

ERICSSON LM TELEPHONE CO

Form 11-K

June 22, 2016

[Table of Contents](#)

# **SECURITIES AND EXCHANGE COMMISSION**

**Washington, DC 20549**

## **FORM 11-K**

**ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES**

**EXCHANGE ACT OF 1934**

**For the fiscal year ended December 31, 2015**

## **ERICSSON US 401(k) Plan**

**(Title of the Plan)**

**ERICSSON INC**

**Formerly Anaconda-Ericsson Inc. and Ericsson North America Inc.**

Edgar Filing: ERICSSON LM TELEPHONE CO - Form 11-K

6300 Legacy Drive

Plano, TX 75024

(Name and address of principal executive offices of the employer sponsoring the Plan)

# **TELEFONAKTIEBOLAGET LM ERICSSON**

(Exact name of Issuer as specified in its charter)

# **LM ERICSSON TELEPHONE COMPANY**

(Translation of Issuer's Name into English)

Kingdom of Sweden

(Jurisdiction of Incorporation)

(Telefonplan, S-126-25 Stockholm Sweden)

(Name and address of principal executive offices of the Issuer of the securities)

**Table of Contents**

**ERICSSON US 401(k) Plan**

**FINANCIAL STATEMENTS, SUPPLEMENTAL**

**SCHEDULE AND REPORT OF INDEPENDENT**

**REGISTERED PUBLIC ACCOUNTING FIRM**

**DECEMBER 31, 2015 AND 2014**

---

**Table of Contents**

**ERICSSON US 401(k) PLAN**

**INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULE**

	<b>Page</b>
<u>Report of Independent Registered Public Accounting Firm</u>	3
Financial Statements:	
<u>Statements of Net Assets Available for Benefits at December 31, 2015 and 2014</u>	4
<u>Statement of Changes in Net Assets Available for Benefits for the Year Ended December 31, 2015</u>	5
<u>Notes to Financial Statements as of December 31, 2015 and 2014 and for the Year Ended December 31, 2015</u>	6
Supplemental Schedule (Note A):	
<u>Schedule H, line 4j - Schedule of Assets (Held at End of Year) December 31, 2015</u>	18

*Note A- Other schedules required by Section 2520.103-10 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA not included herein have been omitted because of the absence of conditions under which they are required or as they are filed by the Trustee of the Master Trust in which the Plan participates.*

**Table of Contents**

Tel: 214-969-7007  
Fax: 214-953-0722  
**www.bdo.com**

700 North Pearl,  
Suite 2000  
Dallas, TX 75201

**Report of Independent Registered Public Accounting Firm**

To the Plan Administrator

Ericsson US 401(k) Plan

Plano, Texas

We have audited the accompanying statements of net assets available for benefits of the Ericsson US 401(k) Plan (the Plan) as of December 31, 2015 and 2014, and the related statement of changes in net assets available for benefits for the year ended December 31, 2015. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2015 and 2014, and the changes in net assets available for benefits for the year ended December 31, 2015, in conformity with accounting principles generally accepted in the United States of America.

The accompanying supplemental schedule of assets (held at end of the year) as of December 31, 2015 have been subjected to audit procedures performed in conjunction with the audit of the Plan's financial statements. The supplemental schedule is the responsibility of the Plan's management. Our audit procedures included determining whether the supplemental schedule reconcile to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental schedule. In forming our opinion on the supplemental schedule, we evaluated whether the supplemental schedule, including its form and content, is presented in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. In our opinion, the supplemental schedule is fairly stated, in all material respects, in relation to the financial statements as a whole.

Dallas, Texas

June 22, 2016

BDO USA, LLP, a Delaware limited liability partnership, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO is the brand name for the BDO network and for each of the BDO Member Firms.

