

ERICSSON LM TELEPHONE CO
Form 20-F
March 27, 2018
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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

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

For the Fiscal Year Ended December 31, 2017

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)

Jonas Stringberg, Vice President, Group Controller

Telephone: +46 10 716 53 20, jonas.stringberg@ericsson.com

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:

Title of Each Class	Name of Each Exchange on which Registered
American Depositary Shares (each representing one B share)	The NASDAQ Stock Market LLC
B Shares *	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)	3,072,395,752
A shares (SEK 5.00 nominal value)	261,755,983
C shares (SEK 5.00 nominal value)	0

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, a non-accelerated filer or an emerging growth company. See the definitions of large accelerated filer and accelerated filer and emerging growth company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

The term new or revised financial accounting standard refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

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, 2017 (the 2017 Form 20-F). Reference is made to the English version of our Swedish Annual Report for 2017, with certain adjustments made to comply with U.S. requirements, which is attached hereto as Exhibit 15.1 (the 2017 Swedish Annual Report). Only (i) the information included in this 2017 Form 20-F, (ii) the information in the 2017 Swedish Annual Report that is incorporated by reference in this 2017 Form 20-F, and (iii) the exhibits to the 2017 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 2017 Form 20-F. Any information in the 2017 Swedish Annual Report that is not referenced in the 2017 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 2017 Form 20-F are defined in the subsections entitled Glossary and Financial Terminology of the 2017 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 and other websites that appear in this 2017 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.

Forward-Looking Statements

This 2017 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, financial condition, and expected operational and financial performance, including, in particular the following:

Our goals, strategies, planning assumptions and operational or financial performance expectations;

Industry trends, future characteristics and development of the markets in which we operate;

Our future liquidity, capital resources, capital expenditures, cost savings and profitability;

The expected demand for our existing and new products and services as well as plans to launch new products and services including research and development expenditures;

The ability to deliver on future plans and to realize potential for future growth;

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

The time until acquired entities and businesses will be integrated and accretive to income; and

Technology and industry trends including the regulatory and standardization environment in which we operate, competition and our customer structure.

The words believe, expect, foresee, anticipate, assume, intend, likely, projects, may, could, plan, will, should, would, predict, aim, ambition, seek, potential, target, might, continue, or, in each variations, and similar words or expressions are used to identify forward-looking statements. Any statement that refers to expectations, projections or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements.

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We caution investors that these statements are subject to risks and uncertainties many of which are difficult to predict and generally beyond our control that could cause actual results to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements.

Important factors that could affect whether and to what extent any of our forward-looking statements materialize include but are not limited to the factors described in the section Risk Factors.

These forward-looking statements also represent our estimates and assumptions only as of the date that they were made. We expressly disclaim a duty to provide updates to these forward-looking statements, and the estimates and assumptions associated with them, after the date of this Form 20-F, to reflect events or changes in circumstances or changes in expectations or the occurrence of anticipated events, 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, 2017, 2016, 2015, 2014, and 2013, 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.

The summary financial data should be read in conjunction with our consolidated financial statements and the notes thereto contained in this 2017 Form 20-F, as well as the information set forth under the heading Item 5. Operating and Financial Review and Prospects and the information set forth under the following headings of the 2017 Swedish Annual Report, which are incorporated herein by reference:

Other Information

Alternative Performance Measures

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	2017	Change	2016	2015	2014	2013
Net sales	201,303	10%	222,608	246,92	227,983	227,376
Operating expenses	70,563	17%	60,501	64,129	63,408	58,509
Operating income (loss)	38,126		6,299	21,805	16,807	17,845
Net income (loss)	35,063		1,895	13,673	11,143	12,174
Restructuring charges	8,501	12%	7,567	5,04	1,456	4,453
Cash flow from operating activities	9,601	31%	14,01	20,597	18,702	17,389
Year-end position, SEK million						
Total assets	260,544	8%	283,347	284,363	293,558	269,19
Property, plant and equipment	12,857	23%	16,734	15,901	13,341	11,433
Stockholders equity	99,540	29%	139,817	146,525	144,306	140,204
Non-controlling interest	636	6%	675	841	1,003	1,419
Per share indicators						
Earnings (loss) per share, basic, SEK	10.74		0.53	4.17	3.57	3.72
Earnings (loss) per share, diluted, SEK	10.74		0.52	4.13	3.54	3.69
Dividends per share, SEK	1.00 1)	0%	1.00	3.70	3.40	3.00
Dividends per share, USD	0.13 2)	13%	0.11	0.39	0.41	0.46
Number of shares outstanding (in millions)						
end of period, basic	3,284	0%	3,269	3,256	3,242	3,231
average, basic	3,277	0%	3,263	3,249	3,237	3,226
average, diluted	3,317	0%	3,303	3,282	3,27	3,257
Other information, SEK million						
Additions to property, plant and equipment	3,877	37%	6,129	8,338	5,322	4,503
Depreciations and writedowns/impairments of property, plant and equipment	6,314	38%	4,569	4,689	4,316	4,209
Acquisitions/capitalization of intangible assets	1,759		5,26	5,228	6,184	4,759
Amortization and write-downs/impairments of intangible assets	21,578		4,55	5,538	5,629	5,928
Research and development expenses as percentage of net sales	37,887	20%	31,635	34,844	36,308	32,236
	18.8%		14.2%	14.1%	15.9%	14.2%
Inventory turnover days	64	7%	69	64	64	62
Alternative Performance Measures (APMs)						
Gross margin	22.1%		29.8%	34.8%	36.2%	33.6%
Operating margin	18.9%		2.8%	8.8%	7.4%	7.8%
EBITA margin	10.7%		4.0%	10.5%	9.3%	9.8%
Cash conversion	58%		175%	85%	84%	79%
Free cash flow	5,109		254	7,515	4,593	8,337
Capital employed, SEK million	158,230	17%	190,901	195,15	189,839	180,903
Return on equity	29.4%		1.2%	9.3%	8.1%	8.7%

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Return on capital employed	22.0%		3.2%	11.6%	9.8%	10.7%
Equity ratio	38.4%		49.6%	51.8%	49.5%	52.6%
Capital turnover	1.2	0%	1.2	1.3	1.2	1.3
Working capital, SEK million	59,779	33%	89,039	104,811	103,246	106,94
Gross cash, SEK million	67,702	17%	57,877	66,27	72,159	77,089
Net cash, SEK million	34,657	11%	31,191	41,15	48,014	47,634
Statistical data, year-end						
Number of employees	100,735	10%	111,464	116,281	118,055	114,34
of which in Sweden	13,864	9%	15,303	17,041	17,58	17,858
Export sales from Sweden, SEK million	86,812	19%	107,036	117,486	113,734	108,944

- 1) For 2017, as proposed by the Board of Directors.
- 2) For 2017, as proposed by the Board of Directors. Approximate USD Dividend Rate.

Table of Contents**Exchange Rates**

The following tables provide information with respect to the exchange rate for SEK per USD 1.00 based on the noon buying rate for cable transfers in SEK as certified for customs purposes by the Federal Reserve Bank of New York. The noon buying rate of 16 March 2018 was SEK 8.1960 per USD 1.00. The average exchange rate is computed using the noon buying rate on the last business day of each month during the period indicated.

Year ended December 31,	Average
2013	6.5152
2014	6.9222
2015	8.4643
2016	8.5959
2017	8.4798

Month	High	Low
October 2017	8.3803	8.0534
November 2017	8.4803	8.2769
December 2017	8.5053	8.1732
January 2018	8.2413	7.8549
February 2018	8.2694	7.8588

Effects of exchange rate fluctuations on our business is described in the Notes to the Consolidated Financial Statements Note C20, Financial Risk Management and Financial Instruments.

Noon buying rates are not used in the preparation of our financial statements. The exchange rates used in the preparation of our consolidated financial statements are presented below:

	2017	2016
SEK/EUR		
Average rate ¹⁾	9.64	9.44
Closing rate	9.83	9.56
SEK/USD		
Average rate	8.53	8.56
Closing rate	8.20	9.06

- 1) Average rate is included for disclosure purposes only. Period income and expenses for each income statement are translated at period average exchange rates.

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

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D. Risk Factors

The information set forth under the heading Financials Risk Factors of the 2017 Swedish Annual Report is incorporated herein by reference.

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

The information set forth under the following headings of the 2017 Swedish Annual Report is incorporated herein by reference:

The Business

Ericsson in Brief

Financials

Board of Directors Report

Business in 2017

Financial Highlights Capital expenditures

For capital expenditures we usually use available cash from operations.

Notes to the Consolidated financial statements

Note C26 Business combinations

Note C32 Events after the reporting period

General facts on the company

Legal and commercial name of the Parent Company: Telefonaktiebolaget LM Ericsson (publ).

