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)

		Permanent Equity				
		Preferred Stock		Common Stock		
	Temporary Equity					
	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 Payment
Name and Goals	Minimum	On-Target	Maximum	(% 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] Senior Vice President–Finance and Chief Financial Officer	2012	250,000	100,000	5,500,196	—	250,000	—	983,941	7,084,137
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 Financial Officer	2010	500,000	—	5,016,599	129,108	698,037	—	31,763	6,375,507
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] President, Capital Markets Group	2012	600,080	—	1,077,496	—	582,598	—	590,202	2,850,376

(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.

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Telcordia Technologies, Inc. dba iconectiv.

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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]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[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

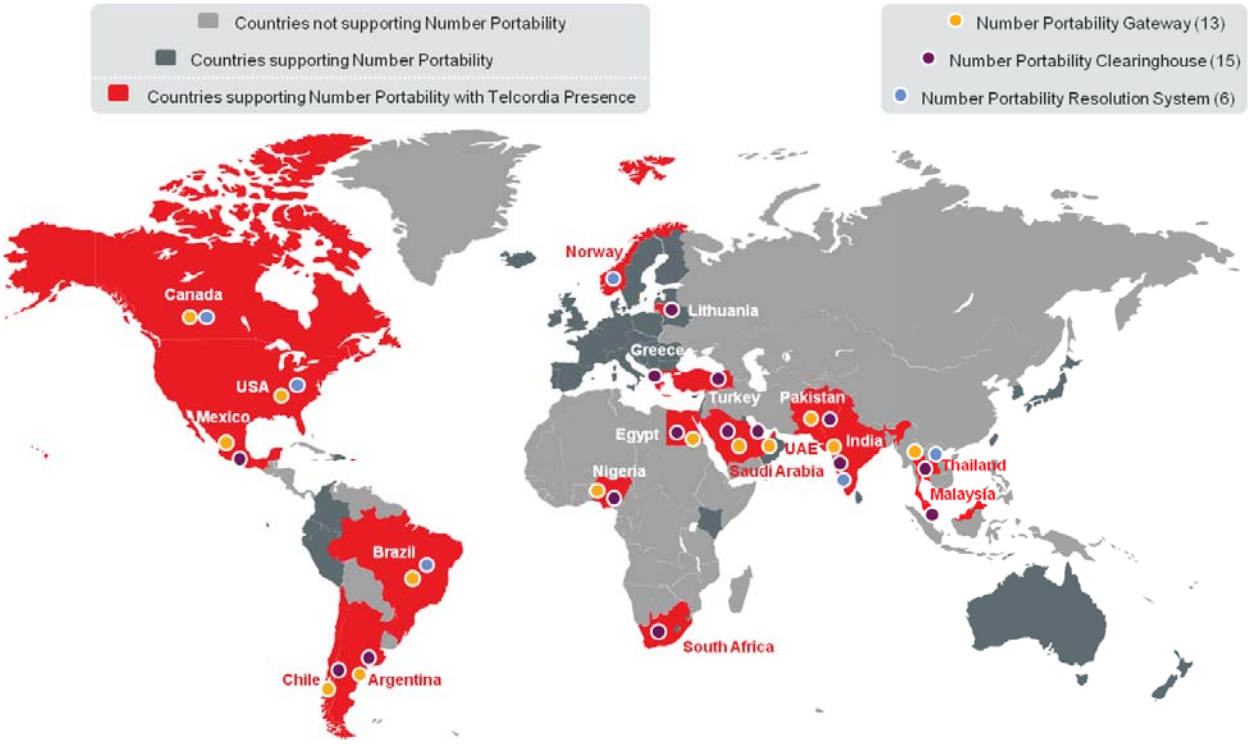
The Telcordia Number Portability Gateway (NPG) is a local operator system that performs workflow management functions within an operator's environment to support their porting of fixed and mobile numbers. It is similar to the SOA/LSMS combination used in the U.S. and Canada in an elegant single system 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]

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

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

- [redacted]
- [redacted]
- [redacted]
- [redacted]
  - [redacted]
  - [redacted]
  - [redacted]
- [redacted]
  - [redacted]
  - [redacted]
  - [redacted]
  - [redacted]
- [redacted]
  - [redacted]
  - [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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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 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 ○ Delivery of U.S. NP requirements in the regions ○ Delivery of NP services worldwide in 19 countries ○ Delivery of network managed services supporting high volume high availability services ○ 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.

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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
c/o Dan A. Sciullo
Berenbaum Weinshienk PC
370 17th Street
Suite 4800
Denver, CO 80202

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

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[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).

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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)

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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

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[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.

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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

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[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

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[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.

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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]

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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.

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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

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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.

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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

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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.

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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

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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*.

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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

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[49] Ericsson Cert. ¶ 4.

[50] Ericsson Cert. ¶¶ 5-6.

[51] *Id*. ¶ 7.

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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

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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.

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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

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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.

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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

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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.

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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

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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*.

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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

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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.

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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.

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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.

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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

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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.

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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

I, 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. 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. 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 VoIP 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

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ERICSSON

CODE OF BUSINESS ETHICS

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AN OVERVIEW

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

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

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

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

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LETTER FROM THE PRESIDENT

Dear Colleagues,

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

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

Hans Vestberg
President & CEO
May 2012

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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

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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

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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

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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

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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.

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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.

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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.

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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.

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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.

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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.

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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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Telefonaktiebolaget LM Ericsson
SE-164 83 Stockholm, Sweden
Telephone +46 10 719 0000
www.ericsson.com

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ANNEX B

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PRESS RELEASE
February 14, 2013

ERICSSON

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

Ericsson Corporate Communications
Phone: +46 10 719 69 92
E-mail: media.relations@ericsson.com

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Ericsson Investor Relations
Phone: +46 10 719 00 00
E-mail: investor.relations@ericsson.com

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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

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 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

TelcoPdia06124

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.

Telcordia06125

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.

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CERTIFICATE OF ERICSSON

ANNEX A

ERICSSON

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.