**Table of Contents**

**ERICSSON US 401(k) PLAN**

**STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS**

**DECEMBER 31, 2015 AND 2014**

(Thousands of dollars)

	2015	2014
<b>Investments</b>		
Investments in Master Trust, at fair value (Notes 3 and 5)	\$ 2,458,493	\$ 2,487,778
Investment in Master Trust, at contract value (Note 8)	274,831	280,656
<b>Total investments</b>	<b>2,733,324</b>	2,768,434
<b>Receivables</b>		
Notes receivable from participants	24,928	23,332
Employee s contributions receivable	1	
Employer s contributions receivable	2,511	2,103
<b>Total receivables</b>	<b>27,440</b>	25,435
<b>Net assets available for benefits</b>	<b>\$ 2,760,764</b>	\$ 2,793,869

*See accompanying notes to the financial statements.*

**Table of Contents**

**ERICSSON US 401(k) PLAN**

**STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS**

**FOR THE YEAR ENDED DECEMBER 31, 2015**

(Thousands of dollars)

**ADDITIONS**

**Investment loss:**

Plan interest in Master Trust investment loss (Note 3)	\$ (10,331)
--	-------------

<b>Total investment loss</b>	<b>(10,331)</b>
------------------------------	-----------------

<b>Interest on participant notes receivable</b>	<b>1,048</b>
---	--------------

Contributions:

Participants	117,092
--------------	---------

Employer	86,944
----------	--------

Rollover	10,145
----------	--------

<b>Total contributions</b>	<b>214,181</b>
----------------------------	----------------

<b>Total Additions</b>	<b>204,898</b>
------------------------	----------------

**DEDUCTIONS**

Benefits paid to participants	(237,559)
-------------------------------	-----------

Corrective Distribution	(50)
-------------------------	------

Deemed Distribution	(68)
---------------------	------

Administrative expenses	(326)
-------------------------	-------

<b>Total Deductions</b>	<b>(238,003)</b>
-------------------------	------------------

<b>Net decrease</b>	<b>(33,105)</b>
---------------------	-----------------

**Net assets available for benefits:**

Beginning of year	2,793,869
-------------------	-----------

<b>End of year</b>	<b>\$ 2,760,764</b>
--------------------	---------------------

*See accompanying notes to the financial statements.*

**Table of Contents**

**ERICSSON US 401(k) PLAN**

**NOTES TO FINANCIAL STATEMENTS**

**AS OF DECEMBER 31, 2015 AND 2014, AND FOR THE YEAR ENDED DECEMBER 31, 2015**

**(Thousands of dollars)**

**1. THE PLAN**

The following description of the Ericsson US 401(k) Plan (the "Plan") provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provision. The Plan was created by action of the board of directors of Ericsson Inc. (the "Company" or "Ericsson" or the "Employer") on May 27, 1983, effective July 1, 1983. The Plan is a defined contribution plan and is administered by an administrative committee (the "Committee") which monitors the investment objectives and performance of the Plan's individual investment options.

The Plan is a single employer plan.

JPMorgan Chase Bank Investor Services is the trustee of the Plan and JPMorgan Retirement Plan Services was the recordkeeper of the Plan through April 3, 2014. On April 3, 2014, J. P. Morgan Asset Management signed an agreement to sell J. P. Morgan Retirement Plan Services to Great-West Financial. Currently, Empower Retirement, the retirement services business of Great-West Financial, is the recordkeeper of the Plan.

Participant contributions are made to the JP Morgan Chase Bank Investor Services (the "Trustee") for investment each pay period. There are currently seventeen investment funds in addition to two asset allocation funds to which participants may direct their investments and a self directed brokerage account ("SDA"). The SDA allows access to a wide variety of mutual funds, stocks and bonds. Brokerage services are provided through JP Morgan Invest LLC. Employees interested in SDA can contact JP Morgan Invest LLC or by visiting [Retireonline.com](http://Retireonline.com) to request an enrollment kit which includes application information or can contact the call center and request an application. Participants can choose these options for their contributions as well as the Company contributions.

Effective August 24, 2009, a Master Trust was created to permit the commingling of trust assets of both the Plan and the Ericsson Services 401(k) Plan. On December 28, 2012 the Ericsson Services 401(k) Plan was merged into the Ericsson US 401(k) Plan formerly called the Ericsson Capital Accumulation and Savings Plan. Total assets transferred into the Plan due to the merger were approximately \$140,800. The Plan remains as a Master Trust. See Note 3.

Effective January 1, 2013 the Plan was amended to merge the Telcordia Technologies 401(k) Savings Plan into the Plan and allow the Telcordia employees who satisfy the eligibility requirement of the Plan to participate in the Plan. Total assets transferred into the Plan due to the merger were approximately \$1,053,165.

Effective June 30, 2014 the Azuki Systems, Inc. 401(k) Profit Sharing Plan and Trust merged into the Plan. Total assets transferred into the Plan due to the merger were approximately \$2,382. This allowed the Azuki employees who satisfied the eligibility requirements of the Plan participation in the Plan.



