

REMUNERATION REPORT

The Remuneration Committee advises the Board of Directors on an ongoing basis on the remuneration of Group Management. This includes fixed salaries, pensions, other benefits and short-term and long-term variable remuneration, all in the context of pay and employment conditions throughout Ericsson. The Remuneration Committee also approves variable remuneration outcomes, prepares remuneration related proposals for Board and shareholder approval and develops and monitors the remuneration policy, strategies and general guidelines for employee remuneration.

Remuneration 2009

During 2009, as the financial crisis hit the world with its full force, there was an increased public focus on compensation and benefits matters. In its work the Remuneration Committee has followed the debate closely. The Committee met seven times during the year. The winter meetings were primarily dedicated to reviewing and implementing a zero salary increase for senior management, the vesting of variable compensation awards and proposals to shareholders at the Annual General Meeting (AGM). In 2009 the policy for senior management remuneration and the Long-Term Variable share-based plans were brought to the AGM with no major changes proposed. During the summer the Committee reviewed short-term targets to ensure that they remained appropriate and challenging. In the fall it began the cycle again with a review of the remuneration strategy, the variable compensation plans and levels of fixed compensation. As is illustrated below, the Committee has also considered market trends, existing and potential remuneration risks, target setting, its working arrangements and investor consultations.

ANNUAL CYCLE OF THE REMUNERATION COMMITTEE'S WORK

FALL

- Review of committee working arrangements
- Issues, trends and market practice analyses
- Review of Executive Performance Stock Plan target achievement and vesting decision
- Review of risks associated with remuneration
- Review of remuneration policy, package construction and design of individual elements

SUMMER

- Review of appropriateness of targets



WINTER

- Salary review for Group Management and other senior executives
- Review of target achievements for Short-Term Variable plan, vesting and target setting decisions
- Target setting for Long-Term Variable plan
- Proposals for AGM
- Communications to investors, including Annual Report
- Review of total remuneration outcomes and costs

SPRING

- Annual General Meeting of shareholders

CONTENTS

Remuneration 2009	138
The Remuneration Committee	139
Remuneration policy	139
Key elements of remuneration	140

Activities during the second half of 2009 resulted in an updated remuneration policy being brought to the AGM which better demonstrates the basic remuneration principles within Ericsson.

This chapter outlines how the remuneration policy is implemented throughout Ericsson in line with corporate governance best practice, with specific references to senior management. To begin with, the work of the Remuneration Committee and our remuneration policy are explained, followed by descriptions of plans and approaches. More details of the remuneration of senior management and Board members' fees can be found in the Notes to the Consolidated Financial Statements – Note C29, “Information regarding Members of the Board of Directors, the Management and Employees” (“Note C29”). Senior management comprises the Group Management Team, including the CEO, and will hereafter be referred to as “Group Management”.

SUMMARIES OF 2009 SHORT- AND LONG-TERM VARIABLE REMUNERATION				
What we call it	What is it?	What is the objective?	Who participates?	How is it earned?
Short-term: Remuneration delivered over 12 months or less				
Fixed salary	Fixed remuneration paid at set times	Attract and retain employees, delivering part of annual remuneration in a predictable format	All employees	Market appropriate levels set according to position and evaluated according to individual performance
Short-Term Variable compensation (STV)	A variable plan that is measured and paid over a single year	Align employees with clear and relevant targets, providing an earnings opportunity in return for variable cost and performance	Managers, including Group Management	Achievements against set targets. Reward can increase to up to twice the target level and decrease to zero, depending on performance
Local and Sales Incentive Plans	Tailored versions of the STV	As for STV, tailored for local or business requirements, such as sales	Most employees	Similar to STV. All plans have maximum award and vesting limits
Long-term: Remuneration delivered over 3 years or more				
Stock Purchase Plan (SPP)	All-employee stock-based plan	Reinforce a "One Ericsson" and align employees' interests with those of shareholders	All employees are eligible	Buy one share and it will be matched by one share after 3 years if still employed
Key Contributor Retention Plan (KC)	Share-based plan for selected individuals	Recognize, retain and motivate key contributors for performance, critical skills and potential	Up to 10 percent of employees	If selected, get one more matching share in addition to the SPP one
Executive Performance Stock Plan (EPSP)	Share-based plan for senior executives	Remuneration for long-term commitment and earnings performance	Senior executives, including Group Management	Get up to 4, 6 or, for CEO, 8 further matching shares to the SPP one for EPS growth performance

