

## Proposal in Brief

### **Long Term Variable Compensation Program (LTV 2007)**

The Board of Directors of Ericsson proposes that the Extraordinary General Meeting (EGM) of Shareholders approves the Long Term Variable Compensation Program (LTV 2007).

The program is based on the following key principles:

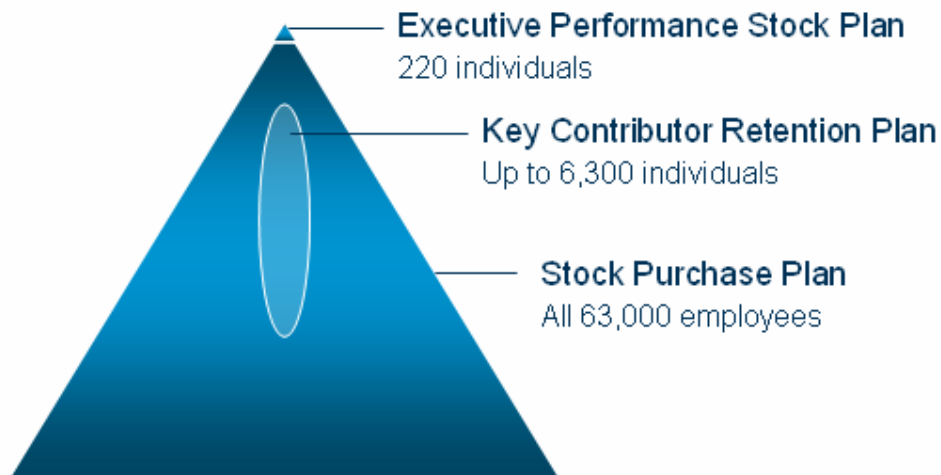
- All employees are invited to participate
- Individual investments in Ericsson shares are required
- Executives have performance criteria for additional share awards.



**LTV 2007: one platform – three plans**

The LTV 2007 is a share-based compensation platform consisting of three plans. The three plans have different aims and different target groups:

- A Stock Purchase Plan designed to create an incentive for all employees to become shareholders,
- A Key Contributor Retention Plan to ensure long term retention of top talent individuals,
- An Executive Performance Stock Plan offered to an exclusive group with the aim of attracting, retaining and motivating them.

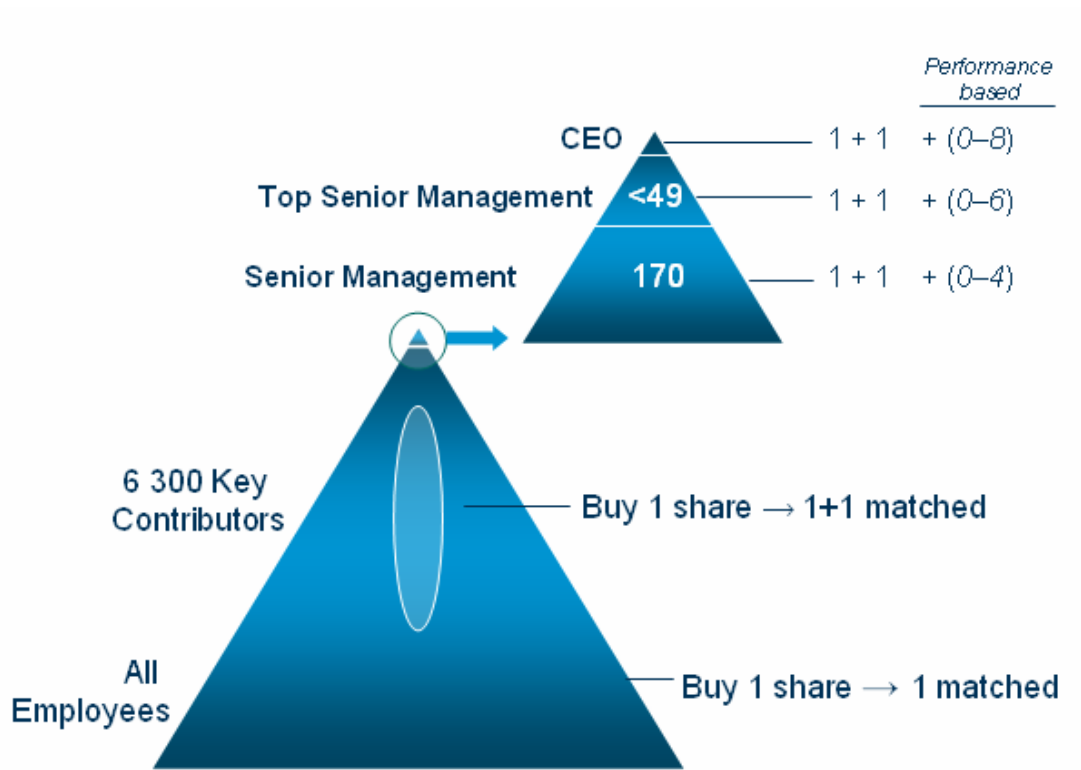


**Overview of the Program**

The program is based on matching shares. Every employee is offered the opportunity to save part of his or her gross salary to invest in Ericsson shares. For each share invested, matching shares are awarded when certain criteria are met. The number of shares granted differs among the three plans.

