upon proportional performance, measured in the manner described above. Revenue is recorded when billed when customer payments are extended beyond normal billing terms, or at acceptance when there is significant acceptance, technology or service risk. Revenue also is recorded over the longest service period in those instances where the software is bundled together with post-delivery services and there is not sufficient evidence of the fair value of each undelivered service element.

With respect to software related multiple element arrangements, sufficient evidence of fair value is defined as vendor specific objective evidence ("VSOE"). If there is no VSOE of the fair value of the delivered element (which is usually the software) but there is VSOE of the fair value of each of the undelivered elements (which are usually maintenance and professional services), then the residual method is used to determine the revenue for the delivered element. The revenue for each of the undelivered elements is set at the fair value of those elements using VSOE of the price paid when each of the undelivered elements is sold separately. The revenue remaining after allocation to the undelivered elements (i.e., the residual) is allocated to the delivered element.

VSOE supporting the fair value of maintenance is based on the optional renewal rates for each product and is typically 18% to 20% of the software license fee per year. VSOE supporting the fair value of professional services is based on the standard daily rates charged when those services are sold separately.

In some software related multiple-element arrangements, the maintenance or services rates are discounted. In these cases, a portion of the software license fee is deferred and recognized as the maintenance or services are performed based on VSOE of the services.

From time to time, the Company enters into arrangements with customers that purchase non-software related services at the same time, or within close proximity, of purchasing software (non-software multiple-element arrangements). Each element within a non-software multiple-element arrangement is accounted for as a separate unit of accounting provided the following criteria are met: the delivered services have value to the customer on a standalone basis; and for an arrangement that includes a general right of return relative to the delivered services, delivery or performance of the undelivered service is considered probable and is substantially controlled by the Company. Where the criteria for a separate unit of accounting are not met, the deliverable is combined with the undelivered element(s) and treated as a single unit of accounting for the purposes of allocation of the arrangement consideration and revenue recognition.

For non-software multiple-element arrangements, the Company allocates revenue to each element based on a selling price hierarchy at the arrangement inception. The selling price for each element is based upon the following selling price hierarchy: VSOE, then third-party evidence ("TPE"), then best estimated selling price ("BESP"). The total arrangement consideration is allocated to each separate unit of accounting for each of the non-software deliverables using the relative selling prices of each unit based on this hierarchy. The Company

limits the amount of revenue recognized for delivered elements to an amount that is not contingent upon future delivery of additional products or services or meeting of any specified performance conditions.

To determine the selling price in non-software multiple-element arrangements, the Company establishes VSOE of the selling price using the price charged for a deliverable when sold separately. Where VSOE does not exist, TPE is established by evaluating similar competitor products or services in standalone arrangements with similarly situated customers. If the Company is unable to determine the selling price because VSOE or TPE doesn't exist, it determines BESP for the purposes of allocating the arrangement by considering pricing practices, margin, competition and geographies in which it offers its products and services.

Unbilled receivables are created when services are performed or software is delivered and revenue is recognized in advance of billings. Deferred revenue is created when billing occurs in advance of performing services or when all revenue recognition criteria have not been met.

Cash and Cash Equivalents

Cash and cash equivalents consist of investments that are readily convertible into cash and have original maturities of three months or less.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of accounts receivable. The Company sells a significant portion of its products and services to the financial services industry and could be affected by the overall condition of that industry. The Company believes that any credit risk associated with accounts receivable is substantially mitigated by the relatively large number of customer accounts and reasonably short collection terms. Accounts receivable are stated at estimated net realizable value, which approximates fair value. By policy, the Company places its available cash and short-term investments with institutions of high credit-quality and limits the amount of credit exposure to any one issuer.

Foreign Currency Translation

The functional currency of each of the Company's foreign operations is generally the local currency of the country in which the operation is located. All assets and liabilities are translated into U.S. dollars using exchange rates in effect at the balance sheet date. Revenue and expenses are translated using average exchange rates during the period.

Increases and decreases in net assets resulting from currency translation are reflected in stockholder's equity as a component of accumulated other comprehensive income (loss).

Legal Fees

Prior to December 31, 2012, legal fees expected to be incurred defending the Company in connection with an asserted claim were accrued when they were probable of being incurred and could be reasonably estimated. At December 31, 2012, the Company changed its policy to expense all legal costs in connection with an asserted claim as they are incurred as this policy was determined to be preferable.

Changes in accounting policies must be applied retrospectively in the financial statements. Retrospective application means that entity implements the change in accounting policy as though it had always been applied. However, the Company has concluded that the impact of applying the change on a retrospective basis was not material to the Company's financial statements. The impact of the change was recorded in the fourth quarter of 2012 and the new policy has been applied prospectively effective December 31, 2012.

Property and Equipment

Property and equipment are recorded at cost and depreciated on the straight-line method over the estimated useful lives of the assets (three to eight years for equipment and ten to 40 years for buildings and improvements). Leasehold improvements are amortized ratably over their remaining lease term or useful life, if shorter. Depreciation and amortization of property and equipment in continuing operations was $231 million in 2010, $221 million in 2011 and $232 million in 2012.

Software Products

Software development costs are expensed as incurred and consist primarily of design and development costs of new products and significant enhancements to existing products incurred before the establishment of technological feasibility. Recoverable costs incurred subsequent to technological feasibility of new products and enhancements to existing products as well as costs incurred to purchase or to create and implement internal-use software, which includes software coding, installation, testing and certain data conversions, and software obtained through business acquisitions are capitalized and amortized over the estimated useful lives of the related products, generally three to twelve years (average life is eight years), using the straight-line method or the ratio of current revenue to current and anticipated revenue from such software, whichever provides the greater amortization. Amortization of all software products of continuing operations, including software acquired in business acquisitions and software purchased for internal use, aggregated to $250 million in 2010, $241 million in 2011 and $214 million in 2012. Software development expense of continuing operations was $158 million in 2010, $180 million in 2011 and $163 million in 2012. Capitalized development costs of continuing operations were $11 million in 2010, $10 million in 2011 and $22 million in 2012.

Purchase Accounting and Intangible Assets

Purchase accounting requires that all assets and liabilities be recorded at fair value on the acquisition date, including identifiable intangible assets separate from goodwill. Identifiable intangible assets include customer base (which includes customer contracts and relationships), software and trade name. Goodwill represents the excess of cost over the fair value of net assets acquired.

The estimated fair values and useful lives of identifiable intangible assets are based on many factors, including estimates and assumptions of future operating performance and cash flows of the acquired business, the nature of the business acquired, the specific characteristics of the identified intangible assets, and our historical experience and that of the acquired business. The estimates and assumptions used to determine the fair values and useful lives of identified intangible assets could change due to numerous factors, including product demand, market conditions, technological developments, economic conditions and competition. In connection with our determination of fair values, the Company may engage independent appraisal firms to assist with the valuation of intangible (and certain tangible) assets acquired and certain assumed obligations.

Customer Base Intangible Assets

Customer base intangible assets represent customer contracts and relationships obtained as a result of the LBO and as part of acquired businesses and are amortized using the straight-line method over their estimated useful lives, ranging from three to 18 years (average life is 13 years). Amortization of all customer base intangible assets of continuing operations aggregated to $238 million in 2010, $237 million in 2011 and $222 million in 2012.

Other Assets

Other assets consist primarily of deferred financing costs incurred in connection with debt issued in the LBO and amendments to our debt and other financing transactions (see Note 5), noncompetition agreements, long-term accounts receivable and long-term investments. Deferred financing costs are amortized over the term

of the related debt. Noncompetition agreements are amortized using the straight-line method over their stated terms, ranging from three to five years.

Impairment Reviews for Long-Lived Assets

The Company periodically reviews carrying values and useful lives of long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. Factors that could indicate an impairment include significant underperformance of the asset as compared to historical or projected future operating results, or significant negative industry or economic trends. When the Company determines that the carrying value of an asset may not be recoverable, the related estimated future undiscounted cash flows expected to result from the use and eventual disposition of the asset are compared to the carrying value of the asset. If the sum of the estimated future undiscounted cash flows is less than the carrying amount, an impairment charge is recorded based on the difference between the carrying value of the asset and its fair value, which the Company estimates based on discounted expected future cash flows. In determining whether an asset is impaired, the Company makes assumptions regarding recoverability of costs, estimated future cash flows from the asset, intended use of the asset and other relevant factors. If these estimates or their related assumptions change, impairment charges for these assets may be required.

Future Amortization of Acquisition-Related Intangible Assets

Based on amounts recorded at December 31, 2012, total expected amortization of all acquisition-related intangible assets in each of the years ended December 31 follows (in millions):

2013	$339
2014	289
2015	233
2016	214
2017	206

Trade Name

The trade name intangible asset of $1,019 million at December 31, 2011 and 2012 represents the fair value of the SunGard trade name and is an indefinite-lived asset not subject to amortization. The Company performed its annual impairment test of the SunGard trade name in the third quarter and based on the results of this test, the fair value of the trade name exceeded its carrying value, resulting in no impairment of the trade name. As a result of lower long-term projections and from the sale of HE, future cash flows which drive the value of the trade name have decreased, and the amount by which the estimated fair value of the trade name exceeded its carrying value was lower in the current year impairment test compared to prior years. In addition to the projections, a critical assumption considered in the impairment test of the trade name is the implied royalty rate. A 50 basis point decrease in the assumed royalty rate would have resulted in an impairment of the trade name asset of approximately $108 million (100 basis point decrease would result in an impairment of approximately $336 million). A 100 basis point increase in the discount rate would result in an impairment of the trade name asset of approximately $5 million. Furthermore, to the extent that additional businesses are divested in the future, the cash flows supporting the trade name will continue to decline, which may result in impairment charges.

Goodwill

Continuing Operations

Generally accepted accounting principles in the United States require the Company to perform a goodwill impairment test annually and more frequently when negative conditions or a triggering event arise. In September 2011, the FASB issued amended guidance that simplified how entities test goodwill for impairment. After an assessment of certain qualitative factors, if it is determined to be more likely than not that the fair value of a

reporting unit is less than its carrying amount, entities must perform the quantitative analysis of the goodwill impairment test. Otherwise, the quantitative test(s) become optional. As allowed under the amended guidance, the Company chose not to assess the qualitative factors of its reporting units and, instead, performed the quantitative tests.

The Company completes its annual goodwill impairment test as of July 1 for each of its 11 reporting units. In step one, the estimated fair value of each reporting unit is compared to its carrying value. The Company estimates the fair values of each reporting unit by a combination of (i) estimation of the discounted cash flows of each of the reporting units based on projected earnings in the future (the income approach) and (ii) a comparative analysis of revenue and EBITDA multiples of public companies in similar markets (the market approach). If there is a deficiency (the estimated fair value of a reporting unit is less than its carrying value), a step-two test is required. In step two, the amount of any goodwill impairment is measured by comparing the implied fair value of the reporting unit's goodwill to the carrying value of goodwill, with the resulting impairment reflected in operations. The implied fair value is determined in the same manner as the amount of goodwill recognized in a business combination.

Estimating the fair value of a reporting unit requires various assumptions including projections of future cash flows, perpetual growth rates and discount rates that reflect the risks associated with achieving those cash flows. The assumptions about future cash flows and growth rates are based on management's assessment of a number of factors including the reporting unit's recent performance, performance in the market that the reporting unit serves, as well as industry and general economic data from third party sources. Discount rate assumptions reflect an assessment of the risk inherent in those future cash flows. Changes to the underlying businesses could affect the future cash flows, which in turn could affect the fair value of the reporting unit. For the July 1, 2012 impairment test, the discount rates and perpetual growth rates used were between 10% and 12% and 3% and 4%, respectively.

Based on the results of the step-one tests, the Company determined that the carrying value of the Availability Services North America ("AS NA") reporting unit was in excess of its respective fair value and a step-two test was required. The primary driver for the decline in the fair value of the AS NA reporting unit compared to the prior year is the decline in the cash flow projections for AS NA when compared to those used in the 2011 goodwill impairment test as a result of a decline in the overall outlook of this reporting unit. The Company continues to expect to grow the AS NA business over the long-term, albeit at a slower rate than previously planned.

Prior to completing the step-two test, the Company first evaluated certain long-lived assets, primarily the software, customer base and property and equipment, for impairment. In performing the impairment tests for long-lived assets, the Company estimated the undiscounted cash flows for the asset groups over the remaining useful lives of the reporting unit's primary asset and compared that to the carrying value of the asset groups. There was no impairment of the long-lived assets.

In completing the step-two test to determine the implied fair value of goodwill and therefore the amount of impairment, management first determined the fair value of the tangible and intangible assets and liabilities. Based on the testing performed, the Company determined that the carrying value of goodwill exceeded its implied fair value and recorded a goodwill impairment charge of $385 million.

The following table summarizes the goodwill impairment charge by reporting unit (in millions):

Segment	Reporting Unit	Net Goodwill balance before impairment	Impairment Charge	Net Goodwill balance after impairment
Availability Services	AS NA	$914	$(385)	$529

The Company has one other reporting unit, whose goodwill balance was $299 million at December 31, 2012, where the excess of the estimated fair value over the carrying value of the reporting unit was less than 15% of the carrying value as of the July 1, 2012 test date. A one hundred basis point decrease in the perpetual growth rate or a one hundred basis point increase in the discount rate would not cause this reporting unit to fail step one and require a step-two analysis. However, if this unit fails to achieve expected performance levels in the near term or experiences a downturn in the business below current expectations, goodwill could be impaired.

The Company's remaining reporting units, whose goodwill balances in aggregate total $3.7 billion at December 31, 2012, each had estimated fair values which exceeded the carrying value of the reporting unit by at least 15% as of the July 1, 2012 impairment test. Since the July 1 test date, there was no indication of any triggering events that would cause the Company to perform additional goodwill impairment tests.

In 2009, the Company recorded an adjustment to the state income tax rate used to calculate the deferred income tax liabilities associated with the intangible assets at the LBO date which resulted in reductions to the deferred tax liability and goodwill balances of approximately $114 million. During 2011 the Company determined that the 2009 adjustment was incorrect and has reversed it, thereby increasing the December 31, 2011 deferred tax liability and goodwill balances each by approximately $100 million for continuing operations and $14 million for assets (liabilities) held for sale. As a result of this correction, the Company recorded a goodwill impairment charge of $48 million in continuing operations, of which $36 million related to an impairment charge in 2009 and $12 million related to the impairment charge in 2010, and recorded a $3 million goodwill impairment charge in discontinued operations that related to the 2010 impairment charge. In addition, the Company recorded an income tax benefit of $48 million, of which $35 million related to prior periods, reflecting the amortization of the deferred income tax liability which would have been reflected in the statement of comprehensive income had the 2009 adjustment not been made. Had the Company recorded the goodwill impairment charges in the correct periods, the impairment charge in 2010 would have been $217 million recorded in continuing operations. The Company has assessed the impact of correcting these errors in 2011 and does not believe that these amounts are material to any prior period financial statements, nor is the correction of these errors material to the 2011 financial statements. As a result, the Company has not restated any prior period amounts.

Based on the results of the step one test for the July 1 annual impairment test for 2010, the Company determined that the combined carrying value of its PS and K-12 Education reporting unit was in excess of its fair value and a step-two test was required. In 2010, PS and K-12 were tested as a single reporting unit in contrast to 2012, when PS and K-12 were tested as separate reporting units. The primary driver for the decline in the fair value of the reporting unit compared to the prior year is the reduction in the perpetual growth rate assumption used for this reporting unit, stemming from the disruption in the global financial markets, particularly the markets which this reporting unit serves. Furthermore, there was a decline in the cash flow projections compared to those used in the 2009 goodwill impairment test, as a result of decline in the overall outlook for this reporting unit.

Prior to completing the step-two test, the Company first evaluated the long-lived assets, primarily the software, customer base and property and equipment, for impairment. In performing the impairment tests for long-lived assets, the Company estimated the undiscounted cash flows for the asset groups over the remaining useful lives of the reporting unit's primary asset and compared that to the carrying value of the asset groups. There was no impairment of the long-lived assets.

In completing the step-two test to determine the implied fair value of goodwill and therefore the amount of impairment, the Company first determined the fair value of the tangible and intangible assets and liabilities. Based on the testing performed, the Company determined that the carrying value of goodwill exceeded its implied fair value for this reporting unit and recorded a goodwill impairment charge of $205 million.

The following table summarizes changes in goodwill by segment (in millions):

	Cost				Accumulated Impairment			
	FS	AS	Other	Subtotal	AS	Other	Subtotal	Net Balance
Balance at December 31, 2010	$3,450	$2,203	$534	$6,187	$(1,126)	$(205)	$(1,331)	$4,856
2011 acquisitions	6	—	—	6	—	—	—	6
Adjustments related to the LBO and prior year acquisitions	42	38	11	91	—	—	—	91
Impairment charges	—	—	—	—	(36)	(12)	(48)	(48)
Effect of foreign currency translation	(18)	(2)	—	(20)	—	—	—	(20)
Balance at December 31, 2011	3,480	2,239	545	6,264	(1,162)	(217)	(1,379)	4,885
2012 acquisitions	**28**	**—**	**—**	**28**	**—**	**—**	**—**	**28**
Adjustments related to the LBO and prior year acquisitions	**(3)**	**(3)**	**(1)**	**(7)**	**—**	**—**	**—**	**(7)**
Impairment charges	**—**	**—**	**—**	**—**	**(385)**		**(385)**	**(385)**
Effect of foreign currency translation	**11**	**7**	**—**	**18**	**—**	**—**	**—**	**18**
Balance at December 31, 2012	**$3,516**	**$2,243**	**$544**	**$6,303**	**$(1,547)**	**$(217)**	**$(1,764)**	**$4,539**

During 2011 the Company determined that a 2009 adjustment impacting goodwill and deferred income tax liability was incorrect and has reversed it, thereby increasing the goodwill and deferred tax liability balances associated with continuing operations each by approximately $100 million. The adjustment, which was not material to any prior period financial statements, is reflected in the “Adjustments related to the LBO and prior year acquisitions” line in 2011.

Discontinued Operations

Based on the results of the step-one test for the July 1 annual impairment test for 2010, the Company determined that the carrying values of its Public Sector United Kingdom (“PS UK”) reporting unit, which was sold in December 2010, and its Higher Education Managed Services (“HE MS”) reporting unit, which, along with the remainder of HE, was sold in January 2012, were in excess of their respective fair values and a step-two test was required for each of these reporting units. The primary driver for the decline in the fair value of each of the reporting units compared to the prior year is the reduction in the perpetual growth rate assumption used for each of these two reporting units, stemming from the disruption in the global financial markets, particularly the markets which these reporting units serve. Furthermore, there was a decline in the cash flow projections for the PS UK reporting unit, compared to those used in the 2009 goodwill impairment test, as a result of decline in the overall outlook for this reporting unit. Additionally, the discount rate assumption used for the PS UK reporting unit was higher than the discount rate used in the 2009 impairment test.

A one percentage point increase in the perpetual growth rate or a one percentage point decrease in the discount rate would have resulted in the HE MS reporting unit having a fair value in excess of carrying value and a step-two test would not have been required. Prior to completing the step-two tests, the Company first evaluated the long-lived assets, primarily the software, customer base and property and equipment, for impairment. In performing the impairment tests for long-lived assets, the Company estimated the undiscounted cash flows for the asset groups over the remaining useful lives of the reporting unit’s primary asset and compared that to the carrying value of the asset groups. There was no impairment of the long-lived assets.

In completing the step-two tests to determine the implied fair value of goodwill and therefore the amount of impairment, the Company first determined the fair value of the tangible and intangible assets and liabilities.

Based on the testing performed, the Company determined that the carrying value of goodwill exceeded its implied fair value for each of the two reporting units and recorded a goodwill impairment charge of $123 million in discontinued operations.

Other Long-Term Liabilities

Other long-term liabilities consist of lease-leveling accruals, restoration liabilities and, at SCC, a $19 million dividend payable (see Note 7). In 2011, all lease-leveling accruals and restoration liabilities were included as other accrued expenses. The December 31, 2011 balance sheet has been revised to correctly present $76 million of these obligations as non-current. The impact of the revision was not material to the balance sheet.

Stock Compensation

Stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense over the appropriate service period. Fair value for stock options is computed using the Black-Scholes pricing model. Determining the fair value of stock-based awards requires considerable judgment, including estimating the expected term of stock options, expected volatility of the Company's stock price, and the number of awards expected to be forfeited. In addition, for stock-based awards where vesting is dependent upon achieving certain operating performance goals, the Company estimates the likelihood of achieving the performance goals. Differences between actual results and these estimates could have a material effect on the consolidated financial results. A deferred income tax asset is recorded over the vesting period as stock compensation expense is recognized. The Company's ability to use the deferred tax asset is ultimately based on the actual value of the stock option upon exercise or restricted stock unit upon distribution. If the actual value is lower than the fair value determined on the date of grant, there could be an income tax expense for the portion of the deferred tax asset that cannot be used, which could have a material effect on the consolidated financial results.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowances are recorded when it is not more likely than not that a deferred tax asset will be realized. The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. Considerable judgment is required in assessing and estimating these amounts and difference between the actual outcome of these future tax consequences and these estimates made could have a material impact on the consolidated results. The Company records interest related to unrecognized tax benefits in interest expenses and penalties in income tax expense.

Recent Accounting Pronouncements

In October 2011, the Financial Accounting Standards Board ("FASB") announced that the specific requirement to present items that are reclassified from other comprehensive income to net income alongside their respective components of net income and other comprehensive income will be deferred. Therefore, those requirements related to the presentation of comprehensive income have not been adopted by the Company.

On July 27, 2012, the FASB issued Accounting Standards Update No. 2012-02, *Intangibles—Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment*. The Update simplifies the guidance for testing the decline in the realizable value (impairment) of indefinite-lived intangible assets other than goodwill. Examples of intangible assets subject to the guidance include indefinite-lived trademarks, licenses, and distribution rights. The amendment allows an organization the option to first assess qualitative factors to determine whether it is necessary to perform the quantitative impairment test. An organization electing to perform a qualitative assessment is no longer required to calculate the fair value of an indefinite-lived intangible asset unless the organization determines, based on a qualitative assessment, that it is "more likely than not" that the asset is impaired. Under former guidance, an organization was required to test an indefinite-lived intangible asset for impairment on at least an annual basis by comparing the fair value of the asset with its carrying amount. If the carrying amount of an indefinite-lived intangible asset exceeded its fair value, an impairment loss was recognized in an amount equal to the difference. The amendments in this Update are effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. The Company is currently evaluating the impact of this Update, but does not expect the Update to have a material impact on the consolidated financial statements.

On February 5, 2013, the FASB issued Accounting Standards Update No. 2013-02, *Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*. The standard is intended to improve the reporting of reclassifications out of accumulated other comprehensive income of various components. The Update requires an entity to present, either parenthetically on the face of the financial statements or in the notes, significant amounts reclassified, from each component of accumulated other comprehensive income and the income statement line items affected by the reclassification. The amendments in this Update are effective for annual and interim periods beginning after December 15, 2012. The Company will adopt this amendment for the March 31, 2013 interim period financial statements.

2. Acquisitions and Discontinued Operations:

Acquisitions

The Company seeks to acquire businesses that broaden its existing product lines and service offerings and expand its geographic reach. During 2012, the Company completed two acquisitions in its FS segment. Cash paid, net of cash acquired, was $39 million (see Note 17). In addition, the Company paid approximately $1 million related to deferred purchase price from prior year acquisitions.

During 2011, the Company paid $35 million for five acquisitions in its FS segment, and, in 2010, the Company paid a total of $82 million for three acquisitions in its FS segment and one in its AS segment.

The acquisitions discussed above for 2012, 2011 and 2010 were not material to the Company's operations, financial position or cash flows.

At December 31, 2012, contingent purchase price obligations that depend upon the operating performance of certain acquired businesses were $6 million, of which $3 million is included in other long-term debt.

Discontinued Operations

In December 2010, the Company sold its PS UK business. In January 2012, the Company sold its Higher Education ("HE") business and used the net cash proceeds (as defined in its senior secured credit agreement of $1.222 billion), which is the gross transaction value of $1.775 billion less an estimate of applicable taxes and fees, to repay a pro-rata portion of its outstanding term loans (see Note 5). In July 2012, the Company sold its FS subsidiary SunGard Global Services France for gross proceeds of €14 million.

The results for the discontinued operations for the years ended December 31, 2010, 2011 and 2012 were as follows (in millions):

	Year ended December 31,		
	2010	2011	**2012**
Revenue	$ 735	$ 551	**$ 55**
Operating income (loss)	(20)	91	**(5)**
Gain (loss) on sale of business	(94)	—	**571**
Income (loss) before income taxes	(114)	91	**566**
Benefit from (provision for) income taxes	(42)	(171)	**(235)**
Income (loss) from discontinued operations, net of tax	$(156)	$ (80)	**$ 331**

In 2010, the Company recorded $123 million of goodwill impairment charges, of which $91 million was related to PS UK and $32 million was related to HE MS, and a loss on disposal of approximately $94 million, including the write-off of the currency translation adjustment (CTA). In 2011, the Company recorded $135 million of deferred tax expense related to the book-over-tax basis difference in a HE subsidiary. Also in 2011, the Company increased goodwill by $14 million and recorded a $3 million goodwill impairment charge (see Goodwill discussion in Note 1). In 2012, the Company recorded a $563 million gain on the sale of the Higher Education business.

Assets and liabilities related to discontinued operations consisted of the following (in millions) at December 31, 2011:

	December 31, 2011
Cash	$ 6
Accounts receivable, net	105
Prepaid expenses and other current assets	11
Deferred income taxes	3
Property and equipment, net	31
Software products, net	77
Customer base, net	188
Goodwill	929
Assets related to discontinued operations	$1,350
Accounts payable	$ 1
Accrued compensation and benefits	24
Other accrued expenses	16
Deferred revenue	106
Deferred income taxes	99
Liabilities related to discontinued operations	$ 246

3. Clearing Broker Assets and Liabilities:

The Company has finished winding-down the operations of its stock loan and clearing services business, a low-margin business which required significant working capital. The wind-down of this business created a one-time benefit to cash flow from continuing operations. Also, as a result of the wind-down, the Company expects the balances of clearing broker assets and liabilities to remain at levels that approximate the level at December 31, 2012.

Clearing broker assets and liabilities are comprised of the following (in millions):

	December 31, 2011	**December 31, 2012**
Segregated customer cash	$ 23	**$ 3**
Securities borrowed	157	**—**
Receivables from customers and other	33	**3**
Clearing broker assets	$213	**$ 6**
Payables to customers	$ 16	**$—**
Securities loaned	145	**—**
Payable to brokers and dealers	18	**4**
Clearing broker liabilities	$179	**$ 4**

Segregated customer cash is held by the Company on behalf of customers. Securities borrowed and loaned are collateralized financing transactions which are cash deposits made to or received from other broker/dealers. Receivables from and payables to customers represent amounts due or payable on cash and margin transactions.

4. Property and Equipment:

Property and equipment consisted of the following (in millions):

	December 31, 2011	**December 31, 2012**
Computer and telecommunications equipment	$ 993	**$ 1,093**
Leasehold improvements	845	**922**
Office furniture and equipment	148	**162**
Buildings and improvements	138	**143**
Land	17	**17**
Construction in progress	48	**46**
Total property and equipment cost	2,189	**2,383**
Accumulated depreciation and amortization	(1,296)	**(1,509)**
Total property and equipment, net	$ 893	**$ 874**

5. Debt and Derivative Instruments:

Debt consisted of the following (in millions):

	December 31, 2011	December 31, 2012
Senior Secured Credit Facilities:		
Secured revolving credit facility due November 29, 2016 (A)	$ —	**$ —**
Tranche A due February 28, 2014, effective interest rate of 3.33% and 1.96% (A)	1,386	**207**
Tranche B due February 28, 2016, effective interest rate of 4.32% and 4.35% (A)	2,407	**1,719**
Tranche C due February 28, 2017, effective interest rate of 4.17% (A)	—	**908**
Tranche D due January 31, 2020, effective interest rate of 4.50% (A)	—	**720**
Incremental term loan at 3.78% (A)	479	**—**
Total Senior Secured Credit Facilities	4,272	**3,554**
Senior Secured Notes due 2014 at 4.875%, net of discount of $8 and $4 (B)	242	**246**
Senior Notes due 2015 at 10.625%, net of discount of $3 (C)	497	**—**
Senior Notes due 2018 at 7.375% (C)	900	**900**
Senior Notes due 2020 at 7.625% (C)	700	**700**
Senior Subordinated Notes due 2015 at 10.25% (C)	1,000	**—**
Senior Subordinated Notes due 2019 at 6.625% (C)	—	**1,000**
Secured Accounts Receivable Facility, at 3.79% and 3.71% (D)	200	**250**
Other, primarily foreign bank debt, acquisition purchase price and capital lease obligations	18	**12**
Total debt	7,829	**6,662**
Short-term borrowings and current portion of long-term debt	(10)	**(63)**
Long-term debt	$7,819	**$6,599**

The Company was in compliance with all covenants at December 31, 2012. Below is a summary of SunGard's debt instruments.

(A) Senior Secured Credit Facilities

SunGard has an $880 million revolving credit facility, of which $857 million was available for borrowing after giving effect to $23 million of outstanding letters of credit as of December 31, 2012.

On March 2, 2012, SunGard amended its Amended and Restated Credit Agreement dated as of August 11, 2005, as amended and restated from time to time ("Credit Agreement") to, among other things, extend the maturity date of approximately $908 million in aggregate principal amount of tranche A and incremental term loans from February 28, 2014 to February 28, 2017 ("tranche C"), extend the maturity of the $880 million revolving credit facility commitments from May 11, 2013 to November 29, 2016, and amend certain covenants and other provisions, in order to, among other things, permit the potential spin-off of AS. The revolving credit facility commitments and tranche C each have springing maturity provisions which are described in the Credit Agreement.

On December 17, 2012, SunGard amended its Credit Agreement to, among other things, allow for the issuance of a $720 million term loan ("tranche D"), permit incremental credit extensions under the restated credit agreement in an amount up to $750 million; and modify certain covenants and other provisions in order to, among other things, permit additional restricted payments to be made with the net proceeds of the tranche D term loan and available cash in an aggregate amount not to exceed $750 million. Tranche D has certain springing maturities which are described in the Credit Agreement.

On December 31, 2012, SunGard voluntarily prepaid $48 million of its tranche A term loan and the entire outstanding incremental term loan balance of $169 million.

On March 8, 2013, SunGard amended and restated its Credit Agreement to, among other things, (i) issue an additional term loan of $2,200 million ("tranche E") maturing on March 8, 2020, the proceeds of which were used to (a) repay in full the $1,719 million tranche B term loan and (b) repay $481 million of the tranche C term loan; (ii) replace the $880 million of revolving commitments with $850 million of new revolving commitments, which will mature on March 8, 2018; and (iii) modify certain covenants and other provisions in order to, among other things (x) modify (and in the case of the term loan facility, remove) the financial maintenance covenants included therein and (y) permit the Company to direct the net cash proceeds of permitted dispositions otherwise requiring a prepayment of term loans to the prepayment of specific tranches of term loans at the Company's sole discretion. The interest rate on tranche E is LIBOR plus 3% with a 1% LIBOR floor, which at March 8, 2013 was 4.00%. SunGard is required to repay installments in quarterly principal amounts of 0.25% of its funded tranche E principal amount through the maturity date, at which time the remaining aggregate principal balance is due. Tranche E and the new revolving commitments are subject to certain springing maturities which are described in the Credit Agreement.

Borrowings under the Credit Agreement bear interest at a rate equal to an applicable margin plus, at SunGard's option, one of the following:

- LIBOR based on the costs of funds for deposits in the currency of such borrowing for either 30, 60, 90 or 180 days, or
- a base rate that is the higher of:
  - the prime rate of JPMorgan Chase Bank, N.A. and
  - the federal funds rate plus one-half of 1%.

The applicable margin for borrowings under the various Credit Agreement tranches may change subject to attaining certain leverage ratios. In addition to paying interest on outstanding principal under the Credit Agreement, the Company pays a commitment fee to the lenders under the revolving credit facility in respect of the unutilized commitments. The commitment fee rate is currently 0.625% per annum and may change subject to attaining certain leverage ratios. As of December 31, 2012, the effective interest rates and the effective interest rates adjusted for swaps (if applicable) are as follows:

	Effective interest rate	Effective rate adjusted for swaps
Revolving credit facility	3.21%	N/A
Tranche A	1.96%	N/A
Tranche B	3.87%	4.35%
Tranche C	3.96%	4.17%
Tranche D	4.50%	N/A

N/A: Not Applicable

All obligations under the Credit Agreement are fully and unconditionally guaranteed by SunGard Holdco LLC and by substantially all domestic, 100% owned subsidiaries, referred to, collectively, as Guarantors.

The Credit Agreement requires SunGard to prepay outstanding term loans, subject to certain exceptions, with 50% of annual excess cash flow (subject to attaining a certain leverage ratio) and proceeds from certain asset sales, casualty and condemnation events, other borrowings and certain financings under SunGard's secured accounts receivable facility. Any mandatory payments would be applied pro rata to the term loan lenders and to installments

of the term loans in direct order of maturity. Pursuant to the terms of the Credit Agreement, SunGard made the following mandatory prepayments:

- In January 2012, SunGard completed the sale of HE and used net cash proceeds (as defined in the Credit Agreement) of $1.22 billion to repay, on a pro-rata basis, $396 million, $689 million and $137 million of tranche A, tranche B and the incremental term loan, respectively. As a result of the prepayment, the Company incurred a loss on the extinguishment of debt of approximately $15 million.
- In December 2010, the SunGard sold its PS UK operation for gross proceeds of £88 million ($138 million). SunGard used net cash proceeds to repay $96 million of U.S. dollar-denominated term loans, $3 million of pound sterling-denominated term loans and $2 million of euro-denominated term loans. In addition, and concurrent with these mandatory prepayments, other available cash was used to voluntarily repay the remaining $164 million balance outstanding on the euro-denominated term loans.

SunGard is required to repay installments on the tranche D term loan in quarterly principal amounts of 0.25% of its funded total principal amount through the maturity date, at which time the remaining aggregate principal balance is due, subject to certain springing maturity provisions. As a result of loan prepayments, SunGard is no longer required to make quarterly principal payments on the tranche A, tranche B, or tranche C term loans.

The Credit Agreement contains a number of covenants that, among other things, restrict, subject to certain exceptions, SunGard's (and most or all of its subsidiaries') ability to incur additional debt or issue preferred stock, pay dividends and distributions on or repurchase capital stock, create liens on assets, enter into sale and leaseback transactions, repay subordinated indebtedness, make investments, loans or advances, make capital expenditures, engage in certain transactions with affiliates, amend certain material agreements, change its lines of business, sell assets and engage in mergers or consolidations. In addition, under the Credit Agreement, SunGard is required to satisfy certain total leverage and interest coverage ratios.

SunGard uses interest rate swap agreements to manage the amount of its floating rate debt in order to reduce its exposure to variable rate interest payments associated with the Credit Agreement. Each of these swap agreements is designated as a cash flow hedge. SunGard pays a stream of fixed interest payments for the term of the swap, and in turn, receives variable interest payments based on LIBOR. At December 31, 2012, one-month LIBOR was 0.21% and three-month LIBOR was 0.31%. The net receipt or payment from the interest rate swap agreements is included in interest expense. A summary of the Company's interest rate swaps at December 31, 2012 follows (in millions):

Inception	Maturity	Notional Amount (in millions)	Interest rate paid	Interest rate received (LIBOR)
February 2010	May 2013	$500	1.99%	3-Month
August-September 2012	February 2017	400	0.69%	1-Month
Total / Weighted Average		$900	1.41%	

The interest rate swaps are included at estimated fair value as an asset or a liability in the consolidated balance sheet based on a discounted cash flow model using applicable market swap rates and certain assumptions. For 2010, 2011 and 2012, the Company included unrealized after-tax gains of $21 million, $17 million, and $3 million, respectively, in Other Comprehensive Income (Loss) related to the change in market value of the swaps. The market value of the swaps recorded in Other Comprehensive Income (Loss) may be recognized in the statement of operations if certain terms of the Credit Agreement change, are modified or if the loan is extinguished. The fair values of the swap agreements at December 31, 2011 and 2012 are $11 million and $5 million, respectively and are included in other accrued expenses. The effects of the interest rate swaps are reflected in the effective interest rate for the Credit Agreement loans in the components of the debt table above. The Company had no ineffectiveness related to its swap agreements as of December 31, 2012. The Company

expects to reclassify in the next twelve months approximately $5 million from other comprehensive income (loss) into earnings related to the Company's interest rate swaps based on the borrowing rates at December 31, 2012.

(B) Senior Secured Notes due 2014

On January 15, 2004, SunGard issued $250 million of 4.875% senior unsecured notes due January 2014, which are subject to certain standard covenants. As a result of the LBO, these senior notes became collateralized on an equal and ratable basis with loans under the Credit Agreement and are guaranteed by all subsidiaries that guarantee the senior notes due 2018 and 2020 and senior subordinated notes due 2019. The senior secured notes due 2014 are recorded at $246 million as of December 31, 2012 reflecting the remaining unamortized discount of $4 million caused by the LBO that will continue to be amortized as interest expense over the remaining periods to maturity.

(C) Senior Notes due 2015, 2018 and 2020 and Senior Subordinated Notes due 2015 and 2019

In November 2010, SunGard issued $900 million of 7.375% senior notes due 2018 and $700 million of 7.625% of senior notes due 2020. The proceeds, together with other cash, were used to retire the former $1.6 billion 9.125% senior notes that would have been due 2013. As a result, the Company incurred a loss on the extinguishment of debt of approximately $57 million. The senior notes due 2018 and 2020 (i) rank equally in right of payment to all existing and future senior debt and other obligations that are not, by their terms, expressly subordinated in right of payment to the senior notes due 2018 and 2020, (ii) are effectively subordinated in right of payment to all existing and future secured debt to the extent of the value of the assets securing such debt, and (iii) are structurally subordinated to all obligations of each subsidiary that is not a guarantor of the senior notes due 2018 and 2020. All obligations under the senior notes due 2018 and 2020 are fully and unconditionally guaranteed, subject to certain exceptions, by substantially all domestic, wholly owned subsidiaries of SunGard.

On April 2, 2012, SunGard redeemed for $527 million plus accrued and unpaid interest to the redemption date, all of its outstanding $500 million 10.625% senior notes due 2015 ("2015 Notes") under the Indenture dated as of September 29, 2008 among SunGard, the guarantors named therein, and The Bank of New York Mellon, as trustee, as amended or supplemented from time to time. In conjunction with the redemption of the 2015 Notes, the Company incurred a $37 million loss on the extinguishment of debt which included a $27 million premium.

On November 1, 2012, SunGard issued $1 billion aggregate principal amount of 6.625% senior subordinated notes due 2019 ("senior subordinated notes") and used a portion of the net proceeds from this offering to repurchase approximately $490 million of its $1 billion 10.25% senior subordinated notes due 2015 ("existing 10.25% senior subordinated notes"). On December 3, 2012, SunGard redeemed the remaining existing 10.25% senior subordinated notes. As a result of this transaction, the Company incurred a $29 million loss on the extinguishment of debt which included a $21 million premium.

The senior subordinated notes are unsecured senior subordinated obligations that are subordinated in right of payment to the existing and future senior debt, including the senior secured credit facilities, the senior secured notes due 2014 and the senior notes due 2018 and 2020. The senior subordinated notes (i) rank equally in right of payment to all future senior subordinated debt, (ii) are effectively subordinated in right of payment to all existing and future secured debt to the extent of the value of the assets securing such debt, (iii) are structurally subordinated to all obligations of each subsidiary that is not a guarantor of the senior subordinated notes, and (iv) rank senior in right of payment to all future debt and other obligations that are, by their terms, expressly subordinated in right of payment to the senior subordinated notes.

The senior notes due 2018 and 2020 and senior subordinated notes are redeemable in whole or in part, at SunGard's option, at any time at varying redemption prices that generally include premiums, which are defined in the applicable indentures. In addition, upon a change of control, SunGard is required to make an offer to

redeem all of the senior notes and senior subordinated notes at a redemption price equal to 101% of the aggregate principal amount thereof plus accrued and unpaid interest.

The indentures governing the senior notes due 2018 and 2020 and senior subordinated notes contain a number of covenants that restrict, subject to certain exceptions, SunGard's ability and the ability of its restricted subsidiaries to incur additional debt or issue certain preferred shares, pay dividends on or make other distributions in respect of its capital stock or make other restricted payments, make certain investments, enter into certain types of transactions with affiliates, create liens securing certain debt without securing the senior notes due 2018 and 2020 or senior subordinated notes, as applicable, sell certain assets, consolidate, merge, sell or otherwise dispose of all or substantially all of its assets and designate its subsidiaries as unrestricted subsidiaries.

On November 1, 2012, SunGard and the guarantors of the senior subordinated notes entered into a registration rights agreement and have agreed that they will (i) file a registration statement with respect to a registered offer to exchange the senior subordinated notes for new notes guaranteed by the guarantors on an unsecured senior subordinated basis, with terms substantially identical in all material respects to the Senior subordinated notes, and (ii) use their reasonable best efforts to cause the exchange offer registration statement to be declared effective under the Securities Act of 1933, as amended.

SunGard and the guarantors have agreed to use their reasonable best efforts to cause the exchange offer to be completed within 360 days after the issue date or, if required, to have one or more shelf registration statements declared and remain effective during the shelf registration period.

If SunGard fails to satisfy this obligation (a "registration default"), the annual interest rate on the Senior Subordinated Notes will increase by an additional 0.25% for each subsequent 90-day period during which the registration default continues, up to a maximum additional interest rate of 1.00% per year. The applicable interest rate on such Senior Subordinated Notes will revert to the original level upon the earlier of curing the registration default or November 1, 2014.

(D) Secured Accounts Receivable Facility

In March 2009, SunGard entered into a syndicated three-year secured accounts receivable facility. The facility limit was $317 million, which consisted of a term loan commitment of $181 million and a revolving commitment of $136 million. Advances may be borrowed and repaid under the revolving commitment with no impact on the facility limit. The term loan commitment may be repaid at any time at SunGard's option, but will result in a permanent reduction in the facility limit. On September 30, 2010, SunGard entered into an Amended and Restated Credit and Security Agreement related to its receivables facility. Among other things, the amendment (a) increased the borrowing capacity under the facility from $317 million to $350 million, (b) increased the term loan component from $181 million to $200 million, (c) extended the maturity date to September 30, 2014, (d) removed the 3% LIBOR floor and set the interest rate to one-month LIBOR plus 3.5%, which at December 31, 2012 was 3.71%, and (e) amended certain terms.

In connection with the sale of SunGard's HE business, the participating HE subsidiaries were removed from the receivables facility, effective as of October 3, 2011. As a result, SunGard permanently reduced the maximum revolving commitment amount to $90 million for a combined total amount available for borrowing of $290 million.

On December 19, 2012, SunGard entered into a Second Amended and Restated Credit and Security Agreement to, among other things, extend the maturity date to December 19, 2017 and reduce the aggregate commitments from $290 million to $275 million.

At December 31, 2012, $200 million was drawn against the term loan commitment and $50 million was drawn against the revolving commitment. At December 31, 2012, $519 million of accounts receivables secured the borrowings under the receivables facility.

SunGard is subject to a fee on the unused portion of 0.75% per annum. The receivables facility contains certain covenants and SunGard is required to satisfy and maintain specified facility performance ratios, financial ratios and other financial condition tests.

Future Maturities

At December 31, 2012, the contractual future maturities of debt are as follows (in millions):

	Contractual	Pro Forma for March 8, 2013 Credit Agreement Amendment (unaudited)
thru 12/31 2013	$ 63	$ 80
2014 (1)	461	483
2015	8	30
2016	1,729	32
2017	1,115	656
Thereafter	3,286	5,381

(1) Included are debt discounts of $4 million.

6. Fair Value Measurements:

The following table summarizes assets and liabilities measured at fair value on a recurring basis at December 31, 2012 (in millions):

	Fair Value Measures Using			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents—money market funds	$227	$—	$—	$227
Currency forward contracts	—	4	—	4
Total	$227	$ 4	$—	$231
Liabilities				
Interest rate swap agreements and other	$—	$ 4	$—	$ 4

The following table summarizes assets and liabilities measured at fair value on a recurring basis at December 31, 2011 (in millions):

	Fair Value Measures Using			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents—money market funds	$351	$—	$—	$351
Liabilities				
Interest rate swap agreements and other	$—	$ 15	$—	$ 15

A Level 1 fair value measure is based upon quoted prices in active markets for identical assets or liabilities. A Level 2 fair value measure is based upon quoted prices for similar assets and liabilities in active markets or inputs that are observable. A Level 3 fair value measure is based upon inputs that are unobservable (for example, cash flow modeling inputs based on assumptions).

Cash and cash equivalents—money market funds is recognized and measured at fair value in the Company's financial statements. Fair values of the interest rate swap agreements are calculated using a discounted cash flow model using observable applicable market swap rates and assumptions and are compared to market valuations obtained from brokers.

The Company uses currency forward contracts to manage its exposure to fluctuations in costs caused by variations in Indian Rupee ("INR") exchange rates. These INR forward contacts are designated as cash flow hedges. The fair value of these currency forward contracts is determined using currency exchange market rates, obtained from reliable, independent, third party banks, at the balance sheet date. This fair value of forward contracts is subject to changes in currency exchange rates. The Company has no ineffectiveness related to its use of currency forward contracts. The fair value of the INR forward contracts was an asset of $4 million at December 31, 2012 and a liability of $3 million at December 31, 2011.

Certain assets and liabilities are measured on a non-recurring basis and, in recent years, the only asset or liability to be measured on a non-recurring basis is goodwill where a step-two test was required. In 2012, goodwill with a carrying value of $914 million was written down to a fair value of $529 million due to the recognition of a $385 million impairment loss, which is reflected in continuing operations and discussed further in Note 1.

The fair value of goodwill is categorized in Level 3, fair value measurement using significant unobservable inputs, and is estimated by a combination of (i) discounted cash flows based on projected earnings in the future (the income approach) and (ii) a comparative analysis of revenue and EBITDA multiples of public companies in similar markets (the market approach). This requires the use of various assumptions including projections of future cash flows, perpetual growth rates and discount rates.

The following table summarizes assets and liabilities measured at fair value on a non-recurring basis at December 31, 2012 (in millions):

	Fair Value Measures Using		
	Level 1	Level 2	Level 3
Assets			
Goodwill	$—	$—	$529

In 2010, goodwill with a carrying value of $888 million was written down to a fair value of $560 million due to the recognition of a $328 million impairment loss, of which $205 million is reflected in continuing operations and $123 million is reflected in discontinued operations as discussed further in Notes 1 and 2. If the Company had not recorded the incorrect adjustment to reduce goodwill and deferred income tax liabilities in 2009, the carrying value in 2010 of goodwill related to the reporting units that incurred the goodwill impairment would have been $12 million higher, resulting in an incremental $12 million impairment charge in 2010. The incremental goodwill impairment charge was recorded in 2011.

The following table summarizes assets and liabilities measured at fair value on a non-recurring basis at December 31, 2010 (in millions):

	Fair Value Measures Using		
	Level 1	Level 2	Level 3
Assets			
Goodwill	$—	$—	$560

Fair Value of Financial Instruments

The following table presents the carrying amount and estimated fair value of the Company's debt, including current portion and excluding the interest rate swaps (in millions):

	December 31, 2011		December 31, 2012	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Floating rate debt	$4,472	$4,372	**$3,803**	**$3,826**
Fixed rate debt	3,357	3,454	**2,859**	**3,023**

The fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses, to the extent the underlying liability will be settled in cash, approximate carrying values because of the short-term nature of these instruments. The derivative financial instruments are carried at fair value. The fair value of the Company's floating rate and fixed rate long-term debt (Level 2) is determined using actual market quotes and benchmark yields received from independent vendors.

7. Preferred Stock

SCCII

SCCII has preferred and common stock outstanding at December 31, 2011 and 2012. The preferred stock is non-voting and ranks senior in right of payment to the common stock. Each share of preferred stock has a liquidation preference of $100 (the initial Class P liquidation preference) plus an amount equal to the accrued and unpaid dividends accruing at a rate of 11.5% per year of the initial Class P liquidation preference ($100 per share), compounded quarterly. Holders of preferred stock are entitled to receive cumulative preferential dividends to the extent a dividend is declared by the Board of Directors of SCCII at a rate of 11.5% per year of the initial Class P liquidation preference ($100 per share) payable quarterly in arrears. The aggregate amount of cumulative but undeclared preferred stock dividends at December 31, 2011 and 2012 was $1,061 million and $595 million, respectively ($107.76 and $60.31 per share, respectively).

Preferred shares and stock awards based in preferred shares are held by certain members of management. In the case of termination resulting from disability or death, an employee or his/her estate may exercise a put option which would require the Company to repurchase vested shares at the current fair market value. Accordingly, these shares of preferred stock must be classified as temporary equity (between liabilities and stockholder's equity) on the balance sheet of SCCII.

In December 2012, SunGard borrowed $720 million (see Note 5) and used the net proceeds, along with available cash, to finance a preferred stock dividend of approximately $718 million, or $72.80 per preferred share (equivalent to $3.64 per Unit, as defined in Note 9). As a result of the dividend, under the terms of various equity award agreements and the SCC and SCCII Dividend Rights Plan, SCC was required to make dividend-equivalent cash payments of up to approximately $30 million to equity award holders. Of the $30 million, approximately $6 million was paid in December 2012 and the remaining balance will be paid over approximately five years, subject to vesting of the underlying equity awards. The total dividend and dividend-equivalents paid in 2012 was $724 million. In order to affect this transaction, SDS declared a dividend of approximately $747 million through

holding companies ultimately to SCCII, which in turn declared a dividend of approximately $718 million to the holders of the preferred stock and a dividend of approximately $30 million, representing the amount of the dividend-equivalent cash payments, to SCC as the sole holder of the common stock. Also as a result of the dividend, all outstanding options on Units, except for the options with an exercise price of $4.50 per Unit, were modified to reduce the exercise price by $3.64 per Unit. There was no incremental stock compensation expense as a result of the dividend.

SCC

Preferred stock of SCCII is classified as Noncontrolling interest in the equity section or temporary equity on the balance sheet of SCC.

8. Common Stock

SCC has nine classes of common stock, Class L and Class A-1 through A-8. Class L common stock has identical terms as Class A common stock except as follows:

- Class L common stock has a liquidation preference: distributions by SCC are first allocated to Class L common stock up to its $81 per share liquidation preference plus an amount sufficient to generate a rate of return of 13.5% per annum, compounded quarterly (“Class L Liquidation Preference”). All holders of Common stock, as a single class, share in any remaining distributions pro rata based on the number of outstanding shares of Common stock; and
- each share of Class L common stock automatically converts into Class A common stock upon an initial public offering or other registration of the Class A common stock and is convertible into Class A common stock upon a majority vote of the holders of the outstanding Class L common stock upon a change in control or other realization events. If converted, each share of Class L common stock is convertible into one share of Class A common stock plus an additional number of shares of Class A common stock determined by dividing the Class L Liquidation Preference at the date of conversion by the adjusted market value of one share of Class A common stock as set forth in the certificate of incorporation of SCC.

In the case of termination resulting from disability or death, an employee or his/her estate may exercise a put option which would require the Company to repurchase vested shares at the current fair market value. Accordingly, these common shares must be classified as temporary equity (between liabilities and equity) on the balance sheet of SCC.

9. Stock Option and Award Plans and Stock-Based Compensation:

The SunGard 2005 Management Incentive Plan (“Plan”) as amended from time to time was established to provide long-term equity incentives. The Plan authorizes the issuance of equity subject to awards made under the Plan for up to 70 million shares of Class A common stock and 7 million shares of Class L common stock of SCC and 2.5 million shares of preferred stock of SCCII.

Under the Plan, awards of time-based and performance-based options have been granted to purchase “Units” in the Parent Companies. Each “Unit” consists of 1.3 shares of Class A common stock and 0.1444 shares of Class L common stock of SCC and 0.05 shares of preferred stock of SCCII. The shares comprising a Unit are in the same proportion as the shares issued to all stockholders of the Parent Companies. Options for Units cannot be separately exercised for the individual classes of stock. Beginning in 2007, hybrid equity awards generally were granted under the Plan, which awards are composed of restricted stock units (“RSUs”) for Units in the Parent Companies and options to purchase Class A common stock in SCC. Currently, equity awards are granted for RSUs. All awards under the Plan are granted at fair market value on the date of grant.

Time-based options granted generally vest over four or five years with monthly or annual vesting depending on the timing of the grant. Performance-based options and RSUs are earned upon the attainment of certain annual

or cumulative earnings goals based on Internal EBITA (defined as operating income before amortization of acquisition-related intangible assets, stock compensation expense and certain other items) or Internal Adjusted EBITDA (defined as operating income before amortization of acquisition-related intangible assets, stock compensation expense, depreciation and amortization and certain other items) targets for the Company, depending on the date of grant, during a specified performance period. For awards granted prior to May 2011, the performance period was generally five years. For awards granted after May 2011, the performance period is generally 12 or 18 months at the end of which a portion of what was earned vests and the remainder of what was earned vests monthly or annually over a period of years. Time-based and performance-based options can partially or fully vest upon a change of control and certain other termination events, subject to certain conditions, and expire ten years from the date of grant. Once vested, time-based and performance-based RSUs become payable in shares upon the first to occur of a change of control, separation from service without cause, or the date that is five years (ten years for certain performance-based RSUs) after the date of grant.

During the second quarter of 2010, the Company amended the terms of all unvested performance awards outstanding with performance periods after 2010 by reducing the performance targets for those periods to the budgeted Internal EBITA for the applicable year. All 280 award holders participated in the amendments, and there was no expense recognized as a result of the modification.

The total fair value of options that vested for 2010, 2011 and 2012 was $18 million, $8 million and $4 million, respectively. The total fair value of RSUs that vested for the years 2010, 2011 and 2012 was $13 million, $22 million and $36 million, respectively. At December 31, 2011 and 2012, approximately 1.6 million and 2.5 million RSUs, respectively, were vested.

The fair value of option Units granted in each year using the Black-Scholes pricing model and related assumptions follow:

	Year ended December 31,		
	2010	2011	2012
Weighted-average fair value on date of grant	$7.37	$9.76	$7.84
Assumptions used to calculate fair value:			
Volatility	36%	43%	43%
Risk-free interest rate	1.9%	1.6%	0.6%
Expected term	5.0 years	5.0 years	5.0 years
Dividends	zero	zero	zero

The fair value of Class A options granted in each year using the Black-Scholes pricing model and related assumptions follow:

	Year ended December 31,
	2010
Weighted-average fair value on date of grant	$0.23
Assumptions used to calculate fair value:	
Volatility	156%
Risk-free interest rate	2.1%
Expected term	5.0 years
Dividends	zero

The fair value of each option award is estimated on the date of grant using the Black-Scholes option-pricing model. Since the Company is not publicly traded, the Company utilizes equity valuations based on (a) stock market valuations of public companies in comparable businesses, (b) recent transactions involving comparable companies and (c) any other factors deemed relevant. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. Expected volatilities are based

on implied volatilities from market comparisons of certain publicly traded companies and other factors. The expected term of stock options granted is derived from historical experience and expectations and represents the period of time that stock options granted are expected to be outstanding. The requisite service period is generally four or five years from the date of grant.

For 2010, 2011 and 2012, the Company included stock compensation expense of $29 million, $33 million and $38 million, respectively, in sales, marketing and administration expenses (in continuing operations). In 2010 and 2011, the Company included stock compensation expense of $2 million in income (loss) from discontinued operations. At December 31, 2012, there is approximately $3 million and $63 million, respectively, of unearned non-cash stock-based compensation related to time-based options and RSUs that the Company expects to record as expense over a weighted average of 3.5 and 3.9 years, respectively. In addition, at December 31, 2012, there is approximately $6 million and $26 million, respectively, of unearned non-cash stock-based compensation related to performance-based options and RSUs that the Company could record as expense over a weighted average of 1.3 and 3.1 years, respectively, depending on the level of achievement of financial performance goals. Included in the performance award amounts above are approximately 67,000 option Units ($0.4 million), 43,000 class A options ($0.008 million) and 308,000 RSUs ($6 million) that were earned during 2010 and 2012, but that will vest monthly during 2013 through 2015. For time-based options and RSUs, compensation expense is recorded on a straight-line basis over the requisite service period of four or five years. For performance-based options and RSUs, recognition of compensation expense starts when the achievement of financial performance goals becomes probable and is recorded over the remaining service period.

The following table summarizes option/RSU activity:

	Units					
	Options (in millions)	Weighted-Average Exercise Price	RSUs (in millions)	Weighted-Average Grant Date Fair Value	Class A Options (in millions)	Weighted-Average Exercise Price
Outstanding at December 31, 2009	28.0	$16.46	5.0	$21.87	12.5	$1.86
Granted	0.2	21.32	2.3	21.23	2.0	0.25
Exercised / released	(0.7)	11.94	(0.1)	22.86	—	
Canceled	(1.3)	18.09	(0.8)	22.16	(2.1)	1.97
Outstanding at December 31, 2010	26.2	16.54	6.4	21.59	12.4	1.58
Granted	0.2	24.74	2.4	24.40	—	
Exercised / released	(2.0)	10.39	(0.3)	21.92	—	
Canceled	(4.2)	18.05	(0.9)	21.41	(2.4)	1.48
Outstanding at December 31, 2011	20.2	16.93	7.6	22.50	10.0	1.60
Granted	**0.2**	**20.67**	**2.9**	**20.62**	**—**	
Exercised / released	**(2.5)**	**11.11**	**(0.8)**	**21.57**	**—**	
Canceled	**(1.8)**	**19.04**	**(1.6)**	**21.61**	**(3.4)**	**1.40**
Outstanding at December 31, 2012	**16.1**	**14.01(1)**	**8.1**	**22.09**	**6.6**	**1.71**

(1) Weighted-average exercise price has been adjusted to reflect the reduction in the exercise price of all outstanding option units, other than options with an exercise price of $4.50 per Unit, by $3.64 per Unit at the date of the declaration of the preferred stock dividend (see Note 7).

Included in the table above are 2.0 million option Units (weighted-average exercise price of $14.82), 0.8 million RSUs (weighted-average grant-date fair value of $22.24) and 1.6 million Class A options (weighted-average exercise price of $1.90) that have not vested and for which the performance period has ended. These options and RSUs may be canceled in the future.

Shares available for grant under the 2005 plan at December 31, 2012 were approximately 28.5 million shares of Class A common stock and 3.1 million shares of Class L common stock of SunGard Capital Corp. and 1.2 million shares of preferred stock of SunGard Capital Corp. II.

The total intrinsic value of options exercised during the years 2010, 2011 and 2012 was $7 million, $25 million and $22 million, respectively.

Cash proceeds received by SCC, including proceeds received by SCCII, from exercise of stock options was $1 million, $0.3 million and $0.2 million in 2010, 2011 and 2012, respectively. Cash proceeds received by SCCII from exercise of stock options were $0.4 million in 2010, $0.08 million in 2011 and $0.04 million in 2012. Cash proceeds received by SCC, including proceeds received by SCCII, from purchases of stock were $6 million in 2011. Cash proceeds received by SCCII from purchases of stock were $3 million in 2011.

The tax benefit from options exercised during 2010, 2011 and 2012 was $2 million, $9 million and $7 million, respectively. The tax benefit from release of RSUs during 2010, 2011 and 2012 was $0.8 million, $2 million and $6 million, respectively. The tax benefit is realized by SCC since SCC files as a consolidated group which includes SCCII and SunGard.

The following table summarizes information as of December 31, 2012 concerning options for Units and Class A shares that have vested and that are expected to vest in the future:

	Vested and Expected to Vest			Exercisable		
Exercise Price	Number of Options Outstanding (in millions)	Weighted-average Remaining Life (years)	Aggregate Intrinsic Value (in millions)	Number of Options (in millions)	Weighted-average Remaining Life (years)	Aggregate Intrinsic Value (in millions)
Units						
$4.50	0.86	1.7	$ 10	0.86	1.7	$ 10
14.36-21.10	12.47	3.1	25	12.00	2.9	25
Class A Shares						
0.21-0.44	1.94	7.0	—	1.27	6.9	—
1.41	0.49	5.9	—	0.42	5.9	—
2.22-3.06	2.31	5.3	—	2.18	5.3	—

10. Savings Plans:

The Company and its subsidiaries maintain savings and other defined contribution plans. Certain of these plans generally provide that employee contributions are matched with cash contributions by the Company subject to certain limitations including a limitation on the Company's contributions to 4% of the employee's compensation. Total expense for continuing operations under these plans aggregated $56 million in 2010, $61 million in 2011 and $57 million in 2012.

11. Income Taxes:

The continuing operations provision (benefit) for income taxes for 2010, 2011 and 2012 consisted of the following (in millions):

	SCC			SCCII			SunGard		
	2010	2011	**2012**	2010	2011	**2012**	2010	2011	**2012**
Current:									
Federal	$(41)	$ (24)	**$(22)**	$(41)	$ (24)	**$(22)**	$(41)	$ (26)	**$(21)**
State	3	4	**9**	3	4	**9**	3	4	**9**
Foreign	52	59	**54**	52	59	**54**	53	60	**54**
Total current	14	39	**41**	14	39	**41**	15	38	**42**
Deferred:									
Federal	(63)	(103)	**(53)**	(63)	(103)	**(53)**	(63)	(103)	**(54)**
State	(8)	(39)	**3**	(8)	(39)	**3**	(8)	(39)	**3**
Foreign	(12)	(13)	**(29)**	(12)	(13)	**(29)**	(13)	(14)	**(29)**
Total deferred	(83)	(155)	**(79)**	(83)	(155)	**(79)**	(84)	(156)	**(80)**
Total	$(69)	$(116)	**$(38)**	$(69)	$(116)	**$(38)**	$(69)	$(118)	**$(38)**

Income (loss) from continuing operations before income taxes for 2010, 2011 and 2012 consisted of the following (in millions):

	SCC			SCCII			SunGard		
	2010	2011	**2012**	2010	2011	**2012**	2010	2011	**2012**
U.S. operations	$(641)	$(341)	**$(531)**	$(641)	$(341)	**$(531)**	$(641)	$(341)	**$(531)**
Foreign operations	158	154	**96**	158	154	**96**	158	154	**96**
	$(483)	$(187)	**$(435)**	$(483)	$(187)	**$(435)**	$(483)	$(187)	**$(435)**

Differences between income tax expense (benefit) at the U.S. federal statutory income tax rate of 35% and the Company's continuing operations effective income tax rate for 2010, 2011 and 2012 were as follows (in millions):

	SCC			SCCII			SunGard		
	2010	2011	**2012**	2010	2011	**2012**	2010	2011	**2012**
Tax at federal statutory rate	$(169)	$ (65)	**$(152)**	$(169)	$ (65)	**$(152)**	$(169)	$ (65)	**$(152)**
State income taxes, net of federal benefit	3	(6)	**(2)**	3	(6)	**(2)**	3	(6)	**(2)**
Foreign taxes, net of U.S. foreign tax credit[1]	(6)	(20)	**(12)**	(6)	(20)	**(12)**	(6)	(20)	**(12)**
Tax rate changes[2]	(13)	(31)	**7**	(13)	(31)	**7**	(13)	(31)	**7**
Nondeductible goodwill impairment charge	68	17	**118**	68	17	**118**	68	17	**118**
Nondeductible expenses	5	6	**3**	5	6	**3**	5	6	**3**
Change in uncertain tax positions[3]	—	(1)	**12**	—	(1)	**12**	—	(1)	**12**
Research and development credit	(2)	(3)	**—**	(2)	(3)	**—**	(2)	(3)	**—**
U.S. income taxes on non-U.S. unremitted earnings	45	(11)	**(20)**	45	(11)	**(20)**	45	(11)	**(20)**
Other, net	—	(2)	**8**	—	(2)	**8**	—	(4)	**8**
	$ (69)	$(116)	**$ (38)**	$ (69)	$(116)	**$ (38)**	$ (69)	$(118)	**$ (38)**
Effective income tax rate	14 %	62 %	**9 %**	14 %	62 %	**9 %**	14 %	63 %	**9 %**

(1) Includes foreign taxes, dividends and the rate differential between U.S. and foreign countries. Also includes a favorable adjustment in 2011 of $4 million related to foreign tax credits not previously recognized, and includes $6 million, $8 million and $6 million in 2010, 2011 and 2012, respectively, related to benefits of a temporary reduction in statutory tax rates. These temporary tax rates expire between 2012 and 2024.

(2) During 2011, the Company determined that a 2009 adjustment was incorrect and reversed it, thereby increasing the deferred tax liability and goodwill balances. The Company recorded an income tax benefit of $35 million reflecting the amortization of the deferred income tax liability which benefit would have been reflected in the statement of comprehensive income had the 2009 adjustment not been made (see goodwill discussion in Note 1).

(3) In 2012, the change in uncertain tax positions recorded in continuing operations was $12 million which reflects the offsetting benefits recorded in prepaid expenses and other current assets. The balance is recorded in discontinued operations.

Deferred income taxes are recorded based upon differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating and tax credit carryforwards. Deferred income tax assets and liabilities at December 31, 2011 and 2012 consisted of the following (in millions):

	SCC		SCCII		SunGard	
	December 31, 2011	**December 31, 2012**	December 31, 2011	**December 31, 2012**	December 31, 2011	**December 31, 2012**
Current:						
Trade receivables	$ 14	**$ 9**	$ 14	**$ 9**	$ 14	**$ 9**
Accrued expenses, net	9	**28**	9	**28**	9	**28**
Tax credit carryforwards	55	**29**	55	**29**	55	**29**
Outside basis difference	(135)	**—**	(135)	**—**	(135)	**—**
Total current deferred income tax asset (liability)	(57)	**66**	(57)	**66**	(57)	**66**
Valuation allowance	(14)	**(17)**	(14)	**(17)**	(14)	**(17)**
Net current deferred income tax asset (liability)	(71)	**49**	(71)	**49**	(71)	**49**
Less: amounts classified as related to discontinued operations	(5)	**—**	(5)	**—**	(5)	**—**
Net current deferred income tax asset (liability)—continuing operations	$ (76)	**$ 49**	$ (76)	**$ 49**	$ (76)	**$ 49**
Long-term:						
Property and equipment	$ 7	**$ (22)**	$ 7	**$ (22)**	$ 7	**$ (22)**
Intangible assets	(1,302)	**(1,083)**	(1,302)	**(1,083)**	(1,302)	**(1,083)**
Net operating loss carryforwards	111	**101**	111	**101**	111	**101**
Stock compensation	60	**56**	60	**56**	60	**56**
U.S. income taxes on non-U.S. unremitted earnings	(40)	**(20)**	(40)	**(20)**	(40)	**(20)**
Other, net	(8)	**(17)**	(8)	**(17)**	(2)	**(10)**
Total long-term deferred income tax liability	(1,172)	**(985)**	(1,172)	**(985)**	(1,166)	**(978)**
Valuation allowance	(52)	**(48)**	(52)	**(48)**	(52)	**(48)**
Net long-term deferred income tax liability	(1,224)	**(1,033)**	(1,224)	**(1,033)**	(1,218)	**(1,026)**
Less: amounts classified as related to discontinued operations	101	**—**	101	**—**	101	**—**
Net long-term deferred income tax asset (liability)—continuing operations	$(1,123)	**$(1,033)**	$(1,123)	**$(1,033)**	$(1,117)	**$(1,026)**

The deferred income tax assets and liabilities include amounts classified as related to discontinued operations on the face of the financial statements for the year ended December 31, 2011.

The Company recorded a $135 million deferred tax liability as of December 31, 2011 related to the book-over-tax basis difference in a Higher Education subsidiary. The deferred tax provision was reflected in discontinued operations. Upon completion of the sale of Higher Education in the first quarter of 2012, the deferred tax liability was reversed.

As of December 31, 2012 the Company has net operating loss carryforwards, the tax effect of which is $101 million, which consist of $17 million for U.S. federal income tax purposes, $22 million for U.S. state income tax purposes and $62 million for foreign income tax purposes. The tax benefit recorded for net operating losses, net of valuation allowance, is $45 million, which consists of $10 million for U.S. federal income tax purposes, $12 million for U.S. state income tax purposes and $23 million for foreign income tax purposes. These tax loss carryforwards expire through 2032 and utilization is limited in certain jurisdictions. Some foreign losses have indefinite carryforward periods.