The Remuneration Committee

The Remuneration Committee's work is the foundation for the governance of our remuneration processes together with our internal systems and audit controls. The Committee is chaired by Michael Treschow and its other members are Nancy McKinstry, Börje Ekholm and Karin Åberg. Karin Åberg replaced Monica Bergström after the 2009 Annual General Meeting. All the members are non-executive directors, independent (except for the employee representative) as required by the Swedish Code of Corporate Governance and have relevant knowledge and experience of remuneration matters.

The Company's General Counsel acts as secretary to the Committee. The Chief Executive Officer, the Senior Vice President Human Resources & Organization and the Vice President Compensation & Benefits attend the Remuneration Committee meetings by invitation and assist the Committee in its considerations, except when issues relating to their own remuneration are being discussed.

The Remuneration Committee has appointed an independent expert advisor, Gerrit Aronson, to assist and advise the Committee. Gerrit Aronson provided no other services to the Company during 2009. The Remuneration Committee is also provided with national and international pay data collected from external survey providers and can call on other independent expertise, should it so require. The Chairman continues to ensure that contact is maintained, as necessary and appropriate, with principal shareholders on the subject of remuneration.

The purpose and function of the Remuneration Committee will continue going forward and its terms of reference can be found on the Ericsson website (www.ericsson.com). These terms of reference, together with the remuneration policy, are reviewed annually in light of matters such as changes to corporate governance best practice or changes to accounting, legislation, political opinion or business practices among peers. This helps to ensure that the policy continues to provide Ericsson with a competitive remuneration strategy. The policy for senior management remuneration is, in accordance with Swedish law, brought to shareholders annually for approval.

Remuneration policy

Remuneration at Ericsson is based on the principles of performance, competitiveness and fairness. Our remuneration policy together with the mix of remuneration elements are designed to reflect these remuneration principles by creating a balanced remuneration package. The policy for 2009 can be found in Note C29. The proposed resolution for the 2010 AGM can be found in the Board of Directors' Report and, together with resolutions relating to the long-term variable remuneration plans, in the Notice of Annual General Meeting on our website. The auditors' opinion on how we have followed our policy during 2009 is also posted on the website.

	Short-Term Variable remuneration as percentage of Fixed Salary			Percentage of Short-Term Variable remuneration opportunity		
	Target level	Maximum level	Actual paid for 2009	Group Financial Targets	Unit/Functional Financial Targets	Non-Financial Targets
CEO 2009	40%	80%	39.5%	90%	0%	10%
CEO 2010	40%	80%	–	90%	0%	10%
Average Group Management 2009 ¹⁾	31%	62%	39.0%	62%	23%	15%
Average Group Management 2010 ¹⁾	34%	68%	–	73%	16%	11%

¹⁾ Excludes CEO – differences in target and maximum levels from year to year are due to changes in the composition of Group Management

Key elements of remuneration

For Group Management, total remuneration consists of fixed salary, short-term and long-term variable remuneration, pension and other benefits. If the size of any one of these elements is increased or decreased, at least one other element has to change where the competitive position should remain unchanged.

Fixed salary

Fixed salaries are set to be competitive within an individual's home market. When setting fixed salaries the Remuneration Committee considers the impact on total remuneration, including pension and associated costs. The absolute levels are determined by the size and complexity of the position and the year-to-year performance of the individual. Together with other elements of remuneration, Group Management salaries are subject to an annual review by the Remuneration Committee, which considers external pay data to ensure that levels of pay remain competitive and appropriate to the remuneration policy.

