

ERICSSON LM TELEPHONE CO  
Form 6-K  
March 06, 2013

# **SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

## **FORM 6-K**

**REPORT OF FOREIGN ISSUER**

**Pursuant to Rule 13a-16 or 15d-16 of  
the Securities Exchange Act of 1934**

**March 6, 2013**

## **LM ERICSSON TELEPHONE COMPANY**

**(Translation of registrant's name into English)**

**Torshamnsgatan 23, Kista**

**SE-164 83, Stockholm, Sweden**

**(Address of principal executive offices)**

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Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F. Form 20-F  Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes  No

Announcement of LM Ericsson Telephone Company, dated March 6, 2013 regarding Ericsson's Annual General Meeting 2013

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TELEFONAKTIEBOLAGET LM ERICSSON (publ)

By: /s/ NINA MACPHERSON  
**Nina Macpherson**  
**Senior Vice President and**  
**General Counsel**

By: /s/ HELENA NORRMAN  
**Helena Norrman**  
**Senior Vice President**  
**Corporate Communications**

Date: **March 6, 2013**

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Ericsson's Annual General Meeting 2013

Telefonaktiebolaget LM Ericsson's Annual General Meeting of shareholders will be held on Tuesday, April 9, 2013 at 3.00 p.m. at Kistamässan, Arne Beurlings Torg 5, Kista/Stockholm.

The Nomination Committee proposes inter alia:

Nora Denzel, Kristin Skogen Lund and Pär Östberg as new members of the Board of Directors after resigning Nancy McKinstry, Anders Nyrén and Michelangelo Volpi (item 9.3)

Increase of the individual Board fee and of the fee to the Chairman of the Board of Directors and unchanged fees for work on the Committees of the Board of Directors (item 9.2)

The Board of Directors proposes inter alia:

A dividend of SEK 2.75 per share (item 8.3)

Continued Long-Term Variable Remuneration Program consisting of an all employee Stock Purchase Plan, a Key Contributor Retention Plan and an Executive Performance Stock Plan (item 11)

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Welcome to Telefonaktiebolaget LM Ericsson's Annual general meeting 2013

Telefonaktiebolaget LM Ericsson's shareholders are invited to participate in the Annual General Meeting of Shareholders to be held on Tuesday, April 9, 2013 at 3.00 p.m. at Kistamässan, Arne Beurlings Torg 5, Kista/Stockholm. Registration to the Annual General Meeting starts at 1.30 p.m.

**Registration and notice of attendance**

Shareholders who wish to attend the Annual General Meeting must

be recorded in the share register kept by Euroclear Sweden AB, the Swedish securities registry, on Wednesday, April 3, 2013; and

give notice of attendance to the Company at the latest on Wednesday, April 3, 2013. Notice of attendance can be given by telephone +46 (0)8 402 90 54 on weekdays between 10a.m. and 4p.m or on Ericsson's website [www.ericsson.com](http://www.ericsson.com).

Notice may also be given in writing to:

Telefonaktiebolaget LM Ericsson

General Meeting of Shareholders

Box 7835

SE-103 98

Stockholm Sweden

When giving notice of attendance, please state name, date of birth, address, telephone no. and number of attending assistants, if any.

The Annual General Meeting will be conducted in Swedish and simultaneously interpreted into English.

**Shares registered in the name of a nominee**

In addition to giving notice of attendance, shareholders having their shares registered in the name of a nominee, must request the nominee to temporarily enter the shareholder into the share register as per Wednesday, April 3, 2013, in order to be entitled to attend the Annual General Meeting. The shareholder should inform the nominee to that effect well before that day.

**Proxy**

Shareholders represented by proxy shall issue a power of attorney for the representative. A power of attorney issued by a legal entity must be accompanied by a copy of the entity's certificate of registration (should no such certificate exist, a corresponding document of authority must be submitted). In order to facilitate the registration at the Annual General Meeting, the power of attorney in the original, certificate of registration and other documents of authority should be sent to the Company in advance to the address above for receipt by Monday, April 8, 2013. Forms of power of attorney in Swedish and English are available on Ericsson's website, [www.ericsson.com](http://www.ericsson.com).

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**Agenda**

1. Election of the Chairman of the Annual General Meeting.
2. Preparation and approval of the voting list.
3. Approval of the agenda of the Annual General Meeting.
4. Determination whether the Annual General Meeting has been properly convened.
5. Election of two persons approving the minutes.
6. Presentation of the annual report, the auditors' report, the consolidated accounts, the auditors' report on the consolidated accounts and the auditors' presentation of the audit work during 2012.
7. The President's speech and questions from the shareholders to the Board of Directors and the management.
8. Resolutions with respect to
  - 8.1. adoption of the income statement and the balance sheet, the consolidated income statement and the consolidated balance sheet;
  - 8.2. discharge of liability for the members of the Board of Directors and the President;
  - 8.3. the appropriation of the profit in accordance with the approved balance sheet and determination of the record date for dividend.
9. Presentation of the proposals of the Nomination Committee, election of the Board of Directors etc.
  - 9.1. Determination of the number of Board members and deputies of the Board of Directors to be elected by the Annual General Meeting.

