

Item 13

The Board of Director's proposal on decision concerning a) Implementation of the Long Term Incentive Plan 2005 and b) Transfer of Repurchased own Shares

Background

As the employee saving and investment period for the ongoing incentive plan, Stock Purchase Plan 2003 (supplemented with the Long Term Incentive Plan 2004), expires in 2005, the Board of Directors proposes that the General Meeting of Shareholders resolves on a new program, the Long Term Incentive Plan 2005.

In order to implement the Long Term Incentive Plan 2005, the Board of Directors proposes that no more than 39,300,000 shares of series B may be transferred to employees in the Ericsson Group and, moreover, that a portion of the shares also may be transferred at Stockholmsbörsen (the Stockholm Stock Exchange) in order to cover inter alia social security payments. Ericsson's current holding of own shares is estimated to cover the requirement of shares to the Long Term Incentive Plan 2005.

Information regarding reasons for the proposals, description of previous incentive programs, preparation of the matter, costs and dilution and effects on important key figures are described in Appendix hereto.

Proposal

13 a) The Long Term Incentive Plan 2005

The Ericsson Board proposes that the General Meeting of Shareholders resolves on a Long Term Incentive Plan 2005 ("LTI 2005"), including 39,300,000 shares of series B, and comprising three parts (i) the Stock Purchase Plan, (ii) the Key Contributor Program and (iii) the Performance Matching Program, according to the principle guidelines below.

Stock Purchase Plan

- a) Employees who participate in the Stock Purchase Plan shall, during a 12 months period from the implementation of the plan, be able to save up to 7.5 percent of gross salary for the purchase of shares of series B at Stockholmsbörsen (the Stockholm Stock Exchange) or ADRs at NASDAQ. If the purchased shares are retained by the employee for three years from the investment date and the employment with the Ericsson Group continues during that time, the employee will be given a corresponding number of shares of series B or ADRs free of consideration.

- b) All employees within the Ericsson Group, except for what is mentioned in item c) below, will be offered to participate in the Stock Purchase Plan.
- c) Participation in the LTI 2005, regardless of whether only the Stock Purchase Plan, or also the Key Contributor Program or the Performance Matching Program, presupposes that such participation is legally possible as well as possible with reasonable administrative costs and financial efforts according to the assessment of Ericsson. The Board shall however be entitled, but not obligated, to arrange for a cash alternative for key contributors in specific jurisdictions, should any of the aforementioned presuppositions prove not to be at hand. Such cash alternative shall, as far as practicably possible, correspond to the terms for the LTI 2005 involving key contributors.

Key Contributor Program and Performance Matching Program

- d) Three categories of employees (key contributors, senior managers and top senior managers) will, in addition to the regular matching of one share pursuant to the Stock Purchase Plan described above, be entitled to additional matching of shares free of consideration within either the Key Contributor Program, covering up to 5,000 key contributors, or the Performance Matching Program, covering up to 170 senior managers and up to 50 top senior managers.
- e) If the shares purchased in accordance with the Stock Purchase Plan are retained by an employee within the categories mentioned in d) above for three years from the investment date and the employment with the Ericsson Group continues during that time, the employee will be entitled to the following matching of shares, free of consideration, in addition to the regular matching of one share:
 - (i) Up to 5,000 key contributors are entitled to an additional match of one share for each one purchased.
 - (ii) Up to 170 senior managers may be entitled to an additional performance match of up to four shares for each one purchased.
 - (iii) Up to 50 top senior managers may be entitled to an additional performance match of up to six shares for each one purchased.
- f) The terms of the additional performance match for senior managers and top senior managers are based on average annual percentage growth rate in earnings per share¹ ("EPS") between 1 July 2005 and 30 June 2008, with reported EPS for quarter 3 and quarter 4 2004 plus quarter 1 and quarter 2 2005 as the starting point. Maximum matching shares (i.e. four shares and six shares, respectively) will be allocated if the average annual EPS growth is at or above 15 percent. No allocation of matching shares will occur if the average annual EPS growth is at or below 3 percent. Matching of shares between average annual EPS growth 3 and 15 percent is linear.

¹ Earnings Per Share is calculated by dividing the reported net income for the Ericsson Group by the average number of shares outstanding during the period.

