

ERICSSON LM TELEPHONE CO
Form 20-F
April 08, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

Registration statement pursuant to Section 12(b) or 12(g) of the Securities Exchange Act of 1934
or

Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Fiscal Year Ended December 31, 2013

or

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from/to

or

Shell company report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
Date of event requiring this shell company report:

Commission file number 000 12033

TELEFONAKTIEBOLAGET LM ERICSSON

(Exact Name of Registrant as Specified in Its Charter)

LM ERICSSON TELEPHONE COMPANY

(Translation of Registrant's Name Into English)

Kingdom of Sweden

(Jurisdiction of Incorporation or Organization)

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Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which registered
American Depositary Shares (each representing one B share) B Shares *	The NASDAQ Stock Market LLC The NASDAQ Stock Market LLC

* Not for trading, but only in connection with the registration of the American Depositary Shares representing such B Shares pursuant to the requirements of the Securities and Exchange Commission

Securities registered pursuant to Section 12(g) of the Act:

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the Annual Report:

B shares (SEK 5.00 nominal value)	3,043,295,752
A shares (SEK 5.00 nominal value)	261,755,983
C shares (SEK 1.00 nominal value)	0

Indicate by check mark if the registrant is a well-seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer

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Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

US GAAP International Financial Reporting Standards as issued by the International Accounting Standards Board Other

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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Ericsson Annual Report on Form 20-F 2013

FORM 20-F 2013 CROSS-REFERENCE TABLE

This document comprises the English version of our Swedish Annual Report for 2013 and our Annual Report on Form 20-F for the year ended December 31, 2013. Reference is made to the Form 20-F 2013 cross-reference table on pages i to vi hereof and the Supplemental Information beginning on page 135, which contains certain other information required by Form 20-F. Only (i) the information in this document that is referenced in the Form 20-F 2013 cross-reference table, (ii) the Supplemental Information, and (iii) the Exhibits required to be filed pursuant to the Form 20-F shall be deemed to be filed with the Securities and Exchange Commission for any purpose, including incorporation by reference into the Registration Statement on Form F-3 filed on April 23, 2012 (File No. 333-180880) and any other documents filed by us pursuant to the Securities Act of 1933, as amended, which incorporates by reference the 2013 Form 20-F. Any information herein which is not referenced in the Form 20-F 2013 cross-reference table or filed as an exhibit thereto shall not be deemed to be so incorporated by reference.

This annual report includes financial measures that were not calculated or presented in accordance with IFRS, and we refer to these measures as non-IFRS financial measures. Reconciliations of these non-IFRS financial measures to the most directly comparable IFRS financial measures can be found on pages 150-151 of this annual report.

Market data and certain industry forecasts used herein were obtained from internal surveys, market research, publicly available information and industry publications. While we believe that market research, publicly available information and industry publications we use are reliable, we have not independently verified market and industry data from third-party sources. Moreover, while we believe our internal surveys are reliable, they have not been verified by any independent source.

The information included on the websites that appear in the Annual Report on Form 20-F is not incorporated by reference in the report.

The following cross-reference table indicates where information required by Form 20-F may be found in this document.

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Exhibit 15.1

906 Certifications
Consent of independent registered public accounting firm

* (Incorporated herein by reference to Exhibit 1 to the Annual Report on Form 20-F for the year ended December 31, 2011 filed by the registrant on April 4, 2012 (File No. 000-12033).)

Note: The Company's holding in ST-Ericsson SA meets the requirements of Rule 3-09 under Regulation S-X for the provision of separate financial statements of ST-Ericsson SA, a non-listed Swiss company that has a December 31 fiscal year end.

The Company intends to file the financial statements of ST-Ericsson SA as of and for the year ended December 31, 2013 as an amendment to this Annual Report on Form 20-F as soon as practicable after they become available.

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THIS IS ERICSSON

We are a world-leading provider of communications networks, telecom services and support solutions. Here we look at some of the factors that make Ericsson unique.

Life in the Networked Society is becoming a reality for billions of people and millions of businesses around the world. As everything becomes connected, our world is changing. Our lives are changing. At Ericsson, we are proud of the central role we are playing in this evolution, using innovation to empower people, business and society. The solutions we provide allow people to communicate, work, study, do business and live more freely. They help create more efficient and more sustainable societies.

We have been leaders in telecommunications and related services ever since Lars Magnus Ericsson founded the company in 1876. Today, we are expanding into the Information and Communications Technology (ICT) arena, and becoming a major ICT solutions provider.

It is a natural progression: our research and innovations made mobile communications and broadband possible, and those technologies are powering modern technologies such as cloud computing, smart grids, machine-to-machine (M2M) communication and m-commerce. Every time you make a call or use an app on your smartphone, tablet or mobile computer, you are probably using one of our solutions and one of the networks provided or managed by us. When you watch video or TV, there is a good chance that one of our solutions is behind it – maybe even one of the technologies that have won us four Emmy awards.

As well as the advanced technology, we also provide world-leading services, software and infrastructure, mainly to telecom operators.

Ericsson has always been a company driven by innovation in technology and business. That is why we were the pioneers in managed services. That is why we hold so many standards-essential patents. We see our leadership in technology and services as one of the foundations of our business.

Some 40 percent of global mobile traffic runs through networks we have supplied

Every major telecom operator in the world buys solutions or services from Ericsson

We manage networks that serve more than 1 billion subscribers globally

With more than 35,000 granted patents, we have one of the industry's strongest patent portfolios.

OUR REGIONS

As a global company, we have created an efficient go-to-market organization based on 10 regions. Backed by our collective global knowledge, our regional competence and close customer relationships provide a solid foundation for profitable growth. In each of our regions, we work closely with customers to develop innovative, scalable solutions that help them increase revenue and reduce costs.

We share best practices across regions, which boosts both quality and efficiency. When a successful customer solution is identified and proven in one region, we can roll it out around the world, sharing common processes, methods and tools.

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This knowledge-sharing, the expertise and local knowledge gained through working closely with customers combine to create global scale, another of the pillars of our business success.

Operators look to long-term partners such as Ericsson for support in every aspect of their business. To ensure a consistent offering towards all customers and enable economies of scale, the same set of engagement practices operate in each region: Mobile Broadband; Communication Services; Fixed Broadband and Convergence; Managed Services; Operations and Business Support Systems; and Television and Media Management.

BUSINESS UNITS

To best reflect our business, Ericsson reports four business segments. They are reflected in the four business units, each of which is responsible for developing and maintaining its specific portfolio of products, solutions and services.

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Ericsson Annual Report on Form 20-F 2013

OUR SEGMENTS

Today, Ericsson has more than 114,000 people serving customers in over 180 countries. Our business is divided into four segments:

NETWORKS		GLOBAL SERVICES		SUPPORT SOLUTIONS		MODEMS
We provide the network infrastructure needed for mobile and fixed communication, including 2G, 3G and 4G radio networks, and IP core and transport networks. Our cost-efficient networks offer superior performance and ensure a quality user experience.		Through our 64,000 services professionals around the world, we deploy, operate and evolve networks and related support systems. Global Services includes professional services and network rollout.		The Support Solutions segment focuses on software for operations and business support systems (OSS and BSS), as well as TV and media management, and m-commerce.		A new segment in 2013, for design, development and sales of LTE multi-mode thin modems. The modem portfolio targets smartphone and tablet manufacturers.
						Multi-technology and multi-band connectivity is essential for the Networked Society.
Revenue SEK 117.7 BN (2012: 117.3 bn)	Market share estimate 25% in network equipment, key segments*	Revenue SEK 97.4 BN (2012: 97.0 bn)	Market share estimate 13% in telecom services	Revenue SEK 12.2 BN (2012: 13.5 bn)	Market share estimate 25% in IPTV	
Operating margin 10% (2012: 6%)	Market position #1 in radio access	Operating margin 6% (2012: 6%)	Market position #1 in telecom services	Operating margin 12% (2012: 9%)	Market position #1 in OSS and BSS	Operating income 0.5 BN

* Key segments include Radio, IP and Transport as well as Core.

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2013 AT A GLANCE

A look at some of the most important measures of our performance, and a summary of business highlights from around the world during 2013.

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2013 IN REVIEW

JANUARY MARCH

In line with Ericsson's services strategy to broaden its IT capabilities, the Company announced the intention to acquire Devoteam Telecom & Media operations in France, bringing consulting and systems integration capabilities.

Ericsson signed managed services agreements comprising fixed and mobile networks for telecom operators in India and Russia. Ericsson is responsible for network operations and field maintenance, and for driving modernization of tools, processes and best practices, in order to maximize operational efficiencies.

UK operator O2 signed an agreement with Ericsson to provide a 4G/LTE-compatible core network and to deploy RBS 6000 multi-standard radio base stations for 50% of O2's radio access network in the UK.

Ericsson introduced a service to provide testing and verification for devices and applications in its global device labs. Devices can be tested before launch to help make them more network-friendly, as well as to make networks themselves more device-friendly.

At Mobile World Congress (MWC), Ericsson met numerous customers, showcased a series of world firsts and launched new products and services, including in the areas of mobile broadband, operation and business support systems (OSS and BSS), m-commerce and managed services. Ericsson also announced its network-enabled cloud concept, a business platform that enables operators to generate new revenues and evolve network capabilities.

APRIL JUNE

Ericsson announced its intention to acquire Microsoft Mediaroom, making Ericsson a leading player for innovative video distribution and IPTV across multiple networks and devices. The importance of video distribution capabilities is increasing as more and more LTE networks are deployed.

Energy company E.ON selected Ericsson to operate more than 600,000 smart metering points for its Swedish operations. Ericsson provides a hosted solution, including consulting and systems integration services.

Ericsson was named the global leader in telecom operations management by industry analyst firm Gartner.

Following the acquisition of Canadian Wi-Fi company BelAir Networks, Ericsson announced its 3GPP-compliant Wi-Fi network solution. It enables operators to incorporate telecom-grade Wi-Fi into their heterogeneous networks so that smartphone traffic can seamlessly shift between 3GPP and Wi-Fi networks.

Ericsson reached a milestone by providing managed services to networks that serve 1 billion subscribers.

Russian operator MTS selected Ericsson to build an LTE network covering approximately half of Russia. Ericsson supplies hardware and services for radio access and core networks. Under the three-year agreement, MTS's 2G and 3G networks will also be further developed in several Russian regions.

JULY SEPTEMBER

Acquisition of Canadian Telcelcell broadened Ericsson's systems integration capabilities for business support systems (BSS) in North America and strengthened its full ICT transformation services. Multi-vendor BSS systems integration and consulting are of great importance at the intersection of IT and telecom.

South Korean operator LG U+ commercially launched Ericsson's LTE-Advanced (LTE-A) with carrier aggregation, combining spectrum bands for higher broadband speeds.

Ericsson and STMicroelectronics completed the split-up of the former ST-Ericsson joint venture on August 2.

Ericsson announced it would build three Global ICT Centers to support R&D in developing and verifying solutions, bringing innovations to the market faster.

Redefining the small-cell market, Ericsson announced the Ericsson Radio Dot System: a cellular radio unit that is small enough to fit in a hand, and provides enough indoor network coverage for a crowd. It enables operators and enterprises to offer a complete indoor solution for mobile broadband and voice services.

Russian operator Rostelecom, a provider of broadband and pay TV, has deployed the world's largest operator content-delivery network (CDN) through a solution developed and integrated by Ericsson. The CDN is ground-breaking in terms of both capability and geographic span.

OCTOBER DECEMBER

To meet the demand from traffic streams generated by innovative cloud services, Ericsson announced a new multiple-application board for the family of Smart Services Routers (SSR). This board is powered by the SNP 4000, a revolutionary processor introduced by Ericsson in March 2013.

As the world's first LTE broadcast on a live network, Australian operator Telstra activated Ericsson's LTE Broadcast solution on its commercial network to deliver high-quality video without buffering.

Ericsson's complete Voice-over-LTE (VoLTE) solution was selected by Japanese operator SoftBank Mobile. Ericsson's VoLTE solution offers telecom-grade HD voice and video calling alongside simultaneous enriched multimedia services on LTE smartphones.

Ericsson was selected by China Mobile to deploy LTE in 15 provinces in mainland China. Ericsson is the main supplier of the core network and will deploy a radio access network based on its RBS 6000 radio base station. The contract also includes network design and optimization services.

Japanese operator KDDI selected Ericsson as one of the prime vendors to deploy its LTE system and Evolved Packet Core (EPC) network. This was the first time that KDDI selected Ericsson to implement a radio access network, based on RBS 6000. In addition to network solutions, Ericsson will provide related services such as network rollout and systems integration.

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LETTER FROM THE CEO

Ericsson is on a journey of transformation. Building on our technology and services leadership in telecoms, we are becoming a leader in Information and Communications Technology (ICT), a driving force in the Networked Society. Let us look at some milestones from last year, and explore the road ahead.

DEAR SHAREHOLDERS

As the world is changing into a Networked Society, it is starting to transform virtually all industries. The music industry was early out with digital distribution and new business models as a result of mobility, broadband and cloud creating new opportunities. The networks are becoming more relevant not only to people using their smartphones, but also to businesses and society at large. In light of this development, both operators and vendors are making strategic choices based on their respective assets. It is a truly exciting time in the industry.

Let us look more closely at developments at Ericsson in 2013. In our core business, we redefined the small-cell market with our Radio Dot System. We have established ourselves in the Chinese 4G market with TD-LTE, after a weaker position in 3G where we did not participate in the TD-SCDMA technology. The majority of the European network modernization projects, which put pressure on our margins in recent years, are now behind us; in line with our strategy we now have a strong installed base in Europe. In parallel, we have strengthened in services across North America and are now the leaders in both infrastructure and telecom services in the world's most advanced ICT market.

