BANK OF AMERICA CORP /DE/
Form 424B2
August 22, 2017

This pricing supplement, which is not complete and may be changed, relates to an effective Registration Statement under the Securities Act of 1933. This pricing supplement and the accompanying product supplement, prospectus supplement and prospectus are not an offer to sell these notes in any country or jurisdiction where such an offer would not be permitted.

Preliminary Pricing Supplement - Subject to Completion

(To Prospectus dated November 4, 2016, Series A

Prospectus Supplement dated November 4, 2016 and

Product Supplement EQUITY-1 dated January 24, 2017)
Dated August 17, 2017

Filed Pursuant to Rule 424(b)(2)
Registration Statement No. 333-213265

BofA Finance LLC

Contingent Income Issuer Callable Notes Linked to the Least Performing of the Russell 2000® Index and the EURO STOXX 50® Index, due September 1, 2027

Fully and Unconditionally Guaranteed by Bank of America Corporation

- The CUSIP number for the notes is **09709TBB6**.
- The notes are unsecured senior notes issued by BofA Finance LLC ("BofA Finance"), a direct, wholly-owned subsidiary of Bank of America Corporation ("BAC" or the "Guarantor"), which are fully and unconditionally guaranteed by the Guarantor. Any payments due on the notes, including any repayment of principal, will be subject to the credit risk of BofA Finance, as issuer of the notes, and the credit risk of Bank of America Corporation, as guarantor of the notes.
- The notes do not guarantee a full return of your principal at maturity, and you could lose up to 100% of the principal amount at maturity.
- The notes are expected to price on August 25, 2017 (the "pricing date"). The notes are expected to mature on September 1, 2027, unless previously called.
- Payments on the notes will depend on the individual performance of the Russell 2000® Index (the "RTY") and the EURO STOXX 50® Index (the "SX5E") (each, an "Underlying," and collectively, the "Underlyings").
- If, on any quarterly Observation Date, the Observation Value of **each** Underlying is greater than or equal to its Coupon Barrier, we will pay a Contingent Coupon Payment of $20.00 per $1,000 in principal amount (a rate of 2.00% per quarter, or 8.00% per annum) on the applicable Contingent Payment Date (each as defined below).
- We have the right to redeem all, but not less than all, of the notes on any Call Date at 100% of the principal amount, together with the relevant Contingent Coupon Payment, if payable. The "Call Date" will be each Contingent Payment Date beginning on September 4, 2018 and ending on June 1, 2027. No further amounts will be payable following an early redemption.
- At maturity, the amount you will be entitled to receive per $1,000 in principal amount of the notes (the "Redemption Amount") will depend on the performance of the Least Performing Underlying (as defined below). If the notes are not redeemed prior to maturity, the Redemption Amount will be determined as follows:

a) If the Ending Value (as defined below) of the Least Performing Underlying is greater than or equal to its Threshold Value, the Redemption Amount will equal (i) the principal amount plus (ii) if the Ending Value of the Least Performing Underlying is greater than or equal to its Coupon Barrier, the final Contingent Coupon Payment.
b) If the Ending Value of the Least Performing Underlying is less than its Threshold Value, you will be subject to 1-1 downside exposure to any decrease in the level of the Least Performing Underlying from its Starting Value. In that

case, the Redemption Amount will be less than or equal to 60% of the principal amount and could be zero.

- The "Coupon Barrier" with respect to each Underlying will be 75% of its Starting Value.
- The "Threshold Value" with respect to each Underlying will be 60% of its Starting Value.
- The "Least Performing Underlying" will be the Underlying with the lowest Underlying Return (as defined below).
- The notes will not be listed on any securities exchange.
- The notes will be issued in denominations of $1,000 and whole multiples of $1,000.
- **The initial estimated value of the notes will be less than the public offering price.** The initial estimated value of the notes as of the pricing date is expected to be between $880 and $930 per $1,000 in principal amount. See "Summary" beginning on page PS-3 of this pricing supplement, "Risk Factors" beginning on page PS-8 of this pricing supplement and "Structuring the Notes" on page PS-21 of this pricing supplement for additional information. The actual value of your notes at any time will reflect many factors and cannot be predicted with accuracy.
- The notes and the related guarantee:

Are Not FDIC Insured	Are Not Bank Guaranteed	May Lose Value

	Per Note	Total
Public Offering Price	$1,000	$
Underwriting Discount	$40	$
Proceeds (before expenses) to BofA Finance	$960	$

The notes and the related guarantee of the notes by the Guarantor are unsecured and are not savings accounts, deposits, or other obligations of a bank. The notes are not guaranteed by Bank of America, N.A. or any other bank, are not insured by the Federal Deposit Insurance Corporation or any other governmental agency and involve investment risks. Potential purchasers of the notes should consider the information in "Risk Factors" beginning on page PS-8 of this pricing supplement, page PS-5 of the accompanying product supplement, page S-4 of the accompanying prospectus supplement, and page 7 of the accompanying prospectus. ***You may lose some or all of your principal amount in the notes.***

None of the Securities and Exchange Commission (the "SEC"), any state securities commission, or any other regulatory body has approved or disapproved of these notes or the guarantee, or passed upon the adequacy or accuracy of this pricing supplement, or the accompanying product supplement, prospectus supplement or prospectus. Any representation to the contrary is a criminal offense.

We will deliver the notes in book-entry form only through The Depository Trust Company on or about August 30, 2017 against payment in immediately available funds.

BofA Merrill Lynch

Selling Agent

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SUMMARY

The Contingent Income Issuer Callable Notes Linked to the Least Performing of the Russell 2000® Index and the EURO STOXX 50® Index, due September 1, 2027 (the "notes") are our senior debt securities. Any payments on the notes are fully and unconditionally guaranteed by BAC. The notes and the related guarantee are not insured by the Federal Deposit Insurance Corporation or secured by collateral. **The notes will rank equally with all of our other unsecured senior debt, and the related guarantee will rank equally with all of BAC's other unsecured and unsubordinated debt. Any payments due on the notes, including any repayment of the principal amount, will be subject to the credit risk of BofA Finance, as issuer, and BAC, as guarantor.** Unless earlier called, the notes will mature on September 1, 2027.