The valuation allowances of $66 million and $65 million at December 31, 2011 and 2012, respectively, were primarily related to federal, state and foreign net operating loss carryforwards that, in the judgment of management, are not more-likely-than-not to be realized. In assessing the realizability of deferred tax assets, management considers whether it is more-likely-than-not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities (including the impact of available carryback and carryforward periods), projected future taxable income, and tax-planning strategies in making this assessment. Based upon the level of historical taxable income, projections for future taxable income and the reversal of deferred tax liabilities over the periods in which the deferred tax assets are deductible, management believes it is more-likely-than-not that the Company will realize the benefits of these deductible differences, net of the existing valuation allowances at December 31, 2011 and 2012. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

Foreign tax credit carryforwards of $55 million and $29 million in 2011 and 2012, respectively, can be carried forward up to 10 years and expire through 2021. No valuation allowance has been recorded against this deferred tax asset as the Company believes it will more likely than not be realized prior to its expiration.

A reconciliation of the beginning and ending amount of unrecognized tax benefits follows (in millions):

	2010	2011	**2012**
Balance at beginning of year	$ 38	$ 37	**$ 22**
Additions for tax positions of prior years	17	1	**22**
Reductions for tax positions of prior years	(4)	(1)	**—**
Additions for tax positions of current year	4	2	**50**
Settlements for tax positions of prior years	(18)	(17)	**—**
Balance at end of year	$ 37	$ 22	**$ 94**

As of December 31, 2012 the Company had unrecognized tax benefits of approximately $94 million which if recognized, would favorably affect the effective tax rate. Included in prepaid and other assets are amounts that would partially offset the impact on the effective tax rate. Increases in 2012 relate primarily to state income tax related matters. Included in the balance of unrecognized tax benefits at December 31, 2012 is approximately $4 million (net of federal benefit) of accrued interest and penalties. The Company recognizes interest and penalties in income tax expense.

Tax years after 2006 remain open for examination by the Internal Revenue Service, although years 2007 and 2008 are effectively settled. The Internal Revenue Service is currently auditing tax years 2009 and 2010. In addition, tax years after 2003 remain open for audit by various state, local and foreign jurisdictions. The Company anticipates that it is reasonably possible that between $0 and $35 million of unrecognized tax benefits may be resolved within the next 12 months.

During the fourth quarter of 2012 as a result of debt refinancing activities, the Company reevaluated the earnings of all its foreign subsidiaries and those that could be expected to be permanently reinvested outside the U.S. The Company determined that certain of its foreign subsidiaries earnings are permanently reinvested. The recognition of U.S. income tax is required when earnings of the foreign subsidiaries are not considered permanently reinvested outside the U.S. As of December 31, 2011 and 2012, the Company provided a deferred income tax liability of approximately $40 million and $20 million, respectively for non-U.S. withholding and U.S. income taxes associated with the future repatriation of earnings for certain non-U.S. subsidiaries. The Company has not provided deferred taxes on approximately $100 million of undistributed earnings of non-U.S. subsidiaries at December 31, 2012. Quantification of the deferred tax liability, if any, associated with permanently reinvested earnings is not practicable.

12. Employee Termination Benefits and Facility Closures:

The following table provides a rollforward of the liability balances for workforce reductions and facility closures, which occurred during 2012 (in millions):

	Balance 12/31/2011	Expense	Paid	Other Adjustments*	Balance 12/31/2012
Workforce-related	$ 36	$ 42	$(42)	$ (4)	$ 32
Facilities	12	12	(2)	—	22
Total	$ 48	$ 54	$(44)	$ (4)	$ 54

* The other adjustments column in the table principally relates to changes in estimates from when the initial charge was recorded and also foreign currency translation adjustments.

The workforce related actions are expected to be paid out over the next 18 months (the majority within 12 months). The facilities accruals are for ongoing obligations to pay rent for vacant space and are net of sublease reserves. The lengths of these obligations vary by lease with the majority ending in 2019. The $22 million of facilities reserves is included in the future minimum rentals under operating leases (see Note 15).

13. Segment Information:

The Company has three reportable segments: FS, AS and Other. FS primarily serves financial services companies through a broad range of software solutions that process their investment and trading transactions. The principal purpose of most of these systems is to automate the many detailed processes associated with trading securities, managing investment portfolios and accounting for investment assets.

AS helps its customers maintain access to the information and computer systems they need to run their businesses by providing them with cost-effective resources to keep their IT systems reliable and secure. AS offers a complete range of availability services, including recovery services, managed services, consulting services and business continuity management software.

Other primarily provides software and processing solutions designed to meet the specialized needs of local, state and federal governments, public safety and justice agencies, public schools, utilities, non-profits and other public sector institutions.

During the fourth quarter of 2012, the Company changed its measurement for segment performance from EBITA (defined as operating income before amortization of acquisition-related intangible assets, stock compensation expense and certain other items) to segment internal adjusted EBITDA. Segment internal adjusted EBITDA, a non-GAAP measure, is defined as operating income before the following items:

- depreciation and amortization,
- amortization of acquisition-related intangible assets,
- goodwill impairment,
- severance and facility closure charges,
- stock compensation,
- management fees, and
- certain other costs.

While these charges may be recurring, management excludes them in order to better analyze the segment results and evaluate the segment performance. This analysis is used extensively by management and is also used to communicate the segment results to the Company's board of directors. While Internal Adjusted EBITDA and segment Internal Adjusted EBITDA are useful for analysis purposes, they should not be considered as alternatives to the Company's reported GAAP results. Also, Internal Adjusted EBITDA and segment Internal Adjusted EBITDA may not be comparable to similarly titled measures used by other companies. Segment internal adjusted EBITDA is similar, but not identical, to adjusted EBITDA as defined in the Credit Agreement for purposes of SunGard's debt covenants. The operating results for each segment follow (in millions):

	Year ended December 31,		
	2010	2011	**2012**
Revenue:			
Financial Systems	$ 2,754	$ 2,776	**$ 2,654**
Availability Services	1,469	1,460	**1,405**
Other segment	214	204	**204**
Total operating segments' revenue	4,437	4,440	**4,263**
Corporate and other	—	—	**—**
Total revenue	$ 4,437	$ 4,440	**$ 4,263**
Depreciation and amortization:			
Financial Systems	$ 82	$ 83	**$ 88**
Availability Services	190	180	**191**
Other segment	6	7	**7**
Total operating segments' depreciation and amortization	278	270	**286**
Corporate and other	—	1	**1**
Total depreciation and amortization	$ 278	$ 271	**$ 287**

	Year ended December 31,		
	2010	2011	**2012**
Segment internal adjusted EBITDA and reconciliation to income (loss) from continuing operations before income taxes:			
Financial Systems	$ 708	$ 720	**$ 738**
Availability Services	527	508	**480**
Other segment	69	63	**66**
Total operating segments' internal adjusted EBITDA	1,304	1,291	**1,284**
Corporate and other[1]	(1,787)	(1,478)	**(1,719)**
Income (loss) from continuing operations before income taxes	$ (483)	$ (187)	**$ (435)**
Cash paid for property, equipment and purchased software:			
Financial Systems	$ 93	$ 89	**$ 89**
Availability Services	196	178	**162**
Other segment	8	5	**7**
Total operating segments' cash paid for property, equipment and purchased software	297	272	**258**
Corporate and other	1	4	**2**
Total cash paid for property, equipment and purchased software	$ 298	$ 276	**$ 260**

(1) The components of corporate and other are as follows:

	Year ended December 31,		
	2010	2011	**2012**
Corporate	$ (64)	$ (70)	**$ (44)**
Depreciation and amortization	(278)	(271)	**(287)**
Amortization of acquisition-related intangible assets	(448)	(435)	**(385)**
Goodwill impairment	(205)	(48)	**(385)**
Severance and facility closure costs	(30)[2]	(65)[3]	**(50)[4]**
Stock compensation expense	(29)	(33)	**(38)**
Management fees	(16)	(12)	**(14)**
Other costs (included in operating income)	(30)	(20)	**(7)**
Interest expense, net	(636)	(521)	**(427)**
Loss on extinguishment of debt	(58)	(3)	**(82)**
Other income	7	—	**—**
Total Corporate and other	$(1,787)	$(1,478)	**$(1,719)**

(2) Includes $13 million, $14 million and $2 million of severance in FS, AS and Other, respectively. Also, includes $1 million of lease exit costs in FS.

(3) Includes $36 million, $9 million and $16 million of severance and executive transition costs in FS, AS and corporate, respectively. Also, includes $3 million and $1 million of lease exit costs in FS and AS, respectively.

(4) Includes $30 million, $4 million, $2 million, and $1 million of severance in FS, AS, Other and corporate, respectively. Also, includes $12 million of lease exit costs in FS.

The total assets for each segment follow (in millions):

	December 31, 2011	**2012**
Total Assets:		
Financial Systems	$ 8,661	**$ 6,297**
Availability Services	3,793	**3,300**
Other segment	776	**834**
Corporate and Other adjustments[5]	(680)	**(413)**
Total Assets	$12,550	**$10,018**

(5) Includes items that are eliminated in consolidation, deferred income taxes and the assets of the Company's discontinued operations of $1,350 million in 2011.

Amortization of acquisition-related intangible assets by segment follows (in millions):

	Year ended December 31, 2010	2011	**2012**
Amortization of acquisition-related intangible assets:			
Financial Systems	$256	$243[6]	**$202**
Availability Services	171	172	**165**
Other segment	20	19	**17**
Corporate	1	1	**1**
Total amortization of acquisition-related intangible assets	$448	$435	**$385**

(6) Includes approximately $7 million of impairment charges related to software and customer base.

The Company's revenue by customer location follows (in millions):

	Year ended December 31, 2010	2011	**2012**
United States	$2,991	$2,828	**$2,719**
International:			
United Kingdom	451	451	**435**
Continental Europe	529	626	**574**
Asia/Pacific	244	263	**273**
Canada	165	173	**168**
Other	57	99	**94**
	1,446	1,612	**1,544**
	$4,437	$4,440	**$4,263**

The Company's property and equipment by geographic location follows (in millions):

	December 31, 2011	**December 31, 2012**
United States	$593	**$578**
International:		
United Kingdom	169	**162**
Continental Europe	59	**62**
Canada	38	**38**
Asia/Pacific	31	**31**
Other	3	**3**
	$893	**$874**

14. Related Party Transactions:

SunGard is required to pay management fees to affiliates of the Sponsors in connection with management consulting services provided to SunGard and the Parent Companies. These services include financial, managerial and operational advice and implementation strategies for improving the operating, marketing and financial performance of SunGard and its subsidiaries. The management fees are equal to 1% of quarterly Adjusted EBITDA, defined as earnings before interest, taxes, depreciation and amortization and goodwill impairment, further adjusted to exclude unusual items and other adjustments as defined in the management agreement, and are payable quarterly in arrears. In addition, these affiliates of the Sponsors may be entitled to additional fees in connection with certain financing, acquisition, disposition and change in control transactions. For the years ended December 31, 2010, 2011 and 2012, SunGard recorded $16 million, $12 million and $14 million, respectively, relating to management fees in continuing operations in the statement of comprehensive income, of which $4 million, is included in other accrued expenses at December 31, 2011 and 2012. In addition, for the years ended December 31, 2010, 2011 and 2012, SunGard recorded $2 million, $1 million and $18 million, respectively, relating to management fees in discontinued operations in the statement of comprehensive income.

One of the Company's Sponsors, Goldman Sachs & Co. and/or its respective affiliates, served as a joint book-running manager in connection with SunGard's 2010 debt offering of $900 million Senior Notes due 2018 and $700 million Senior Notes due 2020. In connection with serving in such capacity, Goldman Sachs & Co. was paid $10 million for customary fees and expenses.

In March 2012, Goldman Sachs & Co. and/or its respective affiliates received fees in connection with the amendment and restatement of SunGard's Credit Agreement, in November 2012, Goldman Sachs & Co. and/or its respective affiliates, received fees in connection with SunGard's 2012 Senior Subordinated Notes issuance and in December 2012, Goldman Sachs & Co. and/or its respective affiliates received fees in connection with the amendment and restatement of SunGard's Credit Agreement. In connection with these transactions, Goldman Sachs & Co. was paid approximately $3 million.

The Company's Sponsors and/or their respective affiliates have from time to time entered into, and may continue to enter into, arrangements with SunGard to use its products and services, or for SunGard to use the Sponsors affiliates' products and services, in the ordinary course of business, which often result in revenues or costs to SunGard in excess of $120,000 annually. These transactions are entered into at arms-length.

15. Commitments, Contingencies and Guarantees:

The Company leases a substantial portion of its computer equipment and facilities under operating leases. The Company's leases are generally non-cancelable or cancelable only upon payment of cancellation fees. All lease payments are based on the passage of time, but include, in some cases, payments for insurance, maintenance and property taxes. There are no bargain purchase options on operating leases at favorable terms, but most facility leases have one or more renewal options and have either fixed or Consumer Price Index escalation clauses. Certain facility leases include an annual escalation for increases in utilities and property taxes.

In addition, certain facility leases are subject to restoration clauses, whereby the facility may need to be restored to its original condition upon termination of the lease. There were a combined $35 million of restoration liabilities included in accrued expenses and other long term liabilities at December 31, 2012.

Future minimum rentals under operating leases with initial or remaining non-cancelable lease terms in excess of one year for continuing operations at December 31, 2012 follow (in millions):

2013	$ 178
2014	163
2015	132
2016	115
2017	96
Thereafter	310
	$ 994

Rent expense from continuing operations aggregated to $232 million in 2010, $233 million in 2011 and $213 million in 2012. At December 31, 2012, the Company had unconditional purchase obligations of approximately $223 million and $36 million of outstanding letters of credit and bid bonds issued primarily as security for performance under certain customer contracts.

In the event that the management agreement described in Note 14 is terminated by the Sponsors (or their affiliates) or SunGard and its Parent Companies, the Sponsors (or their affiliates) will receive a lump sum payment equal to the present value of the annual management fees that would have been payable for the remainder of the term of the management agreement. The initial term of the management agreement is ten years, and it extends annually for one year unless the Sponsors (or their affiliates) or SunGard and its Parent Companies provide notice to the other. The initial ten year term expires August 11, 2015.

The Company is presently a party to certain lawsuits arising in the ordinary course of its business. In the opinion of management, none of its current legal proceedings are expected to have a material impact on the Company’s business or financial results. The Company’s customer contracts generally include typical indemnification of customers, primarily for intellectual property infringement claims. Liabilities in connection with such obligations have not been material.

The Company has had patent infringement lawsuits filed against it or certain of its customers claiming that certain of its products infringe the intellectual property rights of others. Adverse results in these lawsuits may include awards of substantial monetary damages, costly royalty or licensing agreements, or limitations on the Company’s ability to offer certain features, functionalities, products, or services, and may also cause the Company to change its business practices, and require development of non-infringing products or technologies, which could result in a loss of revenues and otherwise harm the Company’s business. Also, certain agreements with previously owned businesses of the Company require indemnification to the new owners for certain matters as part of the sale of those businesses.

The Company evaluates, on a regular basis, developments in its legal matters. The Company records a provision for a liability when it believes that it is both probable that a liability has been incurred, and the amount can be reasonably estimated. At December 31, 2012, the Company has not accrued for any outstanding patent infringement, indemnification or other legal matters.

In its outstanding legal matters for which it has not made an accrual, but for which it is reasonably possible that a loss may occur, the Company is unable to estimate a range of loss due to various reasons, including, among others: (1) that the proceedings are in early stages, (2) that there is uncertainty as to the outcome of pending appeals, motions, or settlements, (3) that there are significant factual issues to be resolved, and (4) that there are novel legal issues presented. Such legal matters are inherently unpredictable and subject to significant uncertainties, some of which are beyond the Company’s control. Based on current knowledge, the Company

believes that the final outcome of the matters discussed above will not, individually or in the aggregate, have a material adverse effect on its business, consolidated financial position, results of operations, or cash flows. While the Company intends to vigorously defend these matters, in light of the uncertainties involved in such matters, there exists the possibility of adverse outcomes, and the final outcome of a particular matter could have a material adverse effect on results of operations or cash flows in a particular period.

The Company has recorded a reserve for unrecognized tax benefits for certain matters. Also, the Company is under examination in various federal, state and local and foreign jurisdictions related to income and non-income tax matters. Based on current knowledge, the Company believes that resolution of these matters, giving recognition to the reserve for unrecognized tax benefits, will not have a materially adverse impact on its business, consolidated financial position, results of operations or cash flows.

16. Quarterly Financial Data (unaudited):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2011				
Revenue	$1,073	$1,116	$1,097	$1,154
Gross profit [1]	591	647	632	722
Income (loss) before income taxes	(89)	(50)	(66)	18[3]
Income (loss) from continuing operations (SCC)	(78)	(30)	(40)	77[3]
Income (loss) from continuing operations (SunGard & SCCII)	(78)	(30)	(40)	79[3]
Income (loss) from discontinued operations	55	(43)	(107)[2]	15
Net income (loss) (SCC & SCCII)	(23)	(73)	(147)[2]	92[3]
Net income (loss) (SunGard)	(23)	(73)	(147)[2]	94[3]
Net loss attributable to SCC	(77)	(128)	(204)[2]	33[3]
2012				
Revenue	**$1,024**	**$1,072**	**$1,035**	**$1,132**
Gross profit [1]	**567**	**638**	**605**	**713**
Income (loss) before income taxes	**(83)**	**(32)**	**(380)[5]**	**60**
Income (loss) from continuing operations	**(76)**	**(8)**	**(367)[5]**	**54**
Income (loss) from discontinued operations	**311[4]**	**—**	**5**	**15**
Net income (loss)	**235[4]**	**(8)**	**(362)[5]**	**69[6]**
Net loss attributable to SCC	**173[4]**	**(68)**	**(426)[5]**	**4[6]**

(1) Gross profit equals revenue less cost of sales and direct operating expenses (excluding depreciation).

(2) Includes a $133 million deferred income tax expense related to the book-over-tax basis difference of a HE subsidiary that was classified as discontinued operations.

(3) Includes a $48 million goodwill impairment charge related to the correction in 2011 of an incorrect adjustment in 2009 to reduce goodwill and deferred income tax liabilities (see Notes 1 and 6).

(4) Includes a pre-tax gain on sale of HE of $563 million.

(5) Includes a pre-tax goodwill impairment charge of $385 million.

(6) Includes reversal of $20 million of income taxes on non-U.S. unremitted earnings, and a $6 million benefit relating to the correction of accrued and deferred income taxes.

17. Supplemental Cash Flow Information:

Supplemental cash flow information for 2010, 2011 and 2012 follows (in millions):

	Year ended December 31,		
	2010	2011	**2012**
Supplemental information:			
Interest paid	$639	$496	**$444**
Income taxes paid, net of refunds of $64 million, $58 million and $8 million	$ 43	$ 37	**$482[1]**
Acquired businesses:			
Property and equipment	$ 5	$ 1	**$—**
Software products	21	21	**12**
Customer base	27	12	**12**
Goodwill	25	6	**28**
Other intangible assets	8	—	**1**
Deferred income taxes	(5)	(5)	**(3)**
Purchase price obligations and debt assumed	(2)	(1)	**1**
Net current assets (liabilities) assumed	3	1	**(11)**
Cash paid for acquired businesses, net of cash acquired of $10 and $4 and $2 million, respectively	$ 82	$ 35	**$ 40**

(1) Approximately $400 million is related to the sale of HE and the income tax provision was included in discontinued operations.

18. Supplemental Guarantor Condensed Consolidating Financial Statements:

SunGard's senior unsecured notes are jointly and severally, fully and unconditionally guaranteed on a senior unsecured basis and the senior subordinated notes are jointly and severally, fully and unconditionally guaranteed on an unsecured senior subordinated basis, in each case, subject to certain exceptions, by substantially all wholly owned, domestic subsidiaries of SunGard (collectively, the "Guarantors"). Each of the Guarantors is 100% owned, directly or indirectly, by SunGard. None of the other subsidiaries of SunGard, either direct or indirect, nor any of the Holding Companies, guarantee the senior notes and senior subordinated notes ("Non-Guarantors"). The Guarantors and SunGard Holdco LLC also unconditionally guarantee the senior secured credit facilities, described in Note 5. The Guarantors are subject to release under certain circumstances as described below.

The indentures evidencing the guarantees provide for a Guarantor to be automatically and unconditionally released and discharged from its guarantee obligations in certain circumstances, including upon the earliest to occur of:

- The sale, exchange or transfer of the subsidiary's capital stock or all or substantially all of its assets;
- Designation of the Guarantor as an "unrestricted subsidiary" for purposes of the indenture covenants;
- Release or discharge of the Guarantor's guarantee of certain other indebtedness; or
- Legal defeasance or covenant defeasance of the indenture obligations when provision has been made for them to be fully satisfied.

The following tables present the financial position, results of operations and cash flows of SunGard (referred to as "Parent Company" for purposes of this note only), the Guarantor subsidiaries, the Non-Guarantor subsidiaries and Eliminations as of December 31, 2011 and 2012, and for the years ended December 31, 2010, 2011 and 2012 to arrive at the information for SunGard on a consolidated basis. SCC and SCCII are neither parties to nor guarantors of the debt issued as described in Note 5.

(in millions)	Supplemental Condensed Consolidating Balance Sheet December 31, 2011				
	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Current:					
Cash and cash equivalents	$ 529	$ (15)	$ 353	$ —	$ 867
Intercompany balances [c]	—	4,516	731	(5,247)	—
Trade receivables, net	2	603[a]	329	—	934
Prepaid expenses, taxes and other current assets	1,090	125	271	(1,156)	330
Assets related to discontinued operations	—	1,315	37	(2)	1,350
Total current assets	1,621	6,544	1,721	(6,405)	3,481
Property and equipment, net	—	588	305	—	893
Intangible assets, net	120	2,701	470	—	3,291
Deferred income taxes	34	—	—	(34)	—
Intercompany balances	250	1	—	(251)	—
Goodwill	—	3,784	1,101	—	4,885
Investment in subsidiaries	12,673	2,253	—	(14,926)	—
Total Assets	$14,698	$15,871	$3,597	$(21,616)	$12,550
Liabilities and Stockholder's Equity					
Current:					
Short-term and current portion of long-term debt	$ —	$ 3	$ 7	$ —	$ 10
Intercompany balances [c]	5,247	—	—	(5,247)	—
Accounts payable and other current liabilities	296	1,821	860	(1,156)	1,821
Liabilities related to discontinued operations	—	219	27	—	246
Total current liabilities	5,543	2,043	894	(6,403)	2,077
Long-term debt	7,612	2	205	—	7,819
Intercompany debt	82	19	267	(368)	—
Deferred and other income taxes	— [b]	1,085	66	(34)	1,117
Other long-term liabilities	—	49	27	—	76
Total liabilities	13,237	3,198	1,459	(6,805)	11,089
Total stockholder's equity	1,461	12,673	2,138	(14,811)	1,461
Total Liabilities and Stockholder's Equity	$14,698	$15,871	$3,597	$(21,616)	$12,550

(a) This balance is primarily comprised of a receivable from the Company's Accounts Receivable Financing subsidiary, which is a non-Guarantor, resulting from the normal, recurring sale of accounts receivable under the receivables facility. In a liquidation, the first $200 million (plus interest) of collections of accounts receivable sold to this subsidiary are due to the receivables facility lender. The remaining balance would be available for collection for the benefit of the Guarantors.

(b) During 2012, the Company identified that it had misclassified a deferred tax liability of $371 million between Parent (SunGard) and a guarantor subsidiary. The Company assessed the materiality of the misclassification and concluded it was immaterial. The December 31, 2011 presentation has been revised herein to reflect the correct presentation. The misclassification had no impact on the consolidated financial statements.

(c) Certain intercompany balances have been revised to reclassify amounts previously presented as negative assets as liabilities within the Parent Company and Non-Guarantor Subsidiaries. The impact to the Parent Company was to reclassify a negative balance of $5,247 million from Current Assets to Current Liabilities. The impact to the Non-Guarantor Subsidiaries was to reclassify a negative balance of $251 million from Long Term Assets to Long Term Liabilities. These revisions had no impact on the consolidated results of the Company and were not material to the Supplemental Condensed Consolidating Balance Sheet for any period.

(in millions)	Supplemental Condensed Consolidating Balance Sheet December 31, 2012				
	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Current:					
Cash and cash equivalents	$ 220	$ (3)	$ 329	$ —	$ 546
Intercompany balances	—	2,457	742	(3,199)	—
Trade receivables, net	3	566(a)	331	—	900
Prepaid expenses, taxes and other current assets	1,312	70	89	(1,241)	230
Assets related to discontinued operations	—	—	—	—	—
Total current assets	1,535	3,090	1,491	(4,440)	1,676
Property and equipment, net	—	574	300	—	874
Intangible assets, net	112	2,413	404	—	2,929
Deferred income taxes	39	—	—	(39)	—
Intercompany balances	254	7	76	(337)	—
Goodwill	—	3,470	1,069	—	4,539
Investment in subsidiaries	8,620	2,101	—	(10,721)	—
Total Assets	$10,560	$11,655	$3,340	$(15,537)	$10,018
Liabilities and Stockholder's Equity					
Current:					
Short-term and current portion of long-term debt	$ 57	$ —	$ 6	$ —	$ 63
Intercompany balances	3,199	—	—	(3,199)	—
Accounts payable and other current liabilities	70	1,983	632	(1,241)	1,444
Liabilities related to discontinued operations	—	—	—	—	—
Total current liabilities	3,326	1,983	638	(4,440)	1,507
Long-term debt	6,343	2	254	—	6,599
Intercompany debt	83	—	254	(337)	—
Deferred and other income taxes	92	1,000	67	(39)	1,120
Other long-term liabilities	—	50	26	—	76
Total liabilities	9,844	3,035	1,239	(4,816)	9,302
Total stockholder's equity	716	8,620	2,101	(10,721)	716
Total Liabilities and Stockholder's Equity	$10,560	$11,655	$3,340	$(15,537)	$10,018

(a) This balance is primarily comprised of a receivable from the Company's Accounts Receivable Financing subsidiary, which is a non-Guarantor, resulting from the normal, recurring sale of accounts receivable under the receivables facility. In a liquidation, the first $250 million (plus interest) of collections of accounts receivable sold to this subsidiary are due to the receivables facility lender. The remaining balance would be available for collection for the benefit of the Guarantors.

(in millions)	Supplemental Condensed Consolidating Schedule of Comprehensive Income Year Ended December 31, 2010				
	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Total revenue	$ —	$2,985	$1,832	$(380)	$4,437
Costs and expenses:					
Cost of sales and administrative expenses (excluding depreciation)	109	2,103	1,470	(380)	3,302
Depreciation and amortization	—	193	85	—	278
Amortization of acquisition-related intangible assets	1	373	74	—	448
Goodwill impairment charges	—	205	—	—	205
Total costs and expenses	110	2,874	1,629	(380)	4,233
Operating income (loss)	(110)	111	203	—	204
Net interest income (expense)	(591)	(2)	(43)	—	(636)
Equity in earnings of unconsolidated subsidiaries [(d)]	(84)	(109)	—	193	—
Other income (expense)	(57)	3	3	—	(51)
Income (loss) from continuing operations before income taxes	(842)	3	163	193	(483)
Benefit from (provision for) income taxes	272	(117)	(86)	—	69
Income (loss) from continuing operations	(570)	(114)	77	193	(414)
Income (loss) from discontinued operations, net of tax	—	30	(186)	—	(156)
Net income (loss)	$(570)	$ (84)	$ (109)	$ 193	$ (570)
Comprehensive income (loss)	$(478)	$ (27)	$ (47)	$ 74	$ (478)

(d) The Supplemental Condensed Consolidating Schedule of Comprehensive Income for Parent Company and Guarantor Subsidiaries for 2011 and 2010 have been revised to present all equity in earnings of unconsolidated subsidiaries in a single caption within Other income (expense). The portion of equity in earnings of unconsolidated subsidiaries which related to the investees income (loss) from discontinued operations had previously been presented separately in the Income (loss) from discontinued operations, net of tax caption for the Parent Company and Guarantor Subsidiaries. This revision has also been reflected in the Net income (loss) and Income (loss) from discontinued operations captions in the Supplemental Condensed Consolidating Schedule of Cash Flows for Parent Company and Guarantor Subsidiaries for the same periods.

While these revisions have no impact on the previously reported Net Income or total cash flows from operations of the Parent Company or Guarantor Subsidiaries, they resulted in the following changes to previously reported amounts. For the Parent Company in 2010, Equity in earnings of unconsolidated subsidiaries changed from $72 million to $(84) million; Income (loss) from continuing operations changed from $(414) million to $(570) million; and Income (loss) from discontinued operations, net of tax changed from $(156) million to zero. For the Guarantor Subsidiaries in 2010, Equity in earnings of unconsolidated subsidiaries changed from $77 million to $(109) million; Income (loss) from continuing operations changed from $72 million to $(114) million; and Income (loss) from discontinued operations, net of tax changed from $(156) million to $30 million. These revisions had no impact on the consolidated results of the Company and were not material to the Supplemental Condensed Consolidating Schedule of Comprehensive Income or the Supplemental Condensed Consolidating Schedule of Cash Flows for any period.

(in millions)	Supplemental Condensed Consolidating Schedule of Comprehensive Income Year Ended December 31, 2011				
	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Total revenue	$ —	$2,986	$1,876	$(422)	$4,440
Costs and expenses:					
Cost of sales and administrative expenses (excluding depreciation)	132	2,170	1,469	(422)	3,349
Depreciation and amortization	—	183	88	—	271
Amortization of acquisition-related intangible assets	1	348	86	—	435
Goodwill impairment charges	—	48	—	—	48
Total costs and expenses	133	2,749	1,643	(422)	4,103
Operating income (loss)	(133)	237	233	—	337
Net interest income (expense)	(489)	(1)	(31)	—	(521)
Equity in earnings of unconsolidated subsidiaries [(d)]	384	121	—	(505)	—
Other income (expense)	4	—	(7)	—	(3)
Income (loss) from continuing operations before income taxes	(234)	357	195	(505)	(187)
Benefit from (provision for) income taxes	220	(33)	(69)	—	118
Income (loss) from continuing operations	(14)	324	126	(505)	(69)
Income (loss) from discontinued operations, net of tax	(135)	60	(5)	—	(80)
Net income (loss)	$(149)	$ 384	$ 121	$(505)	$ (149)
Comprehensive income (loss)	$(166)	$ 392	$ 128	$(520)	$ (166)

(d) The Supplemental Condensed Consolidating Schedule of Comprehensive Income for Parent Company and Guarantor Subsidiaries for 2011 and 2010 have been revised to present all equity in earnings of unconsolidated subsidiaries in a single caption within Other income (expense). The portion of equity in earnings of unconsolidated subsidiaries which related to the investees income (loss) from discontinued operations had previously been presented separately in the Income (loss) from discontinued operations, net of tax caption for the Parent Company and Guarantor Subsidiaries. This revision has also been reflected in the Net income (loss) and Income (loss) from discontinued operations captions in the Supplemental Condensed Consolidating Schedule of Cash Flows for Parent Company and Guarantor Subsidiaries for the same periods.

While these revisions have no impact on the previously reported Net Income or total cash flows from operations of the Parent Company or Guarantor Subsidiaries, they resulted in the following changes to previously reported amounts. For the Parent Company in 2011, Equity in earnings of unconsolidated subsidiaries changed from $325 million to $384 million; Income (loss) from continuing operations has changed from $(73) million to $(14) million; and Income (loss) from discontinued operations, net of tax changed from $(76) million to $(135) million. For the Guarantor Subsidiaries in 2011, Equity in earnings of unconsolidated subsidiaries changed from $122 million to $121 million; Income (loss) from continuing operations changed from $325 million to $324 million; and Income (loss) from discontinued operations, net of tax changed from $59 million to $60 million. These revisions had no impact on the consolidated results of the Company and were not material to the Supplemental Condensed Consolidating Schedule of Comprehensive Income or the Supplemental Condensed Consolidating Schedule of Cash Flows for any period.

(in millions)	Supplemental Condensed Consolidating Schedule of Comprehensive Income Year Ended December 31, 2012				
	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Total revenue	$ —	$2,929	$1,704	$(370)	$4,263
Costs and expenses:					
Cost of sales and administrative expenses (excluding depreciation)	80	2,094	1,328	(370)	3,132
Depreciation and amortization	—	193	94	—	287
Amortization of acquisition-related intangible assets	1	317	67	—	385
Goodwill impairment charges	—	385	—	—	385
Total costs and expenses	81	2,989	1,489	(370)	4,189
Operating income (loss)	(81)	(60)	215	—	74
Net interest income (expense)	(398)	(1)	(28)	—	(427)
Equity in earnings of unconsolidated subsidiaries	71	132	—	(203)	—
Other income (expense)	(82)	(1)	1	—	(82)
Income (loss) from continuing operations before income taxes	(490)	70	188	(203)	(435)
Benefit from (provision for) income taxes	199	(101)	(60)	—	38
Income (loss) from continuing operations	(291)	(31)	128	(203)	(397)
Income (loss) from discontinued operations, net of tax	225	102	4	—	331
Net income (loss)	$ (66)	$ 71	$ 132	$(203)	$ (66)
Comprehensive income (loss)	$ (23)	$ 100	$ 157	$(257)	$ (23)

(in millions)	Supplemental Condensed Consolidating Schedule of Cash Flows Year ended December 31, 2010				
	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash flow from operations:					
Net income (loss)	$(570)	$ (84)	$(109)	$ 193	$(570)
Income (loss) from discontinued operations	—	30	(186)	—	(156)
Income (loss) from continuing operations	(570)	(114)	77	193	(414)
Non cash adjustments	207	783	183	(193)	980
Changes in operating assets and liabilities	(317)	364	(12)	—	35
Cash flow from (used in) continuing operations	(680)	1,033	248	—	601
Cash flow from (used in) discontinued operations	—	112	8	—	120
Cash flow from (used in) operations	(680)	1,145	256	—	721
Investment activities:					
Intercompany cash transactions	707	(737)	30	—	—
Cash paid for acquired businesses, net of cash acquired	—	(82)	—	—	(82)
Cash paid for property and equipment and software	(1)	(207)	(90)	—	(298)
Other investing activities	(2)	9	(3)	—	4
Cash provided by (used in) continuing operations	704	(1,017)	(63)	—	(376)
Cash provided by (used in) discontinued operations	253	(112)	(25)	—	116
Cash provided by (used in) investment activities	957	(1,129)	(88)	—	(260)
Financing activities:					
Intercompany dividends of HE sale proceeds	—	—	—	—	—
Net repayments of long-term debt	(171)	(6)	(114)	—	(291)
Premium paid to retire debt	(41)	—	—	—	(41)
Other financing activities	(12)	—	—	—	(12)
Cash provided by (used in) continuing operations	(224)	(6)	(114)	—	(344)
Cash provided by (used in) financing activities	(224)	(6)	(114)	—	(344)
Effect of exchange rate changes on cash	—	—	(3)	—	(3)
Increase (decrease) in cash and cash equivalents	53	10	51	—	114
Beginning cash and cash equivalents	126	(9)	547	—	664
Ending cash and cash equivalents	$ 179	$ 1	$ 598	$ —	$ 778

(in millions)	Supplemental Condensed Consolidating Schedule of Cash Flows Year ended December 31, 2011				
	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash flow from operations:					
Net income (loss)	$(149)	$ 384	$ 121	$(505)	$(149)
Income (loss) from discontinued operations	(135)	60	(5)	—	(80)
Income (loss) from continuing operations	(14)	324	126	(505)	(69)
Non cash adjustments	(320)	336	155	505	676
Changes in operating assets and liabilities	(181)	151	29	—	(1)
Cash flow from (used in) continuing operations	(515)	811	310	—	606
Cash flow from (used in) discontinued operations	(1)	77	(4)	—	72
Cash flow from (used in) operations	(516)	888	306	—	678
Investment activities:					
Intercompany cash transactions	822	(628)	(194)	—	—
Cash paid for acquired businesses, net of cash acquired	—	(14)	(21)	—	(35)
Cash paid for property and equipment and software	—	(189)	(87)	—	(276)
Other investing activities	(4)	1	(1)	—	(4)
Cash provided by (used in) continuing operations	818	(830)	(303)	—	(315)
Cash provided by (used in) discontinued operations	68	(74)	(5)	—	(11)
Cash provided by (used in) investment activities	886	(904)	(308)	—	(326)
Financing activities:					
Intercompany dividends of HE sale proceeds	—	—	—	—	—
Net repayments of long-term debt	(5)	—	(233)	—	(238)
Premium paid to retire debt	—	—	—	—	—
Other financing activities	(15)	—	—	—	(15)
Cash provided by (used in) continuing operations	(20)	—	(233)	—	(253)
Cash provided by (used in) financing activities	(20)	—	(233)	—	(253)
Effect of exchange rate changes on cash	—	—	(4)	—	(4)
Increase (decrease) in cash and cash equivalents	350	(16)	(239)	—	95
Beginning cash and cash equivalents	179	1	598	—	778
Ending cash and cash equivalents	$ 529	$ (15)	$ 359	$ —	$ 873

(in millions)	Supplemental Condensed Consolidating Schedule of Cash Flows Year ended December 31, 2012				
	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash flow from operations:					
Net income (loss)	$ (66)	$ 71	$ 132	$ (203)	$ (66)
Income (loss) from discontinued operations	225	102	4	—	331
Income (loss) from continuing operations	(291)	(31)	128	(203)	(397)
Non cash adjustments	72	711	146	203	1,132
Changes in operating assets and liabilities	(257)	163	4	—	(90)
Cash flow from (used in) continuing operations	(476)	843	278	—	645
Cash flow from (used in) discontinued operations	(405)	4	—	—	(401)
Cash flow from (used in) operations	(881)	847	278	—	244
Investment activities:					
Intercompany cash transactions[(e)]	2,658	(595)	(292)	(1,771)	—
Cash paid for acquired businesses, net of cash acquired	—	(31)	(9)	—	(40)
Cash paid for property and equipment and software	—	(180)	(80)	—	(260)
Other investing activities	(1)	—	4	—	3
Cash provided by (used in) continuing operations	2,657	(806)	(377)	(1,771)	(297)
Cash provided by (used in) discontinued operations	—	1,744	14	—	1,758
Cash provided by (used in) investment activities	2,657	938	(363)	(1,771)	1,461
Financing activities:					
Intercompany dividends of HE sale proceeds	—	(1,771)	—	1,771	—
Net repayments of long-term debt	(1,277)	(2)	48	—	(1,231)
Dividends paid	(724)	—	—	—	(724)
Premium paid to retire debt	(48)	—	—	—	(48)
Other financing activities	(36)	—	—	—	(36)
Cash provided by (used in) continuing operations	(2,085)	(1,773)	48	1,771	(2,039)
Cash provided by (used in) financing activities	(2,085)	(1,773)	48	1,771	(2,039)
Effect of exchange rate changes on cash	—	—	7	—	7
Increase (decrease) in cash and cash equivalents	(309)	12	(30)	—	(327)
Beginning cash and cash equivalents	529	(15)	359	—	873
Ending cash and cash equivalents	$ 220	$ (3)	$ 329	$ —	$ 546

(e) The intercompany cash transactions reflected above within investment activities largely reflect cash dividends or the return of capital, including the cash dividend of $1.8 billion from Guarantor Subsidiaries to Parent in connection with the sale of our Higher Education business. Additionally, during 2012, the company settled $2.5 billion of inter-company balances through a series of non-cash dividend and return of capital transactions. These settlements reduced inter-company payable or receivable balances between Parent Company and Guarantor Subsidiaries, with a related increase or decrease in investment in subsidiary or equity accounts and, therefore, these transactions are not reflected in the Supplemental Condensed Consolidating Schedule of Cash Flows presented above.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

(a) ***Evaluation of Disclosure Controls and Procedures***

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act as of the end of the period covered by this Report. Based on that evaluation, the chief executive officer and chief financial officer concluded that our disclosure controls and procedures as of the end of the period covered by this Report were effective.

(b) ***Management's Report on Internal Control Over Financial Reporting***

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies and procedures may deteriorate.

Management conducted an assessment of the Company's internal control over financial reporting as of December 31, 2012 based on the criteria established by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control—Integrated Framework. Based on the assessment, management concluded that, as of December 31, 2012, the Company's internal control over financial reporting is effective.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2012 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their reports with respect to the Company which appear herein.

Remediation of Prior Material Weakness in Internal Control Over Financial Reporting

In connection with the preparation of the December 31, 2011 year-end tax provision and management's evaluation of its disclosure controls and procedures, management concluded that as of December 31, 2011, its disclosure controls and procedures were not effective and that the Company had a material weakness in internal control over financial reporting related to accounting for deferred income taxes. The material weakness was caused principally by inadequate staffing and technical expertise in key positions related to accounting for deferred income taxes. As a result, management determined that its processes and procedures over accounting for deferred income taxes were not adequate and sustainable for the Company's size and complexity.

To remediate the material weakness and improve its internal control over financial reporting related to accounting for deferred income taxes, the Company with oversight from its Audit Committee implemented a number of measures. Specifically, the Company hired a new Vice President of Tax, effective June 1, 2012, and several additional qualified tax personnel joined the Company in 2012. The Company also reviewed all areas of the tax accounting process, including deferred income taxes; strengthened controls; increased the level of certain

income tax review activities during the financial close process; and enhanced reporting tools in its existing systems to improve the quality of data used in the analysis of deferred income tax accounts and related disclosures. As a result of these measures, management has concluded that it has remediated the material weakness related to accounting for deferred income taxes as of December 31, 2012.

(c) ***Change in Internal Control over Financial Reporting***

Other than changes related to the remediation of the material weakness in accounting for deferred income taxes, no change in our internal control over financial reporting occurred during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Disclosure of Iranian Activities under Section 13(r) of the Securities Exchange Act of 1934

Section 219 of the recently enacted Iran Threat Reduction and Syria Human Rights Act of 2012 ("ITRSHRA") added section 13(r) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), requiring a public reporting issuer to disclose in its periodic reports whether it or any of its affiliates have knowingly engaged in specified activities, transactions or dealings relating to Iran or with certain designated parties. Issuers must also file a notice with the SEC that such activities have been disclosed, which notice will be posted on the SEC website and sent to the U.S. President and certain U.S. Congressional committees. In some circumstances, the U.S. President is then required to investigate the information reported and determine whether sanctions should be imposed.

Pursuant to Section 13(r)(1)(D)(i) of the Exchange Act, we note that during 2012 a U.K. subsidiary of ours provided certain limited disaster recovery services and hosted co-location of some hardware at our premises in London for Bank Saderat PLC, a bank incorporated and based in the UK. Bank Saderat PLC is identified on the U.S. Treasury Department's List of Specially Designated Nationals and Blocked Persons pursuant to Executive Order No. 13224. The intent of the services was to facilitate the ability of the UK-based employees of Bank Saderat PLC to continue local operations in the event of a disaster or other unplanned event in the UK, including use of shared work space and recovery of the Bank's local UK data. The gross revenue and net profits attributable to these activities in 2012 was £16,300 and approximately £5,700, respectively. During 2012, no disaster or unplanned event occurred causing Bank Saderat PLC to make use of our recovery facilities in London, but Bank Saderat PLC did perform annual testing on-site. Our subsidiary has terminated this contract in the first quarter of 2013, and we do not otherwise intend to enter into any Iran-related activity.

Additionally, because of the broad definition of "affiliate" in Exchange Act Rule 12b-2, certain of our Sponsors and the companies in which their affiliated funds are invested ("portfolio companies") may be deemed to be affiliates of ours. Accordingly, we note that affiliates of two of our Sponsors, KKR & Co. L.P. and The Blackstone Group L.P., have included information in their respective Annual Reports on Form 10-K, as required by Section 219 of the ITRSHRA and Section 13(r) of the Exchange Act, regarding activities of their respective portfolio companies. These disclosures are reproduced on Exhibit 99.1 of this report, which disclosures are hereby incorporated by reference herein. We have no involvement in or control over such activities, and we have not independently verified or participated in the preparation of the disclosures described in those filings. To the extent any of our Sponsors make additional disclosures under Section 13(r), we will provide updates in our subsequent periodic filings.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Our executive officers and directors are listed below.

Name	Age	Principal Position with SunGard Data Systems Inc.
Executive Officers		
Regina Brab	54	Senior Vice President–Human Resources and Chief Human Resources Officer
Anthony Calenda	45	Senior Vice President–Corporate Development and Strategy
Vincent R. Coppola	56	Senior Vice President, Global Business Services and Technology
Harold C. Finders	57	Chief Executive Officer, Financial Systems
Russell P. Fradin	57	President, Chief Executive Officer and Director
Karen M. Mullane	48	Vice President and Controller
Charles J. Neral	54	Senior Vice President–Finance and Chief Financial Officer
Victoria E. Silbey	49	Senior Vice President–Legal and Chief Legal Officer
Andrew A. Stern	55	Chief Executive Officer, Availability Services
Brian A. Traquair	56	President, Capital Markets Group
Directors		
Martin Brand	38	Director
Christopher Gordon	40	Director
James H. Greene, Jr.	62	Director
Glenn H. Hutchins	57	Chairman of the Board of Directors
John Marren	50	Director
Sanjeev Mehra	54	Director
Davis Noell	34	Director

Ms. Brab has been Senior Vice President–Human Resources and Chief Human Resources Officer since January 2013. Prior to joining SunGard, from 1990 to January 2013, Ms. Brab held various senior positions at Aon Hewitt, a global provider of human resources consulting and outsourcing solutions and a business unit of Aon Corporation, most recently as Senior Partner and East Region Managing Director.

Mr. Calenda has been Senior Vice President–Corporate Development and Strategy since July 2012. From 2011 to July 2012, Mr. Calenda was Vice President, Corporate Development, Enterprise Growth at American Express, a global financial services company. From 2010 to 2011, Mr. Calenda was Managing Director at Macquarie Holdings, a global provider of banking, financial, advisory, investment and funds management services, and in 2009 he was Director, Corporate Development at CME Group, a derivatives marketplace. From 1988 to 2008, Mr. Calenda held various roles at Citigroup, most recently Managing Director of Strategy and M&A.

Mr. Coppola has been Senior Vice President, Global Business Services and Technology since December 2011 and Senior Vice President–Operations, Financial Systems from August to December 2011. Prior to joining SunGard, Mr. Coppola held senior positions at Hewitt Associates, a global provider of human resources consulting and outsourcing solutions, including as Global Chief Operating Officer, Consulting during 2012, and as Senior Vice President–Global Business Services & Technology from 2008 to 2010. From 1983 to 2007, he held various senior executive positions with Automatic Data Processing, Inc., a provider of benefits and payroll processing services.

Mr. Finders has been Chief Executive Officer, Financial Systems, since March 2011, Interim Chief Executive Officer, Financial Systems, from January to March 2011, and Division Chief Executive Officer, Financial Systems, from 2007 to 2010. Mr. Finders was Group Chief Executive Officer, SunGard Europe from 2005 to 2007. From 2001 to 2005, Mr. Finders headed the SunGard Investment Management Systems businesses

based in Europe. From 1996 to 2001, he held various senior management positions with us overseeing a number of our European Financial Systems businesses. Mr. Finders headed a Geneva-based wealth management systems business that we acquired in 1996.

Mr. Fradin has been Chief Executive Officer, President and a director since 2011. From 2010 to 2011, Mr. Fradin was chairman and chief executive officer of Aon Hewitt, a global provider of human resources consulting and outsourcing solutions and a business unit of Aon Corporation, and from 2006 to 2010, Mr. Fradin was chief executive officer of Hewitt Associates. Mr. Fradin was President and Chief Executive Officer of The BISYS Group, Inc., a provider of outsourcing solutions for the financial services sector, from 2004 to 2006, and from 1997 to 2004 he held various senior executive positions with Automatic Data Processing, Inc., a provider of benefits and payroll processing services.

Ms. Mullane has been Vice President and Controller since 2006, Vice President and Director of SEC Reporting from 2005 to 2006, Director of SEC Reporting from 2004 to 2005 and Manager of SEC Reporting from 1999 to 2004. From 1997 to 1999, she was Vice President of Finance at NextLink Communications of Pennsylvania and, from 1994 to 1997, she was Director of Finance at EMI Communications. Ms. Mullane is a director and/or officer of most of our domestic and foreign subsidiaries.

Mr. Neral has been Senior Vice President—Finance and Chief Financial Officer since July 2012. Prior to joining SunGard, Mr. Neral served as Senior Vice President & Chief Financial Officer from 2009 to 2012 at SafeNet, Inc., a cyber-security company. From 2004 to 2009 he served as Vice President, Finance of IBM's worldwide software business and from 1981 to 2004 he served in a variety of financial roles across IBM's Sales, Server and Global Services organizations, including executive roles in Asia Pacific and at IBM headquarters.

Ms. Silbey has been Senior Vice President—Legal since 2006, Chief Legal Officer since 2011, General Counsel from 2006 to 2011 and Vice President—Legal and General Counsel from 2005 to 2006. From 1997 to 2005, Ms. Silbey held various legal positions with us, including Vice President—Legal and Assistant General Counsel from 2004 to 2005. From 1991 to 1997, she was a lawyer with Morgan, Lewis & Bockius LLP, Philadelphia. Ms. Silbey is a director and officer of most of our domestic and foreign subsidiaries.

Mr. Stern has been Chief Executive Officer, SunGard Availability Services since 2010. Mr. Stern held various senior positions with USinternetworking, Inc. (acquired by AT&T in 2006), including Chief Executive Officer from 2000 to 2008, Chairman from 2002 to 2006, Chief Operating Officer from 1999 to 2000 and Executive Vice President and Chief Financial Officer from 1998 to 1999. Previously, he served as Executive Vice President, Strategy and Reinsurance Operations at USF&G.

Mr. Traquair has been President, Capital Markets Group since January 2012 and President, Capital Markets and Investment Banking from 2007 to 2011 and President, Securities Finance from 2001 to 2007. Mr. Traquair was in a management position at Loanet, a company we acquired in 2001, and prior to Loanet, he held various management positions at IP Sharp Associates, Reuters and Instinet.

Mr. Brand has been a director since November 2012. Mr. Brand is a Managing Director in the Private Equity Group of The Blackstone Group, which he joined in 2003. Mr. Brand was a consultant with McKinsey & Company in London from 2000 to 2001 and from 1998 to 2000 he was a derivatives trader with the Fixed Income, Currency and Commodities division of Goldman, Sachs & Co. in New York and Tokyo. Mr. Brand currently serves on the Boards of Directors of Bayview Financial, L.P., Exeter Finance Corp., Knight Capital Group, Inc., Orbitz Worldwide, Inc., Travelport Limited and PBF Energy Inc., and previously served on the Board of Directors of Performance Food Group.

Mr. Gordon has been a director since November 2012. Mr. Gordon is a Managing Director of Bain Capital Partners, LLC and joined the firm in 1997. Prior to joining Bain Capital, Mr. Gordon was a consultant at Bain & Company. Mr. Gordon currently serves on the Board of Directors of Accellent Inc., Air Medical Group Holdings, Inc., CRC Health Corporation, HCA Holdings, Inc., Physio-Control, Inc. and Quintiles Transnational Corp.

Mr. Greene has been a Director since 2005. Mr. Greene joined Kohlberg Kravis Roberts & Co. LP, a global alternative asset management firm ("KKR"), in 1986 and was a General Partner of KKR from 1993 until 1996, when he became a member of KKR & Co. L.L.C. until October 2009. From October 2009 until January 2013, Mr. Greene was a member of KKR Management, LLC, which is the general partner of KKR & Co. L.P. Mr. Greene is currently an advisory partner for KKR. Mr. Greene serves on the Board of Directors of Aricent Inc., Capital Safety, Capsugel, TASC, Inc. and Western New York Energy, LLC and previously served on the Board of Directors of Accuride Corporation, Alliance Imaging, Inc., Avago Technologies, Inc., Nuvox, Inc., Sun Microsystems, Inc. and Zhone Technologies, Inc.

Mr. Hutchins has been Chairman of the Boards of Directors since 2005. Mr. Hutchins is a co-founder and Managing Director of Silver Lake, a technology investment firm that was established in 1999 and was Co-Chief Executive until 2011. Mr. Hutchins serves on the Board of Directors of The Nasdaq OMX Group, Inc.

Mr. Marren has been a Director since 2005. Mr. Marren joined TPG Capital, a private equity firm, in 2000 as a partner and leads the firm's technology team. From 1996 to 2000, he was a Managing Director at Morgan Stanley. From 1992 to 1996, he was a Managing Director and Senior Semiconductor Research Analyst at Alex Brown & Sons. Mr. Marren currently serves on the Board of Directors of Avaya Inc. and Freescale Semiconductor Inc. and previously served on the Board of Directors of Alltel Corporation, Conexant Systems Inc., MEMC Electronic Materials, Inc. and ON Semiconductor Corporation.

Mr. Mehra has been a Director since 2005. Mr. Mehra has been a partner of Goldman, Sachs & Co. since 1998 and a Managing Director of Goldman, Sachs & Co.'s Principal Investment Area of its Merchant Banking Division since 1996. He serves on the Boards of Directors of ARAMARK Corporation, Interline Brands Inc., KAR Auction Services, Inc., Sigma Electric, Max India Limited and TVS Logistics Services Limited, and previously served on the Board of Directors of Adam Aircraft Industries, Inc., Burger King Holdings, Inc., First Aviation Services, Inc., Hawker Beechcraft, Inc., Hexcel Corporation, Madison River Telephone Company, LLC and Nalco Holding Company.

Mr. Noell has been a Director since October 2012. Mr. Noell is a Principal of Providence Equity L.L.C., an affiliate of the Providence Equity Funds. Prior to joining Providence in 2003, Mr. Noell was an analyst in Deutsche Bank's media investment banking group. Mr. Noell currently serves on the Boards of Directors of Altegrity Inc., The Chernin Group, LLC, GLM LLC and Stream Global Services, Inc., and previously served on the Board of Directors of eTelecare Global Solutions, Inc.

Prior to November 7, 2012, the Amended and Restated Certificate of Incorporation of SCC was structured to permit the holders of specific classes of Class A common stock representing funds affiliated with each Sponsor group to elect separate directors and also allowed for the holders of all outstanding common stock to elect additional directors. Also prior to November 7, 2012, the Principal Investor Agreement dated August 10, 2005 by and among the four parent companies and the Sponsors further contained agreements among the parties with respect to the election of our directors. Each Sponsor was entitled to elect one representative to the Board of Directors of SCC, which would then cause the Board of Directors or Managers, as applicable, of the other three parent companies and of SunGard to consist of the same members (together, the Boards of Directors of SCC, SCCII and SunGard are referred to as the "Boards"). In accordance with both the Amended and Restated Certificate of Incorporation of SCC and the Principal Investor Agreement, each of Messrs. Greene, Hutchins, Marren and Mehra have been elected to the Boards as directors annually since 2005, and Mr. Noell was elected to the Boards as a director in October 2012.

On November 7, 2012, SCC filed a Second Amended and Restated Certificate of Incorporation (the "Restated Certificate") removing the specific class rights to elect directors of SCC associated with Class A-1 through Class A-7 of SCC's common stock and making certain other amendments incidental thereto. Additionally, as of November 7, 2012, the Stockholders Agreement dated August 10, 2005 by and among the four parent companies, SunGard, the Sponsors and other stockholders was amended and restated primarily to give each Sponsor the right to nominate one director and to require each Sponsor to vote its shares to elect each

Sponsor-designated nominee. Each of the Principal Investor Agreement and the Participation Agreement were amended to make certain amendments incidental to the foregoing. In accordance with the Amended and Restated Stockholders Agreement, Messrs. Brand and Gordon were elected to the Boards as directors in November 2012.

In accordance with the charter of the Nominating and Corporate Governance Committee, to the extent consistent with applicable agreements, the Nominating and Corporate Governance Committee will identify, recommend and recruit qualified candidates to fill new positions on the Boards and will conduct the appropriate and necessary inquiries into the backgrounds and qualifications of possible candidates.

On May 31, 2011, in connection with becoming the chief executive officer and in accordance with his employment agreement, Russell P. Fradin was elected to serve as a director on the Boards.

As a group, the Sponsor directors possess experience in owning and managing enterprises like the Company and are familiar with corporate finance, strategic business planning activities and issues involving stakeholders more generally. All of the Company's directors possess high ethical standards, act with integrity, and exercise careful, mature judgment. Each is committed to employing their skills and abilities to aid the long-term interests of the stakeholders of the Company.

The Boards have determined that Mr. Marren qualifies as an "audit committee financial expert" within the meaning of regulations adopted by the SEC. Mr. Marren may not be considered an independent director because of his affiliation with TPG, the affiliated funds of which hold a 13.59% equity interest in our Parent Companies.

Our Global Business Conduct and Compliance Program is applicable to our directors and employees, including the chief executive officer, chief financial officer and controller. The Global Business Conduct and Compliance Program is available on our website at www.sungard.com/aboutsungard/corporateresponsibility/governance. A free copy of our Global Business Conduct and Compliance Program may be requested from: SunGard Data Systems Inc., attention Chief Compliance Officer, 680 East Swedesford Road, Wayne, PA 19087.

If we make any substantive amendments to the Global Business Conduct and Compliance Program which apply to our chief executive officer, chief financial officer or controller or grant any waiver, including any implicit waiver, from a provision of the Global Business Conduct and Compliance Program to our directors or executive officers, we will disclose the nature of the amendment or waiver on our website at www.sungard.com/corporateresponsibility or in a report on Form 8-K.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires the Company's officers and directors, and persons who own more than ten percent of a registered class of the Company's equity securities, to file reports of securities ownership and changes in such ownership with the SEC. Officers, directors and greater than ten percent shareholders also are required by rules promulgated by the SEC to furnish the Company with copies of all Section 16(a) forms they file. Based solely upon a review of the copies of such forms furnished to the Company or written representations that all reportable transaction were reported, the Company believes that all Section 16(a) filing requirements were timely met during 2012, except that Form 4s were filed for a former executive officer, Kathleen Weslock, on June 28, 2012 with respect to a sale of shares on June 20, 2012.

ITEM 11. EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Executive Summary

This section discusses the principles underlying our executive compensation policies and decisions. It provides qualitative information regarding the manner in which compensation is earned by our executive officers and places in context the data presented in the tables that follow. In addition, in this section, we address the compensation paid or awarded during fiscal year 2012 to our chief executive officer (principal executive officer), chief financial officer (principal financial officer), former chief financial officer, and three other executive officers who were the most highly compensated executive officers in fiscal year 2012. We refer to these six executive officers as our "named executives."

The primary focus of our compensation philosophy is to pay for performance. We believe our programs are effectively designed and align well with the interests of our stockholders and are instrumental to achieving our business strategy.

Highlighted below are some of the key actions and decisions with respect to our executive compensation programs for fiscal 2012 as approved by the Compensation Committee:

- Our executive compensation is tightly linked with performance.
- The Compensation Committee adopted, and subsequently amended and restated on November 15, 2012, the "SunGard Annual Incentive Plan," which covers the performance-based executive incentive compensation ("EIC") program. The design and administration of the plan was evaluated and changed to place more emphasis on pay for performance elements of both financial and individual objectives of our executives.
- As with past years, the Compensation Committee approved EIC plans by which the named executives were eligible to earn cash incentive compensation based upon achievement of specific financial objectives for 2012 that are designed to challenge the named executives to high performance. In prior years, Internal EBITA had been the sole financial measure for our corporate-level senior executives. In 2012, EIC included EBITA, revenue, sales targets as well as individual objectives. This change was designed to bring focus to both growth and planning for the future.
- Individual EIC bonuses were capped at 2.0 times the target EIC bonus for our corporate-level senior executives and at no higher than 3.0 times the target EIC bonus for our segment-level senior executives.
- We evaluated risks associated with our compensation programs. As described below under the "Risk Considerations in Our Compensation Programs," we concluded that our compensation policies and practices for 2012 do not create risks that are reasonably likely to have a material adverse effect on the Company.

Administration of Our Compensation Program

Our executive compensation program is overseen and administered by the Compensation Committee. The Compensation Committee operates under a written charter adopted by our Boards and has responsibility for discharging the responsibilities of the Boards relating to the compensation of the Company's executive officers and related duties. Management, including our chief executive officer, or CEO, evaluates a number of factors in developing cash and equity compensation recommendations to the Compensation Committee for its consideration and approval. Following this review and in consultation with management, our CEO makes compensation recommendations for our executive officers, including the CEO, to the Compensation Committee based on his evaluation of each officer's performance, expectations for the coming year and market compensation data. The Compensation Committee reviews these proposals and makes all final compensation decisions for these officers by exercising its discretion in accepting, modifying or rejecting any management recommendations, including any recommendations from our CEO.

In November 2012, in connection with various changes in director positions held by our Sponsors, the Boards realigned the composition of the Compensation Committee to add Messrs. Noell and Gordon, each appointed to the Boards in October and November 2012, respectively. Mr. Greene remained Chairperson of the Committee, a position he has held since 2005.

Objectives of Our Compensation Program

Our executive compensation program is intended to meet three principal objectives:

- to provide competitive compensation packages to attract and retain superior executive talent;
- to reward successful performance by the executive and the Company by linking a significant portion of compensation to future financial and business results; and
- to further align the interests of executive officers with those of our ultimate stockholders by providing long-term equity compensation and meaningful equity ownership.

To meet these objectives, our compensation program balances short-term and long-term performance goals and mixes fixed and at-risk compensation that is directly related to stockholder value and overall performance.

Our compensation program for senior executives, including the named executives, is designed to reward Company performance. The compensation program is intended to reinforce the importance of performance and accountability at various operational levels, and therefore a significant portion of total compensation is in both cash and stock-based compensation incentives that reward performance as measured against established goals, i.e., “pay for performance.” Each element of our compensation program is reviewed individually and considered collectively with the other elements of our compensation program to ensure that it is consistent with the goals and objectives of both that particular element of compensation and our overall compensation program. For each named executive, we look at each individual’s contributions to our overall results, our operating and financial performance compared with the targeted goals, and our size and complexity compared with companies in our compensation peer group.

Elements of Our Executive Compensation Program

In 2012, the principal elements of compensation for named executives were:

- annual cash compensation consisting of base salary and performance-based EIC bonuses;
- long-term equity incentive compensation;
- benefits and perquisites; and
- severance compensation and change of control protection.

Annual Cash Compensation

Management, including our CEO, develops recommendations for annual executive cash compensation plans with consideration of compensation survey data for a broad set of organizations of comparable business, size and complexity, and then compares the survey results to publicly available compensation data for a group of companies we consider to be our peer group. We believe that the compensation practices of these companies provide us with appropriate benchmarks because they also provide technology products and services to a variety of customers and compete with us for executives and other employees.

The survey data used for 2012 compensation purposes came from two sources: Radford Global Technology Survey, which focuses on technology companies, and Towers Watson Survey Report on Top Management Compensation, which focuses on a broader array of organizations including professional services, high-tech and manufacturing companies. For purposes of establishing compensation recommendations, we used a blend of

these surveys to reflect our size, industry and appropriateness of the position matched. In the previous year, we also included data from the Mercer US Global Premium Executive Remuneration Survey for the first time. In 2012, the Committee determined that the Mercer survey did not represent enough like sized high-tech companies to make the comparisons meaningful, and thus excluded Mercer data and relied on the two sources identified.

The companies we consider within our peer group are financial services and software companies of similar industry and revenue as the Company, and some of which various businesses within the Company compete against for business and for talent. In reviewing the peer group list for use during 2012, the peer group was updated to remove two companies that were primarily transaction-based companies and not comparable as a software development peer (MasterCard and Visa) and to add seven companies (as noted below) that met the revenue and industry type parameters. The median reported revenue for the group of seven companies added was $3.8 billion. Peer group compensation data is limited to publicly available information and therefore generally does not provide precise comparisons by position as offered by the more comprehensive survey data from other public surveys used in our broader analysis as described above. As a result, the peer group data provides limited guidance and does not dictate the setting of executive officers' compensation. The following companies comprised our peer group in 2012:

Automatic Data Processing, Inc.	DST Systems, Inc.*	Symantec Corporation
Amdocs Limited*	Fidelity National Info Services, Inc.	The Western Union Company
Broadridge Financial Solutions, Inc.*	First Data Corporation	Thomson Reuters Corporation*
CA, Inc.	Fiserv, Inc.	VMWare, Inc.*
CACI International Inc.*	Intuit Inc.	
Cognizant Technology Solutions Corporation*	Iron Mountain Incorporated	**Added to peer group in 2012*

Our annual cash compensation packages for executive officers include base salary and an EIC bonus. In our desire to pay for performance, we weight the cash compensation more heavily toward the performance incentives and less toward the base salary. In 2012, we deemphasized our focus on targeting specific market percentiles in comparisons to survey and peer data and placed more weight in reviewing experience, role and performance in making compensation decisions.

The compensation of Mr. Neral was based on the terms of the employment agreement entered into with Mr. Neral in connection with the commencement of his employment on July 2, 2012. In addition to the components of compensation discussed below, Mr. Neral received a sign-on bonus of $100,000 and restricted stock unit ("RSU") awards, further described under "Grants of Plan-Based Awards in Fiscal Year 2012."

Base Salary. For base salary we provide a fixed compensation based on competitive market practice that is not subject to performance risk while also considering other factors, such as individual and Company performance. We review the base salaries for each named executive annually as well as at the time of any promotion or significant change in job responsibilities. Base salaries are determined for each named executive based on his or her position and responsibility with consideration of survey data. Salary for each named executive for calendar year 2012 is reported in the "Summary Compensation Table" below. In 2012, no compensation increases were made to Messrs Fradin, Woods and Stern. Messrs. Finders and Traquair each received a compensation increase in 2012 due to promotions and increased responsibilities.

Performance-Based Incentive Compensation. The annual EIC bonus for executive officers is designed to reward our executives for the achievement of annual financial goals related to the business for which they have responsibility. A minimum incentive may be earned at threshold EIC goals, and no payment is awarded if the threshold goal is not achieved. On-target EIC goals are set generally at levels that reflect budgeted performance. Consistent with our focus on pay for performance, additional amounts can be earned when actual performance exceeds on-target performance. The Company may revise or cancel an executive's EIC at any time as a result of a significant change in circumstances or the occurrence of an unusual event that was not anticipated when the performance plan was approved. As applicable, targets are adjusted to take into account acquisitions and/or

dispositions which were not included in the budgeted EIC targets and other one-time adjustments as approved by the Compensation Committee. Individual EIC bonuses were capped at 2.0 times the target EIC bonus for our corporate-level senior executives and up to 3.0 times the target EIC bonus for our segment-level senior executives.

In 2012, the design and administration of the plan was evaluated and updated to place more emphasis on pay-for-performance elements of both financial and individual objectives of our executives. The plan establishes minimum, on-target, and maximum performance goals for key financial measures. In prior years, the named executives were entitled to receive "overrides," an increase in bonus equal to a small percentage of the amount by which the on-target Internal EBITA (defined below) performance goal was exceeded. In the new plan design, the override concept was eliminated and replaced with opportunity for above on-target performance for each financial performance measure, subject to the caps described above.

The financial measures used for the 2012 EIC bonuses for the named executives were one or more of the following: (i) Internal EBITA, which represents actual earnings before interest, taxes and amortization, noncash stock compensation expense, management fees paid to the Sponsors and certain other unusual items, (ii) budgeted revenue growth, (iii) sales, (iv) the run rate for services provided for which we will be billing effective at the start of a year, and (v) EBITDA minus CAPEX, which represents actual earnings before interest, taxes, depreciation and amortization less capital expenditures. These metrics were selected as the most appropriate measures upon which to base the 2012 EIC bonuses for the named executives because they are important metrics that management and the Boards use to evaluate the performance of the Company or a particular business. In 2012, Messrs. Fradin, Finders and Traquair had 80% of their target bonus tied to financial objectives and 20% tied to individual objectives. Messrs. Neral and Stern had 75% of their target bonus tied to financial performance and 25% tied to individual objectives.

For each of our named executives, 2012 actual performance was reviewed against both the financial measures and individual objectives applicable to each named executive. The following table provides the 2012 threshold, on-target and maximum financial performance goals applicable to each named executive and the EIC bonuses each named executive earned based on actual 2012 results of performance of both financial and individual objectives. Mr. Woods was not employed at year-end 2012 and therefore is excluded from the table.

