

# LTV 2014 IN BRIEF

This document contains information on the Board of Directors of Telefonaktiebolaget LM Ericsson's proposal to the Annual General Meeting on April 11, 2014 for implementation of an all-employee Stock Purchase Plan, a Key Contributor Retention Plan and an Executive Performance Stock Plan and, under each plan respectively, transfer of treasury stock. The Board's complete proposal is available at the company and on the company's website, [www.ericsson.com](http://www.ericsson.com), from March 6, 2014 and will be sent to shareholders upon request.

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## LONG-TERM VARIABLE COMPENSATION PROGRAM 2014 (LTV 2014)

The LTV program is an integral part of the Company's remuneration strategy, in particular the Board of Directors wishes to encourage all employees to become and remain shareholders and the leadership to build significant equity holdings. Following the Board of Directors' annual evaluation of total remuneration and ongoing programs it proposes to make no changes to the structure of the Ericsson's Long-Term Variable Compensation Program.

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

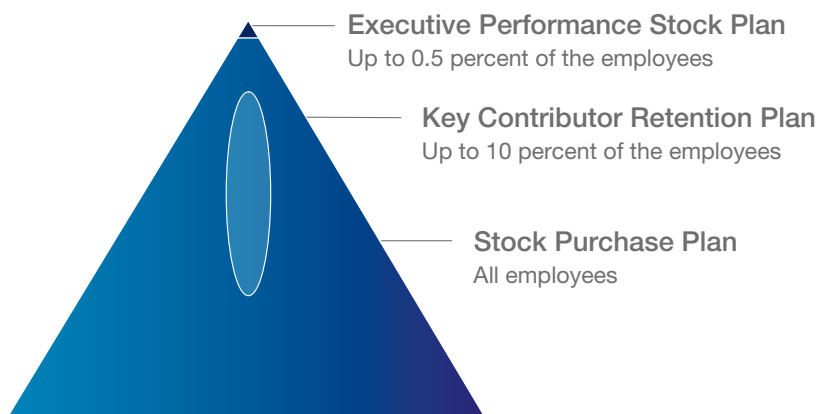


## ONE PLATFORM – THREE PLANS

The LTV 2014 is a share-based remuneration program based on a common 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 a defined group with the aim of attracting, retaining and motivating them

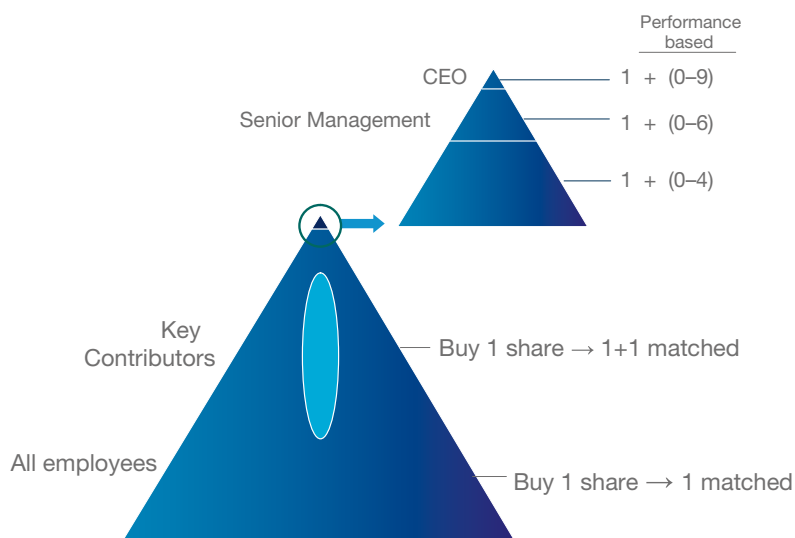


## OVERVIEW OF THE PROGRAM

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 fixed salary (CEO: 10 percent of fixed and short term variable remuneration) may be saved for investment in Ericsson shares
- > Invested shares must be retained for three years
- > Continued employment at the time of vesting



- > 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 4/6/9 extra matching shares under the Executive Performance Stock Plan if the performance criteria are met

For details, see descriptions below of each plan and the complete proposal.

## 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 implementation, 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.

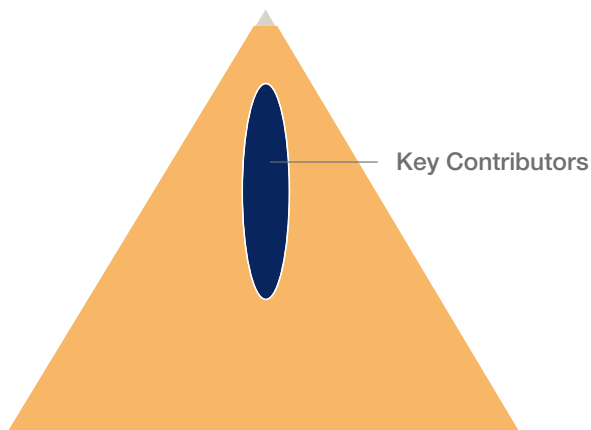
*Participation requires that it is legally possible as well as within reasonable administrative costs according to the assessment of Ericsson.*

## KEY CONTRIBUTOR RETENTION PLAN

The Key Contributor Retention Plan is part of Ericsson’s talent strategy and is designed to ensure long-term retention of top-talent individuals with critical skills vital to Ericsson’s future performance.