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- 9.2. Determination of the fees payable to non-employed members of the Board of Directors elected by the Annual General Meeting and non-employed members of the Committees of the Board of Directors elected by the Annual General Meeting.
- 9.3. Election of the Chairman of the Board of Directors, other Board members and deputies of the Board of Directors.
- 9.4. Determination of the fees payable to the auditor.
- 9.5. Election of auditor.
10. Resolution on the Guidelines for remuneration to Group Management.
11. Long-Term Variable Remuneration Program 2013.
  - 11.1. Resolution on implementation of the Stock Purchase Plan.
  - 11.2. Resolution on transfer of treasury stock for the Stock Purchase Plan.
  - 11.3. Resolution on Equity Swap Agreement with third party in relation to the Stock Purchase Plan.
  - 11.4. Resolution on implementation of the Key Contributor Retention Plan.

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- 11.5. Resolution on transfer of treasury stock for the Key Contributor Retention Plan.
  - 11.6. Resolution on Equity Swap Agreement with third party in relation to the Key Contributor Retention Plan.
  - 11.7. Resolution on implementation of the Executive Performance Stock Plan.
  - 11.8. Resolution on transfer of treasury stock for the Executive Performance Stock Plan.
  - 11.9. Resolution on Equity Swap Agreement with third party in relation to the Executive Performance Stock Plan.
  12. Resolution on transfer of treasury stock in relation to the resolutions on the Long-Term Variable Remuneration Programs 2009, 2010, 2011 and 2012.
  13. Resolution on proposal from the shareholder Carl Axel Bruno to amend the articles of association by adding the following wording to the section on the Board of Directors in the articles of association: At least one fourth of the Directors on the Board of Directors shall be men and at least one fourth of the Directors shall be women. The minimum number of proposed men and the minimum number of proposed women shall be increased to the next higher whole number.
  14. Resolution on proposal from the shareholder Einar Hellbom that the Annual General Meeting resolve to delegate to the Board of Directors to review how shares are to be given equal voting rights and to present a proposal to that effect at the Annual General Meeting 2014.
  15. Resolution on proposals from the shareholder Thorwald Arvidsson that the Annual General Meeting resolve to delegate to the Board of Directors:
    - 15.1. to take necessary action to create a shareholders' association in the company;
    - 15.2. to write to the Government of Sweden, requesting a prompt appointment of a commission instructed to propose legislation on the abolishment of voting power differences in Swedish limited liability companies; and
    - 15.3. to prepare a proposal regarding board representation for the small and midsize shareholders.
  16. Closing of the Annual General Meeting.
- Item 1 Chairman of the Annual General Meeting**



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The Nomination Committee proposes that Advokat Sven Unger be elected Chairman of the Annual General Meeting of shareholders 2013.

### **Item 8.3 Dividend and record date**

The Board of Directors proposes a dividend of SEK 2.75 per share and Friday, April 12, 2013, as record date for dividend. Assuming this date will be the record day, Euroclear Sweden AB is expected to disburse dividends on Wednesday April 17, 2013.

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**Item 9.1-9.3 Number of Board members and Deputies to be elected by the Annual General Meeting, Directors fees, election of the Chairman and other members of the Board of Directors**

The Nomination Committee, appointed in accordance with the Instruction for the Nomination Committee resolved by the Annual General Meeting 2012, is composed of the Chairman of the Committee, Petra Hedengran (Investor AB), Carl-Olof By (AB Industrivärden and Svenska Handelsbankens Pensionsstiftelse), Johan Held (AFA Försäkring), Marianne Nilsson (Swedbank Robur Fonder) and Leif Johansson (Chairman of the Board of Directors).

**Item 9.1 Number of Board members and deputies of the Board of Directors to be elected by the Annual General Meeting**

According to the articles of association, the Board shall consist of no less than five and no more than twelve Board members, with no more than six deputies. The Nomination Committee proposes that the number of Board members elected by the Annual General Meeting of shareholders remain twelve and that no deputies be elected.

**Item 9.2 Fees payable to non-employed members of the Board of Directors elected by the Annual General Meeting and to non-employed members of the Committees of the Board elected by the Annual General Meeting**

The Nomination Committee proposes that fees to non-employed Board members elected by the Annual General Meeting and non-employed members of the Committees of the Board elected by the Annual General Meeting be paid as follows:

SEK 3,850,000 to the Chairman of the Board of Directors (*previously SEK 3,750,000*);

SEK 900,000 each to the other Board members (*previously SEK 875,000*);

SEK 350,000 to the Chairman of the Audit Committee (*unchanged*);

SEK 250,000 each to the other members of the Audit Committee (*unchanged*);

SEK 200,000 each to the Chairmen of the Finance and the Remuneration Committee (*unchanged*); and

SEK 175,000 each to the other members of the Finance and the Remuneration Committee (*unchanged*).

The Nomination Committee proposes that the individual fee to the Board members and the fee to the Chairman of the Board of Directors be increased. Further, the Nomination Committee proposes that the fees for work on the Committees of the Board be unchanged.

It is important that the Board fees are maintained at an appropriate level to make it possible to recruit the best possible competence to the Board of Directors of Ericsson. The Nomination Committee has compared the Board fees in Ericsson with the Board fees in other Nordic and European companies as well as Board fees in certain U.S. high-tech companies. The Nomination Committee has concluded that compared with the Board fees in companies of equal size and complexity, Ericsson's Board fees are lower. When assessing the level of fees it must be considered that the Ericsson group has customers in more than 180 countries and that sales amount to more than SEK 200 billion.