Organization number: 556016-0680

Legal form of the Parent Company: A Swedish limited liability company, organized under the Swedish Companies Act.

Country of incorporation: Sweden.

Date of incorporation: The Parent Company was incorporated on August 18, 1918, as a result of a merger between AB LM Ericsson & Co. and Stockholms Allmänna Telefon AB.

Domicile: Our registered office is Telefonaktiebolaget LM Ericsson, SE 164 83 Stockholm, Sweden. Our headquarters are located at Torshamnsgatan 21, Kista, Sweden.

Telephone number: +46 10 719 0000

Website: www.ericsson.com. The information included on our website is not incorporated herein by reference.

Agent in the US: Ericsson Inc., Vice President Legal Affairs, 6300 Legacy Drive, Plano, Texas 75024. Telephone number: +1 972 583 0000.

Shares: Ericsson's Class A and Class B shares are traded on Nasdaq Stockholm. In the US, our American Depository Shares (ADS), each representing one underlying Class B share, are traded on NASDAQ New York.

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Parent company operations: The business of the parent company, Telefonaktiebolaget LM Ericsson, consists mainly of corporate management, holding company functions and internal banking activities. Our parent company operations also include customer credit management activities performed by Ericsson Credit AB on a commission basis.

Subsidiaries and associated companies: For a list of our significant subsidiaries, please see Item 4C. Investments . In addition to our joint venture ST-Ericsson (up until August 2, 2013), we are engaged in a number of minor joint ventures and cooperative arrangements. For more information regarding risks associated with joint ventures, strategic alliances and third-party agreements, please see Item 3D. Financials Risk Factors - Market, Technology and Business Risks .

Company history and development

Innovating to empower people, business and society

Our origins date back to 1876 when Alexander Graham Bell filed a patent application in the United States for the telephone. The same year, Lars Magnus Ericsson opened a small workshop in Stockholm to repair telegraph instruments and sell his own telephone equipment.

Today, Ericsson enables communications service providers to capture the full value of connectivity. The company's portfolio spans Networks, Digital Services, Managed Services, and Emerging Business and is designed to help our customers go digital, increase efficiency and find new revenue streams. Ericsson's investments in innovation have delivered the benefits of telephony and mobile broadband to billions of people around the world.

B. Business Overview

The information set forth under the following headings of the 2017 Swedish Annual Report is incorporated herein by reference:

The business

Ericsson in brief

This is Ericsson

Strategy and financial targets

Segments

Business Model

Financials

Board of Directors report

Financial highlights Research and development, patents and licensing

Financial highlights Seasonality

Business results Segments

Business results Market Areas

Sourcing and supply

Sustainability and corporate responsibility

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Notes to the consolidated financial statements

Note C3 Segment information

Risk factors

Market, technology and business risks

Regulatory, compliance and corporate governance risks

Corporate Governance

Corporate Governance report 2017

Regulation and compliance

Sustainability

Sustainability and corporate responsibility

Sustainability and corporate responsibility are integrated into Ericsson's business processes and the Company's commitment to the triple bottom line of responsible environmental performance and social and economic development is made clear to its stakeholders.

Ericsson's ambition is to be a responsible and relevant driver of positive change in society. Ericsson is committed to creating business value while reducing risk related to environmental, social, employee, human rights, corruption and bribery matters. Ericsson's sustainability and corporate responsibility performance is regularly measured, assessed and assured. Group policies and directives have been implemented to ensure consistency across global operations.

Ericsson's principal risks relating to sustainability and corporate responsibility are identified in Ericsson's risk management framework.

The Board of Directors is briefed on sustainability and corporate responsibility issues regularly, or as needed on an ad hoc basis.

In 2017, the Chief Sustainability & Public Affairs Officer was a member of Ericsson's Executive Team and reported to the President and CEO, and was responsible for handling the day-to-day management of Ericsson's sustainability and corporate responsibility agenda.

Governance and policies

Responsible business practices are embedded in Ericsson's operations to prevent, mitigate and adapt to risks. The Ericsson Group Management System (EGMS) includes policies, processes and directives encompassing responsible sourcing, occupational health and safety, environmental management, anti-corruption and human rights, for example. External assurance providers audit the EGMS.