We have continued with our strategy of expanding into targeted areas such as TV and media, IP, cloud, as well as OSS and BSS. And we have refocused our position in modems, winding up the ST-Ericsson joint venture and establishing our own thin modems business. We further strengthened our global services capabilities all over the world. And we continue to invest in research and development SEK 162 billion in the past five years alone. We build on our core assets our technology and services leadership and our global scale as part of our constant evolution, something that is vital for maintaining our leading position in a transforming industry.

Our technology leadership is built on our investments in R&D and evidenced by more than 35,000 granted patents, one of the industry's strongest patent portfolios. During the year we closed an IPR (intellectual property rights) and licensing agreement with Samsung that is important not only to Ericsson but to the whole industry as it shows the benefits of sharing technology on fair, reasonable and non-discriminatory (FRAND) terms. The multi-year agreement, which ends the patent-related legal disputes between the companies, consists of an initial payment and ongoing royalty payments going forward.

Profitability

Our focus on profitability is now starting to pay off, with stable margins in Professional Services and a steady improvement in Networks during the year. Operating income was up from SEK 10.5 billion in 2012 to SEK 17.8 billion in 2013, with our operating margin increasing from 5% to 8%.

In North America we saw a strong start to the year as two major coverage projects peaked, with a subsequent weaker second half of 2013. We expect more capacity projects in Networks, continued momentum for Professional Services and growth in Support Solutions such as TV and media following the acquisition of Mediroom from Microsoft.

As I mentioned earlier, the big European network modernization projects are coming to an end and we expect the telecom industry in Europe to improve, driven by macroeconomic improvements as well as a recent investment announcement by a large operator that could trigger others to invest.

It was a challenging year in Northeast Asia. This was primarily due to reduced activity and currency headwinds in Japan, where we are approaching completion of a major project, and a structural decline in GSM sales in China.

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But late in the year we won important contracts for rolling out 4G both in China and Japan.

And now we have integrated Modems into the business, providing the device connectivity that is so important in the Networked Society.

Growth

From 2012 to 2016, we expect a compound annual growth rate of more than 4% in the market segments that we address, measured in USD, with some variation between market segments and years.

The underlying fundamentals for growth in the industry are intact. Mobile broadband continued to grow, with subscriptions increasing 40% to 2.1 billion during 2013. By 2019, we expect to see 9 billion mobile subscriptions, with three times as many smartphones as today, and 8 billion mobile broadband subscriptions.

Sustainable development was high on the agenda during 2013 and we lead the industry in working holistically with sustainability issues to drive growth in a way that positively impacts the triple bottom line. We focus on the issues where we can make the biggest difference: accessibility and affordability of mobile communication; the energy and materials performance of our products and solutions and our own activities; climate change and urbanization, business ethics, and employee engagement. We have made progress during the year and we will continue to use our strength to ensure that technology is a force for positive, lasting change in the world.

Strategic direction

We have set out a clear long-term strategy framework, where we are determined to evolve to become the industry leader in the Networked Society. This framework has three components:

Excel in our core business – radio, core and transmission, and telecom services

Establish leadership in targeted areas – modems, cloud, IP networks, TV and media, as well as OSS and BSS

Expand business in new areas.

The road ahead

The key focus areas outlined at our 2013 Investor Day remain the foundation for our strategy for 2014 and the years ahead.

We will continue to pursue profitable growth, by making the most out of our existing footprint, increasing sales in new and targeted areas, increasing the share of IPR and software sales, and improving earnings in network rollout.

We will continue to reduce costs and improve efficiency, thanks to a better order-to-cash process and structural improvements; by industrializing, centralizing and automating our processes, and getting the most out of our global skills base; and by continuing to implement lean and agile ways of working across our R&D.

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And we will keep on demonstrating commercial excellence, by evolving our infrastructure software model to a complete ICT environment, through consistent price management and by getting a price premium for first-class network performance.

The long-term fundamentals in the industry remain attractive and we are in a strong position to capture the opportunities that lie ahead. To assist me in achieving this, I have a dedicated, global organization with talented employees who work tirelessly to ensure that Ericsson continues to generate sustainable value for our shareholders and customers.

Hans Vestberg

President and CEO

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MARKET TRENDS

New ICT solutions are transforming the way people, business and society communicate and collaborate.

The Networked Society brings innovation and progress to private life, business and society. New forms of collaboration, participation and sharing, as well as new ways to meet customer needs and build value, are making the network more and more essential to all aspects of everyday life.

All around the world, people are demanding greater mobility, better broadband and more access to cloud-based services. These three factors are driving the evolution of the Networked Society.

MOBILE BROADBAND OPPORTUNITIES

Connections are the starting point of the Networked Society. There are currently approximately 6.7 billion mobile subscriptions around the world, and the proportion of the global population with mobile network access known as population coverage is constantly increasing as more radio base stations are deployed. And the different generations of mobile technology are reaching out to more and more people every year.

GSM/EDGE technology has by far the widest reach today, covering more than 85% of global population. The areas yet to be reached by GSM/EDGE in those countries that use the technology are sparsely populated.

Further expansion of WCDMA/HSPA will be driven by increased user demand for internet access, the growing affordability of smartphones and regulatory requirements to connect the unconnected.

Even in the early days of LTE rollout, at the end of 2012, it was estimated that the technology covered 10% of the world's population. Looking ahead six years, Ericsson predicts that this will increase to more than 65%.

In 2013, global smartphone shipments outnumbered those of classic feature phones. The 1.9 billion smartphones subscriptions today are mainly in mid-to-high-end markets; the next billion is set to be mass-market phones now being introduced at USD 50-100. The continued growth in smartphones is changing consumer behavior and creating new lifestyles around the world. Another factor is the accelerating usage of tablets of which only around 25% are currently connected to mobile networks.

A large proportion of the increasing data traffic for smartphones, tablets and computers comes from video, on websites, and through streaming, downloads, video applications and gaming. Video is more sensitive to network

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quality than many other forms of data traffic, a fact that makes network performance even more important.

The opportunities that these factors represent will increase demand for networks, drive the expansion of mobile broadband and pave the way for growth in new information services and data business.

CHANGING CONSUMER EXPECTATIONS

Today's social, collaborative and sharing culture brings individual empowerment, new consumption patterns and stronger civic participation. It also brings an expectation of an always-on connection to the network and access to services wherever you are. For many people, a service delivered over the network rather than ownership is becoming the preferred way to consume and access content such as music and video, and is also becoming increasingly important in areas such as health, education and other public services.

INNOVATION IN ENTERPRISES

Industries such as media, commerce, utilities, transportation, health and education are using ICT to create new business and improve performance of today's operations. New, disruptive players, such as Spotify and Netflix, are challenging the prevailing models of their respective music and television/video industries. This accelerating innovation power is based on the combination of skilled, demanding users who expect better ways to get what they want, the availability of highly capable networks, and powerful ICT-based business platforms.

OPERATOR BUSINESS DEVELOPMENT

Operators are at the center of the development of the Networked Society. Significantly, they are capitalizing on the growth in mobile broadband growth by introducing new pricing and revenue models. Rather than the all-you-can-eat models of a few years ago, we now see better-targeted offerings based on usage patterns, capacity, service bundles, multi-device plans and real-time features such as top-up plans. Operators are also increasing investments in, and focus on, developing new businesses in media and entertainment, cloud and IT services, machine-to-machine communications and enterprise offerings, as well as industry solutions in areas such as connected cars, health services and mobile money.

DIFFERENTIATION THROUGH NETWORK PERFORMANCE

In a smartphone and tablet-centric world, broadband becomes the main enabler and applications a key service model. The consumer and business user experience is increasingly determined by the actual performance of applications, and the network needs not only to provide access but also safeguard and optimize the actual performance of the applications used. Research by Ericsson ConsumerLab provides clear evidence of the business value of a superior consumer experience.

Operators that establish, demonstrate and promote a better user experience can take a lead in terms of satisfaction, loyalty and business value. Ericsson has established an approach to assessing and securing the performance of networks in relation to a real application experience. We call it App Coverage and have developed a set of indicators to measure and ensure network performance in terms of the application experience. We discuss this concept further in the Mobile Broadband section on Page 19.

OPERATOR TRANSFORMATION

Higher data volumes, more devices, demanding applications and new service offerings to consumers, enterprises and industries all increase pressure on operators to meet customer expectations. This calls for a rapid transformation where improved network performance, more efficient processes and better structured OSS and BSS implementations enable the proactivity, agility and performance that the business portfolio

requires.

The combination of Ericsson's technology and services leadership with business expertise and wide network of partners allows us to contribute to both network and business transformation for operators in markets around the world.

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OPERATOR EVOLUTION

Many operators are focusing on the user experience as a means of differentiation, with improved customer service and added-value services in order to increase customer loyalty and reduce retention costs. Increased focus on improved efficiency and core business is in many cases leading to new operational practices such as outsourcing and managed services partnerships.

Operators are also taking a sharper strategic focus. The three roles here are representative strategies adopted by several customers:

Network developers concentrate on connectivity and communication services. Network performance and efficiency are key priorities.

Service enablers establish systems and platforms that enable new enterprise practices such as IT cloud services and business processes as well as added-value services to enrich the consumer experience.

Service creators take the lead in providing innovative new services, and are active participants in the establishment of new ecosystems in markets such as digital health, connected cars, smart homes and cities.

Ericsson works closely with operators to support their different strategic development ambitions, providing solutions that grow business and meet the operational priorities of all three roles. Among our key offerings are:

High-performance networks that meet the most demanding service requirements from users and are open for the development of new business in areas such as new connectivity services, machine-to-machine, IP, heterogeneous networks, cloud and data monetization.

Network and business transformation to increase efficiency and provide a differentiated customer experience.

Business support solutions that allow the agile introduction of new pricing models and offerings with appealing combinations of new subscription packages with added-value services and partnerships.

Systems integration expertise and communication solutions that provide expansion opportunities and new enterprise offerings.

Platforms and development projects to expand into industry-specific solutions with machine-to-machine and applications for specific industries.

Ericsson's technical and business expertise and solutions make it possible for operators to explore new roles and capture the new opportunities they can offer.

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OUR MARKETS

Understanding of our customers and their businesses helps us provide innovative offerings that ensure we and they stay ahead in every market.

CUSTOMERS IN MORE THAN 180 COUNTRIES

Ericsson's business is characterized by long-term relationships, mainly with large telecom operators. We serve more than 500 operator customers, and an increasing number of non-operator customers, in more than 180 countries. We have been in many of these markets for more than 100 years.

We provide solutions and services to all major telecom operators in the world. Sales to telecom operators represent the vast majority of our revenues. Our ten largest customers, of which half are multinational, account for 44% of our net sales.

Our customers operate in a variety of markets and are at various levels of technological maturity. Their business focuses also differ depending on the maturity of their markets.

The installed base of radio networks is the foundation for Ericsson's business with mobile operators. We are also expanding into other domains such as IP core networks, OSS and BSS, as well as the TV and media markets.

Over the past ten years, we have built a significant services business, representing 43% of net sales in 2013 (42% in 2012). Ericsson pioneered managed services, and continues to be the undisputed leader. Success in areas such as managed services, consulting and systems integration in turn creates opportunities for more business.

In recent years, we have expanded into TV and media. Users are consuming more video, which is an increasing source of data traffic in mobile networks 35% at the end of 2013. Video is forecast to account for more than half of all mobile network traffic in 2019. In this domain, we can reuse skills, methods and tools from our telecom managed services in the operation of broadcast services for TV and media companies.

Through the acquisition of Tandberg Television in 2007 and Microsoft's Mediaroom in 2013, we are now also a leader in the IPTV and video compression business, with multi-screen solutions for TV Anywhere.

REINVENTING THE WAY COMPANIES CREATE VALUE

To build the Networked Society, we have to offer our innovations more widely than to operators alone. This requires new ways to extend our reach. Today we also engage directly with customers in selected industry verticals particularly utilities, transport and public safety.

Our aim is to reuse products, solutions and services for these customers. They either have similar business models to telecom operators, or gain from mobile broadband and the larger opportunity to connect anything that benefits from being connected. Connectivity is helping these sectors reinvent the way they create value.

Sometimes we do business in direct collaboration with these companies, and sometimes together with our operator customers. Business requirements such as handling large volumes of subscription data, in machine-to-machine applications, for example are often a common factor. Our strategy is to explore and commercialize emerging opportunities within and between these sectors.

Since the split-up of our joint venture ST-Ericsson in 2013, and the establishment of the Modems segment, handset and device manufacturers have become a new customer segment, to whom we will supply multi-mode thin modems.

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OUR STRATEGY

We aim to become a leading Information and Communications Technology (ICT) solutions provider by combining our core assets: Our people, our technology and services leadership, and global scale.

VISION AND MISSION

Ericsson's vision is to be the prime driver in an all-communicating world. By using innovation to empower people, business and society, we are enabling the Networked Society, in which everything that benefits from a connection will be connected.

OUR STRATEGY

Ericsson's strategy builds directly on our vision of a connected world in which broadband, mobility and the cloud combine to create the Networked Society.

The strategy is based on four pillars:

Excel in networks

Expand in services

Extend in support solutions

Establish a leading position in Networked Society enablers.

We are executing this strategy by leveraging our technology and services leadership combined with our global scale. These competitive advantages, together with the skills and experience of our employees, make Ericsson a true end-to-end business partner for network operators and customers in selected industry verticals as the Networked Society becomes a reality.

Our go-to-market approach is built on business units and regions. The business units develop solutions for specific business areas, while the regions cultivate strong relationships with our customers. This allows us to address customers' needs, keep them satisfied and ensure we always deliver what we promise.