	2012 Performance Goals [1] (in millions)			Actual 2012 EIC Bonus
Name and Goals	**Minimum**	**On-Target**	**Maximum**	**Payment (% of target)**
Russell P. Fradin				
Consolidated Company Internal EBITA	$ 870	$ 925	$1,017	$1,800,000 (100%)
Consolidated Company Internal Revenue	$4,401	$4,520	$4,759	
Consolidated Software & Processing Internal EBITA	$ 613	$ 645	$ 709	
Consolidated Software & Processing Internal Revenue	$2,980	$3,060	$3,220	
Financial Systems Segment Internal Sales	$ 940	$1,000	$1,090	
Charles J. Neral				
Consolidated Company Internal EBITA	$ 870	$ 925	$1,017	$250,000 [2] (100%)
Consolidated Company Internal Revenue	$4,401	$4,520	$4,759	
Consolidated Software & Processing Internal EBITA	$ 613	$ 645	$ 709	
Financial Systems Segment Internal Sales	$ 940	$1,000	$1,090	
Harold C. Finders				
Consolidated Financial Systems Segment Internal EBITA	$ 624	$ 659	$ 749	$1,008,082[3] (111.6%)
Consolidated Financial Systems Segment Internal Revenue	$2,707	$2,822	$3,060	
Financial Systems Segment Internal Sales	$ 940	$1,000	$1,140	
Andrew A. Stern				
Availability Services Segment Internal EBITDA	$ 465	$ 480	$ 528	$723,134 (93.3%)
Availability Services Segment Recurring Monthly Contract Revenue	$ 107	$ 115	$ 118	
Availability Services Segment EBITDA minus CAPEX	$ 264	$ 289	$ 365	
Brian A. Traquair				
Consolidated Financial Systems Segment Internal EBITA	$ 624	$ 659	$ 749	$582,598 [4] (97.1%)
Consolidated Capital Markets Group Internal EBITA	$ 375	$ 389	$ 435	
Consolidated Financial Systems Segment Internal Revenue	$2,707	$2,822	$3,060	
Consolidated Capital Markets Group Internal Revenue	$1,087	$1,109	$1,181	
Capital Markets Group Internal Sales	$ 279	$ 296	$ 408	

(1) Performance goals as shown are not adjusted to take into account acquisitions and/or dispositions and other one-time adjustments as approved by the Compensation Committee.

(2) In accordance with the terms of Mr. Neral's employment agreement, his 2012 bonus was to be no less than the pro-rata share of the target amount ($500,000) based on the number of days Mr. Neral was employed in 2012.

(3) Mr. Finders is paid in Swiss Francs (CHF). The bonus amount reflected in the table has been converted to U.S. dollars at the currency exchange rate of CHF 1 = USD 1.12963 used for purposes of the Company's 2012 operating budget. Mr. Finders' bonus calculation was subject to an additional opportunity to earn 115% of his calculated bonus based on the achievement of specific cost-savings targets. This opportunity was realized and the bonus shown above includes an additional 15% of his calculated bonus. Excluding the additional 15% paid, Mr. Finders' earned bonus would have been 97% of target.

(4) Mr. Traquair is paid in Canadian Dollars (CAD). The bonus amount reflected in the table has been converted to U.S. dollars at the currency exchange rate of CAD 1 = USD 1.01194 used for purposes of the Company's 2012 operating budget. Mr. Traquair's bonus calculation was subject to an additional opportunity to earn 125% of his calculated bonus based on the achievement of specific cost-savings targets. This opportunity was realized and the bonus shown above includes an additional 25% of his calculated bonus. Excluding the additional 25% paid, Mr. Traquair's earned bonus would have been 77.7% of target.

Long-Term Equity Compensation

We intend for our equity program to be the primary vehicle for offering long-term incentives and rewarding our executive officers as well as managers and key employees because of the direct relationship between the value of these equity awards and the value of our stock. By compensating our executives with equity incentive awards, our executives hold a stake in the Company's financial future. The gains realized in the long term depend on our executives' ability to drive the financial performance of the Company. Equity awards are also a useful vehicle for attracting and retaining executive talent in our competitive talent market.

Our 2005 Management Incentive Plan, as amended, provides for the grant of various forms of equity awards. We seek to provide equity grants that are competitive with companies in our peer group and other technology companies with which we compete for executive talent. When making annual equity awards to named executives, we consider past-year results, the role, responsibility and performance of the individual named executive, a competitive market assessment, prior equity awards, and the level of vested and unvested equity awards then held by each named executive. Awards granted in 2012 were for "Units" in the Parent Companies. Each "Unit" consists of 1.3 shares of Class A common stock and 0.1444 shares of Class L common stock of SCC and 0.05 shares of preferred stock of SCCII. The shares comprising a Unit are in the same proportion as the shares issued to all stockholders of the Parent Companies.

In 2012, we granted certain named executives a mix of time- and performance-based RSU awards as described in more detail below, including under "Summary Compensation Table" and "Grants of Plan-Based Awards." Mr. Neral received RSU grants in July and September 2012 in accordance with the terms of his employment agreement. Mr. Finders received an RSU grant in February 2012 due to his 2011 promotion and significant increase in responsibilities as well as an RSU grant in November 2012 as part of the regular annual grant program. Mr. Stern received a time-based RSU award in June 2012 in accordance with the terms of his employment agreement. Mr. Traquair received an RSU grant in September 2012 due to his 2012 promotion and significant increase in responsibilities as well as an RSU grant in November 2012 as part of the regular annual grant program. Mr. Fradin did not receive an equity award in 2012 but is entitled to additional equity in accordance with the terms of his employment agreement. The Company and Mr. Fradin are currently discussing an alternative award that will preserve the economic value of the contemplated equity awards.

Based upon actual year-end 2012 results, (i) 8.89% of each performance-based equity award granted in years 2008 through 2010 vested out of a maximum of 20%, (ii) 100% of each performance-based equity award granted in 2011 with an 18-month performance period was earned with 52% vesting at the end of the performance period and the remaining balance vesting monthly for the next 24 months, and (iii) 100% of each performance-based equity award granted in 2012 with a 12-month performance period ending December 31, 2012 was earned with 28% vesting at the end of the performance period and the remaining balance vesting monthly for the next 36 months.

Benefits and Perquisites

We offer a variety of health and welfare programs to all eligible employees, including the named executives. The named executives are eligible generally for the same benefit programs on the same basis as the rest of the Company's employees in the particular country in which the named executive resides, including medical and dental care coverage, life insurance coverage, short-and long-term disability and a 401(k) or other savings plan or defined contribution pension plan.

The Company limits the use of perquisites as a method of compensation and provides executive officers with only those perquisites that we believe are reasonable and consistent with our overall compensation program to better enable the Company to attract and retain superior employees for key positions. The perquisites provided to the named executives are described in the "Summary Compensation Table" below.

Employment Agreements, Severance Compensation & Change of Control Protection

Employment Agreement with Russell P. Fradin: On May 13, 2011, we entered into a definitive employment agreement with Mr. Fradin, with an effective date of May 31, 2011, pursuant to which he was appointed President and Chief Executive Officer of SunGard and a member of the Boards. The terms include the following:

- A term through May 31, 2016, with one-year renewals automatically effective 30 days before expiration, unless terminated on 30 days' advance notice.
- An annual base salary of $900,000, subject to review periodically for appropriate increases by the Compensation Committee pursuant to the Company's normal performance review policies for senior level executives, and a target annual bonus of 200% of his annual base salary.
- Employee benefits consistent with those made available to the Company's senior level executives, and relocation benefits consistent with the Company's relocation policy.
- A grant of a time-based RSU award of 307,000 Units on May 31, 2011, which vests as to 33 1/3% on each of the first three anniversaries of the date of grant,
- An agreement that the Company will grant, as soon as practicable following an equity recapitalization, (i) 1,200,000 options on a future date ("Future Options"), of which 600,000 will vest as to 20% on each of the first five anniversaries of May 31, 2011 and 600,000 will vest based on attainment of Company performance goals and (ii) RSUs on a future date ("Future RSUs") equal to the excess of the aggregate fair market value of 1,200,000 shares of Company stock on the date of grant of the Future Options over the fair market value of 1,200,000 Units on May 31, 2011, of which 600,000 will have time-based vesting and 600,000 will have performance-based vesting. These awards, however, were not granted because the equity recapitalization did not occur and, accordingly, the Company and Mr. Fradin are currently discussing an alternative award that will preserve the economic value of the contemplated equity awards.
- An aggregate $5,000,000 equity investment to be made by Mr. Fradin in the Company at fair market value, which was made in 2011.
- Mr. Fradin will be subject to any Company recoupment/clawback policy applicable to senior executives of the Company. If no such policy exists and the Company is required to restate its financials (for periods beginning after May 31, 2011), then the Boards may seek to recover or require reimbursement of any related annual bonus paid to Mr. Fradin for the applicable period. If Mr. Fradin violates the noncompetition, nonsolicitation or confidentiality covenants set forth in the employment agreement within the two years following termination of employment, then the Boards may recover severance benefits paid to Mr. Fradin.
- Certain restrictive covenants (noncompetition, confidentiality and nonsolicitation) that continue for two years following the termination date.

- The right to receive certain severance payments and benefits upon certain terminations. See "Potential Payments Upon Termination or Change of Control" below.
- If an excise tax under sections 280G and 4999 of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code") will be triggered by any payments upon a change in control prior to an initial public offering, the Company will in good faith seek to obtain stockholder approval of such payments so that they are exempt from the excise tax under sections 280G and 4999 of the Internal Revenue Code. After an initial public offering, the Company will either (i) pay Mr. Fradin any amounts subject to sections 280G and 4999 of the Internal Revenue Code (and Mr. Fradin will be responsible for the excise tax) or (ii) reduce such payments so that no amounts are subject to sections 280G and 4999 of the Internal Revenue Code, whichever results in a better after-tax amount for Mr. Fradin.

Mr. Fradin's employment agreement was the result of arm's-length negotiation between representatives of Mr. Fradin and the Chairperson of the Compensation Committee, who received advice and input from counsel, and was approved by both the Compensation Committee and the Boards. The Compensation Committee and Boards believed that the salary, bonus and long-term compensation provided under the employment agreement were in the aggregate consistent with the compensation packages provided to CEOs in comparable positions.

Other Executive Employment Agreements: In connection with the 2005 LBO, the Company entered into definitive employment agreements with certain senior managers, including Mr. Finders. The Company entered into employment agreements with Messrs. Neral, Stern and Woods when they each joined the Company. The executives with such agreements are eligible for payments if employment terminates involuntarily or, for certain executives, if there is a change of control, as described under "Potential Payments on Termination or Change of Control" below. The agreements were designed to retain executives and provide continuity of management in the event of an actual or threatened change of control.

The agreements include the following terms:

- An initial term followed by one-year automatic renewals unless terminated on one year's advance notice with the exception of Mr. Neral's agreement, which requires 60 days advance notice.
- Base salary subject to review periodically for appropriate increases by the CEO or the Compensation Committee pursuant to the Company's normal performance review policies for senior level executives.
- The opportunity to participate in all short-term and long-term incentive programs, including an annual cash bonus, established by the Company for senior level executives.
- Employee benefits consistent with those made available to the Company's senior level executives.
- Participation in the equity plan of SCC and SCCII.
- For certain executives, the right to receive certain severance payments as defined in the applicable agreements, including upon a termination without "cause," a resignation for "good reason" or a "change of control." For Mr. Finders, these terms were consistent with the severance payments provided for under the change of control agreement with the Company in effect prior to the LBO, and for the other named executives with employment agreements, these terms were believed to be consistent with the compensation packages provided to executives in comparable positions. See "Potential Payments Upon Termination or Change of Control" below.
- Certain restrictive covenants (noncompetition, confidentiality and nonsolicitation) that continue for applicable post-termination periods.
- For certain executives, the right to receive a tax gross-up payment or the right to require the Company to obtain stockholder approval should any payment provided under the agreement be subject to the excise tax under section 4999 of the Internal Revenue Code.

Additionally, under the terms of Mr. Stern's employment agreement, Mr. Stern (i) is eligible for equity in AS upon a spin-off of AS and cash compensation upon a sale or other disposition of all or some portion of AS prior to a spin-off or upon a spin-off followed by an initial public offering of common stock of the entity controlling AS; (ii) received a grant of time-based equity awards in June 2010 and in June 2012; and (iii) received a performance award with vesting of earned cash or equity payments based on three financial performance measures of the AS business in the four trailing quarters prior to a monetization event. For this purpose, a monetization event means the sale of at least 20% of either the outstanding equity of the entity controlling AS or the AS assets, but excludes a spin-off of AS, a primary initial public offering or the incurrence of debt.

In addition, under the terms of the equity awards made to Mr. Finders, full or partial acceleration of vesting of equity occurs if a change of control takes place or due to certain other termination events. These arrangements and potential post-employment termination compensation payments are described in more detail in the section entitled "Potential Payments Upon Termination or Change of Control" below.

Accounting and Tax Implications

The accounting and tax treatment of particular forms of compensation do not materially affect the Compensation Committee's compensation decisions. However, we evaluate the effect of such accounting and tax treatment on an ongoing basis and will make appropriate modifications to compensation policies where appropriate.

Stock Ownership

The Company does not have a formal policy requiring stock ownership by management. See "Beneficial Ownership" under ITEM 12 below.

Compensation Committee Report

We have reviewed and discussed the foregoing Compensation Discussion and Analysis with management. Based on our review and discussion with management, we have recommended to the Boards of Directors that the Compensation Discussion and Analysis be included in this Annual Report on Form 10-K.

James H. Greene, Jr., Chairperson
Christopher Gordon
Davis Noell

Risk Considerations in Our Compensation Programs

In 2012, we conducted a risk assessment to evaluate risks associated with the Company's compensation policies and practices and concluded that the Company's compensation programs and policies, considered as a whole, including applicable risk-mitigation features, are not reasonably likely to have a material adverse effect on the Company. Following are some of the features of our program designed to help us appropriately manage business risk:

- Our compensation programs utilize different types of compensation providing a balance of short-term and long-term incentives with fixed and variable components.
- Our established performance goals are reasonable given past performance and market conditions. These performance measures balance annual and long-term components with emphasis on revenue as well as EBITA to prevent a focus on top line growth only.
- As part of a prior review, caps on payments from the EIC bonus plan were instituted, which, in conjunction with threshold performance hurdles, ensure that incentive compensation is not overly emphasized.
- Our equity compensation program provides a mix of performance and time-based equity awards with multiple-year vesting.

Summary Compensation Table

The following table contains certain information about compensation earned in 2012, 2011 and 2010 by the named executives.

Summary Compensation Table

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards[1] ($)	Option Awards[2] ($)	Non-Equity Incentive Plan Compen-sation[3] ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compen-sation[4] ($)	Total ($)
Russell P. Fradin[5]	2012	900,000	—	—	—	1,800,000	—	1,167,142	3,867,142
President, Chief Executive Officer and Director	2011	528,460	1,000,000	6,886,010	—	791,500	—	222,991	9,428,961
Charles J. Neral[6]	2012	250,000	100,000	5,500,196	—	250,000	—	983,941	7,084,137
Senior Vice President–Finance and Chief Financial Officer									
Robert F. Woods[7]	2012	262,000	—	—	—	—	—	84,693	346,693
Former Senior Vice	2011	520,000	—	220,681	—	596,250	—	31,762	1,368,693
President–Finance and Chief	2010	500,000	—	5,016,599	129,108	698,037	—	31,763	6,375,507
Financial Officer									
Harold C. Finders[8]	2012	773,797	—	2,036,577	—	1,008,082	—	916,025	4,734,480
Chief Executive Officer,	2011	637,383	427,038	1,323,590	—	—	—	308,878	2,696,888
Financial Systems	2010	599,077	100,000	0	—	584,176	—	279,677	1,562,930
Andrew A. Stern	2012	542,000	—	1,482,699	—	723,134	—	784,883	3,532,715
Chief Executive Officer,	2011	542,000	—	—	—	858,428	—	23,698	1,424,126
Availability Services	2010	306,250	—	2,994,457	87,120	407,235	—	15,976	3,811,037
Brian A.Traquair[9]	2012	600,080	—	1,077,496	—	582,598	—	590,202	2,850,376
President, Capital Markets Group									

(1) Amounts shown are the fair market value of RSUs granted and reflect the fair market value per Unit on the date of grant multiplied by the number of RSUs granted; amounts for 2010 reflect the value of performance-based awards that could be earned at the target performance goal. Amounts shown do not reflect the reduction in fair market value as a result of the $72.80 per share dividend on preferred stock of SCCII paid in December 2012 (equivalent to $3.64 per Unit). For more details on grants awarded in 2012, see the "2012 Grants of Plan-Based Awards" table below.

(2) Amounts shown are the aggregate grant date fair value of options granted as computed in accordance with FASB ASC Topic 718; amounts for 2010 reflect the value of performance-based awards that could be earned at the target performance goal. For a discussion of the assumptions made in such valuation, see Note 9 to the Consolidated Financial Statements.

(3) Amounts shown in this column reflect the cash EIC awards payable under performance-based incentive compensation, which is discussed in further detail above in the "Compensation Discussion and Analysis."

(4) For Mr. Fradin, amount includes health and welfare benefits ($10,227 in 2012), matching 401(k) savings plan contributions, car lease payments ($10,797 in 2012) and related maintenance expenses, automobile tax gross-up ($11,539 in 2012 and $5,795 in 2011) and relocation expenses ($134,039 in 2011) and a relocation tax gross-up ($74,834 in 2011). Also includes, in connection with the declaration of a dividend on preferred stock of SCCII in December 2012, the right to future dividend-equivalent payments under applicable equity awards of $1,117,480.

For Mr. Neral, amount includes health and welfare benefits, car lease payments and related maintenance expenses, automobile tax gross-up ($1,623) and relocation expenses. Also includes, in connection with the declaration of a dividend on preferred stock of SCCII in December 2012, the right to future dividend-equivalent payments under applicable equity awards of $972,317.

For Mr. Woods, amount includes health and welfare benefits, matching 401(k) savings plan contributions ($10,000 in 2012), car allowance ($12,360 in 2011 and 2010) and, in connection with Mr. Woods' resignation in 2012, a lump sum cash payment of $26,284 (of which $7,780 is a tax gross up) representing the Company's cost of Mr. Woods' current medical and dental coverage for a two-year period and accrued vacation ($35,000).

For Mr. Finders, amount includes health and welfare benefits ($53,058 in 2012, $49,716 in 2011 and $44,614 in 2010), company defined contribution pension plan contributions ($65,556 in 2012, $53,861 in 2011 and $45,941 in 2010), car lease payments ($36,487 in 2012, $31,066 in 2011 and $30,515 in 2010), and travel allowance ($56,482 in 2012, $96,180 in 2011 and $90,694 in 2010) and travel allowance tax gross-up ($41,491 in 2012, $71,090 in 2011 and $60,765 in 2010). Also includes, in connection with the declaration of a dividend on preferred stock of SCCII in December 2012, the right to current and future dividend-equivalent payments under applicable equity awards of $662,952.

For Mr. Stern, amount includes health and welfare benefits ($15,879 in 2012 and $13,898 in 2011), matching 401(k) savings plan contributions ($10,000 in 2012), airfare for Mr. Stern's wife in 2012 and the related $1,066 tax gross-up, and airline club membership in 2012 and the related $165 tax gross-up. Also includes, in connection with the declaration of a dividend on preferred stock of SCCII in December 2012, the right to future dividend-equivalent payments under applicable equity awards of $755,533.

For Mr. Traquair, amount includes health and welfare benefits, matching savings plan contributions ($14,167) and car allowance ($10,929). Also includes, in connection with the declaration of a dividend on preferred stock of SCCII in December 2012, the right to current and future dividend-equivalent payments under applicable equity awards of $557,416.

(5) Mr. Fradin joined SunGard as of May 31, 2011 and therefore was not a named executive in 2010. Mr. Fradin's 2011 annual rate of salary was $900,000, and his EIC was pro-rated for the period of time he was employed by the Company in 2011. In accordance with Mr. Fradin's employment agreement, he received a one-time make-up cash bonus equal to $1,000,000 related to bonus forgone from his previous employer.

(6) Mr. Neral joined SunGard as of July 2, 2012 and therefore was not a named executive in 2011 or 2010. Mr. Neral's 2012 annual rate of salary was $500,000, and his EIC was pro-rated for the period of time he was employed by the Company in 2012. In accordance with Mr. Neral's employment agreement, he received a $100,000 sign-on bonus.

(7) Mr. Woods resigned effective as of July 1, 2012. Mr. Woods was Senior Vice President—Finance and Chief Financial Officer from January 1, 2010 to July 1, 2012. Mr. Woods' 2012 annual rate of salary was $520,000.

(8) Mr. Finders' compensation was paid in Swiss Francs (CHF). All amounts have been converted into U.S. dollars at the currency exchange rates used for purposes of the Company's annual operating budget and establishing compensation for the applicable year, as follows: 1.12963 in 2012; 0.961797 in 2011 and 0.944732 in 2010. In 2011 and 2010, the effect of currency conversion of CHF into U.S. dollars for purposes of this table indicates that Mr. Finders received larger salary increases than in fact occurred in CHF. Mr. Finders' annual salary rate was CHF 662,700 in 2011 (a 4.5% increase over his 2010 salary rate) and CHF 634,125 in 2010 (a 1% increase over 2009 salary rate). In 2011, Mr. Finders received a bonus of $96,180 in recognition of his promotion to his current position of Chief Executive Officer, FS and a year-end bonus of $330,858. In 2010, Mr. Finders received a one-time discretionary bonus of $100,000 in addition to his 2010 EIC bonus.

(9) Mr. Traquair was not a named executive prior to 2012. Mr. Traquair's compensation was paid in Canadian Dollars (CAD). All amounts have been converted into U.S. dollars at the currency exchange rates used for purposes of the Company's annual operating budget and establishing compensation for the applicable year as follows: 1.01194 in 2012.

Grants of Plan-Based Awards in Fiscal Year 2012

Our SunGard 2005 Management Incentive Plan, as amended and restated ("Plan"), authorizes the issuance of equity subject to awards made under the Plan for up to 70 million shares of Class A common stock and 7 million shares of Class L common stock of SCC and 2.5 million shares of preferred stock of SCCII. Under the Plan, 2012 awards of time-based and performance-based RSUs have been granted for Units. All awards under the Plan are granted at fair market value on the date of grant.

Mr. Neral, in accordance with the terms of his employment agreement, was granted the following restricted stock unit ("RSU") awards: (i) in July 2012, a time-based RSU with 100% vesting and becoming payable on July 2, 2013, the first anniversary of the date of grant; (ii) in September 2012, a time-based RSU, which vests 28% on July 2, 2013 and the remaining 72% vesting in equal monthly installments thereafter for 36 months, and (iii) in September 2012, a performance-based RSU, which vests up to 25% annually from 2012 through 2015 based upon consolidated company Internal EBITA.

With respect to grants awarded to Messrs. Finders and Traquair in February and September 2012, respectively, (i) time-based RSUs vest over four years with 28% vesting one year from date of grant and the remaining 72% vesting in equal monthly installments thereafter for 36 months and (ii) performance-based RSUs vested upon the satisfaction of certain performance criteria for 2012, with 28% of the earned amount vesting on December 31, 2012 and the remaining 72% vesting in equal monthly installments thereafter for 36 months.

Once vested, the above RSUs (unless otherwise noted) become payable in shares upon the first to occur of a change of control, separation from service without cause, or four years after date of grant.

Mr. Stern, in accordance with the terms of his employment agreement, was granted a time-based RSU in June 2012, with 10% vesting one year from date of grant and the remaining 90% vesting in equal monthly installments thereafter until June 1, 2015. Once vested, this RSU becomes payable in shares upon the first to occur of a change of control, separation from service without cause, or five years after date of grant.

Time-based RSU awards granted in November 2012 to Messrs. Finders and Traquair as part of the annual grant program vest over four years with 25% vesting on each of the first three anniversary dates of the date of

grant and the final 25% vesting on June 1, 2016. Performance-based RSUs granted in November 2012 vest upon the satisfaction of certain performance criteria for the period beginning January 1, 2013 and ending December 31, 2013, with 25% of the earned amount vesting on each of December 31, 2013, November 15, 2014 and November 15, 2015 and the final 25% vesting on June 1, 2016. Once vested, these time-based and performance-based RSUs become payable in shares upon the first to occur of a change of control, separation from service without cause, or on June 1, 2016.

The following table contains information concerning grants of plan-based awards to the named executives during 2012.

2012 Grants of Plan-Based Awards

Name	Grant Type	Grant Date	Estimated Possible Payouts under Non-Equity Incentive Plan Awards[1] ($)	Estimated Future Payouts Under Equity Incentive Plan Awards[2]			All Other Stock Awards: Number of Shares of Stock or Units[3] (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/Sh)	Grant Date Fair Value of Stock and Option Awards[4] ($)
				Threshold (#)	Target (#)	Maximum (#)				
Russell P. Fradin[5]	EIC	N/A	1,800,000	—	—	—	—	—	—	—
	RSUs	—	—	—	—	—	—	—	—	—
Charles J. Neral	EIC	N/A	250,000	—	—	—	—	—	—	—
	RSUs	07/02/12	—	—	—	—	116,660	—	—	2,500,000
		09/12/12	—	1	75,230	N/A	75,230	—	—	3,000,000
Robert F. Woods	EIC	N/A	—	—	—	—	—	—	—	—
	RSUs	—	—	—	—	—	—	—	—	—
Harold C. Finders	EIC	N/A	1,008,082	—	—	—	—	—	—	—
	RSUs	02/14/12	—	1	26,150	N/A	26,150	—	—	1,000,000
		11/15/12	—	1	25,075	N/A	25,075	—	—	1,036,600
Andrew A. Stern	EIC	N/A	723,134	—	—	—	—	—	—	—
	RSUs	06/01/12	—	—	—	—	69,188	—	—	1,482,699
Brian A. Traquair	EIC	N/A	582,598	—	—	—	—	—	—	—
	RSUs	09/12/12	—	1	7,525	N/A	7,525	—	—	300,100
		11/15/12	—	1	18,805	N/A	18,805	—	—	777,398

(1) Amounts reflect the cash EIC bonuses paid to the named executives under the performance-based incentive compensation, which is described in further detail above, including the threshold, mid-point, and on-target goals, in the Compensation Discussion and Analysis and reported in the "Non-Equity Incentive Plan Compensation" column of the Summary Compensation Table above.

(2) Represents performance-based RSUs. Vesting begins at 95% achievement of target.

(3) Represents time-based RSUs.

(4) Represents the fair market value per Unit on the date of grant multiplied by the number of RSUs granted. Amounts shown do not reflect the reduction in fair market value as a result of the $72.80 per share dividend on preferred stock of SCCII paid in December 2012 (equivalent to $3.64 per Unit).

Outstanding Equity Awards at 2012 Fiscal Year-End

The following table contains certain information with respect to options and RSUs held as of December 31, 2012 by the named executives.

Outstanding Equity Awards at 2012 Fiscal Year-End

		Option Awards					Stock Awards			
Name	Grant Date	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options(1) (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested(2) ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested(1) (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested(2) ($)
Russell P. Fradin[3]	5/31/2011						204,667[4]	3,399,513	—	—
Charles Neral	7/2/2012						116,660[5]	1,937,723	—	—
	9/12/2012						75,230[6]	1,249,570	—	—
	9/12/2012						—	—	56,422	937,169
Robert F Woods [7]	—	—	—	—	—		—	—	—	—
Harold C. Finders	8/12/2005	72,705[8]	3,955[9]	—	14.36[10]	8/11/2015				
	8/12/2005	177,202[11]	—	—	14.36[10]	8/11/2015				
	9/21/2007	56,765[12]	2,848[9]	—	17.08[10]	9/21/2017				
	9/21/2007	106,333[11]	—	—	17.08[10]	9/21/2017				
	9/14/2009	19,975[13]	1,038[9]	6,195	0.44	9/14/2019	412[14]	6,843	2,460	40,859
	9/14/2009	26,016[15]	12,706	—	0.44	9/14/2019	6,054[16]	100,562	—	—
	6/3/2011						12,840[17]	213,272	—	—
	6/3/2011						16,050[18]	266,591	—	—
	2/14/2012						18,828[19]	312,733	—	—
	2/14/2012						26,150[18]	434,352	—	—
	11/15/2012						—	—	25,075	416,496
	11/15/2012						25,075[20]	416,496		
Andrew A. Stern	6/21/2010	185,129[15]	163,350	—	0.25	6/21/2020	77,837[16]	1,292,864	—	—
	6/1/2012						69,188[21]	1,149,213	—	—
Brian A. Traquair	8/11/2005	20,859[22]	—	—	4.50	3/3/2013				
	8/11/2005	16,465[22]	—	—	4.50	2/25/2014				
	8/11/2005	21,934[22]	—	—	4.50	3/3/2015				
	8/12/2005	30,085[8]	1,159[9]	—	14.36[10]	8/12/2015				
	8/12/2005	37,093[11]	—	—	14.36[10]	8/11/2015				
	9/21/2007	16,775[12]	842[9]	—	2.22	9/21/2017	335[14]	5,572	—	—
	9/21/2007	31,423[11]	—	—	2.22	9/21/2017				
	9/3/2009	9,492[13]	3,437[9]	—	0.44	9/3/2019	196[14]	3,258	1,169	19,418
	9/3/2009	12,364[15]	6,038	—	0.44	9/3/2019	2,877[16]	47,789	—	—
	6/1/2011						3,360[17]	55,810	—	—
	6/1/2011						4,200[18]	69,762	—	—
	9/14/2011						2,400[17]	39,864	—	—
	9/14/2011						3,000[23]	49,830	—	—
	9/12/2012						5,418[19]	89,993	—	—
	9/12/2012						7,525[18]	124,990	—	—
	11/15/2012						—	—	18,805	312,351
	11/15/2012						18,805[20]	312,351	—	—

(1) Represents the quantity of unvested performance-based equity awards that can be earned upon the achievement of anticipated performance goals in future years.

(2) Based upon a fair market value of $16.61 per Unit as of December 31, 2012, which value reflects the reduction in fair market value as a result of the $72.80 per share dividend on preferred stock of SCCII paid in December 2012 (equivalent to $3.64 per Unit).

(3) Excludes Mr. Fradin's Future Options and Future RSUs, which have not yet been granted and which are discussed in further detail above in the "Compensation Discussion and Analysis."

(4) Represents the unvested portion of time-based RSUs which vest over three years with 33 1/3% vesting on each of the first three anniversaries of the date of grant.

(5) Represents the unvested portion of time-based RSUs which vest 100% one year from the date of grant.

(6) Represents the unvested portion of time-based RSUs which vest over four years with 28% vesting on July 2, 2013 and 72% vesting in equal monthly installments thereafter for 36 months.

(7) Upon separation of service in July 2012, Mr. Woods' vested Class A stock options expired unexercised, and his vested RSUs were distributed in accordance with the terms of his agreements. All other unvested equity was forfeited prior to December 31, 2012.

(8) Represents performance-based options which were earned during the six-year period beginning January 1, 2005 through December 31, 2010 and (i) vested for calendar years 2005-2008, and (ii) vested for calendar years 2009 and 2010 pursuant to the 2009 amended awards. Vesting of the remaining earned portion for calendar year 2010 is described in note 9.

(9) Represents the unvested portion of performance-based equity earned for calendar year 2010, which vests in 36 equal monthly installments beginning January 31, 2011.

(10) Pursuant to provisions in the Company's equity plan, the exercise price subject to these stock options were adjusted in connection with the $72.80 per share dividend on preferred stock of SCCII that occurred on December 21, 2012 (equivalent to $3.64 per Unit). Accordingly, the exercise prices shown in the table above reflect the post-dividend adjustment.

(11) Represents fully vested time-based options which vested over five years.

(12) Represents performance-based options which were earned during the five-year period beginning January 1, 2007 through December 31, 2011 and (i) vested for calendar years 2007, 2008 and 2011, and (ii) vested for calendar years 2009 and 2010 pursuant to the 2009 amended awards. Vesting of the remaining earned portion for calendar year 2010 is described in note 9.

(13) Performance-based options are earned upon the attainment of certain annual earnings goals for the Company over a five-year period. Represents performance-based options earned and vested for calendar years 2009, 2010, 2011 and 2012. Vesting of the remaining earned portion for calendar year 2010 is described in note 9.

(14) Represents the unvested portion of performance-based RSUs earned for calendar year 2010. Vesting of the remaining earned portion for calendar year 2010 is described in note 9.

(15) Represents the vested portion of time-based equity which vests over five years with 25% vesting one year from the date of grant, and 75% vesting in equal monthly installments thereafter for 48 months.

(16) Represents the unvested portion of time-based RSUs which vest over five years with 10% vesting one year from the date of grant, and 90% vesting in equal monthly installments thereafter for 48 months.

(17) Represents the unvested portion of performance-based RSUs earned for the 18-month period of July 1, 2011 through December 31, 2012 which will vest in 24 equal monthly installments beginning January 31, 2013.

(18) Represents the unvested portion of time-based RSUs which vest over four years with 28% vesting one year from the date of grant, and 72% vesting in equal monthly installments thereafter for 36 months.

(19) Represents the unvested portion of performance-based RSUs earned for calendar year 2012 which will vest in 36 equal monthly installments beginning January 31, 2013.

(20) Represents the unvested portion of time-based RSUs which vest over four years with 25% vesting on each of the first three grant date anniversaries and the remaining 25% vesting on June 1, 2016.

(21) Represents the unvested portion of time-based RSUs which vest over three years with 10% vesting one year from the date of grant, and 90% vesting in equal monthly installments thereafter for 24 months.

(22) To the extent that outstanding options were not exercised before the 2005 LBO, such options converted into fully vested options to purchase Units in the Parent Companies.

(23) Represents the unvested portion of time-based RSUs which vest over four years with 28% vesting on June 1, 2012, and 72% vesting in equal monthly installments thereafter for 36 months.

Option Exercises and Stock Vested

The following table contains certain information with respect to stock option exercises and the vesting of RSUs during 2012 for each of the named executives.

2012 Option Exercises and Stock Vesting

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting[1] (#)	Value Realized on Vesting[2] ($)
Russell P. Fradin	—	—	102,333	2,193,003
Charles J. Neral	—	—	18,808	312,400
Robert F. Woods	—	—	20,112	408,514
Harold C. Finders	—	—	38,861	711,509
Andrew A. Stern	—	—	31,135	625,077
Brian A. Traquair	—	—	19,365	362,656

(1) Represents RSUs that vested during 2012. RSUs are not distributed until the first to occur of a change of control, separation from service without cause or a date specified in the RSU agreement ranging from three to five years after date of grant.

(2) Calculated by multiplying the number of vested RSUs by the fair market value on the vesting date.

Pension Benefits

None of the named executives receive benefits under any defined benefit or actuarial pension plan.

Employment and Change of Control Agreements

As discussed above, the Company entered into a definitive employment agreement with each of the named executives except for Mr. Traquair. The terms of these agreements are described above under “Compensation Discussion and Analysis.”

Potential Payments Upon Termination or Change of Control

Pursuant to the terms of the executive employment agreements and equity award agreements, set forth below is a description of the potential payments the named executives would receive if their employment was terminated. Mr. Traquair does not have an employment agreement; therefore, the amount of compensation Mr. Traquair would receive upon termination or change of control, if any, is based upon Canadian law.

The terms cause, good reason, change of control and sale of business are defined in the applicable executive employment agreements, which have been included as exhibits to the following filings:

Mr. Fradin:	Quarterly Report on Form 10-Q for the quarter ended June 30, 2011
Mr. Neral:	Current Report on Form 8-K dated June 8, 2012
Mr. Woods:	Current Report on Form 8-K dated December 16, 2009 and Current Report on Form 8-K dated May 17, 2011
Mr. Finders:	Quarterly Report on Form 10-Q for the quarter ended September 30, 2005
Mr. Stern:	Quarterly Report on Form 10-Q for the quarter ended June 30, 2010

Russell P. Fradin

Upon *termination without cause or resignation for good reason:*

- a lump sum cash payment equal to two times the sum of his base salary and target incentive bonus;
- a lump sum cash payment of his pro rata incentive bonus based upon the incentive bonus he earned for the year in which his termination occurred multiplied by the number of days in which he was employed during such year divided by 365;
- a lump sum cash payment for the cost of premiums under Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA") for medical, dental and vision coverage less employee co-pay for such coverage for 18 months, as increased by a tax gross-up payment equal to the estimated income and FICA tax that would be imposed on such payments;
- a lump sum cash payment for accrued but unpaid base salary, unreimbursed business expenses, unused vacation time and all other payments, benefits or fringe benefits in accordance with the applicable plan or program; and
- time-based equity awards immediately stop vesting and all unvested time-based equity awards are forfeited.

Upon *change of control:*

- if a change of control or "in contemplation termination" (as defined below) occurs, the vesting of Mr. Fradin's existing time-based RSUs will fully accelerate;
- if a change of control occurs after May 31, 2013, the outstanding Future Options and Future RSUs will become fully vested (i) on the date of termination of employment if Mr. Fradin's employment is terminated by the Company without cause or by Mr. Fradin for good reason and such termination occurs on or within 18 months following the change of control or (ii) on the date of the change of control if an "in contemplation termination" has occurred;
- if the change of control occurs prior to May 31, 2013, then only 50% of the outstanding unvested Future Options and unvested Future RSUs will vest (a) on the date of termination of employment if Mr. Fradin's employment is terminated without cause or by Mr. Fradin for good reason within 18 months after the change of control or (b) the date of the change of control if an In Contemplation Termination has occurred, and the balance of the unvested Future Options and unvested Future RSUs will terminate. However, if the per share purchase price in the change of control plus the per share value of any of the Company's businesses or subsidiaries previously sold or spun-off following May 31, 2011 is at least 250% of the per Unit value of the parent companies' stock on August 11, 2005, then 100% of the outstanding unvested Future Options and unvested Future RSUs will vest (i) on the date of termination of employment if Mr. Fradin's employment is terminated without cause or by Mr. Fradin for good reason within 18 months after the Change of Control or (ii) the date of the Change of Control if an In Contemplation Termination has occurred; and

- an "in contemplation termination" is a termination of Mr. Fradin's employment without cause or for good reason within six months before change of control if such termination of employment is in contemplation of the change of control.

Upon *retirement or other voluntary termination:*

- a lump sum cash payment consisting of accrued amounts, if any; and
- time-based equity awards immediately stop vesting and any unvested time-based equity awards are forfeited.

Upon *termination for cause:*

- a lump sum cash payment of accrued amounts, if any. Mr. Fradin is not entitled to receive any cash incentive payments, and
- all vested and unvested time-based equity awards are forfeited.

Upon *termination for disability or death:*

- a lump sum cash payment of his pro rata incentive bonus and accrued amounts, if any;
- in the event of his death, Mr. Fradin's beneficiary shall receive payments under a life insurance policy funded by the Company; and
- all time-based equity awards immediately stop vesting and all unvested time-based equity awards are forfeited.

Charles J. Neral

Upon *termination without cause or resignation for good reason:*

- a lump sum cash payment equal to the sum of his base salary and target incentive bonus, and for a change of control Mr. Neral receives two times the sum of his base salary and target incentive bonus;
- a lump sum cash payment of his pro rata target incentive bonus and any earned or accrued compensation as of December 31 of the year of termination, but if Mr. Neral is terminated on December 31, he receives his actual earned incentive bonus for the year of termination;
- a lump sum cash payment in an amount equal to the Company's cost of Mr. Neral's medical, dental and vision coverage in effect on December 31 of the year of termination, as increased by a tax gross-up payment equal to the income and FICA tax imposed on such payment;
- for termination without cause, performance-based equity awards vest on a pro rata basis through the termination date, for resignation without good reason, performance-based equity awards stop vesting as of the beginning of the year of termination and all unvested performance-based equity awards are forfeited; and
- time-based equity awards granted July 2012 become fully vested and time-based equity awards granted September 2012 immediately stop vesting and unvested time-based equity awards are forfeited.

Upon *change of control*:

- if a change of control occurs at any time and employment is terminated, then all unvested time-based equity awards granted July 2012 become fully vested, if a change of control occurs prior to July 2, 2014 and employment is terminated without cause or Mr. Neral resigns for good reason within 18 months of the change of control, then 50% of the unvested time-based and performance-based equity awards granted September 2012 will vest and the unvested time-based and performance-based equity

awards will be forfeited, and if a change of control occurs after July 2, 2014, and employment is terminated without cause or Mr. Neral resigns for good reason within 18 months of the change of control, then all time-based equity awards granted September 2012 and all performance-based equity awards become fully vested .

Upon *retirement or other voluntary termination:*

- a lump sum cash payment of all accrued compensation, including any incentive compensation for which the performance period has been completed; and
- all performance-based equity awards stop vesting as of the beginning of the year of termination, no performance-based equity awards are earned in the year of termination, all time-based equity awards immediately stop vesting, and all unvested time-based and performance-based equity awards are forfeited.

Upon *termination for cause:*

- a lump sum cash payment of all accrued compensation. Mr. Neral is not entitled to receive any cash incentive payments; and
- all vested and unvested time and performance equity awards are forfeited.

Upon *disability or death:*

- a lump sum cash payment of all accrued compensation and a pro rata payment of his target incentive bonus for the year in which his disability or death occurs, and if termination of employment is on December 31, Mr. Neral receives his actual earned incentive bonus for the year of termination;
- in the event of death, Mr. Neral's beneficiary shall receive payments under an insurance policy funded by the Company; and
- performance-based equity awards vest on a pro rata basis through the termination date, time-based equity awards granted July 2012 become fully vested and time-based equity awards granted September 2012 immediately stop vesting and unvested time-based and performance-based equity awards are forfeited.

Harold C. Finders

Upon *termination without cause or resignation for good reason:*

- a lump sum cash payment equal to two times the sum of his base salary and target incentive bonus;
- a lump sum cash payment of all earned or accrued compensation, such as unpaid base salary, unused vacation, unreimbursed business expenses, accrued employment or retirement benefits under an employee benefit program and a pro rata payment of Mr. Finders' target incentive bonus for the year of termination;
- a lump sum cash payment in an amount equal to two times the Company's cost of Mr. Finders' medical, dental and vision coverage in effect on December 31, as increased by a tax gross-up payment equal to the applicable tax imposed on such payment;
- a lump sum cash payment in an amount equal to two times $17,500, in lieu of retirement, life insurance and long term disability coverage, as increased by a tax gross-up payment equal to the applicable tax imposed on such payment;
- performance-based equity awards vest on a pro rata basis through the termination date, any unvested portion of earned performance-based equity awards shall become fully vested at the termination date,

and all unearned performance-based equity awards are forfeited. Upon resignation for good reason, all unvested performance-based equity awards granted in or after June 2011 shall be forfeited;

- time-based equity awards immediately stop vesting and all unvested time-based equity awards are forfeited; and
- if a sale of our FS business segment occurs but Mr. Finders' employment agreement is not retained or assumed, then performance-based equity awards are treated as described above and all unvested time-based equity awards granted before May 2010 become fully vested, and unvested time-based equity granted in or after May 2010 immediately stops vesting.

Upon *change of control:*

- if a change of control occurs and employment is terminated or his employment agreement is not assumed, then all unvested performance-based equity awards granted before June 2011 vest on a return-on-equity basis, if the change of control occurs during the performance period, vesting of performance-based equity awards granted in and after June 2011 shall be determined by the Compensation Committee of the Board and the CEO in mutual consultation in a manner they jointly consider equitable under the circumstances, and if the change of control occurs after the performance period, any earned but unvested performance equity shall become fully vested; and
- all unvested time-based equity awards granted before June 2011 become fully vested and all other unvested time-based equity awards vest if employment is terminated without cause within six months following a change of control; and

Upon *termination due to resignation without good reason*:

- a lump sum cash payment of all accrued compensation with the exception of his pro rata target incentive bonus;
- if the termination occurs during the performance period, then all performance-based equity awards stop vesting as of the date of termination and no performance-based equity awards are earned in the year of termination; and if the termination occurs after the performance period, then any performance-based equity that was earned in the performance period shall stop vesting as of the termination date; and
- all time-based equity awards immediately stop vesting, and all unvested time-based and performance-based equity awards are forfeited.

Upon *termination for cause:*

- a lump sum cash payment of all accrued compensation with the exception of his pro rata target incentive bonus; and
- all vested and unvested time and performance equity awards are forfeited.

Upon *disability or death:*

- a lump sum cash payment of all accrued compensation, including a pro rata payment of his target incentive bonus for the year of termination;
- in the event of death, Mr. Finders beneficiaries shall receive payments under an insurance policy offered through and partially funded by the Company;
- performance-based equity awards vest on a pro rata basis through the termination date, any unvested portion of earned performance-based equity awards shall become fully vested at the termination date; and

- all time-based equity awards granted prior to November 2012 immediately stop vesting and all unvested time-based equity awards are forfeited and time-based equity awards granted in November 2012 shall vest as to (i) 50% if Mr. Finders' death occurs prior to November 15, 2013, (ii) 75% if his death occurs between November 15, 2013 and November 15, 2014, and (iii) 100% if his death occurs on or after November 15, 2014; and if Mr. Finders terminates due to disability then time-based equity awards granted in November 2012 immediately stop vesting and unvested time-based equity is forfeited.

Andrew A. Stern

Upon *termination without cause or resignation for good reason:*

- a lump sum cash payment equal to two times the sum of his base salary and target incentive bonus;
- a lump sum cash payment of his pro rata incentive bonus based upon the incentive bonus earned in the year of termination multiplied by the number of days in which he was employed during such year divided by 365, and earned or accrued compensation as of December 31 of the year of termination;
- a lump sum cash payment in an amount equal to the Company's cost of the his medical, dental and vision coverage in effect on December 31 of the year of termination for a one-year period, as increased by a tax gross-up payment equal to the income and FICA tax imposed on such payment; and
- all time-based equity awards immediately stop vesting and all unvested time-based equity awards are forfeited, except that, upon a sale or other disposition of 80% or more of the AS business, in exchange for the cancellation of his unvested time-based equity awards, a lump sum cash payment equal to 0.55% of the net proceeds received by the Company in the sale, reduced by the Company equity already received by him or vested pursuant to other Company equity awards.

Upon *retirement or other voluntary termination:*

- a lump sum cash payment of all accrued compensation. Mr. Stern is not entitled to receive a pro rata incentive bonus for the year of termination; and
- all time-based equity awards immediately stop vesting and all unvested time-based equity awards are forfeited.

Upon *termination for cause:*

- a lump sum cash payment of all accrued compensation. Mr. Stern is not entitled to receive a pro rata incentive bonus for the year of termination; and
- all vested and unvested time equity awards are forfeited.

Upon *disability or death:*

- a lump sum cash payment of all accrued compensation and a pro rata payment of his incentive bonus for the year of termination;
- in the event of death, Mr. Stern's beneficiary shall receive payments under an insurance policy funded by the Company; and
- all time-based equity awards immediately stop vesting and all unvested time-based equity awards are forfeited.

Brian A. Traquair

Upon *termination without cause:*

- Mr. Traquair is entitled to notice, or pay in lieu of notice, based on his 18 year tenure with the Company and other factors. Subject to his obligation to mitigate his damages, his pay in lieu of notice would be approximately 18 months of total compensation based on his annual base salary and target incentive bonus;
- a lump sum cash payment equal to 18 months of the Company's cost of Mr. Traquair's medical, dental, vision, long term disability and life insurance coverage, as well as 18 months of contributions made by the Company to a retirement savings program for Mr. Traquair's benefit;
- performance-based equity awards vest on a pro rata basis through the termination date, any unvested portion of earned performance-based equity awards shall become fully vested at the termination date, and all unearned performance-based equity awards are forfeited. Upon resignation, all unvested performance-based equity awards shall be forfeited;
- time-based equity awards immediately stop vesting and all unvested time-based equity awards are forfeited; and
- if a sale of our FS business segment occurs and Mr. Traquair's employment is terminated, then performance-based equity awards are treated as described above and all unvested time-based equity awards granted before May 2010 become fully vested, and unvested time-based equity granted in or after May 2010 immediately stops vesting.

Upon *change of control:*

- if a change of control occurs and employment is terminated without cause, Mr. Traquair is entitled to notice, or pay in lieu of notice, based on his 18 year tenure with the Company and other factors. Subject to his obligation to mitigate his damages, his pay in lieu of notice would be approximately 18 months of total compensation based on his annual base salary and target incentive bonus;
- a lump sum cash payment equal to 18 months of the Company's cost of Mr. Traquair's medical, dental, vision, long term disability and life insurance coverage, as well as 18 months of contributions made by the Company to a retirement savings program for Mr. Traquair's benefit;
- if a change of control occurs during the performance period and employment is terminated, then vesting of performance-based equity awards granted shall be determined by the Compensation Committee of the Board and the CEO in mutual consultation in a manner they jointly consider equitable under the circumstances, and if the change of control occurs after the performance period, any earned but unvested performance equity shall become fully vested, all unvested time-based equity awards become fully vested if employment is terminated without cause within six months following a change of control.

Upon *termination due to resignation*:

- a lump sum cash payment of accrued compensation. Mr. Traquair is not entitled to receive a pro rata incentive bonus for the year of termination.
- if the termination occurs during the performance period, then all performance-based equity awards stop vesting as of the date of termination and no performance-based equity awards are earned in the year of termination; and if the termination occurs after the performance period, then any performance-based equity that was earned in the performance period shall stop vesting as of the termination date; and
- all time-based equity awards immediately stop vesting, and all unvested time-based and performance-based equity awards are forfeited.

Upon *termination for cause:*

- a lump sum cash payment of accrued compensation. Mr. Traquair is not entitled to receive a pro rata incentive bonus for the year of termination.
- all vested and unvested time and performance equity awards are forfeited.

Upon *disability or death:*

- upon termination in the event of disability, Mr. Traquair is entitled to eight weeks of base salary, as well as an 18 week severance payment, for a total of 26 weeks of base salary;
- Upon termination in the event of disability, a lump sum cash payment equal to eight weeks of the Company's cost of Mr. Traquair's medical, dental, vision, long term disability and life insurance coverage, as well as eight weeks of contributions made by the Company to a retirement savings program for Mr. Traquair's benefit;
- Mr. Traquair is entitled to accrued compensation. Mr. Traquair is not entitled to receive a pro rata incentive bonus for the year of termination.
- in the event of death, Mr. Traquair's beneficiary shall receive payment under an insurance policy funded by the Company; and
- performance-based equity awards vest on a pro rata basis through the termination date, any unvested portion of earned performance-based equity awards shall become fully vested at the termination date, all time-based equity awards granted prior to November 2012 immediately stop vesting and all unvested time-based equity awards are forfeited and time-based equity awards granted November 2012 shall vest as to (i) 50% if Mr. Traquair's death occurs prior to November 15, 2013, (ii) 75% if his death occurs between November 15, 2013 and November 15, 2014, and (iii) 100% if his death occurs on or after November 15, 2014, if Mr. Traquair terminates due to disability then time-based equity awards granted November 2012 immediately stop vesting and unvested time-based equity is forfeited.

In order to receive any of the above described severance benefits, the named executive, other than Mr. Traquair, is required to execute a release of all claims against the Company. In order to exercise stock options or receive distribution of RSU shares, the named executive must execute a certificate of compliance with respect to the restrictive covenants contained in his employment agreement, if applicable, and all other agreements with the Company.

With the exception of Mr. Woods, the tables below reflect the amount of compensation payable to each of the named executives in the event of termination of such executive's employment. The amounts shown assume that such termination was effective as of December 31, 2012, and thus includes amounts earned through such time and are estimates of the amounts which would be paid out to the named executives upon their termination. The actual amounts to be paid, if any, can only be determined at the time of such named executive's separation from the Company. Mr. Woods' employment with the Company ended prior to December 31, 2012, and therefore, the amounts disclosed for Mr. Woods reflect the actual separation payment he received.

Russell P. Fradin—Potential Termination Payments and Benefits

Executive Benefits and Payment Upon Termination	Termination Without Cause or Resignation For Good Reason Without Change of Control	Retirement or Other Voluntary Termination	Termination For Cause	Termination Without Cause or Resignation For Good Reason With Change of Control	Termination Due to Disability	Termination Due to Death
Compensation:						
Base Salary & Target Incentive Bonus[1]	$5,400,000	—	—	$ 5,400,000	—	—
Incentive Bonus of Year of Termination[2]	$1,800,000	—	—	$ 1,800,000	$1,800,000	$1,800,000
Time-Based Equity Awards[3]	—	—	—	$ 3,399,513	—	—
Benefits & Perquisites:						
Health Benefits[4]	$ 26,592	—	—	$ 26,592	—	—
Life Insurance Proceeds	—	—	—	—	—	$1,000,000
Accrued Vacation Pay	$ 17,308	$17,308	$17,308	$ 17,308	$ 17,308	$ 17,308
Excise Tax & Gross-Up	—	—	—	— [5]	—	—
Total:	$7,243,900	$17,308	$17,308	$10,643,413	$1,817,308	$2,817,308

(1) Consists of two times the sum of (a) 2012 base salary of $900,000 and (b) 2012 target incentive bonus of $1,800,000.

(2) Represents the amount of Mr. Fradin's incentive bonus earned for 2012.

(3) Represents the value of accelerated unvested time-based RSUs based upon a fair market price of $16.61 per Unit as of December 31, 2012.

(4) Represents the cost of premiums under COBRA for medical, dental and vision coverage less employee co-pay for such coverage for 18 months, as increased by a tax gross-up payment equal to the estimated taxes that would be imposed on such payments.

(5) The Company and Mr. Fradin have agreed to cooperate to obtain shareholder approval of any change of control payments that would otherwise be subject to excise tax under section 4999 of the Internal Revenue Code, so the estimates assume that no excise will apply.

Charles J. Neral—Potential Termination Payments and Benefits

Executive Benefits and Payment Upon Termination	Termination Without Cause or Resignation For Good Reason Without Change of Control	Termination Due to Retirement or Other Voluntary Termination	Termination For Cause	Termination Without Cause or Resignation For Good Reason With Change of Control	Termination Due to Disability	Termination Due to Death
Compensation:						
Base Salary & Target Incentive Bonus[1]	$1,000,000	—	—	$2,000,000	—	—
Target Incentive Bonus of Year of Termination[2]	$ 250,000	—	—	$ 250,000	$ 250,000	$ 250,000
Incentive Bonus of Year of Termination	—	$ 250,000[3]	—	—	—	—
Time-Based Equity Awards	$1,937,723[4]	—	—	$2,562,508[5]	$1,937,723[4]	$1,937,723[4]
Performance-Based Equity Awards	—	—	—	$ 468,585[6]	—	—
Benefits & Perquisites:						
Health Benefits	—	—	—	—	—	—
Life Insurance Proceeds	—	—	—	—	—	$1,000,000
Accrued Vacation Pay	$ 4,808	$ 4,808	$4,808	$ 4,808	$ 4,808	$ 4,808
Signing Bonus Repayment[7]		($ 50,137)				
Total:	$3,192,531	$ 204,671	$4,808	$5,285,901	$2,192,531	$3,192,531

(1) With regard to (i) a termination without cause, consists of the sum of (a) 2012 base salary of $500,000 and (b) 2012 target incentive bonus of $500,000 and (ii) a termination due to a change of control, consists of two times the sum of (a) 2012 base salary of $500,000 and (b) 2012 target incentive bonus of $500,000.

(2) Represents the pro rata amount of Mr. Neral's target incentive bonus for 2012. Because Mr. Neral's termination is deemed to have occurred on December 31, he is entitled to receive his actual, earned incentive bonus for 2012.

(3) Represents the amount of Mr. Neral's incentive bonus earned for 2012.

(4) Represents the value of accelerated unvested time-based equity granted July 2012 based upon a fair market price of $16.61 per Unit as of December 31, 2012.

(5) Represents the value of accelerated unvested time-based equity granted July 2012 and 50% of accelerated unvested time-based equity granted September 2012 based upon a fair market price of $16.61 per Unit as of December 31, 2012.

(6) Represents the value of 50% of accelerated unvested performance-based equity granted September 2012 based upon a fair market price of $16.61 per Unit as of December 31, 2012.

(7) Represents the pro rata amount of Mr. Neral's signing bonus repayment requirement upon his voluntary termination for any reason within twelve months from his date of hire.

Robert F. Woods—Separation Payments and Benefits

In connection with Mr. Woods' voluntary resignation, effective as of July 1, 2012, Mr. Woods received (i) a lump sum cash payment of $26,284, of which $7,780 is a tax gross up, representing the Company's cost of Mr. Woods' current medical and dental coverage for a two year period, and (ii) $35,000 representing his accrued but unused vacation time.

Harold C. Finders—Potential Termination Payments and Benefits

Executive Benefits and Payment Upon Termination	Termination Without Cause or Resignation For Good Reason Without Change of Control	Termination For Cause; Resignation Without Good Reason	Termination Due to Sale of Business Employment Not Offered	Termination Without Cause or Resignation For Good Reason With Change of Control	Termination Due to Disability	Termination Due to Death
Compensation						
Base Salary & Target Incentive Bonus[1]	$3,244,487	—	$3,244,487	$3,244,487	—	—
Target Incentive Bonus of Year of Termination	$ 873,936	—	$ 873,936	$ 873,936	$ 873,936	$ 873,936
Time-Based Equity Awards[2]	—	—	$ 100,559	$1,218,000	—	$ 208,248
Performance-Based Equity Awards	$ 541,745[3]	—	$ 541,745[3]	$1,408,046[4]	$ 541,745[3]	$ 541,745[3]
Benefits & Perquisites:						
Health and Welfare Benefits[5]	$ 101,442	—	$ 101,442	$ 101,442	—	—
Disability Benefits[6]	—	—	—	—	$16,821,862	—
Death Benefits[7]	—	—	—	—	—	$3,060,961
Accrued Vacation Pay	$ 155,124	$155,124	$ 155,124	$ 155,124	$ 155,124	$ 155,124
Total:	$4,916,734	$154,124	$5,017,293	$7,001,035	$18,392,667	$4,840,014

(1) Consists of two times the sum of (a) 2012 base salary of $748,308 and (b) 2012 target incentive bonus of $873,936. Mr. Finders' payments would be in Swiss Francs (CHF). All amounts reported in the table have been converted into U.S. dollars at the December 31, 2012 currency exchange rate of 1.09242.

(2) Represents the value of applicable accelerated unvested time-based equity awards based upon a fair market price of $16.61 per Unit as of December 31, 2012. Excludes the value of underwater time-based options.

(3) Represents the value of the applicable accelerated earned and unvested portion of performance-based equity awards. Excludes the value of underwater performance-based options.

(4) For performance-based equity awards granted before June 2011, represents the value of accelerated unvested performance-based equity if the Sponsors receive an amount constituting at least 300% of their Investment and an IRR of 16% or higher. If the Sponsors receive less than 300% of their Investment or an amount constituting at least 300% of their Investment but less than 14% IRR, the performance-based equity will not accelerate. For performance-based equity awards granted in June 2011 and February 2012, represents the value of all unvested earned performance-based equity. Excludes the value of underwater performance-based options.

(5) Consists of two times the sum of (a) the Company's cost for Mr. Finders' medical benefits and (b) $17,500 in lieu of the Company's defined contribution pension plan contribution, life insurance and long-term disability coverage. The health and welfare benefits have been increased by a tax gross-up equal to the estimated taxes that would be imposed on such payments.

(6) Represents a lump sum payment upon disability due to an accident of $15,983,197 and the estimated present value of annual annuity payments to age 65 from insurance coverage for which the Company pays premiums. Upon disability due to sickness, Mr. Finders would receive annual annuity payments to age 65 but no lump sum payment and his children would receive an annual annuity until they reach the age of 25 (two and five years remaining).

(7) Represents a lump sum payment upon death due to an accident. Mr. Finders' spouse would also receive an annual annuity for life of $55,058 and each of his children would receive an annual annuity of $20,647 until they reach the age of 25 (two and five years remaining). Upon death due to sickness, Mr. Finders' estate would receive a smaller lump sum and his spouse and children would receive a larger annuity amount. Portions of the reported benefits payable upon Mr. Finders' death are financed by contributions made by Mr. Finders.

Andrew A. Stern—Potential Termination Payments and Benefits

Executive Benefits and Payment Upon Termination	Termination Without Cause or Resignation For Good Reason Without Change of Control	Termination Due to Retirement, Other Voluntary Termination or For Cause	Termination Without Cause or Resignation For Good Reason With Change of Control	Termination Due to Disability	Termination Due to Death
Compensation:					
Base Salary & Target Incentive Bonus[1]	$2,634,000	—	$2,634,000	—	—
Incentive Bonus of Year of Termination	$ 723,134	—	$ 723,134	$723,134	$ 723,134
Time-Based Equity Awards[2]	—	—	—	—	—
Benefits & Perquisites:					
Health and Welfare Benefits[3]	$ 23,938	—	$ 23,938	—	—
Life Insurance Proceeds	—	—	—	—	$1,000,000
Accrued Vacation Pay	$ 10,423	$10,423	$ 10,423	$ 10,423	$ 10,423
Excise Tax & Gross-Up	—	—	— [4]	—	—
Total:	$3,391,495	$10,423	$3,391,495	$733,557	$1,733,557

(1) Consists of two times the sum of (a) 2012 base salary of $542,000 and (b) 2012 target incentive bonus of $775,000.

(2) Mr. Stern is entitled to a cash payment upon a sale or other disposition of 80% or more of the AS business in exchange for the cancellation of his unvested time-based equity awards, as described above under Potential Payments Upon Termination or Change of Control—Andrew A. Stern.

(3) Consists of the sum of the Company's cost for Mr. Stern's medical, dental and vision coverage for one year. The health and welfare benefits have been increased by a tax gross-up equal to the estimated income and FICA tax that would be imposed on such payments.

(4) The Company and Mr. Stern have agreed to cooperate to obtain shareholder approval of any change of control payments that would otherwise be subject to excise tax under section 4999 of the Internal Revenue Code, so the estimates assume that no excise tax will apply.

Brian A. Traquair—Potential Termination Payments and Benefits

Executive Benefits and Payment Upon Termination	Termination Without Cause Without Change of Control	Termination For Cause; Resignation	Termination Due to Sale of Business Employment Not Offered	Termination Without Cause With Change of Control	Termination Due to Disability	Termination Due to Death
Compensation						
Base Salary & Target Incentive Bonus[1]	$1,790,919	—	$1,790,919	$1,790,919	—	—
Time-Based Equity Awards[2]	—	—	$ 47,787	$ 604,722	—	$ 156,176
Performance-Based Equity Awards[3]	$ 197,075	—	$ 197,075	$ 197,075	$197,075	$ 197,075
Benefits & Perquisites:						
Health and Welfare Benefits	$ 32,108[4]	—	$ 32,108[4]	$ 32,108[4]	$ 3,568[5]	—
Disability Benefits	—	—	—	—	$298,487[6]	—
Death Benefits	—	—	—	—	—	$1,000,000
Accrued Vacation Pay	$ 11,480	$11,480	$ 11,480	$ 11,480	$ 11,480	$ 11,480
Total:	$2,031,583	$11,480	$2,079,369	$2,636,304	$510,610	$1,364,731

(1) Consists of 18 months of the sum of (a) 2012 base salary of $596,973 and (b) 2012 target incentive bonus of $596,973. Mr. Traquair's payments would be in Canadian Dollars. All amounts reported in the table have been converted into U.S. dollars at the December 31, 2012 currency exchange rate of 1.00670.

(2) Represents the value of applicable accelerated unvested time-based equity awards based upon a fair market price of $16.61 per Unit as of December 31, 2012. Excludes the value of underwater time-based options.

(3) Represents the value of the applicable accelerated earned and unvested portion of performance-based equity awards based upon a fair market price of $16.61 per Unit as of December 31, 2012. Excludes the value of underwater performance-based options.

(4) Consists of 18 months of the sum of the Company's cost for Mr. Traquair's (i) medical, dental, long term disability, basic life & accidental death coverages, and (ii) pension contributions.

(5) Consists of the sum of the Company's cost for Mr. Traquair's (i) medical, dental, long term disability, basic life & accidental death coverages, and (ii)pension contributions for 2 months.

(6) Represents 26 weeks of 2012 base salary.

Director Compensation

None of our directors receive compensation for serving as directors, except James L. Mann, who resigned from the Boards in November 2012. Mr. Mann received annual director equity awards; he did not receive any cash director fees. On September 12, 2012, Mr. Mann was granted a time-based equity grant consisting of an RSU for 1,868 Units; however, the award was forfeited upon his resignation in accordance with the terms of the award. The following table contains for Mr. Mann compensation received during the year ended December 31, 2012 for serving as a director of the Company.

Name	Fees Earned or Paid in Cash ($)	Stock Awards[1] ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
James L. Mann	—	$37,248	—	—	—	—	$37,248

(1) Amount shown is the fair market value of RSUs granted and reflects the fair market value per Unit on the date of grant multiplied by the number of RSUs granted. The award was forfeited upon Mr. Mann's resignation in November 2012.

Compensation Committee Interlocks and Insider Participation

Our Compensation Committee is currently comprised of Mr. Greene, who was appointed to the Compensation Committee in 2005 in connection with the LBO, and Messrs. Gordon and Noell, who were each appointed to the Compensation Committee in 2012 replacing Mr. Marren, who became chairperson of the Audit Committee, and John Connaughton and Julie Richardson, who each resigned from the Boards in late 2012. None of these individuals has been at any time an officer or employee of our Company. During 2012, we had no compensation committee "interlocks" — meaning that it was not the case that an executive officer of ours served as a director or member of the compensation committee of another entity and an executive officer of the other entity served as a director or member of our Compensation Committee.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Equity Compensation Plan Information

There are no compensation plans under which our common stock is authorized for issuance. The following table contains certain information as of December 31, 2012 with respect to the SunGard 2005 Management Incentive Plan, as amended, under which equity in the Parent Companies is authorized for issuance.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options,Warrants and Rights (A)			Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights(B)	Number of Securities Remaining Available forIssuance Under Equity Compensation Plans(excluding SecuritiesReflected in Column (A))(C)		
	Shares of Class A Common Stock	Shares of Class L Common Stock	Shares of Preferred Stock		Shares of Class A Common Stock	Shares of Class L Common Stock	Shares of Preferred Stock
Equity compensation plans approved by security holders							
Options for Units	20,933,116	2,325,186	805,120	$14.01			
Restricted Stock Units	10,564,509	1,173,473	406,327	$22.09*	28,477,656	3,120,478	1,157,088
Options for Class A Common Stock	6,603,313			$ 1.71			
Equity compensation plans not approved by security holders	—	—	—	—	—	—	—
Total	38,100,937	3,498,659	1,211,447		28,477,656	3,120,478	1,157,088

* Value of RSUs as of date of grant.

Beneficial Ownership

All of our outstanding stock is beneficially owned by SCC and SCCII through its wholly owned subsidiaries. The following table presents information regarding beneficial ownership of the equity securities of SCC and SCCII as of March 1, 2013 by each person who is known by us to beneficially own more than 5% of the equity securities of SCC and SCCII, by each of our directors, by each of the named executives, and by all of our directors and executive officers as a group.

Name of Beneficial Owner	Number of Shares Beneficially Owned(1)			Percent of Classes(2)
	Class A Common	Class L Common	Preferred	
Bain Funds[3]	34,849,657	3,872,184	1,340,371	13.59%
Blackstone Funds[4]	34,849,657	3,872,184	1,340,371	13.59%
GS Limited Partnerships[5]	28,393,651	3,154,850	1,092,063	11.07%
KKR Funds[6]	34,849,657	3,872,184	1,340,371	13.59%
Providence Equity Funds[7]	21,295,238	2,366,138	819,048	8.30%
Silver Lake Funds[8]	34,488,546	3,832,061	1,326,483	13.45%
TPG Funds[9]	34,849,657	3,872,184	1,340,371	13.59%
Martin Brand[4][11] (director)	34,849,657	3,872,184	1,340,371	13.59%
Christopher Gordon[12] (director)	—	—	—	—
Harold C. Finders[10] (named executive)	784,615	81,762	28,302	—
Russell P. Fradin (director and named executive) [10]	440,290	48,921	16,934	—
James H. Greene, Jr.[13] (director)	—	—	—	—
Glenn H. Hutchins[8][14] (director)	34,488,546	3,832,061	1,326,483	13.45%
John Marren[15] (director)	—	—	—	—
Sanjeev Mehra[5][16] (director)	28,393,651	3,154,850	1,092,063	11.07%
Davis Noell[7][17] (director)	21,295,238	2,366,138	819,048	8.30%
Brian A. Traquair[10] (named executive)	267,943	21,810	7,550	—
Andrew A. Stern[10] (named executive)	299,103	10,244	3,546	—
Charles J. Neral[10] (named executive)	24,450	2,717	940	—
Robert F. Woods[10] (named executive)	—	—	—	—
All 17 directors and current executive officers as a group[10][11][12][13][14][15][16][17][18]	121,405,110	13,446,012	4,654,388	47.19%

(1) Includes shares held in the beneficial owner's name or jointly with others, or in the name of a bank, nominee or trustee for the beneficial owner's account. Unless otherwise indicated in the footnotes to this table and subject to community property laws where applicable, we believe that each stockholder named in this table has sole voting and investment power with respect to the shares indicated as beneficially owned. Class A shares of common stock of SCC, Class L shares of common stock of SCC and preferred shares of SCCII are referred to in the notes to this table as, respectively, Class A shares, Class L shares and preferred shares.