The base criteria are:

- Up to 7.5 percent of gross salary may be saved for investment of Ericsson shares
- Invested shares must be retained for three years
- Continued employment at the time of award



➔ One matching share awarded for each share invested under the Stock Purchase Plan for all employees

➔ One extra matching share under the Key Contributor Retention Plan

➔ Up to 4/6/8 extra matching shares under the Executive Performance Stock Plan if the performance criteria are met

For details, see description below of each plan.

**Stock Purchase Plan**

All employees are invited to participate in the Stock Purchase Plan. The plan is designed to create an incentive for all employees to become shareholders with the aim of securing commitment to long-term value creation throughout Ericsson.



During a twelve-month period from the starting date, employees who participate can save up to 7.5 percent of their gross salary and use it for investment in Ericsson shares. If the invested shares are retained for three years and the individual remains employed, the employee will be awarded a corresponding number of shares free of consideration.

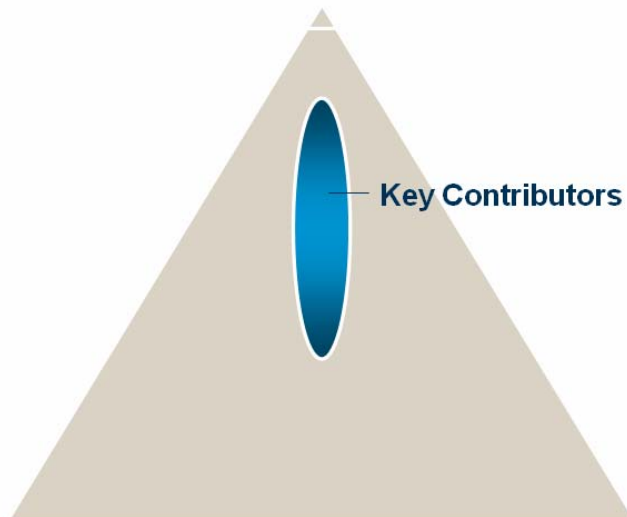
*Participation in the Stock Purchase Plan presupposes that such participation is legally possible in the various jurisdictions concerned and that the administrative costs and financial efforts are reasonable in the opinion of the Company.*

**Key Contributor Retention Plan**

The purpose of the Key Contributor Retention Plan is to ensure long term retention of top-talent individuals with critical skills vital to Ericsson's future performance.

The plan is highly selective based on assessment of performance, potential and critical skills. Approximately ten percent of Ericsson's employees are defined as key contributors based on a rigorous selection process.

In addition to the regular matching of the Stock Purchase Plan, up to 6,300 key contributors are offered one additional share, free of consideration.

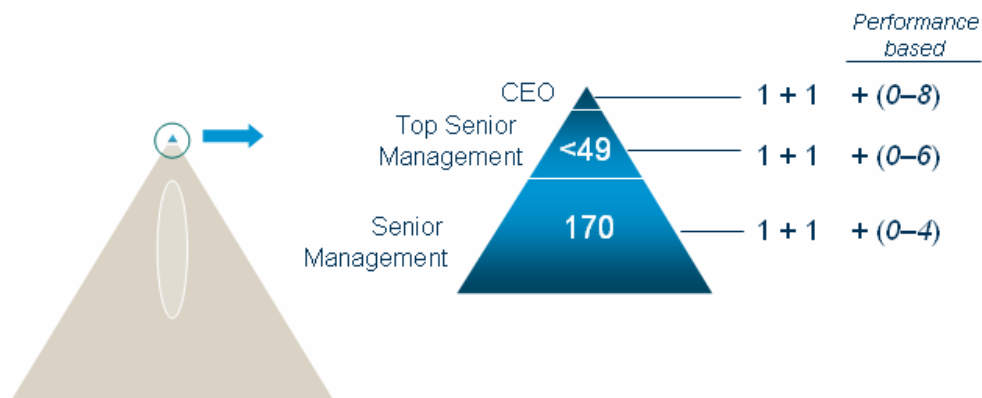


**Executive Performance Stock Plan**

The plan is designed to encourage long-term value creation and profit growth in alignment with shareholders’ interests. The aim is to attract, retain and motivate executives in a competitive market through performance-based share-related incentives. An exclusive group of 220 senior managers is invited to participate.