If, on any quarterly Observation Date, the Observation Value of **each** Underlying is greater than or equal to its Coupon Barrier, we will pay a Contingent Coupon Payment of $20.00 per $1,000 in principal amount (a rate of 2.00% per quarter, or 8.00% per annum) on the applicable Contingent Payment Date. Prior to the maturity date, on each Contingent Payment Date beginning on September 4, 2018 and ending on June 1, 2027, we have the right to redeem all, but not less than all, of the notes at 100% of the principal amount, together with the relevant Contingent Coupon Payment, if payable. No further amounts will be payable following an early redemption. If the notes are not called prior to maturity, and if the Ending Value of the Least Performing Underlying is greater than or equal to its Threshold Value, at maturity you will receive (i) the principal amount plus (ii) if the Ending Value of the Least Performing Underlying is greater than or equal to its Coupon Barrier, the final Contingent Coupon Payment. If the Ending Value of the Least Performing Underlying is less than its Threshold Value, you will be subject to 1-1 downside exposure to any decrease in the level of the Least Performing Underlying from its Starting Value. In that case, the Redemption Amount will be less than 60% of the principal amount. The notes are not traditional debt securities and it is possible that the notes will not pay any Contingent Coupon Payments, and you may lose some or all of your principal amount at maturity.

Any payments on the notes, including any Contingent Coupon Payments, depend on the credit risk of BofA Finance and BAC and on the performance of each of the Underlyings. The economic terms of the notes are based on BAC's internal funding rate, which is the rate it would pay to borrow funds through the issuance of market-linked notes, and the economic terms of certain related hedging arrangements it enters into. BAC's internal funding rate is typically lower than the rate it would pay when it issues conventional fixed or floating rate debt securities. This difference in funding rate, as well as the underwriting discount and the hedging related charges described below, will reduce the economic terms of the notes to you and the initial estimated value of the notes. Due to these factors, the public offering price you pay to purchase the notes will be greater than the initial estimated value of the notes as of the pricing date.

On the cover page of this pricing supplement, we have provided the initial estimated value range for the notes. The initial estimated value of the notes as of the date of this pricing supplement is set forth on the cover page of this pricing supplement. The final pricing supplement will set forth the initial estimated value of the notes as of the pricing date. For more information about the initial estimated value and the structuring of the notes, see "Risk Factors" beginning on page PS-8 and "Structuring the Notes" on page PS-21.

Issuer:	BofA Finance LLC ("BofA Finance")
Guarantor:	Bank of America Corporation ("BAC")
Term:	Ten years, if not previously called.
Pricing Date:	August 25, 2017
Issue Date:	August 30, 2017
Maturity Date:	September 1, 2027
Underlyings:	The Russell 2000® Index (Bloomberg ticker: "RTY") and the EURO STOXX 50® Index (Bloomberg ticker: "SX5E").

Coupon Barrier:	With respect to each Underlying, 75% of its Starting Value.

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Threshold Value:	With respect to each Underlying, 60% of its Starting Value.
Contingent Coupon Payment:	If, on any Observation Date, the Observation Value of **each** Underlying is greater than or equal to its Coupon Barrier, we will pay a Contingent Coupon Payment of $20.00 per $1,000 in principal amount (a rate of 2.00% per quarter or 8.00% per annum) on the applicable Contingent Payment Date.
Observation Dates:	Quarterly, the third trading day prior to the relevant Contingent Payment Date.
Contingent Payment Dates:	Quarterly, on March 1, June 1, September 1 and December 1 of each year during the term of the notes, beginning on December 1, 2017 and ending on the maturity date.
Optional Early Redemption:	On any Call Date, we have the right to redeem all, but not less than all, of the notes at the Early Redemption Payment. No further amounts will be payable following an early redemption. We will give notice to the trustee at least five business days but not more than 60 calendar days before the applicable Call Date.
Early Redemption Payment:	The sum of the principal amount plus the applicable Contingent Coupon Payment, if payable.
Call Dates:	The quarterly Contingent Payment Dates beginning on September 4, 2018 and ending on June 1, 2027.
Redemption Amount:	If the notes have not been called prior to maturity, the Redemption Amount per note will be: a) If the Ending Value of the Least Performing Underlying is greater than or equal to its Threshold Value: (i) $1,000 + (ii) if the Ending Value of the Least Performing Underlying is greater than or equal to its Coupon Barrier, the final Contingent Coupon Payment b) If the Ending Value of the Least Performing Underlying is less than its Threshold Value: $1,000 + ($1,000 x Underlying Return of the Least Performing Underlying) In that case, the Redemption Amount will be less than or equal to 60% of the principal amount and could be zero.
Starting Value:	With respect to each Underlying, its closing level on the pricing date.
Observation Value:	With respect to each Underlying, its closing level on the applicable Observation Date.
Ending Value:	With respect to each Underlying, its Observation Value on the final Observation Date.
Least Performing Underlying:	The Underlying with the lowest Underlying Return.
Underlying Return:	With respect to each Underlying, $\frac{\text{(Ending Value – Starting Value)}}{\text{Starting Value}}$
Calculation Agent:	Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S"), an affiliate of BofA Finance.
Selling Agent:	MLPF&S

The pricing date, issue date and other dates set forth above are subject to change, and will be set forth in the final pricing supplement relating to the notes.

You should read carefully this entire pricing supplement, product supplement, prospectus supplement, and prospectus to understand fully the terms of the notes, as well as the tax and other considerations important to you in making a decision about whether to invest in the notes. In particular, you should review carefully the section in this pricing supplement entitled "Risk Factors," which highlights a number of risks of an investment in the notes, to determine whether an investment in the notes is appropriate for you. If information in this pricing supplement is inconsistent with the product supplement, prospectus supplement or prospectus, this pricing supplement will supersede those documents. You are urged to consult with your own attorneys and business and tax advisors before making a decision to purchase any of the notes.