(2) Unless otherwise indicated, the beneficial ownership of any named person does not exceed, in the aggregate, one percent of the outstanding equity securities of SCC and SCCII Corp. II on March 1, 2013, as adjusted as required by applicable rules.

(3) Includes (i) 34,693,273 Class A shares, 3,801,832 Class L shares and 1,313,076 preferred shares held by Bain Capital Integral Investors, LLC ("Bain Integral"), whose administrative member is Bain Capital Investors, LLC ("BCI"); and (ii) 156,384 Class A shares, 70,352 Class L shares and 27,295 preferred shares held by BCIP TCV, LLC ("BCIP TCV" and, together with Bain Integral, the "Bain Funds"), whose

administrative member is BCI. The address of each of the entities listed in this footnote is c/o Bain Capital, LLC, John Hancock Tower, 200 Clarendon Street, 111 Huntington Avenue, Boston, Massachusetts 02199.

(4) Includes (i) 18,317,228 Class A shares, 2,035,248 Class L shares and 704,509 preferred shares held by Blackstone Capital Partners IV L.P. ("BCP IV"), whose general partner is Blackstone Management Associates IV L.L.C. ("BMA IV"); (ii) 289,253 Class A shares, 32,139 Class L shares and 11,125 preferred shares held by Blackstone Capital Partners IV-A L.P. ("BCP IV-A"), whose general partner is BMA IV; (iii) 810,541 Class A shares, 90,060 Class L shares and 31,175 preferred shares held by Blackstone Family Investment Partnership IV-A L.P. ("BFIP IV-A"), whose general partner is BMA IV; (iv) 66,204 Class A shares, 7,356 Class L shares and 2,546 preferred shares held by Blackstone Participation Partnership IV L.P. ("BPP IV"), whose general partner is BMA IV; (v) 14,444,444 Class A shares, 1,604,938 Class L shares and 555,556 preferred shares held by Blackstone GT Communications Partners L.P. ("BGTCP"), whose general partner is Blackstone Communications Management Associates I L.L.C. ("BCMA IV"); and (vi) 921,986 Class A shares, 102,443 Class L shares and 35,461 preferred shares held by Blackstone Family Communications Partnership L.P. ("BFCP" and, collectively with BCP IV, BCP IV-A, BFIP IV-A, BPP IV and BGTCP, the "Blackstone Funds"), whose general partner is BCMA IV. Messrs. Peter G. Peterson and Stephen A. Schwarzman are the founding members of BMA IV and BCMA IV and as such may be deemed to share beneficial ownership of the shares held or controlled by the Blackstone Funds. Each of BMA IV and BCMA IV and Messrs. Peterson and Schwarzman disclaims beneficial ownership of such shares. The address of each of the entities listed in this footnote is c/o The Blackstone Group, L.P., 345 Park Avenue, New York, New York 10154.

(5) The Goldman Sachs Group, Inc., which we refer to as GS Group, Goldman, Sachs & Co., which we refer to as Goldman Sachs, and certain of their affiliates may be deemed to own beneficially and indirectly Class A shares, Class L shares and preferred shares which are owned directly or indirectly by investment partnerships of which affiliates of Goldman Sachs and GS Group are the general partner, managing limited partner or managing partner. We refer to these investment partnerships as the GS Limited Partnerships. Goldman Sachs is an affiliate of each of, and investment manager for certain of, the GS Limited Partnerships. GS Group, Goldman, Sachs and the GS Limited Partnerships share voting power and investment power with certain of their respective affiliates. The GS Limited Partnerships and their respective beneficial ownership of shares of SCC and SCC II include: (i) 8,034,125 Class A shares, 892,681 Class L shares and 309,005 preferred shares held by GS Capital Partners 2000, L.P.; (ii) 2,552,674 Class A shares, 283,630 Class L shares and 98,180 preferred shares held by GS Capital Partners 2000 Employee Fund, L.P.; (iii) 2,919,293 Class A shares, 324,366 Class L shares and 112,281 preferred shares held by GS Capital Partners 2000 Offshore, L.P.; (iv) 354,921 Class A shares, 39,436 Class L shares and 13,651 preferred shares held by Goldman Sachs Direct Investment Fund 2000, L.P.; (v) 335,812 Class A shares, 37,312 Class L shares and 12,916 preferred shares held by GS Capital Partners 2000 GmbH & Co. Beteiligungs KG; (vi) 7,475,480 Class A shares, 830,609 Class L shares and 287,518 preferred shares held by GS Capital Partners V Fund, L.P.; (vii) 3,861,537 Class A shares, 429,060 Class L shares and 148,521 preferred shares held by GS Capital Partners V Offshore Fund, L.P.; (viii) 296,373 Class A shares, 32,930 Class L shares and 11,399 preferred shares held by GS Capital Partners V GmbH & Co. KG; and (ix) 2,563,436 Class A shares, 284,826 Class L shares and 98,594 preferred shares held by GS Capital Partners V Institutional, L.P. Each of Goldman Sachs and GS Group disclaims beneficial ownership of the shares owned directly and indirectly by the GS Limited Partnerships, except to the extent of their pecuniary interest therein, if any. The address for GS Group, Goldman Sachs and the GS Limited Partnerships is 200 West Street, New York, New York 10282.

(6) Includes (i) 33,937,852 Class A shares, 3,770,872 Class L shares and 1,305,302 preferred shares held by KKR Millennium Fund L.P. ("KKR Millennium Fund"), whose general partner is KKR Associates Millennium L.P., whose general partner is KKR Millennium GP LLC; and (ii) 911,806 Class A shares, 101,312 Class L shares and 35,069 preferred shares held by KKR Partners III, L.P. ("KKR III" and, together with KKR Millennium Fund, the "KKR Funds"), whose general partner is KKR III GP LLC. The address of each of the entities listed in this footnote is c/o Kohlberg Kravis Roberts & Co. L.P., 9 West 57th Street, New York, New York 10019.

(7) Includes (i) 18,390,397 Class A shares, 2,043,377 Class L shares and 707,323 preferred shares held by Providence Equity Partners V LP ("PEP V"), whose general partner is Providence Equity GP V LP, whose general partner is Providence Equity Partners V L.L.C. ("PEP V LLC"); and (ii) 2,904,841 Class A shares, 322,760 Class L shares and 111,725 preferred shares held by Providence Equity Partners V-A LP ("PEP V-A" and, together with PEP V, the "Providence Equity Funds"), whose general partner is Providence Equity GP V LP, whose general partner is PEP V LLC. PEP V LLC may be deemed to share beneficial ownership of the shares owned by PEP V and PEP V-A. PEP V LLC disclaims this beneficial ownership. Messrs. Angelakis, Creamer, Masiello, Mathieu, Nelson, Pelson and Salem are members of PEP V LLC and may also be deemed to possess indirect beneficial ownership of the securities owned by the Providence Equity Funds, but disclaim such beneficial ownership. The address of each of the entities listed in this footnote is c/o Providence Equity Partners Inc., 50 Kennedy Plaza, 18th Floor, Providence, Rhode Island 02903.

(8) Includes (i) 34,440,889 Class A shares, 3,826,765 Class L shares and 1,324,650 preferred shares held by Silver Lake Partners II, L.P. ("SLP II"), whose general partner is Silver Lake Technology Associates II, L.L.C. ("SLTA II"); and (ii) 47,657 Class A shares, 5,295 Class L shares and 1,833 preferred shares held by Silver Lake Technology Investors II, L.P. ("SLTI II" and, together with SLP II, the "Silver Lake Funds"), whose general partner is SLTA II. The address of each of the entities listed in this footnote is c/o Silver Lake, 9 West 57th Street, 32nd Floor, New York, New York 10019.

(9) Includes (i) 20,745,833 Class A shares, 2,305,093 Class L shares and 797,917 preferred shares held by TPG Partners IV, L.P. ("Partners IV"), whose general partner is TPG GenPar IV, L.P. ("GenPar IV"), whose general partner is TPG GenPar IV Advisors, LLC ("Advisors IV"), whose managing member is TPG Holdings I, L.P., whose general partner is TPG Holdings I-A, LLC, whose sole member is TPG Group Holdings (SBS), L.P., whose sole general partner is TPG Group Holdings (SBS) Advisors, Inc., a Delaware corporation ("Group Advisors"); (ii) 2,349,389 Class A shares, 261,043 Class L shares and 90,361 preferred shares held by T3 Partners II, L.P. ("T3 Partners II"), whose general partner is T3 GenPar II, L.P. ("T3 GenPar II"), whose general partner is T3 Advisors II, Inc. ("T3 Advisors II"); (iii) 377,000 Class A shares, 41,889 Class L shares and 14,500 preferred shares held by T3 Parallel II, L.P. ("T3 Parallel II"), whose general partner is T3 GenPar II; (iv) 5,416,667 Class A shares, 601,852 Class L shares and 208,333 preferred shares held by TPG Solar III LLC ("Solar III"), whose managing member is TPG Partners III, L.P., whose general partner is TPG GenPar III, L.P., whose general partner is TPG Advisors III, Inc. ("Advisors III"); and (v) 5,960,768 Class A shares, 662,308 Class L shares and 229,260 preferred shares held by TPG Solar Co-Invest LLC ("Solar Co-Invest" and, collectively with Partners IV, T3 Partners II, T3 Parallel II and Solar III, the "TPG Funds"), whose managing member is GenPar IV. David Bonderman and James G. Coulter are officers, directors, and sole shareholders of Group Advisors, T3 Advisors II and TPG Advisors III and may therefore be deemed to beneficially own the shares held by the TPG Funds. Messrs. Bonderman and Coulter disclaim beneficial ownership of the shares held by the TPG Funds except to the extent of their pecuniary interest therein. The address of TPG Funds and Messrs. Bonderman and Coulter is c/o TPG Global, LLC, 301 Commerce Street, Fort Worth, Texas 76102.

(10) Includes the following shares which the beneficial owner has the right to acquire within 60 days after March 1, 2013 by stock option exercise or RSU distribution:

Beneficial Owner	Shares of Class A Common Stock	Shares of Class L Common Stock	Shares of Preferred Stock
Harold C. Finders	673,393	69,404	24,024
Russell P. Fradin	133,033	14,781	5,117
Brian A. Traquair	247,151	19,500	6,750
Andrew A. Stern	299,103	10,244	3,546
Charles J. Neral	24,450	2,717	940
Robert F. Woods	—	—	—
All 17 directors and current executive officers as a group	1,934,662	171,517	59,371

(11) Mr. Brand, a director of the Parent Companies and SunGard, is a managing director of The Blackstone Group, L.P. Amounts disclosed for Mr. Brand are also included above in the amounts disclosed in the table next to "Blackstone Funds." Mr. Brand disclaims beneficial ownership of any shares owned directly or indirectly by the Blackstone Funds, except to the extent of his pecuniary interest therein. Mr. Brand does not have sole voting or investment power with respect to the shares owned by the Blackstone Funds.

(12) BCI is controlled by an Investment Committee comprised of the following Managing Directors of Bain Capital: Andrew Balson, Steven Barnes, Joshua Bekenstein, John Connaughton, Todd Cook, Paul Edgerley, Christopher Gordon, Blair Hendrix, Jordan Hitch, Matthew Levin, Ian Loring, Philip Loughlin, Mark Nunnelly, Stephen Pagliuca, Ian Reynolds, Mark Verdi, Michael Ward and Stephen Zide. Because investment and voting decisions at BCI are made jointly by Managing Directors of the entity, no individual Managing Director of BCI is the beneficial owner of the securities, except with respect to the shares in which such member holds a pecuniary interest. Mr. Gordon, a director of the Parent Companies and SunGard, is a Managing Director of Bain Capital Partners, LLC and may therefore be deemed to beneficially own the amounts disclosed in the table next to "Bain Funds." Mr. Gordon disclaims beneficial ownership of any shares owned directly or indirectly by the Bain Funds, except to the extent of his pecuniary interest therein.

(13) Mr. Greene, a director of the Parent Companies and SunGard, is an advisory partner of Kohlberg Kravis Roberts & Co. L.P. and/or one or more of its affiliates. Mr. Greene disclaims beneficial ownership of any shares owned directly or indirectly by the KKR Funds, except to the extent of his pecuniary interest therein.

(14) Mr. Hutchins, a director of the Parent Companies and SunGard, is a managing director of SLTA II. Amounts disclosed for Mr. Hutchins are also included above in the amounts disclosed in the table next to "Silver Lake Funds." Mr. Hutchins disclaims beneficial ownership of any shares owned directly or indirectly by the Silver Lake Funds, except to the extent of his pecuniary interest therein.

(15) Mr. Marren, a director of the Parent Companies and SunGard, is a senior partner of TPG Capital, L.P., an affiliate of the TPG Funds. Mr. Marren does not have voting or investment power over, and disclaims beneficial ownership of, the shares held by the TPG Funds.

(16) Mr. Mehra, a director of the Parent Companies and SunGard, is a managing director of Goldman Sachs. Amounts disclosed for Mr. Mehra are also included above in the amounts disclosed in the table next to "GS Limited Partnerships." Mr. Mehra disclaims beneficial ownership of any shares owned directly or indirectly by the GS Limited Partnerships, except to the extent of his pecuniary interest therein.

(17) Mr. Noell, a director of the Parent Companies and SunGard, is a Principal of Providence Equity L.L.C., an affiliate of the Providence Equity Funds. Amounts disclosed for Mr. Noell are also included above in the amounts disclosed in the table next to "Providence Equity Funds." Mr. Noell disclaims beneficial ownership of any shares owned directly or indirectly by the Providence Equity Funds, except to the extent of his pecuniary interest therein.

(18) Excluding shares beneficially owned by Messrs. Brand, Hutchins, Mehra and Noell the number of shares beneficially owned by all directors and executive officers as a group is as follows: Class A shares—2,378,018; Class L shares—220,779; preferred shares—76,423; percent of classes—does not exceed, in the aggregate, one percent.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Pursuant to our Global Business Conduct and Compliance Program, all employees and directors (including our named executives) who have, or whose immediate family members have, any financial interests in other entities where such involvement is or may appear to cause a conflict of interest situation are required to report to us the conflict. If the conflict involves a director or executive officer or is considered material, the situation will be reviewed by the Compliance Committee. The Compliance Committee will then consult with the Audit

Committee and determine whether a conflict exists or will exist, and if so, what action should be taken to resolve the conflict or potential conflict. In other cases, conflicts are reviewed and resolved by the Compliance Committee. Additionally, in connection with the LBO, the Company's four parent companies and the Sponsors entered into a principal investor agreement which requires affiliated party transactions involving the Sponsors to be approved by the majority of Sponsors not involved in the affiliated party transaction.

Other than as described under this heading, the Company has not adopted any formal policies or procedures for the review, approval or ratification of certain related-party transactions that may be required to be reported under the SEC disclosure rules. Such transactions, if and when they are proposed or have occurred, have traditionally been (and will continue to be) reviewed by the Audit Committee (other than the committee members involved, if any) on a case-by-case basis.

On August 11, 2005, upon completion of the LBO, the Company and its four parent companies entered into a management agreement with affiliates of each of the Sponsors pursuant to which such entities or their affiliates will provide management consulting services, including financial, managerial and operational advice and implementation of strategies for improving the operating, marketing and financial performance of the Company and its subsidiaries. Under the management agreement, affiliates of the Sponsors receive quarterly annual management fees equal to 1% of the Company's quarterly "EBITDA," as defined in the Indenture dated August 11, 2005 governing the senior notes due 2013 (but assuming the management fee had not been paid for purposes of such calculation), and reimbursement for out-of-pocket expenses incurred by them or their affiliates in connection with the provision of management consulting services pursuant to the agreement. For the years ended December 31, 2010, 2011 and 2012, the Company recorded $16 million, $12 million and $14 million, respectively, relating to management fees in continuing operations. In addition, for the years ended December 31, 2010, 2011 and 2012, the Company recorded $2 million, $1 million and $18 million, respectively, relating to management fees in discontinued operations.

In the event that the management agreement is terminated, the Sponsors will receive a lump sum payment equal to the present value of the annual management fees that would have been payable for the remainder of the term of the management agreement. The initial term of the management agreement is ten years, and it extends annually for one year unless the Sponsors or the Company and its parent companies provide notice to the other. Finally, the management agreement provides that affiliates of the Sponsors will be entitled to receive a fee equal to 1% of the gross transaction value in connection with certain subsequent financing, acquisition, disposition and change of control transactions in excess of a threshold amount.

Our Sponsors and/or their respective affiliates have from time to time entered into, and may continue to enter into, arrangements with us to use our products and services, or for us to use the Sponsors affiliates' products and services, in the ordinary course of business, which often result in revenues or costs to SunGard in excess of $120,000 annually.

In March 2012, Goldman Sachs & Co. ("GS") received fees of $1,446,000 in connection with amendments to our senior secured credit agreement. In November 2012, GS received fees of $984,000 in connection with the issuance of our senior subordinated notes due 2019, and in December 2012, GS received fees of $521,000 in connection with amendments to our senior secured credit agreement.

Effective February 16, 2007, we entered into a three-year participation agreement with one-year renewal terms ("participation agreement") with Core Trust Purchasing Group, a division of HealthTrust Purchasing Corporation ("CPG"), designating CPG as our exclusive "group purchasing organization" for the purchase of certain products and services from third party vendors. CPG secures from vendors pricing terms for goods and services that are believed to be more favorable than participants in the group purchasing organization could obtain for themselves on an individual basis. Under the participation agreement, we must purchase 80% of the requirements of our participating locations for core categories of specified products and services, from vendors participating in the group purchasing arrangement with CPG, which for 2012 was $9,383,000, or CPG may terminate the contract. In connection with purchases by its participants (including us), CPG receives a commission from the vendors in respect of such purchases. Although CPG is not affiliated with Blackstone, in

consideration for Blackstone's facilitating our participation in CPG and monitoring the services CPG provides to us, CPG remits a portion of the commissions received from vendors in respect of our purchases under the participation agreement to an affiliate of Blackstone, with whom Martin Brand, a member of our Boards of Directors, is affiliated and in which he may have an indirect pecuniary interest.

DIRECTOR INDEPENDENCE

SCC, SCCII and SunGard are privately-held corporations and therefore are not required to have independent directors. Our Sponsor Directors may not be considered independent because of their affiliations with funds which hold more than 5% equity interests in the Parent Companies. Mr. Fradin is not an independent director because he is currently employed by the Company.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Auditors' Fees

The following table shows the fees for professional audit services rendered by PricewaterhouseCoopers LLP for the audit of our annual financial statements and review of our interim financial statements for 2011 and 2012, and fees for other services rendered by PricewaterhouseCoopers LLP for 2011 and 2012.

Fees	2011	2012
Audit fees[1]	$7,347,000	$ 7,631,000
Audit-related fees[2]	$1,252,000	$ 3,516,000
Tax fees[3]	$ 793,000	$ 870,000
All other fees[4]	$ 242,000	$ 101,000
Total Fees	$9,634,000	$12,118,000

(1) In 2011, consists of services rendered in connection with the audit of our annual financial statements ($3,718,000), other SEC filings ($119,000) and certain broker/dealer audits and statutory audits ($3,510,000). In 2012, consists of services rendered in connection with the audit of our annual financial statements ($4,190,000), other SEC filings ($146,000) and certain broker/dealer audits and statutory audits ($3,295,000).

(2) Consists of Statement on Standards for Attestation Engagements (SSAE) No. 16 data center audit fees, savings plan audits and special audits.

(3) Consists of worldwide tax services primarily related to income tax return preparation and related matters.

(4) Consists of other IT-related services, transaction due diligence fees, and accounting research software fees.

Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Registered Public Accounting Firm

The Audit Committee pre-approves all audit and permissible non-audit services provided by our independent registered public accounting firm. These services may include audit services, audit-related services, tax services and other services. The Audit Committee has adopted policies and procedures for the pre-approval of services provided by our independent registered public accounting firm. The policies and procedures provide that management and our independent registered public accounting firm jointly submit to the Audit Committee a schedule of audit and non-audit services for approval as part of the annual plan for each year. In addition, the policies and procedures provide that the Audit Committee may also pre-approve particular services not in the annual plan on a case-by-case basis. For each proposed service, management must provide a detailed description of the service and the projected fees and costs (or a range of such fees and costs) for the service. The policies and procedures require management and our independent registered public accounting firm to provide quarterly updates to the Audit Committee regarding services rendered to date and services yet to be performed.

The Audit Committee may delegate pre-approval authority for audit and non-audit services to one or more of its members, who can pre-approve services up to a maximum fee of $50,000. Any such pre-approved service must be reported to the Audit Committee at the next scheduled quarterly meeting.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)(1) Financial Statements

See ITEM 8—FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

(a)(2) Financial Statement Schedules

None.

(a)(3) Exhibits

The Exhibits that are incorporated by reference in this Report or are filed with this Report are listed in the LIST OF EXHIBITS following the signature page of this Report.

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, each of the registrants has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SUNGARD CAPITAL CORP.
SUNGARD CAPITAL CORP. II
SUNGARD DATA SYSTEMS INC.

Date: March 20, 2013

By: /s/ RUSSELL P. FRADIN
Russell P. Fradin,
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the registrants and in the capacities and on the dates indicated.

Signature	Capacity	Date
/s/ RUSSELL P. FRADIN **Russell P. Fradin**	President, Chief Executive Officer and Director (principal executive officer)	March 20, 2013
/s/ Charles J. Neral **Charles J. Neral**	Senior Vice President-Finance and Chief Financial Officer (principal financial officer)	March 20, 2013
/s/ KAREN M. MULLANE **Karen M. Mullane**	Vice President and Controller (principal accounting officer)	March 20, 2013
/s/ Martin Brand **Martin Brand**	Director	March 20, 2013
/s/ Christopher Gordon **Christopher Gordon**	Director	March 20, 2013
/s/ JAMES H. GREENE, JR. **James H. Greene, Jr.**	Director	March 20, 2013
/s/ GLENN H. HUTCHINS **Glenn H. Hutchins**	Chairman of the Board of Directors	March 20, 2013
/s/ JOHN MARREN **John Marren**	Director	March 20, 2013
/s/ SANJEEV MEHRA **Sanjeev Mehra**	Director	March 20, 2013
/s/ R. Davis Noell **R. Davis Noell**	Director	March 20, 2013

List of Exhibits

NUMBER	DOCUMENT
2.1	Agreement and Plan of Merger, dated as of August 4, 2011, by and among SunGard Capital Corp., SunGard Data Systems Inc., SunGard Investment Ventures LLC, SunGard Higher Education Inc., Sophia Holding I, L.P., Sophia Holding II, L.P., Sophia, L.P., Sophia Purchaser Company, L.P., Sophia HE Merger Sub, Inc. and Datatel Parent Corp. (incorporated by reference to the Exhibits filed on SunGard's Current Report on Form 8-K dated August 4, 2011 and filed August 10, 2011 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).
2.2	Asset Purchase Agreement, dated as of August 4, 2011, by and among SunGard Data Systems Inc., SunGard Higher Education Inc., Sophia, L.P. and Sophia Purchaser Company, L.P. (incorporated by reference to the Exhibits filed on SunGard's Current Report on Form 8-K dated August 4, 2011 and filed August 10, 2011 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).
3.1	Amended and Restated Certificate of Incorporation of SunGard (incorporated by reference to the Exhibits filed with SunGard's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2005 (Commission File No. 1-12989)).
3.2	Amended and Restated Bylaws of SunGard (incorporated by reference to the Exhibits filed with SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 2007 (Commission File No. 1-12989)).
3.3	Second Amended and Restated Certificate of Incorporation of SunGard Capital Corp. (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Current Report on Form 8-K dated November 7, 2012 and filed November 13, 2012 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).
3.4	Amended and Restated Bylaws of SunGard Capital Corp. (incorporated by reference to the Exhibits filed with SunGard Capital Corp.'s Registration Statement on Form 10-12G filed on April 30, 2009 (Commission File No. 000-53653)).
3.5	Second Amended and Restated Certificate of Incorporation of SunGard Capital Corp. II (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Current Report on Form 8-K dated December 17, 2012 and filed December 20, 2012 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).
3.6	Amended and Restated Bylaws of SunGard Capital Corp. II (incorporated by reference to the Exhibits filed with SCCII's Registration Statement on Form 10-12G filed on April 30, 2009 (Commission File No. 000-53654)).
4.1	Indenture dated January 15, 2004 between SunGard and The Bank of New York, as trustee (incorporated by reference to the Exhibits filed with SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 2003 (Commission File No. 1-12989)).
4.2	Indenture, dated as of November 16, 2010, among SunGard Data Systems Inc., Guarantors named therein and The Bank of New York Mellon, as Trustee, governing the 7.375% Senior Notes (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Current Report on Form 8-K dated November 15, 2010 and filed November 16, 2010 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).
4.3	Indenture, dated as of November 16, 2010, among SunGard Data Systems Inc., Guarantors named therein and The Bank of New York Mellon, as Trustee, governing the 7.625% Senior Notes (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Current Report on Form 8-K dated November 15, 2010 and filed November 16, 2010 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).

NUMBER	DOCUMENT
4.4	Indenture, dated as of November 1, 2012, among SunGard Data Systems Inc., Guarantors named therein and the Bank of New York Mellon, as Trustee, governing the 6.625% Senior Subordinated Notes due 2019 (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Current Report on Form 8-K dated November 1, 2012 and filed November 7, 2012 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).
4.5	Registration Rights Agreement, dated as of November 1, 2012, among SunGard Data Systems Inc., Guarantors named therein and CitiGroup Global Markets Inc. as Representative for the Initial Purchasers and Goldman, Sachs & Co. relating to the 6.625% Senior Subordinated Notes due 2019 (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Current Report on Form 8-K dated November 1, 2012 and filed November 7, 2012 (Commission File No.'s 000-53653, 000-53654 and 1-12989, respectively)).
10.1	Lease, dated April 12, 1984, between SunGard and Broad and Noble Associates, Inc., relating to SunGard's facility at 401 North Broad Street, Philadelphia, Pennsylvania, and Amendments thereto, dated October 18, 1989, September 30, 1991 and November 19, 1992 ("401 Lease") (incorporated by reference to the Exhibits filed with SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 1992 (Commission File No. 0-14232)).
10.2	Amendment to 401 Lease, dated October 9, 1995 (incorporated by reference to the Exhibits filed with SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 1995 (Commission File No. 0-14232)).
10.3	Amendment to 401 Lease, dated December 23, 1996 (incorporated by reference to the Exhibits filed with SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 1996 (Commission File No. 0-14232)).
10.4	Amendment to 401 Lease, dated March 1997 (incorporated by reference to the Exhibits filed with SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 1997 (Commission File No. 1-12989)).
10.5	Amendment to 401 Lease, dated December 18, 1997 (incorporated by reference to the Exhibits filed with SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 1997 (Commission File No.1-12989)).
10.6	Amendment to 401 Lease, dated June 9, 1999 (incorporated by reference to the Exhibits filed with SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 1999 (Commission File No. 1-12989)).
10.7	Amendment to 401 Lease, dated June 29, 2000 (incorporated by reference to the Exhibits filed with SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 2000 (Commission File No. 1-12989)).
10.8	Amendment to 401 Lease, dated March 31, 2006 (incorporated by reference to the Exhibits filed with SunGard's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2006 (Commission File No. 1-12989)).
10.9†	Lease, effective January 1, 2010 and dated November 20, 2009, between SunGard and Callowhill Management, Inc. relating to SunGard's facility at 401 North Broad Street, Philadelphia, Pennsylvania (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 2009 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively).

NUMBER	DOCUMENT
10.10	October 1999 Lease by and between Russo Family Limited Partnership and SunGard (as successor to Comdisco, Inc.); Amendment to Lease Agreement, dated November 15, 2001, by and between Russo Family Limited Partnership and SunGard; and Lease Assignment and Assumption Agreement, dated November 15, 2001, between Comdisco, Inc. and SunGard (each relating to SunGard's facility at 777 Central Boulevard, Carlstadt, New Jersey) (incorporated by reference to the Exhibits filed with SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 2001 (Commission File No. 1-12989)).
10.11	Amended and Restated Lease Agreement, dated November 23, 2009, by and between Russo Family Limited Partnership, L.P. and SunGard relating to SunGard's facility at 777 Central Boulevard, Carlstadt, New Jersey (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 2009 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively).
10.12	August 2002 Lease Agreement between 760 Washington Avenue, L.L.C. and SunGard relating to SunGard's facility at 760 Washington Avenue, Carlstadt, New Jersey ("760 Washington Lease") (incorporated by reference to the Exhibits filed with SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 2002 (Commission File No. 1-12989)).
10.13	Amendment to 760 Washington Lease, dated May 16, 2003 (incorporated by reference to the Exhibits filed with SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 2003 (Commission File No.1-12989)).
10.14	Amended and Restated Lease Agreement, dated November 23, 2009, by and between 760 Washington Avenue, L.L.C. and SunGard relating to SunGard's facility at 760 Washington Avenue, Carlstadt, New Jersey (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 2009 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).
10.15	January 2005 Lease Agreement between 410 Commerce L.L.C. and SunGard relating to SunGard's facility at 410 Commerce Boulevard, Carlstadt, New Jersey ("410 Commerce Boulevard Lease") (incorporated by reference to the Exhibits filed with SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 2004 (Commission File No. 1-12989)).
10.16	Amendment to 410 Commerce Boulevard Lease, dated November 23, 2009 (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 2009 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).
10.17	Amended and Restated Credit Agreement, dated as of August 11, 2005, as amended and restated as of June 9, 2009, as further amended by the First Refinancing Amendment dated as of January 31, 2011, as further amended by the Second Refinancing and Incremental Amendment dated as of March 11, 2011, as further amended by the Third Amendment dated as of November 10, 2011, as further amended by the Fourth Amendment and Restatement Agreement dated as of March 2, 2012, as further amended by the Fifth Amendment and Restatement Agreement dated as of December 17, 2012, and as further amended by the Sixth Amendment and Restatement Agreement dated as of March 8, 2013 among SunGard Data Systems Inc., SunGard Holdco LLC, JPMorgan Chase Bank, N.A., as Administrative Agent, and the lenders party thereto. (incorporated by reference to the Exhibit filed on SCC's, SCCII's and SunGard's Current Report on Form 8-K dated March 8, 2013 and filed March 14, 2013 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).
10.18	Guarantee Agreement, dated as of August 11, 2005, among SunGard Holdco LLC, SunGard Data Systems Inc., Solar Capital Corp., the Subsidiaries of SunGard Data Systems Inc. identified therein and JPMorgan Chase Bank, N.A., as Administrative Agent (incorporated by reference to the Exhibits filed with SunGard's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2005 (Commission File No. 1-12989)).

NUMBER	DOCUMENT
10.19	Security Agreement, dated as of August 11, 2005, among SunGard Holdco LLC, SunGard Data Systems Inc., Solar Capital Corp., the Subsidiaries of SunGard Data Systems Inc. identified therein and JPMorgan Chase Bank, N.A., as Collateral Agent (incorporated by reference to the Exhibits filed with SunGard's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2005 (Commission File No. 1-12989)).
10.20	Intellectual Property Security Agreement, dated as of August 11, 2005, among SunGard Holdco LLC, SunGard Data Systems Inc., Solar Capital Corp., the Subsidiaries of SunGard Data Systems Inc. identified therein and JPMorgan Chase Bank, N.A., as Collateral Agent (incorporated by reference to the Exhibits filed with SunGard's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2005 (Commission File No. 1-12989)).
10.21	Second Amended and Restated Credit and Security Agreement, dated as of December 19, 2012, by and among SunGard AR Financing LLC as the Borrower, the financial institutions party thereto from time to time as the Lenders, and General Electric Capital Corporation as a Lender, Swing Line Lender and Administrative Agent. (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Current Report on Form 8-K dated December 17, 2012 and filed December 20, 2012 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).
10.22	Receivables Sale Agreement, dated as of March 27, 2009, by and among each of the persons signatory thereto from time to time as Sellers, SunGard AR Financing LLC as the Buyer, and SunGard Data Systems Inc., as the Seller Agent (incorporated by reference to the Exhibits filed with SunGard's Current Report on Form 8-K dated March 27, 2009 and filed on April 2, 2009 (Commission File No. 1-12989)).
10.23	Seller Support Agreement, dated as of March 27, 2009, by SunGard Data Systems Inc., in favor of SunGard AR Financing LLC (incorporated by reference to the Exhibits filed with SunGard's Current Report on Form 8-K dated March 27, 2009 and filed on April 2, 2009 (Commission File No. 1-12989)).
10.24(1)	Form of Executive Employment Agreement, effective as of August 11, 2005, between SunGard Data Systems Inc. and certain executive officers of SunGard Data Systems Inc. (incorporated by reference to the Exhibits filed with SunGard's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2005 (Commission File No. 1-12989)).
10.25(1)	Form of Executive Employment Agreement, effective as of August 11, 2005, between SunGard Data Systems Inc. and certain executive officers of SunGard Data Systems Inc. located in California, the United Kingdom and Switzerland employed by a subsidiary of SunGard Data Systems Inc. (incorporated by reference to the Exhibits filed with SunGard's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2005 (Commission File No. 1-12989)).
10.26(1)	Employment Agreement between Karen Mullane and SunGard Data Systems Inc., dated and effective as of December 29, 2009 (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 2009 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).
10.27(1)	Employment Agreement between Robert Woods and SunGard Data Systems Inc., effective as of January 1, 2010 (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Current Report on Form 8-K dated December 16, 2009 and filed on December 22, 2009 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).
10.28(1)	Amendment dated May 17, 2011 to the Employment Agreement by and between SunGard Data Systems Inc. and Robert Woods effective as of January 1, 2010 (incorporated by reference to the Exhibit filed with SCC's, SCCII's and SunGard's Current Report on Form 8-K dated May 17, 2011 and filed on May 23, 2011 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).

NUMBER	DOCUMENT
10.29(1)	Letter Agreement dated June 26, 2012 between Robert Woods and SunGard Data Systems Inc. (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2012 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).
10.30(1)	Employment Agreement between Andrew Stern and SunGard Data Systems Inc., SunGard Capital Corp. and SunGard Capital Corp. II, effective as of June 1, 2010 and forms of initial equity awards granted to Andrew Stern on June 21, 2010 included as Exhibits A and B (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2010 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).
10.31(1)†	Employment Agreement by and among Russell Fradin, SunGard Data Systems Inc., SunGard Capital Corp. and SunGard Capital Corp. II, dated May 13, 2011 and effective as of May 31, 2011 (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2011 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).
10.32(1)	Employment Agreement between Vincent Coppola and SunGard Data Systems Inc., dated and effective as of dated and effective as of October 16, 2011 (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2012 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).
10.33(1)	Employment Agreement by and between SunGard Data Systems Inc. and Charles Neral effective as of July 2, 2012 (incorporated by reference to the Exhibit filed with SCC's, SCCII's and SunGard's Current Report on Form 8-K dated June 8, 2012 and filed on June 14, 2012 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).
10.34*(1)	Employment Agreement between Anthony Calenda and SunGard Data Systems Inc., dated and effective as of August 1, 2012 (filed with this Report).
10.35*(1)	Employment Agreement between Regina Brab and SunGard Data Systems Inc., dated and effective as of January 30, 2013 (filed with this Report).
10.36*(1)	SunGard 2005 Management Incentive Plan as Amended and Restated February 13, 2013 (filed with this Report).
10.37(1)	SunGard Dividend Rights Plan as Amended September 6, 2007 (incorporated by reference to the Exhibits filed with SunGard's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2007 (Commission File No. 1-12989)).
10.38(1)	Forms of Rollover Stock Option Award Agreements (incorporated by reference to the Exhibits filed with SunGard's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2005 (Commission File No. 1-12989)).
10.39(1)	Forms of Time-Based Stock Option Award Agreements (incorporated by reference to the Exhibits filed with SunGard's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2005 (Commission File No. 1-12989)).
10.40(1)	Forms of Performance-Based Stock Option Award Agreements (incorporated by reference to the Exhibits filed with SunGard's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2005 (Commission File No. 1-12989)).
10.41(1)	Forms of Time-Based Restricted Stock Unit Award Agreements (incorporated by reference to the Exhibits filed with SunGard's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2007 (Commission File No. 1-12989)).

NUMBER	DOCUMENT
10.42(1)	Forms of Performance-Based Restricted Stock Unit Award Agreements (incorporated by reference to the Exhibits filed with SunGard's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2007 (Commission File No. 1-12989)).
10.43(1)	Forms of Time-Based Class A Stock Option Award Agreements (incorporated by reference to the Exhibits filed with SunGard's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2007 (Commission File No. 1-12989)).
10.44(1)	Forms of Performance-Based Class A Stock Option Award Agreements (incorporated by reference to the Exhibits filed with SunGard's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2007 (Commission File No. 1-12989)).
10.45(1)	Form of Amendment to the Performance Based Stock Option Award Agreements (incorporated by reference to the Exhibits filed with Schedule TO of SCC and SCCII, each filed August 13, 2009 (Commission File Nos. 5-84880 and 5-84881, respectively)).
10.46(1)	Form of Amendment to the Performance-Based Restricted Stock Unit Award Agreements (incorporated by reference to the Exhibits filed with Schedule TO of SCC and SCCII, each filed August 13, 2009 (Commission File Nos. 5-84880 and 5-84881, respectively)).
10.47(1)	Form of Amendment to the Performance-Based Class A Stock Option Award Agreements (incorporated by reference to the Exhibits filed with Schedule TO of SCC and SCC II, each filed August 13, 2009 (Commission File Nos. 5-84880 and 5-84881, respectively))
10.48(1)	Forms of Amendment to Senior Management Performance-Based Stock Option Award Agreements (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Current Report on Form 8-K dated November 30, 2009 and filed on December 3, 2009 (Commission File No's.000-53653, 000-53654 and 1-12989, respectively)).
10.49(1)	Form of Amendment to Senior Management Performance-Based Class A Stock Option Award Agreement (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Current Report on Form 8-K dated November 30, 2009 and filed on December 3, 2009 (Commission File No's.000-53653, 000-53654 and 1-12989, respectively)).
10.50(1)	Form of Amendment to Senior Management Performance-Based Restricted Stock Unit Award Agreement (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Current Report on Form 8-K dated November 30, 2009 and filed on December 3, 2009 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).
10.51(1)	Forms of 2009 Senior Management Performance-Based Restricted Stock Unit Award Agreements (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2009 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).
10.52(1)	Forms of 2009 Senior Management Performance-Based Class A Stock Option Award Agreements (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2009 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).
10.53(1)	Form of 2009 Senior Management Time-Based Restricted Stock Unit Award Agreement (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2009 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).

NUMBER	DOCUMENT
10.54(1)	Form of 2009 Senior Management Time-Based Class A Stock Option Award Agreement (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2009 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).
10.55(1)	Forms of May 2010 Performance-Based Restricted Stock Unit Award Agreements (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2010 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).
10.56(1)	Forms of May 2010 Performance-Based Class A Stock Option Award Agreements (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2010 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).
10.57(1)	Forms of May 2010 Time-Based Restricted Stock Unit Award Agreements (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2010 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).
10.58(1)	Forms of May 2010 Time-Based Class A Stock Option Award Agreements (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2010 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).
10.59(1)	Forms of June 25, 2010 Amendment to the Performance-Based Equity Award Agreements (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2010 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).
10.60(1)	Form of June 2011 Time-Based Restricted Stock Unit Award Agreements (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2011 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).
10.61(1)	Form of June 2011 Performance-Based Restricted Stock Unit Award Agreements (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2011 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).
10.62(1)	Time-Based Restricted Stock Unit Award Agreement dated July 2, 2012 granted to Charles Neral (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2012 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).
10.63(1)	Time-Based Restricted Stock Unit Award Agreement dated September 12, 2012 granted to Charles Neral (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2012 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).
10.64(1)	Performance-Based Restricted Stock Unit Award Agreement dated September 12, 2012 granted to Charles Neral (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2012 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).
10.65*(1)	Form of November 2012 Time-Based Restricted Stock Unit Award Agreement (filed with this Report).

NUMBER	DOCUMENT
10.66*(1)	Form of November 2012 Performance-Based Restricted Stock Unit Award Agreement (filed with this Report).
10.67*(1)	SunGard Data Systems Inc. Annual Incentive Compensation Plan As Amended and Restated on November 15, 2012 (filed with this Report).
10.68(1)	Form of Indemnification Agreement between SunGard Capital Corporation, SunGard Capital Corporation II, SunGard Holding Corporation, SunGard HoldCo LLC, SunGard Data Systems Inc. and directors and certain executive officers of SunGard Data Systems Inc. (incorporated by reference to the Exhibits filed with SunGard's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2005 (Commission File No. 1-12989)).
10.69	Amended and Restated Stockholders Agreement, dated as of November 7, 2012, by and among SunGard Capital Corp., SunGard Capital Corp. II, SunGard Holding Corp., SunGard Holdco LLC, SunGard Data Systems Inc. and Certain Stockholders of SunGard Capital Corp. and SunGard Capital Corp. II (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Current Report on Form 8-K dated November 7, 2012 and filed November 13, 2012 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).
10.70	Amended and Restated Participation, Registration Rights and Coordination Agreement, dated as of November 7, 2012, by and among SunGard Capital Corp., SunGard Capital Corp. II, SunGard Holding Corp., SunGard Holdco LLC, SunGard Data Systems Inc. and Certain Persons who will be Stockholders of SunGard Capital Corp. and SunGard Capital Corp. II (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Current Report on Form 8-K dated November 7, 2012 and filed November 13, 2012 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).
10.71	Amended and Restated Stockholders Agreement, dated as of November 7, 2012, by and among SunGard Capital Corp., SunGard Capital Corp. II, SunGard Holding Corp., SunGard Holdco LLC, SunGard Data Systems Inc. and Certain Stockholders of SunGard Capital Corp. and SunGard Capital Corp. II (incorporated by reference to the Exhibits filed with SCC's, SCCII's and SunGard's Current Report on Form 8-K dated November 7, 2012 and filed November 13, 2012 (Commission File No's. 000-53653, 000-53654 and 1-12989, respectively)).
10.72	Management Agreement, dated as of August 11, 2005, by and among SunGard Data Systems Inc., SunGard Capital Corp., SunGard Capital Corp. II, SunGard Holding Corp., SunGard Holdco LLC, Bain Capital Partners, LLC, Blackstone Communications Advisors I L.L.C., Blackstone Management Partners IV L.L.C., Goldman, Sachs & Co., Kohlberg Kravis Roberts & Co. L.P., Providence Equity Partners V Inc., Silver Lake Management Company, L.L.C. and TPG GenPar IV, L.P. (incorporated by reference to the Exhibits filed with SunGard's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2005 (Commission File No. 1-12989)).
12.1*	Computation of Ratio of Earnings to Fixed Charges (filed with this Report).
21.1*	Subsidiaries of the Registrants (filed with this Report).
23.1*	Consent of Independent Registered Public Accounting Firm regarding SunGard's consolidated financial statements (filed with this Report).
31.1*	Certification of Russell P. Fradin, Chief Executive Officer, required by Rule 13a-14(a) or Rule 15d-14(a) and Section 302 of the Sarbanes-Oxley Act of 2002 (filed with this Report).

NUMBER	DOCUMENT
31.2*	Certification of Charles J. Neral, Chief Financial Officer, required by Rule 13a-14(a) or Rule 15d-14(a) and Section 302 of the Sarbanes-Oxley Act of 2002 (filed with this Report).
32.1*	Certification of Russell P. Fradin, Chief Executive Officer, required by Rule 13a-14(b) or Rule 15d-14(b) and Section 906 of the Sarbanes-Oxley Act of 2002 (filed with this Report).
32.2*	Certification of Charles J. Neral, Chief Financial Officer, required by Rule 13a-14(b) or Rule 15d-14(b) and Section 906 of the Sarbanes-Oxley Act of 2002 (filed with this Report).
99.1*	Section 13(r) Disclosure of Certain Sponsors (filed with this Report).
101*	Interactive Data Files for SunGard Capital Corp., SunGard Capital Corp. II and SunGard Data Systems Inc. pursuant to Rule 405 of Regulation S-T: (i) Consolidated Balance Sheets as of December 31, 2011 and 2012, (ii) Consolidated Statements of Comprehensive Income for the years ended December 31, 2010, 2011 and 2012, (iii) Consolidated Statements of Cash Flows for the years ended December 31, 2010, 2011 and 2012, (iv) Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2010, 2011 and 2012 and (v) Notes to Consolidated Financial Statements.

† Portions of this exhibit have been omitted in accordance with an order granting confidential treatment.
* Filed with this report.
(1) Management contract or compensatory plan or arrangement.

Exhibit 31.1

Certification of Russell P. Fradin
Required by Rule 13a-14(a) or Rule 15d-14(a) and
Section 302 of the Sarbanes-Oxley Act of 2002

I, Russell P. Fradin, certify that:

1. I have reviewed this annual report on Form 10-K of SunGard Capital Corp., SunGard Capital Corp. II and SunGard Data Systems Inc. (collectively, "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 20, 2013

/s/ Russell P. Fradin
Russell P. Fradin
President and Chief Executive Officer
SunGard Capital Corp., SunGard Capital Corp. II &
SunGard Data Systems Inc.

Exhibit 31.2

Certification of Charles J. Neral
Required by Rule 13a-14(a) or Rule 15d-14(a) and
Section 302 of the Sarbanes-Oxley Act of 2002

I, Charles J. Neral, certify that:

1. I have reviewed this annual report on Form 10-K of SunGard Capital Corp., SunGard Capital Corp. II and SunGard Data Systems Inc. (collectively, "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 20, 2013

/s/ Charles J. Neral
Charles J. Neral
Chief Financial Officer
SunGard Capital Corp., SunGard Capital Corp. II &
SunGard Data Systems Inc.

Exhibit 32.1

Certification of Russell P. Fradin
Required by Rule 13a-14(b) or Rule 15d-14(b) and
Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C.(S) 1350, as adopted), I, Russell P. Fradin, Chief Executive Officer of SunGard Capital Corp., SunGard Capital Corp. II and SunGard Data Systems Inc. (collectively, the "Company"), hereby certify that to my knowledge:

1. The Company's Annual Report on Form 10-K for the period ended December 31, 2012 (the "Periodic Report") fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 20, 2013

/s/ Russell P. Fradin
Russell P. Fradin
Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to SunGard Capital Corp., SunGard Capital Corp. II and SunGard Data Systems Inc. and will be retained by SunGard Capital Corp., SunGard Capital Corp. II and SunGard Data Systems Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

Certification of Charles J. Neral
Required by Rule 13a-14(b) or Rule 15d-14(b) and
Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C.(S) 1350, as adopted), I, Charles J. Neral, Chief Financial Officer of SunGard Capital Corp., SunGard Capital Corp. II and SunGard Data Systems Inc. (collectively, the "Company"), hereby certify that to my knowledge:

1. The Company's Annual Report on Form 10-K for the period ended December 31, 2012 (the "Periodic Report") fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 20, 2013

/s/ Charles J. Neral
Charles J. Neral
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to SunGard Capital Corp., SunGard Capital Corp. II and SunGard Data Systems Inc. and will be retained by SunGard Capital Corp., SunGard Capital Corp. II and SunGard Data Systems Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Vendor Qualification Survey (VQS) Section 3 – Vendor Qualification Criteria

VQS Section 3.3.1 – Local Number Portability (LNP) Experience Optional Attachment

1 INTRODUCTION....3

1.1 LNP Experience Within the Regions....3
1.2 LNP Experience in Other Countries....4
1.3 Other Products and Services Successful Performance of functional / technical skills required on LNP activities....4
1.4 Customer Benefits from Successful Performance and Proven Results....5

2 DESCRIPTION OF LNP RELATED EXPERIENCE WITHIN THE REGIONS....6

2.1 U.S. Number Portability Products & Services....6
2.1.1 Telcordia North American Number Portability Gateway/SOA & LSMS....6
2.1.2 Telcordia Network Systems with Number Portability – Converged Application Server (CVAS) and Managed Service Solution....8

3 DESCRIPTION OF LNPA AND LNP SYSTEMS EXPERIENCE IN OTHER COUNTRIES9

3.1 Telcordia Number Portability Clearinghouse (NPC) an NPAC Plus solution....9
3.1.1 India – First Operational Multi-Vendor Regional Solution....10
3.2 Telcordia Number Portability Gateway....13
3.3 Telcordia Number Portability Training & Readiness Planning Consulting Services..15

4 OTHER PRODUCTS AND SERVICES SUCCESSFUL PERFORMANCE OF FUNCTIONAL/TECHNICAL SKILLS REQUIRED ON LNP ACTIVITIES....16

4.1 Other Telcordia Systems and Services Demonstration of Functional and Technical Skills for LNPA....16
4.1.1 Toll Free Service....16
4.1.2 Routing and Number Administration Services....16
4.1.3 Message Hub and Resolver Services....17
4.1.4 Hosted Managed Services....17
4.2 Data Center and Availability Products and Skills Demonstration of Functional and Technical Skills for LNPA....18
4.2.1 AdvancedHosting℠ Services....18
4.2.2 AdvancedRecovery℠ Services....18
4.2.3 Enterprise Cloud and Cloud Recovery Services....18
4.3 Telcordia Quality Method of Operation for Excellence in Delivery and Continuous Improvement....19
4.3.1 ITIL Methods for Customer Focus and Satisfaction Assurance....20

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Telcordia Technologies, Inc. dba iconectiv.

4.3.2 Data Center and Availability Service Quality Certifications 20

5 CUSTOMER BENEFITS FROM SUCCESSFUL PERFORMANCE AND PROVEN RESULTS 22

5.1 Telcordia Past Performance Demonstrates Successful Performance and Results in North America 22

5.2 Telcordia Past Performance Demonstrates Successful Performance and Results NPAC Services Worldwide.....22

5.3 Data Center, Availability and Help Desk Past Performance demonstrate successful performance and results for LNPA Technical Skills 23

1 Introduction

Telcordia the world's leading number portability systems provider, with the backing of Ericsson and the expertise in data center management and availability services of SunGard form an experienced and reliable team for U.S. NPAC services.

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
- A suite of other products and services with thousands of customers demonstrating the technical and management skills to deliver U.S. NPAC services.

Telcordia is the leading global supplier with experience in both NPAC systems, services and high availability in-call path network database systems

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.

1.1 LNP Experience Within the Regions

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 (Specifications) 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 processed more portability related transactions than NPAC itself.

1.2 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.

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 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*

1.3 Other Products and Services Successful Performance of functional / technical skills required on LNP activities

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.

1.4 Customer Benefits from Successful Performance and Proven Results

As is 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:

- 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 service provider's ported and pooled TN references Telcordia data with an LRN

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!

2 Description of LNP Related Experience Within the Regions

Telcordia has delivered number portability solutions since the very first day of number portability in the U.S. We developed the first number portability system in the world for toll-free number portability, and we worked with the industry on the original FRS and IIS development for US NPAC, and then deployed the local systems that connect to NPAC, processing the very first service provider port in the United States. Telcordia is the leading SOA provider in the world with multiple deployments in all NPAC regions. Approximately 90% of all U.S. wireless number porting transactions are processed by Telcordia systems, and with an LSMS system deployed in all regions, we process several transactions for every completed port in every region.

In addition, Telcordia provides the network database systems that receive NPAC information and provide real time in-call services including number portability and routing. These systems provide reliability that far exceeds the current NPAC and even the new NPAC reliability and volume/throughput requirements. Telcordia has delivered these systems in every NAPC Region in the US and Canada. In addition, Telcordia also provides a hosted managed service in its own data centers of this platform with 100% uptime (even during hurricane Sandy) that delivers in call services to a major provider's pre-paid platforms.

Telcordia will bring this design and deployment experience to delivery of a new more flexible, scalable and reliable NPAC.

Telcordia Experience Highlights

- *More than 90% of all US WNP transactions and 100% Canadian WNP transactions are processed by Telcordia*
- *LNP systems deployed in all regions delivering at least one transaction for every NPAC port.*
- *Provides Network Systems with NP that exceed NPAC requirements with 100% uptime*
- *Strong and experienced industry standards leadership & participation*

2.1 U.S. Number Portability Products & Services

Telcordia is the leading provider in the U.S. of local number portability products and services to service providers. The Telcordia suite of products consists of both systems that are licensed for use in service provider IT environments and for use in Service Bureau environments meeting the needs of providers of all sizes.

2.1.1 Telcordia North American Number Portability Gateway/SOA & LSMS

The Telcordia North American Number Portability Gateway solution automates flow through for virtually trouble-free phone number porting. As porting volume increases, it creates substantial business process efficiencies to reduce costs, all while remaining fast and reliable.

The Telcordia local systems, SOA and LSMS, are based on the LNPA WG FRS and IIS delivering all the functionality for local system connection to NPAC. In addition, the Telcordia local systems deliver the pre-porting process for wireless delivering the ATIS OBF WICIS functionality in near real time.

The Telcordia Gateway implementing WICIS that includes Telcordia Patented contributions is the enabling technology behind the U.S. efficient MNP porting processes

Telcordia regularly surveys its customers for satisfaction and implements features and performance improvements in part based on the feedback from those surveys. Our satisfaction marks are reviewed by management regularly and discussed with customers.

The Telcordia North American Number Portability Gateway and LSMS reflect our design principals of flexibility and scalability combined with compliance with customer requirements including:

- **Flexible.** Offers a service bureau model for operators that want to outsource their WNP or LNP operations. Also offers a clearinghouse to facilitate the physical interconnection with trading partners.
- **Compliant.** Meets North American Number Council (NANC) IIS specifications for interconnection with Number Portability Administration Center (NPAC), plus Wireless Intercarrier Communications Interface Specification (WICIS) for Local Number Portability and Ordering and Billing Forum (OBF) guidelines for interconnection with trading partners.

Telcordia Differentiators

- *Telcordia local systems perform multiple transactions for every NPAC port transaction*
- *More than 3 billion successful transactions since MNP began*

- **Robust.** Offers comprehensive Service Order Administration (SOA) and Local Service Management System (LSMS) functionality for operating with any NPAC.
- **Easy.** Provides a user-friendly GUI interface for easy workflow management while seamlessly integrating with existing ordering or billing system infrastructure.
- **Intelligent.** Automatically collects reporting and audit trail data to track porting activity while providing fallout management support, including robust internal process tools for detection and resolution or an interface to an external trouble ticket system.

The Telcordia LSMS provides instances of all 8 NPAC regions in a single system. Further demonstrating the ability to provide a solution sized to handle NPAC data volumes and transactions in a regional environment or in a future non-geographic environment.

The Telcordia Number North American Number Portability past performance demonstrates ability to deliver the NPAC IIS interfaces PLUS the WICIS requirements in operator IT environments with features customized for customer environments.

2.1.2 Telcordia Network Systems with Number Portability – Converged Application Server (CVAS) and Managed Service Solution

The Telcordia Converged Application Server is designed to respond to the opportunities presented by the transition to IP-based networks. By fully supporting network convergence in a single product, our Converged Application Server is the platform of choice for meeting real-time, interactive service provider challenges. Our Converged Application Server delivers services by offering a feature-rich and field-proven programmable environment for supporting high-volume, real-time and real-time interactive services. Key features include:

- **Openness**. Enjoy interoperability with all networks.
- **Modularity**. Use pre-built applications that can be deployed together or separately alongside your existing systems.
- **Scalability**. Scale up or down as needed, regardless of network size.
- **Ease of use**. Quickly and easily create new services, policies and external interfaces with a powerful Service Creation Environment (SCE).
- **Reliability**. Gain a service execution featuring continuous call processing delivering extremely high throughput and low latency.
- **Subscriber Database**. A highly available subscriber profile repository with high speed and real-time data synchronization across redundant, geographically separated servers.
- **Performance**. Turnkey systems based on high performance commercial blade servers enabling the delivery of IT grade flexibility on a network-grade platform.

Telcordia Discriminators

- *The Telcordia network systems for NP are much higher reliability network systems than required by NPAC as they are in the call-path*
- *Telcordia network systems for NP handle millions of call queries/transaction a day with no outages*
- *Telcordia network systems can be upgraded without being taken out of service for maintenance*

The CVAS solution is part of our network number portability solution which provides a common database for storing number portability information for fixed and mobile networks, supported by adaptations to the network infrastructure that meet existing business processes. Telcordia will bring the architectural, design, and performance experience from these systems to bear in delivering the NPAC in the U.S.

The Telcordia network system performance demonstrates ability to deliver high availability high performance systems that exceed NPAC performance requirements!

3 Description of LNPA and LNP Systems Experience in Other Countries

Telcordia is the market leader in Number Portability (NP) solutions that support both fixed and mobile NP services to subscribers. We offer a comprehensive, end-to-end Number Portability solution; we have demonstrated complementary skills in NP training and consulting, software systems and managed services. Telcordia NP systems are deployed in more countries than any other vendor, 19, thereby minimizing deployment risk.

The Telcordia Global NP solution suite consists of three major components: the Number Portability Clearinghouse with Managed Services, Number Portability Gateway and Number Portability Training & Readiness Planning Consulting services.

Telcordia Discriminators

- *In India, Telcordia delivers NPAC Plus system and services delivering high volume multi-vendor regional NP services at a cost per port that is significantly lower than the current rate in the U.S.*
- *In Thailand delivered the world's first NPAC+ system with IP Query Resolution Service. Telcordia providing the Future Considerations today in other parts of the world!*

3.1 Telcordia Number Portability Clearinghouse (NPC) an NPAC Plus solution

The Telcordia Number Portability Clearinghouse (NPC) system, like NPAC is a centralized system to which mobile and/or fixed line operators connect to port subscriber telephone numbers, so that subscribers may retain their number when changing their operator. It includes base functionality similar to the U.S. NPAC for porting TNs PLUS the pre-porting business rules process (similar to basic LSR and FOC or WICIS processes appropriate to the country). This was a Telcordia innovation first developed in 2000. The NPC is a hardware and software platform with interfaces and message processing that incorporate a countries number portability flows, and includes a Centralized Reference Database serving as the repository for all ported numbers in a country and a history of all transactions relating to a ported number.

The Telcordia NPC was the first number portability system in the world to incorporate pre-port business validation processing within the primary number portability database service.

Telcordia also provides Managed Services for its NPC. State-of-the-art primary and secondary data centers host the hardware and software platform that run the NPC application and experienced staff provide system administration and monitoring, help desk support, maintenance support, and data backup to help ensure the continuous availability of porting services to operators and their customers.

Telcordia's 15 LNPA deployments worldwide include the NPAC portions of the portability flows PLUS the pre-port validations processes of the flows.

3.1.1 India – First Operational Multi-Vendor Regional Solution

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.
- The Telcordia solution serves 10 service providers in each circle with more than 447 million subscribers and is processing large volumes of transactions a month with 100% uptime and no unscheduled outages.
- Works effectively without a single complaint with the other LNPA in India.
- Because of the multi-vendor regional solution in India, the cost for MNP services in India is 19 rupees, less than 35 cents for a port request is, one of the lowest in the world.

A list of the 15 Telcordia NPC – NPAC PLUS implementations is provided in the following table:

LNPA Project
Nigeria Mobile Number Portability
Argentina Mobile Number Portability with Managed Services
Chile Mobile and Fixed Number Portability with Managed Services
United Arab Emirates Mobile Number Portability
Thailand Mobile Number Portability & Query Resolution with Managed Services
India Mobile Number Portability with Managed Services
Turkey Fixed & Mobile Number Portability
Mexico Fixed & Mobile Number Portability with Managed Services
Malaysia Mobile Number Portability
Egypt Mobile Number Portability
Pakistan Mobile Number Portability
South Africa Mobile Number Portability
Saudi Arabia Mobile Number Portability with Managed Services
Lithuania Fixed & Mobile Number Portability
Greece Fixed & Mobile Number Portability with Managed Services

Delivery of First NPAC PLUS System that includes real time ENUM Query services

- ***Thailand:*** *Demonstrates on-time delivery of an NPAC PLUS system that includes both the pre-porting process and an IP Query Resolution Service in a country with 70M subscribers at increasing volumes that we continue to serve successfully*

The table below provides some additional detail about the uptime statistics and volumes as of 2012 for those established NPC deployments for which we are permitted to provide data.

[redacted]

[redacted]											
[redacted]											
[redacted]											
[redacted]											
[redacted]											

Telcordia delivers LNPA systems and services for service providers with over 1.5 Billion subscribers worldwide. The Telcordia experience demonstrates not only the ability to deliver systems with requirements that meet the performance levels in the current RFP, but also demonstrate the ability to deliver several of the Future Considerations requested in the RFP including delivery of a LNP system with IP based query resolution and all of our NPC NPAC PLUS systems deliver NP with the inclusion of the pre-port processes for exchange of business information (Base LSR/WSP and FOC and WICIS type processes) within a single system.

3.2 Telcordia Number Portability Gateway

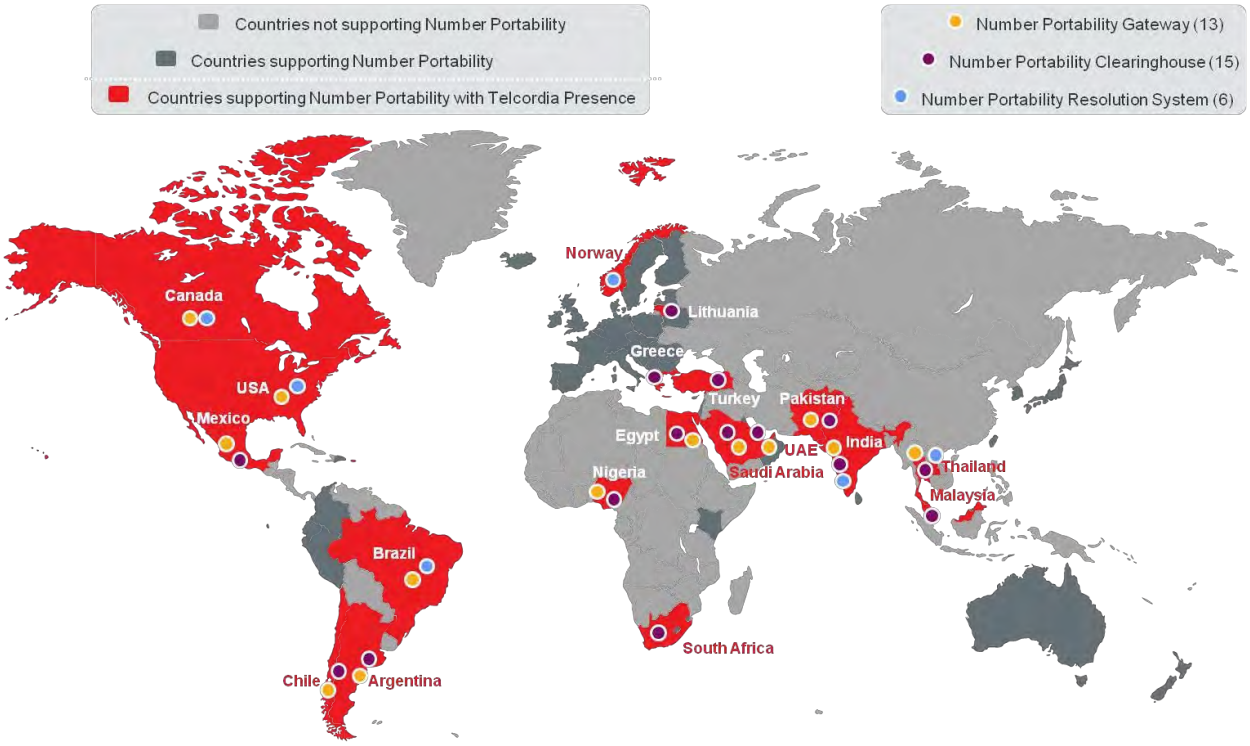
The Telcordia Number Portability Gateway (NPG) is a local operator system that performs workflow management functions within an operator's environment to support their porting of fixed and mobile numbers. It is similar to the SOA/LSMS combination used in the U.S. and Canada in an elegant single system that provides interfaces to process subscriber port requests from an operator's back-end operations and network systems, pass them on to the Clearinghouse/NPAC, and coordinate ported number and routing data updates from the Clearinghouse to back-end systems in the local operator environment to enable accurate routing of calls to ported numbers.

Telcordia has deployed NPGs in more countries, and serves more operators than any other vendor. A list of countries where Telcordia NPG implementations have been chosen by service providers is provided below:

Country – LNPA	[redacted]
Chile Mobile and Fixed Number Portability to Connect to Telcordia NPC/NPAC PLUS	[redacted]
Argentina Mobile Number Portability	[redacted]
Brazil Mobile Number Portability to Connect to Neustar NPAC	[redacted]
Thailand Mobile Number Portability to Connect to Telcordia NPC/NPAC PLUS	[redacted]
United Arab Emirates Mobile Number Portability to Connect to Telcordia NPC/NPAC PLUS	[redacted]
India Mobile Number Portability to Connect to Telcordia NPC/NPAC PLUS **AND** Syniverse NPAC – **Multi Vendor Regional**	[redacted]
Mexico Fixed & Mobile Number Portability to Connect to Telcordia NPC/NPAC PLUS	[redacted]
Saudi Arabia Mobile Number Portability to Connect to Telcordia NPC/NPAC PLUS	[redacted]
Egypt Mobile Number Portability to Connect to Telcordia NPC/NPAC PLUS	[redacted]
Pakistan Mobile Number Portability Connect to Telcordia NPC/NPAC PLUS	[redacted]
Nigeria Connect to Telcordia NPC/NPAC PLUS	[redacted]

This is in addition to the hundreds of operators our North American Number Portability Gateways serve.

The Figure below shows all of the countries where Telcordia provides LNP Systems 19 total countries, serving the vast majority of the countries where LNP is required.



3.3 Telcordia Number Portability Training & Readiness Planning Consulting Services

Telcordia has delivered Number Portability Training to Regulators and operators from more than 50 countries to enable them to design, plan and launch NP in their own countries.

Telcordia, often through its UK subsidiary Interconnect Communications Ltd. (ICC) has provided Number Portability Readiness Planning Consulting services to help operators prepare their business and network environments (processes, workflows, call flows and systems) to support NP.

[redacted]

In addition, Telcordia subsidiary ICC has trained personnel from the following countries on numbering and number portability in its Telecommunications Regulatory Master Class:

Albania	Estonia	Malaysia	Singapore
Australia	Georgia	Malta	Slovenia
Azerbaijan	Ghana	Mauritius	South Africa
Bahamas	Gibraltar	Mongolia	Sudan
Bahrain	Greece	Netherlands	Sweden
Bermuda	Ireland	Nicaragua	Tanzania
Botswana	Jamaica	Nigeria	Thailand
Brazil	Jersey, C. I.	Oman	Trinidad & Tobago
Costa Rica	Jordan	Pakistan	Uganda
Curacao	Kenya	Qatar	United Arab Emirates
Czech Republic	Latvia	Romania	Zambia
Dem. Rep. of Congo	Lesotho	Saudi Arabia	Zimbabwe
Egypt	Libya	Senegal	

The Telcordia Past Performance for international LNPA services demonstrates our ability to deliver excellent customer satisfaction while meeting tight schedules for development, delivery and testing in a manner that is extremely cost effective for the industry.

4 Other Products and Services Successful Performance of functional/technical skills required on LNP activities

Telcordia has several additional products and services that demonstrate the functional and technical skill required for the full range of LNPA activities for delivery of NPAC services in the U.S. with excellent customer satisfaction those products include:

- Toll Free System with Portability
- Routing and Number Administration
- Message Hub
- ENUM/Query Resolver Service
- Managed Service Solutions

In addition, Telcordia has adopted the IT Information Library (ITIL) framework of IT best practices in combination with our Quality Method of Operations (QMO) to ensure successful delivery of our systems and services with continuous improvement processes built in.