Our position and our influence also give us an opportunity and a responsibility to help address urgent global challenges such as poverty, human rights and climate change.

EXCEL IN NETWORKS

We will excel with a leading portfolio for high-performance networks. Our wanted position is to remain No.1 in networks for service providers and lead the transition to the network architecture that will enable the Networked Society.

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We intend to simplify the management of every component of an operator's network, while exploring opportunities to build new services based on areas such as big data and analytics on top of networks.

As the leader in radio evolution, Ericsson will continue to drive the introduction of new standards and technologies, while defending our existing business with a strong migration story. We can build on our leading position in mobile backhaul and packet core networks to grow our footprint in IP and transport, and use our network experience to create compelling cloud solutions.

EXPAND IN SERVICES

We expect to expand our No.1 position in services for operators by becoming a professional services partner to new types of customers in selected industry verticals. The strength of our services business proves the value of combining local capabilities with global scale, and we will continue with this proven strategy while prioritizing innovation, competence and cost control.

Top of the agenda is ensuring the continued transformation of our professional services capabilities. This means continuing to build capabilities in IT services and ensuring we reuse and standardize as much as possible – a process we refer to as services industrialization. We expect to also expand in product-related services, where we will extend our capabilities in designing and optimizing networks and move into services for heterogeneous networks, wireless networks that use a range of access technologies.

We expect to continue to lead in managed services. At the same time, we intend to build our consulting and systems integration competencies further, with an increased focus on extending our OSS, BSS and IP network transformation offerings, and continuing to explore opportunities in industry verticals.

EXTEND IN SUPPORT SOLUTIONS

Our priority is to extend our support solutions business with OSS and BSS as well as TV and media solutions to get the most out of networks. Ericsson strives to provide solutions that contribute to the best customer experience, business innovation and business efficiency.

We intend to build on our extensive installed OSS and BSS base to strengthen our position even further. In particular, we continue to focus on customer experience management and analytics, cloud and next-generation business intelligence. In addition, we intend to use our m-commerce strength in developing markets to provide banking capabilities to everyone. Our acquisition of Microsoft's Mediaroom shows our commitment to capturing the opportunities created by the ongoing transformation of TV and media. Our ambition is to be the industry's TV and media partner of choice, and we strive to enable the most efficient video-delivery networks, exploit the growing need for on-demand content management and lead in the multi-screen and multi-platform market.

ESTABLISH A LEADING POSITION IN NETWORKED SOCIETY ENABLERS

With the Networked Society becoming a reality, we are establishing ourselves in the emerging new business landscape. Building on our technology and services leadership with intellectual property rights, machine-to-machine platforms and modems, we are creating new business with players across the selected industry verticals of the utility, transportation and public safety industries.

Ericsson's capabilities, combined with our proven record of commercializing advanced ICT solutions, position us perfectly to build solutions that bring new innovative capabilities into these industry verticals while providing new efficiencies of scale.

LONG-TERM STRATEGY FRAMEWORK

Evolving to be the industry leader in the Networked Society, based on our core business, we expect to grow in targeted areas and invest in new areas.

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We are focusing on increasing profit from the portfolio in our core business.

We aim to establish leadership in the targeted areas of OSS and BSS, TV and Media, IP Networks, Cloud and Modems.

We are seeking to expand business in new areas that are critical to the Networked Society and where our capabilities will make a significant difference.

As we allocate capital to support this strategy, investment in services capabilities goes hand in hand with investment in product development. Our growth strategy, leveraging our market footprint, is primarily through organic growth, but also in combination with acquisitions and partnerships.

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HOW WE CREATE VALUE

Ericsson develops and applies various business models for different types of businesses and different parts of the portfolio. Here we discuss two of our main business models targeting telecom operators.

Ericsson has worked for many years with large network-infrastructure projects. The operation of the resulting complex networks created a demand for managed services. The advent of mobile data led to a need for software-based support systems to monetize data services. Over the years, the business models have evolved to meet customer demand. All have similar basic investment-to-value models, but with some significant differences.

They all start with an initial investment phase, such as research and the development of new products, solutions and services.

The early phases of both infrastructure coverage and managed services projects have lower margins and profits, as explained in the diagrams on the next page. Profitability improves in both cases as the projects develop and mature.

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MOBILE BROADBAND INFRASTRUCTURE BUSINESS MODEL

Our most traditional business model is in network infrastructure, delivering and rolling out a physical network including all necessary hardware and software. The first phase involves building coverage across one or more geographical areas and often includes network rollout services. Subsequent phases include increasing network capacity, and adding functionality. Services include network design and optimization, and systems integration.

The initial build and rollout phase can take several years, is capital-intensive, open to competitive bidding, and usually involves lower margins. The later phases, extending the capacity and functionality of the established footprint, often involve a lower share of hardware but more professional services and software, which can be deployed remotely. These phases generally produce higher margins. The differing nature of the phases makes it important that we find a beneficial mix of coverage and capacity projects, in order to secure a good balance between growth and profitability.

MANAGED SERVICES BUSINESS MODEL

A different model applies to our managed services business. We take over aspects of a customer's business operation, or even the entire operation, for a period of up to seven years. Staff and expertise are often transferred from the customer to Ericsson. The initial transition and transformation phases can involve significant costs up front. But by simplifying, implementing and consolidating resources, tools, methods and processes, we step by step reduce the costs and improve our returns. Most such contracts are subsequently renewed. We have a good balance of contracts in the transition, transformation and optimization phases with the vast majority of the business in the optimization phase which has a beneficial effect on revenue and cash flow.

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HOW WE WORK

Our competitive advantages and core values, our people and our ways of working, all combine to ensure we are always innovative and efficient, and do business responsibly and sustainably.

TECHNOLOGY AND SERVICES LEADERSHIP

Innovative solutions and unparalleled service offerings

We support our customers in the new ICT landscape by combining the advantages of our leadership in technology and services capabilities.

Our technical expertise is driven by innovation, research and development, delivering high network performance and enabling our customers to be first to market where it matters. We hold one of the largest patent portfolios in the industry, with more than 35,000 granted patents worldwide. We supplied the world's first LTE network and have maintained our leading LTE position since the first rollout of LTE in 2009. We are also a leading support systems provider.

Ericsson is also the largest telecom services provider in the world, supporting operators in creating competitive, attractive and appealing offerings to consumers, while providing managed services to networks that serve more than 1 billion subscribers worldwide. We pioneered managed services for the telecom industry more than 10 years ago and remain the leader today.

GLOBAL SCALE

Local presence combined with global scale

With operations and customers in more than 180 countries, we have established relationships with all the world's major telecom operators. We use worldwide standards, combined with global economies of scale in research and development, production and service delivery, to ensure that our products and services are efficient and of high quality wherever they are deployed.

Our technology handles approximately 40% of the world's mobile traffic and around 50% of all global LTE smartphone traffic goes through networks delivered by Ericsson. Our capabilities and business understanding in telecom, datacom and media are prerequisites for large-scale ICT transformation projects. Every year, we deliver approximately 1500 consulting, systems integration and learning services projects in multi-vendor and multi-technology environments.

Ericsson's core values

Our values are the foundation of our culture. They guide us in our daily work, in how we relate to each other and the world around us, and in the way we do business.

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OUR PEOPLE

People have made Ericsson what it is today. Our people with their ingenuity and professionalism are at the heart of the success we achieve today and aspire to tomorrow. By working with Ericsson, they are helping build the Networked Society and create a more sustainable world.

Our people work with us because we can help them fulfill their career ambitions and reward their effort and commitment. Working for Ericsson encourages and stimulates creativity and initiative in an environment that embraces innovation and rapid change.

To attract the best people, help them reach their full potential and engage them on the way, our People Strategy has four objectives:

Attract talent

To attract exceptional talent, we take a strategic approach to becoming an employer of choice wherever we operate. We want to be recognized as the company that will fulfill the personal and career ambitions of a potential employee.

Develop talent

Talent needs to be nurtured and encouraged, and we place great emphasis on identifying talented professionals early in their careers. We have a structured approach to identifying and assessing talent, and have created an environment in which employees can achieve their full potential. Our comprehensive career and competence model, supported by online and classroom training from Ericsson Academy and on-the-job development helps employees to build their careers and develop capabilities that contribute to the company's continued success.

Develop leaders

Strong leaders are essential for Ericsson to keep our technology and services leadership amid evolving business conditions. That is why we constantly reexamine the leadership skills and competencies required to maintain our leading position. An annual process identifies, assesses and develops people to assume strategic roles in the company. Our leadership pipeline is under continual review to ensure that we develop the right leadership capabilities at all levels in the organization.

Embrace diversity

Different people bring different points of view and different solutions to challenges – essential factors in our constant search for better, more effective solutions for our customers. We strive for our management teams and employee base to be as diverse as the world in which we live.

A diverse and inclusive workforce drives innovation and leads to high-performing teams and superior business results.

TOOLS, METHODS AND PROCESSES

As a global organization, Ericsson uses a system of standardized tools, processes and methods to ensure simplicity and efficiency, guarantee aligned service offerings and quality levels, and deliver economies of scale.

Our regional organizations, all of which include six engagement practices, allow us to identify best practices, methods and processes from any individual market, and then adapt and reuse them globally.

The Ericsson Group Management System (EGMS) is used in all operations covering all units around the world. Its consistency and global reach helps ensure that the way we work meets the objectives of Ericsson’s major stakeholders, building trust. The EGMS framework defines structure, rules and requirements for compliance with applicable laws, listing requirements, governance standards and other requirements.

In addition, we employ a system of audits and assessments to determine compliance and to provide valuable information for understanding, analyzing and continually improving performance.

GOVERNANCE

Good corporate governance forms the basis for building a robust corporate culture throughout a global organization. Ericsson maintains a constant focus on corporate governance issues including the establishment of efficient and reliable controls and procedures, and on promoting sustainable and responsible business practices. It is crucial that such business practices are valued and followed by all people in the organization.

All Ericsson employees are responsible for adhering to Ericsson’s Code of Business Ethics, which summarizes the Group’s basic policies and directives, and emphasizes the importance of integrity in all business activities.

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SUSTAINABILITY AND CORPORATE RESPONSIBILITY

Sustainability and corporate responsibility are integral aspects of our business, reflected in our strategy and governance.

Ericsson aims to lead the industry in providing significant and measureable contributions to a sustainable Networked Society. Through our commitment and actions, we demonstrate that we are a trusted partner for our stakeholders.

Our Sustainability and Corporate Responsibility program has three key focus areas closely connected to our business and where we can have the greatest impact:

Conducting business responsibility

Maximizing environmental and energy performance

Advocating Technology for Good.

CONDUCTING BUSINESS RESPONSIBLY

Ericsson is committed to upholding the UN Global Compact Principles, and reported in line with the Global Compact Advanced level for the first time in 2013.

We are also committed to the UN Guiding Principles on Business and Human Rights, and work actively to respect human rights throughout our operations.

In Myanmar we received a Corporate Social Responsibility Special Recognition Award from Télécoms Sans Frontières. Ericsson was also recognized by Swedish insurance company Folksam as a role model company for our work with human rights.

As part of our zero tolerance for corruption, we have continued to develop our anti-corruption program. This included a new version of an anti-corruption e-learning course which has now been completed by approximately 85,000 employees.

MAXIMIZING ENVIRONMENTAL AND ENERGY PERFORMANCE

We continue to improve energy efficiency across our entire portfolio. Our latest generation of network infrastructure equipment provides better performance than previous generations while consuming less electricity.

Examples include:

The RBS 6000 radio base station, part of our core portfolio, which provides energy-efficient coverage and capacity.

Increasing deployment of our energy-efficient Psi coverage solution in markets such as Egypt, Bangladesh, Brazil and Turkey. These deployments have shown energy savings of 40% compared with traditional solutions.

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By reducing indoor cell sizes and bringing the network closer to users, the Radio Dot System can reduce indoor solution power requirements. It also prolongs the battery life of devices such as smartphones and tablets frequently used in enterprise environments.

Our own operations are also yielding significant energy savings, in areas such as business travel, the efficiency of Ericsson facilities and the way we ship our products. We are working toward a five-year target of reducing CO₂ emissions per employee by 30% and keeping absolute CO₂ emissions at 2011 levels, despite forecast growth in sales and employees.

When we take back our products, we reuse or recycle 98% of the materials. We also continued to expand our ecology management program in 2013.

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SUSTAINABILITY ADVOCACY

In early 2013, the Broadband Commission on Digital Development established a Task Force on Sustainable Development, chaired by our CEO Hans Vestberg, to explore some of the issues surrounding how broadband can best contribute to development goals. The Ericsson-led Broadband Commission Task Force report *Transformative Solutions for 2015 and Beyond* examines the role broadband and ICT can play as transformative solutions for achieving sustainable development for all.

Hans Vestberg was also a member of the Leadership Council for the Sustainable Development Solutions Network, which submitted a report to the UN Secretary-General, *An Action Agenda for Sustainable Development*, in 2013.

Our Energy and Carbon Report analyzed the growing use of ICT. It showed that while the expansion of ICT is stimulating economic growth and development, the resulting increase in carbon emissions is expected to be marginal, with the sector as a whole not seen as contributing more than 2% of global CO₂ emissions.

At Ericsson's NEST thought-leadership event in 2013, we announced a collaboration with UN-Habitat for research and involvement in promoting sustainable cities, getting maximum value out of ICT investments, and carrying out collaborative research and specific initiatives that provide valuable insights for city leaders and policy makers.

TECHNOLOGY FOR GOOD

Our Technology For Good program continues to work with several initiatives helping people and communities address global challenges at the local, regional and international levels.

