

ERICSSON LM TELEPHONE CO  
Form 20-F  
April 04, 2016  
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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 (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

**OR**

**x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the Fiscal Year Ended December 31, 2015**

**OR**

**.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**OR**

**.. SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**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)**

**SE-164 83 Stockholm, Sweden**

**(Address of principal executive offices)**

**Roland Hagman, Vice President Group Function Financial Control**

**Telephone: +46 10 719 53 80, Fax: +46 8 744 42 82**

**SE-164 83 Stockholm, Sweden**

**(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)**

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

<b>Title of Each Class</b>	<b>Name of Each Exchange on which Registered</b>
<b>American Depositary Shares (each representing one B share)</b>	<b>The NASDAQ Stock Market LLC</b>
<b>B Shares *</b>	<b>The NASDAQ Stock Market LLC</b>

\* 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)	49,367,641

Indicate by check mark if the registrant is a well-known 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

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

U.S. 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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**PART I**

**INTRODUCTION**

Unless otherwise indicated, all references herein to Ericsson, the Company, the Group, we, us, or our or our subsidiaries are references to Telefonaktiebolaget LM Ericsson and its consolidated subsidiaries.

This document is our Annual Report on Form 20-F for the year ended December 31, 2015 (the 2015 Form 20-F ). Reference is made to the English version of our Swedish Annual Report for 2015, with certain adjustments made to comply with U.S. requirements, which is attached hereto as Exhibit 15.1 (the 2015 Swedish Annual Report ). Only (i) the information included in this 2015 Form 20-F, (ii) the information in the 2015 Swedish Annual Report that is incorporated by reference in this 2015 Form 20-F, and (iii) the exhibits to the 2015 Form 20-F that are 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 May 8, 2015 (File No. 333-203977) and any other document filed by us pursuant to the Securities Act of 1933, as amended, which incorporates by reference the 2015 Form 20-F. Any information in the 2015 Swedish Annual Report that is not referenced in the 2015 Form 20-F or filed as an exhibit thereto shall not be deemed to be so incorporated by reference.

Certain industry, technical and financial terms used in this 2015 Form 20-F are defined in the subsections entitled Glossary and Financial Terminology of the 2015 Swedish Annual Report, which are incorporate herein by reference.

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 [www.ericsson.com](http://www.ericsson.com) and other websites that appear in this 2015 Form 20-F is not incorporated by reference herein. From time to time, we may use our website as a channel of distribution of material company information. Financial and other material information regarding our company is routinely posted on and accessible at [www.ericsson.com](http://www.ericsson.com).

**Forward-Looking Statements**

This 2015 Form 20-F includes forward-looking statements, including statements reflecting management s current views relating to the growth of the market, future market conditions, future events and expected operational and financial performance. The words believe, expect, foresee, anticipate, assume, intend, may, could, plan, forecast, will, should, predict, aim, ambition, target, might, or, in each case, their negative, and similar words are intended to help identify forward-looking statements.

Forward-looking statements may be found throughout this document, and include statements regarding:

our goals, strategies and operational or financial performance expectations;

development of corporate governance standards, stock market regulations and related legislation;

the future characteristics of the markets in which we operate;

projections and other characterizations of future events;

our liquidity, capital resources, capital expenditures, our credit ratings and the development in the capital markets, affecting our industry or us;

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the expected demand for our existing as well as new products and services;

the expected operational or financial performance of joint ventures and other strategic cooperation activities;

the time until acquired entities will be accretive to income;

technology and industry trends including regulatory and standardization environment, competition and our customer structure; and

our plans for new products and services including research and development expenditures.

Although we believe that the expectations reflected in these and other forward-looking statements are reasonable, we cannot assure you that these expectations will materialize. Because forward-looking statements are based on assumptions, judgments and estimates, and are subject to risks and uncertainties, actual results could differ materially from those described or implied herein.

Important factors that could affect whether and to what extent any of our forward-looking statements materialize include, but are not limited to:

Challenging global economic conditions and political unrest may adversely impact the demand and pricing for our products and services as well as limit our ability to grow.

We may not be successful in implementing our strategy or in achieving improvements in our earnings.

The telecommunications industry fluctuates and is affected by many factors, including the economic environment, and decisions made by operators and other customers regarding their deployment of technology and their timing of purchases.

Sales volumes and gross margin levels are affected by the mix and order time of our products and services.

We may not be able to properly respond to market trends in the industries in which we operate, including the ongoing convergence of the telecom, data and media industries, which may harm our market position relative to our competitors.

Our business depends upon the continued growth of mobile communications and the acceptance of new services. If growth slows or new services do not succeed, operators' investment in networks may

slow or stop, harming our business and operating results.

We face intense competition from our existing competitors as well as new entrants, including IT companies entering the telecommunications market, and this could materially adversely affect our results.

Vendor consolidation may lead to stronger competitors who are able to benefit from integration, scale and greater resources.