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PRESS RELEASE
JANUARY 12, 2012

NOTES TO EDITORS:

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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

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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

SUBJECT TO REQUEST FOR
CONFIDENTIAL TREATMENT
NOT FOR PUBLIC INSPECTION

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SUBJECT TO NON-DISCLOSURE AGREEMENT

ERICSSON

CODE OF BUSINESS ETHICS

SUBJECT TO REQUEST FOR
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SUBJECT TO NON-DISCLOSURE AGREEMENT

AN OVERVIEW

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

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

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

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

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LETTER FROM THE PRESIDENT

Dear Colleagues,

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

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

Hans Vestberg
President & CEO
May 2012

Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1
Telcordia 006137

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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

Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1
Telcordia 006138

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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

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Request for Proposal No. 2015-LNPA-VENDOR QUALIFICATION-1
Telcordia 006139

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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

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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

Request for Proposal No 2015-LNPA-VENDOR QUALIFICATION-1

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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.

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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.

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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.

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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.

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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.

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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.

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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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Telefonaktiebolaget LM Ericsson
SE-164 83 Stockholm, Sweden
Telephone +46 10 719 0000
www.ericsson.com

Group Policy 011 03-2927
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CERTIFICATE OF ERICSSON

ANNEX D

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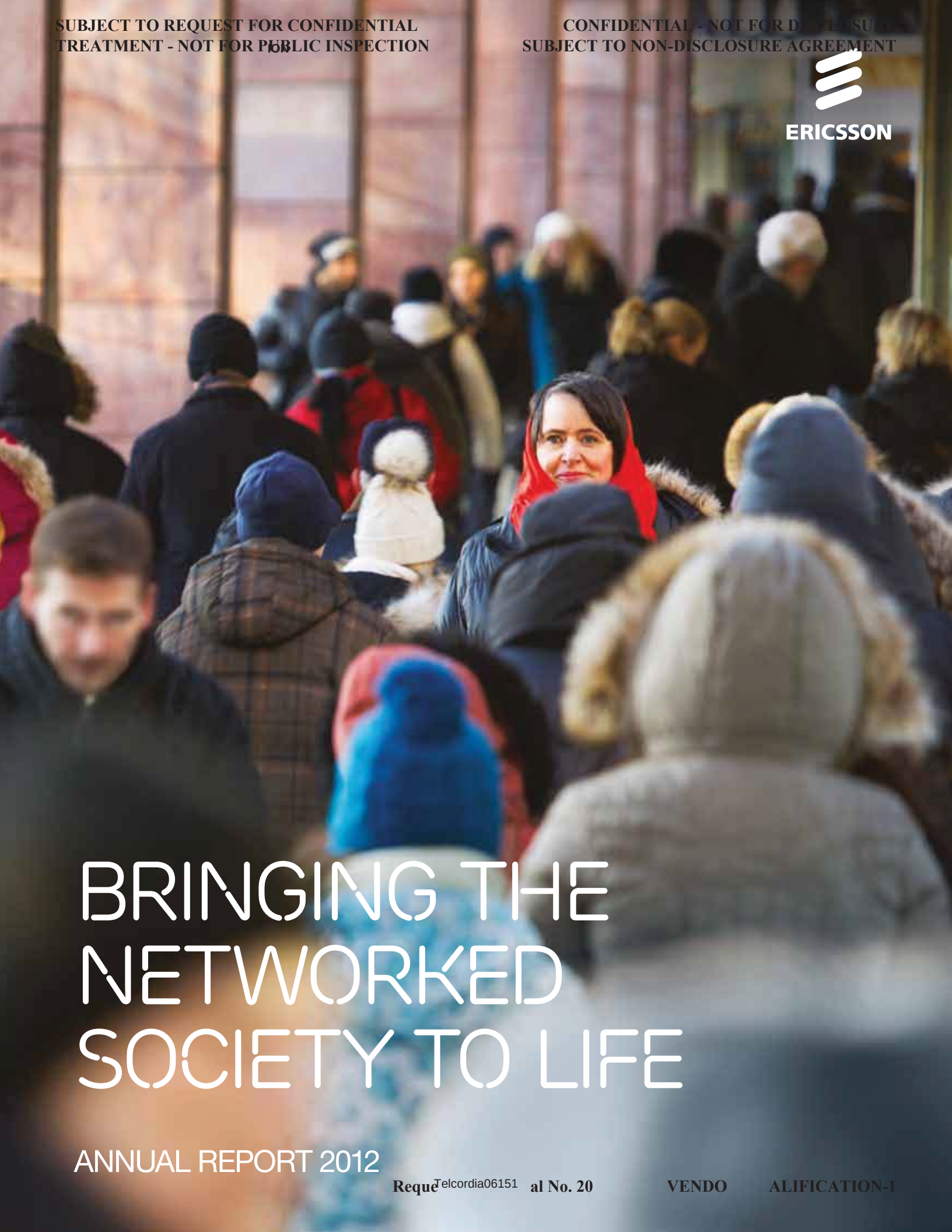

BRINGING THE NETWORKED SOCIETY TO LIFE

ANNUAL REPORT 2012

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BRINGING THE NETWORKED SOCIETY TO LIFE

With everything connected, our world changes. We are developing communications technology that will embrace entire societies, empowering and advancing the individuals and businesses within them.

See page 8 for further information on market trends.

Our mission is "Innovating to empower people, business and society."

See page 12 for further information on Ericsson strategy.

"2012 was a year of growth in Global Services and Support Solutions."

Hans Vestberg, President and CEO

MORE INFORMATION

The Annual Report describes Ericsson's financial and operational performance during 2012. A Corporate Governance Report is attached to the Annual Report.

Find our Annual Report online:
www.ericsson.com/annualreport2012

We issue a separate Sustainability and Corporate Responsibility Report.
www.ericsson.com/thecompany/sustainability_corporateresponsibility

There is further information on sustainability and corporate responsibility on page 22 and pages 41–42.

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* *Chapters covered by the Auditors' report.*

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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.

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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.