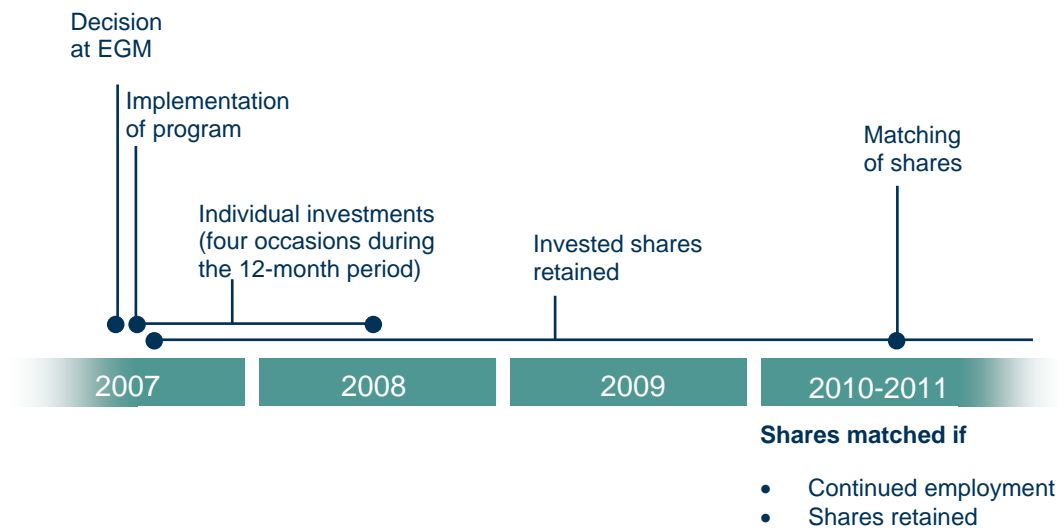
This plan is strictly performance-based. The size of the grant after the three-year performance-testing period is linked to growth of earnings per share (EPS). No shares are granted if three-year average annual EPS-growth is below 5 percent. At 5 percent the minimum matching of shares will occur. The maximum number of shares is earned if EPS growth is above 15 percent.

Before shares are awarded under the Executive Performance Stock Plan, the Board of Directors conducts a fairness check. The Board of Directors reserves the right to reduce the number of awarded shares based on certain conditions such as Ericsson’s financial results, performance in relation to competitors and other circumstances.



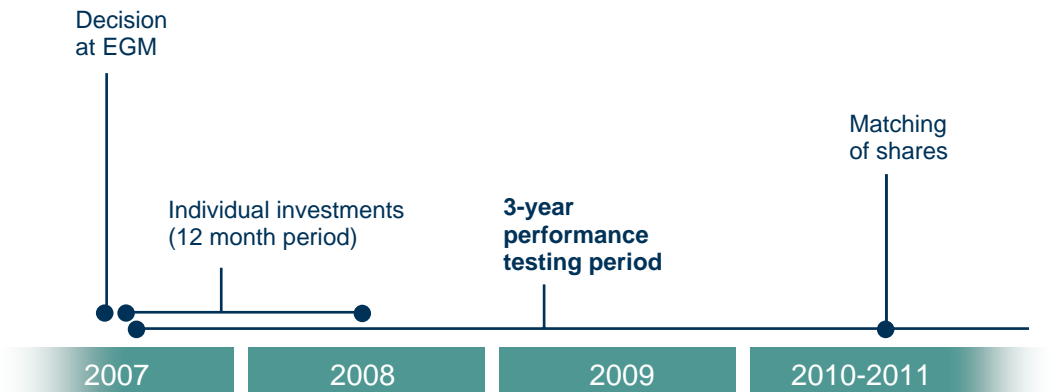
**LTV 2007 – A Three-Year Horizon**

Stock Purchase & Key Contributor Retention Plans  
Shares vested after three years



*Timeline illustrating the three-year period for the Stock Purchase Plan and the Key Contributor Retention Plans.*

## Executive Performance Stock Plan Performance test: 3-year average EPS-growth



### Shares matched if

- Continued employment
- Shares retained
- Performance criteria met
- Fairness check cleared

### Financing

The plans can be financed in different ways. The Board of Directors has evaluated two alternative suggestions for financing and proposes that employees' own shares are used for matching. This alternative is significantly cheaper, and demands a 90 percent majority approval. The second alternative is an agreement with a third party to transfer shares to employees, but requires only a simple majority.