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Against this background, the Nomination Committee considers well-justified the proposed increases of the individual Board fee from SEK 875,000 to SEK 900,000 and of the fee to the Chairman of the Board from SEK 3,750,000 to SEK 3,850,000.

The Nomination Committee considers that the fees for Committee work are reasonable, and proposes that these fees remain unchanged.

The proposal of the Nomination Committee implies all in all an increase of the fees of less than 2.5 percent compared with the total fees to the Board members for Board and Committee work resolved by the Annual General Meeting 2012.

### **Fees in the form of synthetic shares**

#### Background

With the purpose of further increasing the mutual interest in the Company of Directors and shareholders, the Nomination Committee proposes that the Directors should, as previously, be offered the possibility of receiving part of the Board fees in the form of synthetic shares. A synthetic share constitutes a right to receive payment of an amount which corresponds to the market value of a share of series B in the Company on NASDAQ OMX Stockholm at the time of payment.

#### Proposal

The Nomination Committee therefore proposes that the Annual General Meeting of shareholders 2013 resolve that part of the fees to the Directors, in respect of their Board assignment (however, not in respect of Committee work), may be paid in the form of synthetic shares, on the following terms and conditions.

A nominated Director shall be able to choose to receive the fee in respect of his or her Board assignment, according to the following four alternatives:

- (i) 25 percent in cash 75 percent in synthetic shares
- (ii) 50 percent in cash 50 percent in synthetic shares
- (iii) 75 percent in cash 25 percent in synthetic shares
- (iv) 100 percent in cash.

The number of synthetic shares to be allocated shall be valued to an average of the market price of shares of series B in the Company on NASDAQ OMX Stockholm during a period of five trading days immediately following the publication of Ericsson's interim report for the first quarter of 2013. The synthetic shares are vested during the term of office, with 25 percent per quarter of the year.

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The synthetic shares give a right to, following the publication of Ericsson's year-end financial statement in 2018, receive payment of a cash amount per synthetic share corresponding to the market price of shares of series B in the Company at the time of payment.

An amount corresponding to dividend in respect of shares of series B in the Company, resolved by the Annual General Meeting during the holding period, shall be disbursed at the same time as the cash amount.

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Should the Director's assignment to the Board of Directors come to an end no later than during the third calendar year after the year in which the Annual General Meeting resolved on allocation of the synthetic shares, payment may take place the year after the assignment came to an end.

The number of synthetic shares may be subject to recalculation in the event of bonus issues, split, rights issues and similar measures, under the terms and conditions for the synthetic shares.

The complete terms and conditions for the synthetic shares are described in Exhibit 1 to the Nomination Committee's proposal.

The financial difference for the Company, should all Directors receive part of their fees in the form of synthetic shares compared with the fees being paid in cash only, is assessed to be very limited.

### **Item 9.3 Election of the Chairman of the Board of Directors, other Board members and deputies of the Board of Directors**

Nancy McKinstry, Anders Nyrén and Michelangelo Volpi have declined re-election. The Nomination Committee proposes that the following persons be elected Board members:

#### **Chairman of the Board:**

re-election: Leif Johansson.

#### **Other Board members:**

re-election: Roxanne S. Austin, Sir Peter L. Bonfield, Börje Ekholm, Alexander Izosimov, Ulf J. Johansson, Sverker Martin-Löf, Hans Vestberg and Jacob Wallenberg; and new election: Nora Denzel, Kristin Skogen Lund and Pär Östberg.

#### **Nora Denzel**

Born 1962. Master of Science in Business Administration, Santa Clara University, USA. Bachelor of Science in Computer Science, State University of New York, USA.

**Board member:** Coinstar, Inc., FirstRain Software, Saba Software, the Anita Borg Institute and YWCA of Santa Clara County.

**Holdings in Ericsson:\*** None.

**Principal work experience and other information:** Senior Vice President for Big Data, Social Design and Marketing at Intuit 2011-2012 and Senior Vice President, Small Business Payroll Division at Intuit 2008-2011. Previous positions include Senior Vice President and General Manager of Hewlett-Packard's (HP) global software business and other positions within HP, Senior Vice President of product operations at Legato Systems Inc. (now a part of EMC) and a number of positions within IBM.

#### **Kristin Skogen Lund**

Born 1966. Master of Business Administration, INSEAD, France; Bachelor in International Studies and Business Administration, University of Oregon, USA.

**Board member:** None.

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**Holdings in Ericsson:**\* None.

**Principal work experience and other information:** Director General of the Confederation of Norwegian Enterprise (NHO) since 2012. Executive Vice President and Head of Digital Services and Broadcast and Executive Vice President and Head of Nordic Region, Group Executive Management at Telenor 2010-2012. Previous positions include Chief Executive Officer and Commercial Director at Aftenposten, Chief Executive Officer at Scanpix, Managing Director and Editor in Chief at Scandinavia Online, and several positions at the Coca-Cola Company, Unilever and Norges Eksportråd.