Connect to Learn is a global initiative providing quality secondary education to children, especially girls, worldwide. From its inception in 2010 up to late 2013, Connect to Learn had been established in 15 countries in cooperation with 10 operators. The initiative benefits nearly 40,000 students in schools across three continents.

Our work with Refugees United progressed over the year with the launch of the service in the Democratic Republic of Congo. By year-end, there were more than 250,000 refugees registered on the platform, so we are a quarter of the way toward our 2015 goal of helping 1 million people separated by conflict or disaster come in contact with loved ones.

Ericsson supported the Whitaker Development and Peace Initiative's (WPDI) Harmonizer program in Mexico. Harmonizer encourages social change and transformation in urban areas affected by violence and conflict, while the WPDI provides training in areas such as conflict resolution, community building and ICT for vulnerable youth living through the aftermath of violence and conflict.

This project is part of the Youth Peacemaker Network (YPN), a program that has been already established by the WPDI in South Sudan and Uganda, where Ericsson is also a partner. The YPN is a global initiative that seeks to nurture a new generation of leaders committed to reconciliation and conflict prevention.

At the request of our partners at the World Food Programme and the Emergency Telecommunications Cluster, Ericsson Response, our employee volunteer program, deployed volunteers to the Philippines in response to the disaster caused by the super typhoon Haiyan/Yolanda. The wireless internet access provided to more than 2,500 humanitarian aid workers allowed them to organize their disaster relief operations.

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OUR SOLUTIONS

We have the competence, the skills and the solutions our customers need to tackle the challenges of today and tomorrow.

MOBILE BROADBAND

Providing, upgrading and transforming network infrastructure

Supporting operators in adoption of new data-centric business models

Helping operators meet demand by introducing the App Coverage approach

Building heterogeneous networks using small cells, improving indoor and urban coverage

Mobile data traffic continued to grow rapidly in 2013. The rising number of smartphone subscriptions is a key driver for mobile data traffic growth, together with the fact that users are consuming more data per subscription – mainly driven by video. Total smartphone subscriptions reached 1.9 billion during 2013 and the number of subscriptions for mobile PCs, tablets and mobile routers reached 300 million. The majority of mobile broadband subscribers are connected using 3G/WCDMA networks, but increasing numbers are gaining access to 4G/LTE.

With our offerings, operators can cost-effectively meet consumer and enterprise demand for services anywhere, anytime. Besides increasing coverage, speed and capacity, operators are differentiating their services and adapting them to new business models.

A change in perspective

Operators need new ways to define performance so they can build and manage their networks in the most efficient way. Ericsson's App Coverage concept advances the definition of performance beyond traditional population coverage, measuring whether a network delivers the performance required to run a particular application with acceptable quality.

Using this app-centric approach, our services and tools help operators determine where and when coverage and capacity need to be added or improved for an optimal user experience.

To increase network coverage and capacity in densely populated urban areas, we are building heterogeneous networks, improving our macro radio base stations while complementing them with smaller base stations including Wi-Fi. This provides the required App Coverage and sufficient capacity in high-load areas, such as malls, transport hubs, hotels and offices.

We expect LTE to keep expanding from 175 million subscriptions in 2013, reaching around 2.6 billion in 2019 and covering more than 65% of the world's population. We also see 2G/GSM/EDGE networks continuing to be an important part of the ecosystem, and a complement to 3G/WCDMA/HSPA and 4G/LTE coverage.

The building blocks

We build network infrastructure with the following main components:

The RBS 6000 multi-standard platform for radio base stations. It supports GSM/EDGE, CDMA, WCDMA/HSPA and LTE in a single unit, ensuring a smooth transition to new technologies. Upgrades and expansions usually involve software and services, often delivered remotely.

The Ericsson Blade System for network control functionality in fixed and mobile core networks.

The SSR 8000 family of smart services routers for network gateways. The multi-application, high-capacity platform improves network performance and supports service differentiation in fixed and mobile networks.

Optimized backhaul solutions. The introduction of heterogeneous networks means many new sites, challenging traditional solutions for backhaul and synchronization. Our backhaul solutions use technologies such as microwave, optical and satellite.

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Our network design and optimization services ensure that networks can handle high levels of data traffic while maintaining service quality and user experience.

Ericsson's network rollout services.

COMMUNICATION SERVICES

New opportunities for communication between people, enterprises and machines

Evolution driven by Voice over LTE (VoLTE), High Definition Voice and Video, Enriched Communication Services, all enabled by IP Multimedia Subsystem (IMS)

Cloud-based solutions, such as the Device Connection Platform, pushing the borders of communication beyond people

Consumers and business users want to communicate with more people, in more contexts and for more reasons than ever before. Operators are using this growing demand to drive business, providing new functionality and richer offerings across networks, devices and country borders.

Operators are already providing communication services, such as voice, text and multimedia messaging based on industry standards, ensuring global interoperability across all devices and all subscriptions.

Our IMS solutions enable operators to offer communication in new ways, such as high-definition voice, video calling and conferencing, multi-party chat with presence information, and screen sharing. IMS is also providing Voice and video over LTE (VoLTE), enhancing the user experience and reducing costs. In addition we offer machine-to-machine solutions to operators as a cloud service.

We help operators leverage the value of their networks by exploiting these new opportunities, providing enhanced communication services that are secure, reliable and simple to use.

All our applications are moving to virtualized deployments, complying with the ongoing Network Functions Virtualization industry group's specifications.

FIXED BROADBAND AND CONVERGENCE

Fourth-generation IP network portfolio

Real-time cloud capabilities

Unlocks full potential of mobility, video and the cloud

Legacy telecom networks were designed to deliver a limited number of services. Our IP-based multi-service networks create opportunities for operators to unlock the full potential of mobility, video and the cloud.

Our fourth-generation IP network portfolio allows operators to use their complete network as a single business resource as opposed to the fragmented and complex reality of most legacy networks. It also allows for increasingly virtualized network features, adding flexibility and

paving the way for cooperation with new partners.

As a first step we introduced the ability to deliver telephony, internet and TV over fixed and mobile broadband networks. By combining operators' software-defined networks (SDN) and cloud solutions, we are now adding real-time

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capabilities to the cloud – essential qualities for evolving consumer and enterprise services and to create new vertical applications in areas such as safety and traffic monitoring.

MANAGED SERVICES

Experience-centric engagement approach allows operators to get more out of managed services

Managing and evolving network and IT environments for operators to improve efficiency and strengthen competitiveness

Established in media, the cloud and IT Managed Services, expanding into utilities and transport sectors

Managed services traditionally involve taking over activities operators once handled in-house, from designing, planning and building a network, to managing operations. The main driving factor has been cost savings, but as competitive pressures have increased, operators have also needed to adapt their positions in the value chain.

We have developed managed services as a way to enhance the customer experience and increase business differentiation. We create new value by combining technical, service and customer experience expertise. Our experience-centric approach enhances the performance that subscribers actually get. Starting with the operator's business objectives, we define the level of customer experience necessary to meet those objectives and work together to make it happen.

Our traditional telecom managed services model focuses on reducing cost and complexity. Other models such as wholesale network sharing allow operators to choose between investing in their own infrastructure and sharing it to varying degrees with partners.

We handle complex issues such as convergence, quality and capacity management, while freeing up operator resources to focus on strategy, marketing and customer care.

We provide managed services to networks that serve more than 1 billion subscribers in more than 100 countries. These networks are typically multi-vendor, multi-technology environments, with more than half the equipment coming from non-Ericsson sources. We operate four Global Network Operations Centers (GNOCs) offering a universal approach to managed services based on years of innovation and global best practice. We rely on our global set of tools, methods and processes, and invest to ensure they remain at the leading edge.

We are expanding our established model for network and IT managed services to adjacent areas such as cloud services, TV and media, and selected industry verticals.

OPERATIONS AND BUSINESS SUPPORT SYSTEMS (OSS AND BSS)

Enabling operators to become agile

Providing systems to manage increasingly complex networks and services

Solutions to improve user experience and to create new business opportunities

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OSS and BSS are used to run the networks not just from a technical perspective, but also to manage how services are delivered and paid for, keep track of revenues and maintain customer relationships.

The shift in focus from voice to data services is both a challenge and an opportunity for operators. The growth of mobile broadband is leading operators to evolve their OSS and BSS in order to monetize the increasing amount of data flowing through their networks while managing the increasing complexity of networks and services. Our solutions cater for user needs and help identify new revenue streams, in addition to running and maintaining operations. Our extensive expertise and global experience makes us unique in our approach to OSS and BSS.

We enable our customers to become more agile fast, flexible and in control of their business in a dynamic and fast-paced market. Our solutions help them capture, analyze and report user data, providing insights for more cost-efficient business decisions, identifying new revenue streams and enabling increased personalization and user control.

Our portfolio is designed around measurable performance improvement in an operator's business processes, with software that is scalable, configurable and which provides end-to-end capabilities. This, together with our expertise in consulting and systems integration, makes us a world-class software company.

The integration of the former Telcordia products, and those of ConceptWave, has contributed to our comprehensive OSS and BSS portfolio.

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TV AND MEDIA MANAGEMENT

A broad suite of standards-based solutions, products and services

Enabling content owners, broadcasters, TV service providers and network operators to create and deliver the future of TV on all consumer devices

Managing and monetizing the strong growth in video traffic

TV is transforming into an immersive, connected and social experience on every smart device a consumer owns and interacts with. The convergence of media and telecoms, especially through the global uptake of mobile broadband, is accelerating a change in the way consumers get premium entertainment. It also changes industry players' roles in that value chain.

Our position in this transformation – with 20 years of media and video experience, and global leadership in networks and telecoms – is a crucial advantage to our customers as we help them innovate in TV Anywhere services and manage the strong growth in data traffic driven by video.

Our Mediaroom and Multiscreen TV solutions – enabling TV service providers to deliver on the TV Anywhere future – is powering more than 70 TV services for over 14 million subscribers. Our On-Demand Content Management Solution provides the content management and packaging needed to ensure unified access to infinite amounts of relevant content.

Ericsson's Media Delivery Network solution, LTE Broadcast and advanced video compression transform video efficiency, while maximizing the value of content and network assets.

Our broad portfolio is enhanced by global services capability to consult, integrate and manage business operations for TV.

CONNECTED DEVICES

Complete solutions for device connectivity

Compact modems-on-a-chip for smartphones, tablets and other small devices

Following the 2013 split-up of the ST-Ericsson joint venture between STMicroelectronics and Ericsson, Ericsson will offer LTE multi-mode thin modem solutions, including 2G, 3G and 4G interoperability. Device manufacturers will get a complete solution to ensure end-to-end device support and network functionality.

Our modems are designed for smartphones, tablets and other connected devices, important for our vision of 50 billion connected devices in the Networked Society.

Our modems support all major access technologies.

The Ericsson Device Connection Platform (DCP) is a cloud service enabling operators to offer connectivity management to enterprise customers. It enables operators to address new revenue streams from a variety of devices while simplifying the process and reducing the cost of connecting them.

OPPORTUNITIES IN INDUSTRY VERTICALS

Creating new value for non-operator businesses through ICT innovation

The rapid proliferation of connected devices, self-service applications, machine-to-machine communication and automation is changing the way companies do business. The mobile network is fundamental to this development and we serve several select industry verticals, specifically, utilities, the transport sector and public safety.

Our resources in technology, consulting, systems integration and managed services on a global scale give us a unique position. This lets us support customers with everything from connectivity to customer relationship management not just with technology but also from a business transformation perspective.

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OUR PERFORMANCE

Our overall goal is to create shareholder value. We use a range of financial and non-financial targets to drive business performance.

What we aim for **GROWING SALES FASTER THAN THE MARKET**

BEST-IN-CLASS OPERATING MARGIN

Why we measure it Outperforming our market confirms the validity of our strategic direction.

A clear focus on operating margins demonstrates our commitment to profitable growth.

Our performance

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What we aim for	STRONG CASH CONVERSION	EMPLOYEE ENGAGEMENT	CUSTOMER SATISFACTION
Why we measure it	A strong cash position supports new business activity, enables appropriate acquisition opportunities and provides resilience to external economic volatility.	Engaged employees are motivated to contribute to the success of Ericsson and are willing to go the extra mile to meet the organization's goals.	Customer satisfaction is a prerequisite for customer loyalty. We strive to ensure that our customers perceive us as a thought leader and their preferred business partner.
Our performance		Our score is 8 percentage points higher than the external benchmark average, as measured across over 250 companies. We started to measure the engagement index in 2011.	

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REGIONAL DEVELOPMENT

Ericsson is a truly global player, with customers in more than 180 countries. We have been present in many countries, such as China, Brazil and India, for more than 100 years.

NORTH AMERICA

Net sales: SEK 59.3 SEK billion (+5%).

Networks sales declined. The first half of the year was strong as a result of the two large mobile broadband coverage projects that peaked, while the second half was weaker. While executing on the large rollout projects in the US, Ericsson has also strengthened its professional services position and capabilities. Global Services sales increased by 20%.

LATIN AMERICA

Net sales: SEK 22.0 billion (+0%).

LTE deployments ramped up after a slow start and together with 3G network quality investments drove sales growth for the full year 2013. However, macroeconomic development in mainly Brazil and Mexico continued to slow down during the year.

NORTHERN EUROPE AND CENTRAL ASIA

Net sales: SEK 11.6 billion (+2%).

The sales growth was mainly driven by Networks sales in Russia. Operators continued to show high interest in OSS and BSS.

WESTERN AND CENTRAL EUROPE

Net sales: SEK 18.5 billion (+6%).

The sales growth was driven by network modernization projects in several countries and also by a high activity level in managed services.

MEDITERRANEAN

Net sales: SEK 24.2 billion (+4%).

Sales grew, driven by 3G deployments in Northwest Africa and modernization projects.