The information in this "Summary" section is qualified in its entirety by the more detailed explanation set forth elsewhere in this pricing supplement and the accompanying product supplement, prospectus supplement and prospectus. You should rely only on the information contained in this pricing supplement and the accompanying product supplement, prospectus supplement and prospectus. We have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. None of us, the Guarantor or any selling agent is making an offer to sell these notes in any jurisdiction where the offer or sale is not permitted. You should assume that the information in this pricing supplement, the accompanying product supplement, prospectus supplement, and prospectus is accurate only as of the date on their respective front covers.

Capitalized terms used but not defined in this pricing supplement have the meanings set forth in the accompanying product supplement, prospectus supplement and prospectus. Unless otherwise indicated or unless the context requires otherwise, all references in this pricing supplement to "we," "us," "our," or similar references are to BofA Finance, and not to BAC (or any other affiliate of BofA Finance).

The above documents may be accessed at the following links:

- Product supplement EQUITY-1 dated January 24, 2017: https://www.sec.gov/Archives/edgar/data/70858/000119312517016445/d331325d424b5.htm

- Series A MTN prospectus supplement dated November 4, 2016 and prospectus dated November 4, 2016: https://www.sec.gov/Archives/edgar/data/70858/000119312516760144/d266649d424b3.htm

Hypothetical Payments on the Notes

The following table is for purposes of illustration only. It assumes that the notes have not been called by the issuer prior to maturity and is based on **hypothetical** values and show **hypothetical** returns on the notes. It illustrates the calculation of the Redemption Amount and return on the notes based on a hypothetical Starting Value of 100, a hypothetical Coupon Barrier of 75 and a hypothetical Threshold Value of 60 for the Least Performing Underlying, the Contingent Coupon Payment of $20.00 per $1,000 in principal amount, and a range of hypothetical Ending Values of the Least Performing Underlying. **The actual amount you receive and the resulting total rate of return will depend on the actual Starting Values, Coupon Barriers, Threshold Values, Observation Values and Ending Values of the Underlyings, whether the notes are called prior to maturity, and whether you hold the notes to maturity.** The numbers appearing in the table below have been rounded for ease of analysis, and do not take into account any tax consequences from investing in the notes.

For recent actual levels of the Underlyings, see “The Underlyings” section below. Each Underlying is a price return index and as such its Ending Value will not include any income generated by dividends paid on the securities included in that Underlying, which you would otherwise be entitled to receive if you invested in those securities directly. In addition, all payments on the notes are subject to issuer credit risk.

Ending Value of the Least Performing Underlying	Underlying Return of the Least Performing Underlying	Redemption Amount per Note	Return on the Notes(1)
0.00	-100.00%	$0.00	-100.00%
10.00	-90.00%	$100.00	-90.00%
20.00	-80.00%	$200.00	-80.00%
30.00	-70.00%	$300.00	-70.00%
40.00	-60.00%	$400.00	-60.00%
50.00	-50.00%	$500.00	-50.00%
59.99	-40.01%	$599.90	-40.01%
60.00(2)	**-40.00%**	**$1,000.00**	**0.00%**
70.00	-30.00%	$1,000.00	0.00%
75.00(3)	**-25.00%**	**$1,020.00(4)**	**2.00%**
80.00	-20.00%	$1,020.00	2.00%
90.00	-10.00%	$1,020.00	2.00%
100.00(5)	**0.00%**	**$1,020.00**	**2.00%**
110.00	10.00%	$1,020.00	2.00%
120.00	20.00%	$1,020.00	2.00%
140.00	40.00%	$1,020.00	2.00%
160.00	60.00%	$1,020.00	2.00%
180.00	80.00%	$1,020.00	2.00%
200.00	100.00%	$1,020.00	2.00%

(1) The “Return on the Notes” is calculated based on the Redemption Amount, not including any Contingent Coupon Payments paid prior to maturity.

(2) This is the **hypothetical** Threshold Value of the Least Performing Underlying.

(3) This is the **hypothetical** Coupon Barrier of the Least Performing Underlying.

(4) This amount represents the sum of the principal amount and the final Contingent Coupon Payment.

(5) The **hypothetical** Starting Value of 100 used in the table above has been chosen for illustrative purposes only, and does not represent a likely actual Starting Value for either Underlying.

Total Contingent Coupon Payments

The table below illustrates the hypothetical total Contingent Coupon Payments per $1,000 in principal amount over the term of the notes, based on the Contingent Coupon Payment of $20.00 per note, depending on how many Contingent Coupon Payments are payable prior to early redemption or maturity. Depending on the performance of the Underlyings, you may not receive any Contingent Coupon Payments during the term of the notes.

Number of Contingent Coupon Payments	Total Contingent Coupon Payments
0	$0.00
1	$20.00
2	$40.00
3	$60.00
4	$80.00
5	$100.00
6	$120.00
7	$140.00
8	$160.00
9	$180.00
10	$200.00
11	$220.00
12	$240.00
13	$260.00
14	$280.00
15	$300.00
16	$320.00
17	$340.00
18	$360.00
19	$380.00
20	$400.00
21	$420.00
22	$440.00
23	$460.00
24	$480.00
25	$500.00
26	$520.00
27	$540.00
28	$560.00
29	$580.00
30	$600.00
31	$620.00
32	$640.00
33	$660.00
34	$680.00
35	$700.00
36	$720.00
37	$740.00
38	$760.00
39	$780.00

40	$800.00

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RISK FACTORS

Your investment in the notes entails significant risks, many of which differ from those of a conventional debt security. Your decision to purchase the notes should be made only after carefully considering the risks of an investment in the notes, including those discussed below, with your advisors in light of your particular circumstances. The notes are not an appropriate investment for you if you are not knowledgeable about significant elements of the notes or financial matters in general.

Your investment may result in a loss; there is no guaranteed return of principal. The notes are not principal protected. There is no fixed principal repayment amount on the notes at maturity. If the notes are not called and the Ending Value of **either** Underlying is less than its Threshold Value, you will lose 1% of the principal amount for each 1% that the Ending Value of the Least Performing Underlying is less than its Starting Value. In that case, you will lose 40% to 100% of your principal.

Your return on the notes is limited to the return represented by the Contingent Coupon Payments, if any, over the term of the notes. Your return on the notes is limited to the Contingent Coupon Payments paid over the term of the notes, regardless of the extent to which the Ending Value of either Underlying exceeds its Starting Value. Similarly, the amount payable at maturity or upon a call will never exceed the sum of the principal amount and the applicable Contingent Coupon Payment, regardless of the extent to which the Observation Value of either Underlying exceeds its Starting Value.