For 2009 it was decided that it was strategically appropriate not to increase fixed salaries for Group Management and other senior executives.

Variable remuneration

At Ericsson we strongly believe that, where possible, we should encourage variable compensation. First and foremost this aligns employees with clear and relevant targets but it also enables more flexible payroll costs and emphasizes the link between performance and pay. All variable remuneration plans have maximum award and vesting limits.

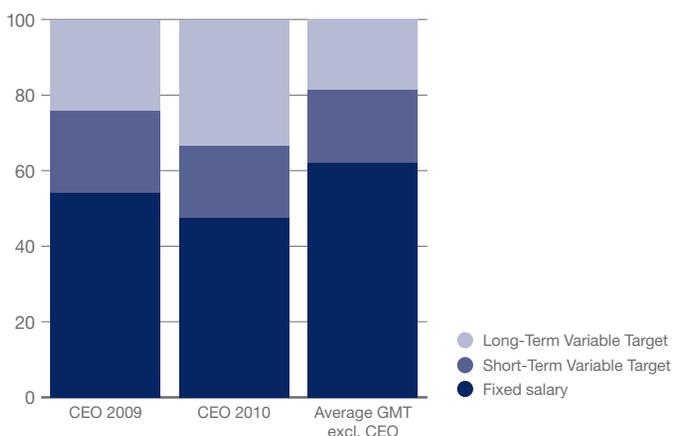
Short-Term Variable remuneration

The annual variable remuneration is delivered through cash-based programs. Specific business targets are derived from the annual business plan approved by the Board of Directors and, in turn, defined by the Company's long-term strategy. Ericsson strives to grow faster than the market with best-in-class margins and strong cash conversion and therefore the starting point is to have these as three core targets:

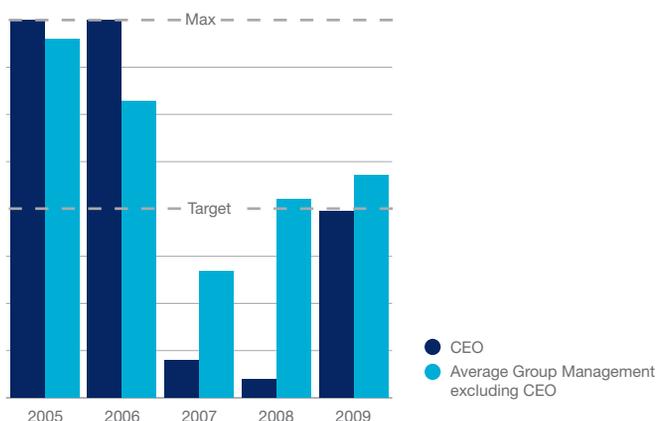
- > Sales Growth
- > Operating Income
- > Cash Flow

For Group Management, targets are thus predominantly financial targets at either Group level or at the individual unit level and may also include operational targets like customer satisfaction and employee motivation. Targets are cascaded to all managers and will vary depending on the specific position.

FIXED SALARY, SHORT-TERM AND LONG-TERM VARIABLE REMUNERATION AS PERCENT OF TOTAL TARGET REMUNERATION



SHORT-TERM VARIABLE REMUNERATION PAYOUTS AND TARGET LEVELS



All variable remuneration targets have to be objective and measurable and typically refer to a result that is achieved on a collective basis. Each target is, in accordance with our strict governance instructions, defined in a “target specification” and measured over the calendar year. The target setting process is fully integrated with the strategy work and target levels are tested against plans and forecasts up until they are finalized around the turn of the year. The Board of Directors and the Remuneration Committee decide on all Ericsson Group targets, which are cascaded to unit-related targets throughout the Company, always subject to a two levels of management approval process. The Remuneration Committee monitors the appropriateness and fairness of Group target levels throughout the performance year and has the authority to revise them should they cease to be relevant, stretching and/or enhance shareholder value.