MIDDLE EAST

Net sales: SEK 17.4 billion (+12%).

Sales grew, driven by increased investments in mobile broadband.

SUB-SAHARAN AFRICA

Net sales: SEK 10.0 billion (- 11%).

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Sales came from 2G and 3G deployment and managed services, although the deployment pace slowed down in the latter part of the year. Long-term industry fundamentals remain positive as mobile broadband and smartphone penetration is still at low levels.

INDIA

Net sales: SEK 6.1 billion (- 5%).

Sales were negatively impacted by poor macroeconomic environment and delays in regulatory legislation. Global Services grew largely due to an increase in managed services.

NORTH EAST ASIA

Net sales: SEK 27.4 billion (- 24%).

Sales declined. Japan was negatively impacted by currency and reduced activity. GSM in China structurally declined whilst LTE deployments commenced towards the end of the year. In Japan, KDDI has selected Ericsson as one of the prime vendors to deploy its LTE system and evolved packet core network.

SOUTH EAST ASIA AND OCEANIA

Net sales: SEK 15.8 billion (+5%).

Sales grew, with 3G deployments in Thailand and LTE deployments in Singapore and Australia. In Indonesia major capacity projects were finalized. Smartphone penetration continued to increase from a low level.

OTHER

Net sales: SEK 15.0 billion (+22%).

Includes revenues generated across all regions through licensing, sales of cables, broadcast services, power modules and other businesses. Sales increased, positively impacted by the Samsung agreement but negatively impacted by the divestment of IPX in 2012 and the exit of the power cable businesses in 2013.

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FIVE-YEAR SUMMARY

For definitions of the financial terms used, see Glossary and Financial terminology.

Five-year summary

	2013	Change	2012	2011	2010	2009
Income statement items, SEK million						
Net sales	227,376	0%	227,779	226,921	203,348	206,477
Operating income	17,845	71%	10,458	17,900	16,455	5,918
Financial net	747		276	221	672	325
Net income	12,174	105%	5,938	12,569	11,235	4,127
Year-end position						
Total assets	269,190	2%	274,996	280,349	281,815	269,809
Working capital as defined ¹⁾	106,940	6%	100,619	109,552	105,488	99,079
Capital employed as defined ¹⁾	180,903	2%	176,653	186,307	182,640	181,680
Gross cash as defined ¹⁾	77,089	0%	76,708	80,542	87,150	76,724
Net cash as defined ¹⁾	37,809	2%	38,538	39,505	51,295	36,071
Property, plant and equipment	11,433	1%	11,493	10,788	9,434	9,606
Stockholders' equity	140,204	2%	136,883	143,105	145,106	139,870
Non-controlling interest	1,419	11%	1,600	2,165	1,679	1,157
Interest-bearing liabilities and post-employment benefits	39,280	3%	38,170	41,037	35,855	40,653
Per share indicators						
Earnings per share, basic, SEK, as defined	3.72	107%	1.80	3.80	3.49	1.15
Earnings per share, diluted, SEK, as defined	3.69	107%	1.78	3.77	3.46	1.14
Cash flow from operating activities per share, SEK	5.39	21%	6.85	3.11	8.31	7.67
Cash dividends per share, SEK, as defined	3.00 ²⁾	9%	2.75	2.50	2.25	2.00
Cash dividends per ADS, USD	0.47 ²⁾	12%	0.42	0.38	0.37	0.28
Stockholders' equity per share, SEK, as defined	43.39	2%	42.51	44.57	45.34	43.79
Number of shares outstanding (in millions)						
<i>end of period, basic</i>	3,231		3,220	3,211	3,200	3,194
<i>average, basic</i>	3,226		3,216	3,206	3,197	3,190
<i>average, diluted</i>	3,257		3,247	3,233	3,226	3,212
Other information, SEK million						
Additions to property, plant and equipment	4,503	17%	5,429	4,994	3,686	4,006
Depreciation and write-downs/impairments of property, plant and equipment	4,209	5%	4,012	3,546	3,296	3,502
Acquisitions/capitalization of intangible assets	4,759		13,247	2,748	7,246	11,413
Amortization and write-downs/impairments of intangible assets	5,928	1%	5,877	5,490	6,657	8,621
Research and development expenses	32,236	2%	32,833	32,638	31,558	33,055
<i>as percentage of net sales</i>	14.2%		14.4%	14.4%	15.5%	16.0%
Ratios						
Operating margin	7.8%		4.6%	7.9%	8.1%	2.9%
EBITA margin as defined ¹⁾	9.8%		6.6%	9.9%	11.0%	6.7%
Cash conversion as defined ¹⁾	79%		116%	40%	112%	117%
Return on equity as defined ¹⁾	8.7%		4.1%	8.5%	7.8%	2.6%
Return on capital employed as defined ¹⁾	10.7%		6.7%	11.3%	9.6%	4.3%
Equity ratio as defined	52.6%		50.4%	51.8%	52.1%	52.3%

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Capital turnover as defined	1.3		1.3	1.2	1.1	1.1
Inventory turnover days as defined	62		73	78	74	68
Trade receivables turnover as defined	3.4		3.6	3.6	3.2	2.9
Payment readiness, SEK million, as defined	82,631	3%	84,951	86,570	96,951	88,960
<i>as percentage of net sales</i>	36.3%		37.3%	38.1%	47.7%	43.1%
Statistical data, year-end						
Number of employees	114,340	4%	110,255	104,525	90,261	82,493
<i>of which in Sweden</i>	17,858	1%	17,712	17,500	17,848	18,217
Export sales from Sweden, SEK million	108,944	2%	106,997	116,507	100,070	94,829

- 1) These financial measures as defined by us may constitute non-IFRS measures. For a reconciliation to the most directly comparable IFRS measures, see pages 150-151.
- 2) For 2013, as proposed by the Board of Directors.

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LETTER FROM THE CHAIRMAN

DEAR SHAREHOLDERS

Looking back on my third year as chairman of Ericsson, I have to say it is exciting to be part of this industry. The rapid pace of change I mentioned last year shows no signs of slowing, and the transformative power of technology is becoming increasingly felt all around the world. It is a true privilege to be the chairman of a company that is leading and driving that development.

Much of our time on the Ericsson Board is spent examining longer-term strategic issues and the Board needs to form a long-term view. But particularly in an environment and a market like Ericsson's, we also have to consider short-term changes and opportunities that arise, and respond appropriately.

2013 was a very eventful year in which Ericsson and the Board addressed a number of important matters including acquisitions, divestments and refinancing. Two events that came up for much discussion during 2013 were the dissolution of the ST-Ericsson joint venture, with thin modems being integrated into Ericsson's operations, and the important patent agreement with Samsung.

Attracting and retaining talent

The Board also pays much attention to talent management. We have a committed and experienced leadership team, led by our CEO and President, Hans Vestberg. We also see it as important to have a good leadership talent pool, so that future leaders can be developed and prepared, to secure the Company's leading position.

Another main area for the Board is corporate governance, sustainability and responsible business practice. Ericsson is a large company with a unique global reach and it is essential that our high standards are met in all our dealings across diverse markets. Ericsson has set the bar high: every part of the Company is required to meet demanding financial, social, and environmental standards. Good governance ensures that risks are addressed and managed. Ericsson works continuously to uphold these standards as evidenced by the high trust that our stakeholders put in us.

Proposal to raise the dividend

We are also entrusted with the capital structure of the Company which is always an important topic of discussion. Part of this, particularly during the fourth quarter of each year, involves a proposal for dividend to the annual general meeting. This discussion is based on our dividend policy, which takes into account the previous year's earnings and balance sheet structure, as well as coming years' business plans and expected economic development. Ericsson's strategy is one of industry leadership which requires large investments into R&D as well as a continued focus on building on the core business and expanding into new areas.

With all this taken into account the Board's proposal is to increase the dividend from SEK 2.75 in 2012 to SEK 3 per share for 2013.

Ericsson is a dynamic, progressive company operating in an exciting, growing market, with good long-term prospects. I am proud of the people of Ericsson and it is an honor to be the Chairman of the Board.

Leif Johansson

Chairman of the Board of Directors

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BOARD OF DIRECTORS REPORT

BUSINESS IN 2013

Ericsson's sales ended at SEK 227.4 billion. The focus on profitability started to pay off and operating margin for the Group gradually improved in 2013, despite significant currency headwind, driven primarily by improvements in Networks and Network Rollout.

The business mix, with a higher share of coverage projects than capacity projects, started to shift towards more capacity during the year.

As anticipated, sales came under some pressure towards the end of the year. As previously communicated, the major reasons behind this development are the two large mobile broadband coverage projects, which peaked in North America in the first half of 2013, and the impact from reduced activity in Japan.

While executing on the large rollout projects in the US, Ericsson has also strengthened its professional services position and capabilities. In the second half of the year, Global Services accounted for more than half of the region's sales and today the Company is the market leader in both telecom services and mobile infrastructure in one of the world's most advanced and dynamic ICT markets.

The LTE tenders in China continued and so far the two major operators that have made their vendor selections have included Ericsson as a vendor. In the latter part of the year, sales in China improved as a result of deliveries to ongoing mobile broadband coverage projects.

Also in the latter part of 2013, Ericsson continued to grow in some of its European key markets. During the last years, the position in Europe has been strengthened through the network modernization projects. These have been delivered according to plan and the major part of the negative margin impact from these projects is now over. Over time, it is expected that the telecom industry in Europe will improve.

During 2013, Ericsson executed on a number of strategic initiatives to both manage the ongoing technology transition in the industry and to transform the company for future business opportunities. Ericsson has solidified its core business as well as taken important steps to build a leadership position in new and targeted key areas. This includes consolidation of the modems business and the acquisition of the IPTV business Mediroom from Microsoft. The Company will gradually increase resource and capital allocation in these areas as well as in IP, Cloud, OSS and BSS.

The Company has also successfully completed an IPR cross-licensing agreement with Samsung. This agreement ends complaints made by both companies against each other before the International Trade Commission (ITC) as well as the lawsuits before the U.S. District Court for the Eastern District of Texas.

The long-term fundamentals in the industry remain attractive and with ongoing strategic initiatives Ericsson is well positioned to continue to support its customers in a transforming ICT market.

The Company has worked diligently to improve working capital and ended the year with a strong operating cash flow of SEK 17.4 (22.0) billion and a full-year cash conversion of 79%, above the target of 70%, giving Ericsson a solid balance sheet to continue to execute on its strategy.

FINANCIAL HIGHLIGHTS

Impact of Samsung IPR agreement

On January 27, 2014, Ericsson and Samsung signed an agreement on global patent licenses between the two companies.

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The industry is built on scale and a strong tradition of sharing technologies through licensing on fair, reasonable and non-discriminatory (FRAND) terms. The agreement shows the value of Ericsson's R&D investments and enables both companies to continue to innovate and bring new technologies to the market. The cross-license agreement covers patents relating to GSM, UMTS, and LTE standards for both networks and handsets.

The agreement includes an initial payment and ongoing royalty payments from Samsung to Ericsson for the term of the new multi-year license agreement.

The transaction contributed to net sales of SEK 4.2 billion, operating income of SEK 4.2 billion and net income of SEK 3.3 billion in 2013. Ericsson expects that the initial payment will impact operating cash flow in the beginning of 2014. This specific agreement impacts segments Networks and Support Solutions.

Income statement

Reported sales for 2013 were flat and amounted to SEK 227.4 (227.8) billion. During the year sales were negatively impacted by strong currency headwind and lower sales in North East Asia, driven by lower GSM investments in China combined with lower project activity in

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Japan and South Korea. In North America CDMA sales declined by 50% to SEK 4.2 (8.4) billion.

Revenues for IPR and licensing were SEK 10.6 (6.6) billion, of which the Samsung agreement contributed with SEK 4.2 billion.

With a large share of coverage projects in the beginning of the year and with slightly improved business mix from the second quarter, the commodity mix remained stable compared to last year. Software represented 24% (23%), hardware 34% (35%) and services 42% (42%) of total sales.

Restructuring charges amounted to SEK 4.5 (3.4) billion, mainly related to continued execution of the service delivery strategy and headcount reductions in Sweden. The proactive work to drive efficiency and cost reductions continues.

Gross margin increased to 33.6% (31.6%), due to the agreement with Samsung, reduced negative effect from network modernization projects in Europe and improved business mix. The Global Services share of Group sales was flat at 43%.

Total operating expenses were basically flat and amounted to SEK 58.5 (58.9) billion. Expenses related to the modems business added SEK 0.5 billion to operating expenses. A one-time charge related to the acquisition of Airvana Network Solutions Inc. impacted the operating expenses negatively by SEK 0.4 billion. Excluding restructuring charges, operating expenses were down 2% compared to 2012. Selling, general and administrative expenses (SG&A) amounted to SEK 26.3 (26.0) billion and represented 11.6% of sales compared to 11.4% in 2012. For comments on research and development expenses (R&D), see the section Research and development, patents and licensing.

Other operating income and expenses decreased to SEK 0.1 (9.0) billion. During the year, one-time charges related to the divestment of Applied Communication Sciences (ACS), the former research and engineering arm of Telcordia Technologies, and the exiting of the telecom and power cable operations of SEK 0.9 billion impacted other operating income negatively. For new hedges taken in 2013, hedge accounting is not applied. The total re-evaluation effect for 2013 hedges on other operating income was SEK 0.5 billion. In 2012, other operating income included a gain related to the divestment of Sony Ericsson of SEK 7.7 billion and to Multimedia brokering (IPX) of SEK 0.2 billion.

Ericsson's share in earnings of JV and associated companies was SEK 0.1 (11.7) billion. In 2012 a non-cash charge of SEK 8.0 billion related to ST-Ericsson was made.