- g) Before the number of performance shares to be matched pursuant to e) above are finally determined, the Board shall examine whether the performance matching is reasonable considering the company's financial results and position, conditions on the stock market and other circumstances, and if not, as determined by the Board, reduce the number of performance shares to be matched to the lower number of shares deemed appropriate by the Board.
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In order to implement the LTI 2005 according to the above, the Board proposes that the General Meeting of Shareholders resolves on transfer of own shares as set out below.

Proposal

13 b) Transfer of Own Shares

- a) No more than 39,300,000 shares of series B can be transferred.
- b) Right to acquire shares shall be granted to such persons within the Ericsson Group covered by the terms and conditions for the LTI 2005. Further, subsidiaries within the Ericsson Group shall have the right to acquire shares free of consideration and such subsidiaries shall be obligated to immediately transfer free of consideration shares to its employees covered by the terms of the LTI 2005.
- c) The employee shall have the right to receive shares during the period when the employee is entitled to receive shares in accordance with the terms of the LTI 2005, i.e. during the period from November 2005 up to and including November 2008.
- d) Employees covered by the terms of the LTI 2005 shall, subject to certain conditions, receive shares free of consideration.
- e) Further, Ericsson shall have the right to, prior to the Annual General Meeting of Shareholders 2006, transfer no more than 7,800,000 shares of series B, out of the holding of 39,300,000 shares of series B, in order to cover certain payments, mainly social security payments. Transfer of the shares shall be effected at Stockholmsbörsen at a price within the, at each time, registered price interval for the share.
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The reasons for deviation from shareholders preferential rights and the base for determination of the transfer prices are as follows.

The transfer of own shares forms a part of the implementation of the LTI 2005. The Board considers it to be to an advantage for Ericsson and its shareholders that the employees are shareholders in Ericsson.

The base for determination of the transfer prices is seen from the Board's proposal under relevant headings above.

Supermajority

The resolutions on implementation of the LTI 2005 according to item 13 a) above and the transfer of repurchased own shares according to item 13 b) above shall be made as one “package”. Accordingly, the supermajority rules in the Leo Act shall apply, meaning that 90 percent of the shares and votes represented at the General Meeting of Shareholders must vote to approve of the “package”.

Stockholm, March 2005
The Board of Directors

Reasons for the Proposal

Stock related incentives have become an important part of Swedish and international remuneration practice. Therefore the Board of Directors of Ericsson finds it important to continue to use shares as a vital incentive within the company. The Board of Directors is of the opinion that the LTI 2005 is designed to best meet the company's needs and the shareholders' interest.

The proposed LTI 2005 plan is based on the following design principles reflecting some of Ericsson's continuing management priorities:

- a) employees must risk some of their own money,
- b) employees must remain within the company for a specified time to receive the benefit,
- c) participation in the enhanced programs is selective – according to individual performance, critical skills and competitiveness, and
- d) any program for the top management is conditional on the performance of the company

The LTI 2005 is designed to (i) offer an incentive for all employees to participate in their company, which is consistent with our industry and with our ways of working, (ii) to give recognition as a method of retention to critical employees and (iii) to focus selected top management on driving earnings and provide competitive compensation based on Swedish practice.

Description of Ongoing Incentive Programs

Ericsson has ongoing incentive programs according to the below. The numbers have, when appropriate, been subject to recalculations as a result of bonus issue, split and new issue of shares.

Stock Purchase Plans

Under the Stock Purchase Plans, employees can save up to 7.5 percent of the gross salary, for purchase of shares of series B at Stockholmsbörsen (the Stockholm Stock Exchange) or ADRs at Nasdaq (contribution shares). If the purchased contribution shares are retained by the employee for three years after the investment and employment with the Ericsson Group continues during that time, the employee will be matched with a corresponding number of shares of series B or ADRs free of consideration. Employees in 77 countries participate in the plan.

The table below shows the periods for employees' purchase of shares (contribution period) and participation details.

| Plan | Contribution Period | No. of participants at launch | Take-up rate -% of all employees |
|---|------------------------------|--------------------------------------|---|
| Stock Purchase Plan 2001 | February 2002 – October 2002 | 27,000 | 36 % |
| Stock Purchase plan 2003 1 st year | August 2003 – July 2004 | 11,000 | 22 % |
| Stock Purchase plan 2003 2 nd year | August 2004 – July 2005 | 15,000 | 30 % |

Enhanced Stock Purchase Plan - LTI 2004

In August 2004, two enhanced programs under the Stock Purchase Plan, the Key Contributor Program and the Performance Matching Program were launched for the second 12-month investment period of the Stock Purchase Plan 2003.