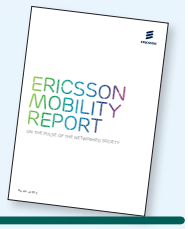
We serve our customers through regional competence organized into six engagement practices: Mobile Broadband; Communication Services; Fixed Broadband and Convergence; Managed Services; Operations and Business Support Systems; and Television and Media Management.

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.

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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 **Headed by Johan Wibergh**	GLOBAL SERVICES **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%) Operating margin: 6% (2011: 13%)	Share of revenue: 43% (2011: 37%) 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

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SUPPORT SOLUTIONS

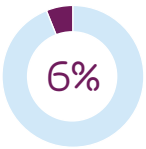
Headed by Per Borgklint

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

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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.

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.

> We have a strong portfolio, position and capabilities to continue to support our customers in a transforming ICT market.

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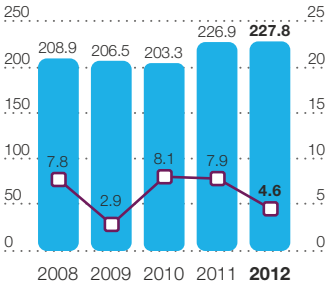
Net sales and operating margin

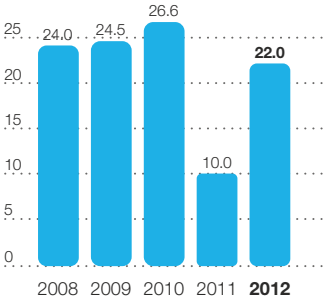
SEK billion Percent



Net sales
Operating margin incl. JV(s)

Cash flow from operating activities

SEK billion



Earnings per share

1.78 SEK

(2011: 3.77)

Our joint venture ST-Ericsson had a tough year. Following the announcement of STMicroelectronics' intention to exit as a shareholder, Ericsson will, together with STMicroelectronics, continue to explore various strategic options for ST-Ericsson assets. We continue to believe that the modem technology which we originally contributed to the JV has a strategic value to the wireless industry.

Performance in 2012

Sales in 2012 were flat compared to 2011, despite a challenging year for Networks.

Global Services contributed with both sales growth and stable operating profitability, and Support Solutions went from making losses in 2011 to achieving profitability.

Global Services and Support Solutions together represented close to 50% of Group sales, compared to 42% in 2011, highlighting the ongoing transformation into an ICT company combining services, software and hardware, into industry-leading solutions.

Profitability has been under pressure during the year due to operating losses in ST-Ericsson, the ongoing network modernization projects in Europe as well as the underlying business mix, with a higher share of coverage projects than capacity projects. Improving profitability has been a key priority throughout the year and we have taken actions globally to reduce costs and improve efficiency.

Throughout 2012 North America was our strongest region, driven by continued mobile broadband investments and a high demand for services. Our second largest region was North East Asia where sales grew in Japan, though not fully offsetting the lower sales of GSM in China and 3G in Korea.

Financial strength

We continue to have high focus on capital efficiency. We ended the year with strong cash flow, full-year cash conversion well above target and maintained our strong net cash position.

Financial strength allows us to make selective acquisitions to capture opportunities to consolidate the market, gain market share and fill portfolio gaps when relevant, and provide a good return to shareholders. It is also a competitive advantage in our customer relationships.

The Board of Directors proposes a dividend for 2012 of SEK 2.75 (2.50) per share.

Sustainability and Corporate Responsibility

Ericsson is strongly committed to sustainability and corporate responsibility.

Focus remains on reducing our carbon footprint and in 2012 we exceeded our target. We see an increasing interest from customers in driving energy efficiency in their networks, and using broadband to shape the low-carbon economy of the future.

We continue to advocate the use of broadband to enable access to education, better health and livelihood through our partnerships and programs such as Connect To Learn and Ericsson Response.

Responsibility and high governance standards guide all Ericsson employees in all parts of the world. Our aim is to be the trusted partner to all of our stakeholders and as such we put strong focus on evolving our governance framework with further integration of sustainability and corporate responsibility principles.

Our Code of Business Ethics was updated during the year to reflect our ongoing commitment to respect human rights and the new UN Guiding Principles on Business and Human Rights.

During 2012 we also signed the World Economic Forum's Partnering Against Corruption Initiative, enhanced our anti-corruption program and broadened our whistle blower procedure.

Strong long-term drivers

We build our strength on the combination of our core assets: technology leadership, services leadership and global scale. We have strong and long-standing customer relationships and highly skilled and engaged employees. I have worked in this company for 24 years and the dedication and professionalism that Ericsson employees demonstrate never cease to impress me.

Our focus on profitable growth remains. While the macroeconomic and political uncertainty continues in certain regions, the industry fundamentals remain attractive. We have a strong portfolio, position and capabilities to continue to support our customers in a transforming ICT market and look forward to a year of leveraging our leadership position and continuing our journey into the networked society.

Hans Vestberg
President and CEO

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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.

6.5BN

We expect mobile broadband subscriptions to reach 6.5 billion in 2018 (2012: 1.5 billion)

THE NETWORKED SOCIETY

In the networked society, connectivity will be the starting point for new ways of innovating, collaborating and socializing. It's about creating freedom, empowerment and opportunity that will transform industries and society while helping find solutions to some of the greatest challenges facing our planet.

When one person connects, his or her world changes. With everything connected, our world changes. We believe ICT will be a fundamental driver of this transformation. For our customers the networked society will offer opportunities to expand their existing businesses, and to engage in new business areas, such as cloud services and industry-specific services.

Operators' revenue growth and potential for efficiencies will steer their investments going forward. As a result, although the total addressable telecom market is growing at a modest pace, our portfolio momentum areas – mobile broadband, managed services as well as OSS and BSS – are set for higher growth.

Fundamentally, we believe the market is strong, fueled by higher smartphone penetration and growing mobile data usage. As a market leader, we understand the possibilities – and have the ability to drive rethinking, reinvention and innovation of our industry.

In 2012, mobile data traffic doubled. We expect it will continue to grow at a high rate in the coming years. The main driver is the change in user behavior, leading to increasing user expectations on network and application performance. Demand for greater mobile data capacity will also affect how operators choose to develop and operate networks and services.