**Pär Östberg**

Born 1962. Master of Business Administration, Gothenburg School of Economics, Gothenburg, Sweden

**Board member:** None.

**Holdings in Ericsson:**\* None.

**Principal work experience and other information:** Executive Vice President of AB Industrivärden since 2012. Executive Vice President at Volvo Group Truck Joint Ventures between January 2012 and October 2012. Several senior managerial positions within the Volvo group including Senior Vice President and President Trucks Asia at AB Volvo, Chairman of the Board of VE Commercial Vehicles Ltd, Senior Vice President and CFO at AB Volvo, CFO at Volvo Trucks France and senior positions at Volvo Treasury Asia Ltd, Singapore and Volvo Treasury Europe AB. Previous positions also include Senior Vice President, CFO at Renault Trucks and positions within Renault Crédit International (RCI) and Renault SA.

\* *The number of shares reflects ownership as of March 1, 2013 and includes holdings by related natural or legal persons, as well as holdings of any ADS, if applicable.*

In the composition of the Board of Directors, the Nomination Committee considers, among other things, necessary experience and competence but also the value of diversity, gender balance and renewal, and assesses the appropriateness of the number of members of the Board.

In its appraisal of qualifications and performance of the individual Board members, the Nomination Committee takes into account the competence and experience of each individual member along with the individual member's contribution to the Board work as a whole. The Nomination Committee considers it important that Board members can devote the necessary time and care required to fulfill their tasks as Board members in Ericsson, and has therefore also familiarized itself with the proposed Board members' engagements outside of Ericsson and the time they require.

The Nomination Committee has further thoroughly familiarized itself with the Board work and the work of individual Board members. The Nomination Committee is of the opinion that the current Board is well functioning and that the Board fulfils high expectations in terms of composition and expertise. All Board members contribute meritoriously with their respective expertise. Nancy McKinstry, Anders Nyrén and Michelangelo Volpi have however notified their intention to leave the Board after several years on Ericsson's Board of Directors.

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The Nomination Committee proposes that Nora Denzel, Kristin Skogen Lund and Pär Östberg be elected new Board members. Information regarding the proposed Board members is presented in Exhibit 2 to the Nomination Committee's proposal. It is the Nomination Committee's assessment that each of the proposed Board members, with their respective experiences, will add valuable expertise to the Board and that they are therefore well suited as Board members in Ericsson. It could be specifically mentioned that Nora Denzel has industrial experience of relevance to Ericsson within among other things software and technological development, that Kristin Skogen Lund has broad experience, of value for Ericsson, within the media industry, among other things with respect to content distribution, and that Pär Östberg has solid financial experience and knowledge with focus in Asia, an important market for Ericsson.

**Information regarding proposed Board members**

Information regarding all the proposed Board members is presented in Exhibit 2 to the Nomination Committee's proposal.

**Independence of Board members**

The Nomination Committee has made the following assessments in terms of applicable Swedish independence requirements:

- (i) The Nomination Committee considers that at least the following Board members are independent of the Company and its senior management:
  - a. Roxanne S. Austin
  - b. Sir Peter L. Bonfield
  - c. Nora Denzel
  - d. Börje Ekholm
  - e. Alexander Izosimov
  - f. Leif Johansson
  - g. Ulf J. Johansson
  - h. Kristin Skogen Lund

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- i. Pär Östberg
  
- (ii) From among the Board members reported in (i) above, the Nomination Committee considers that at least the following are independent of the Company's major shareholders:
  - a. Roxanne S. Austin
  
  - b. Sir Peter L. Bonfield
  
  - c. Nora Denzel
  
  - d. Alexander Izosimov
  
  - e. Leif Johansson
  
  - f. Ulf J. Johansson
  
  - g. Kristin Skogen Lund



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Moreover, the Nomination Committee considers that at least the following Board members are independent in respect of all applicable independence requirements:

- a. Roxanne S. Austin
  
- b. Sir Peter L. Bonfield
  
- c. Nora Denzel
  
- d. Alexander Izosimov
  
- e. Leif Johansson
  
- f. Ulf J. Johansson
  
- g. Kristin Skogen Lund

**Item 9.4 Fees payable to the auditor**

The Nomination Committee proposes, like previous years, that the auditor fees be paid against approved account.

**Item 9.5 Election of auditor**

The Nomination Committee proposes that the company should have one registered public accounting firm as auditor and that PricewaterhouseCoopers AB be appointed auditor for the period as of the end of the Annual General Meeting 2013 until the end of the Annual General Meeting 2014.

**Item 10 Guidelines for remuneration to Group Management**

The Board of Directors proposes that the Annual General Meeting resolve on the following guidelines for remuneration to Group Management for the period up to the 2014 Annual General Meeting. Compared to the guidelines resolved by the 2012 Annual General Meeting, these guidelines have been amended to enable consecutive time limited arrangements according to the third paragraph. Further, information on estimated costs for variable remuneration has been removed from the guidelines and is instead appended to the proposal.

**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 remuneration, pension and other benefits.

The following guidelines apply for the remuneration to the Executive Leadership Team:

Variable remuneration is through 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.

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All benefits, including pension benefits, follow the competitive practice in the home country taking total compensation into account. The retirement age is normally 60 to 65 years of age.

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 concerned 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.

Appendix to proposal on Guidelines for remuneration to Group Management.