Under the Key Contributor Program, 4,500 employees were offered to obtain one extra matching share in addition to the ordinary one matching share for each contribution share purchased during the period.

Under the Performance Matching Program 200 (150 + 50) executives were offered 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 during the period. The performance matching is subject to the fulfilment of a performance target. The performance target is average annual EPS growth during the period from July 2004 up to and including June 2007. If the annual average EPS growth is less than 5 percent there will be no performance matching (0 shares) and if the annual average EPS growth is at or above 25 percent, there will be maximum performance matching (4 or 6 shares). Any intermediate figure will be calculated on a linear basis.

Stock Option Plans

| Plan | Grant/Expiry Date | Strike Price (SEK) | Vesting period from grant date | No. of participants at grant | No. of participants end 2004 |
|---|--------------------------|---------------------------|---|-------------------------------------|-------------------------------------|
| 1999 Stock Option Plan | 1 March 00/ 28 Feb 07 | 128.00 | 30% after 3 years, 40% after 4 years, 30% after 5 years | 1,800 | 1,126 |
| Millennium Stock Option Plan | 17 Jan 00/ 18 Jan 07 | 93.80 | 1/3 after 1 year, 1/3 after 2 years, 1/3 after 3 years | 8,000 | 3,120 |
| Stock Option Plan 2001 - May Grant | 14 May 01/ 14 May 08 | 30.50 | 1/3 after 1 year, 1/3 after 2 years, 1/3 after 3 years | 15,000 | 9,013 |
| Stock Option Plan 2001 - November Grant | 19 Nov 01/ 19 Nov 08 | 25.70 | 1/3 after 1 year, 1/3 after 2 years, 1/3 after 3 years | 900 | 674 |
| Stock Option Plan 2002 | 11 Nov 02/ 11 Nov 09 | 7.80 | 1/3 after 1 year, 1/3 after 2 years 1/3 after 3 years | 12,800 | 10,561 |

Shares for all Stock Incentive Plans

All plans, except the Millennium Option Plan, are funded with treasury stock. The Millennium Stock Option Plan is based on warrants, i.e. options entitling the holders to subscribe for B shares. The warrants are held by subsidiaries to Telefonaktiebolaget L M Ericsson, which companies have granted options to their employees. Treasury stock for the 1999 Option Plan was repurchased in 2000 on Stockholmsbörsen. Treasury stock for all remaining plans have been issued in a directed cash issue of shares of series C shares at nominal amount of SEK 1, purchased under a public offering at SEK 1 per share plus a premium corresponding to the subscribers' financing costs and converted to shares of series B.

For all plans, additional shares and warrants have been allocated for social security. For the Millennium Stock Option Plan, the warrants designated for social security have been exchanged for a call option issued by a bank in order to hedge income against potential social security costs. For all other plans, treasury stock are sold on Stockholmsbörsen to cover the social security payments when arising due to exercise of options or matching of shares.

If all options outstanding as of December 31, 2004, were exercised, all shares allocated for future matching under the Stock Purchase Plan were transferred, and shares designated to cover social security costs and payments were disposed of as a result of the exercise and the matching, approximately 43 million shares of series B would be issued and approximately 230 million shares of series B, held as treasury stock, would be transferred. The total, approximately 273 million shares of series B, corresponds to 1.72 percent of the total number of shares outstanding, 15,833 million.