CHANGING USER BEHAVIOR

The rapid increase in mobile data traffic will, in the coming years, be fuelled by three trends: increased smartphone uptake, the increasing use of mobile broadband, and the breakthrough of cloud-based services.

Smartphone uptake is accelerating

While voice traffic is increasing at a steady rate, mobile data traffic is increasing exponentially. This increase is driven largely by smartphone use. Clearly phones are no longer simply for talking and texting – most of the time spent on a smartphone is dedicated to activities such as watching videos, playing games, shopping and engaging in social media.

Today 15–20% of the worldwide installed base of mobile phone subscriptions use smartphones – the number of smartphone subscriptions was 1.1 billion at the end of 2012 and we estimate that it will reach 3.3 billion by the end of 2018.

Mobile broadband use is increasing

People and businesses increasingly demand good network coverage, high-speed and high-quality broadband access at all times.

The number of mobile broadband subscriptions is increasing rapidly, from approximately 1.5 billion in 2012, to an estimated 6.5 billion in 2018. As the number of subscriptions increases, so does the data volume per subscription. By the end of 2018, we estimate that both mobile PCs and smartphones will generate four times as much data per device per month as today. Global mobile data traffic is estimated to grow twelve-fold between 2012 and 2018.

The largest contributor to increased data traffic is video, which is also watched on smartphones and tablets. Online video now constitutes on average 25–40% of traffic in mobile networks.

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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

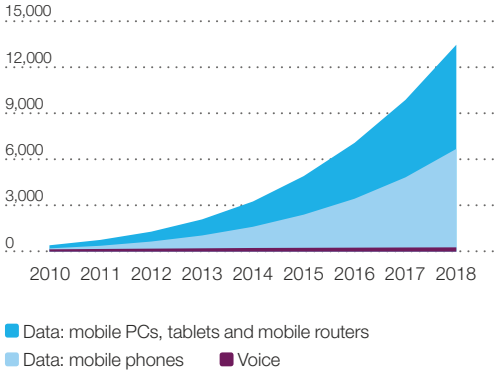
Higher demand for data capacity due to:
- Smartphone uptake acceleration
- Increasing use of mobile broadband
- Changing lifestyle with mobility and cloud-based services.

OPERATORS

Focus on:
- Superior-performance broadband networks
- Increasing efficiency through transformation and outsourcing
- Creating new value streams from networks.

Global mobile traffic 2010–2018

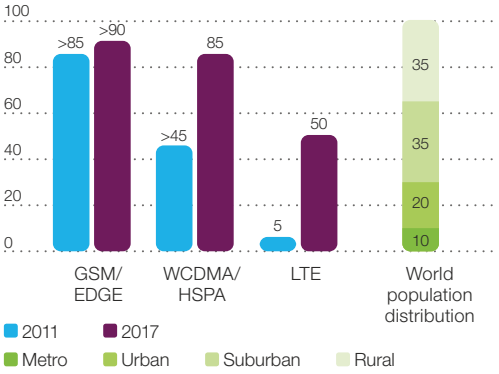
Monthly PetaBytes (10^{15} B)



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.

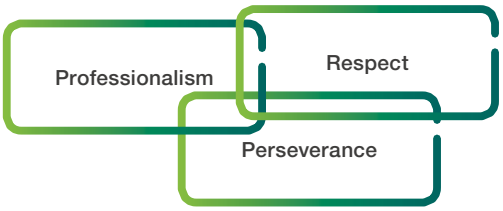
GLOBAL SCALE

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.



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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.

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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

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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.

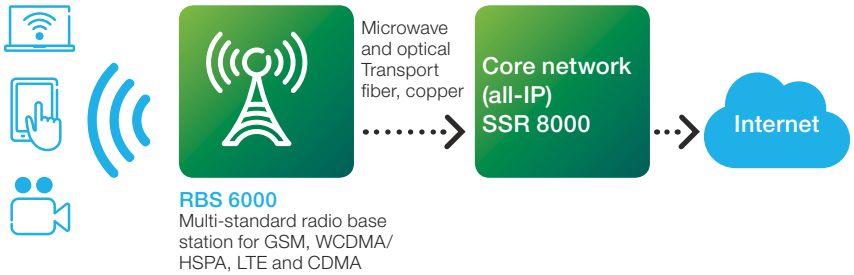
Expanding the scope

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



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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:

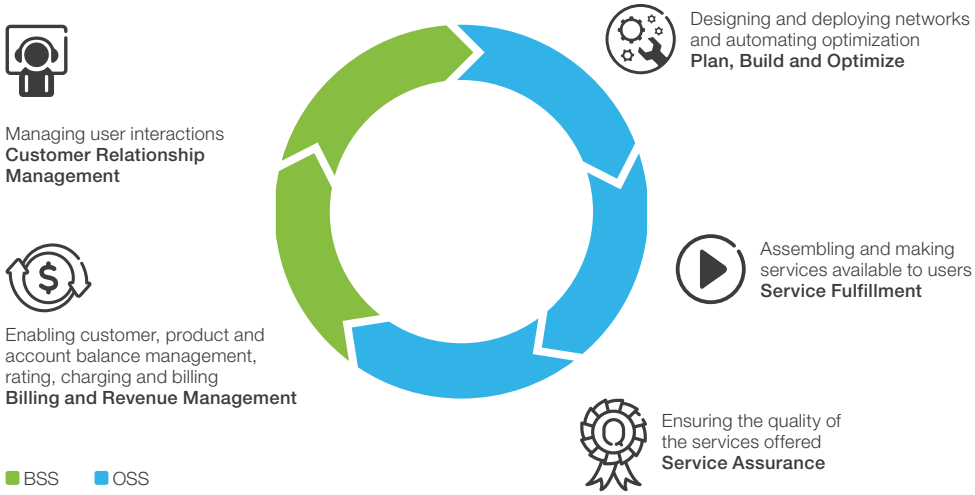
- Service differentiation – We provide the means for operators to improve customer loyalty and revenues as they are adopting new business models with tiered pricing plans for different speeds, data use or quality guarantees as well as personalized and improved customer experiences
- Transformation – 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.