4.1 Other Telcordia Systems and Services Demonstration of Functional and Technical Skills for LNPA

4.1.1 Toll Free Service

The Telcordia Toll-Free Service Management system was the first number portability system in the United States. Telcordia also provides Toll-Free Service Control Points (SCPs), the network databases used for real time processing of calls to toll-free numbers in the U.S. and Canada. This combination of systems as provided by Telcordia have been found neutral by the FCC and have provided 100% up time since 1992 for more than 20 consecutive years. This performance is unparalleled in any number portability management system anywhere in the world.

The Telcordia system allows for individual telephone pooling of numbers. Numbers are assigned to an end user's agent the RespOrg and can be associated with more than one service provider allowing for dynamic routing on characteristics such as geographic location of the caller or time of day.

As of 3/23/13 SMS/800 has 35,629,253 In-assigned toll free numbers, and the toll-free network has processed billions of calls without interruption for more than 20 years.

Telcordia will bring its knowledge, experience and skills demonstrated in the delivery of North American toll-free service to its deliver of U.S. NPAC services.

4.1.2 Routing and Number Administration Services

Telcordia Technologies has been providing neutral administration services to the industry since its creation. Since 1984 Telcordia has provided Telecommunication Routing Administration (TRA) services to the industry. TRA services not only demonstrate Telcordia's ability to deliver an industry managed database service but it also demonstrates the delivery of the TRA Customer Service Center accessible via a toll-free number or via email. In addition, it demonstrates our ability to manage the back office and support systems to bill every service provider that is assigned telephone numbers based on an industry approved "Fair Share Plan" (some via a service bureau known as an AOCN provider), In addition to managing the billing for the primary data service, TRA demonstrates our ability to manage billing to thousands of clients (more than 3,000 over the last 2 years) for the related routing and rating data

products. TRA demonstrates Telcordia's ability to [redacted] for service provider access to the Telcordia database environment. The Telcordia TRA database is the basis of routing information that an NPAC LRN refers to, without that final routing information, LRN based calls could not complete.

In addition Telcordia is the neutral administrator of U.S. Point Codes. The assignments for these resources are done via a web based application process and database system. The point codes are used for the routing of SS7 messages for all PSTN based traffic between service providers. For NP correction, to route messages related to a ported TN a SP must put the alias point code from the point code assignment provided by Telcordia in the NPAC along with each Subscription Version. The NPAC data refers to the base assignment data provided by Telcordia.

Telcordia is also the neutral administrator of International Mobile Station Identifiers. The assignments for these resources are done via a web based application process and database system. These resources are needed to allow mobile devices to roam onto another provider's network. Because in the Global System for Mobile (GSM) standard (and now in LTE) a device's network identity was provided by the IMSI and not tied to the telephone number, the availability of IMSIs provided a great benefit with the implementation of MNP in the U.S. and worldwide because there was no need for MIN/MDN separation. This also led to CDMA networks that developed the ability to roam on GSM networks requiring IMSI assignments, Telcordia worked with the industry to ensure that these assignments could be made enabling worldwide roaming.

4.1.3 Message Hub and Resolver Services

Telcordia provides a real time centralized SMS message and query Resolver service in several countries. This service allows for delivery of SMS and MMS messages to carriers in a country where number portability has been implemented and the Resolver Service allows for ENUM based queries to a real time query service to determine the appropriate route for a ported telephone number. [redacted]

These services demonstrate Telcordia's ability to deliver real time traffic and messaging services with IP which will be critical in the future with the transition from the PSTN to IP that will likely occur within the term of the next NPAC administration contract.

4.1.4 Hosted Managed Services

Telcordia provides a Hosted Solution of its CVAS network database system as discussed in Section 2.1 above with SS7 services to large service providers for the delivery of traffic to pre-paid devices including port correction. In addition to this service demonstrating our ability to deliver a very high availability data service including NP correction, far exceeding the NPAC criteria, it also demonstrates our ability to provide for disaster recovery via a second site and the ability to support audits to SLAs.

[redacted]

As is demonstrated in that past performance, Telcordia has not missed an SLA for this service in 7 years and it has been audited to that performance. [redacted]

4.2 Data Center and Availability Products and Skills Demonstration of Functional and Technical Skills for LNPA

SunGard is part of the Telcordia team for provision of data center and availability services. The SunGard Availability Services group was founded in 1978 and maintains more than 4 million square feet of secure, redundant facilities that are supported by a 25,000 mile global network backbone, 3,100 of the most experienced IT professionals in the industry, and the financial stability of an industry leader.

SunGard Availability Services is an operating division of SunGard Data Systems Inc., a privately held company. Headquartered in Wayne, Pennsylvania, SunGard Availability Services LP employs more than

Our proof: Over 3,600 businesses served to date.

2,300 people throughout locations in North America. The SunGard Availability Services group enables more than 10,000 customers worldwide to keep people and information connected through customized enterprise-wide solutions that support people, processes and infrastructure. SunGard offers a comprehensive portfolio of services to address even the most demanding Information Availability requirements. SunGard Availability Services offers three main solution sets:

4.2.1 AdvancedHosting℠ Services

SunGard solutions deliver a full range of services, from full infrastructure management to custom hosting that meets each customer's individual requirements. SunGard can also provide an optional layer of protection through recovery services – something our competitors can't. SunGard delivers redundant,

Our proof: A 100% success rate in supporting customer recoveries.

secure and available managed IT services that are built on an ironclad infrastructure.

4.2.2 [redacted]

[redacted]

4.2.3 Enterprise Cloud and Cloud Recovery Services

SunGard's fully managed Enterprise Cloud Services address critical production needs in a highly secure, enterprise-grade environment. The multi-site availability functionality within the Enterprise Cloud Services allows customer workloads being managed in SunGard's production cloud to be replicated to another location, providing options for nearly-uninterrupted uptime or fast recovery within [redacted]

The Telcordia and SunGard team have the skills to adopt this Future Consideration for NPAC

4.3 Telcordia Quality Method of Operation for Excellence in Delivery and Continuous Improvement

Quality, defined as customer satisfaction, is the number one priority of Telcordia. The Telcordia Quality Management System keeps our energy focused on our desire to exceed our customers' expectations.

Telcordia has an industry-recognized software development methodology, which employs a disciplined approach to software development and process improvement, the Quality Method of Operation (QMO). This process with the implementation of the IT Service Management IT Infrastructure Library (ITIL) framework of best practices for Service Management are examples of methodologies and skills required for development of NPAC and delivery of LNPA services with high levels of customer satisfaction.

Industry Recognition

The Telcordia software organization has earned industry recognition in two major quality arenas, specifically ISO 9001 and TL 9000®.

ISO 9001

The Telcordia Technologies Software Systems Quality Management System has been ISO 9001-certified. This certification was attained in 1996 and has been maintained through required renewal and surveillance audits, the most recent of which occurred in 2012. This was the Telcordia 23rd consecutive audit without a reported major nonconformance. Certification was received from Bureau Veritas Quality International, Inc. (BVQI).

TL 9000

The Telcordia Technologies Software Systems Quality Management System has been registered to the TL 9000 quality standard for the telecommunications industry. This registration was initially attained in December 2000 from Bureau Veritas Quality International, Inc. (BVQI), and is being maintained through required renewal and surveillance audits, the most recent of which occurred in 2012.

Quality Process

Telcordia continuously strives to improve its development processes, thus achieving continuous product quality improvements. These improvement efforts are driven by specific measures, such as on-time delivery and fault density metrics.

A predictable, repeatable, well-defined process is a critical element to producing quality software and enabling continuous improvement.

The Telcordia Senior Management Team endorses this process and periodically reviews its effectiveness. Policy and procedure compliance is monitored in two ways. To maintain industry certification, external, third party audits are performed periodically. In addition, an internal group, independent of the product organizations, administers an internal quality review program.

Telcordia continuously strives to improve its development processes, thus achieving continuous product quality improvements. This is demonstrated by current results – our fault density metrics are industry Best in Class, and Telcordia continually achieves over 98% on-time delivery of its software products.

4.3.1 ITIL Methods for Customer Focus and Satisfaction Assurance

Telcordia will surround our QMO approach with 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, that will ensure the utmost reliability and customer focused functionality of our NPAC solution and services.

The Telcordia NPAC SMS Solution will utilize ITIL (IT Infrastructure Library)[1] that provides a framework of Best Practice guidance for IT Service Management. Since its creation, ITIL has grown to become the most widely accepted approach to IT Service Management in the world.

The ITIL framework that describes Best Practice in IT service management that provides a framework for the governance that has as its primary focus as the delivery of SERVICE to CUSTOMERS. The key benefits obtained by implementing the ITIL service based framework include:

- increased user and customer satisfaction
- improved service availability
- reduced rework, lost time, improved resource management and usage
- improved time to delivery for new features and services
- improved decision making and optimized risk management.

The Telcordia solution has embraced this framework 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. For more detail on our ITIL implementation see the RFP Section 15.1 optional attachment.

In addition to Telcordia's QMO and Certified Project Management, our data center partner SunGard has been recognized internationally for its overall quality efforts, as detailed in the section below that lists its primary certifications. Further assuring delivery of excellent data center services as demonstrated by our past performance

The combination of the Telcordia QMO implemented with ITIL Framework of best practices as well as our past performance of successful on-time delivery and transition of large data migrations helps ensure industry satisfaction in a Telcordia NPAC solution..

4.3.2 Data Center and Availability Service Quality Certifications

Our data center and available services partner has the following certifications and compliances to demonstrate the technical skills and quality control to deliver LNPA services and customer satisfaction:

- ITIL -- SunGard Availability Services has implemented ITIVv3. This process was completed in 2009. Certification to ITILv3 (ISO 20000) was completed by a third party in 2010

[1] See http://www.itil-officialsite.com/home/home.aspx

- SunGard Availability Services is compliant to the ISO 9001. SunGard Availability Services has chosen to have a third party certification for ISO 20000 which is more relevant to our business. Corporate Certification # 010081
- Lean Six Sigma methodology was implemented at SunGard Availability Services in 2010.
- OTHER Certifications and Compliance – SSAE16, PCI-DSS, Safe Harbor, Cisco MSCP, SAP Certified Hosting and Cloud, HIPAA / HITECH, FFIEC, NIST 800-53

More on the QMO and ITIL may be found in Appendix A of the RFP Section 15.1 Optional Attachment.

5 Customer Benefits from Successful Performance and Proven Results

As is demonstrated in our project references in Section 3.3.4 and our Past Performance Questionnaires submitted in response to Section 3.3.5, the Telcordia team delivers 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 in the U.S.: toll-free – Enabling Toll-Free service in the U.S. delivering billions of calls with no downtime
- Delivery of world's first multi-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 service provider ported and pooled TN references Telcordia data with an LRN

5.1 Telcordia Past Performance Demonstrates Successful Performance and Results in North America

In North America, Telcordia references are submitting past performance for the following contracts:

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

These past performance results are a representative sample from some of our largest customers demonstrating Telcordia's experience and proven performance of NP and high availability, high volume network services.

5.2 Telcordia Past Performance Demonstrates Successful Performance and Results NPAC Services Worldwide

Telcordia is the leading vendor of number portability systems worldwide and it provides cutting edge NPCs which are NPAC Plus pre-port service including the world's only multi-vendor regional deployment. Telcordia references are submitting past performance for the following contract:

[redacted]

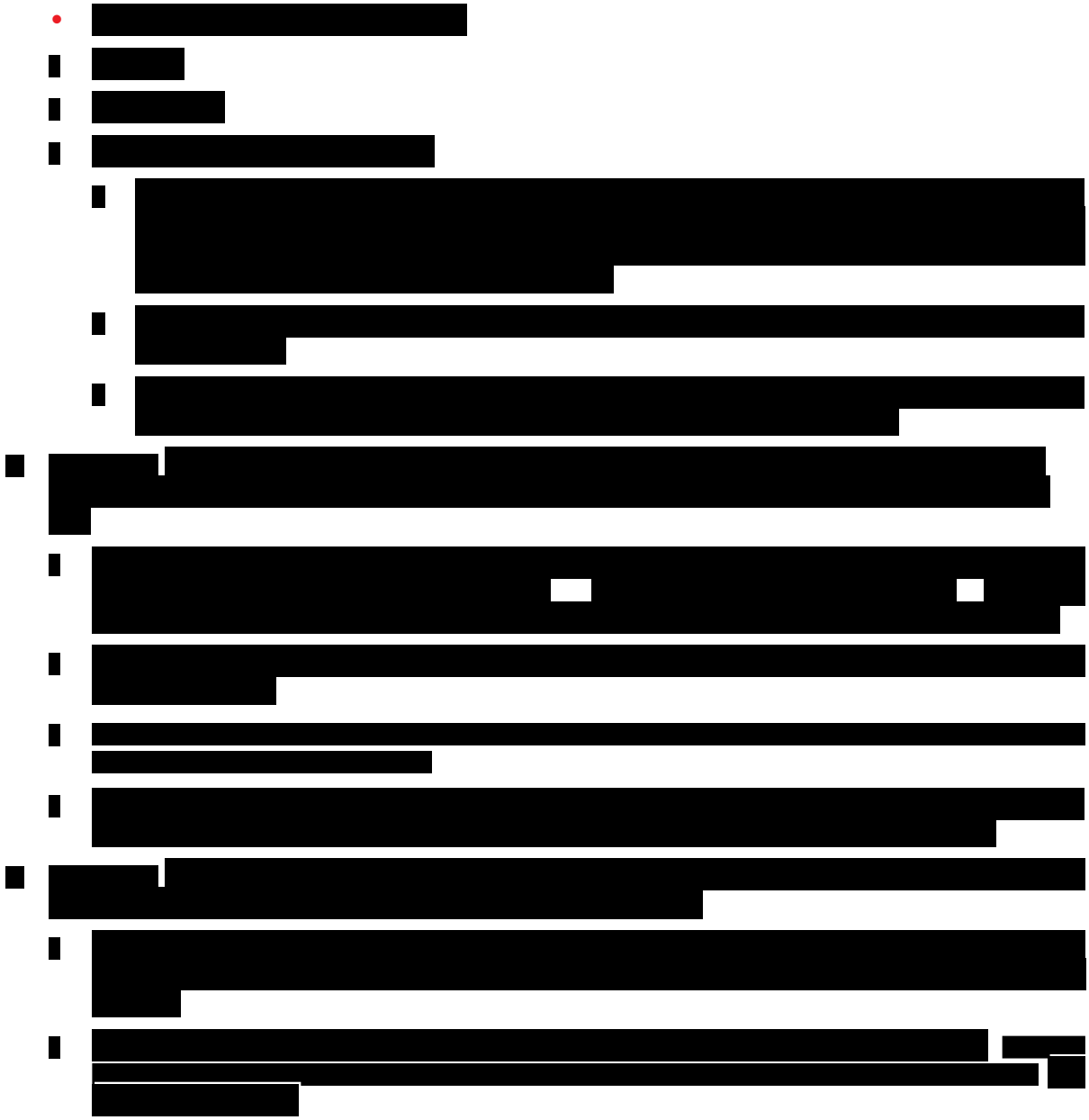
Telcordia's has more than 1,000 customers for its products and services enabling porting, routing, message delivery and interconnection to more than 1.5 Billion subscribers worldwide.

5.3 Data Center, Availability and Help Desk Past Performance demonstrate successful performance and results for LNPA Technical Skills

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.

As noted in Section 3.3.4, 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.

[redacted]



The Telcordia team experience demonstrates exceptional capabilities to deliver NPAC services by demonstration of experience and customer satisfaction within the regions, worldwide and in all the technical capabilities needed to provide the NPAC service.

Vendor Qualification Survey (VQS) Section 3.3.4 – Client References

VQS_Section 3.3.4_Client References

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Telcordia Technologies, Inc. dba iconectiv.

1 Introduction

Telcordia Past Performance meets every Criteria and Demonstrates Customer Satisfaction in NPAC systems, technical, operation and management skills in the U.S and around the world.

1.1 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 three other customers to submit Past Performance Questionnaires for evaluation for a total of six 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 requested the following references:

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

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.

1.2 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]			
Users of Service			

Relevant Project Aspects	Financial Services Payment Processing	Healthcare -- Hospitals	International Financial Services Client
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

The Telcordia team reference projects demonstrate the technical skills to meet or exceed the relevant requirements for LNPA data center, availability and help desk services.

WILTSHIRE & GRANNIS LLP

April 4, 2013

The Future of NPAC Subcommittee
c/o North American Portability Management LLC
c/o Dan A. Sciullo
Berenbaum Weinshienk PC
370 17th Street
Suite 4800
Denver, CO 80202

North American Portability Management LLC
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Re: Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1
(dated February 5, 2013)

Dear Sirs:

We have acted as special regulatory counsel to Telcordia Technologies, Inc. ("Telcordia"[1]) in connection with the 2015 LNPA RFP (the "Request for Proposal"),[2] to serve as the Local Number Portability Administrator ("LNPA") in each of the Regional Bell Operating Company ("RBOC") service areas or regions. Capitalized terms used herein and not otherwise defined shall have the same meaning and effect as used and defined in the 2015 LNPA Vendor Qualification Survey (the "Vendor Qualification Survey" or "VQS"). This Opinion Letter is

[1] Since February 14, 2013, Telcordia Technologies, Inc. has been doing business as iconectiv. For the purpose of this Opinion Letter, "Telcordia" shall refer to the legal entity, Telcordia Technologies, Inc., which is a wholly owned subsidiary of Ericsson. Press Release, Ericsson, "Interconnection Solutions renamed iconectiv" (Feb. 14, 2013), *available at* http://www.ericsson.com/news/130214-interconnection-solutions-renamed-iconectiv_244129229_c.

[2] Public Notice No. DA 13-154, Federal Communications Commission (rel. Feb. 5, 2013).

being furnished to you at the request of Telcordia pursuant to Section 3.5 of the Vendor Qualification Survey.

This Opinion Letter is governed by and shall be interpreted in accordance with the Legal Opinion Accord of the American Bar Association Section of Business Law (1991) (the "Accord"). We have adopted the Accord for purposes of this opinion with your express consent and pursuant to the specific instructions set forth in Section 3.5 of the Vendor Qualification Survey. As a consequence, unless otherwise provided in this Opinion Letter, this Opinion Letter is subject to a number of qualifications, exceptions, definitions, limitations on coverage, and other limitations, all as more particularly described in the Accord, and this Opinion Letter should be read in conjunction therewith. For purposes of this Opinion Letter, the "Transaction Documents" (as such term is defined in the Accord) are the Request for Proposal and the Vendor Qualification Survey, and the Transaction (as such term is defined in the Accord) is the selection of the Local Number Portability Administrator in each of the RBOC service areas or regions. This Opinion Letter is also governed by and subject to the Restatement (Third) of the Law Governing Lawyers, as required by Section 3.5 of the Vendor Qualification Survey, to the extent not inconsistent with the Accord.

For the purpose of this Opinion Letter, the following definitions apply:

The term "Telecommunications Service Provider" for purposes of this opinion 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), as set forth in the Vendor Qualification Survey.

The term "Affiliate" in this Opinion Letter 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.[3]

The term "Telcordia" in this Opinion Letter refers to Telcordia Technologies, Inc., doing business as iconectiv. Telcordia Technologies, Inc. is a corporation organized under the laws of Delaware. It is a wholly owned subsidiary of Ericsson Holding II Inc. ("GEU"), a Delaware corporation. GEU is also the parent company of Ericsson Inc., a Delaware corporation. GEU, in turn, is wholly owned by Telefonaktiebolaget LM Ericsson (individually and collectively, "Ericsson"), a corporation organized under the laws of Sweden and publicly traded on the NASDAQ OMX Stockholm and NASDAQ New York exchanges.

The term "Sub-Contractor" in this Opinion Letter includes only the following entity: SunGard Availability Services LP ("SunGard").

The term "Proposed Safeguards" means the commitments that Telcordia has proposed to address potential neutrality concerns.

As to factual matters relevant to the opinions below, we have assumed the accuracy of, and relied solely upon, sworn certificates made or given to us by representatives of Telcordia, Ericsson, and SunGard, Telcordia's proposed Sub-Contractor. We have interviewed representatives of Telcordia, Ericsson, and SunGard, reviewed publicly available financial reports for Ericsson, and reviewed the FCC Form 499 Filer Database on April 2, 2013,[4] but have not otherwise undertaken any independent investigation or inquiry to determine the existence or absence of any facts, separate from obtaining duly-sworn statements from Telcordia and the proposed Sub-Contractor. No inference as to our knowledge of the existence or absence of such facts should be drawn from our serving as special regulatory counsel to Telcordia. We call to your attention that we do not serve as counsel to any proposed Sub-Contractor of Telcordia, but the assumptions, qualifications, and other matters under the Accord that would be applicable to this Opinion Letter if such Sub-Contractor were a Client (as such term is defined in the Accord) are equally applicable with respect to such Sub-Contractor for purposes of the opinions rendered hereunder as if we were counsel to such Sub-Contractor.

As set forth in the Accord, we have not relied upon any information set forth in any certificate given to us by representatives of Telcordia, Ericsson, or SunGard if any lawyer at our firm who is part of the Primary Lawyer Group has Actual Knowledge (as such term is defined in the Accord) that the information is false or has Actual Knowledge (as such term is defined in the

[3] *See* VQS at § 3.4; *see also* 47 C.F.R. § 52.12(a)(1)(i)(A)-(C).

[4] FCC Form 499 Filer Database, *available at* http://apps.fcc.gov/cgb/form499/499a.cfm; Telecommunications Reporting Worksheet, FCC Form 499-Q, Worksheets received by the Universal Service Administrative Company as of February 21, 2013, *available at* http://www.usac.org/about/tools/fcc/filings/2013/Q2/M05%20-%20Telecommunications%20Worksheet%20-%202Q2013.pdf.

Accord) of facts that under the circumstances would make the reliance unreasonable. The phrase "Primary Lawyer Group," as used in the Accord is hereby modified and for purposes of applying the Accord to this Opinion Letter, the Primary Lawyer Group means lawyers in this firm who have given substantive legal attention to representation of Telcordia and Ericsson in connection with the Request for Proposal. Each of the lawyers in the Primary Lawyer Group is licensed and in good standing to practice law in the District of Columbia. The undersigned is licensed and in good standing to practice law in both California and the District of Columbia.

Our opinions are limited to the matters stated herein and no opinion may be implied or inferred beyond the matters expressly stated herein.

Neutral administration of the LNPA database, as the Commission has explained, will facilitate competition in the communications market "by making numbering resources available to new service providers on an efficient basis," ensure that local service providers have open and efficient access to update customer records in support of their ability to transfer new customers, and "ensure[] the equal treatment of all carriers and avoid[] any appearance of impropriety or anti-competitive conduct."[5] A neutral third party LNPA will facilitate consumer access to the public switched telephone network and "prevent[] any one carrier from interfering with interconnection to the database(s) or the processing of routing and customer information."[6]

Federal law and regulations and Federal Communications Commission decisions have required since the inception of number portability that the LNPA be a neutral third party to "ensure consistency of the data and interoperability of number portability facilities, thereby minimizing any anti-competitive impacts"[7] of number portability.[8] FCC regulations and orders define an LNPA as an "independent, non-governmental entity, not aligned with any particular telecommunications industry segment."[9] In addition to the FCC's requirements, the first Master

5 *Telephone Number Portability*, First Report & Order and Further Notice of Proposed Rulemaking, FCC 96-286, 11 FCC Rcd. 8352, 8400 ¶ 92 (1996) ("LNP First Report and Order").

6 *Id*. at 8401 ¶ 92.

7 *Id*.

8 *See, e.g*., 47 U.S.C. § 251(e); 47 C.F.R. § 52.21(k); *see also* 47 C.F.R. § 52.12(a) (requiring the NANPA and the Billing & Collection Agent to be neutral); §52.13(a) (requiring the NANPA to be an independent and impartial non-government entity); LNP First Report and Order, 11 FCC Rcd. at 8400 ¶ 92 (concluding "it is in the public interest for the number portability databases to be administered by one or more neutral third parties"); *Telephone Number Portability*, Second Report & Order, FCC 97-289, 12 FCC Rcd. 12,281, 12,287 ¶ 7 (1997) ("LNP Second Report and Order"); North Am. Numbering Council, Report of Local Number Portability Administration Selection Working Group, at 9-11, Apr. 25, 1997, *available at* http://transition.fcc.gov/wcb/cpd/Nanc/wknggrp.doc.

9 47 C.F.R. § 52.21(k); *see also* LNP First Report & Order, 11 FCC Rcd. at 8400-01 ¶¶ 92-93; *LNP Second Report & Order*, 12 FCC Rcd. at 12,349 ¶ 122.

Agreement between the LNPA and the NAPM also required an LNPA to satisfy the neutrality analysis set forth in the FCC's regulations governing the North American Numbering Plan Administrator and the Billing and Collection Agent:[10] (1) it may not be an affiliate of any telecommunications service provider or any interconnected VoIP provider;[11] (2) neither the LNPA nor any of its affiliates may "issue a majority of its debt to, nor may it derive a majority of its revenues from, any telecommunications service provider";[12] and (3) notwithstanding the other two neutrality criteria, the LNPA and any of its affiliates "may be determined to be or not to be subject to undue influence by parties with a vested interest in the outcome of numbering administration and activities."[13] The FCC's regulations apply these additional neutrality elements to the NANPA and the Billing and Collection Agent which are charged with administering numbering resources under the North American Numbering Plan, but do not apply them to the LNPA. The NAPM has restated this neutrality analysis in the 2015 LNPA RFP.[14] A neutrality analysis requires examining all elements of neutrality and evaluating the totality of the neutrality factors.

Based upon, subject to and limited by the foregoing, it is our opinion that Telcordia is a Neutral Third Party as set forth in our analysis herein.

I. Telcordia Technologies, Inc.

1. Telcordia is not a Telecommunications Service Provider. In addition, Telcordia is not an interconnected VoIP provider as defined in 47 C.F.R. §9.3.[15, 16] As further evidence, Telcordia has not registered with the FCC as a telecommunications carrier or interconnected

[10] *See* Master Agreement for Number Portability Administration Center/Service Management System Between Lockheed Martin IMS and Northeast Carrier Acquisition Co., LLC, § 1.30, attached as Exh. 10.1 to NeuStar, Inc., Quarterly Report (Form 10-Q) (Aug. 15, 2005) (importing requirements from 47 C.F.R. § 52.12(a)(1) as the definition of "neutral third party").

[11] 47 C.F.R. § 52.12(a)(1)(i).

[12] *Id.* § 52.12(a)(1)(ii).

[13] *Id.* § 52.12(a)(1)(iii).

[14] *See* VQS § 3.4 (importing NANPA and B&C neutrality requirements into LNPA RFP neutrality analysis).

[15] "An interconnected Voice over Internet protocol (VoIP) service is a service that: (1) Enables real-time, two-way voice communications; (2) Requires a broadband connection from the user's location; (3) Requires Internet protocol-compatible customer premises equipment (CPE); and (4) Permits users generally to receive calls that originate on the public switched telephone network and to terminate calls to the public switched telephone network." 47 C.F.R. § 9.3

[16] Telcordia Cert. ¶ 4.

VoIP provider through the filing of FCC Form 499-A, as indicated by the FCC's Form 499-A filer database.

2. Telcordia is neither owned by, nor does it own, any Telecommunications Service Provider; provided that ownership for this purpose does not include 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 ownership or voting power).[17]

3. Telcordia is not an Affiliate, by common ownership or otherwise, of a Telecommunications Service Provider.[18] Telcordia does not have an ownership interest or voting power of greater than ten percent in, or the power to direct or cause the direction of management and policies of, a Telecommunications Service Provider; and Telcordia is not subject to such control by a Telecommunications Service Provider. Telcordia is not under common direct or indirect control with any Telecommunications Service Provider. Telcordia is a wholly owned subsidiary of Ericsson, which neither owns nor is owned by a Telecommunications Service Provider.[19] In addition, Ericsson is not listed in the FCC Form 499-A database as a filer or the holding company of a filer of Form 499-A, and thus neither Ericsson nor any subsidiary of Ericsson has registered with the FCC as a telecommunications carrier or interconnected VoIP provider.

4. Neither Telcordia nor any Affiliate has individually issued a majority of its debt to, nor does such entity individually derive a majority of its revenues (not including the NPAC/SMS) from, any Telecommunications Service Provider.[20] For purposes of this opinion, "majority" means greater than 50%, and "debt" means stocks, bonds, securities, notes, loans or any other instrument of indebtedness.[21] Telecommunications Service Provider here means a single Telecommunications Service Provider or set of affiliated Telecommunications Service Providers.

5. Telcordia is not subject to undue influence by parties with a vested interest in the outcome of numbering administration and activities; and Telcordia 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.[22]

17 *Id*. ¶¶ 5-6.; Ericsson Cert. ¶¶ 5-6.

18 Telcordia Cert. ¶ 7; Ericsson Cert. ¶ 7.

19 Telcordia Cert. ¶ 2; Ericsson Cert. ¶¶ 5-6.

20 Telcordia Cert. ¶ 8; Ericsson Cert. ¶ 8.

21 *See* VQS at § 3.4; *see also* 47 C.F.R. § 52.12(a)(1)(ii).

22 *See* VQS at § 3.4; *see also* 47 C.F.R. § 52.12(a)(1)(iii); Telcordia Cert. ¶ 9.

The term "undue influence" as used in this Opinion Letter is not defined in the Communications Act of 1934, as amended; the rules, regulations, and published orders and policies of the Federal Communications Commission; the Request for Proposal; or the Vendor Qualification Survey. "Undue influence" is an equitable concept designed to protect a party affected with a weakness short of incapacity against improper persuasion short of misrepresentation or duress by those in a special position to exercise such persuasion.[23] The Restatement (Second) of Contracts defines undue influence as "unfair persuasion of a party who is under the domination of the person exercising the persuasion or who by virtue of the relation between them is justified in assuming that that person will not act in a manner inconsistent with his welfare,"[24] and provides that a contract induced by undue influence is voidable by the victim. Undue influence may be demonstrated by actual undue influence or by a relationship of trust between parties and a transaction that calls for explanation.

We conclude that Telcordia is not subject to "undue influence," as set forth herein.

Telcordia provides products and services enabling operators, regulators, and content providers to interconnect networks, devices, and applications across the telecommunications market.[25] Its customers include wireless, wireline, cable and IP service providers, among others.[26] Telcordia does not have a vested interest in the outcome of numbering administration and activities. As stated above, Telcordia is not itself a Telecommunications Service Provider. Telcordia is not affiliated with, does not have a greater than 10% ownership or voting interest in, has not issued a majority of its debt to, and does not derive a majority of its revenue from any Telecommunications Service Provider. Likewise, no Telecommunications Service Provider owns a greater than 10% interest in Telcordia.[27] None of Telcordia's officers or directors serves on the board of any Telecommunications Service Provider, nor does any officer or director of any Telecommunications Service Provider serve on Telcordia's board.[28] Telcordia does not have any preferred contractual relationships, arrangements, or other relationships in which any customer is entitled to any preferential or priority treatment regarding services or resources. It negotiates its business agreements at arms' length.[29] Telcordia itself is not aligned with any particular telecommunications industry segment. Its revenues come from a wide range of wireline, wireless, cable, over-the-top, and IP customers. Over 1,000 operators use its products

[23] Farnsworth on Contracts § 4.20 (2d ed. 1990); *see also* 28 Williston on Contracts § 71:50 (4th ed. 1993; 2012 supp.).

[24] Restatement (Second) of Contracts § 177 (1981); *see also Chai v. Comm'r of Internal Revenue*, 102 T.C.M. (CCH) 520 (T.C. 2011) (*quoting* Restatement (Second) of Contracts).

[25] Telcordia Cert. ¶ 10.

[26] *Id.* ¶ 11.

[27] *Id.* ¶ 7.

[28] *Id.* ¶ 11.

[29] *Id.* ¶ 12.

and services worldwide. [30] Based on these facts, it is our opinion that no Telecommunications Service Provider "dominat[es]" or can "exercis[e]…persuasion" over Telcordia.

Telcordia is a wholly owned subsidiary of Ericsson, and is governed by Ericsson's Code of Business Ethics ("COBE"),[31] which includes robust policies addressing actual or perceived conflicts of interest. The COBE prohibits service on a board of directors or similar body of a for-profit enterprise or government agency if such service would create a conflict of interest, and requires all such service to be approved in advance.[32] As a subsidiary of a company that is publicly traded on exchanges in two countries, Telcordia also is subject to rigorous transparency and disclosure obligations under U.S. and Swedish law, securities law and regulations, including ongoing audit and reporting requirements.[33]

Ericsson, moreover, is implementing additional structural safeguards that will ensure Telcordia's neutrality.[34] Effective January 1, 2013, all Telcordia operations and employees other than Telcordia's former Interconnection Business Unit have been transferred to other Ericsson legal entities.[35] The operations of Telcordia Technologies, Inc. thus consist of the former Interconnection Business Unit,[36] providing 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.[37] Telcordia provides number portability clearinghouse services in over 15 countries, enabling both fixed and mobile number portability.[38] Telcordia has its own financial and accounting systems, compensation plan, health and welfare benefits, and human resources organization independent of Ericsson.[39] As part of the structural safeguards, Telcordia no longer participates in Ericsson's Long Term Variable Stock Plan, in which Ericsson provides stock incentives to valued employees.[40] In addition, prior to assuming the role of LNPA, Telcordia will have its own board of directors, a majority of whom will be outside, independent directors.[41] Under generally accepted corporate law principles, the directors will have fiduciary duties of

30 *Id.* ¶ 13.

31 *Id.* ¶ 13 & & Annex C.

32 Telcordia Cert. ¶ 14 & & Annex C at 11.

33 Telcordia Cert. ¶ 15; Ericsson Cert. ¶ 14.

34 Ericsson Cert. ¶ 10 & & Annex B.

35 *Id.*

36 *Id.*

37 Telcordia Cert. ¶ 13.

38 *Id.* ¶ 13.

39 Ericsson Cert. ¶ 10 & & Annex B.

40 Telcordia Cert. ¶ 17; Ericsson Cert.¶ 11.

41 Ericsson Cert. ¶ 10 & Annex B.

both care and loyalty to Telcordia itself, as well as to its shareholders.[42] Under the duty of care, the directors are obligated to act in the best interests of Telcordia.[43] Under the duty of loyalty, the directors must affirmatively protect the interests of Telcordia and refrain from taking any action that would injure its interests or "deprive it of profit or advantage."[44] The directors accordingly will owe fiduciary duties to Telcordia and will be obligated to promote its interests in their actions.

In the interim period until the board is fully constituted, the outside, independent directors will serve on an Advisory Board. Both the interim Advisory Board and the constituted Board of Directors will have independent authority to exercise their fiduciary governance responsibilities and obligations.[45] The Board will have a fiduciary duty first and foremost to protect the interests of the company.[46] The Board will be responsible for constituting a neutrality compliance committee and implementing other appropriate safeguards to ensure neutrality, including neutrality audits by third-party auditors, in Telcordia's operations consistent with FCC requirements.[47] Telcordia Board members will not simultaneously serve as officers or directors of a Telecommunications Service Provider, nor will any board member have an ownership or voting interest of greater than ten percent in any Telecommunications Service Provider.[48] While we conclude that Ericsson likewise meets neutrality requirements, this structure will serve to

[42] *See, e.g., U.S. v. Byrum*, 408 U.S. 125, 138 (1972); *see also, e.g., Mills Acquisition Co. v. Macmillan, Inc.*, 559 A.2d 1261, 1280 (Del. 1988) ("It is basic to our law that the board of directors has the ultimate responsibility for managing the business and affairs of a corporation. In discharging this function, the directors owe fiduciary duties of care and loyalty to the corporation and its shareholders") (internal citation omitted); N.Y. Bus. Corp. § 717(b) (director shall be entitled to consider, among others, both the short-and long-term interests of the corporation and its shareholders, including prospects for corporate growth, development and profitability; the interests of the current and former employees, customers and creditors; and the ability of the corporation to continue as a going concern).

[43] *See, e.g., Byrum*, 408 U.S. at 138; *see also Aronson v. Lewis*, 473 A.2d 805, 812 (Del. 1984), *overruled on other grounds, Brehm v. Eisner,* 746 A.2d 244 (Del. 2000).

[44] *See, e.g., Cede & Co. v. Technicolor, Inc.*, 634 A.2d 345, 361 (Del. 1993) (*quoting Guth v. Loft, Inc.*, 5 A.2d 503, 510 (Del. 1939)) ("A public policy, existing through the years, and derived from a profound knowledge of human characteristics and motives, has established a rule that demands of a corporate officer or director, peremptorily and inexorably, the most scrupulous observance of his duty, not only affirmatively to protect the interests of the corporation committed to his charge, but also to refrain from doing anything that would work injury to the corporation, or to deprive it of profit or advantage which his skill and ability might properly bring to it, or to enable it to make in the reasonable and lawful exercise of its powers.").

[45] Ericsson Cert. ¶ 10 & & Annex B.

[46] Ericsson Cert. ¶ 10.

[47] Ericsson Cert. ¶ 10 & & Annex B.

[48] *Id.*

insulate Telcordia from any perceived undue influence that might hypothetically be exerted by or on Ericsson. The majority of independent directors, and the Board's neutrality committee, will preserve Telcordia's neutrality.

In addition to these proposed structural safeguards, Telcordia is proposing an auditable LNPA Code of Conduct, which is attached as Exhibit A, that it would put in place if selected as the LNPA. In its key aspects, this LNPA Code of Conduct provides that the LNPA shall protect the confidentiality of LNP user data or proprietary information and LNPA services; shall treat all Telecommunications Service Providers equally; shall not permit employees, contractors, officers, or managers to hold any interest that would cause the LNPA to no longer be neutral without obtaining prior approval from the FCC or recusing from all LNPA activities; shall not have interlocking directorates with any Telecommunications Service Provider; and shall retain all decisionmaking authority regarding LNPA services. Assuming Telcordia is selected as an LNPA, the LNPA Code of Conduct would apply to all Telcordia employees, officers, and directors, as well as to dedicated resources of any sub-contractor. For the purpose of applying and auditing the LNPA Code of Conduct, we will refer to telecommunications service providers and interconnected VoIP providers as listed in the FCC's Form 499 filer database. This Code of Conduct will further ensure neutral provision of LNPA services and will form part of the LNPA neutrality audit process.

Accordingly, it is our opinion that Telcordia is not subject to "undue influence" from any telecommunications carrier, interconnected VoIP provider or telecommunications industry segment.

II. Ericsson

Telcordia is a wholly owned subsidiary of Ericsson, as noted. Based upon, subject to and limited by the foregoing, it is our opinion that Ericsson is a Neutral Third Party based upon our reasoning and analysis set forth herein.

6. Ericsson is not a U.S. Telecommunications Service Provider.[49] As further evidence, Ericsson has not registered with the FCC as a telecommunications carrier or interconnected VoIP provider through the filing of FCC Form 499-A, as indicated by the FCC's Form 499-A filer database.

7. Ericsson is neither owned by, nor does it own, any U.S. Telecommunications Service Provider.[50]

8. Ericsson is not an Affiliate, by common ownership or otherwise, of a U.S. Telecommunications Service Provider.[51] Ericsson does not have an ownership interest or voting

[49] Ericsson Cert. ¶ 4.

[50] Ericsson Cert. ¶¶ 5-6.

[51] *Id*. ¶ 7.

power of greater than ten percent in, or the power to direct or cause the direction of management and policies of, a U.S. Telecommunications Service Provider; and Ericsson is not subject to such control by a U.S. Telecommunications Service Provider. Ericsson is not under common direct or indirect control with any U.S. Telecommunications Service Provider.[52] In addition, Ericsson is not listed in the FCC Form 499-A filer database as a holding company of a filer of Form 499-A, and thus no subsidiary of Ericsson has registered with the FCC as a telecommunications carrier or interconnected VoIP provider.

9. Neither Ericsson nor any Affiliate has issued a majority of its debt to, nor does such entity derive a majority of its revenues (not including the NPAC/SMS) from, any single Telecommunications Service Provider.[53]

10. Ericsson is not subject to undue influence by parties with a vested interest in the outcome of numbering administration and activities; and Ericsson is not involved in a contractual or other arrangement that would impair Telcordia's 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.[54]

Ericsson provides services across telecommunications industry segments. Ericsson provides infrastructure services to many of the nation's telecommunications service providers. It has been selected as an infrastructure vendor for each of the four major U.S. wireless carriers (AT&T, Verizon Wireless, Sprint and T-Mobile) in their LTE deployments. It shares this role with other major providers, including Alcatel-Lucent and Nokia Siemens Networks.[55] 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.[56] It has provided Sprint with IPv6 service on Sprint's fixed network.[57] Ericsson also provides managed services to a range of telecommunications customers, including Sprint and Clearwire.[58] Additionally, it provides managed services to TV/media and IT systems.[59] In its managed services arrangements, Ericsson takes responsibility for network design, planning, and building, including day-to-day operations, while the carrier retains responsibility for strategy, marketing and customer care. More than half of the equipment involved in Ericsson's managed services agreements is provided by other infrastructure vendors.[60] Ericsson also

52 *Id.*

53 *Id.* ¶ 8.

54 *Id.* ¶ 9.

55 *Id.* ¶ 11.

56 *Id.*

57 *Id.*

58 *Id.*

59 *Id.*

60 *Id.* ¶ 11 & & Annex D at 15.

provides operations support services/business support services (OSS/BSS) for a wide range of wireless, wireline, cable, and IP customers.

Ericsson from time to time arranges vendor financing for customers, including Telecommunications Service Providers. Customer finance is arranged for infrastructure projects in different geographic markets, and for a large number of customers.[61] To the extent customer loans are not provided directly by banks, Ericsson may provide or guarantee vendor credits.[62] This is a standard practice among hardware firms. As of December 31, 2012, Ericsson had originated or guaranteed a total of 78 customer financing arrangements worldwide.[63] Ericsson's vendor financing arrangements are governed by its finance committee and subject to ongoing monitoring.[64] Any major commitment to finance a customer requires prior approval from the Finance Committee of the Board of Directors.[65] Ericsson treats loan guarantees to customers as contingent liabilities or a form of future interest, and not as a vested interest.[66] For these reasons, these financing arrangements should not be considered "vested interests" for the purpose of analyzing neutrality. In addition, the FCC generally does not include future interests when examining ownership interests as part of an ownership attribution analysis, an analogous type of review.[67] For these reasons, we do not believe these financing arrangements to be a source of "undue influence" with respect to number portability because these arrangements are transitory and marginal as compared to the overall financial health and stability of the borrowers.

Ericsson transacts business with customers on an arms' length basis. Its business dealings are governed by its Code of Business Ethics ("COBE"), which was reviewed and updated in 2012.[68] The COBE applies to all employees, managers, and directors.[69] As part of the COBE, Ericsson commits to promoting fair competition and transparency, and prohibiting activities or actions that conflict with Ericsson's core principles of integrity and ethics.[70] The

61 Ericsson Cert. ¶ 12 & Annex D at 74.

62 *Id.*

63 *Id.*

64 *Id.*

65 *Id.*

66 *Id.* ¶ 12 & Annex D at 90.

67 *See, e.g.*, *Applications of NextWave Personal Communications, Inc. for Various C-Block Broadband PCS Licenses*, 12 FCC Rcd. 2030, 2050-51 (1997) ("We have previously determined that future interests including warrants, options, and convertible debt do not constitute capital stock until exercised or converted and are therefore not relevant to our foreign ownership determinations."); *see also Applications of Tribune Co. and Its Licensee Subsidiaries*, 27 FCC Rcd. 14,239, 14,245 n.32 (Media Bur. 2012).

68 Ericsson Cert. ¶ 13 & Annex C at 5.

69 Ericsson Cert. ¶ 13 & Annex C at 5.

70 Ericsson Cert. ¶ 13 & Annex C at 5.

COBE includes provisions requiring avoidance of any actual or potential conflict of interest, and prompt disclosure of any conflict situation. Service on a board of directors or similar body of a for-profit enterprise is not permitted if it would create a conflict of interest.[71] Directors additionally are disqualified from participating in any decision regarding agreements between themselves and Ericsson, or between Ericsson and any third party or legal entity in which the Board member has an interest.[72]

Ericsson is publicly traded on the NASDAQ New York exchange and the NASDAQ OMX Stockholm exchange. It is subject to Swedish and U.S. law, including U.S. securities laws, SEC rules, and the NASDAQ Stock Market Rules.[73] Its Board of Directors includes independent directors.[74]

For these reasons, it is our opinion that Ericsson is not subject to "undue influence," and thus satisfies the neutrality requirements set forth in the RFP. However, even if Ericsson were subject to undue influence, it is our opinion that the structural safeguards that it has undertaken regarding Telcordia (see Section I, supra) are reasonably expected to ensure the neutrality of Telcordia and its ability to administer the NPAC/SMS fairly and impartially as an LNPA.

III. SunGard Availability Services LP

Telcordia intends to use SunGard Availability Services LP ("SunGard" or "Sub-Contractor") as its data center services sub-contractor. Under the contemplated sub-contractor arrangement, SunGard will perform tasks and functions at Telcordia's direction ("SunGard Services") but will have no independent discretion to make decisions regarding the SunGard Services.[75]

11. SunGard, Telcordia's intended sub-contractor, is not a Telecommunications Service Provider.[76] As further evidence, SunGard has not registered with the FCC as a telecommunications carrier or interconnected VoIP provider through the filing of FCC Form 499-A, as indicated by the FCC's Form 499-A filer database.

12. SunGard is not owned by, and SunGard does not own, any Telecommunications Service Provider; provided that ownership for this purpose does not include ownership interests (measured by equity interest in stock, partnership interests, whether general or limited, joint

71 Ericsson Cert. ¶ 13 & Annex C at 11.

72 Ericsson Cert. ¶ 13 & Annex D at 135.

73 Ericsson Cert. ¶ 14 & Annex D at 131.

74 Ericsson Cert. ¶ 10 & Annex D at 136.

75 Telcordia Cert. ¶ 18.

76 SunGard Cert. ¶ 2.

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 ownership or voting power).[77]

13. SunGard's Affiliate, SunGard NetWork Solutions Inc. ("SNS"), is registered in North Carolina, Oregon, and Minnesota to provide certain telecommunications services as required by the public utility regulations in those states.[78] Consequently, in North Carolina, SNS is authorized to provide intrastate interexchange telephone service, intrastate local exchange service, and exchange access telephone service;[79] in Oregon, SNS is authorized to provide intraexchange and interexchange services and is designated as a competitive telecommunications provider for interexchange service statewide;[80] and in Minnesota, SNS is registered to provide local niche services only,[81] which Minnesota defines as "point-to-point connections between end-user locations within a service area and any telecommunications services under the [Minnesota public utility] commission's jurisdiction that do not fall within the definition of local service or the definition of interexchange service."[82] SNS does not provide any switched services anywhere, however, but rather contracts with telecommunications providers for dedicated non-switched data circuits to provide to its affiliates' customers solely in connection with their use of SunGard data services (i.e. hosting, managed services, recovery services).[83] SNS does not have any plans to offer switched services that would utilize number portability, and does not provide voice telecommunications services.[84] Although SunGard is an Affiliate, by common ownership or otherwise, of a Telecommunications Service Provider, that Affiliate does not provide – and has no plans to provide – switched services that utilize number portability,[85] and thus should not be considered a proscribed Telecommunications Service Provider for the purposes of evaluating neutrality, particularly with respect to a subcontractor.

As a safeguard, SunGard has represented that it will notify Telcordia if, at any time, it becomes aware that SNS or any other SunGard Affiliate intends to or commences providing switched services that utilize number portability. Telcordia, in turn, will notify the NAPM and the FCC within 7 business days that it has received such notification. This safeguard will provide SunGard, Telcordia, NAPM, and the FCC with an opportunity to review and resolve any potential impact that such services might have on Telcordia's neutrality. When reviewed as part of the totality of the neutrality elements, this safeguard will reasonably be expected to protect

77 *Id*. ¶ 3.

78 *Id*. ¶ 4.

79 *Id*. ¶ 4 & Annex C.

80 SunGard Cert. ¶ 4 & Annex D.

81 SunGard Cert. ¶ 4 & Annex B.

82 Minn. Admin. Rules § 7812.0100 subpart 31.

83 SunGard Cert. ¶ 5.

84 *Id*.

85 *Id*.

SunGard from any "undue influence" that could hypothetically arise from any SunGard Affiliate beginning to provide switched services that utilize number portability.

SunGard's parent company, SunGard Data Systems Inc. ("SDS"), was acquired on August 11, 2005 in a leveraged buy-out by a consortium of private equity investment funds associated with Bain Capital Partners, The Blackstone Group, Goldman Sachs & Co., Kohlberg Kravis Roberts & Co., Providence Equity Partners, Silver Lake and TPG (collectively, the "Sponsors").[86] Each of the Sponsors has a representative on the Board of SDS. Two of the Sponsors of SDS also have greater than ten percent ownership interests in three entities listed in the FCC Form 499-A database as Telecommunications Service Providers: Avaya, Inc., Intelsat, and IPC Network Services. SDS Sponsors Silver Lake and TPG jointly own Avaya, Inc., which is registered with the FCC as an interconnected VoIP provider. One of the Directors of SDS is also a Director of Avaya, Inc. Silver Lake also has a greater than ten percent ownership interest in IPC Network Services, which is registered with the FCC as a toll reseller, and in Intelsat, which is registered with the FCC as a private service provider. For the purposes of this review, the ownership interests in Intelsat and IPC Network Services are not material because those entities do not constitute "Telecommunications Service Providers." In addition, pursuant to the FCC's *Warburg Pincus* order, none of these three entities (Avaya, Intelsat, and IPC Network Services) is an Affiliate of SunGard because they do not have a ten percent or greater ownership or voting interest in SunGard or the ability to direct SunGard's management or policies.[87]

As a safeguard, SunGard has represented that the two Sponsors of SDS that also have ownership interests greater than ten percent in a Telecommunications Service Provider shall recuse themselves from participating in any material discussions or decisions involving the SunGard Services, including any involvement in day-to-day decisionmaking.[88] This will insulate SunGard from any "undue influence" that could otherwise hypothetically stem from the involvement of its directors' ownership interests in a Telecommunications Service Provider.

14. Neither SunGard, nor any of its Affiliates, has issued a majority of its debt to, or derives a majority of such entity's revenues (not including the NPAC/SMS) from, any single Telecommunications Service Provider or set of affiliated Telecommunications Providers.[89]

15. SunGard is not subject to undue influence by parties with a vested interest in the outcome of numbering administration and activities; and it is not involved in a contractual or other arrangement that would impair Telcordia's ability to administer the NPAC/SMS fairly and

86 *Id*. ¶ 7.

87 *Request of Lockheed Martin Corporation and Warburg, Pincus & Co. For Review of the Transfer of the Lockheed Martin Communications Industry Services Business*, 14 FCC Rcd. 19,792, 19,808 ¶ 26 (1999).

88 SunGard Cert. ¶ 8.

89 *Id*. ¶ 9.

impartially as an LNPA or to implement the schedule set forth in the IASTA® SmartSource SRM® Tool, called the FoNPAC Timeline.

In the first instance, given the tasks that SunGard will perform for Telcordia, it will be impossible for SunGard to bias the provision of LNPA services in favor of any Telecommunications Service Provider. Under the contemplated sub-contractor arrangement, SunGard will perform tasks and functions at Telcordia's direction, but will have no independent discretion to make decisions regarding the SunGard Services.[90] Only Telcordia will have authority to access or perform operations in the NPAC/SMS application.[91]

In addition, SunGard operates subject to a Global Business Conduct and Compliance Program ("GBCCP"),[92] applicable to both employees and directors. The GBCCP includes provisions for addressing actual or perceived conflicts of interest, and imposes an obligation to disclose conflict situations. Under the GBCCP, any conflict of interest that becomes known to SDS or its Chief Compliance Officer must be resolved. That resolution can take the form of the person recusing himself from any decision or activity that involves the other party, divestiture of equity interests in the entity or whatever resolution is most appropriate to the circumstances. While a conflict situation is under review, the GBCCP prohibits affected directors or employees from acting on behalf of SunGard in connection with the conflict situation.[93] In addition, if Telcordia is selected as an LNPA, all SunGard employees dedicated to providing services to Telcordia shall be bound by the Proposed LNPA Code of Conduct.[94]

SunGard does not have any contractual or other arrangement that would impair Telcordia's ability to administer the NPAC/SMS fairly and impartially. SunGard transacts at arms' length with its suppliers and provides in its GBCCP that it "will only purchase goods and services" from suppliers "when the combination of price, quality, and service are competitive with those of other suppliers."[95] Based upon, subject to and limited by SunGard's continued compliance with its GBCCP, its lack of discretion regarding the SunGard Services and the safeguards that it has agreed to undertake regarding notice of any relevant changes to the services it or any of its Affiliates provide and regarding recusal from decisionmaking involving LNPA services of Sponsors that also have ownership interests greater than ten percent in a Telecommunications Service Provider, it is our opinion that SunGard is not subject to "undue influence," and thus that SunGard meets the neutrality requirements of the RFP.

* * *

90 Telcordia Cert. ¶ 18; SunGard Cert. ¶ 1.

91 *Id*. ¶ 18.

92 SunGard Cert. ¶ 11 & Annex A.

93 SunGard Cert. ¶ 11 & Annex A at 5.

94 SunGard Cert. ¶ 12.

95 *Id*. ¶ 13 & Annex A at 5.

Consistent with the Accord, this Opinion Letter is rendered solely for your benefit in connection with the Request for Proposal and this opinion may not be used or relied upon by any other person or entity for any purpose, except as set forth in Section 20 of the Accord.

The opinions expressed in this letter are based upon the current law and facts. We have no obligation to advise you of changes of law or fact that occur after the date of this Opinion Letter, even though the change may affect the legal analysis, a legal conclusion, or an informational confirmation in this Opinion Letter.

Sincerely,

WILTSHIRE & GRANNIS LLP

By: _____
John T. Nakahata

cc: Federal Communications Commission
ATTN.:Sanford S. Williams
445 12th Street SW
Room 5-C217
Washington, DC 20554

EXHIBIT A

PROPOSED LNPA CODE OF CONDUCT

1. The LNPA will never, directly or indirectly, show any preference or provide any special consideration to any Telecommunications Service Provider with respect to LNPA services.

2. The LNPA shall not share LNP user data or proprietary information of any Telecommunications Service Provider 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 Service Provider (except as necessary for the performance of LNPA duties).

4. No employee, contractor, officer, or director of the LNPA, or any dedicated employee of a sub-contractor, 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 decisionmaking authority regarding LNPA services; any sub-contractor shall provide services to the specific direction of the LNPA and shall not have discretionary decisionmaking authority regarding LNPA services.

PROPOSED COMPANY-SPECIFIC SAFEGUARDS

Telcordia Technologies, Inc./Ericsson

1. Effective January 1, 2013, all Telcordia operations and employees other than Telcordia's former Interconnection Business Unit have been transferred to other Ericsson legal entities. The remaining Telcordia Technologies, Inc. entity consists solely of the former Interconnection Business Unit, and provides number portability, anti-theft and anti-counterfeit device registries, information services, mobile messaging, and spectrum management services.
2. On February 14, 2013, Ericsson announced that Telcordia will be doing business as iconectiv and appointed officers to manage iconectiv and lead its operations.
3. Telcordia (d/b/a iconectiv) has its own financial and accounting systems, compensation plan, health and welfare benefits, and human resources organization.
4. In addition, Telcordia will have its own board of directors, a majority of whom will be outside, independent directors. In the interim period until the board is fully constituted, the outside, independent Directors will serve on an Advisory Board. Both the interim Advisory Board and the constituted Board of Directors will have independent authority to exercise their fiduciary governance responsibilities and obligations. Directors shall have a primary fiduciary duty of loyalty to the company.
5. The Board will be responsible for constituting a neutrality compliance committee and implementing other appropriate safeguards to ensure neutrality, including neutrality audits by third-party auditors, in Telcordia's operations, consistent with FCC requirements.
6. Telcordia Board members will not simultaneously serve as an officer or director of a Telecommunications Service Provider, nor will any board member have an ownership or voting interest of greater than ten percent in any Telecommunications Service Provider.
7. All employees, contractors, officers, and directors of Telcordia shall be bound by the Ericsson COBE with respect to any work involving LNPA services.
8. All employees, contractors, officers, and directors of Telcordia shall be bound by the LNPA Code of Conduct.
9. In the event that Telcordia receives notification from SunGard or any Sub-Contractor that the Sub-Contractor or any of its Affiliates intends to or has begun providing switched services that utilize number portability, Telcordia will notify the NAPM and the FCC within 7 business days.

SunGard Availability Services LLP

1. SunGard will notify Telcordia if, at any time, it becomes aware that SNS or any other SunGard affiliate intends to or commences providing switched services that utilize number portability.
2. Any Sponsor of SunGard that also has, or serves as an officer or director of an entity that has, ownership interests, including voting rights, greater than ten percent in a Telecommunications Service Provider shall recuse him or herself from participating in material discussions or decisionmaking involving the services SunGard provides to Telcordia (the "SunGard Services").
3. All SunGard managers overseeing day-to-day responsibilities regarding the SunGard Services and all SunGard employees dedicated to providing services to Telcordia shall be bound by the LNPA Code of Conduct.

CERTIFICATE OF TELCORDIA TECHNOLOGIES, INC.
TO
WILTSHIRE & GRANNIS LLP

1, John G. Fechter, Executive Vice President and Chief Financial Officer of Telcordia Technologies, Inc., doing business as iconectiv ("Telcordia" or the "Company"), do hereby certify to Wiltshire & Grannis LLP ("WG") under penalty of perjury that the following is true and correct to the best of my knowledge:

Telcordia has requested that WG render an opinion to the Federal Communications Commission ("FCC"), the North American Portability Management LLC ("NAPM"), the Future of Number Portability Administration Committee ("FoNPAC"), and the North American Numbering Council Local Number Portability Administrator Selection Working Group ("SWG") in connection with the 2015 Local Number Portability Administrator Request for Proposal ("2015 LNPA RFP") to serve as the Local Number Portability Administrator in each of the Regional Bell Operating Company ("RBOC") service areas or regions. 1 understand and acknowledge that this Certificate will be relied upon by WG in rendering such opinion of counsel.

Capitalized terms used herein and not otherwise defined shall have the same meaning and effect as used and defined in the 2015 LNPA Vendor Qualification Survey (the "VQS").

1. The representations and warranties made by Telcordia in the Bid Response to the 2015 LNPA RFP are true and correct as of the date hereof.
2. Telcordia has been a wholly owned subsidiary of Ericsson since January 12, 2012.
3. Telcordia has been doing business as iconectiv since February 14, 2013.
4. Telcordia is not a Telecommunications Service Provider. Specifically, it is not:
    a. authorized to provide facilities-based wireline local exchange services to the public in any State or Territory of the United States;
    b. authorized to provide CMRS telecommunications services to the public in any State or Territory of the United States;
    c. an interconnected VoIP provider as defined in 47 C.F.R. § 9.3;
    d. a "standalone interconnected VoIP provider that obtains numbering resources directly from the North American Numbering Plan Administrator and the Pooling Administrator and connects directly to the PSTN" (as provided in § 3.4 of the Vendor Qualification Survey ("VQS");
    e. an "interconnected VoIP provider that partners with a facilities-based PSTN Telecommunications Service Provider to obtain numbering resources and connectivity to the PSTN via the Telecommunications Service Provider partner" (as provided in § 3.4 of the VQS); or
    f. 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)" (as provided in § 3.4 of the VQS).

5. Telcordia does not own any Telecommunications Service Provider; provided that ownership for this purpose does not include 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 ownership or voting power).
6. Telcordia is not owned by any Telecommunications Service Provider.
7. Telcordia is not an Affiliate, by common ownership or otherwise, of a Telecommunications Service Provider; provided that 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. Telcordia does not have an ownership interest or voting power of greater than ten percent in, or the power to direct or cause the direction of management and policies of, a Telecommunications Service Provider; and Telcordia is not subject to such control by a Telecommunications Service Provider. Telcordia is not under common direct or indirect control with any Telecommunications Service Provider.
8. Neither Telcordia nor any of its Affiliates has issued a majority of its debt to, nor does it derive a majority of its revenues (not including the NPAC/SMS) from, any Telecommunications Service Provider. For purposes of this opinion, "majority" means greater than 50%, and "debt" means stocks, bonds, securities, notes, loans or any other instrument of indebtedness.
9. Telcordia is not subject to undue influence by parties with a vested interest in the outcome of numbering administration and activities; and Telcordia 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.
10. Telcordia provides products and services enabling operators, regulators, and content providers to interconnect networks, devices, and applications across the telecommunications market. Its customers include wireless, wireline, cable and IP service providers, among others.
11. None of Telcordia's officers or directors serves on the board of any Telecommunications Service Provider, nor does any officer or director of any Telecommunications Service Provider serve on Telcordia's board.
12. Telcordia negotiates all of its business agreements at arms' length. Telcordia does not have any preferred contractual relationships, arrangements, or other relationships in

which any one customer is entitled to any preferential or priority treatment regarding services or resources.

13. Telcordia is not aligned with any particular telecommunications industry segment. Its revenues come from a wide range of wireline, wireless, cable, over-the-top, and IP customers. Over 1,000 operators use its products and services worldwide. 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.

14. Telcordia is governed by the Ericsson Code of Business Ethics ("COBE"), which includes robust policies addressing actual or perceived conflicts of interest. The COBE prohibits service on a board of directors or similar body of a for-profit enterprise or government agency if such service would create a conflict of interest, and requires all such service to be approved in advance.

15. As a subsidiary of a company that is publicly traded on exchanges in two countries, Telcordia also is subject to rigorous transparency and disclosure obligations under U.S. and Swedish law, securities law and regulations, including ongoing audit and reporting requirements.

16. As described in the March 1, 2013 letter from Per Borgklint, Ericsson, to John Nakahata, Wiltshire & Grannis LLP (attached as Annex B to the Certificate of LM Ericsson), Ericsson is implementing additional structural safeguards that will ensure neutrality. Effective January 1, 2013, all Telcordia operations and employees other than Telcordia's former Interconnection Business Unit have been transferred to other Ericsson legal entities. The operations of Telcordia Technologies, Inc. thus consist of the former Interconnection Business Unit, providing number portability, anti-theft and anti-counterfeit device registries, information services, mobile messaging, and spectrum management services. Telcordia has its own financial and accounting systems, compensation plan, health and welfare benefits, and human resources organization independent of Ericsson. In addition, prior to assuming the role of LNPA, Telcordia will have its own board of directors, a majority of whom will be outside, independent directors. In the interim period until the board is fully constituted, the outside, independent directors will serve on an Advisory Board. Both the interim Advisory Board and the constituted Board of Directors will have independent authority to exercise their fiduciary governance responsibilities and obligations. The Board will have a fiduciary duty first and foremost to protect the interests of Telcordia. The Board will be responsible for constituting a neutrality compliance committee and implementing other appropriate safeguards to ensure neutrality, including neutrality audits by third-party auditors, in Telcordia's operations consistent with FCC requirements. Telcordia Board members will not simultaneously serve as officers or directors of a Telecommunications Service Provider, nor will any board member have an ownership or voting interest of greater than ten percent in any Telecommunications Service Provider.

17. Telcordia no longer participates in Ericsson's Long Term Variable Stock Plan, in which Ericsson provides stock incentives to valued employees.

18. In addition to these proposed structural safeguards, Telcordia is proposing an auditable Code of Conduct. In its key aspects, this LNPA Code of Conduct provides that the LNPA shall protect the confidentiality of LNP user data or proprietary information and LNPA services; shall treat all Telecommunications Service Providers equally; shall not permit employees, contractors, officers, or managers to hold any interest that would cause the LNPA to no longer be neutral without obtaining prior approval from the FCC or recusing from all LNPA activities; shall not have interlocking directorates with any Telecommunications Service Provider; and shall retain all decisionmaking authority regarding LNPA services. Assuming Telcordia is selected as an LNPA, the LNPA Code of Conduct would apply to all Telcordia employees, officers, and directors, as well as to dedicated resources of any sub-contractor. For the purpose of applying and auditing the LNPA Code of Conduct, Telcordia will refer and will direct its sub-contractor to refer to telecommunications service providers and interconnected VolP providers as listed in the FCC's Form 499 Filer Database. This Code will form part of the neutrality audit process.

19. Telcordia intends to use SunGard Availability Services LP ("SunGard") as its data center services sub-contractor. Under the contemplated sub-contractor arrangement, SunGard will perform tasks and functions at Telcordia's direction, but will have no independent discretion to make decisions regarding LNPA services. Only Telcordia will have authority to access or perform operations in the NPAC/SMS application.

20. In the event that Telcordia receives notification from SunGard or any Sub-Contractor that the Sub-Contractor or any of its Affiliates intends to or has begun providing switched services that utilize number portability, Telcordia will notify the NAPM and the FCC within 7 business days.

21. Attached hereto as Annex A is a copy of the Ericsson Code of Business Ethics, dated 2012.

22. Attached here to as Annex B is a copy of the February 14, 2013 Ericsson Press Release announcing that Telcordia Interconnection Solutions has been renamed iconectiv.

23. Attached hereto as Annex C is a copy of the January 12, 2012 Ericsson Press Release announcing the closing of Ericsson's purchase of Telcordia Technologies, Inc.

I certify under penalty of perjury that the foregoing is true and correct to the best of my knowledge.

John G. Fechter
Executive Vice President & Chief Financial Officer
Telcordia Technologies, Inc.
444 Hoes Lane
Piscataway, NJ 08854-4151

Executed on April 4, 2013.

CERTIFICATE OF TELCORDIA

ANNEX A

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

TABLE OF CONTENTS

Letter from the President 4

Our guiding principles 5

Our responsibility for compliance 6

Reporting violations 7

Respecting human rights throughout our business operations 8

Compliance with laws, rules and regulations 9

Communication and financial information 10

Dealing with conflicts of interest 11

Protection and proper use of company assets 12

Protecting information 13

Protecting the environment 14

Our obligations as responsible corporate citizens 15

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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Group Policy 011 03-2927
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CERTIFICATE OF TELCORDIA

ANNEX B

PRESS RELEASE
February 14, 2013

INTERCONNECTION SOLUTIONS RENAMED ICONECTIV

- The Interconnection business, formerly, Telcordia Interconnection Solutions, renamed as iconectiv
- The business will operate from today under the iconectiv brand

Ericsson (NASDAQ: ERIC) today launched iconectiv as the new brand for its Interconnection business. Starting today, the Interconnection business transfers to a new brand to promote and strengthen its business identity and support its portfolio including number portability clearinghouses, mobile messaging services, anti-theft device registries, spectrum management databases and the Common Language product line.

For more information about iconectiv, visit www.iconectiv.com

NOTES TO EDITORS

Download high-resolution photos and broadcast-quality video at www.ericsson.com/press

Ericsson is the world's leading provider of communications technology and services. 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 around the world.

Our offering comprises services, software and infrastructure within Information and Communications Technology for telecom operators and other industries. Today more than 40 percent of the world's mobile traffic goes through Ericsson networks and we support customers' networks servicing more than 2.5 billion subscribers.

We operate in 180 countries and employ more than 100,000 people. Founded in 1876, Ericsson is headquartered in Stockholm, Sweden. In 2011 the company's net sales were SEK 226.9 billion (USD 35.0 billion). Ericsson is listed on NASDAQ OMX, Stockholm and NASDAQ, New York stock exchanges.

www.ericsson.com
www.twitter.com/ericssonpress
www.facebook.com/ericsson
www.youtube.com/ericssonpress

FOR FURTHER INFORMATION, PLEASE CONTACT

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Ericsson Investor Relations
Phone: +46 10 719 00 00
E-mail: investor.relations@ericsson.com

CERTIFICATE OF TELCORDIA

ANNEX C

PRESS RELEASE
JANUARY 12, 2012

ERICSSON CLOSES TELCORDIA ACQUISITION

- Consolidates position as a leading player in operations support systems/business support systems (OSS/BSS) market with key position in service fulfilment, assurance, network optimization and real-time charging
- Accretive to Ericsson earnings per share within 12 months

Ericsson (NASDAQ:ERIC) has today completed the acquisition of Telcordia, a global leader in the development of mobile, broadband and enterprise communications software and services, for USD 1.15 billion in an all cash transaction, on a cash and debt-free basis. Telcordia is now part of the Ericsson Group and its approximately 2,600 skilled employees have joined Ericsson.