A significant portion of our revenue is currently generated from a limited number of key customers, and operator consolidation may increase our dependence on key customers. We also are significantly dependent on the sales of certain of our products and services both in core business and targeted areas.

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Certain long-term agreements with customers still include commitments to future price reductions, requiring us to constantly manage and control our cost base.

Growth of our managed services business is difficult to predict, and requires taking significant contractual risks.

We depend upon the development of new products and enhancements to our existing products, and the success of our substantial research and development investments is uncertain.

We engage in acquisitions and divestments which may be disruptive and require us to incur significant expenses.

We are in, and may enter into new, JV arrangements and have, and may have new, partnerships, which may not be successful and expose us to future costs.

We rely on a limited number of suppliers of components, production capacity and R&D and IT services, which exposes us to supply disruptions and cost increases.

Product or service quality issues could lead to reduced revenue and gross margins and declining sales to existing and new customers.

Due to having a significant portion of our costs in SEK and revenues in other currencies, our business is exposed to foreign exchange fluctuations that could negatively impact our revenues and operating results.

Our ability to benefit from intellectual property rights (IPR), which are critical to our business, may be limited by changes in regulation relating to patents, inability to prevent infringement, the loss of licenses to or from third parties, infringement claims brought against us by competitors and others and changes in the area of open standards, especially in light of recent attention on licensing of open standard essential patents.

We are involved in lawsuits and investigations which, if determined against us, could require us to pay substantial damages, fines and/or penalties.

Our operations are complex and several critical operations are centralized in a single location. Any disruption of our operations, whether due to natural or man-made events, may be highly damaging to the operation of our business.

Cyber security incidents may have a material adverse effect on our business, financial condition, reputation and brand.

We must continue to attract and retain highly qualified employees to remain competitive.

If our customers' financial conditions decline, we will be exposed to increased credit and commercial risks.

We rely on various sources for short-term and long-term capital for the funding of our business. Should such capital become unavailable or available in insufficient amounts or unreasonable terms, our business, financial condition and cash flow may materially suffer.

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Impairment of goodwill or other intangible assets may negatively impact financial condition and results of operations.

Ericsson may fail or be unable to comply with laws or regulations and could experience penalties and adverse rulings in enforcement or other proceedings. Compliance with changed laws or regulations may subject Ericsson to increased costs or reduced products and services demand. Compliance failure as well as required operational changes could have a material adverse impact on our business, financial condition and brand.

Our substantial international operations are subject to uncertainties which could affect our operating results.

We may fail to comply with our corporate governance standards which could negatively affect our business, operating results, financial condition, reputation and brand.

Failure to comply with environmental, health and safety regulations in many jurisdictions may expose us to significant penalties and other sanctions.

Potential health risks related to radiofrequency electromagnetic fields may subject us to various product liability claims and result in regulatory changes.

Regulations related to conflict minerals may cause us to incur additional expenses, and may make our supply chain more complex.

Our share price has been and may continue to be volatile, especially as technology companies, securities and markets as a whole remain volatile.

Currency fluctuations may adversely affect our share price or value of dividends.

Certain of these risks and uncertainties are described further in Item 3.D.Risk factors. We undertake no obligation to publicly update or revise any forward-looking statements included in this 2015 Form 20-F, whether as a result of new information, future events or otherwise, except as required by applicable law or stock exchange regulation.

**ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS**

Not applicable.

**ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE**



Not applicable.

### **ITEM 3. KEY INFORMATION**

#### **A. Selected Financial Data**

We present below certain selected financial data derived from our consolidated financial statements as of and for the years ended December 31, 2015, 2014, 2013, 2012 and 2011, included herein, prepared in accordance with the International Financial Reporting Standards ( IFRS ) as issued by the International Accounting Standards Board ( IASB ). IFRS differs in certain significant respects from the accounting principles generally accepted in the United States, or U.S. GAAP.

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The summary financial data should be read in conjunction with our consolidated financial statements and the notes thereto contained in this 2015 Form 20-F, as well as the information set forth under the heading Item 5. Operating and Financial Review and Prospects.

<b>SEK million</b>	<b>2015</b>	<b>Change</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b><u>Income statement items</u></b>						
Net sales	246,920	8%	227,983	227,376	227,779	226,921
Operating income	21,805	30%	16,807	17,845	10,458	17,900
Financial net	1,933	94%	996	747	276	221
Net income	13,673	23%	11,143	12,174	5,938	12,569
<b><u>Year-end position</u></b>						
Total assets	284,363	3%	293,558	269,190	274,996	280,349
Working capital as defined <sup>(1)</sup>	104,811	2%	103,246	106,940	100,619	109,552
Capital employed as defined <sup>(1)</sup>	195,150	3%	189,839	180,903	176,653	186,307
Gross cash as defined <sup>(1)</sup>	66,270	8%	72,159	77,089	76,708	80,542
Net cash as defined <sup>(1)</sup>	18,486	33%	27,629	37,809	38,538	39,505
Property, plant and equipment	15,901	19%	13,341	11,433	11,493	&nbs