## **Table of Contents**

### **ERICSSON US 401(k) PLAN**

### **NOTES TO FINANCIAL STATEMENTS**

### **AS OF DECEMBER 31, 2015 AND 2014, AND FOR THE YEAR ENDED DECEMBER 31, 2015**

(Thousands of dollars)

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Basis of Accounting**

The Plan's financial statements are presented using the accrual method of accounting in conformity with U.S. generally accepted accounting principles (GAAP).

### **Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities and changes therein. Actual results could differ from those estimates.

### **Risks and Uncertainties**

The Plan provides for various investment options of specified registered investment companies. The underlying investments held by the registered investment companies may include stocks, bonds, fixed income securities, mutual funds and other investment securities. Such investments are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the values of investment securities in the near term could materially affect participants' account balances and the amounts reported in the statement of net assets available for benefits.

### **Contributions and Contribution Receivables**

Contributions are recorded on the accrual method of accounting. Contributions receivable are obligations arising from amounts owed to the Plan from participants or the Employer that have not been included in the Plan's investments at year end. Contributions receivable are recorded at cost, which approximates their fair value. Total contributions receivable were \$2,512 and \$2,103 at December 31, 2015 and 2014, respectively.

### **Valuation of Investments**

The Plan participates in the Ericsson Master Trust (the Master Trust). All of the Plan's investments are held in the Master Trust. See Note 3 for further discussion of the Master Trust. The Plan's investments in the Master Trust are reported at fair value, with the exception of the Stable Value Fund which is reported at contract value. The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (the exit price). See Note 5 for further discussion of fair value and fair value measurements. See Note 8 for further discussion of investments carried at contract value.

### **Investment Income**

Purchases and sales of the investments within the Plan are reflected on a trade-date basis. Dividend income is recorded on the ex-dividend date. Interest income is recorded on the accrual basis.



## **Table of Contents**

### **ERICSSON US 401(k) PLAN**

### **NOTES TO FINANCIAL STATEMENTS**

### **AS OF DECEMBER 31, 2015 AND 2014, AND FOR THE YEAR ENDED DECEMBER 31, 2015**

(Thousands of dollars)

#### **Security Transactions**

The Plan presents in the Statement of Changes in Net Assets Available for Benefits the net appreciation or depreciation in the fair value of its investments which consists of the realized gains and losses and the unrealized appreciation (depreciation) on those investments. Realized gains and losses on security transactions are determined on the trade date (the date the order to buy or sell is executed) as the difference between proceeds received and historical cost. Unrealized gains and losses represent the net change in market value of investments held during the year which are presented at fair value, with adjustments for investments sold.

Upon withdrawal from the Plan, participants invested in Company stock may elect to receive cash or Company stock. Whenever a participant receives stock, the difference between the cost of such stock and the market value on the applicable valuation date is reflected as a realized gain or loss of the Plan. Gains or losses are also realized whenever stocks are sold in satisfaction of the participants' election to take cash upon withdrawal.

#### **Vesting and Forfeitures**

Company and participants' capital accumulation contributions, and participants' savings contributions, and the earnings thereon, are fully and immediately vested. Accordingly, there are no forfeitures in the Plan as of December 31, 2015 or 2014.

#### **Expenses of the Plan**

All net costs and expenses of the Plan and its administration, including all fees and expenses of the Trustee, are paid by the Company. All taxes, commissions and other charges on purchases, sales and transfers of Company stock and other securities are paid by the Trustee out of the fund or account involved in such purchase or sale. Expenses paid by the Master Trust are generally allocated proportionally based on the Plan's interest in the Master Trust's net assets or directly if specifically related to the Plan. Participants are responsible for their own managed account fees, brokerage fees, and loan fees.

#### **Administration**

The Committee is responsible for the general administration of the Plan and for carrying out its provisions. Members of the Committee serve without compensation from the Plan.