Operating income, including JV, increased to SEK 17.8 (10.5) billion, positively impacted by improved gross margin, and no negative effect from ST-Ericsson. Operating income was negatively impacted by one-time charges of SEK 1.3 billion related to the divestment of ACS, the exiting of the telecom and power cable operations and the acquisition of Airvana. Operating margin, including JV, was 7.8% (4.6%). Operating income including JV and excluding the Samsung agreement was SEK 13.6 billion with an operating margin of 6.1%. 2012 included a gain of SEK 7.7 billion related to the divestment of Sony Ericsson.

Financial net amounted to SEK 0.7 (0.3) billion. The difference is partly attributable to lower interest income as an effect of lower interest rates during 2013 compared to 2012. The tax rate for 2013 was 29% compared to 42% in 2012, positively impacted by product and market mix. Tax costs were SEK 4.9 (4.2) billion.

Net income increased to SEK 12.2 (5.9) billion, positively impacted by the Samsung agreement by SEK 3.3 billion.

EPS diluted was SEK 3.69 (1.78).

Balance sheet and other performance indicators

Compared to December 31, 2012, trade receivables increased from SEK 63.7 billion to 71.0 billion, mainly due to the Samsung agreement. Days sales outstanding (DSO) increased from 86 to 97 days.

Inventory decreased from SEK 28.8 billion to 22.8 billion, positively impacted by improved business mix and efficiency measures.

Inventory turnover days (ITO) improved from 73 to 62 days. Accounts payable days decreased from 57 to 53 days.

During the year, Ericsson concluded the following refinancing activities to extend the average debt maturity profile:

A EUR 313 million bond was repaid

Ericsson refinanced a USD 2 billion Revolving Credit Facility (RCF). The new facility is a five-year facility with two one-year extension options

A USD 684 million European Investment Bank (EIB) loan was disbursed. The loan agreement was signed in 2012 and the loan supports R&D activities. The loan will mature in 2020.

A SEK 4 billion EIB loan, with original maturity in 2015, will be repaid early 2014.

Provisions amounted to SEK 5.4 (8.6) billion by the end of the year. The reduction was mainly due to utilization of the 2012 ST-Ericsson provision.

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Cash flow from operating activities was positive at SEK 17.4 (22.0) billion, negatively impacted by higher working capital. There was no impact on cash flow from the Samsung agreement.

Cash outlays for regular investing activities decreased to SEK 5.0 (6.5) billion. Acquisitions and divestments during the year were net SEK 2.7 (2.1) billion. Cash flow from short-term investments for cash management purposes and other investing activities was net SEK 3.4 (3.7) billion, mainly attributable to changes between short-term investments and cash and cash equivalents.

Cash flow from financing activities was SEK 9.5 (9.4) billion, mainly impacted by dividend paid of SEK 9.2 (8.6) billion. Other financing activities net amounted to SEK 0.3 (0.8) billion.

Cash, cash equivalents and short-term investments amounted to SEK 77.1 (76.7) billion. The net cash position decreased from SEK 38.5 to 37.8 billion. Cash conversion for 2013 ended at 79%.

In 2013, the net number of employees increased by 4,085, of which 3,293 were in services and 741 in R&D. By the end of 2013, the total number of employees was 114,340 (110,255) of which 5,377 people joined Ericsson through acquisitions and through managed services contracts. At the same time, approximately 13,000 employees left Ericsson, reflecting the natural attrition rate and ongoing company transformation.

Research and development, patents and licensing

To secure continued technology leadership, focus is on innovation and R&D. R&D expenses (see table below) amounted to SEK 32.2 (32.8) billion. During 2014, R&D expenses, excluding expenses related to Modems, Mediaroom and restructuring, are expected to increase somewhat, mainly due to investments in IP.

Research and development, patents and licensing

	2013	2012	2011
Expenses (SEK billion)	32.2	32.8	32.6
As percent of Net sales	14.2%	14.4%	14.4%
Employees within R&D as of December 31 ¹⁾	25,300	24,100	22,400
Patents ¹⁾	35,000	33,000	30,000
IPR revenue, net (SEK billion)	10.6	6.6	6.2

1) The number of employees and patents are approximate.

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Seasonality

The Company's sales, income and cash flow from operations vary between quarters, generally lowest in the first quarter of the year and highest in the fourth quarter. This is mainly a result of the seasonal purchase patterns of network operators.

Most recent five-year average seasonality of sales

	First quarter	Second quarter	Third quarter	Fourth quarter
Sequential change	21%	6%	3%	24%
Share of annual sales	23%	24%	24%	29%

Off-balance sheet arrangements

There are currently no material off-balance sheet arrangements that have, or would be reasonably likely to have, a current or anticipated material effect on the Company's financial condition, revenues, expenses, result of operations, liquidity, capital expenditures or capital resources.

Capital expenditures

For 2013, capital expenditures amounted to SEK 4.5 billion, 2% of sales. Annual capital expenditures are normally around 2% of sales. This corresponds to the needs for keeping and maintaining the current capacity level, including the introduction of new technology and methods. Expenditures are largely related to test sites and equipment for R&D and network operations centers as well as manufacturing and repair operations. The Board of Directors reviews the Company's investment plans and proposals.

Ericsson is planning to invest in three new global ICT Centers, of which two in Sweden and one in Canada, over the coming five years. The centers will support R&D and Services in developing and verifying solutions, bringing innovation to the market faster. Apart from this investment Ericsson believes that the Company's property, plant and equipment and the facilities the Company occupies are suitable for its present needs in most locations. As of December 31, 2013, no material land, buildings, machinery or equipment were pledged as collateral for outstanding indebtedness.

The Company believes it has sufficient cash and cash generation capacity to fund expected capital expenditures without external borrowings in 2014.

Capital expenditures 2009 - 2013

SEK billion	2013	2012	2011	2010	2009
Capital expenditures	4.5	5.4	5.0	3.7	4.0
<i>of which in Sweden</i>	1.9	1.3	1.7	1.4	1.3
Share of annual sales	2.0%	2.4%	2.2%	1.8%	1.9%

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BUSINESS RESULTS SEGMENTS

Networks

Sales were basically flat. The Samsung agreement and increased sales in Latin America, Europe and the Middle East impacted sales positively, but this was partly offset by lower sales in North America, where CDMA related sales declined by 50%. North East Asia sales declined as an effect of lower project activities in Japan and South Korea and lower GSM investments in China.

At the end of the year there was solid demand for our IMS and data layered architecture UDC (User Data Consolidation). However, this was not enough to offset the continued structural decline in circuit-switched core.

Operating margin gradually improved during the year and ended at 10% (6%). This was a result of the Samsung agreement, reduced negative effect from network modernization projects in Europe, improved business mix and strong focus on improving profitability. Restructuring charges amounted to SEK 2.2 (1.3) billion. This was primarily related to reductions of operations in Sweden and dismantling of the CDMA operations. Operating margin excluding the Samsung agreement was 7%.

Global Services

Reported sales for Global Services were flat in comparison to a strong 2012. Network Rollout reported sales grew 4% driven by high coverage project activities, primarily in North America. Professional Services had a strong development in region North America and India.

Global Services operating margin was 6% (6%). Network Rollout margin gradually improved during the year due to the declining dilutive effect from European network modernization projects as well as the ongoing efficiency programs. Professional Services operating margin was 14% (14%).

Restructuring charges amounted to SEK 2.0 (1.9) billion.

Support Solutions

Sales development was primarily driven by portfolio changes and decline in sales of TV compression technology while OSS and BSS showed stable development. The Samsung agreement had an overall positive impact on sales.

Operating margin increased to 12% (9%) due to the Samsung agreement. Lower sales and a charge related to the divestment of ACS had a negative impact on the margin.

From ST-Ericsson to segment Modems

ST-Ericsson was created in 2008 as a joint venture between Ericsson and STMicroelectronics. Early in 2013, the parents agreed to split up and close the joint venture.

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Ericsson decided to take over the design, development and sales of the thin LTE multimode modem solutions as these are seen as an important part of the Ericsson vision of 50 billion connected devices in the Networked Society. The ambition is to be among the top three suppliers in the thin-modem market.

In 2013, all ST-Ericsson businesses have been transferred to parents or divested. In 2012, Ericsson made a provision of SEK 3.3 billion, related to the ongoing implementation of strategic options at hand.

Ericsson now has a highly focused thin-modem operation with industry-leading technology and intellectual property. A new segment was established as of October 1, 2013, and the modems business is now consolidated into Ericsson. For 2013, segment Modems generated an operating loss of SEK 0.5 billion, primarily related to R&D expenses.

BUSINESS RESULTS REGIONS

North America: Networks sales declined in 2013, with a strong first half while the second half was weaker as a result of the two large mobile broadband coverage projects that peaked in the first half of the year. While executing on the large rollout projects in the US, Ericsson has also strengthened its professional services position and capabilities. Global Services accounted for more than 50% of the region's sales in the second half of the year.

Latin America: LTE deployments ramped up after a slow start, and together with 3G network quality investments, drove sales growth for 2013. However, macroeconomic development mostly in Brazil and Mexico continued to slow down during the year.

Northern Europe and Central Asia: Sales growth was mainly driven by Networks sales in Russia. Operators continued to show high interest in OSS and BSS.

Western and Central Europe: Sales growth was driven by network modernization projects in several countries and also by a high activity level in managed services.

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Mediterranean: Sales in 2013 grew, driven by 3G deployments in Northwest Africa and modernization projects.

Middle East: Sales grew in 2013, driven by increased investments in mobile broadband.

Sub-Saharan Africa: Sales came from 2G and 3G deployment and managed services, although the deployment pace slowed down in the latter part of the year. Long-term industry fundamentals remain positive as mobile broadband and smartphone penetration is still at low levels.

India: Sales were negatively impacted by poor macroeconomic environment and delays in regulatory legislation. Global Services grew largely due to an increase in Managed Services.

North East Asia: Sales declined in 2013. Japan was negatively impacted by currency and reduced activity. GSM in China structurally declined whilst LTE deployments commenced towards the end of the year. In Japan, KDDI has selected Ericsson as one of the prime vendors to deploy its LTE system and evolved packet core network.

South East Asia and Oceania: Sales grew in 2013 with 3G deployments in Thailand and LTE deployments in Singapore and Australia. In Indonesia major capacity projects were finalized. Smartphone penetration continues to increase from a low level.

Other: Sales increased, positively impacted by the Samsung agreement but negatively impacted by the divestment of IPX in 2012 and the exit of the telecom and power cable business. Sales of broadcast services, cables, power modules and other businesses are also included in Other.

Sales per region and segment 2013 and percent change from 2012

SEK billion	Networks		Global Services		Support Solutions		Total 2013	Percent change
	2013	Percent change	2013	Percent change	2013	Percent change		
North America	28.5	7%	28.2	20%	2.6	5%	59.3	5%
Latin America	11.3	16%	9.5	10%	1.1	30%	22.0	0%
Northern Europe and Central Asia	7.2	14%	4.2	8%	0.3	46%	11.6	2%
Western and Central Europe	7.6	24%	10.3	3%	0.6	14%	18.5	6%
Mediterranean	10.8	14%	12.6	3%	0.7	6%	24.2	4%
Middle East	8.5	26%	7.6	4%	1.3	9%	17.4	12%
Sub-Saharan Africa	5.0	22%	4.1	6%	0.9	9%	10.0	11%
India	3.1	13%	2.7	11%	0.3	32%	6.1	5%
North East Asia	16.7	26%	10.4	22%	0.4	30%	27.4	24%
South East Asia and Oceania	8.9	12%	6.4	3%	0.5	1%	15.8	5%
Other ¹⁾	10.1	28%	1.4	17%	3.5	10%	15.0	22%
Total	117.7	0%	97.4	0%	12.2	9%	227.4	0%
Share of total	52%		43%		5%		100%	

- 1) Region Other includes licensing revenues, sales of cables, broadcast services, power modules and other businesses. The acquired Technicolor Broadcast Service Division is reported in region Other. Multimedia brokering (IPX) was part of region Other and divested end Q312. The power cable business was divested in Q313.

CORPORATE GOVERNANCE

In accordance with the Annual Accounts Act ((SFS 1995:1554), Chapter 6, Sections 6 and 8) and the Swedish Corporate Governance Code (the Code), a separate Corporate Governance Report, including an Internal Control section, has been prepared and attached to this Annual Report.

Continued compliance with the Swedish Corporate Governance Code

Ericsson is committed to complying with best-practice corporate governance standards on a global level wherever possible. In 2013, Ericsson did not report any deviations from the Code.

Business integrity

Ericsson's Code of Business Ethics summarizes the Group's basic policies and directives governing its relationships internally, with its stakeholders and with others. It also sets out

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how the Group works to secure that business activities are conducted with a strong sense of integrity. There have been no amendments to Ericsson's Code of Business Ethics or waivers from a provision of the Code to any member of Group management.

Board of Directors

The Annual General Meeting held on April 9, 2013, re-elected Leif Johansson Chairman of the Board. Roxanne S. Austin, Sir Peter L. Bonfield, Börje Ekholm, Alexander Izosimov, Ulf J. Johansson, Sverker Martin-Löf, Hans Vestberg and Jacob Wallenberg were re-elected and Nora Denzel, Kristin Skogen Lund and Pär Östberg were elected new members of the Board. Pehr Claesson, Kristina Davidsson and Karin Åberg were appointed employee representatives by the unions, with Rickard Fredriksson, Karin Lennartsson and Roger Svensson as deputies.

Management

Hans Vestberg has been President and CEO of the Group since January 1, 2010. The President and CEO is supported by the Group management, consisting of the Executive Leadership Team (ELT).

