



Item 17

Long-Term Variable Compensation Program 2017 (“LTV 2017”) including transfer of treasury stock, directed share issue and authorization for the Board of Directors to decide on an acquisition offer

Following its continuous evaluation of the company’s long-term variable compensation, the Board of Directors has concluded that the structure of the previous and ongoing LTV programs results in an unsustainable share dilution effect. The Board of Directors has therefore decided not to propose a Stock Purchase Plan for all employees with connected Key Contributor Plan and Executive Performance Stock Plan for 2017. As a result, LTV 2017 is proposed to replace part of the previous Executive Performance Stock Plan.

LTV 2017 is an integral part of the Company's remuneration strategy, in particular the Board of Directors wishes to encourage the leadership to build significant equity holdings to align the interests of the LTV Program participants with those of shareholders.

Proposals

The Long-Term Variable Compensation Program 2017

The Board of Directors proposes that the Annual General Meeting resolve on the implementation of a Long-Term Variable Compensation Program 2017 in accordance with the proposals set out below.

17.1 Implementation of the LTV 2017

The Board of Directors proposes that the Annual General Meeting resolves on the LTV 2017 for members of the Global Leadership Team, comprising a maximum of 3 million shares of series B in Ericsson as set out below.

Objectives of the LTV Program

The LTV Program is designed to provide long-term incentives for members of the Global Leadership Team (the “**Participants**”) and to incentivise the Company’s performance creating long-term value. The aim 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 holdings to align the interests of the Participants with those of shareholders.

The LTV Program in brief

The LTV Program is proposed to include all members (current and future) of the Global Leadership Team, currently comprising of 28 employees. Awards under LTV 2017 will be granted free of charge entitling the participant, provided that i.a. certain performance conditions set out below are met, to receive a number of shares, free of charge, following expiration of the three-year vesting period (“**Performance Share Awards**”). Allotment of shares pursuant to Performance Share Awards will be subject to the achievement of performance conditions, as set out below, and will generally require that the Participant retains his or her employment over a period of three years



from the date of grant (the “**Vesting Period**”). All major decisions relating to LTV 2017 will be taken by the Remuneration Committee, with approval by the full Board of Directors as required.

Granting of Performance Share Awards

Granting of Performance Share Awards to the Participants will generally take place as soon as practicably possible following the Annual General Meeting 2017. For 2017, the value of the underlying shares in respect of the Performance Share Award made to the President & CEO will not exceed 180% of the annual base salary at the time of grant, and for other participants, the value will not exceed 22.5% of the participants’ respective annual base salaries at the time of grant. The share price used to calculate the number of shares to which the Performance Share Award entitles will be the volume-weighted average of the market price of Ericsson B shares on Nasdaq Stockholm during the five trading days immediately following the publication of the Company’s interim report for the first quarter 2017.

Performance criteria

The vesting of Performance Share Awards will be subject to the satisfaction of challenging performance conditions which will determine what portion (if any) of the Performance Share Awards will vest at the end of the Performance Period, as defined below. The two performance criteria are based on absolute TSR¹ development and relative TSR development for the Ericsson B share over the period January 1, 2017 - December 31, 2019 (the “**Performance Period**”).² The two performance criteria relate to 50% each of the Performance Share Award and the maximum vesting level for each of the performance criteria is 200%.

The following two performance criteria will apply to Performance Share Awards granted in 2017:

- Absolute TSR performance
50% of a Performance Share Award granted to a Participant will be subject to fulfilment of an absolute TSR performance requirement over the Performance Period. If the absolute TSR development reaches or exceeds 14% per annum compounded, the maximum vesting of 200% of the Performance Share Award related to absolute TSR shall occur. If the absolute TSR development is below or reaches only 6% per annum compounded, no vesting will occur in respect of the Performance Share Award related to the absolute TSR. A linear pro-rata vesting from 0% to 200% of the Performance Share Award related to absolute TSR shall apply if the Company’s absolute TSR performance is between 6% and 14% per annum compounded.
- Relative TSR performance
The remaining 50% of a Performance Share Award granted to a Participant will be subject to fulfilment of a relative TSR performance requirement over the Performance Period, compared to a peer group consisting of 18 peer companies (the “**Peer Group**”).³ The

¹ Total shareholder return, i.e. share price growth including dividends.