#### **Notes Receivable from Participants**

Notes receivables from participants may be granted to participants in an amount not to exceed 50% of the participant's contribution account. The maximum loan amount is fifty thousand dollars minus the participant's highest loan balance (if any) during the previous 12 months; the minimum loan amount is one thousand dollars. Loans may be repaid through payroll deductions over a selected period between 12 months and 60 months. An employee is allowed only one loan at a time. If an employee misses payments, he/she will be required to make up the payments and accrued interest immediately. Failure to keep the loan current could result in the loan being

## **Table of Contents**

### **ERICSSON US 401(k) PLAN**

### **NOTES TO FINANCIAL STATEMENTS**

### **AS OF DECEMBER 31, 2015 AND 2014, AND FOR THE YEAR ENDED DECEMBER 31, 2015**

(Thousands of dollars)

classified as a deemed distribution, which is taxable income to the employee. Interest on the loan is set at the time of issuance, and the rate is the prime rate plus 1%. At December 31, 2015, interest rates range from 4.25% to 10.50%.

#### **Termination Priorities**

The Company reserves the right, by action of the board, to amend, suspend or terminate the Plan. In the event that the Plan is terminated or the Company discontinues its contributions, all amounts allocated to the participants' accounts and all assets held under the Plan will be held for distribution to the participants.

The Company currently has no plans to terminate the Plan.

#### **Benefit Payments**

At December 31, 2015 and 2014, there were no benefit claims which had been processed and approved for payment but not yet paid. At Empower Retirement, the recordkeeper of the Plan, benefit payments are determined, paid and taxed to participants based upon the date the check is first processed. For financial statement purposes, benefit payments are recorded when paid.

#### **Recently Issued Accounting Standards**

In May 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-07, Fair Value Measurement (Topic 820) - Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent) (ASU 2015-07). ASU 2015-07 removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value (NAV) per share practical expedient. ASU 2015-07 also removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the NAV per share practical expedient. Investments that calculate NAV per share (or its equivalent), but for which the practical expedient is not applied will continue to be included in the fair value hierarchy along with the related required disclosures. ASU 2015-07 is effective for fiscal years beginning after December 15, 2015, and is to be applied retrospectively, with early adoption permitted. The Company has elected to adopt the ASU 2015-07 for the year ended December 31, 2015. Other than the change to disclosures the adoption of this standard did not have a material impact on the financial statements.

In July 2015, the FASB issued ASU No. 2015-12, Plan Accounting: Defined Benefit Pension Plans (Topic 960), Defined Contribution Pension Plans (Topic 962), Health and Welfare Benefit Plans (Topic 965), I. Fully Benefit-Responsive Investment Contracts, II. Plan Investment Disclosures, III. Measurement Date Practical Expedient (ASU 2015-12). The FASB is issuing this update in response to a proposal developed by the Emerging Issues Task Force (EITF) to reduce complexity in employee benefit plan accounting.

Part I of ASU 2015-12 requires fully benefit-responsive investment contracts to be measured, presented and disclosed at contract value. Contract value is the relevant measure for those contracts because that is the amount participants normally would receive if they were to initiate permitted transactions under the terms of the Plan. Part I also eliminates certain disclosures, including average yield earned by the Plan and the methodology used to calculate the interest

**Table of Contents**

**ERICSSON US 401(k) PLAN**

**NOTES TO FINANCIAL STATEMENTS**

**AS OF DECEMBER 31, 2015 AND 2014, AND FOR THE YEAR ENDED DECEMBER 31, 2015**

**(Thousands of dollars)**

crediting rate. Part I is to be applied retrospectively and early adoption is permitted. The Company has elected to adopt Part I of ASU 2015-12 for the year ended December 31, 2015 via retrospective application.

Part II of ASU 2015-12 requires plans to disaggregate their investments measured using fair value only by general type, either on the financial statements or in the notes. Part II also eliminated the requirement to disclose the net appreciation/depreciation in fair value of investments by general type and the requirements to disclose individual investments that represent 5% or more of net assets available for benefits. Part II is to be applied retrospectively and early adoption is permitted. The Company has elected to adopt Part II of ASU 2015-12 for the year ended December 31, 2015 via retrospective application.

Part III of ASU 2015-12 provides a practical expedient to permit plans to measure investments and investment related accounts (for example, a liability for a pending trade with a broker) as of a month-end that is closest to the plan's fiscal year end, when the fiscal period does not coincide with a month-end. If a plan applies the practical expedient and a contribution, distribution, and/or significant event occurs between the alternative measurement date and the plan's fiscal year end, the plan should disclose the amount of the contribution, distribution, and/or significant event. Part III is to be applied retrospectively and early adoption is permitted. The Company has elected to adopt Part III of ASU 2015-12 for the year ended December 31, 2015 currently with no impact on the disclosures.