In contrast, a direct investment in the securities included in one or both of the Underlyings would allow you to receive the benefit of any appreciation in their prices. Thus, any return on the notes will not reflect the return you would realize if you actually owned those securities and received the dividends paid or distributions made on them.

The notes are subject to early redemption at our option. On each quarterly Contingent Payment Date (from September 4, 2018 to and including June 1, 2027), at our option, we may redeem your notes in whole, but not in part. Even if we do not exercise our option to redeem your notes, our ability to do so may adversely affect the market value of your notes. It is our sole option whether to redeem your notes prior to maturity on any such Contingent Payment Date and we may or may not exercise this option for any reason. Because of this early redemption option, the term of your notes could be anywhere between one and ten years. If your notes are redeemed early, you will not have the right to receive any future Contingent Coupon Payments that you may otherwise have received. Further, if your notes are redeemed early, you may not be able to reinvest the Early Redemption Payment at a comparable return for a similar level of risk.

You may not receive any Contingent Coupon Payments. Investors in the notes will not necessarily receive Contingent Coupon Payments on the notes. If the Observation Value of either Underlying is less than its Coupon Barrier on an Observation Date, you will not receive the Contingent Coupon Payment applicable to that Observation Date. If the Observation Value of either Underlying is less than its Coupon Barrier on all the Observation Dates during the term of the notes, you will not receive any Contingent Coupon Payment during the term of the notes, and will not receive a positive return on the notes.

Your return on the notes may be less than the yield on a conventional debt security of comparable maturity. Any return that you receive on the notes, which could be negative, may be less than the return you would earn if you purchased a conventional debt security with the same maturity date. As a result, your investment in the notes may not reflect the full opportunity cost to you when you consider factors, such as inflation, that affect the time value of money.

Any payment on the notes is subject to our credit risk and the credit risk of the Guarantor, and actual or perceived changes in our or the Guarantor's creditworthiness are expected to affect the value of the notes. The notes are our senior unsecured debt securities. Any payment on the notes will be fully and unconditionally guaranteed by the Guarantor. The notes are not guaranteed by any entity other than the Guarantor. As a result, your receipt of all payments on the notes will be dependent upon our ability and the ability of the Guarantor to repay our obligations under the notes on the applicable payment date, regardless of the Observation Value of either Underlying as compared to its Coupon Barrier, Threshold Value or Starting Value. No assurance can be given as to what our financial condition or the financial condition of the Guarantor will be at any time during the term of the notes. If we and the Guarantor become unable to meet our respective financial obligations as they become due, you may not receive the amounts payable under the terms of the notes.

In addition, our credit ratings and the credit ratings of the Guarantor are assessments by ratings agencies of our respective abilities to pay our obligations. Consequently, our or the Guarantor's perceived creditworthiness and actual or anticipated decreases in our or the Guarantor's credit ratings or increases in the spread between the yield on our respective securities and the yield on U.S. Treasury securities (the "credit spread") prior to the maturity date may adversely affect the market value of the notes. However, because your return on the notes depends upon factors in addition to our ability and the ability of the

Guarantor to pay our respective obligations, such as the levels of the Underlyings, an improvement in our or the Guarantor's credit ratings will not reduce the other investment risks related to the notes.

We are a finance subsidiary and, as such, will have limited assets and operations. We are a finance subsidiary of Bank of America Corporation and will have no assets, operations or revenues other than those related to the issuance, administration and repayment of our debt securities that are guaranteed by the Guarantor. As a finance subsidiary, to meet our obligations under the notes, we are dependent upon payment or contribution of funds and/or repayment of outstanding loans from the Guarantor and/or its other subsidiaries. Therefore, our ability to make payments on the notes may be limited. In addition, we will have no independent assets available for distributions to holders of the notes if they make claims in respect of the notes in a bankruptcy, resolution or similar proceeding. Accordingly, any recoveries by such holders may be limited to those available under the related guarantee by the Guarantor, and that guarantee will rank equally with all other unsecured senior obligations of the Guarantor.

The public offering price you pay for the notes will exceed the initial estimated value. The range of estimated values that is provided on the cover page of this preliminary pricing supplement, and the estimated value as of the pricing date that will be provided in the final pricing supplement, are each estimates only, determined as of a particular point in time by reference to our and our affiliates' pricing models. These pricing models consider certain assumptions and variables, including our credit spreads and those of the Guarantor, the Guarantor's internal funding rate, mid-market terms on hedging transactions, expectations on interest rates, dividends and volatility, price-sensitivity analysis, and the expected term of the notes. These pricing models rely in part on certain forecasts about future events, which may prove to be incorrect.

The initial estimated value does not represent a minimum or maximum price at which we, the Guarantor, MLPF&S or any of our other affiliates would be willing to purchase your notes in any secondary market (if any exists) at any time. The value of your notes at any time after the pricing date will vary based on many factors that cannot be predicted with accuracy, including our and the Guarantor's creditworthiness and changes in market conditions.

If you attempt to sell the notes prior to maturity, their market value may be lower than the price you paid for them and lower than their initial estimated value. This is due to, among other things, changes in the levels of the Underlyings, the Guarantor's internal funding rate, and the inclusion in the public offering price of the underwriting discount and the hedging related charges, all as further described in "Structuring the Notes" below. These factors, together with various credit, market and economic factors over the term of the notes, are expected to reduce the price at which you may be able to sell the notes in any secondary market and will affect the value of the notes in complex and unpredictable ways.

We cannot assure you that a trading market for your notes will ever develop or be maintained. We will not list the notes on any securities exchange. We cannot predict how the notes will trade in any secondary market or whether that market will be liquid or illiquid.