Today's closing follows the announcement on June 14, 2011, that Ericsson had entered into a merger agreement with Providence Equity Partners, LLC and Warburg Pincus to acquire 100 percent of the shares of Telcordia.

Per Borgklint, Head of Ericsson's business unit Multimedia, says: "The addition of Telcordia's skilled people and knowledge, a good multi vendor product portfolio and an important customer base in North America, complement Ericsson's already established position in the OSS/BSS space.

"OSS and BSS are key to drive the customer experience and serve as the engine to monetizing traffic, offerings and products that operators sell. All in all, these systems are crucial to create the experience users expect in a cost efficient manner."

The combination of the two companies creates the leader in service fulfilment, service assurance and network optimization and gives Ericsson a leading position in real-time charging and significant capabilities to support operators end to end. The combination will address the needs of Communications Service Providers to deliver mobile broadband and operational transformation to their subscribers.

The OSS/BSS is a growing market driven by the demand for business efficiency, innovation and high quality user experience. In 2010, the market for software and systems integration was valued at about USD 35 billion and is expected to show a compound annual growth rate between 6-8 percent between 2010 and 2013. In addition, there is an attractive market for outsourced and hosted OSS and BSS managed services, growing in the same range.

Telcordia is headquartered in Piscataway, New Jersey, and generated revenues of USD 739 million during the last fiscal year ended January 31, 2011. Telcordia will be managed by Ericsson's business unit Multimedia but sales and margins will be shared between Multimedia and Services depending on portfolio mix.

PRESS RELEASE
JANUARY 12, 2012

NOTES TO EDITORS:

Press release from June 14, 2011 – Ericsson to acquire Telcordia:

http://www.ericsson.com/news/1523267

Picture of Per Borgklint:

www.ericsson.com/thecompany/press/photolibrary/management

Our multimedia content is available at the broadcast room:
www.ericsson.com/broadcast_room

Ericsson is the world's leading provider of technology and services to telecom operators. Ericsson is the leader in 2G, 3G and 4G mobile technologies, and provides support for networks with over 2 billion subscribers and has the leading position in managed services. The company's portfolio comprises mobile and fixed network infrastructure, telecom services, software, broadband and multimedia solutions for operators, enterprises and the media industry. The Sony Ericsson and ST-Ericsson joint ventures provide consumers with feature-rich personal mobile devices.

Ericsson is advancing its vision of being the "prime driver in an all-communicating world" through innovation, technology, and sustainable business solutions. Working in 180 countries, more than 90,000 employees generated revenue of SEK 203.3 billion (USD 28.2 billion) in 2010. Founded in 1876 with the headquarters in Stockholm, Sweden, Ericsson is listed on NASDAQ OMX, Stockholm and NASDAQ New York.

www.ericsson.com
www.twitter.com/ericssonpress
www.facebook.com/technologyforgood
www.youtube.com/ericssonpress

FOR FURTHER INFORMATION, PLEASE CONTACT

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CERTIFICATE OF LM ERICSSON
TO
WILTSHIRE & GRANNIS LLP

On behalf of Telefonaktiebolaget LM Ericsson ("Ericsson" or the "Company"), I do hereby certify to Wiltshire & Grannis LLP ("WG") that the following is true and correct to the best of my knowledge:

Telcordia has requested that WG render an opinion to the Federal Communications Commission ("FCC"), the North American Portability Management LLC ("NAPM"), the Future of Number Portability Administration Committee ("FoNPAC"), and the North American Numbering Council Local Number Portability Administrator Selection Working Group ("SWG") in connection with the 2015 Local Number Portability Administrator Request for Proposal ("2015 LNPA RFP") to serve as the Local Number Portability Administrator in each of the Regional Bell Operating Company ("RBOC") service areas or regions. I understand and acknowledge that this Certificate will be relied upon by WG in rendering such opinion of counsel.

Capitalized terms used herein and not otherwise defined shall have the same meaning and effect as used and defined in the 2015 LNPA Vendor Qualification Survey (the "VQS").

1. Telcordia Technologies, Inc. is a corporation organized under the laws of Delaware. It is a wholly owned subsidiary of Ericsson Holding II Inc. ("GEU"), a Delaware corporation. GEU is also the parent company of Ericsson Inc., a Delaware corporation. GEU, in turn, is wholly owned by Telefonaktiebolaget LM Ericsson (individually and collectively, "Ericsson"), a corporation organized under the laws of Sweden and publicly traded on the NASDAQ OMX Stockholm and NASDAQ New York exchanges.
2. Ericsson acquired Telcordia on January 12, 2012.
3. As a company that is publicly traded on exchanges in both Sweden and the United States, Ericsson is subject to rigorous transparency and disclosure obligations under U.S. and Swedish law, securities law and regulations, including ongoing audit and reporting requirements. These legal and regulatory obligations also apply to its subsidiaries, including Telcordia.
4. Ericsson is not a U.S. Telecommunications Service Provider. Specifically, it is not:
    a. authorized to provide facilities-based wireline local exchange services to the public in any State or Territory of the United States;
    b. authorized to provide CMRS telecommunications services to the public in any State or Territory of the United States;
    c. a U.S. interconnected VoIP provider as defined in 47 C.F.R. § 9.3;
    d. a "standalone interconnected VoIP provider that obtains numbering resources directly from the North American Numbering Plan Administrator and the Pooling Administrator and connects directly to the PSTN" (as provided in § 3.4 of the VQS);

e. an interconnected VoIP provider that partners with a facilities-based PSTN U.S. Telecommunications Service Provider to obtain numbering resources and connectivity to the PSTN via the U.S. Telecommunications Service Provider partner (as provided in § 3.4 of the VQS); or

f. 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)" (as provided in § 3.4 of the VQS).

5. Ericsson does not own any U.S. Telecommunications Service Provider; provided that ownership for this purpose does not include 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 ownership or voting power).

6. Ericsson is not owned by any Telecommunications Service Provider; provided that ownership for this purpose does not include 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 ownership or voting power).

7. Ericsson is not an Affiliate, by common ownership or otherwise, of a U.S. Telecommunications Service Provider; provided that 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. Ericsson does not have an ownership interest or voting power of greater than ten percent in, or the power to direct or cause the direction of management and policies of, a U.S. Telecommunications Service Provider; and Ericsson is not subject to such control by a U.S. Telecommunications Service Provider. Ericsson is not under common direct or indirect control with any U.S. Telecommunications Service Provider.

8. Neither Ericsson nor any of its Affiliates has issued a majority of its debt to, nor does it derive a majority of its revenues (not including the NPAC/SMS) from, any single Telecommunications Service Provider. For purposes of this opinion, "majority" means greater than 50%, and "debt" means stocks, bonds, securities, notes, loans or any other instrument of indebtedness.

9. Ericsson is not subject to undue influence by parties with a vested interest in the outcome of numbering administration and activities; and Telcordia 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.

10. As described in the March 1, 2013 letter from Per Borgklint, Ericsson, to John Nakahata, Wiltshire & Grannis LLP (attached as Annex B hereto), Ericsson is implementing additional structural safeguards that will ensure Telcordia's neutrality. Effective January 1, 2013, Ericsson has transferred all Telcordia operations and employees other than Telcordia's former Interconnection Business Unit to other Ericsson legal entities. The operations of Telcordia Technologies, Inc. thus consist of the former Interconnection Business Unit. Telcordia has its own financial and accounting systems, compensation plan, health and welfare benefits, and human resources organization independent of Ericsson. In addition, prior to assuming the role of LNPA, Telcordia will have its own board of directors, a majority of whom will be outside, independent directors. In the interim period until the board is fully constituted, the outside, independent directors will serve on an Advisory Board. Both the interim Advisory Board and the constituted Board of Directors will have independent authority to exercise their fiduciary governance responsibilities and obligations. The Board will have a fiduciary duty first and foremost to protect the interests of Telcordia. The Board will be responsible for constituting a neutrality compliance committee and implementing other appropriate safeguards to ensure neutrality, including neutrality audits by third-party auditors, in Telcordia's operations consistent with FCC requirements. Telcordia Board members will not simultaneously serve as officers or directors of a U.S. Telecommunications Service Provider, nor will any board member have an ownership or voting interest of greater than ten percent in any U.S. Telecommunications Service Provider.

11. As part of the structural safeguards, Telcordia no longer participates in Ericsson's Long Term Variable Stock Plan, in which Ericsson provides stock incentives to valued employees.

12. Ericsson provides services across telecommunications industry segments. Ericsson provides infrastructure services to many of the nation's telecommunications service providers. It has been selected as an infrastructure vendor for each of the four major U.S. wireless carriers (AT&T, Verizon Wireless, Sprint and T-Mobile) in their LTE deployments. It shares this role with other major providers, including Alcatel-Lucent and Nokia Siemens Networks. 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. It has provided Sprint with IPv6 service on Sprint's fixed network. Ericsson also provides managed services to a range of telecommunications customers, including Sprint and Clearwire. Additionally, it provides managed services to TV/media and IT systems. In its managed services arrangements, Ericsson takes responsibility for network design, planning, and building, including day-to-day operations, while the carrier retains responsibility for strategy, marketing and customer care. 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.

13. Ericsson from time to time arranges vendor financing for customers, including Telecommunications Service Providers. Customer finance is arranged for infrastructure

projects in different geographic markets, and for a large number of customers. To the extent customer loans are not provided directly by banks, Ericsson may provide or guarantee vendor credits. This is a standard practice among hardware firms. As of December 31, 2012, Ericsson had originated or guaranteed a total of 78 customer financing arrangements worldwide. Ericsson's vendor financing arrangements are governed by its finance committee and subject to ongoing monitoring. Any major commitment to finance a customer requires prior approval from the Finance Committee of the Board of Directors. Ericsson treats loan guarantees to customers as contingent liabilities or a form of future interest, and not as a vested interest.

14. Ericsson transacts business with customers on an arms' length basis. Its business dealings are governed by its Code of Business Ethics ("COBE"), which was most recently reviewed and updated in 2012. The COBE applies to all employees, managers, and directors. As part of the COBE, Ericsson commits to promoting fair competition and transparency, and prohibiting activities or actions that conflict with Ericsson's core principles of integrity and ethics. The COBE includes provisions requiring avoidance of any actual or potential conflict of interest, and prompt disclosure of any conflict situation. Service on a board of directors or similar body of a for-profit enterprise is not permitted if it would create a conflict of interest. Directors additionally are disqualified from participating in any decision regarding agreements between themselves and Ericsson, or between Ericsson and any third party or legal entity in which the Board member has an interest.

15. Ericsson is publicly traded on the NASDAQ New York exchange and the NASDAQ OMX Stockholm exchange. It is subject to Swedish and U.S. law, including U.S. securities laws, SEC rules, and the NASDAQ Stock Market Rules. Its Board of Directors includes independent directors.

16. Attached hereto as Annex A is a copy of the January 12, 2012 Ericsson Press Release announcing the closing of Ericsson's purchase of Telcordia Technologies, Inc.

17. Attached hereto as Annex B is a copy of a letter from Per Borgklint, Ericsson, to John T. Nakahata, Wiltshire & Grannis LLP, setting forth the structural safeguards regarding Telcordia (doing business as iconectiv) to which Ericsson has committed.

18. Attached hereto as Annex C is a copy of the Ericsson Code of Business Ethics, dated 2012.

19. Attached here to as Annex D is a copy of the 2012 Ericsson Annual Report.

Nina Macpherson
Senior Vice President and General Counsel
Telefonaktiebolaget LM Ericsson

Jörgen Heilborn
VP and Deputy General Counsel
Telefonaktiebolaget LM Ericsson

Executed on April 4, 2013.

CERTIFICATE OF ERICSSON

ANNEX A

Telcordia06127

PRESS RELEASE
JANUARY 12, 2012

ERICSSON CLOSES TELCORDIA ACQUISITION

- Consolidates position as a leading player in operations support systems/business support systems (OSS/BSS) market with key position in service fulfilment, assurance, network optimization and real-time charging
- Accretive to Ericsson earnings per share within 12 months

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Telcordia is headquartered in Piscataway, New Jersey, and generated revenues of USD 739 million during the last fiscal year ended January 31, 2011. Telcordia will be managed by Ericsson's business unit Multimedia but sales and margins will be shared between Multimedia and Services depending on portfolio mix.

PRESS RELEASE
JANUARY 12, 2012

NOTES TO EDITORS:

Press release from June 14, 2011 – Ericsson to acquire Telcordia:

http://www.ericsson.com/news/1523267

Picture of Per Borgklint:

www.ericsson.com/thecompany/press/photolibrary/management

Our multimedia content is available at the broadcast room:
www.ericsson.com/broadcast_room

Ericsson is the world's leading provider of technology and services to telecom operators. Ericsson is the leader in 2G, 3G and 4G mobile technologies, and provides support for networks with over 2 billion subscribers and has the leading position in managed services. The company's portfolio comprises mobile and fixed network infrastructure, telecom services, software, broadband and multimedia solutions for operators, enterprises and the media industry. The Sony Ericsson and ST-Ericsson joint ventures provide consumers with feature-rich personal mobile devices.

Ericsson is advancing its vision of being the "prime driver in an all-communicating world" through innovation, technology, and sustainable business solutions. Working in 180 countries, more than 90,000 employees generated revenue of SEK 203.3 billion (USD 28.2 billion) in 2010. Founded in 1876 with the headquarters in Stockholm, Sweden, Ericsson is listed on NASDAQ OMX, Stockholm and NASDAQ New York.

www.ericsson.com
www.twitter.com/ericssonpress
www.facebook.com/technologyforgood
www.youtube.com/ericssonpress

FOR FURTHER INFORMATION, PLEASE CONTACT

Ericsson Corporate Public & Media Relations
Phone: +46 10 719 69 92
E-mail: media.relations@ericsson.com

Ericsson Investor Relations
Phone: +46 10 719 00 00
E-mail: investor.relations@ericsson.com

CERTIFICATE OF ERICSSON

ANNEX B

ERICSSON

Reference:
Date: 2013-03-01
Attending to this matter:

Your Reference:
Your Date:

John Nakahata, Esq.
Wiltshire Grannis
1200 Eighteenth Street, N.W.
Washington, DC 20036

Dear John:

I am writing to inform you of Telefonaktiebolaget LM Ericsson's ("LM Ericsson")ongoing plans to ensure Telcordia Technologies, Inc. ("Telcordia"), a wholly owned subsidiary of one of LM Ericsson's US based holding companies, which will bid for a U.S. LNPA contract, will be governed and operate as a neutral third party as required by U.S. law and regulations . The purpose of this letter is to assist in your preparation of a Legal Opinion required by the FCC U.S. LNPA Request for Proposal.

Let me first assure you, LM Ericsson values neutrality in its business relations. As evidence of that, LM Ericsson has a number of managed services agreements with entities around the world that require that we operate in a vendor neutral and unbiased manor. In addition, we acknowledgethe requirements of neutral third party performance in LNPA administration, as Telcordia has demonstrated in 17 other countries. While we believe LM Ericssonmeets the requirements today, I would like to remove all doubt and further demonstrate LM Ericsson's willingness to assure the neutrality of Telcordia in the USA with respect to the LNPA contract. We are in the process of executing the plans outlined below to install a governance structure which will ensure all U.S. neutrality requirements are upheld. I further submit we are committed to take whatever actionsarenecessary to address any issues raised bythe Federal Communications Commission or othergoverning bodies for neutral governance and operation.

First, effective January 1, 2013, all Telcordia operations and employees with the exception of Telcordia's Interconnection Business Unit (the unit bidding on the LNPA contract) have been transferred to other Ericsson legal entities.Our purpose is to isolate the Telcordia Interconnection Business unit within its own legal entity, with its own management and board. On February 14, 2013, we announced Telcordia will be "doing business as" **iconectiv** and appointed Richard Jacowleff (President of Telcordia's Interconnection Solutions BU) President and CEO of **iconectiv**along with appointments of CTO, CFO and General Counsel. **Iconectiv** operates with its own financial & accounting systems, compensation plan, health & welfare benefits, and HR organization, and consolidates its financial results to LM Ericson at the end of reporting periods. We are working to reconstitute the Board of Directors for the legal entity responsible for the **iconectiv** business so that it will have a majority of outside independent directors. In the interim, as we identify and select these outside Directors they will serve on an advisory board to

Ericsson AB
Business Unit Support Solutions
SE-164 80 Stockholm, Sweden
Visiting address Kistavägen 25
Tel: +46 10 7190000
VAT: SE556056625801
Reg no: 556056-6258

Reference:
Date: 2013-03-01

iconectiv until the final organization structure is completely implemented. We will make sure that both the interim advisory board as well as the final Board of Directors will have the authority to independently exercise its fiduciary responsibilities to govern the organization, including reviewing the performance of the chief executive, accounting to stakeholders for the organizations performance, approving annual budgets, and setting the salaries and compensation for the company management. The board will be accountable for ensuring it constitutes a Neutrality Compliance committee and implements other necessary structures including, but not limited to, Neutrality process audits by 3rd party auditors, and adherence to neutrality in our operations consistent with FCC requirements. Board members will not simultaneously serve as an officer or director of a U.S. Telecommunications Service Provider, nor will any board member have an ownership or voting interest of greater than ten percent in any U.S. Telecommunication Service Provider.

Having this structure for Telcordia d/b/a **iconectiv** will support the company continuing to operate in a neutral manner consistent with the FCC requirements and LM Ericsson's full commit to the success of **iconectiv** in delivering LNPA services in the U.S.

Thank you in advance for your legal assistance in this matter and please contact me directly if with questions or concerns.

With best regards,

Per Borgklint
ERICSSON AB
Business Unit Support Solutions
Senior Vice President
Head of Business Unit Support Solutions

CERTIFICATE OF ERICSSON

ANNEX C

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

TABLE OF CONTENTS

Letter from the President	4
Our guiding principles	5
Our responsibility for compliance	6
Reporting violations	7
Respecting human rights throughout our business operations	8
Compliance with laws, rules and regulations	9
Communication and financial information	10
Dealing with conflicts of interest	11
Protection and proper use of company assets	12
Protecting information	13
Protecting the environment	14
Our obligations as responsible corporate citizens	15

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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Group Policy 011 03-2927
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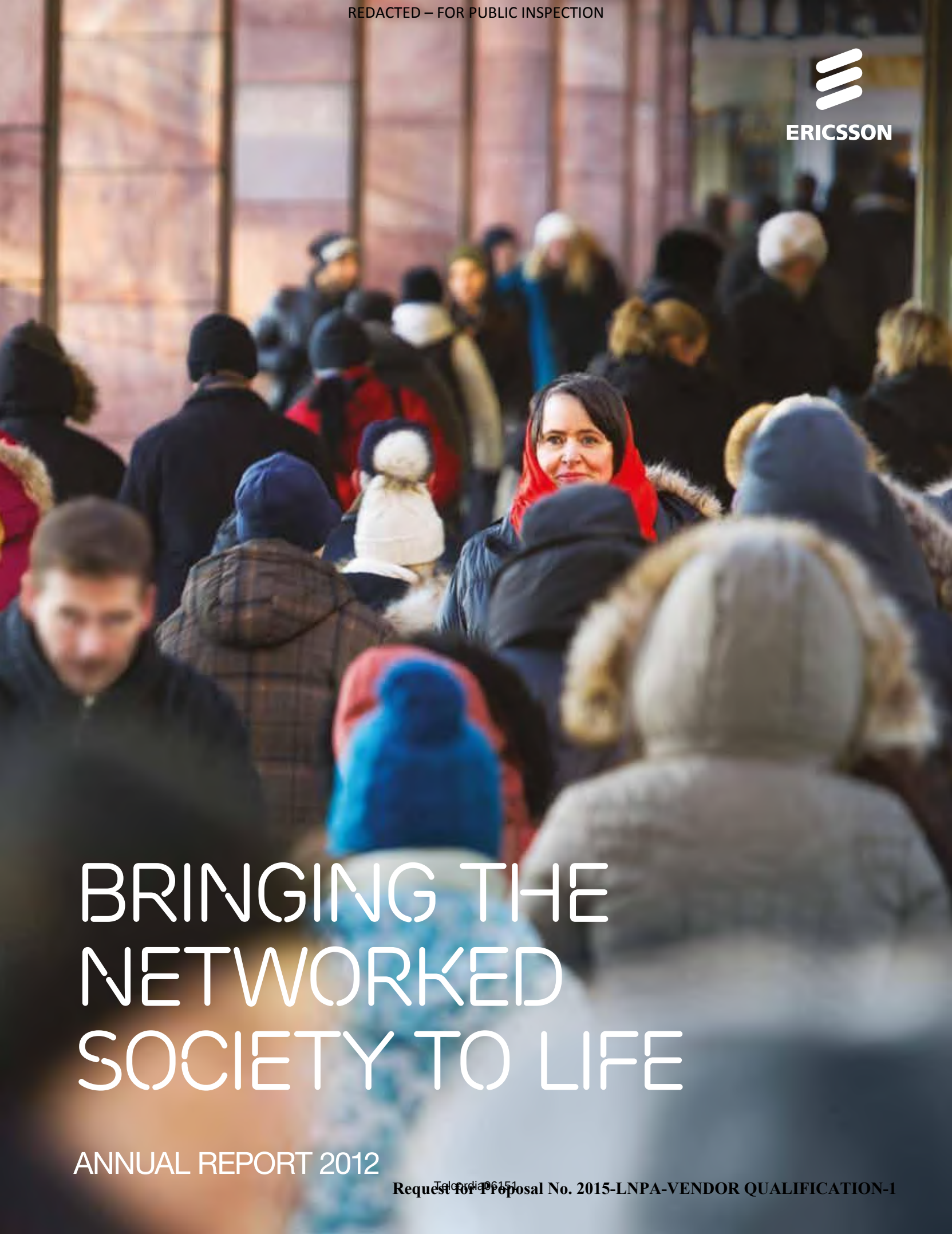
CERTIFICATE OF ERICSSON

ANNEX D

REDACTED – FOR PUBLIC INSPECTION



ERICSSON

BRINGING THE NETWORKED SOCIETY TO LIFE

ANNUAL REPORT 2012

Telcordia 06151
Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1

REDACTED – FOR PUBLIC INSPECTION

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.

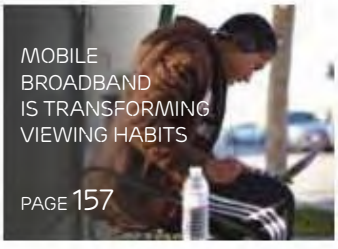
Find our Annual Report online:
www.ericsson.com/annualreport2012

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.

REDACTED – FOR PUBLIC INSPECTION

CONTENTS



ANNUAL REPORT 2012

Our business

This is Ericsson 2
Group overview 4
Letter from the CEO 6
Market trends 8
Our competitive assets 10
Our people 11
Strategy and customers 12
Our portfolio 14
Regional development 18
Our performance 20
Sustainability and Corporate Responsibility 22
Five-year summary 24
Letter from the Chairman 25

Results

Board of Directors' report* 26
Consolidated financial statements* 47
Notes to the consolidated financial statements* 52
Parent Company financial statements* 101
Notes to the Parent Company financial statements* 107
Risk factors* 121
Auditors' report 128
Forward-looking statements 129

Corporate Governance

CORPORATE GOVERNANCE REPORT 2012 130
Remuneration report 158

Shareholders

Share information 162
Shareholder information 169

Other information

Glossary 167
Financial terminology 168

** Chapters covered by the Auditors' report.*

Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1

REDACTED – FOR PUBLIC INSPECTION

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.

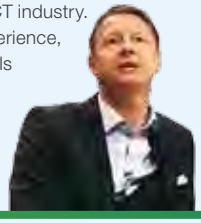
2012 IN REVIEW

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.

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.

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.

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

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.

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.

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.

Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1

REDACTED – FOR PUBLIC INSPECTION

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.

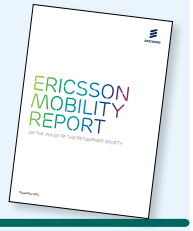
We serve our customers through regional competence organized into six engagement practices: Mobile Broadband; Communication Services; Fixed Broadband and Convergence; Managed Services; Operations and Business Support Systems; and Television and Media Management.

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.

Telcordia 06155 Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1

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GROUP OVERVIEW

Our four business segments provide solutions and services which in combination create an industry-leading telecommunications portfolio.

Segment	NETWORKS	GLOBAL SERVICES
	Headed by Johan Wibergh	**Headed by Magnus Mandersson**
	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.	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 117.3 BN (2011: 132.4 bn)	SEK 97.0 BN (2011: 83.9 bn)
	Share of revenue: 51% (2011: 58%)	Share of revenue: 43% (2011: 37%)
	Operating margin: 6% (2011: 13%)	Operating margin: 6% (2011: 7%)
Market share estimates	35% in mobile network equipment	13% in a fragmented market
Market position	#1 in radio access	#1 in telecom services

Telcordia 06156 Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1

SUPPORT SOLUTIONS

Headed by Per Borgklint

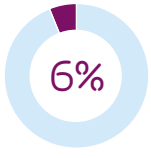
We develop and deliver software solutions for:

- 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

Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1

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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.

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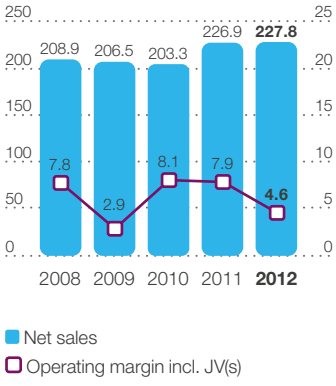
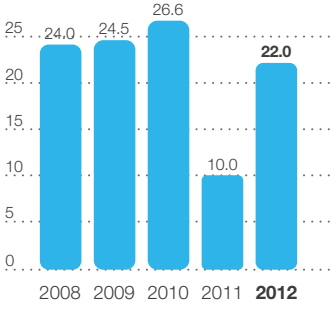
Net sales and operating margin

SEK billion Percent



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.

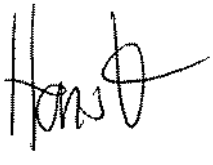
Our Code of Business Ethics was updated during the year to reflect our ongoing commitment to respect human rights and the new UN Guiding Principles on Business and Human Rights.

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

Telcordia 06150 Request for Proposal No. 2015-ENPA-VENDOR QUALIFICATION-1

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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.

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.

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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

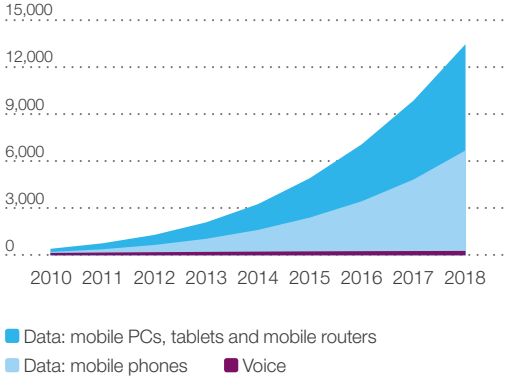
Higher demand for data capacity due to:
- Smartphone uptake acceleration
- Increasing use of mobile broadband
- Changing lifestyle with mobility and cloud-based services.

OPERATORS

Focus on:
- Superior-performance broadband networks
- Increasing efficiency through transformation and outsourcing
- Creating new value streams from networks.

Global mobile traffic 2010–2018

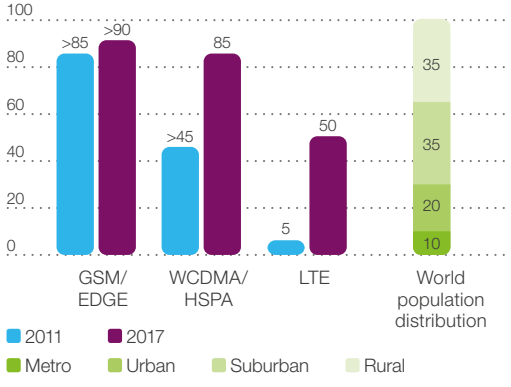
Monthly PetaBytes (10^{15} B)



Source: Ericsson estimate

Population coverage, 2011 and 2017

Percent



Source: Ericsson estimate

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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.

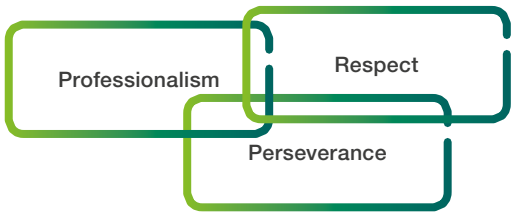
GLOBAL SCALE

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.



Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1

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.

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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.

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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.

Telcordia 06165 Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1

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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

Telcordia 06166
Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1

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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.

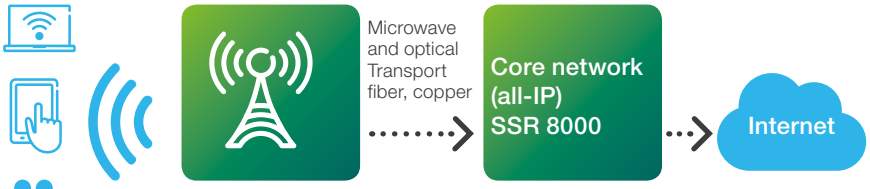
Expanding the scope

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



RBS 6000
Multi-standard radio base station for GSM, WCDMA/ HSPA, LTE and CDMA

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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:

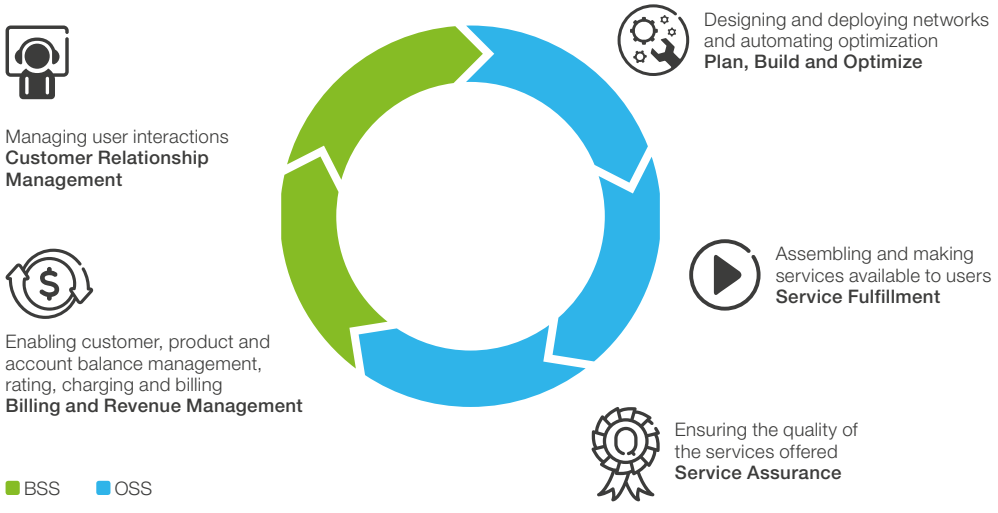
- Service differentiation – We provide the means for operators to improve customer loyalty and revenues as they are adopting new business models with tiered pricing plans for different speeds, data use or quality guarantees as well as personalized and improved customer experiences
- Transformation – 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.



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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.

Telcordia 06169 15-ENPA-VENDOR QUALIFICATION-1 | Request for Proposal No. 2015-ENPA-VENDOR QUALIFICATION-1

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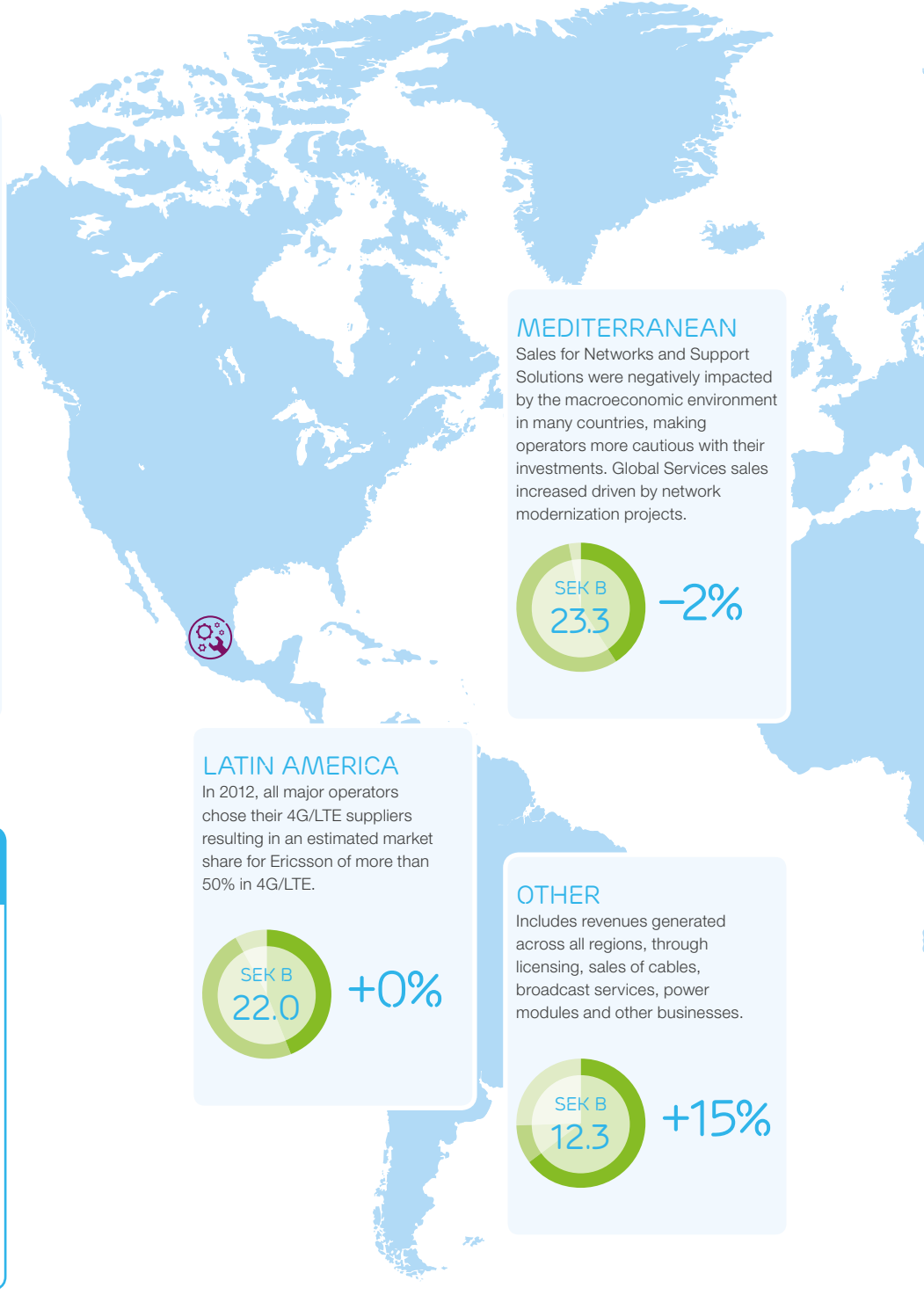
REGIONAL DEVELOPMENT

Ericsson is a truly global player, with customers in more than 180 countries. We have been present in many countries, such as China, Brazil and India, for more than 100 years.



NORTH AMERICA

Development in North America has been strong across all segments, driven by operators' demand for rollout of 4G networks as well as 3G capacity upgrades. A wide range of 4G devices are available to North American consumers and this fueled traffic growth and operators' demand for network capacity. All Ericsson CDMA customers have transitioned to 4G/LTE.

SEK B 56.7

+16%

MEDITERRANEAN

Sales for Networks and Support Solutions were negatively impacted by the macroeconomic environment in many countries, making operators more cautious with their investments. Global Services sales increased driven by network modernization projects.

SEK B 23.3

–2%

LATIN AMERICA

In 2012, all major operators chose their 4G/LTE suppliers resulting in an estimated market share for Ericsson of more than 50% in 4G/LTE.

SEK B 22.0

+0%

OTHER

Includes revenues generated across all regions, through licensing, sales of cables, broadcast services, power modules and other businesses.

SEK B 12.3

+15%

KEY

- ERICSSON GLOBAL SERVICE CENTER
- ERICSSON SEGMENTS; NETWORKS, GLOBAL SERVICES, SUPPORT SOLUTIONS
- +XX% PERCENTAGE REVENUE INCREASE

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WESTERN AND CENTRAL EUROPE

Sales for Networks and Support Solutions declined due to cautious operator spending. Global Services sales increased slightly, driven by network modernization.

SEK B 17.5 −8%

NORTHERN EUROPE AND CENTRAL ASIA

Lower operator investments during the year, primarily in Russia, impacted sales negatively.

SEK B 11.3 −25%

NORTH EAST ASIA

Both Japan and South Korea are building country-wide 4G/LTE networks. In Japan sales grew during 2012, while sales in Korea were negatively impacted by lower 3G revenues. China had focus on the coming 4G/LTE rollouts and GSM sales declined.

SEK B 36.2 −5%

MIDDLE EAST

2012 was characterized by political unrest in some countries which made operators more cautious. Operators focused on network performance and efficiency which drove sales for Global Services.

SEK B 15.6 +1%

INDIA

India had a weak year, due to low activity levels with operator investments only in certain areas.

SEK B 6.5 −34%

SOUTH EAST ASIA AND OCEANIA

Sales growth was driven by 3G deployments in Indonesia, Thailand and the Philippines. Global Services developed well in Australia during the year.

SEK B 15.1 +9%

SUB-SAHARAN AFRICA

Sales increased in all segments mainly driven by rollout of 2G/GSM voice services. Mobile broadband penetration slowly increased with low-cost smartphone availability.

SEK B 11.3 +12%

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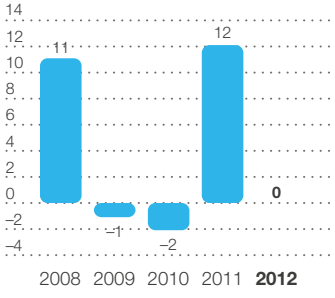
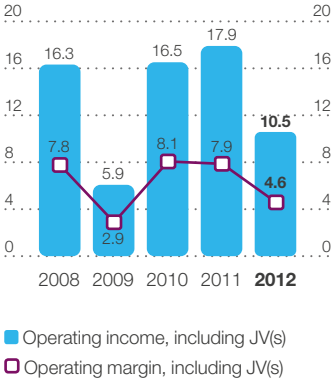
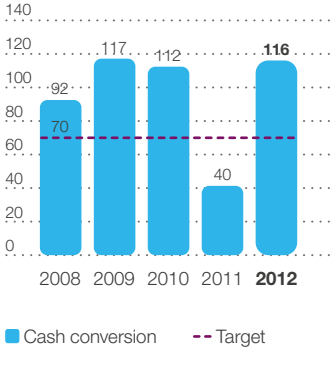
OUR PERFORMANCE

Our overall goal is to create shareholder value. We use a range of financial and non-financial targets to drive business performance.

	GROWING SALES FASTER THAN THE MARKET	BEST-IN-CLASS OPERATING MARGIN	STRONG CASH CONVERSION
What we aim for			
Why we measure it	Outperforming our market confirms the validity of our strategic direction.	A clear focus on operating margins demonstrates our commitment to profitable growth.	A strong cash position supports new business activity, enables appropriate acquisition opportunities and provides resilience to external economic volatility.
Our performance	**Revenue growth** Percent	**Profitability** SEK billion / Percent	**Capital efficiency** Percent







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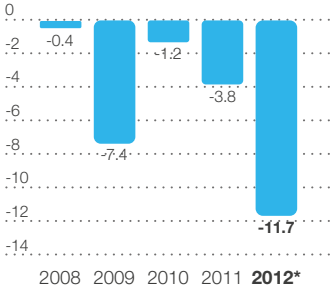
GROWTH IN JV EARNINGS

The modem technology has a strategic value to the wireless industry.

Share in earnings of JVs and associated companies

(SEK billion)



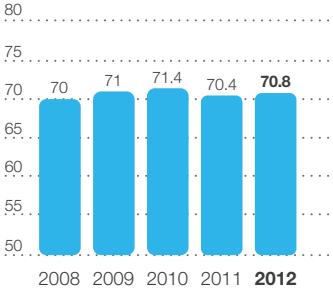
Share in earnings of Sony Ericsson included 2008–2011.

* 2012 includes a non-cash charge of SEK 8.0 billion.

CUSTOMER SATISFACTION

Customer satisfaction is a prerequisite for customer loyalty. We strive to ensure that our customers perceive us as a thought leader and their preferred business partner.

Customer satisfaction index



EMPLOYEE ENGAGEMENT

Engaged employees are motivated to contribute to the success of Ericsson and are willing to go the extra mile to meet the organization's goals.

Employee engagement index

77%

(2011: 77%)

Our score is 8 percentage points higher than external benchmark average, as measured across over 250 companies. We started to measure the engagement index in 2011.

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Telcordia 06173 | LNPA VENDOR QUAL

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SUSTAINABILITY AND CORPORATE RESPONSIBILITY

Our approach to sustainability and corporate responsibility is integrated into our core business operations and in our relationship with stakeholders.

40%

We achieved our five-year target, to reduce carbon footprint intensity by 40%, one year ahead of time

SUSTAINABILITY

Sustainability is about the "triple bottom line":

- Social equity; communication is a basic human need and should be available to everyone
- Environmental performance; minimizing environmental impact and creating a low-carbon society
- Economic prosperity; contributions to social and economic development.

We have implemented strong social, ethical and environmental standards. This commitment generates positive business impacts, which in turn benefit society.

Reducing environmental impact

The energy use of products in operation remains our most significant environmental impact. We also work to reduce our own environmental impact. Focus is on product energy efficiency and materials management as well as business travel, facilities and transport of our products. We have set a five-year target to reduce Ericsson carbon footprint intensity by 40% for products in operation and for our own operations and we have achieved it one year ahead of time.

We work proactively with our customers to encourage network and site energy optimization.

One aspect of our sustainability strategy is the role broadband can play in helping to offset global CO_2 emissions.

70% of these are attributed to cities. We work on sustainable city solutions and are engaged in global climate policy.

Technology for Good

Our Technology for Good program is focused on applying Ericsson's expertise, global presence and scale to find market-based solutions that empower people, business and society to help shape a more sustainable world. We have used our technology and competence to help achieve the Millennium Development Goals for more than a decade.

Through our volunteer program Ericsson Response™, we have played an active role in humanitarian disaster relief efforts.

CORPORATE RESPONSIBILITY

Corporate Responsibility is about managing risks to secure that Ericsson remains a trusted partner among our stakeholders.

Conducting business responsibly

We actively support the UN Global Compact, and endorse its principles regarding human and labor rights, anti-corruption and environmental protection.

We have a Code of Business Ethics and a Code of Conduct which reflect responsible business practices. Promotion of these practices is reinforced by employee awareness training, workshops and monitoring.

Suppliers must comply with our Code of Conduct.

We continued to develop our anti-corruption program and broadened Ericsson's whistleblower procedure.

Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1

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CHANGING LIVES

Mobile broadband helps people share information and ideas, and work more collaboratively. It changes the way we are entertained, and the way we communicate. It promotes social and economic progress and reduces environmental impact, improving quality of life in all parts of the world. It makes m-commerce possible anywhere, even in remote areas, and delivers public services effectively to billions. In all of these ways, Ericsson is shaping the world's future through its continuous technology leadership in mobile broadband.

x12

Global mobile data traffic is estimated to grow twelve fold by 2018.

Request for Proposal No. 20 EMPA VENDOR QUALIFICATION 1

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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	2012	Change	2011	2010	2009	2008
Income statement items						
Net sales	227,779	0%	226,921	203,348	206,477	208,930
Operating income	10,458	–42%	17,900	16,455	5,918	16,252
Financial net	–276	–	221	–672	325	974
Net income	5,938	–53%	12,569	11,235	4,127	11,667
Year-end position						
Total assets	274,996	–2%	280,349	281,815	269,809	285,684
Working capital	100,619	–8%	109,552	105,488	99,079	99,951
Capital employed	176,653	–5%	186,307	182,640	181,680	182,439
Gross cash	76,708	–5%	80,542	87,150	76,724	75,005
Net cash	38,538	–2%	39,505	51,295	36,071	34,651
Property, plant and equipment	11,493	7%	10,788	9,434	9,606	9,995
Stockholders' equity	136,883	–4%	143,105	145,106	139,870	140,823
Non-controlling interest	1,600	–26%	2,165	1,679	1,157	1,261
Interest-bearing liabilities and post-employment benefits	38,170	–7%	41,037	35,855	40,653	40,354
Per share indicators						
Earnings per share, basic, SEK	1.80	–53%	3.80	3.49	1.15	3.54
Earnings per share, diluted, SEK	1.78	–53%	3.77	3.46	1.14	3.52
Cash flow from operating activities per share, SEK	6.85	120%	3.11	8.31	7.67	7.54
Cash dividends per share, SEK	2.75 [1)]	10%	2.50	2.25	2.00	1.85
Stockholders' equity per share, SEK	42.51	–5%	44.57	45.34	43.79	44.21
Number of shares outstanding (in millions)						
end of period, basic	3,220	–	3,211	3,200	3,194	3,185
average, basic	3,216	–	3,206	3,197	3,190	3,183
average, diluted	3,247	–	3,233	3,226	3,212	3,202
Other information						
Additions to property, plant and equipment	5,429	9%	4,994	3,686	4,006	4,133
Depreciation and write-downs/impairments of property, plant and equipment	4,012	13%	3,546	3,296	3,502	3,105
Acquisitions/capitalization of intangible assets	13,247	–	2,748	7,246	11,413	1,287
Amortization and write-downs/impairments of intangible assets	5,877	7%	5,490	6,657	8,621	5,568
Research and development expenses	32,833	1%	32,638	31,558	33,055	33,584
as percentage of net sales	14.4%	–	14.4%	15.5%	16.0%	16.1%
Ratios						
Operating margin excluding joint ventures and associated companies	9.7%	–	9.6%	8.7%	6.5%	8.0%
Operating margin	4.6%	–	7.9%	8.1%	2.9%	7.8%
EBITA margin	6.6%	–	9.9%	11.0%	6.7%	9.4%
Cash conversion	116%	–	40%	112%	117%	92%
Return on equity	4.1%	–	8.5%	7.8%	2.6%	8.2%
Return on capital employed	6.7%	–	11.3%	9.6%	4.3%	11.3%
Equity ratio	50.4%	–	51.8%	52.1%	52.3%	49.7%
Capital turnover	1.3	–	1.2	1.1	1.1	1.2
Inventory turnover days	73	–	78	74	68	68
Trade receivables turnover	3.6	–	3.6	3.2	2.9	3.1
Payment readiness, SEK million	84,951	–2%	86,570	96,951	88,960	84,917
as percentage of net sales	37.3%	–	38.1%	47.7%	43.1%	40.6%
Statistical data, year-end						
Number of employees	110,255	5%	104,525	90,261	82,493	78,740
of which in Sweden	17,712	1%	17,500	17,848	18,217	20,155
Export sales from Sweden, SEK million	106,997	–8%	116,507	100,070	94,829	109,254

[1)] For 2012, as proposed by the Board of Directors.

Telcordia 06176 Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1

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LETTER FROM THE CHAIRMAN

DEAR SHAREHOLDERS

It is now almost two years since I assumed the role as Chairman of the Board of Ericsson, and looking back they have certainly been interesting years. The rapid pace of change of the industry and the transformative power of the technology are two reasons why I find this role so interesting and inspiring.

A year of strategy execution

During 2012, the Company continued to strengthen its core assets; technology and services leadership as well as global scale. A key event during the year was the completion of the divestment of Sony Ericsson. In addition, the Company has strengthened and streamlined its portfolio through a few strategic acquisitions and divestments.

Board discussions

During the year, the Board has closely monitored the overall market conditions for Ericsson such as macroeconomic development, customers' financial performance and strategy as well as the competitive landscape among ICT vendors. It is important for us to understand how potential moves by competitors, both commercial and technological, might change the landscape and the relative strength of the company.

A main focus area for the Board of Directors during the year has been Ericsson's financial performance and working capital development. Commercial management and the balance between market share gains and profitable growth have been key topics.

The Board has also closely monitored the work during the year to find the best solution for ST-Ericsson assets given the strategic options at hand.

Strong financial position

One of the Board's key areas of responsibility is to manage the Company's financial position. The Company has a strong balance sheet and we believe it is appropriate to remain fairly conservative considering the continued macroeconomic uncertainty in parts of the world. We will, as before, consider selective acquisitions but prefer to invest in further strengthening the Company's technology and services leadership and its offering to the market.

The Company's dividend policy takes into account last year's earnings and balance sheet structure, as well as coming years' business plans and expected economic development. Based on this, the Board proposes a dividend increase of 10%.

Importance of corporate governance

Good corporate governance is the basis for building a robust corporate culture. However, corporate governance is not only about efficient and reliable controls and procedures. It is also about adherence to strong principles of responsible business practice by all employees. Over time this strengthens the business, which in turn generates shareholder value. Ericsson has a strong portfolio for value creation at large, and strong social, environmental and governance standards supporting risk management.

I am proud to be Chairman of the Board of this Company with so many dedicated and competent people working hard every day, to stay the leader in this rapidly changing market.

Leif Johansson
Chairman of the Board of Directors

Telcordia 06177 Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1

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BOARD OF DIRECTORS' REPORT

CONTENTS

Trends and drivers	26
Business in 2012	27
Targets and performance	28
Financial results of operations	30
Financial position	32
Cash flow	34
Business results – region	35
Business results – segments	36
Corporate Governance	39
Material contracts	40
Risk management	40
Sourcing and supply	40
Sustainability and Corporate Responsibility	41
Legal proceedings	43
Parent Company	43
Post-closing events	45
Board assurance	45

TRENDS AND DRIVERS

Major industry trends in 2012 were operators focus on high-performance mobile broadband networks and their focus on increasing the operational efficiency. Tiered pricing and new business models continued to be high on our customers' agendas. In Europe, the network modernization projects continued the rapid implementation. In North America, Japan and Korea, major LTE rollouts took place.

Across the globe, operators continued to focus on increasing their operational efficiency and reducing their operating expenses. Their focus on operational efficiencies together with transformation activities in the voice, IP and OSS and BSS domains drove demand for consulting and systems integration as well as managed services.

When developing its internal plans, Ericsson looks at a number of parameters that have an impact on data traffic. These include:

- Smartphone subscriptions, as a percentage of total subscriptions
- Mobile broadband subscriptions, as a percentage of total mobile subscriptions
- Average data traffic and peaks in traffic.

Mobile subscriptions and smartphones

Today, 15–20% of the worldwide installed base of mobile phone subscriptions use smartphones. About 40% of all mobile phones sold during 2012 were smartphones, compared to around 30% for 2011. With less expensive smartphones being introduced, there is considerable room for further uptake.

Subscriptions

billion	2012	2018 Forecast
Mobile subscriptions	~6.3	~9
Mobile broadband subscriptions	~1.5	~6.5

Ericsson estimate

Mobile broadband subscriptions and population coverage

Mobile network coverage is constantly increasing. GSM/EDGE technology has the widest reach and covers more than 85% of the world population.

WCDMA/HSPA covers more than 50% of the world population. Further build out of WCDMA/HSPA coverage will be driven by factors such as demand for internet access and affordability of smartphones. By 2017, Ericsson estimates that 85% of the world's population will have access to WCDMA/HSPA.

All WCDMA networks deployed by Ericsson have been upgraded to HSPA of various speeds.

Despite being in the early days, LTE networks can already provide downlink peak rates of around 100 Mbps. There are around 60 LTE networks in commercial operation. By 2017, Ericsson estimates that 50% of the world's population will have LTE coverage.

Regions have different radio technology mixes dependent on maturity level. Less mature regions are dominated by 2G technologies while more mature regions are dominated by HSPA. LTE is growing strongly, particularly in North America, where LTE is forecasted to be the leading radio technology before 2018. The fast growth in LTE subscriptions is driven by strong competition and consumer demand, following CDMA operators' decisions to migrate to LTE.

Operators who have 2G or 3G-specific radio base stations will have to invest in new radio base stations in order to introduce 4G/LTE. The Ericsson multi-standard radio base station is an efficient way of doing so, being capable of all technologies; 2G, 3G and 4G/LTE.

Telecordia 06178 Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1

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Data traffic

Access to the internet from mobile devices continues to drive mobile traffic development. In 2012, mobile data traffic continued the trend of doubling each year. Ericsson estimates that mobile data traffic will grow 12 times between 2012 and 2018. The increasing data traffic will drive the need for more capacity in mobile broadband networks.

Data traffic per subscriber is partly dependent on the screen size of the user's device. Resolution is also a factor. On average, a mobile PC generates about seven times more data traffic than a smartphone.

Average mobile data traffic

	2012	2018 Forecast
Monthly data traffic per PC	3 GB	11 GB
Monthly data traffic per tablet	0.6 GB	2.7 GB
Monthly data traffic per smartphone	0.45 GB	1.9 GB

Ericsson estimate

BUSINESS IN 2012

Strong year for services

With strong growth in Global Services and Support Solutions in 2012, Ericsson took further steps in establishing itself as a leading ICT player. Networks sales declined 2012 following a strong 2011.

In the coming years, Ericsson expects software sales to gradually increase as radio expansions and upgrades, IP and OSS and BSS materialize. This development will result in more recurring revenues from software and services business as well as less capital utilization.

High share of coverage projects

Ericsson's gross margin and the amount of required capital employed vary with project type. When building network coverage, projects are often of a turnkey character. Generally there are more hardware and network rollout services in coverage projects, resulting in lower gross margin and a larger capital utilization.

During 2012, Ericsson was in a phase with a high share of coverage projects. Sales for 2012 showed a higher share of services and a lower share of hardware. This reflects the good momentum in services throughout the year, reduced CDMA infrastructure business and impact from network modernization projects in Europe.

Network modernization in Europe

The modernization of networks in Europe became an opportunity for the Company in mid-2010 when operators in Europe started to consider replacing old 2G and 3G equipment with multi-standard radio equipment.

Ericsson that had lost out on market share in 3G compared to its strong 2G position, identified this as an opportunity to regain footprint. Competition for new footprint is always tough and a strategic decision was taken to accept short-term profitability pressure to increase technology and services leadership. As a result, market share has increased and the Company has further strengthened its leading market position in Europe. Average project duration for these modernization projects is 18–24 months and the first projects were completed in late 2012. The negative impact from network modernization projects in Europe will continue to gradually decline during 2013 as projects are finalized.

Acquisitions, partnerships and divestments

The Company's strategy is to focus on organic growth and be selective with acquisitions. Acquisitions might be considered for three purposes: if there is a crucial opportunity to consolidate the Company's market position, to fill portfolio gaps, or to enter new growth areas. In 2012, the following activities were announced:

- Completion of the acquisition of Telcordia
- Completion of the divestment of the 50% stake in Sony Ericsson Mobile Communication AB to Sony in February. The divestment was effective on January 1, 2012
- Increased ownership in Ericsson-LG, now holding 75%
- Acquisition of Canadian telecom-grade Wi-Fi company BelAir Networks
- Acquisition of Technicolor's broadcast services division
- Divestment of EDA 1500 GPON portfolio to Calix, Inc.
- Acquisition of Canadian ConceptWave in the OSS and BSS domain
- Divestment of the multimedia brokering platform (IPX) to Gemalto.

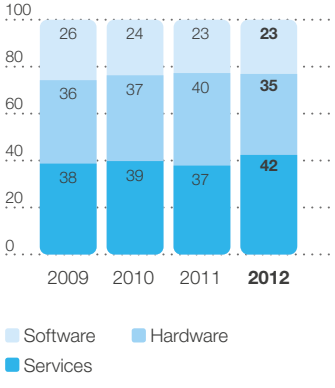
Fair return on R&D investment

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, from device and equipment manufacturers as well as from other industries. Any company that provides wireless connectivity today is likely to require a license to Ericsson's patents. The Company believes it is the strongest holder of essential patents in the wireless industry. Ericsson has more than 100 patent license agreements and is a net receiver of royalties. The Company's product portfolio is well licensed, which is beneficial to its customers.

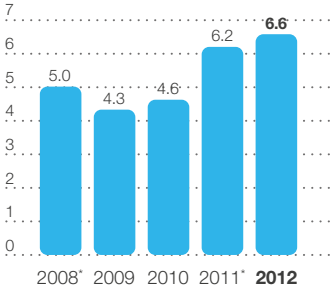
Software, hardware and services: share of total sales

Percent



IPR revenue (net)

SEK billion



* One-off patent sales included

Telcordia 06179 Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1

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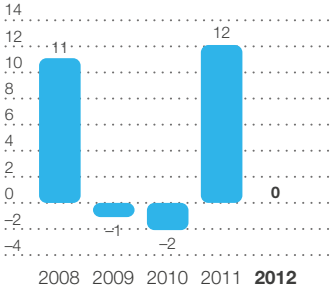
BOARD OF DIRECTORS' REPORT CONTINUED

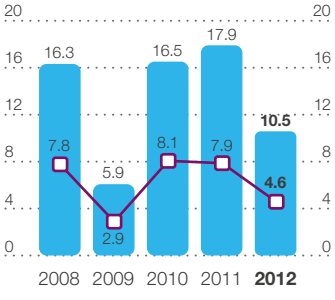
Revenue growth

Percent



Profitability

SEK billion Percent



Operating income, including JV(s)
Operating margin, including JV(s)

*Ericsson's key network equipment market includes Radio, i.e. 2G, 3G, 4G RAN including CDMA, public WLAN access and OSS for mobile. IP and Transport includes IP Edge, packet core, microwave, opto metro and OSS for fixed. Core includes circuit-switched core, IMS, user data management and machine-to-machine.

Cash generation

A tight focus is kept on the cash generation of the Company and its working capital. Working capital decreased by –8% mainly due to lower inventories at year-end. The balance sheet is strong and the cash position sufficiently large to ensure the financial flexibility to invest in future growth and to capture business opportunities. The earnings and balance sheet structure makes it possible for the Board of Directors to propose to increase the dividend. This proposal reflects earnings and balance sheet structure in 2012, as well as coming years' business plans and expected economic development, according to Ericsson's dividend policy.

Cost and efficiency

The Board of Directors has paid extra attention to commercial management and the balance of market share gains with profitable growth. In addition, the Company has also taken a number of initiatives to reduce cost and increase capital efficiency. Among these is the multi-year program to reduce cost by industrializing service delivery, implementing more lean and agile ways of working in software development as well as improving the order-to-cash process. The Company will also continue to optimize capital expenditures and debt management.

TARGETS AND PERFORMANCE

Ericsson's overall goal is to create shareholder value. Management uses four financial metrics to evaluate the Company's long-term ambitions:

- Sales growth faster than the market
- Best-in-class operating margin
- Growth in joint ventures' earnings
- 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 been approved by the Annual General Meeting.

Long-term ambitions

Grow faster than the market

Ericsson maintained its share of global installed base of radio base stations at close to 40%.

In 2012, Ericsson widened the definition* of the equipment market to also reflect the R&D investments during the past years. For the equipment market, which includes the key segment of Radio, IP and Transport as well as Core, preliminary market data indicates that the market share was 24%, down from 27% in 2011. The decline is due to a lower market share in the mobile network equipment market, at 35%, down from 38% in 2011, negatively impacted by the technology shift in China where investments are moving from GSM to other technology areas where Ericsson has limited presence.

Ericsson's global market share for LTE is twice as big as the largest competitor, measured in shipments for the full year 2012. This makes Ericsson the world's largest supplier of LTE. The LTE technology is still in an early build-out phase.

As expected, Ericsson's sales of CDMA equipment decreased by –40% in 2012, following operators' transition to LTE. All Ericsson CDMA customers are now Ericsson LTE customers.

In telecom services, internal market data indicates that the Company increased its market share to 13% and is larger than any of its competitors in this fragmented market. After the acquisition of Telcordia, consolidated as from January 2012, Ericsson has a leading position in OSS and BSS.

Best-in-class operating margin

The Company's operating margin before share in JV earnings and gain from the sale of its share in Sony Ericsson was 6.4% (9.6%). Based on reported results for 2012, the operating margin remains the highest among the Company's traditional publicly listed telecom competitors.

Growth in JV earnings

The Ericsson share in earnings of joint ventures and associated companies was SEK –11.7 (–3.8) billion. The Company took a non-cash charge of SEK 8.0 billion, related to its 50% stake of ST-Ericsson. The charge included write-down of investments of SEK 4.7 billion to reflect the current best estimate of Ericsson's share of the fair market value of the JV. A provision of SEK 3.3 billion was also included, related to the available strategic options at hand for the future of the ST-Ericsson assets. Ericsson's share of the JV Sony Ericsson was divested in early 2012 resulting in a gain of SEK 7.7 billion, reported as Other operating income. The Company did not consolidate Sony Ericsson in 2012.

Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1

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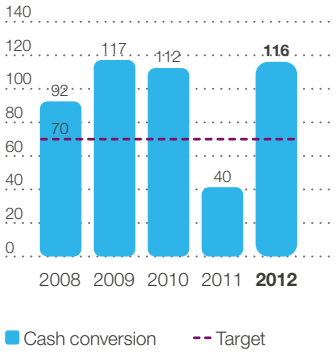
Capital efficiency

Percent



Cash conversion

The cash conversion rate was 116% (40%), driven by reduced working capital. The Company reached its target of a cash conversion rate above 70%. Cash conversion is defined as cash flow from operating activities divided by the sum of net income and adjustments to reconcile net income to cash.

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 2012 about 15,000 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 high level of excellence; a customer satisfaction index above 70. The goal is to further increase the customer satisfaction.

Employee engagement

In order to measure employee engagement, an annual survey is conducted by an independent company. In 2012, 94% (90%) of employees across the world responded to the survey.

The 2012 survey results show a continued strong employee engagement. The Employee Engagement index is 77%, which is unchanged from 2011 and 8%–points higher than the external benchmark average.

Executive Performance Stock Plan

The Company has a Long-Term Variable (LTV) remuneration program. It builds on a common platform, but consists of three separate plans; one targeting all employees, one targeting key contributors and one targeting senior management. The 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 2013 Executive Performance Stock Plan will be communicated in the notice to the Annual General Meeting.

The targets for the 2011 and 2012 Executive Performance Stock Plans are shown in the illustration below. The performance criteria are:

- Up to one-third of the award will vest if the target for compound annual growth rate of consolidated net sales is achieved
- Up to one-third of the award will vest if the target for compound annual growth rate of consolidated operating income, including earnings in joint ventures and restructuring, is achieved. For the 2011 plan, base year 2010 is excluding restructuring of SEK 6.8 billion.
- Up to one-third of the award will vest if cash conversion is at or above 70% during each of the years and vesting one-ninth of the award for each year the target is achieved. The target was reached in 2012 but not reached in 2011.

Before the number of performance shares to be matched are finally determined, the Board of Directors shall examine whether the performance matching is reasonable considering the Company's financial results and position, conditions on the stock market and other circumstances, and if not, reduce the number of performance shares.

Working capital targets

Ericsson's working capital targets are described on page 32. The targets remain for 2013.

Shareholder value creation

Long-term ambition	Executive Performance Stock Plan 2011 targets for 2011–2013 Base year 2010	Executive Performance Stock Plan 2012 targets for 2012–2014 Base year 2011
GROW FASTER THAN THE MARKET	Net sales growth 4–10% CAGR	Net sales growth 2–8% CAGR
BEST-IN-CLASS MARGINS	Operating income growth 5–15% CAGR including JV(s) and restructuring*	Operating income growth 5–15% CAGR including JV(s) and restructuring
GROWTH IN JV EARNINGS		
STRONG CASH CONVERSION	Cash conversion ≥ 70% annually	Cash conversion ≥ 70% annually

* Base year 2010 excl. restructuring

Telcordia 06181 Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1

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BOARD OF DIRECTORS' REPORT CONTINUED

FINANCIAL RESULTS OF OPERATIONS

Abbreviated income statement

	IFRS			Restructuring charges		
SEK billion	2012	2011	2010	2012	2011	2010
Net sales	227.8	226.9	203.3			
Cost of sales	–155.7	–147.2	–129.1	–2.2	–1.2	–3.4
Gross income	72.1	79.7	74.3		–1.2	–3.4
Gross margin %	31.6%	35.1%	36.5%			
Operating expenses	–58.9	–59.3	–58.6	–1.2	–2.0	–3.5
Operating expenses as % of sales	25.8%	26.1%	28.8%			
Other operating income and expenses	9.0	1.3	2.0	–	–	–
Operating income before share in earnings of JVs and associated companies	22.2	21.7	17.6	–3.4	–3.2	–6.8
Operating margin % before share in earnings of JVs and associated companies	9.7%	9.6%	8.7%			
Share in earnings of JVs and associated companies	–11.7	–3.8	–1.2	–0.3	–0.6	–0.5
Operating income	10.5	17.9	16.5	–3.8	–3.7	–7.3
Operating margin %	4.6%	7.9%	8.1%			
Financial income and expenses, net	–0.3	0.2	–0.7			
Taxes	–4.2	–5.6	–4.5			
Net income	5.9	12.6	11.2			
EPS diluted (SEK)	1.78	3.77	3.46			

Net sales and operating margin incl. JVs

Sales

2012 was a year with strong growth in Global Services and Support Solutions while Networks had a more challenging year. Sales for comparable units, adjusted for foreign currency exchange rates and hedging, decreased –2%. The acquired Telcordia operation added sales of SEK 4.2 billion, split 50/50 between the segments Global Services and Support Solutions.

In 2012, the Company continued to execute its strategy to leverage its strengths in the growth areas of mobile broadband, managed services as well as OSS and BSS. Due to the current technology cycle in which mobile broadband is being rolled out, the business mix in 2012 continued to include a higher share of coverage business than capacity business. Ericsson was also to a large extent engaged in network modernization projects in Europe with its lower margins.

Sales of CDMA equipment declined –40% to SEK 8.4 (14.0) billion. The decline in CDMA was expected and planned for, following operators migration to LTE. The growth in Global Services is primarily related to continued good momentum in managed services and consulting and systems integration as well as network rollout sales following a high share of coverage projects. The sales growth in Support Solutions is mainly driven by TV and media management, business support solutions (charging solutions) and the acquisition of Telcordia. The segments Global Services and Support Solutions together represented close to 50% of Group sales.

In 2012, five of our ten regions showed growth. The share of software sales was unchanged in 2012, at 23% (23%) of sales while the portion of hardware decreased to 35% (40%) and services increased to 42% (37%) of Group sales. Longer term, the software part is expected to increase following more expansions and upgrades of networks.

IPR (intellectual property rights) revenues showed a favorable development and amounted to SEK 6.6 (6.2) billion.

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.

Telcordia 06182 Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1

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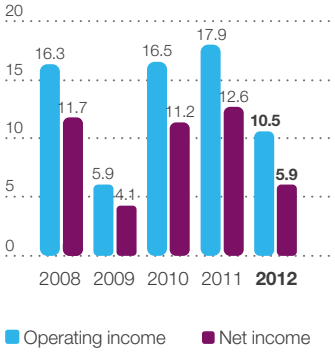
Operating income and net income

SEK billion



Most recent five-year average seasonality	First quarter	Second quarter	Third quarter	Fourth quarter
Sequential change	–21%	7%	–2%	26%
Share of annual sales	23%	24%	24%	30%

Gross margin

Gross margin declined to 31.6% (35.1%). The decrease is due to increased share of Global Services sales, higher proportion of coverage than capacity projects and network modernization projects in Europe. Close to 50% of the gross margin decline is related to the increased services share.

With current visibility, the underlying business mix, with a higher share of coverage projects than capacity projects, is expected to gradually shift towards more capacity projects during the second half of 2013. The negative impact from the network modernization projects in Europe will continue to gradually decline during 2013.

Operating expenses

Total operating expenses declined slightly. Excluding acquisitions and restructuring charges, Group operating expenses amounted to SEK 55.1 billion, down –4% from 2011.

To secure continued technology leadership, focus is on innovation and R&D. R&D expenses (see table below) increased slightly due to higher restructuring charges and acquisitions. Based on current portfolio and efficiencies in ways of working, R&D expenses for 2013 are expected to decrease somewhat.

Selling and administrative expenses represented 11.4% of sales compared to 11.8% in 2011.

Research and development	2012	2011	2010
Expenses (SEK billion)	32.8	32.6	31.6
As percent of Net sales	14.4%	14.4%	15.5%
Employees within R&D as of December 31 [1]	24,100	22,400	20,800
Patents [1]	33,000	30,000	27,000

[1] The number of employees and patents are approximate.