Details of our Remuneration Policy and how we deliver on our policy and guidelines, including information on previously decided long term variable remuneration that has not yet become due for payment, can be found in the **Remuneration Report** and in **Note C28**. Information regarding Members of the Board of Directors, the Group Management and Employees in the annual report 2012.

With the current composition of the Executive Leadership Team, the Company's cost during 2013 for variable remuneration to the Executive Leadership Team can, at a constant share price, be estimated to amount to between 0 and 200 percent of the aggregate fixed salary cost, all excluding social security costs.

**Item 11.1-11.9 Long-Term Variable Remuneration Program 2013 (LTV 2013) including the Board of Directors' proposal for resolutions on implementation of an all employee Stock Purchase Plan, a Key Contributor Retention Plan and an Executive Performance Stock Plan and, under each plan respectively, transfer of treasury stock**

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

It is anticipated that the LTV 2013 will require up to 32.2 million shares, corresponding to a dilution of up to 1 percent of the total number of outstanding shares, at a cost between SEK 1,105 million and SEK 2,115 million unevenly distributed over the years 2013-2017. The number of shares covered by ongoing programs as per 31 December, 2012, amounts to approximately 61 million shares, corresponding to approximately 1.89 percent of the number of outstanding shares.

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### Three plans

The LTV 2013 builds on a common platform, but consists of three separate plans.

The Stock Purchase Plan is an all employee plan and is designed to create an incentive for all employees to become shareholders. The aim is to secure commitment to long-term value creation throughout Ericsson.

The Key Contributor Retention Plan is part of Ericsson's talent strategy and is designed to ensure long-term retention of top-talent with critical skills vital to Ericsson's future performance. Up to ten percent of the Company's employees are defined as key contributors, based on a rigorous selection process incorporating elements such as individual performance, possession of critical skills and future potential. The Remuneration Committee of the Board of Directors monitors the selection process and nominations for bias of factors such as seniority, gender, age and frequency of award.

The Executive Performance Stock Plan is designed to encourage long-term value creation in alignment with shareholders' interests. The plan is offered to a defined group of senior managers, up to 0.5 percent of the total employee population. The aim is to attract, retain and motivate executives in a competitive market through performance-based share related incentives and to encourage the build-up of significant equity stakes.

The Executive Performance Stock Plan 2011 introduced three new performance measures of Net Sales Growth, Operating Income Growth and Cash Conversion to better reflect the business strategy and long term value creation of the Company. The Executive Performance Stock Plan 2012 includes the same criteria and it is proposed that the Executive Performance Stock Plan 2013 shall have the same performance criteria for the period 2013 - 2015.

The three performance criteria for the Executive Performance Stock Plan 2013 are:

Net Sales Growth: Up to one third of the award will vest if the compound annual growth rate of consolidated net sales is between 2 and 8 percent comparing 2015 financial results to 2012, which corresponds to consolidated sales of SEK 241.7 billion and SEK 286.9 billion for the financial year 2015.

Operating Income Growth: Up to one third of the award will vest if the compound annual growth rate of consolidated operating income is between 5 and 15 percent comparing 2015 financial results to 2012, which corresponds to operating income of SEK 21.4 billion and SEK 28.1 billion for the financial year 2015.

Cash Conversion: Up to one third of the award will vest if cash conversion is at or above 70 percent during each of the years 2013-2015 and vesting one ninth of the total award for each year the target is achieved.

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### **Financing**

The Board of Directors has considered different financing methods for transfer of shares to employees under the LTV 2013, such as transfer of treasury stock and an equity swap agreement with a third party.

The Board of Directors considers transfer of treasury stock as the most cost efficient and flexible method to transfer shares under the LTV 2013.

### **Costs**

The total effect on the income statement of the LTV 2013, including financing costs, is estimated to range between SEK 1,105 million and SEK 2,115 million unevenly distributed over the years 2013-2017. The costs constitute 3.3 percent of Ericsson's total remuneration costs 2012, including social security fees, amounting to SEK 64 billion.

The calculations are conservative and based on assumptions of present participation rate in the Stock Purchase Plan and full participation in the Key Contributor Retention Plan and the Executive Performance Stock Plan, at maximum contribution levels and with maximum vesting levels for the latter plan.

### **Costs affecting the income statement, but not the cash flow**

Compensation costs, corresponding to the value of matching shares transferred to employees, are estimated to range between SEK 1,002 million and SEK 1,296 million, depending on the fulfillment of the performance targets of the Executive Performance Stock Plan.<sup>1</sup> The compensation costs are distributed over the LTV 2013 period, i.e. 2013-2017.

Social security charges as a result of transfer of shares to employees depend on the performance against the Executive Performance Stock Plan targets and based on an assumed average share price at matching between SEK 30 and SEK 175, the costs are estimated to range between SEK 103 million and SEK 819 million. The social security costs are expected to occur mainly during 2016-2017.

### **Costs affecting the income statement and the cash flow**

Plan administration costs have been estimated to SEK 10 million, distributed over the LTV 2013 period, i.e. 2013-2017.

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

<sup>1</sup> The compensation costs for an alternative Key Contributor Retention Cash Program may vary depending on the development of the stock price during the qualifying period. This has been disregarded in the calculations since these costs represent a minor part of the overall compensation costs.