The development of a trading market for the notes will depend on the Guarantor's financial performance and other factors, including changes in the levels of the Underlyings. The number of potential buyers of your notes in any secondary market may be limited. We anticipate that MLPF&S will act as a market-maker for the notes, but none of us, the Guarantor or MLPF&S is required to do so. There is no assurance that any party will be willing to purchase your notes at any price in any secondary market. MLPF&S may discontinue its market-making activities as to the notes at any time. To the extent that MLPF&S engages in any market-making activities, it may bid for or offer the notes. Any price at which MLPF&S may bid for, offer, purchase, or sell any notes may differ from the values determined by pricing models that it may use, whether as a result of dealer discounts, mark-ups, or other transaction costs. These bids, offers, or completed transactions may affect the prices, if any, at which the notes might otherwise trade in the market.

In addition, if at any time MLPF&S were to cease acting as a market-maker as to the notes, it is likely that there would be significantly less liquidity in the secondary market. In such a case, the price at which the notes could be sold likely would be lower than if an active market existed.

The payments on the notes will not reflect changes in the levels of the Underlyings other than on the Observation Dates. Changes in the levels of the Underlyings during the term of the notes other than on the Observation Dates will not affect payments on the notes. The calculation agent will determine whether each Contingent Coupon Payment is payable and calculate the Redemption Amount, by comparing only the Starting Value, the Coupon Barrier or the Threshold Value, as applicable, to the Observation Value or the Ending Value for each Underlying. No other levels of the Underlyings will be taken into account. As a result, if the notes are not called prior to maturity, you will receive less than the principal amount at maturity even if the level of each Underlying has increased at certain times during the term of the notes before the Least Performing Underlying decreases to a level that is less than its Threshold Value as of the final Observation Date.

Because the notes are linked to the least performing (and not the average performance) of the two Underlyings, you may not receive any return on the notes and may lose some or all of your principal amount even if the Observation Value of one or both Underlyings is always greater than or equal to its Coupon Barrier or Threshold Value, as applicable. Your notes are linked to the least performing of two Underlyings, and a change in the level of one Underlying may not correlate with changes in the level of the other Underlying. The notes are not linked to a basket composed of the Underlyings, where the depreciation in the level of one Underlying could be offset to some extent by the appreciation in the level of the other Underlying. In the case of the notes that we are offering, the individual performance of each Underlying would not be combined, and the depreciation in the level of one Underlying would not be offset by any appreciation in the levels of the other Underlying. Even if the Observation Value of one Underlying is at or above its Coupon Barrier on an Observation Date, you will not receive the Contingent Coupon Payment with respect to that Observation Date if the Observation Value of the other Underlying is below its Coupon Barrier on that day. In addition, even if the Ending Values of one Underlying is at or above its Threshold Value, you will lose at least 40% of your principal if the Ending Value of the other Underlying is below its Threshold Value.

The notes are subject to risks associated with small-size capitalization companies. The stocks composing the RTY are issued by companies with small-sized market capitalization. The stock prices of small-size companies may be more volatile than stock prices of large capitalization companies. Small-size capitalization companies may be less able to withstand adverse economic, market, trade and competitive conditions relative to larger companies. Small-size capitalization companies may also be more susceptible to adverse developments related to their products or services.

The notes are subject to risks associated with foreign securities markets. The SX5E tracks the value of certain foreign equity securities. You should be aware that investments in securities linked to the value of foreign equity securities involve particular risks. The foreign securities markets comprising the SX5E may have less liquidity and may be more volatile than U.S. or other securities markets and market developments may affect foreign markets differently from U.S. or other securities markets. Direct or indirect government intervention to stabilize these foreign securities markets, as well as cross-shareholdings in foreign companies, may affect trading prices and volumes in these markets. Also, there is generally less publicly available information about foreign companies than about those U.S. companies that are subject to the reporting requirements of the U.S. Securities and Exchange Commission, and foreign companies are subject to accounting, auditing and financial reporting standards and requirements that differ from those applicable to U.S. reporting companies.

Prices of securities in foreign countries are subject to political, economic, financial and social factors that apply in those geographical regions. These factors, which could negatively affect those securities markets, include the possibility of recent or future changes in a foreign government's economic and fiscal policies, the possible imposition of, or changes in, currency exchange laws or other laws or restrictions applicable to foreign companies or investments in foreign equity securities and the possibility of fluctuations in the rate of exchange between currencies, the possibility of outbreaks of hostility and political instability and the possibility of natural disaster or adverse public health developments in the region. Moreover, foreign economies may differ favorably or unfavorably from the U.S. economy in important respects such as growth of gross national product, rate of inflation, capital reinvestment, resources and self-sufficiency.

The publisher of an Underlying may adjust that Underlying in a way that affects its levels, and the publisher has no obligation to consider your interests. The publisher of an Underlying can add, delete, or substitute the components included in that Underlying or make other methodological changes that could change its level. A new security included in an Underlying may perform significantly better or worse than the replaced security, and the performance will impact the level of that Underlying. Additionally, the publisher of an Underlying may alter, discontinue, or suspend calculation or dissemination of that Underlying. Any of these actions could adversely affect the value of your notes. The publisher of either Underlying will have no obligation to consider your interests in calculating or revising the applicable Underlying.

Our trading, hedging and other business activities may create conflicts of interest with you. We, the Guarantor or one or more of our other affiliates, including the selling agents, may engage in trading activities related to the Underlyings or the securities represented by the Underlyings that are not for your account or on your behalf. We, the Guarantor or one or more of our other affiliates, including the selling agents, also may issue or underwrite other financial instruments with returns based upon the Underlyings. These trading and other business activities may present a conflict of interest between your interest in the notes and the interests we, the Guarantor and our other affiliates, including the selling agents, may have in our proprietary accounts, in facilitating transactions, including block trades, for our or their other customers, and in accounts under our or their management. These trading and other business activities, if they influence the levels of the Underlyings or secondary trading in your notes, could be adverse to your interests as a beneficial owner of the notes.

We expect to enter into arrangements or adjust or close out existing transactions to hedge our obligations under the notes. We, the Guarantor or our other affiliates also may enter into hedging transactions relating to other notes or instruments, some of which may have returns calculated in a manner related to that of the notes offered hereby. We may enter into such hedging arrangements with one of our affiliates. Our affiliates may enter into additional hedging transactions with other parties relating to the notes and the Underlyings. This hedging activity is expected to result in a profit to those engaging in the hedging activity, which could be more or less than initially expected, or the hedging activity could also result in a loss. We and our affiliates will price these hedging transactions with the intent to realize a profit, regardless of whether the value of the notes increases or decreases. Any profit in connection with such hedging activities will be in addition to any other compensation that we, the Guarantor and our other affiliates, including the selling agents, receive for the sale of the notes, which creates an additional incentive to sell the notes to you.