A global management system is in place to ensure that Ericsson's business is well controlled and has the ability to fulfill the objectives of major stakeholders within established risk limits. The management system also monitors internal control and compliance with applicable laws, listing requirements and governance codes.

Remuneration

Remuneration to the members of the Board of Directors and to Group management, as well as the Guidelines for remuneration to Group Management resolved by the Annual General Meeting 2013, are reported in Notes to the consolidated financial statements Note C28, Information regarding members of the Board of Directors, the Group management and employees .

As of December 31, 2013, there were no loans outstanding from and no guarantees issued to or assumed by Ericsson for the benefit of any member of the Board of Directors or senior management.

The Board of Directors proposal for guidelines for remuneration to Group management

The Board of Directors proposes that the Annual General Meeting resolves on the following guidelines for remuneration to Group management for the period up to the 2015 Annual General Meeting. Compared to the guidelines resolved by the 2013 Annual General Meeting, a reference to the normally applicable pensionable age has been deleted.

Guidelines for remuneration to Group management

For Group management consisting of the Executive Leadership Team, including the President and CEO, total remuneration consists of fixed salary, short- and long-term variable compensation, pension and other benefits. The following guidelines apply to the remuneration of the Executive Leadership Team:

Variable compensation is in cash and stock-based programs awarded against specific business targets derived from the long-term business plan approved by the Board of Directors. Targets may include financial targets at either Group or unit level, operational targets, employee engagement targets and customer satisfaction targets.

All benefits, including pension benefits, follow the competitive practice in the home country taking total compensation into account.

By way of exception, additional arrangements can be made when deemed necessary. An additional arrangement can be renewed but each such arrangement shall be limited in time and shall not exceed a period of 36 months and twice the remuneration that the individual would have received had no additional arrangement been made.

The mutual notice period may be no more than six months. Upon termination of employment by the Company, severance pay amounting to a maximum of 18 months fixed salary is paid. Notice of termination given by the employee due to significant structural changes, or other events that in a determining manner affect the content of work or the condition for the position, is equated with notice of termination served by the Company.

Executive Performance Stock Plan

The Company has a Long-Term Variable remuneration program (LTV). It builds on a common platform, but consists of three separate plans: one targeting all employees, one targeting key contributors and one targeting senior managers. The program is designed to encourage long-term value creation in alignment

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with shareholders' interests. The aim of the plan for senior managers 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 stakes. The performance criteria for senior managers under the Executive Performance Stock Plan are revised yearly and approved by the Annual General Meeting. Performance criteria for the 2014 Executive Performance Stock Plan will be communicated in the notice to the Annual General Meeting.

The targets for the 2011, 2012 and 2013 Executive Performance Stock Plans are shown in the illustration below. The performance criteria are:

Up to one-third of the award will vest if the target for compound annual growth rate of consolidated net sales is achieved

Up to one-third of the award will vest if the target for compound annual growth rate of consolidated operating income, including earnings in joint ventures and restructuring, is achieved. For the 2011 plan, base year 2010 excludes restructuring charges of SEK 6.8 billion. For the 2013 plan, base year 2012 excludes a non-cash charge of SEK 8.0 billion for ST-Ericsson.

Up to one-third of the award will vest if cash conversion is at or above 70% during each of the years and vesting one-ninth of the award for each year the target is achieved.

The cash conversion target was reached in 2013 and 2012 but not reached in 2011.

Before the number of performance shares to be matched are finally determined, the Board of Directors 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, reduce the number of performance shares.

MATERIAL CONTRACTS

Material contractual obligations are outlined in Note C31, Contractual obligations. These were entered into in the ordinary course of business and were primarily related to operating leases for office and production facilities, purchase contracts for outsourced manufacturing, R&D and IT operations, and the purchase of components for the Company's own manufacturing.

Ericsson is party to certain agreements, which include provisions that may take effect or be altered or invalidated by a change in control of the Company as a result of a public takeover offer. Such provisions are not unusual for certain types of agreements, such as financing agreements and certain license agreements. However, considering among other things the Company's strong financial position, none of the agreements currently in effect would entail any material consequence to Ericsson due to a change in control of the Company.

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RISK MANAGEMENT

Risks are defined in both short-term and long-term perspective. They are categorized into industry and market risks, commercial risks, operational risks and compliance risks. Ericsson's risk management is based on the following principles, which apply universally across all business activities and risk types:

Risk management is an integrated part of the Ericsson Group Management System

Each operational unit is accountable for owning and managing its risks according to policies, directives and process tools. Decisions are made or escalated according to defined delegation of authority. Financial risks are coordinated through Group Function Finance

Risks are dealt with during the strategy process, annual planning and target setting, continuous monitoring through monthly and quarterly steering group meetings and during operational processes (customer projects, customer bid/contract, acquisition, investment and product development projects). They are subject to various controls such as decision tollgates and approvals.

At least twice a year, in connection with the approval of strategy and targets, risks are reviewed by the Board of Directors.

A central security unit coordinates management of certain risks, such as business interruption, information security and physical security. The Crisis Management Council deals with events of a serious nature.

For information on risks that could impact the fulfillment of targets and form the basis for mitigating activities, see the other sections of the Board of Directors' report, Notes C2, Critical accounting estimates and judgments, C14, Trade receivables and customer finance, C19, Interest-bearing liabilities, C20, Financial risk management and financial instruments and the chapter Risk factors.

SOURCING AND SUPPLY

Ericsson's hardware largely consists of electronics. For manufacturing, the Company purchases customized and standardized components and services from several global providers as well as from local and regional suppliers. Certain types of components, such as power modules, are produced in-house.

The production of electronic modules and sub-assemblies is mostly outsourced to manufacturing services companies, of which the vast majority are in low-cost countries. Production of radio base stations is largely done in-house and on-demand. This consists of assembling and testing modules and integrating them into complete units. Final assembly and testing are concentrated to a few sites. Ericsson has 14 manufacturing sites in Brazil, China, Estonia, India, Italy, Mexico and Sweden.

A number of suppliers design and manufacture highly specialized and customized components. The Company generally attempts to negotiate global supply agreements with its primary suppliers. Ericsson's suppliers are required to comply with the requirements of Ericsson's Code of Conduct.

Where possible, Ericsson relies on alternative supply sources and seeks to avoid single source supply situations. A need to switch to an alternative supplier may require allocation of additional resources. This process could take some time to complete.

Variations in market prices for raw materials generally have a limited effect on total cost of goods sold. For more information, see the chapter Risk factors.

SUSTAINABILITY AND CORPORATE RESPONSIBILITY

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The Company has implemented strong social, environmental and ethical standards supporting value creation and risk management. This commitment generates positive business impacts, which in turn benefits society.

Ericsson's approach to Sustainability and Corporate Responsibility (CR) is integrated into its core business operations throughout its value chain. The Board of Directors considers these aspects in governance decision-making. Group policies and directives ensure consistency across global operations. Ericsson publishes an annual Sustainability and Corporate Responsibility Report, which provides additional information.

Responsible business practices

Since 2000, Ericsson has supported the UN Global Compact, and endorses its ten principles regarding human rights and labor standards, anti-corruption and environmental protection.

In 2013, Ericsson reported its Communication on Progress at the Global Compact Advanced

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level. The Ericsson Group Management System (EGMS) includes a Code of Business Ethics, a Code of Conduct and a Sustainability Policy which reflect responsible business practices. These practices are reinforced by employee awareness training, workshops and monitoring, including a global assessment plan run by an external assurance provider.

Ericsson has adopted an anti-corruption program which is reviewed and evaluated by the Audit Committee of the Board of Directors annually. The program continues to evolve and a new version of the Company's e-learning regarding anti-corruption was launched during the year. Approximately 85,000 employees have completed the training.

Human rights

The Code of Business Ethics reflects the Company's ongoing commitment to respect human rights, and the UN Guiding Principles on Business and Human Rights. Ericsson has worked actively to strengthen its internal governance processes and has a Sales Compliance Board which considers potential human rights impacts in its decisions. The human rights risk tools used by the Sales Compliance Board include external global risk indices. Ericsson joined the Shift Business Learning Program to further strengthen its framework on Human Rights across the Company which included conducting a Human Rights Impact Assessment in Myanmar, in accordance with the UN Guiding Principles.

Responsible sourcing

All suppliers must comply with the requirements of Ericsson's Code of Conduct. Approximately 190 employees, covering all regions, are trained as Code of Conduct auditors. The Company uses a risk-based approach to ensure that the high risk portfolio areas, and highest risk markets, are targeted first. For prioritized areas, Ericsson performs regular audits and works with suppliers to ensure measurable and continuous improvements. Findings are followed up to ensure that improvements are made.

Ericsson addresses the issue of conflict minerals, including compliance with the US Dodd-Frank Act and the disclosure rule adopted by the U.S. Securities and Exchange Commission (SEC) through measures in its sourcing and product management processes.

Ericsson has actively engaged with its suppliers on this issue and suppliers within scope have been queried on the smelters in their supply chain. Ericsson's supply chain is complex and both Ericsson and its suppliers are often many tiers away from the smelters.

Ericsson also participates in industry initiatives such as the Conflict-Free Sourcing Initiative (CFSI), driven by the Global e-Sustainability Initiative (GeSI), and the Electronic Industry Citizenship Coalition (EICC).

Reducing environmental impact

Energy use of products in operation remains the Company's most significant environmental impact. Ericsson works proactively with its customers to encourage network and site energy optimization, through innovative products, software, solutions and advisory services. Processes and controls are in place to ensure compliance with relevant product-related environmental, customer and regulatory requirements.

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The Company works actively to reduce its environmental impact, with a focus on Design for Environment, which includes product energy efficiency and materials management. Continuously improving sustainability performance is fundamental to Ericsson's strategy and a priority remains improving the life-cycle carbon footprint. Last year, Ericsson reported that it reached its five-year target to reduce carbon footprint intensity by 40% one year ahead of schedule. Ericsson continues to report on this performance for the final year. The target comprises two focus areas: Ericsson's own activities and the life-cycle impacts of products in operation. Results for the five-year target: A 56% reduction in direct emission intensity from own activities, including business travel, product transportation and facilities' energy use. A 47% reduction in indirect emission intensity from life-cycle impacts of products in operation.

Ericsson set a new long-term objective for its own operations in 2012, which is to maintain absolute CO₂e emissions from Ericsson's own activities for business travel, product transportation and facilities energy use in 2017 at the same level as in 2011. To achieve this long-term objective, the Company aims to reduce CO₂e emissions per employee by 30% over five years. The Company achieved a 10% reduction of CO₂e emissions per employee in 2013.

Ericsson Ecology Management is a program to take responsibility for products at the end of their life and to treat them in an environmentally preferable way. The program also ensures that

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Ericsson fulfills its producer responsibility and is offered to all customers globally free of charge, not only in markets where it is required by law.

Radio waves and health

Ericsson employs rigid product testing and installation procedures with the goal of ensuring that radio wave exposure levels from products and network solutions are below established safety limits. The Company also provides public information on radio waves and health, and supports independent research to further increase knowledge in this area. Since 1996, Ericsson has co-sponsored over 100 studies related to electromagnetic fields and health, primarily through the Mobile Manufacturers Forum. To assure scientific independence, firewalls were in place between the industrial sponsors and the researchers conducting these studies. Independent expert groups and public health authorities, including the World Health Organization, have reviewed the total amount of research and have consistently concluded that the balance of evidence does not demonstrate any health effects associated with radio wave exposure from either mobile phones or radio base stations.

Reporting according to GRI 3.0

Ericsson publishes an annual Sustainability and Corporate Responsibility report and full key performance data is made available on the Ericsson website according to the Global Reporting Initiative (GRI). The performance data is assured by a third party.

LEGAL PROCEEDINGS

In November 2012, Ericsson filed two patent infringement lawsuits in the US District Court for the Eastern District of Texas against Samsung. Ericsson sought damages and an injunction. Ericsson also asked the Court to adjudge that Samsung breached its commitment to license any standard-essential patents it owns on fair, reasonable, and non-discriminatory terms and to declare Samsung's allegedly standard essential patents to be unenforceable. In March 2013, Samsung filed its answers and counterclaims in the Ericsson suits in Texas, USA.

In November 2012, Ericsson also filed a complaint with the US International Trade Commission (ITC), seeking an exclusion order blocking Samsung from import of certain products into the USA.

In December 2012, Samsung filed a complaint with the ITC seeking an exclusion order blocking Ericsson from import of certain products into the USA.

On January 27, 2014, Ericsson announced that an agreement had been signed with Samsung on global patent licenses between the two companies. The cross-license agreement covers patents relating to GSM, UMTS, and LTE standards for both networks and handsets.

The agreement ends the complaints made by both companies against each other before ITC as well as the lawsuits before the U.S. District Court for the Eastern District of Texas.

On January 10, 2013, Adaptix Inc. filed two lawsuits against Ericsson, AT&T, AT&T Mobility and MetroPCS Communications in the US District Court for Eastern District of Texas alleging that certain Ericsson products infringe five US patents assigned to Adaptix. Adaptix seeks damages and an injunction.

On January 18, 2013, Adaptix filed a complaint with the Tokyo District Court alleging certain Ericsson products infringe two Japanese patents assigned to Adaptix. Adaptix seeks damages and an injunction.

On January 25, 2013, Adaptix filed a complaint with the US International Trade Commission (ITC) requesting that the commission open a patent infringement investigation into certain Ericsson products. In December 2013, this complaint was dismissed by the ITC based on Adaptix's withdrawal of the complaint.