During 2009, approximately 65,000 employees participated in short-term variable plans. Of these 6,000 were in the global Short-Term Variable remuneration plan (“STV”) for management, including Group Management, and 4,000 were in the global Sales Incentive Plan. Local plans vary in design according to local competitive practice.

The chart on the previous page illustrates how payouts to Group Management have varied with performance over the past five years.

Long-Term Variable remuneration

Share-based long-term variable remuneration plans are submitted each year for approval by shareholders at the Annual General Meeting. All long-term variable remuneration plans are designed to form part of a well-balanced total remuneration and span over a minimum of three years. As these are variable plans, outcomes are unknown and rewards depend on long-term personal investment, corporate performance and resulting share price performance. During 2009, share-based remuneration was made up of three different but linked plans: The all-employee Stock Purchase Plan, the Key Contributor Retention Plan and the Executive Performance Stock Plan.

The Stock Purchase Plan

The all-employee Stock Purchase Plan is designed to offer, where practicable, an incentive for all employees to participate, reinforcing a “One Ericsson” aligned with shareholder interests. Employees can save up to 7.5 percent (CEO 9 percent) of gross fixed salary for purchase of class B shares at market price on the NASDAQ OMX Stockholm or ADSs on NASDAQ (contribution shares) over a twelve-month period. If the 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’s shares will be matched with a corresponding number of class B shares or ADSs. The plan was introduced in 2002 and employees in 94 countries participate. In December 2009 the number of participants was in excess of 18,000 or approximately 25 percent of eligible employees.

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 and hence the matching spans over two financial years and two tax years.

The Key Contributor Retention Plan

The Key Contributor Retention Plan is part of Ericsson’s talent management strategy and is designed to give individuals recognition for performance, critical skills and potential as well as encourage retention of key employees. Under the program, operating units around the world are given quotas that total no more than 10 percent of employees world-wide. Each unit nominates individuals that have been identified according to performance, critical skills and potential. The nominations are calibrated in management teams locally and reviewed by both local and corporate Human Resources to ensure that there is a minimum of bias and a strong belief in the system. Participants selected obtain one extra matching share in addition to the one matching share for each contribution share purchased under the Stock Purchase Plan during a twelve-month program period. The plan was introduced in 2004.

The Executive Performance Stock Plan

The Executive Performance Stock Plan was also first introduced in 2004. The plan is designed to focus management on driving earnings and provide market competitive remuneration. Senior executives, including Group Management, are selected to obtain up to four or six extra shares (performance matching shares). This is in addition to the one matching share for each contribution share purchased under the all employee Stock Purchase Plan and the performance matching is subject to the fulfillment of an Earnings per Share (EPS) performance target. For the programs since 2006, the CEO is allowed to invest up to 9 percent of fixed salary in contribution shares and may obtain up to eight performance matching shares in addition to the Stock Purchase Plan matching share for each contribution share.

The use of average annual EPS growth with challenging and stretching targets as a performance measure has reflected Ericsson’s ongoing strategy of adding shareholder value through the long-term improvement of profitability.

The Remuneration Committee has been satisfied that the use of an EPS performance target has been preferable to other measures, including those that reflect relative performance. However, alternative measures are being considered for future plans. The performance targets are not capable of being retested after the end of the three-year performance period. If the minimum required performance is not achieved, all matching shares subject to performance will lapse. The Board may also reduce the number of performance matching shares, if deemed appropriate, considering the Company’s financial results and position, conditions on the stock market and other relevant circumstances at the time of matching. The Remuneration Committee analyzes the financial results against those of competitors in the industry.