There may be potential conflicts of interest involving the calculation agent, which is an affiliate of ours. We have the right to appoint and remove the calculation agent. One of our affiliates will be the calculation agent for the notes and, as such, will make a variety of determinations relating to the notes, including the amounts that will be paid on the notes. Under some circumstances, these duties could result in a conflict of interest between its status as our affiliate and its responsibilities as calculation agent. These conflicts could occur, for instance, in connection with the calculation agent's determination as to whether a Market Disruption Event (as defined below) has occurred. The calculation agent will be required to carry out its duties in good faith and use its reasonable judgment. However, because we expect that the Guarantor will control the calculation agent, potential conflicts of interest could arise.

The U.S. federal income tax consequences of an investment in the notes are uncertain, and may be adverse to a holder of the notes. No statutory, judicial, or administrative authority directly addresses the characterization of the notes or securities similar to the notes for U.S. federal income tax purposes. As a result, significant aspects of the U.S. federal income tax consequences of an investment in the notes are not certain. Under the terms of the notes, you will have agreed with us to treat the notes as contingent income bearing single financial contracts, as described under "U.S. Federal Income Tax Summary—General." If the Internal Revenue Service (the "IRS") were successful in asserting an alternative characterization for the notes, the timing and character of income, gain or loss with respect to the notes may differ. No ruling will be requested from the IRS with respect to the notes and no assurance can be given that the IRS will agree with the statements made in the section entitled "U.S. Federal Income Tax Summary." **You are urged to consult with your own tax advisor regarding all aspects of the U.S. federal income tax consequences of investing in the notes.**

* * *

Investors in the notes should review the additional risk factors set forth beginning on page PS-5 of the product supplement prior to making an investment decision.

DESCRIPTION OF THE NOTES

General

The notes will be part of a series of medium-term notes entitled “Senior Medium-Term Notes, Series A” issued under the senior indenture, as amended and supplemented from time to time, among us, the Guarantor and The Bank of New York Mellon Trust Company N.A., as trustee. The senior indenture is more fully described in the prospectus supplement and prospectus. The following description of the notes supplements the description of the general terms and provisions of the notes and debt securities set forth under the headings “Description of the Notes” in the prospectus supplement and “Description of Debt Securities” in the prospectus. These documents should be read in connection with this pricing supplement.

Our payment obligations on the notes are fully and unconditionally guaranteed by the Guarantor. The notes will rank equally with all of our other unsecured senior debt from time to time outstanding. The guarantee of the notes will rank equally with all other unsecured senior obligations of the Guarantor. Any payments due on the notes, including any repayment of principal, are subject to our credit risk, as issuer, and the credit risk of BAC, as guarantor.

The notes will be issued in denominations of $1,000 and whole multiples of $1,000. You may transfer the notes only in whole multiples of $1,000.

Prior to maturity, the notes are not repayable at your option.

If any scheduled Contingent Payment Date, including the maturity date, is not a business day, the payment will be postponed to the next business day, and no interest will be payable as a result of that postponement.

Contingent Coupon Payment

If, on any quarterly Observation Date, the Observation Value of each Underlying is greater than or equal to its Coupon Barrier, we will pay the Contingent Coupon Payment on the applicable Contingent Payment Date.

The “Contingent Coupon Payment” will be $20.00 per $1,000 in principal amount (a rate of 2.00% per quarter or 8.00% per annum).

The “Coupon Barrier” for each Underlying will be 75% of its Starting Value.

For so long as the notes are held in book-entry only form, we will pay the Contingent Coupon Payment to the persons in whose names the notes are registered at the close of business one business day prior to each Contingent Payment Date. If the notes are not held in book-entry only form, the record dates will be the fifteenth calendar day preceding the applicable payment date, whether or not that date is a business day.

Notwithstanding the foregoing, the Redemption Amount, including the final Contingent Coupon Payment with respect to the final Observation Date, if payable, will be paid to the persons in whose names the notes are registered on the maturity date.

Optional Early Redemption

On any Call Date, we have the right to redeem all, but not less than all, of the notes at the Early Redemption Payment. No further amounts will be payable following an early redemption. We will give notice to the trustee at least five business days but not more than 60 calendar days before the applicable Call Date.

The “Early Redemption Payment” will be the principal amount of your notes, plus the Contingent Coupon Payment with respect to the applicable Call Date, if payable.

The “Call Dates” will be the quarterly Contingent Payment Dates beginning on September 4, 2018 and ending on June 1, 2027.

Redemption Amount

If your notes are not called prior to maturity, then at maturity, subject to our credit risk as issuer of the notes and the credit risk of the Guarantor as guarantor of the notes, you will receive the

Redemption Amount per note that you hold, denominated in U.S. dollars. The Redemption Amount per note will be calculated as follows:

- If the Ending Value of **each** Underlying is greater than or equal to its Threshold Value, the Redemption Amount will equal:

(i) $1,000 + (ii) if the Ending Value of the Least Performing Underlying is greater than or equal to its Coupon Barrier, the final Contingent Coupon Payment.

- If the Ending Value of **either** Underlying is less than its Threshold Value, the Redemption Amount per note will equal:

$1,000 + ($1,000 x the Underlying Return of the Least Performing Underlying)

In this case, the Redemption Amount will be less than or equal to 60% of the principal amount of the notes, and you will lose 40% to 100% of your principal.

The "Threshold Value" for each Underlying will be 60% of its Starting Value.

With respect to each Underlying, its "Underlying Return" will equal:

$$\frac{\text{Ending Value} - \text{Starting Value}}{\text{Starting Value}}$$

Determining the Starting Value, the Observation Value and the Ending Value of Each Underlying

With respect to each Underlying, the "Starting Value" will be its closing level on the pricing date.

With respect to each Underlying, the "Observation Value" will be its closing level on the applicable Observation Date.