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## **Dilution**

The Company has approximately 3.3 billion shares in issue. As per 31 December, 2012, the Company held 85 million shares in treasury. The number of shares allocated to ongoing programs as per 31 December, 2012, amounts to approximately 61 million shares, corresponding to approximately 1.89 percent of the number of outstanding shares. However, it is not likely that all shares allocated for ongoing programs will be required. In order to implement the LTV 2013, a total of up to 32.2 million shares are required, which corresponds to approximately 1 percent of the total number of outstanding shares. The effect on important key figures is only marginal.

## **Proposals**

### **The Long-Term Variable Remuneration Program 2013**

The Board of Directors proposes that the Annual General Meeting resolve on the implementation of (1) a Stock Purchase Plan, (2) a Key Contributor Retention Plan, and (3) an Executive Performance Stock Plan.

In order to implement the LTV 2013, the Board of Directors proposes that no more than in total 26,600,000 shares of series B in Telefonaktiebolaget LM Ericsson (hereinafter referred to as the Company or Ericsson ) may be transferred to employees in the Ericsson Group and, moreover, that 5,600,000 shares may be sold on NASDAQ OMX Stockholm in order to cover, inter alia, social security payments.

The Board of Directors proposes that the Annual General Meeting resolve in accordance with the proposals set out below.

### **Item 11.1 Implementation of the Stock Purchase Plan**

All employees within the Ericsson Group, except for what is mentioned in the fourth paragraph below, will be offered to participate in the Stock Purchase Plan.

Employees who participate in the Stock Purchase Plan shall, during a 12 month period from the implementation of the plan, be able to invest up to 7.5 percent of gross fixed salary in shares of series B in the Company on NASDAQ OMX Stockholm or in ADSs on NASDAQ New York. The CEO shall have the right to invest up to 10 percent of gross fixed salary and 10 percent of short term variable remuneration for purchase of shares.

If the purchased shares are retained by the employee for three years from the investment date and the employment with the Ericsson Group continues during that time, the employee will be given a corresponding number of shares of series B or ADSs, free of consideration.

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

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**Item 11.2 Transfer of treasury stock for the Stock Purchase Plan**

*a) Transfer of treasury stock to employees*

Transfer of no more than 11,900,000 shares of series B in the Company may occur on the following terms and conditions:

The right to acquire shares shall be granted to such persons within the Ericsson Group covered by the terms and conditions of the Stock Purchase Plan. Furthermore, subsidiaries within the Ericsson Group shall have the right to acquire shares, free of consideration, and such subsidiaries shall be obligated to immediately transfer, free of consideration, shares to their employees covered by the terms and conditions of the Stock Purchase Plan.

The employee shall have the right to receive shares during the period when the employee is entitled to receive shares pursuant to the terms and conditions of the Stock Purchase Plan, i.e. during the period from November 2013 up to and including November 2017.

Employees covered by the terms and conditions of the Stock Purchase Plan shall receive shares of series B in the Company, free of consideration.

*b) Transfer of treasury stock on an exchange*

The Company shall have the right to, prior to the Annual General Meeting in 2014, transfer no more than 2,400,000 shares of series B in the Company, in order to cover certain expenses, mainly social security payments. Transfer of the shares shall be effected on NASDAQ OMX Stockholm at a price within the at each time prevailing price interval for the share.

**Item 11.3 Equity Swap Agreement with third party in relation to the Stock Purchase Plan**

In the event that the required majority is not reached under item 11.2 above, the financial exposure of the Stock Purchase Plan shall be hedged by the Company entering into an equity swap agreement with a third party, under which the third party shall, in its own name, acquire and transfer shares in the Company to employees covered by the Stock Purchase Plan.

**Item 11.4 Implementation of the Key Contributor Retention Plan**

In addition to the regular matching of one share pursuant to the Stock Purchase Plan described above, up to 10 percent of the employees (presently approximately 10,000 persons) are selected as key contributors and will be offered additional matching shares, free of consideration, within the Key Contributor Retention Plan.

If the shares purchased in accordance with the terms and conditions of the Stock Purchase Plan are retained by an employee for three years from the investment date and the employment with the Ericsson Group continues during that time, the employee will be entitled to an additional matching share, free of consideration, for every share purchased, in addition to the regular matching of one share.

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Participation in the Key Contributor Retention Plan presupposes that such participation is legally possible in the various jurisdictions concerned and that the administrative costs and financial efforts are reasonable in the opinion of the Company. The Board of Directors shall however be entitled, but not obligated, to arrange for an alternative cash plan for key contributors in specific jurisdictions, should any of the aforementioned presuppositions prove not to be at hand. Such alternative cash plan shall, as far as practical correspond to the terms and conditions of the Key Contributor Retention Plan.

**Item 11.5 Transfer of treasury stock for the Key Contributor Retention Plan**

*a) Transfer of treasury stock to employees*

Transfer of no more than 8,700,000 shares of series B in the Company may occur on the following terms and conditions.

The right to acquire shares shall be granted to such persons within the Ericsson Group covered by the terms and conditions of the Key Contributor Retention Plan. Furthermore, subsidiaries within the Ericsson Group shall have the right to acquire shares, free of consideration, and such subsidiaries shall be obligated to immediately transfer, free of consideration, shares to their employees covered by the terms and conditions of the Key Contributor Retention Plan.