Operating margin before JVs

Operating margin before share in JV earnings was 9.7% (9.6%). Excluding the gain related to the divestment of the share of Sony Ericsson, operating margin was 6.4%. The negative impact was due to the business mix having more coverage business than capacity business as well as network modernization projects in Europe.

Share in earnings of JVs

ST-Ericsson reported a loss in 2012. Ericsson's share in ST-Ericsson's income before tax, adjusted to IFRS, was SEK –3.7 (–2.7) billion. The reported loss of SEK –11.7 billion includes a write-down of investments of SEK 4.7 billion and a provision of SEK 3.3 billion.

Other Operating income and expenses

Other operating income and expenses includes a gain of SEK 7.7 billion related to the divestment of Sony Ericsson. It also includes a gain of SEK 0.2 billion from the divestment of the Multimedia brokering (IPX) operation.

Financial net

The financial net decreased mainly due to negative currency exchange revaluation effects on financial investments and liabilities.

Taxes

The tax rate for the year was 42% (31%) of income after financial items. The high tax rate is due to product and market mix as well as a reduction in corporate tax rate for 2013, decided by the Swedish Parliament. The lower corporate tax rate in Sweden reduced the deferred tax assets with approximately SEK 0.5 billion. Over time, the lower tax rate in Sweden will have a positive impact on taxes.

Net income

Net income decreased primarily due to the negative impact from ST-Ericsson and lower contribution from Networks.

Earnings per share, diluted

Earnings per share decreased –53% to SEK 1.78 (3.77). Earnings per share, non-IFRS, decreased –42% to SEK 2.74 (4.72). The Board of Directors proposes a dividend of SEK 2.75 (2.50). This represents an increase of 10% over 2011.

Restructuring charges

Restructuring charges were SEK 3.4 (3.2) billion, excluding joint ventures. Restructuring charges mainly relate to continued execution of the service delivery strategy as well as other ongoing cost reduction measures. Cash outlays that have been provided for were SEK 1.2 (3.2) billion. At the end of the year, cash outlays of SEK 1.2 (1.3) billion remain to be made. Ericsson's share in ST-Ericsson's restructuring charges was SEK 0.3 (0.1) billion.

Telcordia 06183 Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1

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BOARD OF DIRECTORS' REPORT CONTINUED

FINANCIAL POSITION

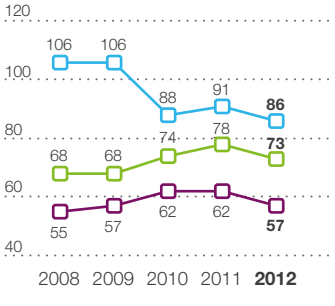
Consolidated balance sheet (abbreviated)

December 31, SEK billion	2012	2011	2010		2012	2011	2010
Assets				**Equity and liabilities**			
Non-current assets, total	**81.7**	81.5	83.4	Equity	**138.5**	145.3	146.8
of which intangible assets	**49.4**	44.0	46.8	Non-current liabilities	**39.1**	38.1	38.3
of which property, plant and equipment	**11.5**	10.8	9.4	*of which post-employment benefits*	**9.5**	10.0	5.1
of which financial assets	**8.5**	13.7	14.5	*of which borrowings*	**23.9**	23.3	27.0
of which deferred tax assets	**12.3**	13.0	12.7	*of which other non-current liabilities*	**5.7**	4.8	6.2
Current assets, total	**193.3**	198.8	198.4	Current liabilities	**97.4**	97.0	96.8
of which inventory	**28.8**	33.1	29.9	*of which provisions*	**8.4**	6.0	9.4
of which trade receivables	**63.7**	64.5	61.1	*of which current borrowings*	**4.8**	7.8	3.8
of which other receivables/financing	**24.1**	20.7	20.2	*of which trade payables*	**23.1**	25.3	25.0
of which short-term investments, cash and cash equivalents	**76.7**	80.5	87.2	*of which other current liabilities*	**61.1**	58.0	58.6
Total assets	**275.0** [1]	280.3	281.8	Total equity and liabilities [1]	**275.0**	280.3	281.8

[1] Of which interest-bearing liabilities and post-employment benefits SEK 38.2 (41.0) billion.

Working capital

Days



- Days sales outstanding (Target is less than 90 days)
- Inventory 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 invest in future growth 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 gains competitive advantages and can maintain an active strategy for selective acquisitions.

The Company's capital targets are to have an equity ratio above 40%, to generate a cash conversion rate above 70%, to have a positive net cash position and to achieve solid investment grade ratings.

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 days sales outstanding was met, while the other two targets were not achieved. Efforts to further reduce working capital will continue in 2013 and the working capital targets are the same as previous years.

For 2011, the dividend was SEK 2.50 per share. The Board of Directors will propose to the Annual General Meeting 2013 a dividend of SEK 2.75 per share for 2012. This represents a total dividend of approximately SEK 9.1 (8.2) billion. The proposal reflects year 2012's earnings and balance sheet structure, as well as coming years' business plans and economic development, according to Ericsson's dividend policy.

Non-current assets

Intangible assets increased to SEK 49.4 (44.0) billion due to acquisitions during the year. Customer financing, current and non-current, increased to SEK 5.3 (4.2) billion.

Current assets

Inventory levels decreased at the end of the year. At year end, inventory was SEK 28.8 (33.1) billion. The target of inventory turnover days less than 65 days was not reached and improvement efforts will continue in 2013.

Trade receivables: Days sales outstanding reached 86 (91) days at year end due to strong sales and good collections. The Company's credit losses have historically been low and continued to be so in 2012.

Net cash decreased by SEK 1.0 billion. For a more detailed discussion on changes in cash, see pages 34–35.

Equity

Equity decreased by SEK –6.8 billion primarily due to the non-cash charge of SEK 8.0 billion related to ST-Ericsson. The equity ratio was maintained at a healthy level of 50.4% (51.8%). Return on equity decreased to 4.1% (8.5%)

Telcordia 06184 Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1

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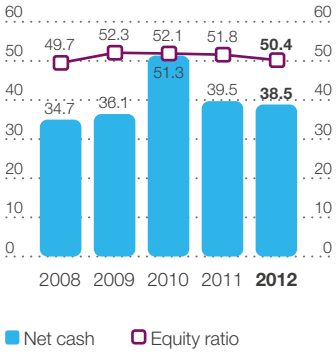
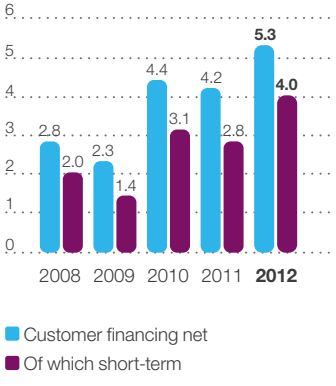
Net cash and equity ratio

SEK billion Percent



Customer financing

SEK billion



due to lower profitability. Return on capital employed (ROCE) was 6.7% (11.3%).

Non-current liabilities

Post-employment benefits related to defined benefit plans declined to SEK 9.5 (10.0) billion. In 2012 there was a decrease in discount rates, which was offset as plan assets yielded higher than expected.

Non-current borrowings was almost unchanged at SEK 23.9 (23.3) billion. In 2012, Ericsson performed refinancing activities to extend its average debt maturity profile and to further diversify funding sources:

- Issue of a USD-denominated 1 billion ten-year bond in order to refinance debt maturing in 2012 to 2014
- Repurchase of EUR 441 million related to the 2013 and 2014 EMTN bonds in order to reduce gross debt and optimize net interest
- Repayment of two SEK-denominated bonds with a total of SEK 3.5 billion at maturity
- Taken up a loan with the Nordic Investment Bank of EUR 0.15 billion (or the equivalent in USD). The loan is divided into two equal tranches with seven-year and nine-year maturities respectively.
- Signed loan agreement with the European Investment Bank of EUR 0.5 billion (or the equivalent in USD) with an option for disbursement until April 2014. The loan will mature seven years after disbursement
- The Company also has unutilized committed credit facilities of USD 2.0 billion available, maturing in 2014.

Current liabilities

Provisions increased to SEK 8.4 (6.0) billion. SEK 1.2 (1.3) billion were related to restructuring. The cash outlays of provisions were SEK 3.5 (6.0) billion. The higher amount of provisions is due to a provision of SEK 3.3 billion related to ST-Ericsson. Provisions will fluctuate over time, depending on business mix, market mix and technology shifts.

Payable days decreased to 57 (62) days, reflecting the high level of network rollout where suppliers normally have shorter payment days. The target of payable days of more than 60 days was not met.

Credit ratings at "solid investment grade"

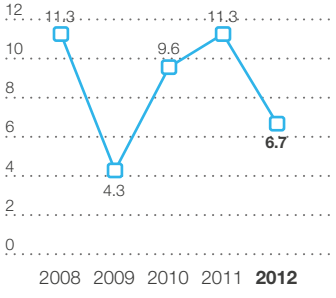
Moody's rate Ericsson A3 with a stable outlook and Standard & Poor's at BBB+ with stable outlook. The rating remained unchanged in 2012. In beginning of 2013 both rating institutes changed their outlook to negative.

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.

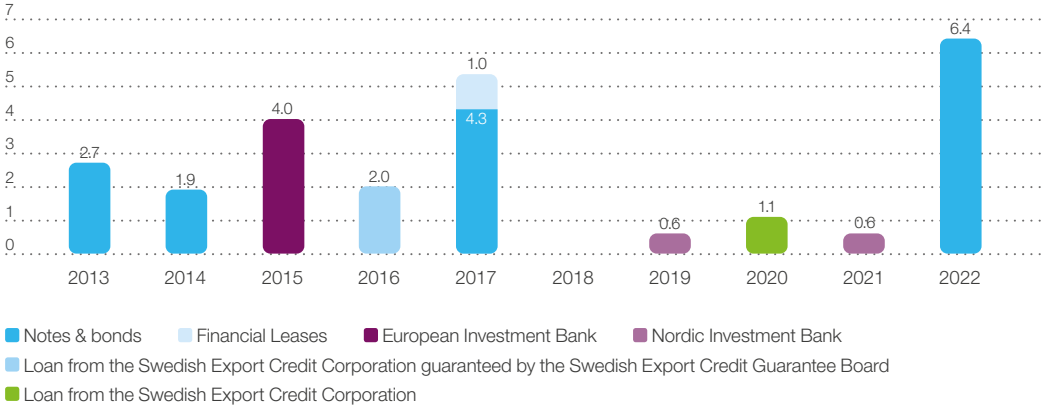
Return on capital employed

Percent



Debt maturity

SEK billion



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Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1

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BOARD OF DIRECTORS' REPORT CONTINUED

CASH FLOW

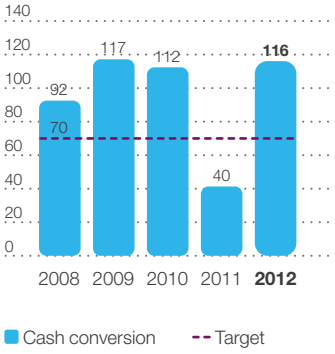
Cash flow (abbreviated) January 1 – December 31

SEK billion	2012	2011	2010
Net income	5.9	12.6	11.2
Income reconciled to cash	19.0	25.2	23.7
Changes in operating net assets	3.0	–15.2	2.9
Cash flow from operating activities	22.0	10.0	26.6
Cash flow from investing activities	–4.9	4.5	–12.5
of which capital expenditures, sales of PP&E, product development	–6.5	–6.1	–5.2
of which acquisitions/divestments, net	–2.1	–3.1	–2.8
of which short-term investments for cash management purposes and other investing activities	3.7	13.8	–4.5
Cash flow before financing activities	17.1	14.5	14.0
Cash flow from financing activities	–9.4	–6.5	–5.7
Cash conversion (Cash flow from operating activities divided by income reconciled to cash)	116%	40%	112%
Gross cash (Cash, cash equivalents and short-term investments)	76.7	80.5 [1]	87.2
Net cash (Gross cash less interest-bearing liabilities and post-employment benefits)	38.5	39.5	51.3

[1] Including loan to ST-Ericsson of SEK 2.8 billion.

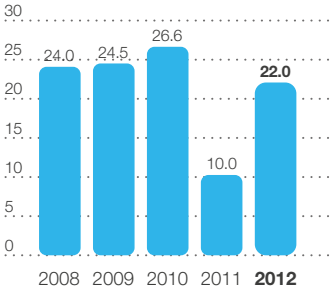
Cash conversion

Percent



Cash flow from operating activities

SEK billion



Cash conversion

Cash conversion was 116% (40%), above the target of 70%. Cash conversion in 2012 was positively impacted by lower working capital.

Cash flow from operating activities

The operating cash flow was positively impacted by reduced working capital.

Cash flow from investing activities

Cash outlays for regular investing activities increased to SEK –6.5 (–6.1) billion. Acquisitions and divestments during the year were net SEK –2.1 (–3.1) billion, with the major item being the USD 1.15 billion acquisition of Telcordia and the divestment of Sony Ericsson.

Cash flow from short-term investments for cash management purposes and other investing activities was net SEK 3.7 (13.8) billion, mainly attributable to changes between short-term investments and cash and cash equivalents.

Capital expenditures

Annual capital expenditures are normally around 2% of sales. This corresponds to the needs for keeping and maintaining the current capacity level, including the introduction of new technology and methods. Expenditures are largely related to test equipment in R&D units and network operations centers as well as manufacturing and repair operations.

The Board of Directors reviews the Company's investment plans and proposals. The Company believes it has sufficient cash and cash generation capacity to fund expected capital expenditures without external borrowings in 2013.

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, 2012, no material land, buildings, machinery or equipment were pledged as collateral for outstanding indebtedness.

Capital expenditures 2008–2012

SEK billion	2012	2011	2010	2009	2008
Capital expenditures	5.4	5.0	3.7	4.0	4.1
of which in Sweden	1.3	1.7	1.4	1.3	1.6
Share of annual sales	2.4%	2.2%	1.8%	1.9%	2.0%

Cash flow from financing activities

Cash flow from financing activities was SEK –9.4 (–6.5) billion, mainly impacted by dividend paid of SEK –8.6 (–7.5) billion. Other financing activities net amounted to SEK –0.8 (1.0) billion. However, substantial refinancing activities were performed during 2012 to extend the average debt maturity profile and to further diversify funding sources. For more information see section "Non-Current Liabilities", on previous page.

Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1

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Cash held in countries with exchange controls

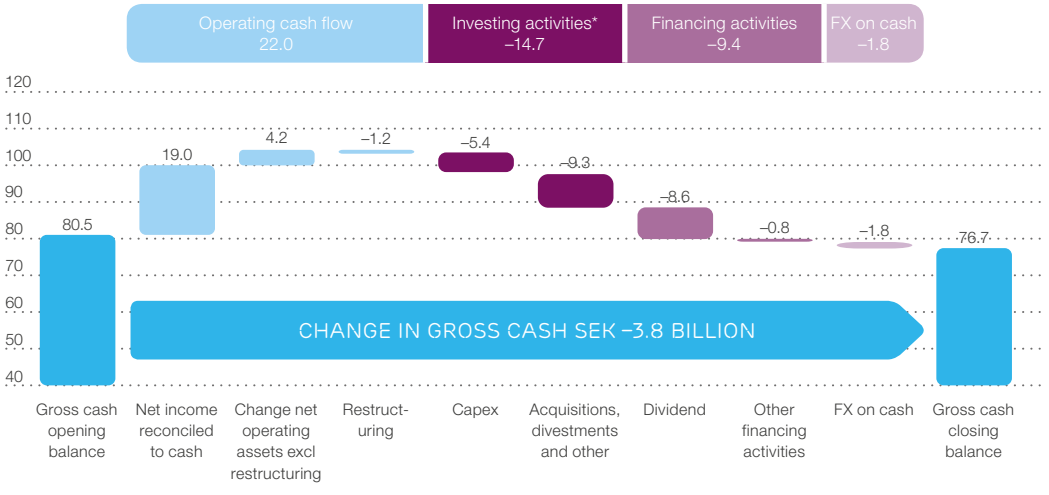
The Company holds cash or cash equivalents in countries where exchange controls or legal restrictions apply. These restrictions normally refer to approval procedures prior to cross-border cash transfers. The amount of cash and cash equivalents in such countries is SEK 10.6 (13.9) billion, of which SEK 9.2 (12.8) billion can be used for repayment of external and internal liabilities as well as other operating needs. Therefore, net cash and cash equivalents that are not readily available for use by the Group is SEK 1.4 (1.1) billion.

Gross cash and net cash

The change in gross cash of SEK 3.8 billion is related to ST-Ericsson where loans of SEK 5.0 billion were converted into investments. The net income reconciled to cash was SEK 19.0 (25.2) billion. Net operating assets was SEK 3.0 (–15.2) billion and investing activities SEK –14.7 (–9.9) billion. Dividends to shareholders amounted to SEK –8.6 (–7.5) billion. This resulted in a decrease in net cash of SEK 1.0 billion.

Change in gross cash

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.

BUSINESS RESULTS – REGIONS

Sales per region and segment 2012 and percent change from 2011

	Networks		Global Services		Support Solutions			
SEK billion	2012	Percent change	2012	Percent change	2012	Percent change	Total 2012	Percent change
North America	30.5	6%	23.5	27%	2.7	103%	56.8	16%
Latin America	9.8	–15%	10.6	12%	1.6	65%	22.0	0%
Northern Europe and Central Asia	6.3	–35%	4.5	–10%	0.5	–6%	11.3	–25%
Western and Central Europe	6.2	–21%	10.6	3%	0.7	–27%	17.5	–8%
Mediterranean	9.5	–11%	13.0	10%	0.8	–42%	23.3	–2%
Middle East	6.8	–9%	7.3	7%	1.5	24%	15.6	1%
Sub-Saharan Africa	6.4	10%	3.9	14%	1.0	16%	11.3	12%
India	3.5	–42%	2.5	–22%	0.5	–14%	6.5	–34%
North East Asia	22.4	–19%	13.3	34%	0.5	0%	36.2	–5%
South East Asia and Oceania	8.0	6%	6.6	18%	0.5	–29%	15.1	9%
Other [1]	7.9	–14%	1.2	–844%	3.1	90%	12.3	15%
Total	117.3	–11%	97.0	16%	13.5	26%	227.8	0%
Share of total	51%		43%		6%		100%	

[1] Region "Other" includes licensing revenues, sales of cables, broadcast services, power modules and other businesses. In the regional dimension, all of the Telcordia sales are reported in the Support Solutions segment except for North America where it is split 50/50 between Global Services and Support Solutions. The acquired Technicolor Broadcast Service Division is reported in region "Other". Multimedia brokering (IPX) was previously reported in each region in segment Support Solutions. For the first three quarters 2012 it was part of region "Other". Multimedia brokering (IPX) was divested end of Sept. 2012.

Telcordia 06187
Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1

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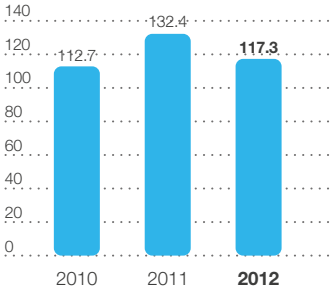
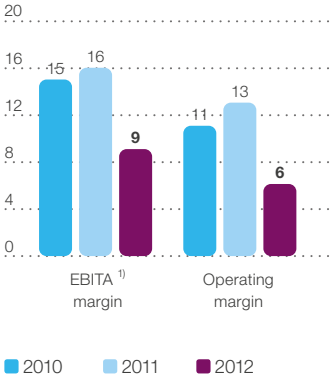
BOARD OF DIRECTORS' REPORT CONTINUED

Networks sales
SEK billion

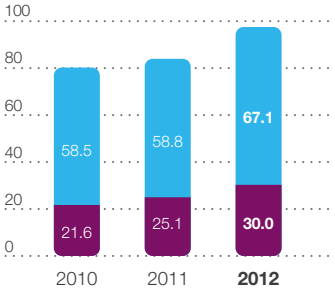


Networks profitability
Percent



1) EBITA – Earnings before interest, tax, amortizations and write-downs of acquired intangibles

Global Services sales
SEK billion



BUSINESS RESULTS – SEGMENTS

Networks

Sales
Sales were SEK 117.3 (132.4) billion following a strong 2011. Organic and adjusted for foreign currency change effect, sales declined –12%. The decline is primarily related to lower sales in China, Russia, India and South Korea. North America grew despite the –40% decline in CDMA equipment sales. The IP portfolio developed favorably, especially packet core products.

The decline in sales of CDMA equipment was expected. Sales of CDMA equipment amounted to SEK 8.4 (14.0) billion.
In CDMA, the priority has been to support customers' migration to Ericsson's LTE solution and excel in life-cycle management. Ericsson is today a key supplier to all four major operators in North America.

Profitability
Operating margin decreased due to lower sales as well as negative impact from a business mix with more coverage than capacity projects. In addition, modernization projects in Europe impacted profitability negatively.

Business in 2012
In 2012, Ericsson maintained its share of global installed base of radio base stations of close to 40%, which is almost the size of number two and three combined.

For the key market areas the Company addresses: Radio, IP and Transport as well as Core, preliminary market data indicates that the combined market share was 24%, down from 27% in 2011. The decline is due to a lower market share in the mobile network equipment market; from 38% in 2011 to 35% in 2012, negatively impacted by the technology shift in China, where investments are moving from GSM to other technology areas where Ericsson has limited presence.

Operators' focus on improving network performance and on service differentiation has been a main driver for mobile broadband investments throughout the year.

In 2012, AIR, the world's first commercially deployed antenna-integrated radio and part of the RBS 6000 family, met accelerating demand. AIR provides enhanced radio performance and ease of deployment.

After the initial large-scale LTE rollouts in the US, Korea and Japan, Ericsson is now starting to see other countries following. Late 2012, Latin America started LTE rollouts and after executing awarded contracts Ericsson will have a strong LTE footprint in Latin America, substantially higher than its 3G market share in the region.

Up until the end of 2011, Ericsson had won a total of 38 contracts for LTE on five continents.

At the end of 2012, Ericsson had won more than 120 contracts for LTE on six continents. More than 60 LTE networks were in commercial use.

Ericsson's global market share for LTE was twice as big as the largest competitor, measured in shipments for full year 2012

In 2012, Ericsson put the world's first converged multi-standard radio base station for LTE FDD/TDD into commercial operation.

The demand for IMS is increasing as operators are preparing to launch Voice over LTE (VoLTE). Ericsson has a number of contracts for VoLTE.

The demand for circuit-switched core will continue to decline.

During the year, the Smart Services Router (SSR) gained good traction and 39 contracts were signed.

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.

Global Services
Two subareas are reported in Global Services: Professional Services and Network Rollout. Professional Services includes Managed services, Customer Support as well as Consulting and Systems Integration.

Sales
Sales were SEK 97.0 (83.9) billion. Organic and adjusted for foreign currency change effect, sales increased 12%.

The growth in Professional Services is mainly related to continued good momentum in Managed Services as well as in Consulting and Systems Integration. Operators continue to focus on increasing operational efficiency

Telecordia 06188 Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1

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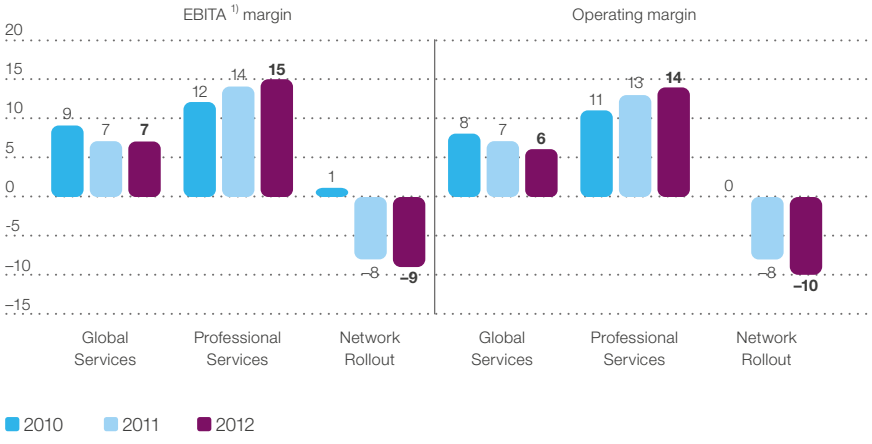
Global Services profitability

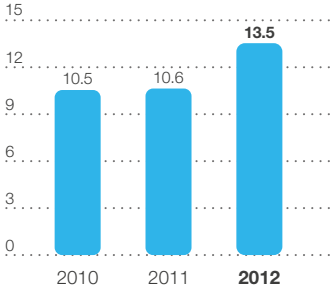
Percent



1) EBITA – Earnings before interest, tax, amortizations and write-downs of acquired intangibles

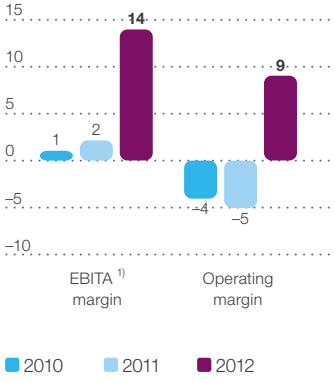
Support Solutions sales

SEK billion



Support Solutions profitability

Percent



1) EBITA – Earnings before interest, tax, amortizations and write-downs of acquired intangibles

and reducing operating expenses through transformation activities in the voice, IP and OSS and BSS domains which drive demand for managed services and consulting and systems integration. More than 60% of Professional Services sales were recurrent.

The increase in Network Rollout is related to major activities in North East Asia, North America and Europe reflecting the high coverage project activity.

Profitability

Global Services' operating margin development was stable, despite the continued loss in Network Rollout, due to continued efficiency gains and higher sales in Professional Services. Professional Services has over the past years shown an operating margin of 11–14%. Network Rollout is a low-margin business due to its high level of third-party suppliers for services such as civil works. The losses in 2012 are mainly a consequence of network modernization projects in Europe.

Restructuring charges from continuous transformation of the service delivery organization is a natural part of the services business.

Business in 2012

Market demand for services continued to grow in both subareas. Ericsson also strengthened its capabilities to address new markets and customers in areas such as IT Managed Services and Broadcast Services. The Company's capability to deliver services remotely from the four global services centers expanded with the establishment of two new global network operation centers in Asia and Latin America.

The telecom services market is highly fragmented with a few global, but many local suppliers. In telecoms services, internal market data indicates that the Company reached a market share of 13% and is larger than any of its competitors in this fragmented market.

During 2012, 52 (70) managed services contracts were signed of which 19 (32) were expansions or extensions. In 2012, 24 (34) significant consulting and systems integration contracts were signed. At year end, there were approximately 950 (900) million subscribers in networks managed by Ericsson. Approximately 550 (500) million subscribers were in network operations contracts.

The number of services professionals also increased during the year from 56,000 end of 2011 to 60,000 end of 2012. The strategy to industrialize the service delivery continues and the capability of remote delivery has now reached a level of 23% in 2012 compared with 17% in 2011. This increases capacity and provides economies of scale.

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.

Support Solutions

Sales

Sales were SEK 13.5 (10.6) billion. Organic and adjusted for foreign currency change effect, sales increased 9%. Sales development was good in all four strategic focus areas, i.e. OSS, BSS, TV and Media Management and M-Commerce.

The acquired Telcordia operation added sales of SEK 2.1 billion, representing 50% of Telcordias total sales. The divested Multimedia brokering business (IPX) contributed with sales of SEK 1.2 billion for the first nine months of the year.

Profitability

Increased sales and execution on the new strategy, as well as portfolio streamlining and efficiency improvement, generated a higher operating margin. The divestment of IPX generated a capital gain of SEK 0.2 billion.

Business in 2012

The segment changed name in 2012 from Multimedia to Support Solutions following a change of strategy. Focus is now on OSS and BSS solutions, TV and Media management and M-Commerce.

Ericsson has a leading position in both OSS and BSS.

In BSS, Ericsson has 280 charging and billing installations which at year end served two billion subscriptions. Ericsson's market share in prepaid is 31%.

Telcordia 06180 Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1

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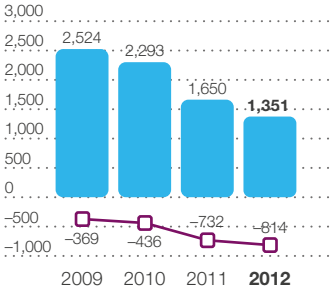
BOARD OF DIRECTORS' REPORT CONTINUED

ST-Ericsson net sales and adjusted operating income
USD million



Net sales
Operating income adjusted for amortization of acquired intangibles and restructuring charges

All numbers in accordance with reported adjusted US GAAP numbers

In the media market, Ericsson is number one in broadcast video contribution, distribution and satellite direct-to-home. Customers include BSkyB, Chunghwa Telecom, Telekom A1, DirecTV, EBU and ESPN.

In M-Commerce, Ericsson is offering a mobile wallet platform and hosted services for interoperability between mobile and financial services. In 2012, the Company signed agreements for wallet payments with Western Union and MTN.

Competitors

The markets for BSS, OSS, TV and Media management and M-Commerce are fragmented 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 Harris. Competition in M-Commerce includes Comviva, Sybase, Infosys and Gemalto.

The JV ST-Ericsson

ST-Ericsson is a 50/50 joint venture between STMicroelectronics and Ericsson, established in 2009. The Ericsson share of ST-Ericsson's results is accounted for according to the equity method. ST-Ericsson's main competitor is Qualcomm.

In December 2012, STMicroelectronics announced its intention to exit as a shareholder in ST-Ericsson. On the same day, Ericsson announced that it will continue to work together with STMicroelectronics to find a suitable strategic solution for ST-Ericsson. In December, Ericsson also stated that it will not acquire the full majority of ST-Ericsson and that the Company intends to write down investments and make a provision related to its 50% stake in ST-Ericsson.

This resulted in a non-cash charge of SEK 8.0 billion in 2012. The charge includes write-down of SEK 4.7 billion of investments to reflect the current best estimate of Ericsson's share of the fair market value of the joint venture. The charge also includes a provision of SEK 3.3 billion related to the available strategic options at hand for the future of the ST-Ericsson assets. As of year-end 2012, there are no more investments related to ST-Ericsson on Ericsson's balance sheet.

Ericsson continues to believe that the modem technology, which it originally contributed to the JV, has a strategic value to the wireless industry.

Business and financial performance in 2012

Early 2012, ST-Ericsson set a new strategic direction aiming at lowering its break-even point and introducing new technologies as well as developing competitive system solutions either directly or with partners.

During 2012, ST-Ericsson reached key maturity milestones with its advanced LTE modem. That is tested with customers and is anticipated to be commercialized in 2013. The NovaThor ModAp is the world's fastest integrated LTE modem and application processor platform. The ModAp delivers industry-leading performance while improving battery life.

ST-Ericsson sales in 2012 decreased –18% to USD 1.4 (1.7) billion. The operating loss for the year, adjusted for restructuring charges, was USD –0.8 (–0.7) billion. Adjustments for IFRS compliance mainly consist of capitalization of R&D expenses for hardware development.

ST-Ericsson's net financial position was USD 37 (–798) million at year-end, reflecting the cancellation of the parents' loan facility. Ericsson's share in ST-Ericsson's income before taxes, adjusted to IFRS, was SEK –11.7 (–2.7) billion including the non-cash charge of SEK 8.0 billion.

The JV Sony Ericsson

In February 2012, Ericsson announced the completion of the divestment of its 50% stake in Sony Ericsson Mobile Communications to Sony. The agreed cash consideration for the transaction was EUR 1.05 billion. The deal includes a broad IPR cross-licensing agreement. Sony Ericsson was consolidated until December 31, 2011, according to the equity method.

The divestment resulted in a gain of SEK 7.7 billion and a positive cash flow effect of SEK 9.1 billion.

Telcordia 06190 Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1

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CORPORATE GOVERNANCE

In accordance with the Annual Accounts Act ((SFS 1995:1554), Chapter 6, Sections 6 and 8) and the Swedish Corporate Governance Code (the "Code"), a separate Corporate Governance Report, including an Internal Control section, has been prepared. It is attached to this Annual Report.

Continued compliance with the Swedish Corporate Governance Code

Ericsson applies the Code and is committed to complying with best-practice corporate governance standards on a global level wherever possible. In 2012, Ericsson did not report any deviations from the Code.

High ethical standards

Ericsson's Code of Business Ethics summarizes the Group's basic 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 2012/2013

The Annual General Meeting held on May 3, 2012, re-elected Leif Johansson Chairman of the Board. Roxanne S. Austin, Sir Peter L. Bonfield, Börje Ekholm, Ulf J. Johansson, Sverker Martin-Löf, Nancy McKinstry, Anders Nyrén, Hans Vestberg, Michelangelo Volpi and Jacob Wallenberg were re-elected and Alexander Izosimov was elected new member of the Board. Pehr Claesson, Kristina Davidsson and Karin Åberg were appointed employee representatives by the unions, with Rickard Fredriksson, Karin Lennartsson and Roger Svensson as deputies.

Management

Hans Vestberg has been 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). During 2012, the ELT consisted of the President and CEO, the heads of Group functions, the heads of business units and two of the heads of Ericsson's regions.

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, as well as the 2012 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, 2012, 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 the following guidelines for remuneration to Group management, consisting of the Executive Leadership Team, for the period up to the Annual General Meeting (AGM) 2014. Compared to the guidelines resolved by the AGM 2012, these guidelines have been amended to enable consecutive time-limited arrangements according to the third item in the list below. Information on estimated costs for variable remuneration has been removed from the guidelines and is instead appended to the AGM 2013 proposal.

Guidelines for remuneration to Group Management:
For Group Management consisting of the Executive Leadership Team, including the President and CEO, total remuneration consists of fixed salary, short- and long-term variable remuneration, pension and other benefits. The following guidelines apply for the remuneration to the Executive Leadership Team:

- 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 Group or unit level, operational targets, employee engagement targets and customer satisfaction targets
- 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 necessary. An additional arrangement can be renewed but each such arrangement shall be limited in time and shall not exceed a period of 36 months and twice 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

Telcordia 06191 Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1

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BOARD OF DIRECTORS' REPORT CONTINUED

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.

MATERIAL CONTRACTS

Material contractual obligations are outlined in Note C31, "Contractual obligations." These were entered into in the ordinary course of business and were 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.

RISK MANAGEMENT

Risks are defined in both short-term and long-term perspective. They are categorized into industry and market risks, commercial risks, operational risks and compliance 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, annual planning and target setting, continuous monitoring through monthly and quarterly steering group meetings and during operational processes (customer projects, customer bid/contract, acquisition, investment and product development projects). They are subject to various controls such as decision tollgates and approvals.

At least twice a year, in connection with the approval of strategy and targets, risks are reviewed by the Board of Directors.

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 a serious nature.

For information on risks that could impact the fulfillment of 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.

SOURCING AND SUPPLY

Ericsson's hardware largely consists of electronics. 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 are 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 complete units. Final assembly and testing are concentrated to a few sites. Ericsson has 16 manufacturing sites in Brazil, China, Estonia, India, Italy, Mexico 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. Ericsson's 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. This process could take some time to complete.

Telcordia 06192 Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1

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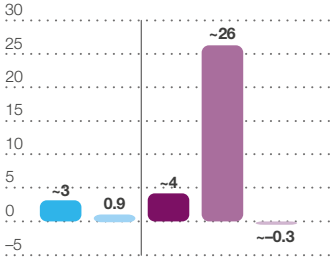
Ericsson life-cycle assessment – carbon footprint 2012

Mtonnes CO_2e



Activities in 2012
- Supply chain
- Ericsson own activities

Future (lifetime) operation of products delivered in 2012
- Operator activities
- Products in operation
- End-of-life treatment

Carbon intensity – Ericsson own activities

- Facilities: Tonnes CO_2e/employee
- Transports: Tonnes CO_2e/tonne products
- Travel: Tonnes CO_2e/employee

Variations in market prices for raw materials generally have a limited effect on total cost of goods sold. For more information, see chapter Risk Factors.

SUSTAINABILITY AND CORPORATE RESPONSIBILITY

The Company has implemented strong social, environmental and ethical standards supporting value creation and risk management. 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 throughout its value chain. The Board of Directors considers these aspects in governance decision-making. Group 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 (EGMS) includes a Code of Business Ethics and a Code of Conduct (CoC), among other policies which reflect responsible business practices. Promotion of these practices is reinforced by employee awareness training, workshops and monitoring, including a global assessment plan run by an external assurance provider.

In 2012, Ericsson has continued to develop its anti-corruption program and expanded its whistleblower procedure.

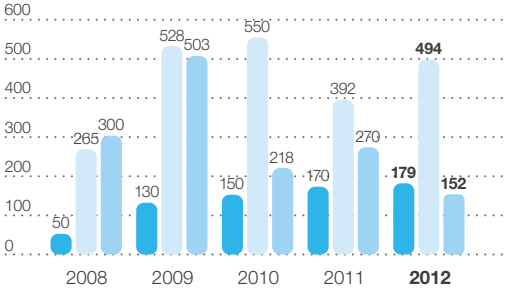
Human rights

In 2012, the Company updated its Code of Business Ethics to reflect the ongoing commitment to respect human rights, and the UN Guiding Principles on Business and Human Rights. Ericsson has worked actively to strengthen its internal governance processes including the Sales Compliance Board, which also considers potential negative human rights impacts in its decisions. The Company joined the Shift Business Learning Program to support human rights risk analysis capabilities.

Ericsson is part of the Burma (Myanmar) Human Rights and Business Framework, led by the Institute for Human Rights and Business and the Danish Human Rights Institute. Together with Deloitte, the Company launched a report, "The Potential Economic Impact of Mobile Communications in Myanmar," which shows the importance of mobile communications from both GDP and job-creation perspectives.

Supplier Code of Conduct

Audits and Assessments



- Number of auditors
- Number of audits
- Number of assessments

Supply chain

Suppliers must comply with Ericsson's CoC. Approximately 170 employees, covering all regions, are trained as supplier CoC auditors. The Company uses a risk-based approach to ensure that the high risk portfolio areas, and highest risk markets, are targeted first. For prioritized areas, Ericsson 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, including compliance with the US Dodd-Frank Act and the disclosure rule adopted by the U.S. Securities and Exchange Commission (SEC), Ericsson takes active measures in its sourcing and product management processes. Ericsson also participates in industry initiatives such as The Extractives Workgroup on conflict minerals, driven by the Global e-Sustainability Initiative (GeSI).

Reducing environmental impact

Energy use of 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.

A five-year target which aims to reduce the Ericsson carbon footprint intensity by 40% was set in 2009 (with a 2008 baseline). The target comprises two focus areas: Ericsson's own activities and the life-cycle impacts of products

Telcordia 06193 Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1

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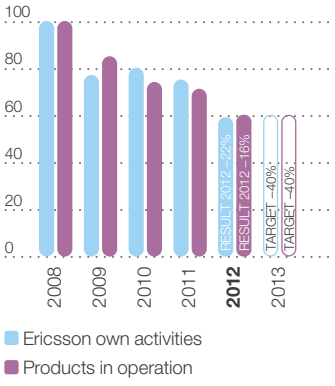
BOARD OF DIRECTORS' REPORT CONTINUED

Carbon footprint intensity target
Percent



in operation. In 2012, Ericsson exceeded the annual 10% reduction target and, as a result, the target has been achieved in four years instead of five, with the following results:

- A 22% reduction in direct emission intensity from own activities was achieved during 2012, including facilities energy use, product transportation and business travel. This was achieved by
  - reducing absolute emissions from business travel by 16%
  - reducing absolute emissions from product transportation by 12%
  - decreasing facility energy consumption by approximately 3%. while related emissions increased by 13%
- A 16% reduction in indirect emission intensity from life-cycle impacts of products in operation was achieved in 2012.

Product take-back and recycling

Ericsson Ecology Management is a program to take responsibility for products at the end of their life and to treat them in an environmentally preferable way. The program also ensures that Ericsson fulfills its extended producer responsibility and is offered to all customers globally free of charge, not only in markets where it is mandatory.

Radio waves and health

Ericsson employs rigid product testing and installation procedures with the goal of ensuring that radio wave exposure levels from Ericsson products and network solutions are below established safety limits. The Company provides public information on radio waves and health, and supports independent research to further increase knowledge in this area. Since 1996, Ericsson has cosponsored over 90 studies related to electromagnetic fields and health. 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 any health effects associated with radio wave exposure from either mobile phones or radio base stations.

Ericsson has been cosponsoring the Swedish part of the international COSMOS study, which 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

Information and Communication Technology (ICT) represents about 2% of global CO_2 emissions, but can potentially offset 16% of the remaining 98% from other industries, according to GeSI's SMARTer2020 report. The report also shows that the abatement potential of ICT is over seven times its own emissions. Ericsson takes measures to ensure that its own carbon footprint intensity is continuously reduced.

Ericsson's sustainability strategy includes focus on the role broadband can play in helping to offset global CO_2 emissions, 70% of which are attributed to cities, according to UN-Habitat. Ericsson works on sustainable city solutions and is engaged in global climate policy. Ericsson's President and CEO Hans Vestberg leads the Climate Change Working Group of the Broadband Commission for Digital Development which launched the report "The Broadband Bridge: Linking ICT with climate action for a low-carbon economy."

Technology for Good

In 2011, Ericsson launched the Technology for Good program, focused 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. Mobile connectivity fuels economic growth, which is vital for billions of people living at the base of the economic pyramid. Ericsson has used its technology and competence to help achieve the Millennium Development Goals (MDGs) for more than a decade. Ericsson's President and CEO also joined the Leadership Council of the Sustainable Development Solutions Network, an initiative of the UN Secretary General, to contribute to the post-2015 development agenda and the Sustainable Development Goals. The Company engages in many Technology for Good projects globally, including Connect to Learn and Ericsson Response™.

Reporting according to GRI 3.0

Full key performance data is available on the Ericsson website and has achieved an A+ rating according to the Global Reporting Initiative (GRI). The performance data has been assured,

Telcordia 06194 Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1

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and the application level has been checked by a third party.

LEGAL PROCEEDINGS

On November 27, 2012, Ericsson filed two patent infringement lawsuits in the US District Court for the Eastern District of Texas against Samsung. Ericsson seeks damages and an injunction. Ericsson also asked the Court to adjudge that Samsung breached its commitment to license any standard-essential patents it owns on fair, reasonable, and non-discriminatory terms and to declare Samsung's allegedly standard essential patents to be unenforceable.

On November 30, 2012, Ericsson filed a complaint with the US International Trade Commission, ITC, seeking an exclusion order blocking Samsung from importing certain products into the USA. The ITC instituted an investigation of Ericsson's complaint on January 3, 2013.

On December 21, 2012, Samsung filed a complaint with the US International Trade Commission seeking an exclusion order blocking Ericsson from importing certain products into the USA. The ITC instituted an investigation of Samsung's complaint on January 25, 2013.

On October 1, 2012, Wi-LAN Inc. filed a complaint against Ericsson in the US District Court of Southern Florida alleging that Ericsson's LTE products infringe three of Wi-LAN's US patents. The parties are presently engaged in discovery. Ericsson was, on October 4, 2010, sued by Wi-LAN in another patent infringement law suit in the US District Court for the Eastern District of Texas. Wi-LAN alleged that Ericsson products, compliant with the 3GPP standard. Infringe three US patents assigned to Wi-LAN. A trial is scheduled for April 2013.

In February 2012, Airvana Networks Solutions Inc. sued Ericsson in the Supreme Court of the State of New York, 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. In April 2012, the Court heard Airvana's request for preliminary injunction. The motion for preliminary injunction remains under consideration by the Court. The parties are presently engaged in further discovery.

In 2011, TruePosition sued Ericsson, Qualcomm, Alcatel-Lucent, the European Telecommunications Standards Institute (ETSI) and the Third Generation Partnership Project (3GPP) in the US District Court for the Eastern District of Pennsylvania for purported federal antitrust violations. The complaint alleged that Ericsson , Qualcomm and Alcatel-Lucent 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 January 2012, the Court dismissed the complaint on a "without prejudice" basis. Following the dismissal, TruePosition filed an amended complaint in February 2012. The case is proceeding to discovery.

In 2007, H3G S.p.A. (H3G) filed arbitral proceedings in Italy against Ericsson. H3G claims compensation from Ericsson for alleged breach of contract. H3G claims approximately EUR 475 million plus default interest. In addition to denying the claim in substance, Ericsson made a number of formal objections to the claim and filed a motion for the case to be dismissed. Ericsson's formal objections were however dismissed by the Arbitral Tribunal in a partial award rendered in February 2012. The Tribunal has appointed experts to render an opinion on various substantive technical and financial issues. The final report was rendered in February 2013. The final arbitral award is expected to be rendered at the end of 2013.

In addition to the proceedings discussed above, the Company is, and in the future may be, involved in various other lawsuits, claims and proceedings incidental to the ordinary course of business.

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 71 (70) branch and representative offices.

Financial information

Income after financial items was SEK –4.9 (4.4) billion. The Parent Company had no sales in 2012 or 2011 to subsidiaries, while 34% (31%) of total purchases of goods and services were from such companies.

Major changes in the Parent Company's financial position for the year included:

- Write-down of original investment in ST-Ericsson of SEK 8.6 billion. This write-down does not have any impact on Group level. Another write-down was made including the short-term credit facility to ST-Ericsson of SEK 5.0 billion. and a provision of SEK 3.3 billion relating to the strategic options at hand

Telcordia 06195 Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1

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BOARD OF DIRECTORS' REPORT CONTINUED

for ST-Ericsson assets. The total write-downs and provision related to ST-Ericsson amount to SEK 17.0 billion.
- Increased current and non-current receivables from subsidiaries of SEK 7.2 billion.
- Increased other current receivables of SEK 1.7 billion
- Increased cash, cash equivalents and short-term investments of SEK 1.3 billion
- Increased current and non-current liabilities to subsidiaries of SEK 8.7 billion
- Decreased other current liabilities of SEK 1.1 billion.

At year-end, cash, cash equivalents and short-term investments amounted to SEK 57.4 (56.1) billion.

Share information

As per December 31, 2012, the total number of shares in issue was 3,305,051,735, of which 261,755,983 were Class A shares, each carrying one vote, and 3,043,295,752 were Class B shares, each carrying one tenth of one vote. Both classes of shares have the same rights of participation in the net assets and earnings.

The Annual General Meeting (AGM) 2012 resolved to issue 31.7 million Class C shares for the Long-Term Variable Remuneration Program (LTV). In accordance with an authorization from the AGM, in the second quarter 2012, the Board of Directors resolved to repurchase the new issued shares, which were subsequently converted into Class B shares. The quotient value of the repurchased shares was SEK 5.00, totaling SEK 158.5 million, representing less than one percent of capital stock, and the acquisition cost was approximately SEK 158.7 million.

The two largest shareholders at year-end were Investor and Industrivärden holding 21.37% and 14.96% respectively of the voting rights in the Parent Company.

In accordance with the conditions of the Long-Term Variable Remuneration Program (LTV) for Ericsson employees, 9,748,408 treasury shares were sold or distributed to employees in 2012. The quotient value of these shares was SEK 5.00, totaling SEK 48.7 million, representing less than 1% of capital stock, and compensation received for shares sold and distributed shares amounted to SEK 91.2 million.

The holding of treasury stock at December 31, 2012 was 84,798,095 Class B shares. The quotient value of these shares is SEK 5.00, totaling SEK 424.0 million, representing 2.6% of capital stock, and the related acquisition cost amounts to SEK 655.3 million.

Proposed disposition of earnings

The Board of Directors proposes that a dividend of SEK 2.75 (2.50) per share be paid to shareholders duly registered on the record date April 12, 2013, 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 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 9,088,892,271
Amount to be retained by the Parent Company	SEK 16,535,096,753
Total non-restricted equity of the Parent Company	SEK 25,623,989,024

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 50% (52%) and a net cash amount of SEK 38.5 (39.5) 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 in addition to coming years' business plans and economic development.

Telecordia 06196 Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1

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POST-CLOSING EVENTS

On January 10, 2013, Ericsson entered into an agreement with Unwired Planet whereby Ericsson will transfer 2,185 issued patents and patent applications to Unwired Planet. Ericsson will also contribute 100 additional patent assets annually to Unwired Planet commencing in 2014 through 2018. Unwired Planet will compensate Ericsson with certain ongoing rights in future revenues generated from the enlarged patent portfolio. Unwired Planet will also grant Ericsson a license to its patent portfolio.

On January 21, 2013, Ericsson announced its intention to acquire Devoteam Telecom & Media operations in France. Devoteam has employees in Europe, Middle East and Africa. The acquisition is in line with Ericsson's services strategy to broaden its IT capabilities.

In early 2013 Standard & Poor's changed the credit rating from BBB+ outlook stable to outlook negative and Moody's changed the credit rating from A3 with outlook stable to outlook negative.

In January, 2013, ST-Ericsson was granted a loan facility by their owners of USD 260 million. Ericsson's share of this credit facility is USD 130 million.

On January 10, 2013 Adaptix Inc. filed two lawsuits against Ericsson, AT&T, AT&T Mobility and MetroPCS Communications in the US District Court for Eastern District of Texas alleging that certain Ericsson products infringe five US patents assigned to Adaptix. Adaptix seeks damages and an injunction.

On January 25 Adaptix filed a complaint with the US International Trade Commission (ITC) against Ericsson, AT&T, AT&T Mobility and MetroPCS Communications requesting that the commission open a patent infringement investigation of certain Ericsson products and further on January 29 Adaptix filed a complaint with the Tokyo District Court alleging certain Ericsson products infringe two JP patents assigned to Adaptix. Adaptix seeks damages and an injunction.

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, March 5, 2013
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
Alexander Izosimov Member of the Board	**Ulf J. Johansson** Member of the Board	**Nancy McKinstry** Member of the Board
Anders Nyrén 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	**Kristina Davidsson** Member of the Board	**Karin Åberg** Member of the Board

Telcordia 06197 Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1

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SHAPING THE CITIES OF THE FUTURE

More than five million people each month move from the countryside to the world's cities. With this growing trend of urbanization, cities will increasingly need effective ICT strategies to meet some of our great societal challenges, such as healthcare, education, economic output, city efficiency and environmental performance. Ericsson is enabling this networked society with efficient real-time solutions that allow us all to study, work and live our lives more freely, in sustainable societies around the world.

60%

By 2017, urban and metro areas will generate 60% of all mobile traffic.

Response for Proposal No. 2015-UNPA-VENDOR QUALIFICATION-1

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CONSOLIDATED FINANCIAL STATEMENTS WITH NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTENTS

Consolidated financial statements

Consolidated income statement and statement of comprehensive income 48
Consolidated balance sheet 49
Consolidated statement of cash flows 50
Consolidated statement of changes in equity 51

Notes to the consolidated financial statements

C1 Significant accounting policies 52
C2 Critical accounting estimates and judgments 60
C3 Segment information 62
C4 Net sales 65
C5 Expenses by nature 65
C6 Other operating income and expenses 65
C7 Financial income and expenses 66
C8 Taxes 66
C9 Earnings per share 67
C10 Intangible assets 68
C11 Property, plant and equipment 70
C12 Financial assets, non-current 71
C13 Inventories 72
C14 Trade receivables and customer finance 73
C15 Other current receivables 75
C16 Equity and Other comprehensive income 75
C17 Post-employment benefits 79
C18 Provisions 84
C19 Interest-bearing liabilities 85
C20 Financial risk management and financial instruments 86
C21 Other current liabilities 89
C22 Trade payables 89
C23 Assets pledged as collateral 89
C24 Contingent liabilities 90
C25 Statement of cash flows 90
C26 Business combinations 91
C27 Leasing 93
C28 Information regarding members of the Board of Directors, the Group management and employees 94
C29 Related party transactions 99
C30 Fees to auditors 100
C31 Contractual obligations 100
C32 Transfers of financial assets 100
C33 Events after the reporting period 100

Telcordia 06199 Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1

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CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

January–December, SEK million	Notes	2012	2011	2010
Net sales	C3, C4	227,779	226,921	203,348
Cost of sales		–155,699	–147,200	–129,094
Gross income		72,080	79,721	74,254
Gross margin (%)		31.6%	35.1%	36.5%
Research and development expenses		–32,833	–32,638	–31,558
Selling and administrative expenses		–26,023	–26,683	–27,072
Operating expenses		–58,856	–59,321	–58,630
Other operating income and expenses	C6	8,965	1,278	2,003
Operating income before shares in earnings of joint ventures and associated companies		22,189	21,678	17,627
Operating margin before shares in earnings of joint ventures and associated companies (%)		9.7%	9.6%	8.7%
Share in earnings of joint ventures and associated companies	C3, C12	–11,731	–3,778	–1,172
Operating income		10,458	17,900	16,455
Financial income	C7	1,708	2,882	1,047
Financial expenses	C7	–1,984	–2,661	–1,719
Income after financial items		10,182	18,121	15,783
Taxes	C8	–4,244	–5,552	–4,548
Net income		5,938	12,569	11,235
Net income attributable to:				
Stockholders of the Parent Company		5,775	12,194	11,146
Non-controlling interest		163	375	89
Other information				
Average number of shares, basic (million)	C9	3,216	3,206	3,197
Earnings per share attributable to stockholders of the Parent Company, basic (SEK) [1]	C9	1.80	3.80	3.49
Earnings per share attributable to stockholders of the Parent Company, diluted (SEK) [1]	C9	1.78	3.77	3.46

[1] Based on Net income attributable to stockholders of the Parent Company.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

January–December, SEK million	Notes	2012	2011	2010
Net income		5,938	12,569	11,235
Other comprehensive income				
Actuarial gains and losses, and the effect of the asset ceiling, related to pensions	C16	–451	–6,963	3,892
Revaluation of other investments in shares and participations				
Fair value remeasurement	C16	6	–	7
Cash Flow hedges				
Gains/losses arising during the period	C16	1,668	996	966
Reclassification adjustments for gains/losses included in profit or loss	C16	–568	–2,028	–238
Adjustments for amounts transferred to initial carrying amount of hedged items	C16	92	–	–136
Changes in cumulative translation adjustments	C16	–3,947	–964	–3,259
Share of other comprehensive income of joint ventures and associated companies	C16	–486	–262	–434
Tax on items relating to components of Other comprehensive income	C16	–422	2,158	–1,120
Total other comprehensive income		–4,108	–7,063	–322
Total comprehensive income		1,830	5,506	10,913
Total Comprehensive Income attributable to:				
Stockholders of the Parent Company		1,716	5,081	10,814
Non-controlling interest		114	425	99

Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1

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CONSOLIDATED BALANCE SHEET

December 31, SEK million	Notes	2012	2011
Assets			
Non-current assets			
Intangible assets	C10		
Capitalized development expenses		3,840	3,523
Goodwill		30,404	27,438
Intellectual property rights, brands and other intangible assets		15,202	13,083
Property, plant and equipment	C11, C26, C27	11,493	10,788
Financial assets			
Equity in joint ventures and associated companies	C12	2,842	5,965
Other investments in shares and participations	C12	386	2,199
Customer finance, non-current	C12	1,290	1,400
Other financial assets, non-current	C12	3,964	4,117
Deferred tax assets	C8	12,321	13,020
		81,742	81,533
Current assets			
Inventories	C13	28,802	33,070
Trade receivables	C14	63,660	64,522
Customer finance, current	C14	4,019	2,845
Other current receivables	C15	20,065	17,837
Short-term investments	C20	32,026	41,866
Cash and cash equivalents	C25	44,682	38,676
		193,254	198,816
Total assets		274,996	280,349
Equity and liabilities			
Equity			
Stockholders' equity	C16	136,883	143,105
Non-controlling interest in equity of subsidiaries	C16	1,600	2,165
		138,483	145,270
Non-current liabilities			
Post-employment benefits	C17	9,503	10,016
Provisions, non-current	C18	211	280
Deferred tax liabilities	C8	3,120	2,250
Borrowings, non-current	C19, C20	23,898	23,256
Other non-current liabilities		2,377	2,248
		39,109	38,050
Current liabilities			
Provisions, current	C18	8,427	5,985
Borrowings, current	C19, C20	4,769	7,765
Trade payables	C22	23,100	25,309
Other current liabilities	C21	61,108	57,970
		97,404	97,029
Total equity and liabilities [1]		274,996	280,349

[1] Of which interest-bearing liabilities and post-employment benefits SEK 38,170 (41,037) million.

Telcordia06201 Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1

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CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

CONSOLIDATED STATEMENT OF CASH FLOWS

January–December, SEK million	Notes	2012	2011	2010
Operating activities				
Net income		5,938	12,569	11,235
Adjustments to reconcile net income to cash	C25	13,077	12,613	12,490
		19,015	25,182	23,725
Changes in operating net assets				
Inventories		2,752	–3,243	–7,917
Customer finance, current and non-current		–1,259	74	–2,125
Trade receivables		–1,103	–1,700	4,406
Trade payables		–1,311	–1,648	5,964
Provisions and post-employment benefits		–1,920	–5,695	–2,739
Other operating assets and liabilities, net		5,857	–2,988	5,269
		3,016	–15,200	2,858
Cash flow from operating activities		22,031	9,982	26,583
Investing activities				
Investments in property, plant and equipment	C11	–5,429	–4,994	–3,686
Sales of property, plant and equipment		568	386	124
Acquisitions of subsidiaries and other operations	C25, C26	–11,529 [1]	–3,181	–3,286
Divestments of subsidiaries and other operations	C25, C26	9,452	53	454
Product development	C10	–1,641	–1,515	–1,644
Other investing activities		1,540	–900	–1,487
Short-term investments		2,151	14,692	–3,016
Cash flow from investing activities		–4,888	4,541	–12,541
Cash flow before financing activities		17,143	14,523	14,042
Financing activities				
Proceeds from issuance of borrowings		8,969	2,076	2,580
Repayment of borrowings		–9,670	–1,259	–1,449
Proceeds from stock issue		159	–	–
Sale/repurchase of own shares		–93	92	51
Dividends paid		–8,632	–7,455	–6,677
Other financing activities		–118	52	–175
Cash flow from financing activities		–9,385	–6,494	–5,670
Effect of exchange rate changes on cash		–1,752	–217	–306
Net change in cash		6,006	7,812	8,066
Cash and cash equivalents, beginning of period		38,676	30,864	22,798
Cash and cash equivalents, end of period	C25	44,682	38,676	30,864

[1] Includes payment of external loan of SEK -6.2 billion attributable to the acquisition of Telcordia.

Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1

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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, 2012		16,367	24,731	102,007	143,105	2,165	145,270
Total comprehensive income	C16	–	–	1,716	1,716	114	1,830
Transactions with owners							
Stock issue		159	–	–	159	–	159
Sale/Repurchase of own shares		–	–	–93	–93	–	–93
Stock Purchase Plans		–	–	405	405	–	405
Dividends paid		–	–	–8,033	–8,033	–599	–8,632
Transactions with non-controlling interest		–	–	–376	–376	–80	–456
December 31, 2012		**16,526**	**24,731**	**95,626**	136,883	**1,600**	138,483
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

Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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, 2012, 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 2012, the Company has applied IFRS as issued by the IASB (IFRS effective as per December 31, 2012) and without any early application. There is no difference between IFRS effective as per December 31, 2012, 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, for all periods presented.

The financial statements were approved by the Board of Directors on March 5, 2013. The balance sheets and income statements are subject to approval by the Annual General Meeting of shareholders.

New standards, amendments of standards and interpretations, effective as from January 1, 2012:

- Amendment to IAS 12, income taxes: deferred tax: recovery of underlying assets
- Amendments to IFRS 7, Financial instruments Disclosures: Transfers of Financial Assets.

None of the new or amended standards and interpretations have had any significant impact on the financial result or position as well as disclosure of the Company.

For information on "New standards and interpretations not yet adopted", refer to the end of this Note.

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. If the Company's interest in an associated company or joint venture is nil the Company shall not, as prescribed by IFRS, recognize

Telecordia 96204 Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1

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its part of any future losses. Provisions related to obligations for such an interest shall, however, be recognized in relation to such an interest.

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,

Telcordia06205 Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1

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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 Support Solutions 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 intellectual property rights. License fees are normally measured as percentage on sales or currency amount per unit and recognized over the license period as the amount of the consideration becomes reasonably certain. Networks and Support Solutions 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.

Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1

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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.

Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1

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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 four operating segments have been identified as CGUs. Goodwill is assigned to three of them, Networks, Global Services and Support Solutions.

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.

Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1

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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.

Telordia06200 Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1

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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.

Telecordia 06210 Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1

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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, 2012 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, 2013 (except IAS 32 and IFRS 9).

These amendments effective as from January 1, 2013, are not expected to have a significant impact on the Company's financial result or position.

- **Amendment to IAS 1, 'Financial statement presentation', regarding other comprehensive income**
  The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.
- **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 and full recognition of actuarial gains/losses in other comprehensive income in 2006, meaning that the corridor method has not been applied by the Company as from that date 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 issue 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. An analysis of fiscal year 2012 in relation to this amendment indicates an impact on pension costs for 2012 with an increase of approximately SEK 0.4 (–0.1) billion. The Company will also need to address the taxes to be incorporated into the defined benefit obligation. This amendment relates to the Swedish special payroll taxes to be reclassified from Other current liabilities to Post-employment benefits with an estimated amount of SEK 1.8 (1.8) billion as per December 31, 2012. The amendment also includes additional disclosure requirements on financial and demographic assumptions, sensitivity analysis, duration and multi-employer plans.
- **Amendment to IFRS 7, 'Financial instruments: Disclosures', on asset and liability offsetting**
  This amendment requires disclosure of gross amounts related to financial instruments for which off set has been made.
- **IFRS 10, 'Consolidated financial statements'**
  The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities to present consolidated financial statements. It defines the principle of control, and establishes controls as the basis for consolidation. It sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. An entity controls an investee if the entity has power over the investee, has the ability to use the power and is exposed to variable returns. It also sets out the accounting requirements for the preparation of consolidated financial statements.
- **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 apply 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.
- **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.

Below are standards that have been issued and are effective for the periods starting as from later than 1 January, 2013:

- **Amendment to IAS 32, 'Financial instruments: Presentation', on asset and liability offsetting**
  These amendments are related to the application guidance in IAS 32, 'Financial instruments: Presentation', and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. This amendment is effective as from 1 January, 2014.
- **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. This amendment is expected to be effective as from 1 January, 2015. The EU has not yet endorsed IFRS 9, 'Financial instruments'.

These amendments effective as from later than January 1, 2013, are not expected to have a significant impact on the Company's financial result or position.

Effective date for IFRS 10, IFRS 11, IFRS 12, IAS 27 and IAS 28 is January 1, 2013. EU has in its endorsement decision allowed listed companies in the EU to adopt these standards as from January 1, 2014. The Company will adopt IFRS 10, IFRS 11, IFRS 12, IAS 27 and IAS 28 as from January 1, 2013.

Telordia06211 Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1

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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, 2012, were SEK 1.1 (1.0) billion or 1.5% (1.4%) 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, 2012, amounted to SEK 3.5 (3.3) billion or 11% (9%) 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, 2012, the amount of joint ventures and associated companies amounted to SEK 2.8 (6.0) billion.

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, 2012, the value of deferred tax assets amounted to SEK 12.3 (13.0) 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, 2012, the amount of acquired intellectual property rights and other intangible assets amounted to SEK 45.6 (40.5) billion, including goodwill of SEK 30.4 (27.4) billion. The Company recognized goodwill in ST-Ericsson of SEK 0.0 (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

Telecordia 06212 Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1

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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, 2012, amounted to SEK 1.6 (1.9) 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, 2012, provisions other than warranty commitments amounted to SEK 7.0 (4.4) 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, 2012, defined benefit obligations for pensions and other post-employment benefits amounted to SEK 52.0 (36.4) billion and fair value of plan assets to SEK 44.6 (28.0) 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”.

Telcordia 96213 Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1

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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, four operating segments are reported:

- Networks
- Global Services
- Support Solutions
- ST-Ericsson

Ericsson's share in Sony Ericsson was divested in February 2012, with effective date on January 1.

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. The RBS 6000 supports all major standardized mobile technologies
- IP and transport solutions based on the SSR 8000 family of products as well as transmission/backhaul including microwave (MINI-LINK) and optical transmission solutions for mobile and fixed networks
- Switching and IMS solutions, based on Ericsson Blade Server platform, for core networks
- Operations Support Systems (OSS), supporting operators' management of existing networks and introduction of new technologies and services.

Global Services delivers managed services, product-related services and consulting and systems integration services. The offering includes:

- Managed Services; Solutions for designing, building, operating and managing the day-to-day operations of the customer's network or solution, maintenance, network sharing solutions as well as shared solutions such as hosting of platforms and applications. Ericsson also offers broadcast services and managed services of IT environments.
- Product-related services: Services to expand, upgrade, restructure or migrate networks, network-rollout services, customer support and network optimization services.
- Consulting and Systems Integration: Technology and operational consulting, integration of multi-vendor equipment, design and integration of new solutions and transforming programs. Industry-specific solutions for vertical industries are also included.

Support Solutions (name changed from Multimedia during 2012) provides enablers and applications for operators. The offering includes:

- Operations Support Systems: plan, build and optimize, service fulfillment and service assurance.
- Business Support Systems: revenue management (prepaid, post-paid, convergent charging and billing), mediation and customer care solutions.
- TV solutions: a suite of open, standards-based solutions and products for the creation, management and delivery of evolved TV experiences on any device over any network. Includes a multi-screen TV platform with consumer experience creation, video content management, on-demand video delivery, advanced video compression and video-optimized delivery network infrastructure.
- M-Commerce solutions for money transfer; payment transactions and services between mobile subscribers and operators or other service providers.

ST-Ericsson, the joint venture, offers modems and ModAps (integrated modem and application processor platforms) for device manufacturers.

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.

On December 10, 2012, STMicroelectronics announced its intention to exit as a shareholder in ST-Ericsson. On December 20, 2012, the Company announced that it would take a non-cash charge in the fourth quarter of 2012 related to its 50% stake in ST-Ericsson. The charge includes write-down of investments to reflect the current best estimate of the Company's share of the fair market value of the joint venture and a provision related to the strategic options at hand for ST-Ericsson assets. In total, the Company has made write-downs of SEK –4.7 billion of ST-Ericsson investments and taken a provision of SEK –3.3 billion. In addition, the Company's share in ST-Ericsson's operating loss amounted to SEK –3.7 (–0.8) billion. For more information, see Note C12, "Financial assets, non-current" and Note C18 "Provisions".

As of December 31, 2012 there are no remaining investments related to ST-Ericsson on the Company's balance sheet. Costs and cash related to implementation of strategic options at hand will be booked against provisions.

Sony Ericsson, was up until 2012, a joint venture delivering mobile phones and accessories. In February 2012, Ericsson completed the divestment of its 50% stake in Sony Ericsson to Sony. Sony Ericsson has not been consolidated by the Company during 2012. The sale resulted in a gain of SEK 7.7 billion.

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 eleven regions. Region China and North East Asia has changed name to North East Asia.

- North America
- Latin America
- Northern Europe & Central Asia
- Western and Central Europe
- Mediterranean
- Middle East
- Sub-Saharan Africa
- India
- North East Asia
- South East Asia & Oceania
- Other.

Region "Other" includes licensing revenues, sales of cables, broadcast services, power modules and other businesses.

The acquired Technicolor Broadcast Service Division is reported in region "Other". Multimedia brokering (IPX) was previously reported in each region in segment Support Solutions. For the first three quarters 2012 it was part of region "Other". Multimedia brokering (IPX) was divested at the end of the third quarter 2012.

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 2012, 2011 or 2010.

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 46% (44%) of net sales. The largest customer accounted for approximately 7% (7%) of sales in 2012. For more information, see Risk Factors, "Market, Technology and Business Risks".

Telecordia 96214 Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1

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Marketing channels

Marketing in a business-to-business environment is expanding, from being primarily through personal meetings, to on-line forums, expert blogs and social media. Ericsson performs marketing through:

- Customer engagement with a consultative approach
- Selective focus on events and experience centers for customer experience and interaction
- Continuous dialogue with customers and target audiences through social and other digital media (including virtual events)
- Activation of the open social and digital media landscape to strengthen message reach and impact
- Execution of solutions-driven programs, aligned globally and regionally.