Some of the Group Policies and Directives that are of particular relevance from a sustainability and corporate responsibility perspective are the Code of Business Ethics, the Code of Conduct, the Sustainability Policy, the Occupational Health and Safety Policy, the Electro-magnetic Fields and Health Policy, the Sales Compliance Policy and the Anti-corruption Group Directive, which reflect how Ericsson shall work to secure responsible business practices. These policies and practices are reinforced by employee awareness training and monitoring. Compliance to Group Policies are mandatory for all employees and operations unless a deviation is approved by the CEO.

The Code of Business Ethics

The Code of Business Ethics sets the tone for how Ericsson conducts business globally, and is a guiding framework to support everyone performing work for Ericsson. The Code of Business Ethics is periodically reviewed and acknowledged by employees and has been translated into more than 30 languages to ensure that it is accessible to all employees and stakeholders. During 2017, 99% of active employees acknowledged that they have read and understood the Code of Business Ethics.

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Employees are encouraged to report any conduct that they believe, in good faith, to be a violation of laws or the Code of Business Ethics. Ericsson provides employees and external stakeholders with a dedicated communication channel, called the Ericsson Compliance Line, for the reporting of serious compliance concerns involving group or local management and which relates to;

- a) corruption or fraud
- b) questionable accounting or auditing matters
- c) other matters that might seriously affect the vital interest of Ericsson or personal health and safety.

The process around reporting of violations has been strengthened and further developed to include both centrally and locally reported allegations of violations in 2017. For this reason there is a significantly higher number of reports in 2017 in comparison with 2016.

During 2017 the Company received 412 cases reported through Ericsson's whistle-blower tool, the Ericsson Compliance Line. This tool is available via phone or secure website, 24/7, 365 days a year, and is available in

188 countries and in over 75 languages.

Reported violations are handled by Ericsson's Group Compliance Forum, which consists of representatives from Ericsson's internal audit function, Group Function Legal Affairs, Group Security, and Group Function Human Resources. The Forum briefs the Audit Committee about all reported violations, providing them with the incident category, a description of the alleged violation, and information about the decision and outcome.

The Code of Conduct

Ericsson's Code of Conduct applies to employees and suppliers and is based on the UN Global Compact ten principles on human rights, labor conditions, environmental management and anti-corruption. Ericsson is also committed to implementing the UN Guiding Principles on Business and Human Rights across its business operations.

Suppliers must comply with Ericsson's Code of Conduct requirements. The Company uses a risk-based approach to assess compliance with the Code of Conduct requirements as part of supplier agreements. The Company has a strong focus on risk mitigation, targeting high-risk portfolio areas and high-risk markets. For prioritized areas such as road and vehicle safety, working at heights, working hours and labor rights, Ericsson performs regular audits and works with suppliers to ensure measurable and continuous improvements, and has also introduced consequence management. Findings are followed up to ensure that improvements are made.

Since 2017, the Ethics and Compliance Board – comprised of several members of the Executive Team and chaired by the CEO – has been responsible to oversee the overall governance of compliance within the Group.

Sustainability risk management

Sustainability risks are defined according to short-term and long-term perspectives. They are related to long-term objectives as per the strategic direction as well as short-term objectives for the coming year. According to Ericsson's risk framework, sustainability risks are categorized into industry and market risks, commercial risks, operational risks and compliance risks. The Company follows its risk management principles, which apply across all business activities,

to manage sustainability risks.

Materiality assessment is a central component of the Company's sustainability and corporate responsibility strategy, target setting, risks and opportunities management, and reporting process related to its impact on society and environment. Ericsson considers a wide range of economic, environmental and social impacts significant to the business, or which substantively influence the views and decisions of our key stakeholders. Since 2012, the Company has used a materiality assessment to review significant issues on an annual basis, taking into account emerging trends, stakeholder feedback and other input. Adjustments are made as needed to incorporate critical issues as they arise.

The Group Function Sustainability and Public Affairs coordinates management of certain sustainability risks, such as occupational health and safety, human rights, and environmental related risks. Risks related to corruption are coordinated by Group Function Legal Affairs, and diversity issues are coordinated by Group Function Human Resources.

For information on risks that could impact the fulfillment of targets and form the basis for mitigating activities, see the Swedish Annual Report 2017, Note C20 Financial risk management and financial instruments and the Risk Factors section in the Board of Directors' report in the Swedish Annual Report 2017.

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Anti-corruption

Corruption carries serious legal and reputational risks; impedes business growth; damages relations with staff, customers, shareholders, suppliers and society as a whole; and is a considerable obstacle to economic and social development in countries around the world. With customers in 180 countries, many of which are considered to be exposed to a high risk of corruption, prevention and accountability are paramount for Ericsson.