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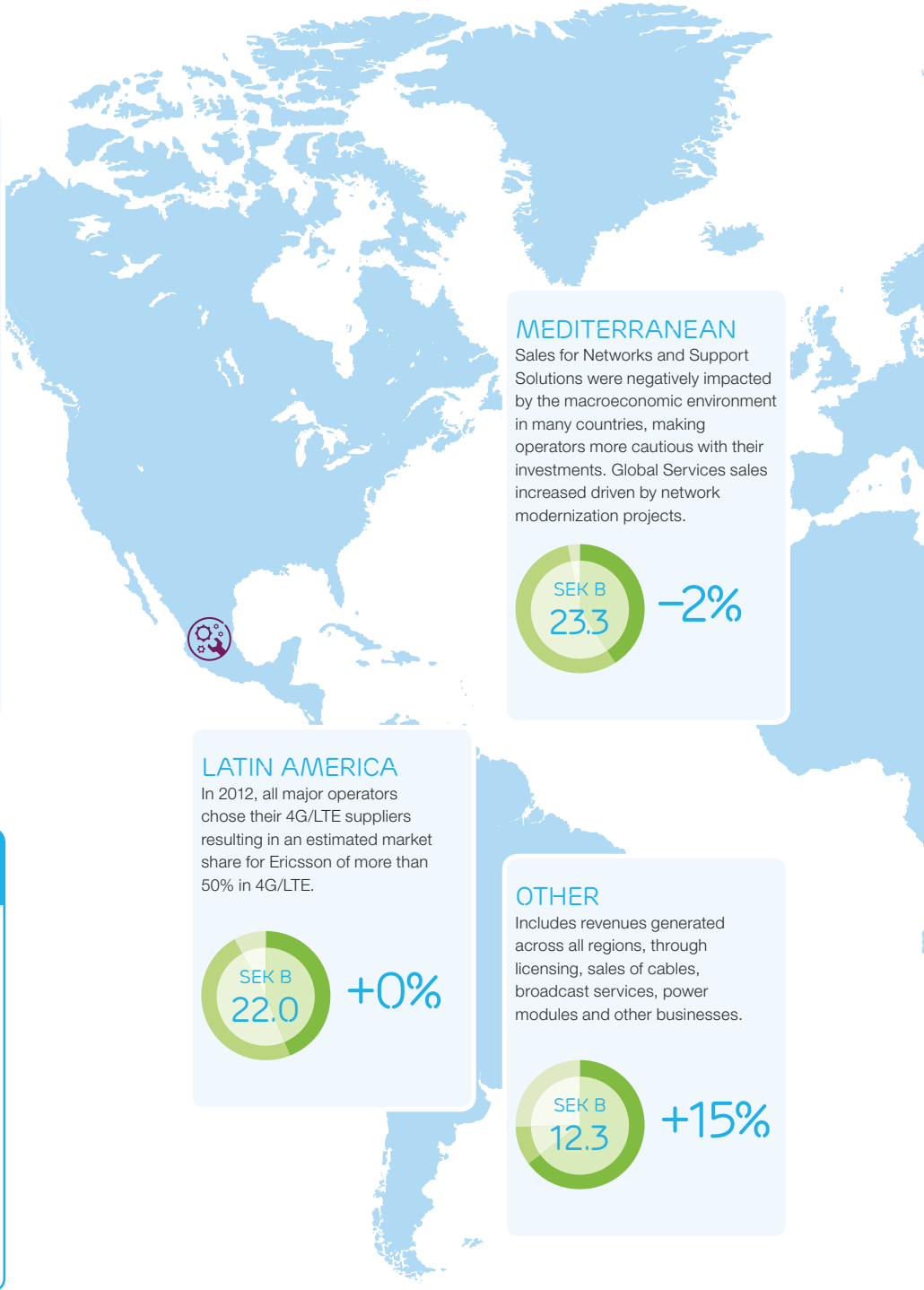
REGIONAL DEVELOPMENT

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.

+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.

–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.

+0%

OTHER

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

+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.

−8%

NORTHERN EUROPE AND CENTRAL ASIA

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

−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.

−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.

+1%

INDIA

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

−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.

+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.

+12%

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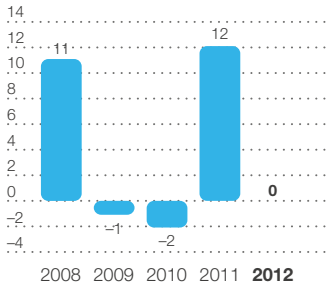
OUR PERFORMANCE

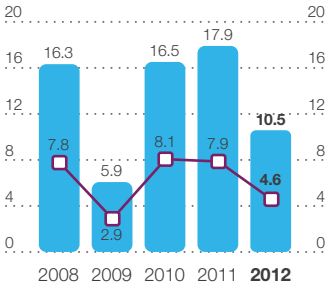
Our overall goal is to create shareholder value. We use a range of financial and non-financial targets to drive business performance.

	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**	**Profitability**	**Capital efficiency**

Revenue growth
Percent

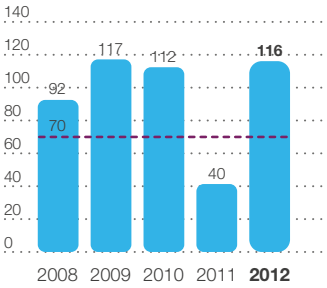


Profitability
SEK billion Percent



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

Capital efficiency
Percent



Cash conversion
Target

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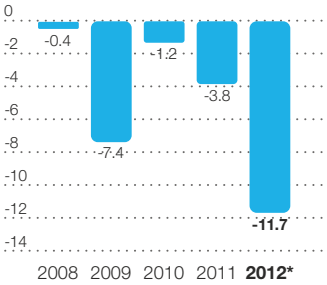
GROWTH IN JV EARNINGS

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

Share in earnings of JVs and associated companies

(SEK billion)



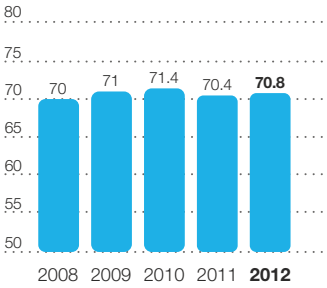
Share in earnings of Sony Ericsson included 2008–2011.