**3. THE MASTER TRUST**

The trust holding the Plan's assets was converted to a Master Trust on August 24, 2009.

The Master Trust was created pursuant to a trust agreement between the Company and the Trustee, as trustee of the funds, to permit the commingling of trust assets for investment and administrative purposes. The assets of the Master Trust are held by the Trustee. The Trustee receives all participating employee and Company contributions to the Plan and holds, manages, and invests the same in accordance with the investment election of each participating employee, the terms and conditions of the Plan, and the instructions and directions of the Committee. As of December 31, 2015 and 2014, the Plan owned 100% of the assets in the Master Trust. Net investment income associated with the investments of the Master Trust are allocated to the Plan based upon the Plan's participation in the investments that comprise the Master Trust and expenses of administering the Plan, including fees and expenses of the Trustee, may be charged to the Plan. Investment fees are charged against the earnings of the funds and portfolios.

**Table of Contents****ERICSSON US 401(k) PLAN****NOTES TO FINANCIAL STATEMENTS****AS OF DECEMBER 31, 2015 AND 2014, AND FOR THE YEAR ENDED DECEMBER 31, 2015**

(Thousands of dollars)

The following table summarizes the net assets and investment income of the Master Trust (in thousands).

	December 31, 2015	December 31, 2014
<b>NET ASSETS OF THE MASTER TRUST</b>		
<b>Investments at fair value:</b>		
Vanguard Institutional Index-Inst Plus	\$ 523,426	\$ 510,992
PIMCO Total Return Separate Account		282,483
American Funds Europacific Growth Fund	282,779	275,313
Prudential core plus bond-1	267,429	
Prudential Jennison Separate Account	208,822	205,969
Vanguard Mid Cap Index-Inst Plus	189,166	186,009
American Century US Value Yield Equity Trust 2	164,978	
American Century Investments Equity Income Fund		177,857
Vanguard Total Bond Market Index- Inst	155,502	133,508
Vanguard Small Cap Index-Inst	104,871	107,370
Morgan Stanley Institutional Mid Cap Fund		100,589
Prudential Jennison Target Small Cap		89,436
Eagle Mid Cap Growth Separate Account	84,874	
Prudential Small Cap Value-Q	82,671	
JP Morgan Prime Money Market-Capital	81,313	73,580
T Rowe Price Mid-Cap Value Equity Trust	73,433	81,552
JPMorgan Investment Self Directed Account	67,685	65,582
Eagle Small Cap Growth-Inst	59,182	59,947
LM Ericsson Telephone Company, ADR, Class B	46,338	59,988
Columbia Acorn International-Y	45,162	
Columbia Acorn International-Z		48,688
Oppenheimer Funds Developing Markets-Y		28,915
Oppenheimer Developing Markets-I	20,862	
<b>Total investments at fair value</b>	<b>2,458,493</b>	<b>2,487,778</b>
<b>Investment at contract value:</b>		
Wells Fargo Stable Value	274,831	280,656
Net assets available for benefits	\$ 2,733,324	\$ 2,768,434

**INVESTMENT LOSS OF THE MASTER TRUST**Year ended  
December 31, 2015

# Edgar Filing: ERICSSON LM TELEPHONE CO - Form 11-K

Net depreciation in fair value of investments	\$	(81,436)
Dividends		55,375
Other Income		15,730
Net investment loss	\$	(10,331)

## **Table of Contents**

### **ERICSSON US 401(k) PLAN**

### **NOTES TO FINANCIAL STATEMENTS**

### **AS OF DECEMBER 31, 2015 AND 2014, AND FOR THE YEAR ENDED DECEMBER 31, 2015**

(Thousands of dollars)

#### **4. PLAN PARTICIPATION**

The Company offers the Plan for eligible U.S. employees to which qualified employees may elect to contribute stated percentages of eligible pay. Participation by eligible employees is voluntary and is defined as any regular salaried or hourly employee who is employed by a participating employer and receives regular compensation in the form of a weekly, biweekly semi-monthly or monthly salary from an Ericsson U.S. payroll. All eligible employees may participate in the Plan the first day of any calendar quarter following the date they become eligible. At December 31, 2015 and 2014, the numbers of active participants were roughly twelve thousand, respectively.