The employee shall have the right to receive shares during the period when the employee is entitled to receive shares pursuant to the terms and conditions of the Key Contributor Retention Plan, i.e. during the period from November 2013 up to and including November 2017.

Employees covered by the terms and conditions of the Key Contributor Retention Plan shall receive shares of series B in the Company, free of consideration.

*b) Transfer of treasury stock on an exchange*

The Company shall have the right to, prior to the Annual General Meeting in 2014, transfer no more than 1,700,000 shares of series B in the Company, in order to cover certain expenses, mainly social security payments. Transfer of the shares shall be effected on NASDAQ OMX Stockholm at a price within the at each time prevailing price interval for the share.

**Item 11.6 Equity Swap Agreement with third party in relation to the Key Contributor Retention Plan**

In the event that the required majority is not reached under item 11.5 above, the financial exposure of the Key Contributor Retention Plan shall be hedged by the Company entering into an equity swap agreement with a third party, under which the third party shall, in its own name, acquire and transfer shares in the Company to employees covered by the Key Contributor Retention Plan.



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**Item 11.7 Implementation of the Executive Performance Stock Plan**

In addition to the regular matching of shares pursuant to the Stock Purchase Plan described above, senior managers, up to 0.5 percent of the employees (presently approximately 500 persons, although it is anticipated that the number of participants will be lower) will be offered an additional matching of shares, free of consideration, within the Executive Performance Stock Plan.

If the shares purchased in accordance with the terms and conditions of the Stock Purchase Plan are retained by an employee for three years from the investment date and the employment with the Ericsson Group continues during that time, the employee will be entitled to the following matching of shares, free of consideration, in addition to the regular matching of one share:

The President may be entitled to an additional performance match of up to nine shares for each one purchased.

Other senior managers may be entitled to an additional performance match of up to either four or six shares for each one purchased. The nomination of senior managers will be on the basis of position, seniority and performance at the discretion of the Remuneration Committee, which will approve participation and matching share opportunity.

The terms and conditions of the additional performance match under the Executive Performance Stock Plan will be based on the outcome of three targets, which are independent of each other and have equal weighting. The three targets are:

Up to one third of the award shall vest provided the compound annual growth rate (CAGR) of consolidated net sales between year 0 (2012 financial year) and year 3 (2015 financial year) is between 2 and 8 percent, which corresponds to consolidated sales of SEK 241.7 billion and SEK 286.9 billion for the financial year 2015. Matching will begin at a threshold level of 2 percent CAGR and increase on a linear scale to full vesting of this third of the award at 8 percent CAGR.

Up to one third of the award shall vest provided the compound annual growth rate (CAGR) of consolidated operating income between year 0 (2012 financial year) and year 3 (2015 financial year) is between 5 and 15 percent, which corresponds to consolidated operating income of SEK 21.4 billion and SEK 28.1 billion for the financial year 2015. For the purpose of establishing the Operating Income Growth base, the non-cash charge for ST-Ericsson, has been excluded from the consolidated financial results for 2012. Matching will begin at a threshold level of 5 percent CAGR and increase on a linear scale to full vesting of this third of the award at 15 percent CAGR.

Up to one third of the award will be based on the cash conversion during each of the years during the performance period, calculated as cash flow from operating activities divided by net income reconciled to cash. One ninth of the total award will vest for any year, i.e. financial years 2013, 2014 and 2015, if cash conversion is at or above 70 percent.

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The Board of Directors considers that long-term value creation will be reflected in the success of these targets, aligning executives with long-term shareholder interests. There will be no allocation of shares if none of the threshold levels have been achieved, i.e. CAGR is less than 2 percent for net sales and less than 5 percent for operating income, and a 70 percent cash conversion has not been achieved during the performance period. The minimum matching at the threshold levels is 0. The maximum number of performance matching shares 4 shares, 6 shares and 9 shares respectively will be allocated if the maximum performance levels of CAGR of 8 percent for net sales and 15 percent for operating income have been achieved, or exceeded, and a cash conversion of 70 percent or more has been achieved each year during the period.

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, as determined by the Board of Directors, reduce the number of performance shares to be matched to the lower number of shares deemed appropriate by the Board of Directors. When undertaking its evaluation of performance outcomes the Board of Directors will consider, in particular, the impact of larger acquisitions, divestitures, the creation of joint ventures and any other significant capital event on the three targets on a case by case basis.

**Item 11.8 Transfer of treasury stock for the Executive Performance Stock Plan**

*a) Transfer of treasury stock to employees*

Transfer of no more than 6,000,000 shares of series B in the Company may occur on the following terms and conditions.

The right to acquire shares shall be granted to such persons within the Ericsson Group covered by the terms and conditions of the Executive Performance Stock Plan. Furthermore, subsidiaries within the Ericsson Group shall have the right to acquire shares, free of consideration, and such subsidiaries shall be obligated to immediately transfer, free of consideration, shares to their employees covered by the terms and conditions of the Executive Performance Stock Plan.

The employee shall have the right to receive shares during the period when the employee is entitled to receive shares pursuant to the terms and conditions of the Executive Performance Stock Plan, i.e. during the period from November 2013 up to and including November 2017.

Employees covered by the terms and conditions of the Executive Performance Stock Plan shall receive shares of series B in the Company, free of consideration.