In 2013, Ericsson filed a patent infringement lawsuit in the Delhi High Court against Indian handset company Micromax, seeking damages and an injunction. Ericsson alleged that Micromax products, compliant with the 2G/3G standard, infringe eight of Ericsson's Indian patents. As part of its defence, Micromax has filed a complaint to the Competition Commission of India (CCI) and the CCI has decided to refer the case to the

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Director General's Office for an in-depth investigation.

In 2012, Wi-LAN Inc., a US patent licensing company, filed a complaint against Ericsson in the US District Court of Southern Florida alleging that Ericsson's LTE products infringe three of Wi-LAN's US patents. Ericsson was sued in 2010 by Wi-LAN in another patent infringement lawsuit in the US District Court for the Eastern District of Texas. Wi-LAN alleged that Ericsson products, compliant with the 3GPP standard, infringe three US patents assigned to Wi-LAN.

In June 2013, a District Court Judge in the Florida case granted Ericsson's request for a Summary

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Judgment and dismissed Wi-LAN's claims against Ericsson. Wi-LAN has appealed this decision. In July 2013, a jury in Tyler, Texas, found in Ericsson's favor in the Texas case. Wi-LAN may appeal the final decision by the Court.

In 2012, Airvana Networks Solutions Inc. sued Ericsson in the Supreme Court of the State of New York, alleging that Ericsson had violated key contract terms and misappropriated Airvana trade secrets and proprietary information. Ericsson announced on September 6, 2013 that it has acquired Airvana Network Solutions' EVDO business. The lawsuit filed by Airvana against Ericsson has now been dismissed.

In 2011, TruePosition sued Ericsson, Qualcomm, Alcatel-Lucent, the European Telecommunications Standards Institute (ETSI) and the Third Generation Partnership Project (3GPP) in the US District Court for the Eastern District of Pennsylvania for purported federal antitrust violations. The complaint alleged that Ericsson, Qualcomm and Alcatel-Lucent illegally conspired to block the adoption of TruePosition's proprietary technology into the new mobile positioning standards for LTE, while at the same time ensuring that their own technology was included into the new standards. The case is proceeding to discovery.

In 2007, H3G S.p.A. (H3G) filed arbitral proceedings in Italy against Ericsson. H3G claimed compensation from Ericsson for alleged breach of contract. In June 2013, the parties settled the dispute. The settlement did not have a material impact on Ericsson's business, operating results or liquidity.

In addition to the proceedings discussed above, Ericsson companies are, and in the future may be, involved in various other lawsuits, claims and proceedings incidental to the ordinary course of business.

PARENT COMPANY

The Parent Company business consists mainly of corporate management, holding company functions and internal banking activities. It also handles customer credit management, performed on a commission basis by Ericsson Credit AB.

The Parent Company has 5 (6) branch offices. In total, the Group has 81 (71) branch and representative offices.

Financial information

Income after financial items was SEK 7.2 (4.9) billion. The Parent Company had no sales in 2013 or 2012 to subsidiaries, while 30% (34%) of total purchases of goods and services were from such companies.

Major changes in the Parent Company's financial position for the year included:

In 2012, a provision of SEK 3.3 billion was recognized, which provides for Ericsson's share of obligations for the wind-down of ST-Ericsson. In 2013, SEK 2.1 billion has been utilized or reversed, which resulted in a net liability of SEK 1.2 billion

Decreased current and non-current receivables from subsidiaries of SEK 7.1 billion

Decreased other current receivables of SEK 2.0 billion

Increased cash, cash equivalents and short-term investments of SEK 1.1 billion

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Decreased current and non-current liabilities to subsidiaries of SEK 5.2 billion

Decreased other current liabilities of SEK 0.9 billion.

At year-end, cash, cash equivalents and short-term investments amounted to SEK 58.5 (57.4) billion.

Share information

As of December 31, 2013, the total number of shares in issue was 3,305,051,735, of which 261,755,983 were Class A shares, each carrying one vote, and 3,043,295,752 were Class B shares, each carrying one tenth of one vote. Both classes of shares have the same rights of participation in the net assets and earnings.

The two largest shareholders at year-end were Investor AB and AB Industrivärden holding 21.50% and 15.21% respectively of the voting rights in the Parent Company.

In accordance with the conditions of the Long-Term Variable Remuneration Program (LTV) for Ericsson employees, 10,829,917 treasury shares were sold or distributed to employees in 2013. The quotient value of these shares was SEK 5.00, totaling SEK 54.1 million, representing less than 1% of capital stock, and compensation received for shares sold and distributed shares amounted to SEK 116.6 million.

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The holding of treasury stock at December 31, 2013 was 73,968,178 Class B shares. The quotient value of these shares is SEK 5.00, totaling SEK 369.8 million, representing 2.2% of capital stock, and the purchase price amounts to SEK 571.6 million.

Proposed disposition of earnings

The Board of Directors proposes that a dividend of SEK 3.0 (2.75) per share be paid to shareholders duly registered on the record date April 16, 2014, and that the Parent Company shall retain the remaining part of non-restricted equity.

The Class B treasury shares held by the Parent Company are not entitled to receive dividend. Assuming that no treasury shares remain on the record date, the Board of Directors proposes that earnings be distributed as follows:

Amount to be paid to the shareholders	SEK 9,915,155,205
Amount to be retained by the Parent Company	SEK 13,882,835,598
Total non-restricted equity of the Parent Company	SEK 23,797,990,803

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As a basis for its dividend proposal, the Board of Directors has made an assessment in accordance with Chapter 18, Section 4 of the Swedish Companies Act of the Parent Company's and the Group's need for financial resources as well as the Parent Company's and the Group's liquidity, financial position in other respects and long-term ability to meet their commitments. The Group reports an equity ratio of 53% (50%) and a net cash amount of SEK 37.8 (38.5) billion.

The Board of Directors has also considered the Parent Company's result and financial position and the Group's position in general. In this respect, the Board of Directors has taken into account known commitments that may have an impact on the financial positions of the Parent Company and its subsidiaries.

The proposed dividend does not limit the Group's ability to make investments or raise funds, and it is the Board of Directors' assessment that the proposed dividend is well-balanced considering the nature, scope and risks of the business activities as well as the capital requirements for the Parent Company and the Group in addition to coming years' business plans and economic development.

BOARD ASSURANCE

The Board of Directors and the President declare that the consolidated financial statements have been prepared in accordance with IFRS, as adopted by the EU, and give a fair view of the Group's financial position and results of operations. The financial statements of the Parent Company have been prepared in accordance with generally accepted accounting principles in Sweden and give a fair view of the Parent Company's financial position and results of operations.

The Board of Directors' Report for the Ericsson Group and the Parent Company provides a fair view of the development of the Group's and the Parent Company's operations, financial position and results of operations and describes material risks and uncertainties facing the Parent Company and the companies included in the Group.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM*To the Shareholders of Telefonaktiebolaget LM Ericsson (publ)*

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, comprehensive income, shareholders equity and cash flows present fairly, in all material respects, the financial position of Telefonaktiebolaget LM Ericsson and its subsidiaries at December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board and in conformity with International Financial Reporting Standards as adopted by the European Union. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control - Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States) and International Standards on Auditing. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Stockholm, April 8, 2014

By: /s/ PricewaterhouseCoopers
Name: PricewaterhouseCoopers AB

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CONSOLIDATED FINANCIAL STATEMENTS**CONSOLIDATED INCOME STATEMENT**

January	December, SEK million	Notes	2013	2012	2011
Net sales		C3, C4	227,376	227,779	226,921
Cost of sales			151,005	155,699	147,200
Gross income			76,371	72,080	79,721
Gross margin (%)			33.6%	31.6%	35.1%
Research and development expenses			32,236	32,833	32,638
Selling and administrative expenses			26,273	26,023	26,683
Operating expenses			58,509	58,856	59,321
Other operating income and expenses		C6	113	8,965 ¹⁾	1,278
Operating income before shares in earnings of joint ventures and associated companies			17,975	22,189	21,678
Operating margin before shares in earnings of joint ventures and associated companies (%)			7.9%	9.7%	9.6%
Share in earnings of joint ventures and associated companies		C3, C12	130	11,731	3,778
Operating income			17,845	10,458	17,900
Financial income		C7	1,346	1,708	2,882
Financial expenses		C7	2,093	1,984	2,661
Income after financial items			17,098	10,182	18,121
Taxes		C8	4,924	4,244	5,552
Net income			12,174	5,938	12,569
Net income attributable to:					
Stockholders of the Parent Company			12,005	5,775	12,194
Non-controlling interest			169	163	375
Other information					
Average number of shares, basic (million)		C9	3,226	3,216	3,206
Earnings per share attributable to stockholders of the Parent Company, basic (SEK) ²⁾		C9	3.72	1.80	3.80
Earnings per share attributable to stockholders of the Parent Company, diluted (SEK) ²⁾		C9	3.69	1.78	3.77

1) Includes gain on sale of Sony Ericsson of SEK 7.7 billion.

2) Based on Net income attributable to stockholders of the Parent Company.

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

January	December, SEK million	2013	2012	2011
Net income		12,174	5,938	12,569
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Remeasurements of defined benefits pension plans including asset ceiling		3,214	451	6,963
Tax on items that will not be reclassified to profit or loss		1,235	59	1,810
Items that may be reclassified to profit or loss				
Cash flow hedges				
Gains/losses arising during the period		251	1,668	996
Reclassification adjustments for gains/losses included in profit or loss		1,072	568	2,028
Adjustments for amounts transferred to initial carrying amount of hedged items			92	
Revaluation of other investments in shares and participations				
Fair value remeasurement		71	6	
Changes in cumulative translation adjustments		1,687	3,947	964
Share of other comprehensive income of joint ventures and associated companies		14	486	262
Tax on items that may be reclassified to profit or loss		179	363	348
Total other comprehensive income, net of tax		293	4,108	7,063
Total comprehensive income		11,881	1,830	5,506
Total comprehensive income attributable to:				
Stockholders of the Parent Company		11,712	1,716	5,081
Non-controlling interests		169	114	425

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CONSOLIDATED BALANCE SHEET

December 31, SEK million	Notes	2013	2012
Assets			
Non-current assets			
Intangible assets	C10		
Capitalized development expenses		3,348	3,840
Goodwill		31,544	30,404
Intellectual property rights, brands and other intangible assets		12,815	15,202
Property, plant and equipment	C11, C26, C27	11,433	11,493
Financial assets			
Equity in joint ventures and associated companies	C12	2,568	2,842
Other investments in shares and participations	C12	505	386
Customer finance, non-current	C12	1,294	1,290
Other financial assets, non-current	C12	5,684	3,964
Deferred tax assets	C8	9,103	12,321
		78,294	81,742
Current assets			
Inventories	C13	22,759	28,802
Trade receivables	C14	71,013	63,660
Customer finance, current	C14	2,094	4,019
Other current receivables	C15	17,941	20,065
Short-term investments	C20	34,994	32,026
Cash and cash equivalents	C25	42,095	44,682
		190,896	193,254
Total assets		269,190	274,996
Equity and liabilities			
Equity			
Stockholders' equity	C16	140,204	136,883
Non-controlling interest in equity of subsidiaries		1,419	1,600
		141,623	138,483
Non-current liabilities			
Post-employment benefits ¹⁾	C17	9,825	9,503
Provisions, non-current	C18	222	211
Deferred tax liabilities	C8	2,650	3,120
Borrowings, non-current	C19, C20	22,067	23,898
Other non-current liabilities		1,459	2,377
		36,223	39,109
Current liabilities			
Provisions, current	C18	5,140	8,427
Borrowings, current	C19, C20	7,388	4,769
Trade payables	C22	20,502	23,100
Other current liabilities ¹⁾	C21	58,314	61,108

	91,344	97,404
Total equity and liabilities²⁾	269,190	274,996

- 1) As of January 1, 2013 the provision for the Swedish special payroll taxes, amounting to SEK 1.8 billion, which was previously included in Other current liabilities, has been re-classified as pension liability in line with the implementation of IAS 19R.
- 2) Of which interest-bearing liabilities and post-employment benefits SEK 39,280 (38,170) million.

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CONSOLIDATED STATEMENT OF CASH FLOWS

January	December, SEK million	Notes	2013	2012	2011
Operating activities					
Net income			12,174	5,938	12,569
Adjustments to reconcile net income to cash			C25 9,828	13,077	12,613
			22,002	19,015	25,182
Changes in operating net assets					
Inventories			4,868	2,752	3,243
Customer finance, current and non-current			1,809	1,259	74
Trade receivables			8,504	1,103	1,700
Trade payables			2,158	1,311	1,648
Provisions and post-employment benefits			3,298	1,920	5,695
Other operating assets and liabilities, net			2,670	5,857	2,988
			4,613	3,016	15,200
Cash flow from operating activities			17,389	22,031	9,982
Investing activities					
Investments in property, plant and equipment			C11 4,503	5,429	4,994
Sales of property, plant and equipment			378	568	386
Acquisitions of subsidiaries and other operations			C25, C26 3,147	11,529	3,181
Divestments of subsidiaries and other operations			C25, C26 465	9,452	53
Product development			C10 915	1,641	1,515
Other investing activities			1,330	1,540	900
Short-term investments			2,057	2,151	14,692
Cash flow from investing activities			11,109	4,888	4,541
Cash flow before financing activities			6,280	17,143	14,523
Financing activities					
Proceeds from issuance of borrowings			5,956	8,969	2,076
Repayment of borrowings			5,094	9,670	1,259
Proceeds from stock issue				159	
Sale/repurchase of own shares			90	93	92
Dividends paid			9,153	8,632	7,455
Other financing activities			1,307	118	52
Cash flow from financing activities			9,508	9,385	6,494
Effect of exchange rate changes on cash			641	1,752	217
Net change in cash			2,587	6,006	7,812
Cash and cash equivalents, beginning of period			44,682	38,676	