REMUNERATION LEVELS AS AT THE BEGINNING OF 2009 (SEK)					
	2009 Fixed Salary	2009 Target Short-Term Variable	2009 Target Long-Term Variable ²⁾	Total Target Remuneration 2009 ³⁾	Total Target Remuneration 2008
CEO	15,750,000	6,300,000	7,087,500	29,137,500	29,137,500
Average Group Management ¹⁾	3,815,272	1,234,359	1,144,581	6,194,212	6,620,636

¹⁾ Excludes CEO
²⁾ Excludes personal investment from net income of up to 7.5% of gross fixed salary (9% CEO). Stock Purchase Plan matching shares plus half the maximum number of matching shares under the Executive Performance Stock Plan
³⁾ The cost of pensions and other benefits are shown in Note C29. Swedish vacation pay costs are shown under Salary in Note C29

Benefits and terms of employment

Pension benefits follow the competitive practice in the employee's home country and may contain various supplementary plans, in addition to any national system for social security. Where possible, pension plans are operated on a defined contribution basis. Under these plans, Ericsson pays contributions into a plan but does not guarantee the ultimate benefit, unless local regulations or legislation prescribe that defined benefit plans that do give such guarantees have to be offered.

For the CEO and other members of Group Management employed in Sweden a supplementary pension plan is applied in addition to the occupational pension plan for salaried staff on the Swedish labor market (ITP). The pension age is according to local practice, for Group Management normally 60 years. The pensionable salary for Group Management in Sweden consists of the annual fixed salary including vacation pay and the target value of the Short-Term Variable remuneration. For members of Group Management who are not employed in Sweden similar market competitive pension arrangements apply.

Other benefits, such as company car and medical insurance, are also set to be competitive in the local market. Group Management may not receive loans from the Company.

Group Management members have a mutual notice period of up to six months. Upon termination of employment by the Company, severance pay can amount to up to 18 months fixed salary.

Total remuneration

When we consider the remuneration of an individual, it is the total remuneration that matters. We first consider the total annual cash compensation, looking at target level of short-term variable compensation plus fixed salary. We then add target long-term variable remuneration to get total target remuneration

and, finally, pension and other benefits to arrive at the total package.

The remuneration costs for the CEO and Group Management are reported in Note C29 but as those numbers reflect costs recognized in the income statement rather than the remuneration offered or the amounts received, we outline in the tables above and below how the total remuneration adds up in its structure and the alternative viewpoint of what was received during 2009. The table above shows the remuneration levels expected at the beginning of 2009 with the fixed salary level for the year and the expected value of short- and long-term variable remuneration.

The table below shows how much was received during 2009 as remuneration outcomes. This means adding the fixed salary paid; the short-term variable remuneration from the previous year which was paid out in 2009; and the long-term variable remuneration outcomes from the 2002 stock option plan, and parts of the 2005 and 2006 Stock Purchase Plans (the Executive Performance Stock Plan did not vest for either program). The different tables show different aspects but illustrate, in particular, the variability of variable remuneration through the differences of costs, outcomes and expected rewards.

Board of Directors

The remuneration of Directors not employed by Ericsson is handled separately by the Nomination Committee and approved by the Annual General Meeting of shareholders. The remuneration consists of fees for Board and committee work, part of which can be delivered under a synthetic share program. The synthetic shares, which are valued in line with Ericsson's Class B shares, vest in cash after the publication of the year-end financial statement during the fifth year after award.

REMUNERATION OUTCOMES 2009 (SEK)					
	2009 Fixed Salary	2008 Short-Term Variable ²⁾	2002, 2005 and 2006 Long-Term Variable ³⁾	Total Remuneration Received 2009 ⁴⁾	Total Remuneration Received 2008
CEO	15,750,000	630,000	646,470	17,026,470	20,230,551
Total Group Management ¹⁾	44,277,637	16,287,601	3,266,122	63,831,360	75,170,676

¹⁾ Excludes CEO
²⁾ The STV payouts for 2009, paid in 2010, were 6,226,920 for the CEO and 15,137,637 for the rest of Group Management
³⁾ The CEO did not participate in the 2002 stock option plan. The 2005 and 2006 Long-Term Variable remuneration consists of vesting from the 2005 and 2006 Stock Purchase Plans only as the 2005 and 2006 Executive Performance Stock Plans did not vest
⁴⁾ The cost of pensions and other benefits are shown in Note C29. Swedish vacation pay costs are shown under Salary in Note C29