The table below shows the number of shares allocated for each plan (options and matching rights) and changes during 2004.

| Million Plan | Originally designated * | Outstanding beginning of 2004 | Granted during 2004 | Exercised / matched during 2004 | Forfeited during 2004 | Expired during 2004 | Outstanding end of 2004 | No. of options exercisable |
|---------------------------------------|-------------------------|-------------------------------|---------------------|---------------------------------|-----------------------|---------------------|-------------------------|----------------------------|
| 1999 Stock Option Plan | 1.4 | 0.9 | - | - | 0.1 | - | 0.9 | 0.6 |
| Millennium Stock Option Plan | 71.6 | 37.2 | - | - | 2.9 | - | 34.2 | 34.2 |
| Stock Option Plan 2001 - May Grant | 44.9 | 30.1 | - | - | 2.2 | - | 27.9 | 27.9 |
| Stock Option Plan 2001 - Nov Grant | 2.6 | 1.8 | - | - | 0.2 | - | 1.6 | 1.6 |
| Stock Option Plan 2002 | 53.9 | 47.0 | - | 3.3 | 5.6 | - | 41.4 | 27.4 |
| Stock Purchase Plan 2001 | 28.0 | 21.9 | - | 1.8 | 0.4 | - | 19.7 | - |
| Stock Purchase Plan 2003 and LTI 2004 | 151.7 | 3.8** | 13.5 | 0.5 | 0.3 | - | 16.5 | - |

* Adjusted for bonus issue, split and rights offering when applicable

** Presuming maximum performance matching under LTI 2004

Preparation of the Matter

The proposal on the LTI 2005 to the General Meeting of Shareholders has been prepared by the Remuneration Committee of the Board of Directors supported by independent international expertise and in consultation with major shareholders. The Remuneration Committee consists of the following Board Members: Michael Treschow (Chairman of the Committee), Lena Torell, Nancy McKinstry and Per Lindh. The Remuneration Committee briefed the Board of Directors on the main features of the new incentive program for key contributors and senior managers at the Board Meeting held on December 17, 2004. At the Board Meeting on February 9, 2005, the Board of Directors decided that a proposal on LTI 2005 should be presented to the General Meeting of Shareholders. On March 1, 2005, the Board of Directors decided on a change in the original proposal regarding the upper threshold of the performance target range in the Performance Matching Program. Apart from the employee representative in the Remuneration Committee and the officials who have prepared the matter for the Remuneration Committee, no employee who may be included in the program has participated in the preparation of LTI 2005.

Costs

The total effect on the income statement is estimated to range between SEK 617 million and SEK 1 034 million unevenly distributed over the years 2005 – 2009. The costs shall be compared with Ericsson's total remuneration costs 2004, including social security fees, amounting to SEK 32 billion.

The calculations are based on an assumption of participation in the 1+1 program at present level and a 100 percent participation in the Key Contributor and Performance Matching programs at maximum contribution level.

Costs that Affect the Income Statement, but will not have an Effect on the Cash Flow

Compensation costs, corresponding to the value of matching shares transferred to employees, is estimated to range between SEK 510 million and SEK 629 million, depending on the fulfilment of the performance target³. The compensation costs are distributed over the plan period 2005 - 2009.

Social security charges as a result of transfer of shares to employees is, depending of the outcome of the performance matching and based on an assumed average share price at matching between SEK 15 and SEK 50, estimated to range between SEK 95 million and SEK 393 million. The social security costs are expected to occur mainly during 2008 – 2009.

Costs that affect the Income Statement and Cash Flow

Administration costs have been estimated at a maximum of SEK 12 million.

Dilution and Effects on Important Key Figures

Ericsson has approximately 16 billion shares on issue. As per 31 December 2004, Ericsson held 299,715,117 own shares. In order to implement the LTI 2005, a total of 39,300,000 shares of series B are required, corresponding to approximately 0.25 percent of the total number of outstanding shares. The number of potential shares covered by existing incentive programs, including shares to cover social security payments, amounts to approximately 273 million shares, corresponding to 1.72 percent of the number of outstanding shares.

Out of the 39,300,000 shares of series B required for the LTI 2005, 31,500,000 shares may be transferred to employees free of consideration, which could cause a dilutive effect of 0.20 percent on earnings per share. The dilutive effect of the matching shares, 0.20 percent, is not affected by the price for the shares at the time of matching since they are transferred free of consideration to the employee. There will, however, be no dilutive effect on earnings per share of the 7,800,000 shares, which may be transferred at Stockholmsbörsen as the shares are sold at market value.

³ The compensation cost for the Alternative Key Contributor Cash Program, may vary depending on the development of the share price during the qualifying period. This has been disregarded in the calculations since these costs represent a minor part of the overall compensation costs.