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*b) Transfer of treasury stock on an exchange*

The Company shall have the right to, prior to the Annual General Meeting in 2014, transfer no more than 1,500,000 shares of series B in the Company, in order to cover certain expenses, mainly social security payments. Transfer of the shares shall be effected on NASDAQ OMX Stockholm at a price within the at each time prevailing price interval for the share.

**Item 11.9 Equity Swap Agreement with third party in relation to the Executive Performance Stock Plan**

In the event that the required majority is not reached under item 11.8 above, the financial exposure of the Executive Performance Stock Plan shall be hedged by the Company entering into an equity swap agreement with a third party, under which the third party shall, in its own name, acquire and transfer shares in the Company to employees covered by the Executive Performance Stock Plan.

**Majority rules**

The resolutions of the Annual General Meeting implementation of the three plans according to items 11.1, 11.4 and 11.7 above require that more than half of the votes cast at the Annual General Meeting approve the proposals. The Annual General Meeting's resolutions on transfers of treasury stock to employees and on an exchange according to items 11.2, 11.5 and 11.8 above, shall be adopted as one resolution for each of the three items, and require that shareholders representing at least nine-tenths of the votes cast as well as the shares represented at the Annual General Meeting approve the proposals. A valid resolution in accordance with the proposals for an equity swap agreement under items 11.3, 11.6 and 11.9 above requires that more than half of the votes cast at the Annual General Meeting approve the proposals.

**Description of ongoing variable remuneration programs**

The Company's ongoing variable remuneration programs are described in detail in the Annual Report 2012 in the note to the Consolidated Financial Statements, Note C28 and on the Company's website. The Remuneration Report published in the Annual Report outlines how the Company implements its remuneration policy in line with the Swedish Corporate Governance Code.

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**Item 12 The Board of Directors proposal for resolution on transfer of treasury stock in relation to the resolutions on the Long-Term Variable Remuneration Programs 2009, 2010, 2011 and 2012**

**Background**

The Annual General Meetings 2009, 2010, 2011 and 2012 resolved on a right for the Company to transfer in total not more than 18,200,000 shares of series B in the Company on a stock exchange to cover certain payments, mainly social security charges, which may occur in relation to the Long-Term Variable Remuneration Programs 2009, 2010, 2011 and 2012.

Each resolution has for legal reasons only been valid up to the following Annual General Meeting. Resolutions on transfer of treasury stock for the purpose of the above mentioned plan and programs have therefore been repeated at the subsequent Annual General Meeting.

In accordance with the resolutions on transfer of in total not more than 18,200,000 shares, 521,100 shares of series B have been transferred up to March 1, 2013.

**Proposal**

The Board of Directors proposes that the Annual General Meeting resolve that the Company shall have the right to transfer, prior to the Annual General Meeting 2014, not more than 17,678,900 shares of series B in the Company, or the lower number of shares of series B, which as per April 9, 2013 remains of the original 18,200,000 shares, for the purpose of covering certain payments, primarily social security charges that may occur in relation to the Long-Term Variable Remuneration Programs 2009, 2010, 2011 and 2012. Transfer of shares shall be effected on NASDAQ OMX Stockholm at a price within the, at each time, prevailing price interval for the share.

**Majority rules**

The resolution of the Annual General Meeting on a transfer of treasury stock requires that shareholders holding at least two-thirds of the votes cast as well as the shares represented at the Annual General Meeting vote in favor of the proposal.

**Items 13 15 Proposals from shareholders**

The proposals are set out in the agenda.

**Majority rules**

The resolution of the Annual General Meeting to amend the articles of association under item 13 requires that shareholders representing at least two-thirds of the votes cast as well as the shares represented at the Annual General Meeting vote in favor of the proposal. The resolutions of the Annual General Meeting under items 14 and 15.1 15.3 require a majority of more than half of the votes cast at the meeting.

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**Shares and votes**

There are in total 3,305,051,735 shares in the Company; 261,755,983 shares of series A and 3,043,295,752 shares of series B, corresponding to in total approximately 566,085,558 votes. The Company's holding of treasury stock amounts to 82,354,366 shares of series B, corresponding to 8,235,436.6 votes.

**Information at the Annual General Meeting**

The Board of Directors and the President shall, if any shareholder so requests and the Board of Directors believes that it can be done without material harm to the Company, provide information regarding circumstances that may affect the assessment of an item on the agenda and circumstances that can affect the assessment of the Company's or its subsidiaries' financial situation and the Company's relation to other companies within the Group.

**Documents**

The complete proposals of the Nomination Committee with respect to Items 1 and 9 above, including Exhibit 1 and 2 to the Nomination Committee's proposals, and the proposals from shareholders (in original language) under items 13-15, are available at the Company's website [www.ericsson.com](http://www.ericsson.com) and will be sent to shareholders upon request. In respect of all other items, complete proposals are provided under the respective item in the Notice.

The Annual Report and the Auditor's Report as well as the Auditor's report regarding Guidelines for remuneration to Group Management will be made available at the Company and posted on the Company's website [www.ericsson.com](http://www.ericsson.com) no later than three weeks prior to the Annual General Meeting. The documents will be sent to shareholders upon request.

**Stockholm, March 2013**

**THE BOARD OF DIRECTORS**