* 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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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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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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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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BOARD OF DIRECTORS' REPORT

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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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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.

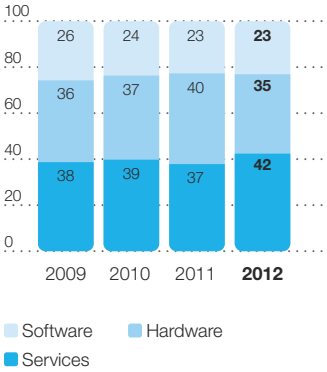
Fair return on R&D investment

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.

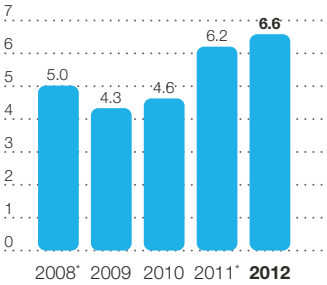
Software, hardware and services: share of total sales

Percent



IPR revenue (net)

SEK billion



* One-off patent sales included

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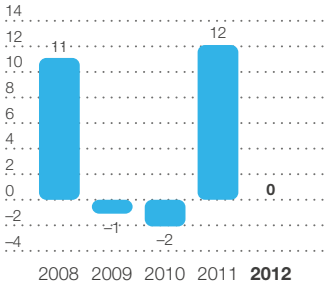
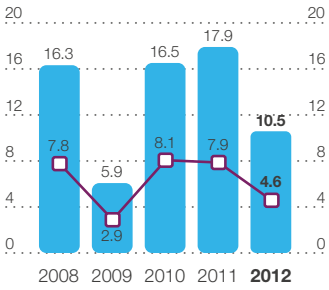
BOARD OF DIRECTORS' REPORT CONTINUED

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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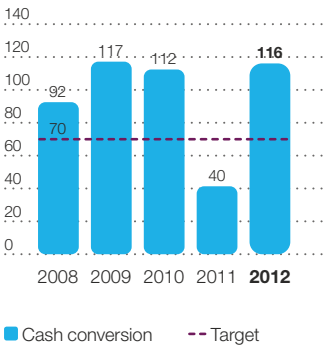
Capital efficiency

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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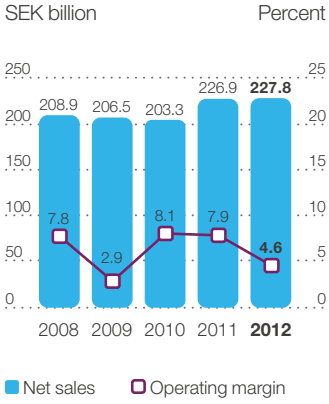
BOARD OF DIRECTORS' REPORT CONTINUED

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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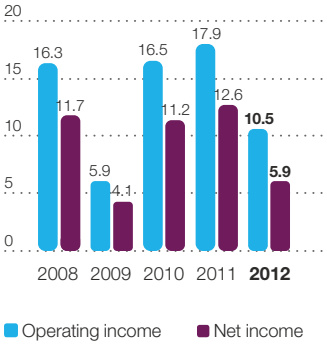
Operating income and net income

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

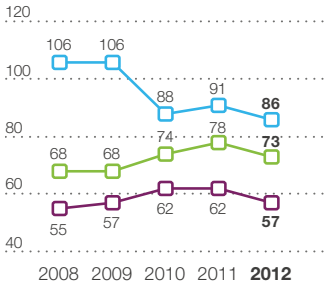
Consolidated balance sheet (abbreviated)

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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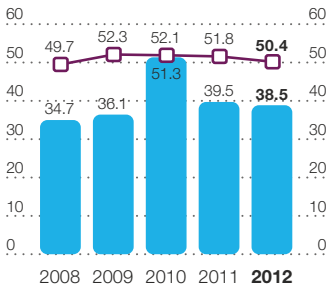
Net cash and equity ratio

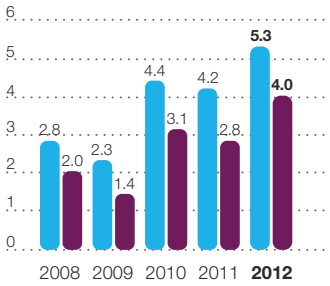
SEK billion Percent



Net cash Equity ratio

Customer financing

SEK billion



Customer financing net
Of which short-term

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"

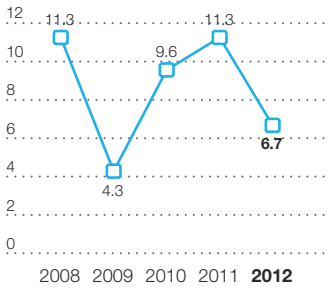
Moody's rate Ericsson A3 with a stable outlook and Standard & Poor's at BBB+ with stable outlook. The rating remained unchanged in 2012. In beginning of 2013 both rating institutes changed their outlook to negative.

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.