Eligible participants may contribute on a pre-tax and/or Roth basis any whole percentage from 1% to 50% of their eligible earnings up to current IRS limits into the Capital Accumulation 401(k) portion of the Plan; participants may also contribute any whole percentage from 1% to 5% of their eligible earnings to the Savings portion on an after-tax basis. The Company contributes 3% of a participant's eligible pay for employees who are not actively participating in the Company's Defined Benefit Plan, whether or not the employee contributes. The Company also matches 100% of the first 3% and an additional 50% on the 4<sup>th</sup> % and 5<sup>th</sup> % contributed. All employee and Employer contributions are 100% vested immediately.

Participants may change their percentage payroll deduction elections at anytime during the year using the web-based Empower Retirement Retireonline system. Participants may change investment percentages between funds at any time during the year. Participants may transfer existing fund balances to other available investment options at any time during the year. There are no restrictions on the transfer of investment balances from L M Ericsson Telephone Co. shares of Common Stock to other investment funds.

Each participant's account is credited with the participant's contributions, Company contributions and Plan earnings. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account. Participants may direct the investment of their account balances into various investment options offered by the Plan.

Participants may, at any time, request certain in-service withdrawals in the form of a normal or hardship withdrawal. Normal withdrawals may be requested from the Employee Savings account and Company Savings account for money that has been in the Plan for two full calendar years. Hardship withdrawals must meet certain requirements including approval by the Committee.

#### **5. FAIR VALUE MEASUREMENTS**

The accounting standards establish a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Assets and liabilities measured at fair value are based on one or more of the following three valuation techniques noted in ASC Topic 820; A) Market approach: Prices and other relevant information generated by market transactions involving identical or comparable assets and



## **Table of Contents**

### **ERICSSON US 401(k) PLAN**

### **NOTES TO FINANCIAL STATEMENTS**

### **AS OF DECEMBER 31, 2015 AND 2014, AND FOR THE YEAR ENDED DECEMBER 31, 2015**

**(Thousands of dollars)**

liabilities. B) Cost approach: Amount that would be required to replace the service capacity of an asset (replacement cost). C) Income approach: Techniques to convert future amounts to a single present amount based upon market expectation (including present value techniques, option-pricing and excess earnings models).

The following is a description of the valuation methodologies used for the investments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy.

#### **Mutual Funds**

Mutual funds represent investments with various registered investment managers. The fair values of these investments are determined by reference to the fund's underlying assets, which are principally marketable equity and fixed income securities. Shares held in mutual funds traded on national securities exchanges are valued at the quoted market price as of December 31, 2015 and 2014 and classified as Level 1 assets.

#### **Self-Directed Brokerage Accounts (SDA)**

SDA accounts include investments in cash and cash equivalents, common stock, preferred stock, registered investment companies and partnerships and are classified as Level 2 investments. Cash and cash equivalent investments include cash and short-term interest-bearing investments with initial maturities of three months or less. Such amounts are recorded at cost, plus accrued interest. Common stock and preferred stock traded in active markets on national securities exchanges are valued at closing prices on the last business day of each period presented. Securities traded in markets that are not considered active are valued based on quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency. Securities that trade infrequently and therefore have little or no price transparency are valued using the Plan's investment manager's best estimates. Mutual funds in registered investment companies are valued as mentioned above. Partnerships are valued using the Plan's investment manager's best estimates based on the partnership's financial statements and the plans allocation of earnings and losses.

#### **Commingled Funds**

Valued using the Net Asset Value (NAV) provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund minus applicable costs and liabilities and then divided by the number of shares outstanding. As these assets are measured at net asset value they are therefore excluded from the fair value hierarchy and included in other.

#### **Common Stocks**

Ericsson Inc. common stock and common stocks held in participant-directed brokerage accounts are stated at fair value as quoted on a recognized securities exchange and are valued at the last reported sales price on the last business day of the Plan year and are classified as Level 1 investments.

**Table of Contents****ERICSSON US 401(k) PLAN****NOTES TO FINANCIAL STATEMENTS****AS OF DECEMBER 31, 2015 AND 2014, AND FOR THE YEAR ENDED DECEMBER 31, 2015****(Thousands of dollars)****Separately Managed Accounts**

Self-managed fund consisting of a portfolio of assets under the management of a professional investment firm and primarily valued using prices obtained from independent pricing services and are classified as Level 2 investments.

