

Ericsson implements a Global Stock Incentive Program

The Board of Ericsson intends to present a proposal to the 2001 Annual General Meeting (AGM) regarding a Global Stock Incentive Program comprising two parts, a Stock Option Plan and a Stock Purchase Plan based on a new class of shares, an equivalent to treasury stock.

The Board has resolved to propose an incentive program for the employees within the Ericsson Group, with the aim to increase the employees' shareholding in Ericsson based on a proposal by the Remuneration Committee. Thereby both shareholders and employees will benefit from an increase of shareholders value and further a greater solidarity among the employees, the company and the shareholders is created. The Global Stock Incentive Program will allow Ericsson to continue to attract employees by offering remuneration packages, which are common within the industry.

Under the Stock Option Plan employees will be offered employee stock options free of charge. The employee stock options give the right to acquire B-shares in Ericsson. The strike price for the shares will equal an average of the trading price for the B-share at the OM Stockholm Exchange during a defined period prior to the date of grant, however the strike price shall not be less than the latest price quoted on the last day of the period. The number of employees in the Stock Option Plan is expected to be about 12,000 and the number of employee stock options will equal about 120,000,000 B-shares.

The employee stock options will be granted during a period of two years. The distribution of the number of employee stock options to the employees covered by the Stock Option Plan will be approved by members of the Board of Ericsson who are members of the Remuneration Committee. Such distribution shall be based i. a. on the performance of the employee and his or her position within and the importance to the future development of the Ericsson Group, in accordance with guidelines established internally. The CEO shall during the two-year period be allowed to receive a maximum of 300,000 employee stock options. Further, local adjustments shall be possible to make in order to comply with local rules or take into account the market situation in the respective countries.

The Stock Purchase Plan is intended to be offered to all employees in the Group. The employees will on a voluntary basis be allowed to save a limited part of the salary for purchase of B-shares in Ericsson. The maximum permitted saving shall correspond to a certain percentage of the gross salary, however not exceeding SEK 50,000 annually. For each B-share purchased by the employee and retained for a pre-determined period of time, the employee will receive free of charge one B-share. The details of the plan may vary from country to country, but the target is that the employee shall retain the share purchased during three years in order to receive one share for free. The number of B-shares covered by this plan is estimated to be about 35,000,000.

In order to implement the Global Stock Incentive Program in a cost efficient and flexible manner, the Board proposes the AGM 2001 to resolve on amendment of the Articles of Association to the effect that redeemable limited preference C-shares can be issued and that a conversion clause is incorporated in the Articles of Association to the effect that C-shares can be converted to B-shares.

Further it is proposed that a directed cash issue of a total of 155,000,000 shares class C is offered to an investor at a subscription price equal to the nominal amount of the share (SEK 1), that the Board be authorized to decide on a directed offer to acquire all outstanding shares of class C at a price in the interval SEK 1 to SEK 1.50 per share and further that shares of class C, subsequent to conversion to shares of class B, can be transferred to employees in the Ericsson Group.

Moreover, it is proposed that Ericsson shall have the right prior to the AGM 2001 to transfer not more than 31,000,000 shares out of the issued and repurchased holding of 155,000,000 shares in order to cover i. a. social security charges. Transfer of B-shares shall be made at the OM Stockholm Exchange at a price at each time within the registered price interval for the share.

The Global Stock Incentive Program requires totally 155,000,000 shares, equaling 1.96 percent of the total number of issued shares. Together with earlier decided incentive programs, the total number of shares in such programs amount to slightly more than 340,000,000 shares, equaling 3.67 percent of the total number of issued shares. At present Ericsson holds 1,804,000 own shares acquired in accordance with a resolution by the AGM 2000.

The Stock Option Plan will cause no visible salary expenses but a dilution to existing shareholders. The earnings of the Company will be insignificantly effected by costs for hedging of social security charges.

The Stock Purchase Plan will create costs by way of transfer of free shares and social security charges. Based on a share price of SEK 130, the costs are estimated to be slightly more than SEK 1 billion per year during the years 2001-2003.

The effect on earnings per share depends on the development of the share price since the value of the options in the Stock Option Plan equals the difference between the strike price and the market value at exercise and the value of the free shares in the Stock Purchase Plan equals the market value at grant. The dilution of earnings per share caused by the two plans, calculated according to the Treasury Stock Method, is 0.6 percent at an increase of 10 percent of the share price and a doubling of the share price will cause a dilution of 1.2 percent.

The Board's proposal to introduce class C shares in the Articles of Association, the directed cash issue, the authorization to decide on a directed offer to acquire own shares and the transfer of shares to employees within the Ericsson Group as well as transfer of shares over a stock exchange shall be seen as one package. Accordingly, the supermajority rules in the Leo-Act shall apply, which means that 90 percent of the shares and votes represented at the AGM must vote to approve of the package.

Upon approval of the shareholders, the proposed issue and the offer to acquire shares are expected to be completed prior to the summer 2001. In connection therewith, the implementation of the Global Stock Incentive Program will commence.

Further details of the proposals will be provided in the Notice of the 2001 AGM and at the same time on the Internet, <http://www.ericsson.com>

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