Ericsson has a zero-tolerance approach to corruption expressed in the Company's Code of Business Ethics. The Company has embedded this guiding principle at its highest levels and implemented it throughout its global organization with a set of policies and processes. This includes an anti-corruption directive with more detailed guidelines, for example about appropriate levels of gifts and entertainment.

The Company's anti-corruption program, focusing on prevention and accountability, is headed by a Chief Compliance Officer, who since October 2017 reports directly to the Audit Committee of the Board of Directors. The Audit Committee also reviews and evaluates the program at least annually. Further, since 2016, an Ethics and Compliance Board, comprised of several members of the Executive Team and chaired by the CEO, has been responsible for the overall governance of compliance within the Group.

During 2016-2017 we invited external experts to evaluate the robustness of our anti-corruption program. Following the review, we adjusted the anti-corruption program to closer align with the US Foreign Corrupt Practices Act (FCPA). In 2017, the program was strengthened with adding resources on group level and appointing Regional Compliance Officers in all Market Areas. Moreover, one of the elements of the Group targets for sustainability and corporate responsibility is anti-corruption.

In 2017 the Company continued to roll out an automated anti-corruption screening tool for supplier and third party due diligence, which was launched in 2016. By the end of 2017, close to 93% of active employees had completed the Company's anti-corruption e-learning course since the training was launched in 2013. A customized online anti-corruption training is also available for Ericsson's suppliers on the Company website.

In 2017, Ericsson introduced a vetting process that focuses on ethics and compliance. So far we have used it for appointments to the Executive Team and for approximately 110 employees in exposed positions. All members of the current Executive Team have been vetted, and all future recruitments to these positions will also go through mandatory vetting. Business Partner Review Boards have been established in all Market Areas to over-see mitigation of the corruption risks in relation to onboarding of new business partners.

Ericsson is currently voluntarily cooperating with inquiries from the United States Securities and Exchange Commission and the United States Department of Justice regarding its compliance with the U.S. Foreign Corrupt Practices Act. As of today, these inquiries concern a period from January 1, 2007 and onwards, and the Company will make additional disclosures regarding these inquiries to the extent required.

Disclosure pursuant to Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012 (ITRA)

Ericsson has conducted business in Iran/Persia since the late nineteenth century, opened an office in Iran in 1973 and later established a local subsidiary in the country. Ericsson strongly believes in enabling communication for all and believes that access to communications can enable the right to health, education and freedom of expression. Ericsson's business activities in Iran principally involve the sale of communications infrastructure related products and services, including support, installation and maintenance services. Ericsson's exports from the European Union (the EU) to Iran are performed under export licenses from the Swedish Agency for Non-Proliferation and Export Controls.

Due to its operations in Iran, and having staff permanently in the country, Ericsson has contacts with its local customers and retains certain local suppliers, including banks, and service providers. In addition, Ericsson has other dealings incidental to its local activities, such as making payments for taxes, salaries, rents, utilities and office and similar supplies as well for local accommodation and transportation and customs related services. As a result, Ericsson has contact with companies and public functions that may be owned or controlled by the government of Iran. While Ericsson seeks to obtain information regarding the actual business names and ownership of customers and other counterparties in Iran through its policies and procedures designed to ensure that Ericsson knows its customers, it is difficult to determine ownership and control with certainty, particularly with respect to determining whether an entity engaged in commercial activities is owned or controlled by the government.

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During 2017, Ericsson sold communications infrastructure related products and services in Iran to the following telecommunications companies operating in the country: Farabord Dadehavare Iranian (Farabord), Hiweb, Mobile Communication Company of Iran (MCCI), MTN Irancell and Pars Online. During 2017, Ericsson and Telecommunications Company of Iran (TCI) has had discussions relating to potential future such sales by Ericsson to TCI. During 2017, Ericsson's gross revenue (reported as net sales) related to sales to Farabord, Hiweb, MCCI and MTN Irancell and Pars Online in Iran was approximately SEK 1,945 million.

Ericsson does not normally allocate net profit (reported as net income) on a country-by-country or activity-by-activity basis, other than as set forth in Ericsson's consolidated financial statements prepared in accordance with IFRS as issued by the IASB. However, Ericsson has estimated that its operating income (income before taxes and financial net) from such sales, after internal cost allocation was approximately SEK -117 million during 2017. Ericsson intends to continue to engage with existing customers and explore opportunities with new customers in Iran while continuously monitoring international developments as they relate to Iran and its government.