The following tables provide information about the Master Trust's financial assets carried at fair value on a recurring basis as of December 31, 2015 and 2014. As explained in Note 2, in 2015 the Plan adopted ASU 2015-12 that eliminated fair value measurement and disclosure requirements for fully benefit-responsive investments (i.e. the Stable Value Fund). Prior year fair value disclosures presented below have been updated to reflect the adoption of this new guidance.

<b>December 31, 2015</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Other</b>	<b>Total</b>
Mutual funds	\$ 1,977,341	\$	\$	\$	\$ 1,977,341
Separate accounts		293,696			293,696
Ericsson stock fund	46,338				46,338
Commingled funds				73,433	73,433
Self-directed accounts		67,685			67,685
<b>Total investments at fair value</b>	<b>\$ 2,023,679</b>	<b>\$ 361,381</b>	<b>\$</b>	<b>\$ 73,433</b>	<b>\$ 2,458,493</b>

<b>December 31, 2014</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Other</b>	<b>Total</b>
Mutual funds	\$ 1,792,204	\$	\$	\$	\$ 1,792,204
Separate accounts		488,452			488,452
Ericsson stock fund	59,988				59,988
Commingled funds				81,552	81,552
Self-directed accounts		65,582			65,582
<b>Total investments at fair value</b>	<b>\$ 1,852,192</b>	<b>\$ 554,034</b>	<b>\$</b>	<b>\$ 81,552</b>	<b>\$ 2,487,778</b>

**6. PARTY-IN-INTEREST TRANSACTIONS**

Certain Plan investments are Common Stock shares of LM Ericsson Telephone Company, a related party of Ericsson Inc. Ericsson Inc. sponsors the plan; therefore, these investments qualify as a party-in-interest transaction. The Plan recorded purchases of \$12,383 and sales of \$19,911 of the Company's stock during the year ended December 31, 2015.

Certain Plan investments are shares of mutual funds managed by JP Morgan Chase Bank and its affiliates. These institutions served or are currently serving as trustee to the Plan and, therefore, these investments qualify as party-in-interest transactions.

**7. TAX STATUS OF THE PLAN**

Management believes that the Plan is qualified under section 401(a) of the Internal Revenue Code ( IRC ) and therefore, the trust is exempt from taxation under section 501(a). The Internal Revenue Service granted a favorable letter of determination to the Plan covering its most recent amendments on September 11, 2014. Generally, contributions to a qualified plan are deductible by the Company when made, earnings of the trust are tax exempt and participants are not taxed on their benefits until withdrawn from the Plan.

**Table of Contents****ERICSSON US 401(k) PLAN****NOTES TO FINANCIAL STATEMENTS****AS OF DECEMBER 31, 2015 AND 2014, AND FOR THE YEAR ENDED DECEMBER 31, 2015****(Thousands of dollars)**

Management believes the Plan remains qualified under the applicable sections of the IRC and the Employee Retirement Income Security Act of 1974.

GAAP requires plan management to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Plan Administrator has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2015, there are no uncertain positions taken or expected to be taken that would require recognition of the liability (or asset) or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

**8. FINANCIAL ASSETS CARRIED AT CONTRACT VALUE**

The following table provides information as of December 31, 2015 and 2014 about the financial assets carried at contract value:

<b>As of December 31,</b>	<b>2015</b>	<b>2014</b>
<b>Financial asset at contract value:</b>		
Stable Value Fund	<b>\$ 274,831</b>	<b>\$ 280,656</b>

The Plan holds investments in synthetic guaranteed investment contracts ( synthetic GICs ) as part of the stable value fund. The investments in synthetic GICs are presented at fair value on the table of the investments held in the Plan. The fair value of the synthetic GICs equals the total of the fair value of the underlying assets plus the total wrap rebid value, which is calculated by discounting the annual rebid fee, due to rebid, over the duration of the contract assets.

In determining the net assets available for benefits, the synthetic GICs are recorded at their contract values, which are equal to principal balance plus accrued interest. As provided in ASC 962, an investment contract is generally valued at contract value, rather than fair value, to the extent it is fully benefit-responsive.

The Stable Value Fund is credited with earnings on the underlying investments and charged for participant withdrawals and administrative expenses. The synthetic GICs issuers are contractually obligated to repay the principal and a specified interest rate that is guaranteed to the Plan.