² To provide a stable assessment of performance, the TSR development will be calculated based on the average closing price of the Ericsson B share on Nasdaq Stockholm (or the corresponding closing share price of the relevant peer group company) for the three-month period immediately prior to the commencement and expiration of the Performance Period.

³ The Peer Group consists of the following companies: Accenture, ASML Holding, Cap Gemini, CGI Group, Cisco Systems, Cognizant, Corning, F5 Networks, Harris, Hewlett Packard Enterprises, Infosys, International Business Machines, Juniper Networks, Motorola Solutions, Nokia, NTT Data, Qualcomm and SAP. TSR will be measured in Swedish Krona (SEK) for all companies in line with best practice.



vesting of the relative TSR related Performance Share Award varies depending on the Company's TSR performance ranking versus the other companies in the Peer Group. If the Company's relative TSR performance is below the TSR development of the company ranked 12th in the Peer Group, no vesting will occur in respect of the Performance Share Award related to relative TSR performance. Vesting of the Performance Share Award related to relative TSR performance will occur at the following percentage levels, based on which ranking position in the Peer Group the Company's TSR Performance corresponds to:

<i>Position within the Peer Group</i>	<i>Associated vesting percentage level</i>
12 or lower	0%
11	40%
10	80%
9	120%
8	140%
7	160%
6	180%
5 or higher	200%

If the Company's TSR performance is between two of the ranked companies, a linear pro-rata vesting shall apply between the vesting percentage levels for the relevant ranked positions.

Information about the outcome of the performance criteria will be provided in the annual report for the financial year 2019.

Allotment of shares

Provided that the performance criteria above have been met during the Performance Period and that the Participant has retained his or her employment (unless special circumstances are at hand) during the Vesting Period, allotment of vested shares will take place as soon as practicably possible following the expiration of the Vesting Period.

When determining the final vesting level of Performance Share Awards, the Board of Directors shall examine whether the vesting level is reasonable considering the Company's financial results and position, conditions on the stock market and other circumstances, and if not, as determined by the Board of Directors, reduce the vesting level to the lower level deemed appropriate by the Board of Directors.

In the event delivery of shares to Participants cannot take place under applicable law or at a reasonable cost and employing reasonable administrative measures, the Board of Directors will be entitled to decide that Participants may, instead, be offered a cash settlement.

Financing

The Board of Directors has considered different financing methods for transfer of shares under the LTV 2017, such as transfer of treasury stock and an equity swap agreement with a third party.



The Board of Directors considers that a directed issue of C shares, followed by buy-back and transfer of treasury stock is the most cost efficient and flexible method to transfer shares under the LTV 2017.

The Company's current holding of treasury stock is not sufficient for the carrying out of the LTV 2017. Therefore, the Board of Directors proposes a directed share issue and buy back of shares as further set out below under item 17.2. Under the proposed transactions, shares are issued at the share's ratio value and bought back as soon as the shares have been subscribed for and registered. The purchase price paid by the Company to the subscriber equals the subscription price. As compensation to the subscriber for its assistance in the issuance and buy-back of shares, the Company will pay to the subscriber an amount totaling SEK 50,000, corresponding to less than 1.7 öre (SEK 0.017) per new issued and re-purchased share.

The procedure of issuance and buy-back of shares for the Company's long-term variable compensation programs has previously been decided by the Annual General Meetings of shareholders in 2001, 2003, 2008, 2009, 2012 and 2016.

Since the costs for the Company in connection with an equity swap agreement will be significantly higher than the costs in connection with transfer of treasury stock, the main alternative is that the financial exposure is secured by transfer of treasury stock.

Costs

The total effect on the income statement of the LTV 2017, including financing costs and social security fees, is estimated to range between SEK 51 million and SEK 141 million distributed over the years 2017-2020.

The administration cost for transfer of shares by way of an equity swap agreement is estimated to approximately SEK 4.6 million, compared to approximately SEK 50,000 for using new issued and acquired shares in treasury.