In some instances, Ericsson has had to arrange performance bonds or similar financial guarantees to secure Ericsson's performance of obligations under the commercial agreements Ericsson has entered into relating to the business in Iran. In such instances, Ericsson usually engages its banks outside Iran, who in turn engage local banks in the country. These local banks include Bank Mellat, Tejarat Bank, Melli Bank and Saderat Bank. Although some bonds and guarantees are still in place, no new performance bonds or similar guarantees involving these four banks with respect to Ericsson's business activities in Iran were issued during 2017, nor were payments made to beneficiaries under any such existing bond or guarantee during 2017.

During 2017, Maskan Bank, Post Bank of Iran and Tejarat Bank (local banks in Iran) issued bank guarantees to secure Iranian customer payment obligations to Ericsson. Further, some payments made to Ericsson's local subsidiary and payments required to be made by the local subsidiary to suppliers involve banks that may be controlled by the government of Iran. Ericsson also received payments from customers to Ericsson's accounts outside Iran.

C. Organizational Structure

The following list shows certain shareholdings owned directly and indirectly by our parent company as of December 31, 2017. A complete list of shareholdings, prepared in accordance with the Swedish Annual Accounts Act and filed with the Swedish Companies Registration Office (Bolagsverket), may be obtained upon request to: Telefonaktiebolaget LM Ericsson, External Reporting, SE-164 83 Stockholm, Sweden.

Shares owned directly by the Parent Company

Company	Reg. No.	Domicile	Percentage of ownership	Par value in local currency, million	Carrying value, SEK million
Subsidiary companies					
Ericsson AB	556056-6258	Sweden	100	50	20,731
Ericsson Shared Services AB	556251-3266	Sweden	100	361	2,216
Netwise AB	556404-4286	Sweden	100	2	306
Datacenter i Rosersberg AB	556895-3748	Sweden	100		88

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Datacenter i Mjärdevi Aktiebolag	556366-2302	Sweden	100	10	69
AB Aulis	556030-9899	Sweden	100	14	6
Ericsson Credit AB	556326-0552	Sweden	100	5	5
Other (Sweden)					1,645

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Company	Reg. No.	Domicile	Percentage of ownership	Par value in local currency, million	Carrying value, SEK million
Ericsson Austria GmbH		Austria	100	4	94
Ericsson Danmark A/S		Denmark	100	90	216
Oy LM Ericsson Ab		Finland	100	13	196
Ericsson Participations France SAS		France	100	26	524
Ericsson Germany GmbH		Germany	100		4,232
Ericsson Hungary Ltd.		Hungary	100	1,301	120
L M Ericsson Limited		Ireland	100	4	34
Ericsson Telecomunicazioni S.p.A.		Italy	100	44	3,857
Ericsson Holding International B.V.		The Netherlands	100	222	3,200
Ericsson A/S		Norway	100	75	114
Ericsson Television AS		Norway	100	161	270
Ericsson Corporatia AO		Russia	100	5	5
Ericsson España S.A.		Spain	100	43	170
Ericsson AG		Switzerland	100		
Ericsson Holdings Ltd.		United Kingdom	100	328	1,994
Other (Europe, excluding Sweden)					684
Ericsson Holding II Inc.		United States	100	2,897	25,907
Compañía Ericsson S.A.C.I.		Argentina	95 ¹⁾	41	15
Ericsson Canada Inc.		Canada	100		51
Belair Networks		Canada	100	108	170
Ericsson Telecom S.A. de C.V.		Mexico	100	939	1,050
Other (United States, Latin America)					118
Teleric Pty Ltd.		Australia	100	20	100
Ericsson Ltd.		China	100	2	2
Ericsson (China) Company Ltd.		China	100	65	475
Ericsson India Private Ltd.		India	100	544	122
Ericsson India Global Services PVT. Ltd		India	100	291	51
Ericsson Media Solutions Ltd		Israel	100	9	711
Ericsson-LG CO Ltd.		Korea	75	285	2,279
Ericsson (Malaysia) Sdn. Bhd.		Malaysia	70	2	4
Ericsson Telecommunications Pte. Ltd.		Singapore	100	2	1
Ericsson South Africa PTY. Ltd		South Africa	70		135
Ericsson Taiwan Ltd.		Taiwan	90	270	36
Ericsson (Thailand) Ltd.		Thailand	49 ²⁾	90	17
Other countries (the rest of the world)					295
Total					72,316

Joint ventures and associated companies