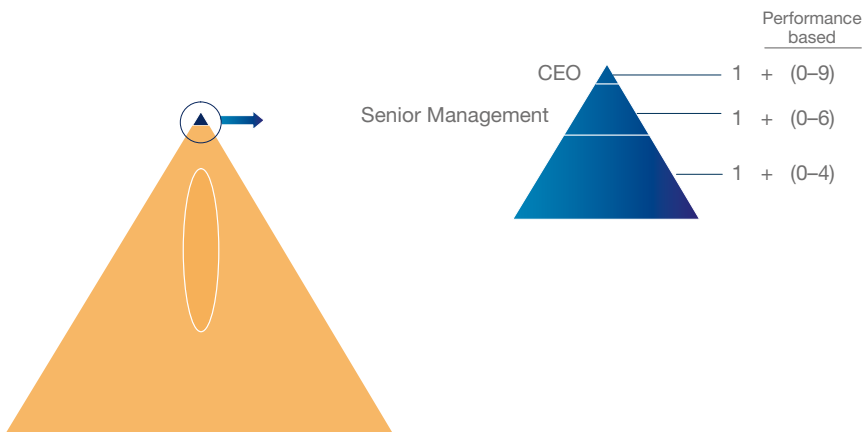
Up to ten percent of the company’s employees are defined as “key contributors”, based on a rigorous selection process incorporating elements such as individual performance, critical skills and future potential.

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



## EXECUTIVE PERFORMANCE STOCK PLAN

The Executive Performance Stock Plan is designed to encourage a long-term value creation, in alignment with shareholders' interests. The plan is offered to a defined group of senior managers, up to 0.5 percent of the total employee population. 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 personal equity stakes.



## EXECUTIVE PERFORMANCE STOCK PLAN (CONTINUED)

This plan is strictly performance-based. The Executive Performance Stock Plan 2011 introduced three new performance measures of Net Sales Growth, Operating Income Growth and Cash Conversion to better reflect the business strategy and long term value creation of the Company. The Executive Performance Stock Plans 2012 and 2013 include the same criteria and it is proposed that the Executive Performance Stock Plan 2014 shall have the same performance criteria for the period 2014–2016

	Base Year 0	Year 1	Year 2	Year 3					
<b>Growth</b>	Compound Annual Growth Rate of 2 to 8% Net Sales Growth				Up to one third of the award will vest if the compound annual growth rate of consolidated net sales is between 2 and 8 percent comparing 2016 financial results to 2013, which corresponds to consolidated sales of SEK 239 billion and SEK 284 billion for the financial year 2016.				
<b>Margin</b>						Compound Annual Growth Rate of 5 to 15% Operating Income Growth			Up to one third of the award will vest if the compound annual growth rate of consolidated operating income is between 5 and 15 percent comparing 2016 financial results to 2013, which corresponds to operating income of SEK 18 billion and SEK 24 billion for the financial year 2016.
<b>Cash flow</b>									

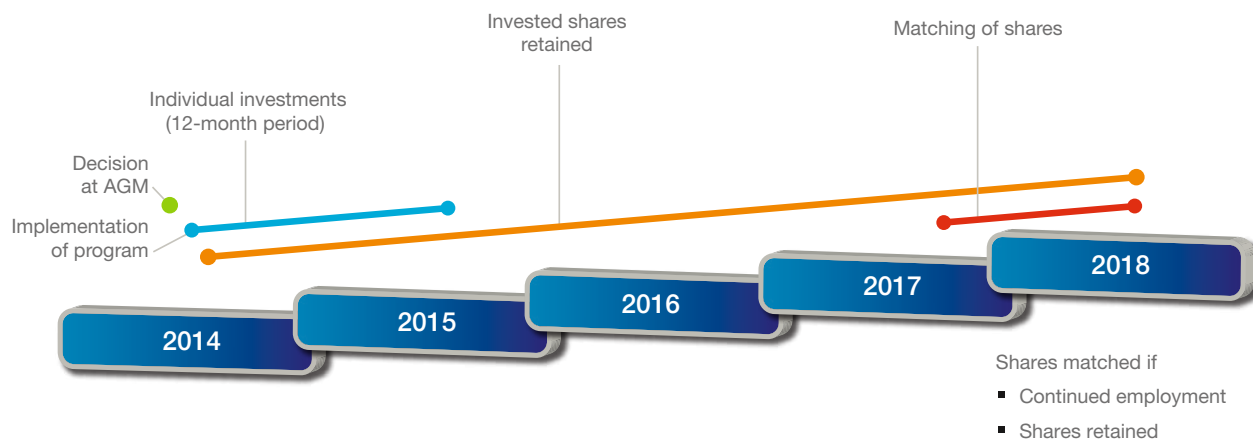
Before shares are awarded under the Executive Performance Stock Plan, the Board of Directors conducts a fairness check. The Board of Directors reserves the right to reduce the number of awarded shares based on certain conditions such as Ericsson's financial results, performance in relation to competitors and other circumstances. The Board of Directors will consider, in particular, the impact of larger acquisitions, divestitures, the creation of joint ventures and any other significant capital event on the three targets on a case by case basis.