Dilution

The Company has approximately 3.3 billion shares in issue. As per December 31, 2016, the Company held approximately 62.2 million shares in treasury. The number of shares that may be required for ongoing programs as per December 31, 2016 is estimated to approximately 64 million shares, corresponding to approximately 2 percent of the number of outstanding shares. The number of shares required for the ongoing 2016 LTV program cannot be determined until the end of the investment period in August 2017. In order to implement LTV 2017, a total of up to 3 million shares are required, which corresponds to approximately 0.1 percent of the total number of outstanding shares. The effect on important key figures is only marginal.

Item 17.2 Transfer of treasury stock, directed share issue and acquisition offer for the LTV 2017

a) Transfer of treasury stock under the LTV 2017



Transfer of no more than 2.2 million shares of series B in the Company may occur on the following terms and conditions.

- The right to acquire shares shall be granted to such persons within the Ericsson Group covered by the terms and conditions pursuant to the LTV 2017. Furthermore, 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 employees covered by the terms and conditions of the LTV 2017.
- The employee shall have the right to receive shares during the period when the employee is entitled to receive shares pursuant to the terms and conditions of the LTV 2017, i.e. in 2020.
- Employees covered by the terms and conditions of the LTV 2017 shall receive shares of series B in the Company, free of consideration.

b) Transfer of treasury stock on an exchange

The Company shall have the right to, prior to the Annual General Meeting in 2018, transfer no more than 800,000 shares of series B in the Company, in order to cover certain expenses, mainly social security payments. Transfer of the shares shall be effected on Nasdaq Stockholm at a price within the, at each time, prevailing price interval for the share as disseminated by Nasdaq Stockholm.

c) Directed issue of shares of Series C

Increase of the share capital in Ericsson with SEK 15,000,000 by an issue of 3 million shares of series C, each share with a ratio value of SEK 5. The terms and conditions of the share issue are the following.

- The new shares shall - with deviation from the shareholders' preferential right - be subscribed for only by Investor AB or subsidiaries of this company.
- The new shares shall be subscribed for during the period May 4-8, 2017. Over-subscription may not occur.
- The amount that shall be payable for each new share shall be SEK 5.
- Payment for the subscribed shares shall be made at the time of subscription.
- The new shares shall not entitle the holders to dividend payment.
- It is noted that the new shares are subject to restrictions pursuant to chapter 4, section 6 (conversion clause) and chapter 20, section 31 (redemption clause) of the Swedish Companies Act.

d) Authorization for the Board of Directors to decide on a directed acquisition offer

Authorization for the Board of Directors to decide that 3 million shares of series C in Ericsson be acquired according to the following.

- Acquisition may occur by an offer to acquire shares directed to all holders of shares of series C in Ericsson.
- The authorization may be exercised until the Annual General Meeting in 2018.
- The acquisition shall be made at a price of SEK 5 per share.



- Payment for acquired shares shall be made in cash.

Item 17.3 Equity Swap Agreement with third party in relation to the LTV 2017

In the event that the required majority is not reached under item 17.2 above, the financial exposure of the LTV 2017 shall be hedged by the Company entering into an equity swap agreement with a third party, under which the third party shall, in its own name, acquire and transfer shares in the Company to employees covered by the LTV 2017.

Special authorization for the President

The Board of Directors further proposes that the President be authorized to make such minor adjustments to the resolutions above as may prove necessary in connection with the registration with the Swedish Companies Registration Office.

Majority rules

The resolution of the Annual General Meeting on implementation of the program according to item 17.1 above requires that more than half of the votes cast at the Annual General Meeting approve the proposal. The Annual General Meeting's resolution on transfer of treasury stock, directed share issue and authorization for the Board of Directors to decide on an offer to acquire treasury stock according to item 17.2 above requires that shareholders representing at least nine-tenths of the votes cast as well as the shares represented at the Annual General Meeting approve the proposal. A valid resolution in accordance with the proposal for an equity swap agreement under item 17.3 above requires that more than half of the votes cast at the Annual General Meeting approve the proposal.

Description of ongoing variable compensation programs

The Company's ongoing variable compensation programs are described in detail in the Annual Report 2016 in the note to the Consolidated Financial Statements, Note C28 and on the Company's website. The Remuneration Report published in the Annual Report outlines how the Company implements its guidelines on remuneration to Group management in line with the Swedish Corporate Governance Code.

Stockholm, February 2017

THE BOARD OF DIRECTORS