With respect to each Underlying, the "Ending Value" will be its Observation Value on the final Observation Date.

Events of Default and Acceleration

If an Event of Default, as defined in the senior indenture and in the section entitled "Events of Default and Rights of Acceleration" beginning on page 35 of the accompanying prospectus, with respect to the notes occurs and is continuing, the amount payable to a holder of the notes upon any acceleration permitted under the senior indenture will be equal to the amount described under the caption "—Redemption Amount," calculated as though the date of acceleration were the maturity date of the notes and as though the final Observation Date were the third trading day prior to the date of acceleration. We will also determine whether thp;10,788

Stockholders equity

146,525 2% 144,306 140,204 136,883 143,105

Non-controlling interest

841 16% 1,003 1,419 1,600 2,165

Interest-bearing liabilities and post-employment benefits

47,784 7% 44,530 39,280 38,170 41,037

Per share indicators

Earnings per share, basic, SEK, as defined

4.17 17% 3.57 3.72 1.80 3.80

Earnings per share, diluted, SEK, as defined

4.13 17% 3.54 3.69 1.78 3.77

Cash dividends per share, SEK, as defined

3.70(2) 9% 3.40 3.00 2.75 2.50

Cash dividends per ADS, USD

0.39(2) -5% 0.41 0.46 0.42 0.38

Stockholders equity per share, SEK, as defined

45.00 1% 44.51 43.39 42.51 44.57

Number of shares outstanding (in millions)

end of period, basic

3,256 3,242 3,231 3,220 3,211

average, basic

3,249 3,237 3,226 3,216 3,206

average, diluted

3,282 3,270 3,257 3,247 3,233

Other information

Additions to property, plant and equipment

8,338 57% 5,322 4,503 5,429 4,994

Depreciation and write-downs/impairments of property, plant and equipment

4,689 9% 4,316 4,209 4,012 3,546

Acquisitions/capitalization of intangible assets

5,228 18% 6,184 4,759 13,247 2,748

Amortization and write-downs/impairments of intangible assets

5,538 2% 5,629 5,928 5,877 5,490

Research and development expenses

34,844 4% 36,308 32,236 32,833 32,638

as percentage of net sales

14.1% 15.9% 14.2% 14.4% 14.4%

Export sales from Sweden, SEK million

117,486 3% 113,734 108,944 106,997 116,507

Ratios

Operating margin excluding joint ventures and associated companies

8.8% 7.4% 7.9% 9.7% 9.6%

Operating margin

8.8% 7.4% 7.8% 4.6% 7.9%

EBITA margin, as defined(1)

10.5% 9.3% 9.8% 6.6% 9.9%

Cash conversion, as defined(1)

85% 84% 79% 116% 40%

Return on equity, as defined(1)

9.3% 8.1% 8.7% 4.1% 8.5%

Return on capital employed, as defined(1)

11.6% 9.8% 10.7% 6.7% 11.3%

Equity ratio, as defined

51.8% 49.5% 52.6% 50.4% 51.8%

Capital turnover, as defined(1)

1.3 1.2 1.3 1.3 1.2

Inventory turnover days, as defined

64 64 62 73 78

Trade receivables turnover, as defined

3.3 3.1 3.4 3.6 3.6

Statistical data, year-end

Number of employees

116,281 2% 118,055 114,340 110,255 104,525

of which in Sweden

17,041 3% 17,580 17,858 17,712 17,500

1) These financial measures as defined by us may constitute non-IFRS measures. See below for a reconciliation to the most directly comparable IFRS measures.
2) For 2015, as proposed by the Board of Directors.

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Reconciliation to IFRS

This subsection includes a reconciliation of certain non-IFRS financial measures to the most directly comparable IFRS financial measures. The presentation of non-IFRS financial measures has limitations as analytical tools and should not be considered in isolation or as a substitute for our related financial measures prepared in accordance with IFRS.

We present non-IFRS financial measures to enhance an investor s evaluation of our ongoing operating performance or how well we manage our assets and to facilitate meaningful comparison of certain of our financial measures between periods. Our management uses these non-IFRS financial measures to, among other things, evaluate our ongoing operations in relation to historical performance, for internal planning and forecasting purposes and in the calculation of certain performance-based compensation.

The non-IFRS financial measures presented in this 2015 20-F may differ from similarly-titled measures used by other companies.

EBITA margin

SEK billion	**2015**	**2014**	**2013**	**2012**	**2011**
Net income	13.7	11.1	12.2	5.9	12.6
Interest	1.9	1.0	0.7	0.3	0.2
Tax	6.2	4.7	4.9	4.2	5.6
Amortization and write-downs of acquired intangibles	4.1	4.3	4.5	4.6	4.5
EBITA	25.9	21.1	22.4	15.0	22.4
Net sales	246.9	228.0	227.4	227.8	226.9
EBITA margin (%)	10.5%	9.3%	9.8%	6.6%	9.9%

Capital employed

	2015	**2014**	**2013**	**2012**	**2011**
Total assets	284,363	293,558	269,190	274,996	280,349
Non-interest-bearing provisions and liabilities					
Provisions, non-current	-176	-202	222	211	280
Deferred tax liabilities	-2,472	-3,177	2,650	3,120	2,250
Other non-current liabilities	-1,851	-1,797	1,459	2,377	2,248
Provisions, current	-3,662	-4,225	5,140	8,427	5,985
Trade payables	-22,389	-24,473	20,502	23,100	25,309
Other current liabilities	-58,663	-69,845	58,314	61,108	57,970
Capital employed	195,150	189,839	180,903	176,653	186,307

Return on capital employed

	2015	2014	2013	2012	2011
Operating income	21,805	16,807	17,845	10,458	17,900
Financial income	525	1,277	1,346	1,708	2,882
Average capital employed [1)]					
Capital employed at January 1	189,839	180,903	176,653	186,307	182,640
Capital employed at December 31	195,150	189,839	180,903	176,653	186,307
Average capital employed	192,495	185,371	178,778	181,480	184,474
Return on capital employed [2)]	11.6%	9.8%	10.7%	6.7%	11.3%

1) Average capital employed is the average of the amounts of capital employed at January 1 and December 31.