The GICs are included in the financial statements at contract value as reported to the Plan by the Trustee, the investment manager. Contract value represents contributions made under the contract, plus earnings, less participant withdrawals and administrative expenses. Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment at contract value. There are currently no reserves against contract values for credit risk of the contract issuers or otherwise.

**Table of Contents**

**ERICSSON US 401(k) PLAN**

**NOTES TO FINANCIAL STATEMENTS**

**AS OF DECEMBER 31, 2015 AND 2014, AND FOR THE YEAR ENDED DECEMBER 31, 2015**

**(Thousands of dollars)**

**9. FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK IN THE PLAN**

In accordance with the investment strategy of the managed accounts, the Plan's investment managers may execute transactions in various financial instruments that may give rise to varying degrees of off-balance-sheet market and credit risk. These instruments can be executed on an exchange or negotiated in the OTC market. These financial instruments include futures, forward settlement contracts, swap and option contracts.

Swap contracts include equity, credit default and interest rate swap contracts. Equity swaps involve an agreement to exchange cash flows based on the total return of underlying securities.

Credit default swaps involve the exchange of cash flows based on the creditworthiness of the underlying issuer of securities. Interest rate swaps involve an agreement to exchange periodic interest payment streams (typically fixed vs. variable) calculated on an agreed upon periodic interest rate multiplied by a predetermined notional principal amount.

Market risk arises from the potential for changes in value of financial instruments resulting from fluctuations in interest and foreign exchange rates and in prices of debt and equity securities. The gross notional (or contractual) amounts used to express the volume of these transactions do not necessarily represent the amounts potentially subject to market risk. In many cases, these financial instruments serve to reduce, rather than increase, the Plan's exposure to losses from market or other risks. In addition, the measurement of market risk is meaningful only when all related and offsetting transactions are identified. The Plan's investment managers generally limit the Plan's market risk by holding or purchasing offsetting positions.

As a writer of option contracts, the Plan receives a premium to become obligated to buy or sell financial instruments for a period of time at the holder's option. During this period, the Plan bears the risk of an unfavorable change in the market value of the financial instrument underlying the option, but has no credit risk, as the counterparty has no performance obligation to the Plan once it has paid its cash premium.

The Plan is subject to credit risk of counterparty nonperformance on derivative contracts in a gain position, except for written options, which obligate the Plan to perform and do not give rise to any counterparty credit risk.

Investments sold, but not yet purchased by the Plan as of December 31, 2015 and 2014 involve obligations to deliver specified securities at contracted prices and thereby create a liability to purchase the securities at prevailing future market prices.

Accordingly, these transactions result in off-balance sheet risk as the Plan's ultimate obligation to satisfy the sale of financial instruments sold, but not yet purchased, may exceed the amount recognized in the financial statements.

**Table of Contents**

**ERICSSON US 401(k) PLAN**

**NOTES TO FINANCIAL STATEMENTS**

**AS OF DECEMBER 31, 2015 AND 2014, AND FOR THE YEAR ENDED DECEMBER 31, 2015**

**(Thousands of dollars)**

The Plan's investment managers typically monitor risk exposure related to financial instruments through the use of financial, credit and legal reporting systems.

As of December 31, 2015 and 2014, the Plan did not hold any such investments.

**10. SUBSEQUENT EVENTS**

Effective March 1, 2016 the Envivio Defined Contribution Plan merged into the Plan. Total assets transferred into the Plan due to the merger were approximately \$1,529. This allowed the Envivio employees who satisfied the eligibility requirements of the Plan participation in the Plan.

**Table of Contents**

**ERICSSON US 401(k) Plan**

**SCHEDULE H LINE 4i SCHEDULE OF ASSETS (HELD AT END OF YEAR)**

**DECEMBER 31, 2015**

**(Thousands of dollars)**

EIN: 06-1119960

Plan Number: 006

Name and Issuer	Description of Investment	Current Value
*Various Participants	Notes receivable (4.25% - 10.50%)	\$ 24,928

(\*) Indicates a party-in-interest.

**Table of Contents**

SIGNATURES

The Plan. Pursuant to the requirements of the Securities and Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

Ericsson US 401(k) Plan

Date: 06/22/16

Toby Todd  
Head of Total Rewards, Region North America



**Table of Contents**

**EXHIBIT INDEX**

Exhibit No.

99.1 Consent of Independent Accountants    Filed herewith