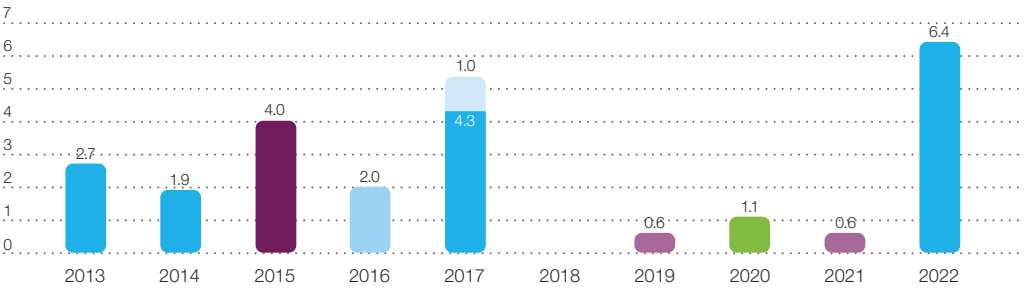
Return on capital employed

Percent



Debt maturity

SEK billion



Notes & bonds Financial Leases European Investment Bank Nordic Investment Bank
Loan from the Swedish Export Credit Corporation guaranteed by the Swedish Export Credit Guarantee Board
Loan from the Swedish Export Credit Corporation

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BOARD OF DIRECTORS' REPORT CONTINUED

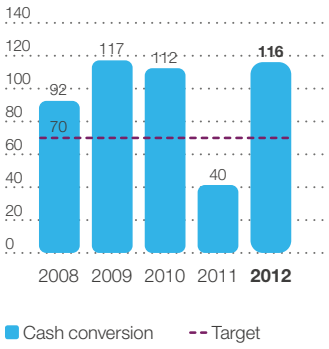
CASH FLOW

Cash flow (abbreviated) January 1 – December 31

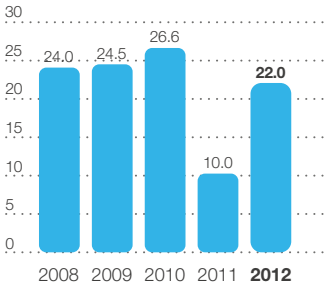
SEK billion	2012	2011	2010
Net income	5.9	12.6	11.2
Income reconciled to cash	19.0	25.2	23.7
Changes in operating net assets	3.0	–15.2	2.9
Cash flow from operating activities	22.0	10.0	26.6
Cash flow from investing activities	–4.9	4.5	–12.5
of which capital expenditures, sales of PP&E, product development	–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

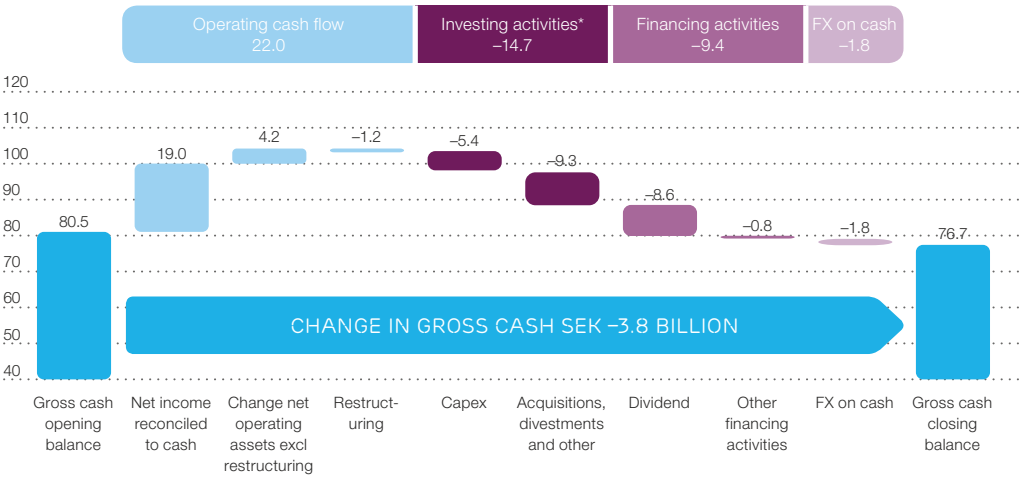
The Company holds cash or cash equivalents in countries where exchange controls or legal restrictions apply. These restrictions normally refer to approval procedures prior to cross-border cash transfers. The amount of cash and cash equivalents in such countries is SEK 10.6 (13.9) billion, of which SEK 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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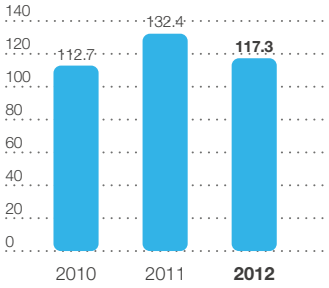
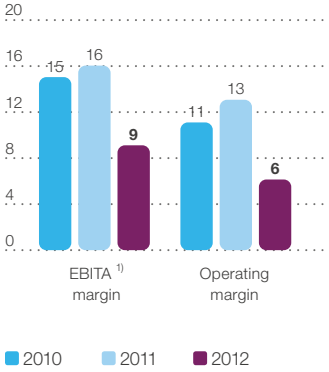
BOARD OF DIRECTORS' REPORT CONTINUED

Networks sales
SEK billion

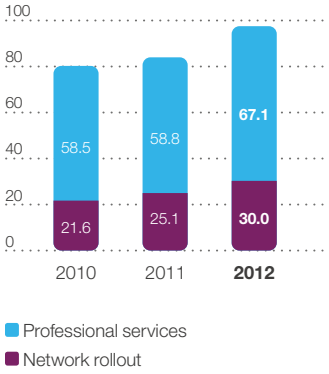


Networks profitability
Percent



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 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

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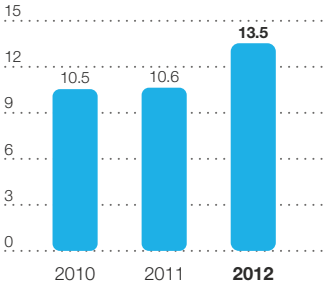
Global Services profitability

Percent

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

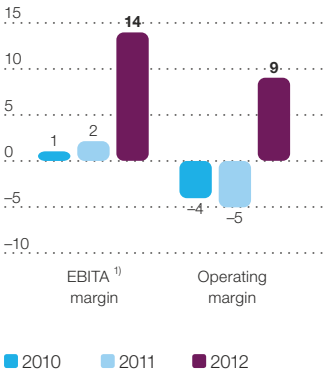
Support Solutions sales

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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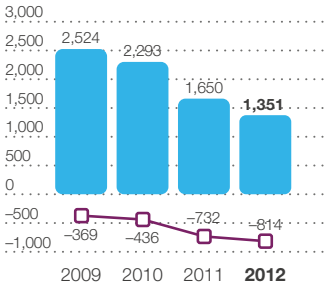
BOARD OF DIRECTORS' REPORT CONTINUED

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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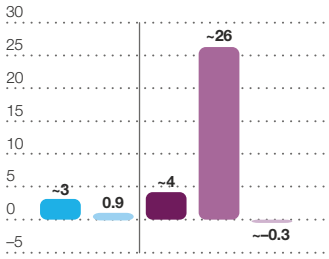
Ericsson life-cycle assessment – carbon footprint 2012

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.