Operating segments

2012	Networks	Global Services	Support Solutions	Sony Ericsson	ST-Ericsson	Total Segments	Unallocated	Eliminations [1]	Group
Segment sales	117,185	97,009	13,445	–	8,457	236,096	–	–8,457	227,639
Inter-segment sales	100	34	6	–	634	774	–	–634	140
Net sales	**117,285**	**97,043**	**13,451**	**–**	**9,091**	**236,870**	**–**	**–9,091**	227,779
Operating income	**7,057**	**6,226**	**1,150**	**8,026** [2]	**–15,447** [3]	**7,012**	**–267**	**3,713**	10,458
Operating margin (%)	6%	6%	9%		–170%	3%			5%
Financial income									1,708
Financial expenses									–1,984
Income after financial items									10,182
Taxes									–4,244
Net income									5,938
Other segment items									
Share in earnings of joint ventures and associated companies	–59	45	–20	–	–11,734 [3]	–11,768	37	–	–11,731
Amortization	–3,832	–853	–809	–	–322	–5,816	–	322	–5,494
Depreciation	–3,035	–727	–290	–	–741	–4,793	–	741	–4,052
Impairment losses	–385	–9	–1	–	– [4]	–395	–	–	–395
Reversals of impairment losses	39	9	4	–	–	52	–	–	52
Write-down of investment		–	–	–	–4,684	–4,684	–	–	–4,684
Restructuring expenses	–1,253	–1,930	–246	–	–624	–4,053	–18	624	–3,447
Gains/losses from divestments	–59	1	216	8,026 [2]	–	8,184	152	–	8,336

Revenue from the acquired Telcordia business operation is reported 50/50 between segments Global Services and Support Solutions.
[1] All segment sales are presented, but as ST-Ericsson sales are accounted for in accordance with the equity method, their sales are eliminated in the Eliminations column.
[2] Includes a gain from the divestment of Sony Ericsson of SEK 7.7 billion.
[3] Includes a write-down of SEK –4.7 billion of ST-Ericsson investment, a provision of SEK –3.3 billion and the Company's share in ST-Ericsson's operating loss of SEK –3.7 billion.
[4] Impairment losses included in Write-down of investment.

Operating segments

2011	Networks	Global Services	Support Solutions	Sony Ericsson	ST-Ericsson	Total Segments	Unallocated	Eliminations [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.

Telcordia 06215 Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1

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Operating segments

2010	Networks	Global Services	Support Solutions	Sony Ericsson	ST-Ericsson	Total Segments	Unallocated	Eliminations [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.

Regions

	Net sales			Non-current assets [3]		
	2012	2011	2010	2012	2011	2010
North America	56,749	48,785	49,473	15,058	6,296	7,251
Of which the United States	*56,698*	*46,519*	*46,104*	*6,101*	*6,020*	*6,977*
Latin America	22,006	21,982	17,882	2,084	2,268	1,998
Northern Europe & Central Asia [1] [2]	11,345	15,225	12,171	38,335	41,008	42,112
Western & Central Europe [2]	17,478	19,030	19,868	2,922	5,097	8,629
Mediterranean	23,299	23,807	22,628	1,099	1,395	1,523
Middle East	15,556	15,461	15,099	32	42	84
Sub-Saharan Africa	11,349	10,163	9,194	119	79	51
India	6,460	9,762	8,626	460	355	262
North East Asia	36,196	38,209	25,965	3,371	3,939	3,795
Of which China	*12,637*	*17,546*	*14,633*	*1,399*	*1,496*	*1,013*
South East Asia & Oceania	15,068	13,870	14,902	301	318	351
Other [1] [2]	12,273	10,627	7,540	–	–	–
Total	227,779	226,921	203,348	63,781	60,797	66,056
[1] *Of which Sweden*	*5,033*	*3,882*	*4,237*	*37,718*	*40,415*	*41,683*
[2] *Of which EU*	*44,230*	*43,960*	*43,707*	*41,546*	*44,786*	*46,563*

[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”.

Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1

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C4 NET SALES

Net sales

	2012	2011	2010
Sales of products and network rollout services	154,068	161,882	140,222
Of which:			
Delivery-type contracts	*154,068*	*161,882*	*140,156*
Construction-type contracts	–	–	*66*
Professional Services sales	67,092	58,834	58,529
License revenues	6,619	6,205	4,597
Net sales	227,779	226,921	203,348
Export sales from Sweden	106,997	116,507	100,070

C5 EXPENSES BY NATURE

Expenses by nature

	2012	2011	2010
Goods and services	137,769	142,221	130,725
Employee remuneration	64,100	58,905	57,183
Amortization and depreciation	9,546	8,964	8,962
Impairments and obsolescence allowances, net of reversals	1,999	1,363	966
Financial expenses	1,984	2,661	1,719
Taxes	4,244	5,552	4,548
Expenses incurred	219,642	219,666	204,103
Inventory changes [1]	–2,782	3,417	8,465
Additions to Capitalized development	1,641	1,515	1,647
Expenses charged to the Income Statement	220,783	214,734	193,991

[1] The inventory changes are based on changes of gross inventory values prior to obsolescence allowances.

Total restructuring charges in 2012 were SEK 3.4 (3.2) b.
Restructuring charges are included in the expenses presented above.

Restructuring charges by function

	2012	2011	2010
Cost of sales	2,225	1,231	3,354
R&D expenses	852	561	1,682
Selling and administrative expenses	370	1,392	1,778
Total restructuring charges	3,447	3,184	6,814

C6 OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses

	2012	2011	2010
Gains on sales of intangible assets and PP&E	12	65	301
Losses on sales of intangible assets and PP&E	–261	–64	–422
Gains on sales of investments and operations	8,462 [1]	210	577
Losses on sales of investments and operations	–126	–52	–219
Capital gains/losses, net	8,087	159	237
Other operating revenues	878	1,119	1,766
Total other operating income and expenses	8,965	1,278	2,003

[1] Includes a gain from the divestment of Sony Ericsson of SEK 7.7 billion.

Telcordia 06217 Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1

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C7 FINANCIAL INCOME AND EXPENSES

Financial income and expenses

	2012		2011		2010	
	Financial income	Financial expenses	Financial income	Financial expenses	Financial income	Financial expenses
Contractual interest on financial assets	**1,685**	**–**	1,940	–	811	–
Of which on financial assets at fair value through profit or loss	***1,308***	**–**	*1,381*	–	*304*	–
Contractual interest on financial liabilities	**–**	**–1,734**	–	–1,706	–	–1,315
Net gain/loss on:						
Instruments at fair value through profit or loss [1]	**142**	**54**	1,062	–591	295	–206
Of which included in fair value hedge relationships	***–***	***–129***	*–*	*–175*	*–*	*151*
Loans and receivables	**–127**	**–**	–132	–	–68	–
Liabilities at amortized cost	**–**	**–133**	–	–105	–	–4
Other financial income and expenses	**8**	**–171**	12	–259	9	–194
Total	**1,708**	**–1,984**	2,882	–2,661	1,047	–1,719

[1] Excluding net gain from operating assets and liabilities, SEK 1,299 million (net gain of SEK 51 million in 2011, SEK 1,528 million in 2010), reported as Cost of sales.

C8 TAXES

The Company's tax expense for 2012 was SEK –4,244 (–5,552) million or 41.7% (30.6%) 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 as well as the gain due to the divestment of Sony Ericsson was 30.5% (26.4%). The corporate tax in Sweden was reduced from 26.3% to 22.0% from January 1, 2013. This resulted in a reduction of deferred tax assets and an increase of tax expense of SEK –0.5 billion.

Income taxes recognized in the income statement

	2012	2011	2010
Current income taxes for the year	**–5,795**	–4,642	–4,635
Current income taxes related to prior years	**–241**	283	–35
Deferred tax income/expense (+/–)	**1,697**	–1,433	307
Sub total	***–4,339***	*–5,792*	*–4,363*
Share of taxes in joint ventures and associated companies	**95**	240	–185
Tax expense	**–4,244**	–5,552	–4,548

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

	2012	2011	2010
Expected tax expense at Swedish tax rate 26.3%	**–2,678**	–4,767	–4,150
Effect of foreign tax rates	**–581**	–1,126	–405
Of which joint ventures and associated companies	***–778***	*–754*	*–467*
Current income taxes related to prior years	**–241**	283	–35
Remeasurement of tax loss carry-forwards	**134**	224	–257
Remeasurement of deductible temporary differences	**468**	81	172
Tax effect of non-deductible expenses	**–3,430**	–768	–830
Tax effect of non-taxable income	**2,573**	521	880
Tax effect of changes in tax rates	**–489**	–	77
Tax expense	**–4,244**	–5,552	–4,548
Effective tax rate	***41.7%***	*30.6%*	*28.8%*

Telcordia 06218 Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1

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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
2012			
Intangible assets and property, plant and equipment	941	4,579	
Current assets	2,388	293	
Post-employment benefits	2,600	614	
Provisions	1,512	48	
Other	3,487	432	
Loss carry-forwards	4,239	–	
Deferred tax assets/liabilities	15,167	5,966	9,201
Netting of assets/liabilities	–2,846	–2,846	
Deferred tax balances, net	**12,321**	**3,120**	**9,201**
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**

Changes in deferred taxes, net

	2012	2011
Opening balance, net	**10,770**	10,166
Recognized in net income	**1,697**	–1,433
Recognized in Other comprehensive income	**–422**	2,158
Acquisitions/disposals of subsidiaries	**–2,309**	53
Currency translation differences	**–535**	–174
Closing balance, net	**9,201**	10,770

Tax effects reported directly in Other comprehensive income amount to SEK –422 (2,158) million, of which actuarial gains and losses related to pensions SEK –57 (1,809) million, cash flow hedges SEK –363 (350) million and deferred tax on gains/losses on hedges on investments in foreign entities SEK –2 (–1) 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 4,239 million recognized deferred tax assets related to tax loss carry-forwards, SEK 2,840 million relates to Sweden with indefinite periods of utilization. Due to the Company's strong current financial position and taxable income during 2012, Ericsson has been able to utilize part of its tax loss carry-forwards during the year. 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.

Deferred tax assets for ST-Ericsson are not included, as they are recognized in accordance with the equity method.

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, 2012, the recognized tax loss carry-forwards amounted to SEK 17,081 (12,657) 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
2013	19	5
2014	8	2
2015	43	13
2016	54	16
2017	327	78
2018 or later	16,630	4,125
Total	**17,081**	**4,239**

Tax loss carry-forwards of 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 4,737 million at a tax value of SEK 1,432 million that have not been recognized due to judgments of the possibility to be used against future taxable profits in the respective jurisdictions. The majority of these loss carry-forwards have an expiration date in excess of five years.

C9 EARNINGS PER SHARE

Earnings per share 2010–2012

	2012	2011	2010
Basic			
Net income attributable to stockholders of the Parent Company (SEK million)	**5,775**	12,194	11,146
Average number of shares outstanding, basic (millions)	**3,216**	3,206	3,197
Earnings per share, basic (SEK)	**1.80**	3.80	3.49
Diluted			
Net income attributable to stockholders of the Parent Company (SEK million)	**5,775**	12,194	11,146
Average number of shares outstanding, basic (millions)	**3,216**	3,206	3,197
Dilutive effect for stock purchase plans	**31**	27	29
Average number of shares outstanding, diluted (millions)	**3,247**	3,233	3,226
Earnings per share, diluted (SEK)	**1.78**	3.77	3.46

Telcordia 06210 Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1

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C10
INTANGIBLE ASSETS

Intangible assets 2012

	Capitalized development expenses				Goodwill	Intellectual property rights (IPR), trademarks and other intangible assets		
		For internal use				Trademarks, customer relationships and similar rights	Patents and acquired R&D	
	To be marketed	Acquired costs	Internal costs	Total	Total			Total
Cost								
Opening balance	8,125	2,213	1,478	**11,816**	**27,455**	14,188	25,689	**39,877**
Acquisitions/capitalization	1,641	–	–	**1,641**	**–**	538	103	**641**
Balances regarding acquired businesses [1]	–	–	–	**–**	**4,293**	4,517	2,155	**6,672**
Sales/disposals	–	–	–	**–**	**–20**	–158	–137	**–295**
Reclassification	–	–	–	**–**	**94**	–	–94	**–94**
Translation difference	–	–	–	**–**	**–1,400**	–490	–300	**–790**
Closing balance	**9,766**	**2,213**	**1,478**	**13,457**	**30,422**	**18,595**	**27,416**	**46,011**
Accumulated amortization								
Opening balance	–3,187	–1,975	–1,318	**–6,480**	**1**	–5,502	–16,078	**–21,580**
Amortization	–840	–131	–87	**–1,058**	**–**	–2,023	–2,413	**–4,436**
Sales/disposals	–	–	–	**–**	**–1**	46	124	**170**
Translation difference	–	–	–	**–**	**–**	202	166	**368**
Closing balance	**–4,027**	**–2,106**	**–1,405**	**–7,538**	**–**	**–7,277**	**–18,201**	**–25,478**
Accumulated impairment losses								
Opening balance	–1,721	–55	–37	**–1,813**	**–18**	–	–5,214	**–5,214**
Impairment losses	–266	–	–	**–266**	**–**	–	–117	**–117**
Closing balance	**–1,987**	**–55**	**–37**	**–2,079**	**–18**	**–**	**–5,331**	**–5,331**
Net carrying value	**3,752**	**52**	**36**	**3,840**	**30,404**	**11,318**	**3,884**	**15,202**

[1] For more information on acquired businesses, see Note C26, "Business combinations".

Intangible assets 2011

	Capitalized development expenses				Goodwill	Intellectual property rights (IPR), trademarks and other intangible assets		
		For internal use				Trademarks, customer relationships and similar rights	Patents and acquired R&D	
	To be marketed	Acquired costs	Internal costs	Total	Total			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	–	–	–	**–**	**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**

Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1

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The goodwill is allocated to the operating segments Networks SEK 16.2 (16.7) billion, Global Services SEK 4.2 (4.1) billion and Support Solutions SEK 10.0 (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 2012–2017 for key industry parameters:

- The number of global mobile subscriptions is estimated to grow from around 6.3 billion by the end of 2012 to around 9 billion by the end of 2017. Of these, around 5-6 billion will be mobile broadband subscriptions. Around three-quarters of a billion of these mobile broadband subscriptions will use mobile PC/tablets/mobile routers, but the vast majority will still use mobile phones to access the internet.
- Fixed broadband subscriptions are estimated to grow from around 600 million by the end of 2012 to around 750 million in 2017. Fixed broadband includes Fiber, Cable and xDSL.
- Mobile data traffic volume is estimated to increase around 9 times 2012–2017, while the fixed Internet traffic is estimated to increase around 4 times 2012–2017, however from a much larger base.

The growth in network equipment is mainly driven by a shift in investments from voice to data. The end user requirements for "app-coverage" drives deployment of heterogeneous networks and small cells.

The demand for support 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 plan to provision, implementation and systems integration services as well as real time 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 been applied for all cash generating units for the discounting of projected after-tax cash flows. The assumptions for 2011 are disclosed in Note C10, "Intangible assets" in the Annual Report of 2011.

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.

Telcordia 96221 Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1

REDACTED – FOR PUBLIC INSPECTION

C11
PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment 2012

	Real estate	Machinery and other technical assets	Other equipment, tools and installations	Construction in progress and advance payments	Total
Cost					
Opening balance	4,641	5,235	20,663	1,302	**31,841**
Additions	640	370	2,521	1,898	**5,429**
Balances regarding divested/acquired businesses	2	46	432	–	**480**
Sales/disposals	–476	–373	–1,296	–242	**–2,387**
Reclassifications	381	–380	1,458	–1,459	**–**
Translation difference	–203	–152	–745	–48	**–1,148**
Closing balance	**4,985**	**4,746**	**23,033**	**1,451**	**34,215**
Accumulated depreciation					
Opening balance	–2,165	–3,485	–15,094	–	**–20,744**
Depreciation	–354	–428	–3,270	–	**–4,052**
Balances regarding divested businesses	–	–	3	–	**3**
Sales/disposals	68	347	1,228	–	**1,643**
Reclassifications	7	–13	6	–	**–**
Translation difference	89	90	504	–	**683**
Closing balance	**–2,355**	**–3,489**	**–16,623**	**–**	**–22,467**
Accumulated impairment losses					
Opening balance	–43	–148	–118	–	**–309**
Impairment losses	–4	–8	–	–	**–12**
Reversals of impairment losses	–	22	30	–	**52**
Sales/disposals	–	6	–	–	**6**
Translation difference	2	4	2	–	**8**
Closing balance	**–45**	**–124**	**–86**	**–**	**–255**
Net carrying value	**2,585**	**1,133**	**6,324**	**1,451**	**11,493**

Contractual commitments for the acquisition of property, plant and equipment as per December 31, 2012, amounted to SEK 184 (226) million.
The reversal of impairment losses have been reported under Cost of sales.

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**

Telcordia 06222 Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1

REDACTED – FOR PUBLIC INSPECTION

C12
FINANCIAL ASSETS, NON-CURRENT

Equity in joint ventures and associated companies

	Joint ventures		Associated companies		Total	Total
	2012	2011	2012	2011	2012	2011
Opening balance	**4,663**	8,648	**1,302**	1,155	**5,965**	9,803
Share in earnings	**–8,399**	–3,929	**3**	151	**–8,396**	–3,778
Contributions to joint ventures and associated companies	**5,029**	–	**–**	109	**5,029**	109
Taxes	**106**	241	**–11**	–1	**95**	240
Translation difference	**–111**	–126	**42**	66	**–69**	–60
Change in hedge reserve	**65**	4	**–**	–	**65**	4
Pensions	**–**	–175	**–**	–	**–**	–175
Dividends	**–**	–	**–133**	–177	**–133**	–177
Divestments	**–1,353**	–	**–**	–	**–1,353**	–
Reclassification	**–**	–	**1,639** [2]	–1	**1,639**	–1
Closing balance	**–**	4,663 [1]	**2,842** [3]	1,302 [3]	**2,842**	5,965

[1] Including goodwill for ST-Ericsson of SEK 1.3 billion.
[2] Reclassification from Other investments in shares and participations.
[3] Goodwill, net, amounts to SEK 12.2 (13.5) million.

Ericsson's share of assets, liabilities and income in associated company Ericsson Nikola Tesla d.d. [1]

	2012	2011	2010
Non-current assets	**84**	113	92
Current assets	**588**	574	749
Non-current liabilities	**–**	1	2
Current liabilities	**262**	197	209
Net assets	**410**	489	630
Net sales	**1,085**	693	784
Income after financial items	**80**	13	17
Income taxes	**–8**	3	–1
Net income	**72**	16	16
Assets pledged as collateral	**4**	4	4
Contingent liabilities	**17**	80	43

[1] The Company's share is 49.07%.

Ericsson's share of assets, liabilities and income in joint venture ST-Ericsson

	2012	2011	2010
Non-current assets	**1,097**	6,855	6,673
Current assets	**1,006**	1,514	2,249
Non-current liabilities	**370**	397	214
Current liabilities	**1,339**	4,695	2,519
Net assets	**394**	3,277	6,189
Net sales	**4,545**	5,346	8,260
Income after financial items	**–2,503**	–2,730	–1,762
Income taxes	**–400**	156	50
Net income	**–2,903**	–2,574	–1,712
Assets pledged as collateral	**–**	3	3
Contingent liabilities	**–**	–	–

The table above consists of amounts considered by the Company when applying the equity method in relation to ST-Ericsson.

Ericsson's Share of assets, liabilities and income in associated company Rockstar Consortium [1]

	2012
Total assets	**1,561**
Total liabilities	**6**
Net assets	**1,555**
Net sales	**–**
Income after financial items	**–80**
Income taxes	**–**
Net income	**–80**
Assets pledged as collateral	**–**
Contingent liabilities	**–**

[1] The Company's share is 21.26%.

Ericsson's Share of assets, liabilities and income in joint venture Sony Ericsson Mobile Communications AB

	2012	2011	2010
Non-current assets	**–**	5,040	3,622
Current assets	**–**	8,745	9,904
Non-current liabilities	**–**	285	592
Current liabilities	**–**	12,172	10,533
Net assets	**–**	1,328	2,401
Net sales	**–**	23,496	30,089
Income after financial items	**–**	–1,095	705
Income taxes	**–**	85	–231
Net income	**–**	–1,010	474
Assets pledged as collateral	**–**	1	–
Contingent liabilities	**–**	37	16

All companies apply IFRS in the reporting to the Company as issued by IASB.

On December 10, 2012, STMicroelectronics announced its intention to exit the joint venture ST-Ericsson. On December 20, 2012 the Company announced its decision not to acquire the full majority. This, together with other factors such as no change in governance rights, no change in funding responsibilities etc, means that the Company continues to not be in control of ST-Ericsson.

Due to the status of ST-Ericsson, the Company has made a non-cash charge related to its 50% stake in ST-Ericsson. For further information, see Note C3, "Segment information" and Note C18, "Provisions". The charge includes a write-down of investments of SEK –4.7 billion. The Company's share in ST-Ericsson's operating loss amounted to SEK –3.7 (–0.8) billion.

The Company has divested its 50% stake in Sony Ericsson Mobile Communications to Sony. The divestment was effective on January 1, 2012.

Telordia06223 Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1

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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	
	2012	2011	2012	2011	2012	2011	2012	2011
Cost								
Opening balance	**3,576**	1,607	**1,661**	1,474	**816**	–	**4,633**	4,382
Additions	**45**	1,930	**5,249**	1,875	**–**	–	**313**	422
Disposals/repayments/deductions	**–63**	–68	**–5,331**	–1,699	**–**	–	**–136**	–97
Change in value in funded pension plans [1]	**–**	–	**–**	–	**–**	–	**776**	42
Reclassifications	**–1,639** [2]	–	**–**	–	**–**	–	**–1,018** [3]	–
Revaluation	**–**	–	**–**	–	**9**	816	**–**	–
Translation difference	**–161**	107	**–41**	11	**–**	–	**–154**	–116
Closing balance	**1,758**	3,576	**1,538**	1,661	**825**	816	**4,414**	4,633
Accumulated impairment losses/ allowances								
Opening balance	**–1,377**	–1,388	**–261**	–193	**–**	–	**–1,332**	–1,303
Impairment losses/allowance	**–51**	–54	**–26**	–91	**–**	–	**–14**	–47
Disposals/repayments/deductions	**–**	63	**35**	19	**–**	–	**–**	–
Reclassifications	**–**	–	**–**	–	**–**	–	**26** [3]	–
Translation difference	**56**	2	**4**	4	**–**	–	**45**	18
Closing balance	**–1,372**	–1,377	**–248**	–261	**–**	–	**–1,275**	–1,332
Net carrying value	**386**	2,199	**1,290**	1,400	**825**	816	**3,139**	3,301

[1] This amount includes asset ceiling. For further information, see Note C17, "Post-employment benefits".
[2] Reclassification to Equity in associated companies.
[3] Reclassification to Short-term investments.

C13 INVENTORIES

Inventories

	2012	2011
Raw materials, components, consumables and manufacturing work in progress	**7,351**	8,772
Finished products and goods for resale	**10,981**	13,525
Contract work in progress	**10,470**	10,773
Inventories, net	**28,802**	33,070

Contract work in progress includes amounts related to delivery-type contracts and service contracts with ongoing work in progress.

Reported amounts are net of obsolescence allowances of SEK 3,473 (3,343) million.

Movements in obsolescence allowances

	2012	2011	2010
Opening balance	**3,343**	3,090	2,961
Additions, net	**1,403**	918	250
Utilization	**–1,140**	–683	–165
Translation difference	**–133**	18	–46
Balances regarding acquired/ divested businesses	**–**	–	90
Closing balance	**3,473**	3,343	3,090

The amount of inventories recognized as expense and included in Cost of sales was SEK 56,842 (60,544) million.

Telcordia 06234 Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1

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C14
TRADE RECEIVABLES AND CUSTOMER FINANCE

Trade receivables and customer finance

	2012	2011
Trade receivables excluding associated companies and joint ventures	**64,015**	64,740
Allowances for impairment	**–655**	–567
Trade receivables, net	**63,360**	64,173
Trade receivables related to associated companies and joint ventures	**300**	349
Trade receivables, total	**63,660**	64,522
Customer finance credits	**5,731**	4,671
Allowances for impairment	**–422**	–426
Customer finance credits, net	**5,309**	4,245
Of which current	***4,019***	*2,845*
Credit commitments for customer finance	**5,933**	8,569

Days sales outstanding (DSO) were 86 (91) in December 2012.

Movements in allowances for impairment

	Trade receivables			Customer finance		
	2012	2011	2010	2012	2011	2010
Opening balance	**567**	766	924	**426**	321	772
Additions	**229**	198	282	**101**	162	25
Utilized	**–116**	–266	–285	**–9**	–31	–87
Reversal of excess amounts	**–30**	–43	–169	**–112**	–27	–359
Reclassification	**21**	–69	33	**–**	–	–
Translation difference	**–16**	–19	–19	**16**	1	–30
Closing balance	**655**	567	766	**422**	426	321

Aging analysis as per December 31

	Total	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
2012							
Trade receivables excluding associated companies and joint ventures	**64,015**	57,526	25	2,459	1,431	779	1,795
Allowances for impairment	**–655**	–	–15	–	–	–70	–570
Customer finance credits	**5,731**	4,549	845	21	15	70	231
Allowances for impairment	**–422**	–	–146	–	–	–45	–231
2011							
Trade receivables excluding associated companies and joint ventures	**64,740**	56,480	184	4,126	1,072	850	2,028
Allowances for impairment	**–567**	–	–16	–	–	–50	–501
Customer finance credits	**4,671**	3,369	763	238	45	41	215
Allowances for impairment	**–426**	–	–176	–	–	–35	–215

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.

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.

Telordia 06225 Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1

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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 64,015 (64,740) million as of December 31, 2012. Provisions for expected losses are regularly assessed and amounted to SEK 655 (567) million as of December 31, 2012. 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 represented 27% (30%) of the total trade receivables in 2012.

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, 2012, the Company's total outstanding exposure related to customer finance was SEK 5,731 (4,671) million. As of December 31, 2012, the Company also had unutilized customer finance commitments of SEK 5,933 (8,569) million. Customer finance is arranged for infrastructure projects in different geographic markets and for a large number of customers. As of December 31, 2012, there were a total of 78 (80) customer finance arrangements originated by or guaranteed by the Company. The five largest facilities represented 57% (41%) of the total credit exposure in 2012.

Total outstanding customer finance exposure per region as of December 31

Percent	2012	2011
North America	26	1
Latin America	4	4
Northern Europe & Central Asia	8	8
Western & Central Europe	1	1
Mediterranean	9	11
Middle East	17	24
Sub-Saharan Africa	19	29
India	9	14
North East Asia	7	7
South East Asia and Oceania	–	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 33 million in 2012 compared to a negative impact of SEK 114 million in 2011. Credit losses amounted to SEK 16 (62) million in 2012.

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 2012, the Company did not take 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, 2012 and 2011.

Outstanding customer finance

	2012	2011
Total customer finance	5,731	4,671
Accrued interest	96	68
Less third-party risk coverage	–187	–480
Ericsson's risk exposure	5,640	4,259

Transfers of financial assets

In previous years, the Company disclosed information in this note about assets transferred where the Company continues to recognize a part of such assets. As required by IFRS, as from fiscal year 2012 this information is disclosed in a separate note, see Note C32, "Transfers of financial assets".

Telcordia 06226 Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1

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C15
OTHER CURRENT RECEIVABLES

Other current receivables

	2012	2011
Prepaid expenses	**2,623**	2,056
Accrued revenues	**2,305**	2,486
Advance payments to suppliers	**1,060**	1,697
Derivatives with a positive value [1]	**3,068**	2,003
Taxes	**7,727**	5,633
Other	**3,282**	3,962
Total	**20,065**	17,837

[1] See also Note C20, "Financial risk management and financial instruments".

C16
EQUITY AND OTHER COMPREHENSIVE INCOME

Capital stock 2012

Capital stock at December 31, 2012, 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	3,043,295,752	15,217
Total	**3,305,051,735**	**16,526**

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, 2012, the total number of treasury shares was 84,798,095 (62,846,503 in 2011 and 73,088,516 in 2010) Class B shares. Ericsson repurchased 31.7 million shares in 2012 in relation to the Long-Term Variable Remuneration Program.

Reconciliation of number of shares

	Number of shares	Capital stock (SEK million)
Number of shares Jan 1, 2012	3, 273,351,735	16,367
Number of shares Dec 31, 2012	3, 305,051,735	16,526

For further information about number of shares, see chapter Share Information.

Dividend proposal

The Board of Directors will propose to the Annual General Meeting 2013 a dividend of SEK 2.75 per share (SEK 2.50 in 2012 and SEK 2.25 in 2011).

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 also include:

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.

Telcordia 06237 Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1

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Equity and Other comprehensive income 2012

2012	Capital stock	Additional paid in capital	Retained earnings	Stock-holders' equity	Non-controlling interest (NCI)	Total equity
January 1, 2012	16,367	24,731	102,007	**143,105**	2,165	**145,270**
Net income						
Group	–	–	17,411	**17,411**	163	**17,574**
Joint ventures and associated companies	–	–	–11,636	**–11,636**	–	**–11,636**
Other comprehensive income						
Remeasurements related to post-employment benefits						
Group	–	–	–451	**–451**	–	**–451**
Joint ventures and associated companies	–	–	50	**50**	–	**50**
Revaluation of other investments in shares and participations						
Group	–	–	6	**6**	–	**6**
Cash flow hedges						
Gains/losses arising during the year						
Group	–	–	1,668	**1,668**	–	**1,668**
Joint ventures and associated companies	–	–	–25	**–25**	–	**–25**
Reclassification adjustments for gains/losses included in profit or loss	–	–	–568 [1]	**–568**	–	**–568**
Adjustments for amounts transferred to initial carrying amount of hedged items	–	–	92	**92**	–	**92**
Changes in cumulative translation adjustments						
Group	–	–	–3,898 [2]	**–3,898**	–49	**–3,947**
Joint ventures and associated companies	–	–	–511	**–511**	–	**–511**
Tax on items relating to components of OCI [3]	–	–	–422	**–422**	–	**–422**
Total other comprehensive income	–	–	–4,059	**–4,059**	–49	**–4,108**
Total comprehensive income	**–**	**–**	**1,716**	**1,716**	**114**	**1,830**
Transactions with owners						
Stock issue	159	–	–	**159**	–	**159**
Sale/Repurchase of own shares	–	–	–93	**–93**	–	**–93**
Stock Purchase Plans						
Group	–	–	405	**405**	–	**405**
Joint ventures and associated companies	–	–	–	**–**	–	**–**
Dividends paid	–	–	–8,033	**–8,033** [4]	–599	**–8,632**
Transactions with non-controlling interest	–	–	–376	**–376**	–80	**–456**
December 31, 2012	**16,526**	**24,731**	**95,626**	**136,883**	**1,600**	**138,483**

[1] SEK –172 million is recognized in Net Sales, SEK –232 million is recognized in Cost of Sales, SEK 67 million is recognized in R&D expenses and SEK –231 million is recognized in Other operating income and expenses.

[2] Changes in cumulative translation adjustments include changes regarding revaluation of goodwill in local currency of SEK –1,400 million (SEK 46 million in 2011, SEK –1,480 million in 2010), gain/loss from hedging activities of foreign entities, SEK 0 million (SEK 9 million in 2011, SEK 385 in 2010), and realized gain/losses net from sold/liquidated companies SEK –461 million (SEK 192 million in 2011, SEK 140 million in 2010).

[3] For further disclosures, see Note C8, "Taxes".

[4] Dividends paid per share amounted to SEK 2.50 (SEK 2.25 in 2011 and SEK 2.00 in 2010).

Telcordia 96228 Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1

REDACTED – FOR PUBLIC INSPECTION

Equity and Other comprehensive income 2011

2011	Capital stock	Additional paid in capital	Retained earnings	Stock-holders' 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	**–2,028**	–	**–2,028**
Changes in cumulative translation adjustments						
Group	–	–	–1,014	**–1,014**	50	**–964**
Joint ventures and associated companies	–	–	–61	**–61**	–	**–61**
Tax on items relating to components of OCI [3]	–	–	2,158	**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 Plans						
Group	–	–	413	**413**	–	**413**
Joint ventures and associated companies	–	–	–	**–**	–	**–**
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**

Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1

REDACTED – FOR PUBLIC INSPECTION

Equity and Other comprehensive income 2010

2010	Capital stock	Additional paid in capital	Retained earnings	Stock-holders' 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 Plans						
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**

Telcordia 06230 Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1

REDACTED – FOR PUBLIC INSPECTION

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 2012 was characterized by the overall decrease in discount rates and a positive development of plan assets. Consequently, the Company experienced a decrease in the net pension liability. The acquisition of Telcordia resulted in an overfunded provision for post-employment benefits.

CONTENTS

Amount recognized in the Consolidated balance sheet	79
Total pension expenses recognized in the Income statement	80
Change in the Defined benefit obligation (DBO)	81
Change in the plan assets	82
Actuarial gains and losses reported directly in Other comprehensive income	83
Actuarial assumptions	83
Information on issues affecting the net pension liability for the year	83

Amount recognized in the Consolidated balance sheet

Amount recognized in the Consolidated balance sheet

	Sweden	EU	US	Other	Total
2012					
Defined benefit obligation (DBO) [1]	21,432	10,935	16,472	3,119	**51,958**
Fair value of plan assets [2]	15,375	10,275	16,263	2,729	**44,642**
Deficit/Surplus (+/–)	6,057	660	209	390	**7,316**
Unrecognized past service costs	–	–3	–	–25	**–28**
Closing balance	6,057	657	209	365	**7,288**
Plans with net surplus excluding asset ceiling [3]	–	1,028	738	449	**2,215**
Provision for post-employment benefits [4]	**6,057**	**1,685**	**947**	**814**	**9,503**
2011					
Defined benefit obligation (DBO) [1]	20,643	9,994	3,133	2,605	**36,375**
Fair value of plan assets [2]	13,490	9,415	2,337	2,777	**28,019**
Deficit/Surplus (+/–)	7,153	579	796	–172	**8,356**
Unrecognized past service costs	–	–	–	–47	**–47**
Closing balance	7,153	579	796	–219	**8,309**
Plans with net surplus excluding asset ceiling [3]	–	953	–	754	**1,707**
Provision for post-employment benefits [4]	**7,153**	**1,532**	**796**	**535**	**10,016**

[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 217 (483) million.
[4] Plans with net liabilities are reported in the balance sheet as Post-employment benefits, non-current.

Telcordia 06231 Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1

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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	EU	US	Other	Total
2012					
Pension cost for defined contribution plans	977	520	404	181	**2,082**
Pension cost for defined benefit plans [1]	936	56	–454	142	**680**
Total	**1,913**	**576**	**–50**	**323**	**2,762**
Total pension cost expressed as a percentage of wages and salaries					**5.7%**
2011					
Pension cost for defined contribution plans	2,039	458	360	185	**3,042**
Pension cost for defined benefit plans [1]	621	38	42	146	**847**
Total	**2,660**	**496**	**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	528	244	192	**2,001**
Pension cost for defined benefit plans [1]	762	312	30	–14	**1,090**
Total	**1,799**	**840**	**274**	**178**	**3,091**
Total pension cost expressed as a percentage of wages and salaries					**7.1%**

[1] See cost details in table below.

Cost details for defined benefit plans recognized in the income statement

	Sweden	EU	US	Other	Total
2012					
Current service cost	777	169	140	194	**1,280**
Interest cost	717	475	752	176	**2,120**
Expected return on plan assets	–579	–483	–1,060	–235	**–2,357**
Past service cost	–	13	–1	8	**20**
Curtailments, settlements and other	21	–118	–285	–1	**–383**
Total	**936**	**56**	**–454**	**142**	**680**
2011					
Current service cost	547	227	26	157	**957**
Interest cost	714	461	151	169	**1,495**
Expected return on plan assets	–558	–474	–135	–243	**–1,410**
Past service cost	6	10	–	9	**25**
Curtailments, settlements and other	–88	–186	–	54	**–220**
Total	**621**	**38**	**42**	**146**	**847**
2010					
Current service cost	631	290	32	140	**1,093**
Interest cost	643	496	159	172	**1,470**
Expected return on plan assets	–511	–463	–130	–253	**–1,357**
Past service cost	–	33	–	9	**42**
Curtailments, settlements and other	–1	–44	–31	–82	**–158**
Total	**762**	**312**	**30**	**–14**	**1,090**

Telcordia 06232 Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1

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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	EU	US	Other	Total
2012					
Opening balance	20,643	9,994	3,133	2,605	**36,375**
Current service cost	777	169	140	194	**1,280**
Interest cost	717	475	752	176	**2,120**
Employee contributions	–	15	–	7	**22**
Pension payments	–282	–195	–871	–130	**–1,478**
Actuarial gain/loss (–/+)	–436	634	1,875	394	**2,467**
Settlements	–22	129	–55	–2	**50**
Curtailments	–	–31	–	–	**–31**
Business combinations [1]	–	13	12,565	–	**12,578**
Other	35	–3	–263	159	**–72**
Translation difference	–	–265	–804	–284	**–1,353**
Closing balance	**21,432**	**10,935**	**16,472**	**3,119**	**51,958**
Of which medical benefit schemes	–	–	*423*	–	***423***
2011					
Opening balance	14,980	8,600	2,693	2,437	**28,710**
Current service cost	547	227	26	157	**957**
Interest cost	714	461	151	169	**1,495**
Employee contributions	–	15	–	1	**16**
Pension payments	–220	–228	–149	–144	**–741**
Actuarial gain/loss (–/+)	4,705	1,030	329	120	**6,184**
Settlements	–	–	–	–	**–**
Curtailments	–88	–183	–	–	**–271**
Business combinations	–	2	–	–	**2**
Other	5	1	22	15	**43**
Translation difference	–	69	61	–150	**–20**
Closing balance	**20,643**	**9,994**	**3,133**	**2,605**	**36,375**
Of which medical benefit schemes	–	–	*658*	–	***658***

[1] Business combinations in 2012 are related to the acquisition of Telcordia.

Funded Status

The funded ratio, defined as total plan assets in relation to the total DBO, was 85.9% in 2012, compared to 77.0% in 2011.

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	EU	US	Other	Total
2012					
DBO, closing balance	21,432	10,935	16,472	3,119	**51,958**
Of which partially or fully funded	*20,916*	*9,623*	*15,895*	*2,441*	***48,875***
Of which unfunded	*516*	*1,312*	*577*	*678*	***3,083***
2011					
DBO, closing balance	20,643	9,994	3,133	2,605	**36,375**
Of which partially or fully funded	*20,118*	*8,847*	*2,447*	*2,118*	***33,530***
Of which unfunded	*525*	*1,147*	*686*	*487*	***2,845***

Telcordia 06233 Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1

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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	EU	US	Other	Total
2012					
Opening balance	13,490	9,415	2,337	2,777	**28,019**
Expected return on plan assets	579	483	1,060	235	**2,357**
Actuarial gain/loss (+/–)	377	219	994	44	**1,634**
Employer contributions	1,183	332	115	121	**1,751**
Employee contributions	–	15	–	7	**22**
Pension payments	–247	–153	–817	–94	**–1,311**
Settlements	–17	220	–47	–	**156**
Business combinations [1]	–	–	13,417	–	**13,417**
Other	10	–23	–7	–22	**–42**
Translation difference	–	–233	–789	–339	**–1,361**
Closing balance	**15,375**	**10,275**	**16,263**	**2,729**	**44,642**
2011					
Opening balance	12,389	8,205	2,048	2,793	**25,435**
Expected return on plan assets	558	474	135	243	**1,410**
Actuarial gain/loss (+/–)	–358	437	155	–84	**150**
Employer contributions	1,086	397	54	125	**1,662**
Employee contributions	–	15	–	1	**16**
Pension payments	–185	–187	–98	–102	**–572**
Other	–	–15	–	–4	**–19**
Translation difference	–	89	43	–195	**–63**
Closing balance	**13,490**	**9,415**	**2,337**	**2,777**	**28,019**

[1] Business combinations in 2012 are related to the acquisition of Telcordia.

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	EU	US	Other	Total
2012	956	702	2,054	279	**3,991**
2011	200	911	289	160	**1,560**

Asset Allocation

	Sweden	EU	US	Other	Total
2012					
Equities	4,867	3,168	5,103	319	**13,457**
Interest-bearing securities	9,665	5,900	10,042	1,727	**27,334**
Other	843	1,207	1,118	683	**3,851**
Total	**15,375**	**10,275**	**16,263**	**2,729**	**44,642**
Of which Ericsson securities	–	–	–	–	**–**
2011					
Equities	4,503	3,014	1,062	356	**8,935**
Interest-bearing securities	8,239	5,265	1,210	1,846	**16,560**
Other	748	1,136	65	575	**2,524**
Total	**13,490**	**9,415**	**2,337**	**2,777**	**28,019**
Of which Ericsson securities	–	–	–	–	**–**

Equity instruments amount to 30% (32%) of the total assets, interest bearing instruments amount to 61% (59%) of the total assets, and other instruments amount to 9% (9%) 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.

Actuarial gains and losses reported directly in Other comprehensive income

Since January 1, 2006, the Company 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.

Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1

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Multi-year summary

	2012	2011	2010	2009	2008
Plan assets	**44,642**	28,019	25,435	23,206	19,037
DBO	**51,958**	36,375	28,710	30,717	28,010
Deficit/Surplus (–/+)	**–7,316**	–8,356	–3,275	–7,511	–8,973
Actuarial gains and losses (–/+)					
Experience-based adjustments of pension obligations	**–362**	–463	177	310	57
Experience-based adjustments of plan assets	**–1,634**	–150	–653	–1,191	2,952

Actuarial gains and losses reported directly in Other comprehensive income

	2012	2011
Cumulative gain/loss (–/+) at beginning of year	**7,911**	1,849
Recognized gain/loss (–/+) during the year	**833**	6,034
Translation difference	**–48**	28
Cumulative gain/loss (–/+) at end of year	**8,696**	7,911

Total remeasurements in Other comprehensive income related to post-employment benefits

	2012	2011
Actuarial gains and losses (+/–)	**–833**	–6,034
The effect of asset ceiling	**266**	208
Swedish special payroll taxes	**116**	–1,137
Total	**–451**	–6,963
Actuarial gains and losses for joint ventures and associated companies	**50**	–212

Actuarial assumptions

Financial and demographic actuarial assumptions

	Sweden	EU [1]	US [1]	Other [1]
2012				
Discount rate	3.50%	4.55%	4.00%	7.24%
Expected return on plan assets for the year	4.33%	5.11%	7.00%	9.06%
Future salary increases	3.25%	3.63%	4.50%	5.57%
Inflation	2.00%	2.20%	2.50%	1.35%
Health care cost inflation, current year	n/a	n/a	9.00%	n/a
Life expectancy after age 65 in years, males	22	22	19	19
Life expectancy after age 65 in years, females	24	24	21	22
2011				
Discount rate	3.50%	4.90%	5.23%	8.18%
Expected return on plan assets for the year	4.55%	5.73%	7.00%	9.27%
Future salary increases	3.25%	3.71%	4.50%	6.07%
Inflation	2.00%	2.74%	2.50%	3.43%
Health care cost inflation, current year	n/a	n/a	9.00%	n/a
Life expectancy after age 65 in years, males	22	22	19	19
Life expectancy after age 65 in years, females	24	24	21	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

A one percent change in the assumed trend rate of medical cost would have the following effect (in SEK million):

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	32	–28

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

Telcordia06235 Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1

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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 129% (113%) as of December 31, 2012.

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
2012					
Opening balance	1,888	1,327	718	2,332	**6,265**
Additions	1,088	1,234	278	4,411	**7,011**
Reversal of excess amounts	–157	–150	–234	–532	**–1,073**
Negative effect on Income Statement					***5,938***
Cash out/utilization	–1,188	–1,170	–376	–741	**–3,475**
Balances regarding divested/acquired businesses	48	–	10	82	**140**
Reclassification	1	11	4	–38	**–22**
Translation differences	–85	–34	–22	–67	**–208**
Closing balance	**1,595**	**1,218**	**378**	**5,447**	**8,638**
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**

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 2012, new or additional provisions amounting to SEK 7.0 billion were made, and SEK 1.1 billion were reversed. The actual cash outlays for 2012 were SEK 3.5 billion compared with the estimated SEK 3.5 billion. The main part of the total cash out for 2012 is warranty provisions of SEK 1.2 billion and restructuring provisions of SEK 1.2 billion. The expected total cash outlays in 2013 is approximately SEK 7 billion.

Of the total provisions, SEK 211 (280) 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. Provisions amounting to SEK 1.1 billion were made and due to more favorable outcomes in certain cases reversals of SEK 0.2 billion were made. The actual cash outlays for 2012 were SEK 1.2 billion and in line with the expected SEK 1 billion. The cash outlays of warranty provisions during year 2013 are estimated to approximately SEK 1 billion.

Restructuring provisions

In 2012 SEK 1.2 billion in provision were made and SEK 0.1 billion were reversed due to a more favorable outcome than expected. The cash outlays were SEK 1.2 billion for the full year and in line with the expected SEK 1 billion. SEK 0.6 billion were related to restructuring programs before 2011. The cash outlays for 2013 are estimated to approximately SEK 1 billion.

Project related provisions

Project provisions relate to estimated losses on onerous contracts, including probable contractual penalties. Provisions amounting to SEK 0.3 billion were made and SEK 0.2 billion were reversed due to a more favorable outcome than expected. The cash outlays of project related provisions were SEK 0.4 billion and in line with the estimated SEK 0.5 billion. The cash outlays for 2013 are estimated to approximately SEK 0.4 billion.

Other provisions

Other provisions include provisions for tax issues, litigations, supplier claims, and other. During 2012, new provisions amounting to SEK 4.4 billion were made, of which 3.3 billion was related to ST-Ericsson, for further information, see Note C3, "Segment information". SEK 0.5 billion were reversed during 2012 due to a more favorable outcome. The cash outlays were SEK 0.7 billion in 2012 compared to the estimate of SEK 1 billion. For 2013, the cash outlays are estimated to approximately SEK 5 billion.

Telecordia 06236 Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1

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C19 INTEREST-BEARING LIABILITIES

As of December 31, 2012, the Company's outstanding interest-bearing liabilities were SEK 28.7 (31.0) billion.

Interest-bearing liabilities

	2012	2011
Borrowings, current		
Current part of non-current borrowings [1]	3,018	4,314
Other current borrowings	1,751	3,451
Total current borrowings	4,769	7,765
Borrowings, non-current		
Notes and bond loans	16,519	17,197
Other borrowings, non-current	7,379	6,059
Total non-current interest-bearing liabilities	23,898	23,256
Total interest-bearing liabilities	28,667	31,021

[1] Including notes and bond loans of SEK 2,671 (3,461) million.

All outstanding notes and bond loans are issued by the Parent Company under its Euro Medium-Term Note (EMTN) program or under its SEC Registered 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 a weighted average interest rate of 4.69% (4.21%). These bonds are revalued based on changes in benchmark interest rates according to the fair value hedge methodology stipulated in IAS 39.

In May 2012 the Company placed a US dollar denominated 1 billion 10-year bond with a fixed coupon rate of 4.125%. The offer was made pursuant to the Company's shelf registration statement filed with the SEC in April 2012, and a prospectus supplement thereto. This was the Company´s debut issue on the US bond market.

In June 2012 the Company repurchased notes with a nominal value of EUR 286.79 million from the EUR 600 million 5% Notes due 2013 and notes with a nominal value of EUR 154.52 million from the EUR 375 million Floating Rate Notes due 2014 pursuant to a tender offer process.

In July 2012 the Company signed a loan of EUR 150 million with the Nordic Investment Bank (NIB). The loan is divided into two equal tranches with respective seven- and nine-year maturity and was disbursed in December 2012. The loan supports the Company's R&D activities to develop the next generation radio and IP technology supporting Mobile Broadband build-out globally.

In October 2012 the Company signed a loan agreement with the European Investment Bank (EIB). The loan amount is EUR 500 million (or the equivalent in USD), and the Company has an option for disbursement until April 2014. This loan facility currently remains undrawn. The loan will mature seven years after disbursement. The loan supports the Company's R&D activities to further develop the next generation radio and IP technology that supports mobile broadband build-out globally.

Notes, bonds and bilateral loans

Issued–maturing	Nominal amount	Coupon	Currency	Book value (SEK m.)	Maturity date	Unrealized hedge gain/loss (included in book value)
Notes and bond loans						
2007–2014	220	0.484%	EUR	1,891	Jun 27, 2014 [1]	
2007–2017	500	5.375%	EUR	5,117 [2]	Jun 27, 2017	–799
2009–2013	313	5.000%	EUR	2,671 [2]	Jun 24, 2013	–30
2009–2016 [3]	300		USD	1,952	Jun 23, 2016	
2010–2020 [4]	170		USD	1,106	Dec 23, 2020	
2012–2022	1,000	4.125%	USD	6,453	May 15, 2022	
Total notes and bond loans				**19,190**		**–829**
Bilateral loans						
2008–2015 [5]	4,000		SEK	4,000	Jul 15, 2015	
2012–2019 [6]	98		USD	636	Sep 30, 2019	
2012–2021 [7]	98		USD	637	Sep 30, 2021	
Total bilateral loans				**5,273**		

[1] Next contractual repricing date March 27, 2013 (quarterly).
[2] Interest rate swaps are designated as fair value hedges.
[3] Private Placement, Swedish Export Credits Guarantee Board (EKN) / Swedish Export Credit Corporation (SEK).
[4] Private Placement, Swedish Export Credit Corporation (SEK).
[5] European Investment Bank (EIB), R&D project financing.
[6] Nordic Investment Bank (NIB), R&D project financing.
[7] Nordic Investment Bank (NIB), R&D project financing.

Telordia06237 Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1

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C20 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Company'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.

The Company defines its managed capital as the total Company equity. For the Company, 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.

The Company'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. The Company strive to finance growth, normal capital expenditures and dividends to shareholders by generating sufficient positive cash flows from operating activities.

The Company'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, SEK billion

	2012	2011
Capital	**138**	145
Equity ratio	**50%**	52%
Cash conversion rate	**116%**	40%
Positive net cash	**38.5**	39.5
Credit rating		
Moody's	**A3**	A3
Standard & Poor's	**BBB+**	BBB+

The Company 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.

The Company also has a customer finance function with the main objective to find suitable third-party financing solutions for customers and to minimize recourse to the Company. 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.

The Company 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

The Company 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.

The Company 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	43.2	–40.5	**2.7**	1%
USD	57.2	38.9	**96.1**	42%
EUR	29.7	11.4	**41.1**	18%
CNY	12.1	–0.2	**11.9**	5%
JPY	17.5	0.5	**18.0**	8%
INR	6.1	0.0	**6.1**	3%
BRL	7.0	–0.3	**6.7**	3%
GBP	6.3	–1.3	**5.0**	2%
Other	48.5	–8.5	**40.0**	18%
Pre-hedge total			**227.6**	**100%**
Hedge			**0.2**	
Total Net sales			**227.8**	
Net cost				
SEK	–43.4	–29.9	**–73.3**	33%
USD	–57.9	–12.6	**–70.5**	32%
EUR	–27.4	–4.7	**–32.1**	15%
CNY	–11.5	0.7	**–10.8**	5%
JPY	–16.1	11.5	**–4.6**	2%
INR	–5.1	2.4	**–2.7**	1%
BRL	–6.5	0.7	**–5.8**	3%
GBP	–5.9	0.3	**–5.6**	3%
Other	–43.9	31.6	**–12.3**	6%
Pre-hedge total			**–217.7**	**100%**
Hedge			**0.4**	
Total Net cost			**–217.3**	
Operating income			**10.5**	

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 (average rate gives a good approximation), the impact of volatility in foreign currency rates is reduced.

Telecordia 06238 Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1

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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, 2012, outstanding foreign exchange derivatives hedging transaction exposures had a net market value of SEK 1.1 (–0.5) billion. The market value is partly deferred in the hedge reserve in other comprehensive income 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 foreign exchange forwards.

Hedging is done based on a rolling 12-month exposure forecast. The Company 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

The Company 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 Other comprehensive income during 2012 were negative, SEK –3.9 (–1.0) billion, including hedging gain/loss of SEK 0.0 (0.0) billion.

Interest rate risk

The Company 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 38.5 (39.5) billion at the end of 2012, consisting of cash, cash equivalents and short-term investments of SEK 76.7 (80.5) billion and interest-bearing liabilities and post-employment benefits of SEK 38.2 (41.0) billion.

The Company 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 the Company'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 foreign exchange positions up to an aggregated risk of VaR SEK 45 million given a confidence level of 99% and a 1-day horizon.

Interest duration, SEK billion

	< 3M	<1Y	1-3Y	3-5Y	>5Y	Total
Interest Bearing Trading	4.7	–5.4	1.0	0.0	–0.3	**0**
Interest Bearing Assets	58.2	2.6	11.5	3.6	0.8	**76.7**
Interest Bearing Liabilities	–11.7	–5.1	0.0	–4.2	–7.7	**–28.7**

When managing the interest rate exposure, the Company 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]

	2012		2011	
Fair value	Asset	Liability	Asset	Liability
Currency derivatives				
Maturity within 3 months	**976**	**60**	557	881
Maturity between 3 and 12 months	**611**	**10**	364	393
Maturity 1 to 3 years	**4**	**–**	–	–
Total	**1,591**	**70**	921	1,274
Of which designated in cash flow hedge relations	***816***	***6***	*333*	*638*
Of which designated in net investment hedge relations	**–**	**–**	–	–
Interest rate derivatives				
Maturity within 3 months	**–**	**–**	–	5
Maturity between 3 and 12 months	**487**	**285**	324	367
Maturity 1 to 3 years	**565**	**681**	380	618
Maturity 3 to 5 years	**1,212**	**739**	416	815
Maturity more than 5 years	**38**	**–**	778	161
Total	**2,302** [2]	**1,705**	1,898 [2]	1,966
Of which designated in fair value hedge relations	***969***	**–**	*1,002*	–

[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 825 (816) million is reported as non-current assets.

Telcordia 96239 Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1

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Sensitivity analysis

The Company 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, the Company 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 2012 was SEK 9.8 (20.6) million for the combined mandates. No VaR-limits were exceeded during 2012.

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.

The Company 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 2012, SEK 0.0 (0.0) billion, neither on external investments nor on derivative positions.

At December 31, 2012, the credit risk in financial cash instruments was equal to the instruments' carrying value. Credit exposure in derivative instruments was SEK 3.9 (2.8) billion.

Liquidity risk

Liquidity risk is that the Company is unable to meet its short-term payment obligations due to insufficient or illiquid cash reserves.

The Company 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 2012, cash and bank and short-term investments decreased by SEK 3.8 billion to SEK 76.7 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	40.6	0.2	–	–	**40.8**
Type of issuer/counterpart					
Governments	3.4	4.5	10.8	0.8	**19.5**
Corporations	3.1	–	–	–	**3.1**
Mortgage institutes	–	0.1	13.2	–	**13.3**
2012	47.1	4.8	24.0	0.8	**76.7**
2011	44.7	4.0	29.8	2.0	**80.5**

The instruments are either classified as held for trading or as assets available for sale with maturity less than one year and are 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 the Company 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
2013	3.0	–	–	**3.0**
2014	–	1.9	–	**1.9**
2015	–	–	5.1	**5.1**
2016	–	2.0	–	**2.0**
2017	–	4.3	–	**4.3**
2018	–	–	–	**–**
2019	–	–	0.6	**0.6**
2020	–	1.1	–	**1.1**
2021	–	–	0.6	**0.6**
2022	–	6.4	–	**6.4**
Total	**3.0**	**15.7**	**6.3**	**25.0**

[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	1,833	3,167
SEC Registered program (USD Million)	– [2]	1,000	–
Long-term Committed Credit facility (USD million)	2,000	–	2,000
Indian Commercial Paper program (INR million)	5,000	3,750	1,250
EIB Committed Credit Facility (EUR million)	500	–	500

[1] There are no financial covenants related to these programs.
[2] Program amount indeterminate.

At year-end, the Company's credit ratings remained at A3 (stable) by Moody's and BBB+ (stable) by Standard & Poor's. Both credit ratings are considered to be solid investment grade.

In early 2013 Standard & Poor's changed the credit rating from BBB+ outlook stable to outlook negative and Moody's changed the credit rating from A3 with outlook stable to outlook negative.

Financial instruments carried at other than fair value

The fair value of the Company's financial instruments, recognized at fair value, 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 2.7 billion. For further information about valuation principles, please see Note C1, "Significant accounting policies".

Telerdia 06240 Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1

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Financial instruments carried at other than fair value [1]

SEK billion	Book value 2012	Book value 2011	Fair value 2012	Fair value 2011
Current part of non-current borrowings	3.0	4.3	3.0	4.3
Notes and bonds	16.5	17.2	17.0	17.1
Other borrowings non-current	7.4	4.9	7.6	4.9
Total	26.9	26.4	27.6	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

The Company 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 receivables	Short-term investments	Cash equivalents	Borrowings	Trade payables	Other financial assets	Other current receivables	Other current liabilities	2012	2011
Note	C14	C14			C19	C22	C12	C15	C21		
Assets at fair value through profit or loss	–	–	32.0	12.2	–	–	0.8	3.1	–1.8	46.3	43.4
Loans and receivables	5.3	63.7	–	2.1	–	–	3.2	–	–	74.3	79.2
Financial liabilities at amortized cost	–	–	–	–	–28.7	–23.1	–	–	–	–51.8	–56.3
Total	5.3	63.7	32.0	14.3	–28.7	–23.1	4.0	3.1	–1.8	68.8	66.3

C21 OTHER CURRENT LIABILITIES

Other current liabilities

	2012	2011
Income tax liabilities	3,878	2,691
Advances from customers	4,754	3,942
Liabilities to associated companies and joint ventures	–	119
Accrued interest	259	351
Accrued expenses, of which	32,353	32,652
Employee related	*11,166*	*11,314*
Supplier related	*11,440*	*11,621*
Other [1]	*9,747*	*9,717*
Deferred revenues	11,658	8,722
Derivatives with a negative value [2]	1,775	3,240
Other [3]	6,431	6,253
Total	61,108	57,970

[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

	2012	2011
Payables to associated companies and joint ventures	81	102
Other	23,019	25,207
Total	23,100	25,309

C23 ASSETS PLEDGED AS COLLATERAL

Assets pledged as collateral

	2012	2011
Chattel mortgages	185	185
Bank deposits	335	267
Total	520	452

Telordia06241 Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1

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C24 CONTINGENT LIABILITIES

Contingent liabilities

	2012	2011
Contingent liabilities	613	609
Total	613	609

Contingent liabilities assumed by Ericsson include guarantees of loans to other companies of SEK 24 (25) million. Ericsson has SEK 59 (111) 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 286 (449) million as of December 31, 2012. Maturity date for major part of the issued guarantees occurs in 2021 at latest.

C25 STATEMENT OF CASH FLOWS

Interest paid in 2012 was SEK 1,650 million (SEK 1,422 million in 2011, SEK 977 million in 2010) and interest received was SEK 1,883 million (SEK 2,632 million in 2011, SEK 1,083 million in 2010). Taxes paid, including withholding tax, were SEK 5,750 million (SEK 4,393 million in 2011, SEK 4,808 million in 2010).

Cash and cash equivalents includes cash of SEK 30,358 (29,471) million and temporary investments of SEK 14,324 (9,205) 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".

The Company holds cash or cash equivalents in countries where exchange controls or legal restrictions apply. These restrictions normally refer to approval procedures prior to cross-border cash transfers. The amount of cash and cash equivalents in such countries amounts to SEK 10.6 (13.9) billion. Of this amount, SEK 9.2 (12.8) billion can be used for repayment of external and internal liabilities as well as other operating needs. Therefore, net cash and cash equivalents that are not readily available for use by the Group is SEK 1.4 (1.1) billion.

Adjustments to reconcile net income to cash

	2012	2011	2010
Property, plant and equipment			
Depreciation	4,052	3,499	3,299
Impairment losses/reversals of impairments	–40	47	–3
Total	4,012	3,546	3,296
Intangible assets			
Amortization			
Capitalized development expenses	1,058	995	664
Intellectual Property Rights, brands and other intangible assets	4,436	4,470	4,999
Total amortization	5,494	5,465	5,663
Impairments			
Capitalized development expenses	266	7	49
Intellectual Property Rights, brands and other intangible assets	117	18	945
Total	5,877	5,490	6,657
Total depreciation, amortization and impairment losses on property, plant and equipment and intangible assets	9,889	9,036	9,953
Taxes	–1,140	1,994	351
Dividends from joint ventures/ associated companies [1]	133	177	119
Undistributed earnings in joint ventures/associated companies [1]	11,636	3,533	1,357
Gains/losses on sales of investments and operations, intangible assets and PP&E, net [2]	–8,087	–159	–237
Other non-cash items [3]	646	–1,968	947
Total adjustments to reconcile net income to cash	13,077	12,613	12,490

[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
2012		
Cash flow from business combinations [1]	–11,575	9,502
Acquisitions/divestments of other investments	46	–50
Total	**–11,529**	**9,452**
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**

[1] See also Note C26, "Business combinations".

Telcordia 06242 Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1

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C26
BUSINESS COMBINATIONS

Acquisitions and divestments
Acquisitions

Acquisitions 2010–2012

	2012	2011	2010
Cash	12,564 [1]	1,162	3,789
Total consideration	12,564	1,162	3,789
Acquisition-related costs [2]	150	77	67
Net asset acquired			
Cash and cash equivalents	1,139	7	570
Property, plant and equipment	480	259	205
Intangible assets	6,672	382	3,825
Investments in joint ventures and associated companies	–	120	138
Other assets	2,105	140	2,506
Provisions, including post-employment benefits	714	–23	–390
Other liabilities	–3,214	–37	–3,573
Total identifiable net assets	7,896	848	3,281
Non-controlling interest	375	54	–748
Goodwill	4,293	260	1,256
	12,564	1,162	3,789

[1] The cash transaction includes payment of external loan of SEK 6.2 billion and investment in subsidiary of SEK 2.5 billion.

[2] Acquisition-related costs are included in Selling and administrative expenses in the consolidated income statement.

In 2012, Ericsson made acquisitions with a negative cash flow effect amounting to SEK 11,575 (1,232) million. The acquisitions consist primarily of:

- **BelAir:** On April 2, 2012, the Company acquired 100% of the shares in BelAir Networks, a North American telecom-grade Wi-Fi company. The acquisition gives the Company a telecom-grade Wi-Fi portfolio, technological expertise, IPR, and established customer contracts and relationships. The purchase price was USD 250 million on a cash and debt-free basis.
- **ConceptWave**: On September 25, 2012, the Company announced the acquisition of 100% of the shares in the Canadian company ConceptWave in an all-cash transaction. The acquisition complements the Company's portfolio in OSS/BSS with order management and product catalog solutions. The purchase price was CAD 55 million on a cash and debt-free basis. Balances to facilitate the Purchase price allocation are preliminary.
- **Ericsson-LG:** On March 22, 2012, the Company announced it had acquired additional shares in Ericsson-LG, thereby increasing the ownership from 50% plus one share to 75%. The company is fully consolidated by the Company, since the original acquisition in July 2010.
- **Technicolor:** On July 3, 2012, the Company announced the closing of the acquisition of the broadcast services division of Technicolor. The acquisition brings broadcast customers and playout operations in France, UK and in the Netherlands. The purchase price amounted to EUR 20 million including a potential earn-out valued at EUR 2 million, based on 2015 revenues of the Broadcast services activity. Balances to facilitate the Purchase price allocation are preliminary.
- **Telcordia:** On June 14, 2011, the Company announced that it had entered into an agreement to acquire 100% of the shares of Telcordia, a leader in the development of software and services for OSS/BSS. The acquisition was completed on January 12, 2012, with a purchase price of USD 1.15 billion in an all-cash transaction, on a cash and debt-free basis. Net sales for the acquired Telcordia business amounted to approximately SEK 4.2 billion for the period January 12 - December 31, 2012. The acquired Telcordia business had a positive impact on the result. Goodwill represented 57% of the total assets acquired. The goodwill is mainly attributable to the value of the compentence acquired and future synergy effects. None of the goodwill is expected to be deductible for tax purposes. Transaction costs for the acquisition amounted to SEK 57 million.

Telcordia

	2012
Cash	8,725 [1]
Total consideration	8,725
Acquisition-related costs [2]	57
Net asset acquired	
Cash and cash equivalents	886
Property, plant and equipment	305
Intangible assets	5,543
Other assets [3]	1,713
Provisions, including post-employment benefits	714
Other liabilities	–3,586
Total identifiable net assets	5,575
Goodwill	3,150
	8,725

[1] The cash transaction includes payment of external loan of SEK 6.2 billion and investment in subsidiary of SEK 2.5 billion.

[2] Acquisition-related costs are included in Selling and administrative expenses in the consolidated income statement.

[3] Other assets include trade receivables with a fair value of SEK 1.4 billion.

In order to finalize a Purchase price allocation all relevant information needs to be in place. Examples of such information are final consideration and final opening balances, they may remain preliminary for a period of time due to for example working capital adjustments, tax items or decisions from local authorities.

Telcordia 06243 Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1

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Divestments

Divestments 2010–2012

	2012	2011	2010
Cash	**9,502**	–28	454
Net assets disposed of			
Property, plant and equipment	**–**	1	21
Investments in joint ventures and associated companies	**1,353**	10	–
Other assets	**296**	38	372
Other liabilities	**–483**	–224	–183
	1,166	–175	210
Net gains from divestments	**8,336**	158	357
Less Cash and cash equivalents	**–**	–11	–113
Cash flow effect	**9,502**	–28	454

In 2012, the Company made divestments with a cash flow effect amounting to SEK 9,502 (–28) million.

- **IPX:** On September 30, 2012, the Company divested its Multimedia brokering platform (IPX) to French listed company Gemalto, with the exception of the operations in the US. The sale resulted in a gain amounting to SEK 237 million and a positive cash flow effect of SEK 260 million.
- **Sony Ericsson:** On February 16, 2012, the Company announced the completion of the divestment of its 50% stake in Sony Ericsson Mobile Communications, with a carrying value of 1.4 billion. The agreed cash consideration for the transaction was EUR 1.05 billion. The sale resulted in a gain amounting to SEK 7.7 billion and a positive cash flow effect of SEK 9.1 billion. For further information on the divestment of Sony Ericsson, see note C3, "Segment information".

Acquisitions 2010–2012

Company	Description	Transaction date
ConceptWave	A Canadian OSS/BSS company. The purchase price was CAD 55 million.	Sep, 2012
Technicolor	A technology company in the media and entertainment sector. The purchase price was EUR 20 million.	Jul, 2012
BelAir	A telecom-grade Wi-Fi company based in Canada. The purchase price was USD 250 million.	Apr, 2012
Ericsson-LG	Increase of ownership from 50% plus one share, to 75%.	Mar, 2012
Telcordia	A US company developing software and services for OSS/BSS. The purchase price was USD 1.15 billion.	Jan, 2012
GDNT	An asset purchase agreement of certain assets. Enhances the Company's existing R&D, manufacturing and services capabilities in the China region. The purchase price was RMB 357 million.	May, 2011
Nortel Multiservice Switch business (MSS)	An asset purchase agreement to acquire certain assets of Nortel's MSS. The purchase price was USD 53 million.	Mar, 2011
Optimi	A US-Spanish telecommunications vendor providing products and services within the networks optimization and management sector. The purchase price was USD 99 million.	Dec, 2010
inCode	An asset purchase agreement of certain assets. A professional services firm providing strategic business and consulting services. The purchase price was USD 12 million.	Sep, 2010
LG-Nortel	Nortel's majority shareholding (50% + 1 share) in LG-Nortel. The purchase price was USD 234 million.	Jun, 2010
Nortel GSM	An asset purchase agreement of the Carrier networks division of Nortel relating to GSM business. The purchase price was USD 79 million.	Mar, 2010
Pride	An Italian consulting and systems integration company. The purchase price was EUR 66 million.	Jan, 2010

Divestments 2010–2012

Company	Description	Transaction date
IPX	Sale of IPX to Gemalto, with a positive cash flow effect of SEK 260 million.	Sep, 2012
EDA 1500 GPON	Capital asset sale of EDA 1500 GPON portfolio with a positive cash flow effect of SEK 80 million.	Aug, 2012
Sony Ericsson	Sale of the Company's share in Sony Ericsson (50%) to Sony, with a positive cash flow effect of SEK 9.1 billion.	Feb, 2012
EFI	Sale of Ericsson Federal Inc. (EFI), with a positive cash flow effect of SEK 360 million.	Dec, 2010

Telcordia 06244 Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1