## A LONG-TERM HORIZON

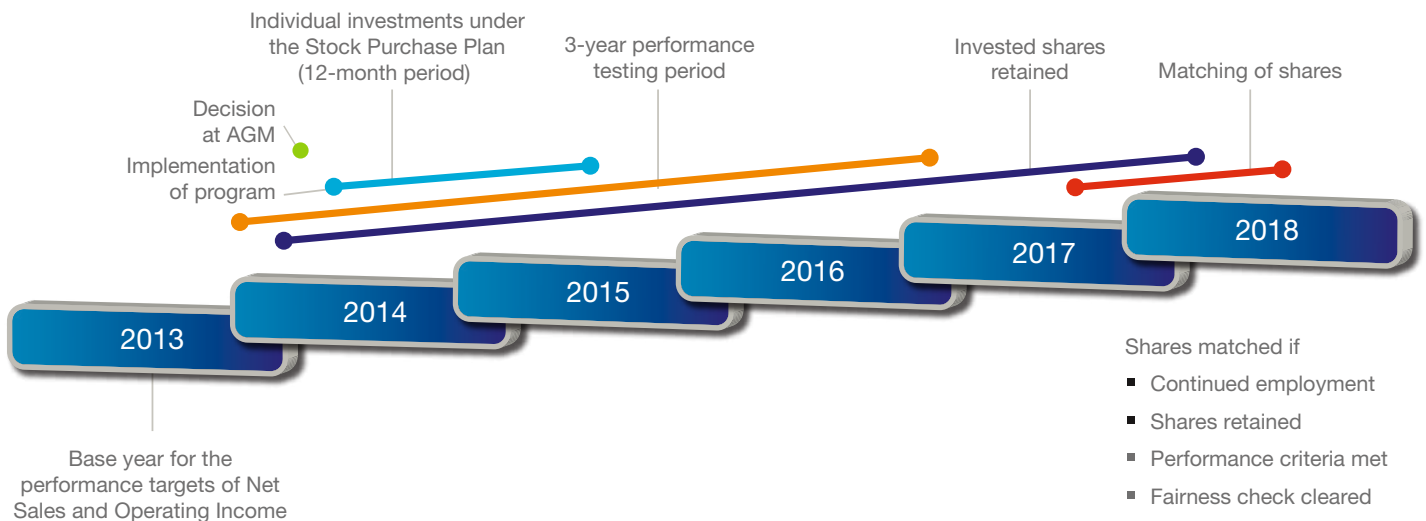
### STOCK PURCHASE & KEY CONTRIBUTOR RETENTION PLANS

Shares begin to vest after three years



### EXECUTIVE PERFORMANCE STOCK PLAN

Performance test: 3-year Net Sales Growth, Operating Income Growth and Cash Conversion



## FINANCING

The Board of Directors has considered different financing methods for transfer of the shares to employees under the LTV 2014, such as transfer of treasury stock and an equity swap agreement with a third party. The Board of Directors considers the transfer of treasury stock as the most cost efficient and flexible method to transfer shares under the LTV 2014.

The administration cost for transfer of shares by the alternative way of an equity swap agreement is estimated to some SEK 183 million.

## COSTS AND DILUTION

The total effect on the income statement of the LTV 2014, including financing costs, is estimated to range between SEK 1,126 million and SEK 1,984 million unevenly distributed over the years 2014–2018. The costs can be compared with Ericsson's total remuneration costs 2013, including social security fees, amounting to SEK 65 billion.

The 27.6 million shares required to implement the LTV 2014 correspond to approximately 0.86 percent of the total number of outstanding shares.

## VOTING AND MAJORITY RULES

The proposal gives the shareholders the opportunity to vote for the respective plan and its financing.

Resolutions for each of the three plans	Majority requirement
1. Implementation of the plan	More than 50% of the votes cast at the General Meeting
2. Financing of the plan with treasury stock <ul style="list-style-type: none"> <li>• transfer of treasury stock to employees</li> <li>• transfer of treasury stock on an exchange</li> </ul>	At least 90% of the votes cast as well as the shares represented at the General Meeting
Only if the required majority under 2. is not reached	
3. Financing of the plan by an equity swap agreement	More than 50% of the votes cast at the General Meeting