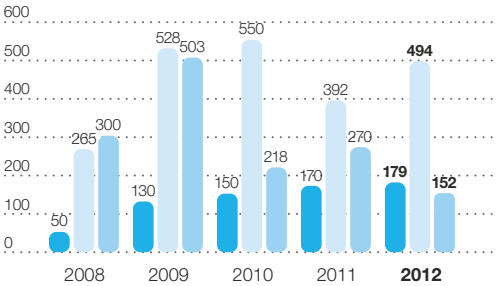
Human rights

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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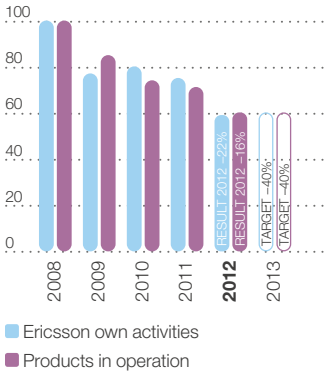
BOARD OF DIRECTORS' REPORT CONTINUED

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.

al No. 20 VENDO ALIFICATION-1

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CONSOLIDATED FINANCIAL STATEMENTS WITH NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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

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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.

Request for Telcordia06201 VENDOR QUALIFICATION No. 20

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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.

Requ Telcordia06202 al No. 20 VENDO ALIFICATION-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

Reque Telcordia06203 al No. 20 VENDO ALIFICATION-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

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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,

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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.

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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.

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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.

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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.

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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.

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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.

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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

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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”.

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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".

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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	Unallo-cated	Elimi-nations [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	Unallo-cated	Elimi-nations [1]	Group
Segment sales	131,596	83,854	10,629	46,866	9,232	282,177	–	–56,098	226,079
Inter-segment sales	799	30	13	126	1,461	2,429	–	–1,587	842
Net sales	**132,395**	**83,884**	**10,642**	**46,992**	**10,693**	**284,606**	**–**	**–57,685**	226,921
Operating income	**17,295**	**5,544**	**–504**	**–1,854**	**–5,461**	**15,020**	**–501**	**3,381**	17,900
Operating margin (%)	13%	7%	–5%	–4%	–51%	5%			8%
Financial income									2,882
Financial expenses									–2,661
Income after financial items									18,121
Taxes									–5,552
Net income									12,569
Other segment items									
Share in earnings of joint ventures and associated companies	87	28	4	–1,199	–2,730	–3,810	32	–	–3,778
Amortization	–4,192	–481	–792	–1	–867	–6,333	–	868	–5,465
Depreciation	–2,783	–532	–184	–647	–823	–4,969	–	1,470	–3,499
Impairment losses	–50	–23	–12	–	–283	–368	–	283	–85
Reversals of impairment losses	12	–	1	–	–	13	–	–	13
Restructuring expenses	–1,600	–1,363	–143	–838	–280	–4,224	–78	1,118	–3,184
Gains/losses from divestments	–6	–	–	–	–	–6	164	–	158

[1] All segment sales are presented, but as Sony Ericsson and ST-Ericsson sales are accounted for in accordance with the equity method, their sales are eliminated in the Eliminations column.

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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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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						
	To be marketed	Acquired costs	Internal costs	Total	Total	Trademarks, customer relationships and similar rights	Patents and acquired R&D	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						
	To be marketed	Acquired costs	Internal costs	Total	Total	Trademarks, customer relationships and similar rights	Patents and acquired R&D	Total
Cost								
Opening balance	6,610	2,213	1,478	10,301	27,151	13,582	25,330	38,912
Acquisitions/capitalization	1,515	–	–	1,515	–	237	354	591
Balances regarding acquired businesses	–	–	–	–	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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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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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.

Telcordia06224 Requal No. 20 VENDO ALIFICATION-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.

Requ Telcordia06225 al No. 20 VENDO ALIFICATION 1

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".

Requ Telcordia06226 al No. 20 VENDO ALIFICATION-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.

Request No. 20 Telcordia06227 VENDOR QUALIFICATION

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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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 No. 20 VENDOR QUALIFICATION-1
Telcordia06229

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

Telcordia06230 Requ al No. 20 VENDO ALIFICATION-1

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C17 POST-EMPLOYMENT BENEFITS

Ericsson sponsors a number of post-employment benefit plans throughout the Company, which are in line with market practice in each country. The year 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.

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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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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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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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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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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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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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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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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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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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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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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 receiv-ables	Short-term invest-ments	Cash equiva-lents	Borrow-ings	Trade payables	Other financial assets	Other current receiv-ables	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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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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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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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

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C27 LEASING

Leasing with the Company as lessee

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

Finance leases

	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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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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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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- 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 Contr butor 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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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

Plan (million shares)		Stock Purchase Plan, Key Contributor Retention Plan and Executive Performance Stock Plans 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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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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PARENT COMPANY FINANCIAL STATEMENTS AND NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

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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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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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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 Telecommunicações S.A.		Brazil	100
I	Ericsson Australia Pty. Ltd.		Australia	100
I	Ericsson (China) Communications Co. Ltd.		China	100
I	Nanjing Ericsson Panda Communication Co. Ltd.		China	51
I	Ericsson Japan K.K.		Japan	100
I	Ericsson Communication Solutions Pte Ltd.		Singapore	100

Key to type of company

I Manufacturing, distribution and development companies
II Holding companies

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

P10 INVENTORIES

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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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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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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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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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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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".

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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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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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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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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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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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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

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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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