2) Return on capital employed is the total of operating income and financial income as a percentage of average capital employed.

Gross cash and Net cash

	2015	2014	2013	2012	2011
Cash and cash equivalents	40,224	40,988	42,095	44,682	38,676

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Short-term investments	26,046	31,171	34,994	32,026	41,866
Gross cash	66,270	72,159	77,089	76,708	80,542
Interest-bearing liabilities					
Borrowings non-current	-22,744	-21,864	-22,067	-23,898	-23,256
Borrowings current	-2,376	-2,281	-7,388	-4,769	-7,765
Net cash excluding post-employment benefits	41,150	48,014	47,634	48,041	49,521
Post-employment benefits	-22,664	-20,385	-9,825	-9,503	-10,016
Net cash	18,486	27,629	37,809	38,538	39,505

Return on equity

	2015	**2014**	**2013**	**2012**	**2011**
Net income attributable to stockholders of the Parent Company	13,549	11,568	12,005	5,775	12,194
Average stockholders equity[1]					
Stockholders equity on January 1	144,306	140,204	136,883	143,105	145,106
Stockholders equity on December 31	146,525	144,306	140,204	136,883	143,105
Average stockholders equity	145,416	142,255	138,544	139,994	144,106
Return on equity [2]	9.3%	8.1%	8.7%	4.1%	8.5%

1) Average stockholders equity is based on the amounts on January 1 and December 31.
2) Return on equity is Net income attributable to stockholders of the Parent Company as a percentage of average Stockholders equity (based on the amounts on January 1 and December 31).

Working capital

	2015	**2014**	**2013**	**2012**	**2011**
Current assets	189,525	201,789	190,896	193,254	198,816
Current non-interest-bearing provisions and liabilities					
Provisions, current	-3,662	-4,225	5,140	8,427	5,985
Trade payables	-22,389	-24,473	20,502	23,100	25,309
Other current liabilities	-58,663	-69,845	58,314	61,108	57,970
Working capital [1]	104,811	103,246	106,940	100,619	109,552

1) Working capital is Current assets less current non-interest-bearing provisions and liabilities

Cash conversion

		2015	2014	2013	2012	2011
Cash flow from operating activities	A	20,597	18,702	17,389	22,031	9,982
Net income	B	13,673	11,143	12,174	5,938	12,569
Adjustments to reconcile net income to cash , see Note C25	C	10,611	11,200	9,828	13,077	12,613
Cash conversion =A/(B+C)		85%	84%	79%	116%	40%

Capital turnover

	2015	2014	2013	2012	2011
Net Sales	246,920	227,983	227,376	227,779	226,921
Average capital employed [1)]					
Capital employed on January 1	189,839	180,903	176,653	186,307	182,640
Capital employed on December 31	195,150	189,839	180,903	176,653	186,307
Average capital employed	192,495	185,371	178,778	181,480	184,474
Capital turnover [2)]	1.3	1.2	1.3	1.3	1.2

1) Average capital employed is the average of the amounts of capital employed on January 1 and December 31.
2) Capital turnover is Net sales divided by average capital employed

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Items excluding restructuring charges

	2015	2014	2013	2012	2011
Gross income	85,819	82,427	76,371	72,080	79,721
Net Sales	246,920	227,983	227,376	227,779	226,921
Gross margin [2)]	34.8%	36.2%	33.6%	31.6%	35.1%
Gross income	85,819	82,427	76,371	72,080	79,721
Restructuring charges included in cost of sales [1)]	2,274	1,029	2,657	2,225	1,231
Gross income, excluding restructuring charges	88,093	83,456	79,028	74,305	80,952
Net Sales	246,920	227,983	227,376	227,779	226,921
Gross margin, excluding restructuring charges	35.7%	36.6%	34.8%	32.6%	35.7%
Operating expenses	-64,129	-63,408	-58,509	-58,856	-59,321
Restructuring charges included in R&D expenses [1)]	2,021	304	872	852	561
Restructuring charges included in selling and administrative expenses [1)]	745	123	924	370	1,392
Operating expenses, excluding restructuring charges	-61,363	-62,981	-56,713	-57,634	-57,368
Operating income	21,805	16,807	17,845	10,458	17,900
Net Sales	246,920	227,983	227,376	227,779	226,921
Operating margin [3)]	8.8%	7.4%	7.8%	4.6%	7.9%
Operating income	21,805	16,807	17,845	10,458	17,900
Total restructuring charges [1)]	5,040	1,456	4,453	3,447	3,184
Operating income, excluding restructuring charges	26,845	18,263	22,298	13,905	21,084
Net Sales	246,920	227,983	227,376	227,779	226,921
Operating margin, excluding restructuring charges	10.9%	8.0%	9.8%	6.1%	9.3%

1) See note C5 expenses by nature
2) Gross income expressed as a percentage of net sales
3) Operating income expressed as a percentage of net sales

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 March 25, 2016 was SEK 8.3066 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

2011	6.4263
2012	6.7247
2013	6.5152
2014	6.9222
2015	8.4643

Month	**High**	**Low**
September 2015	8.4688	8.2099
October 2015	8.5536	8.1333
November 2015	8.7633	8.5079
December 2015	8.7069	8.3622
January 2016	8.6024	8.5048
February 2016	8.5749	8.3440

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.

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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:

	January 2015	December 2014
SEK/EUR		
Average rate	9.34	9.11
Closing rate	9.17	9.47
SEK/USD		
Average rate	8.39	6.89
Closing rate	8.40	7.79

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

The information set forth under the heading Results Risk Factors of the 2015 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 2015 Swedish Annual Report is incorporated herein by reference:

The Business

Ericsson in brief

Targeted areas IP Networks

Results

Board of Directors Report

Business in 2015

Financial highlights Capital expenditures

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).

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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.

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 listing 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. Results 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 is a leading provider of communications equipment, telecom services and support solutions. Our customers, in over 180 countries, are mainly operators of communications networks worldwide. We manage networks, or parts of networks, for one billion subscribers.

B. Business Overview

The information set forth under the following headings of the 2015 Swedish Annual Report is incorporated herein by reference:

The business

Ericsson in brief

This is Ericsson

Business structure

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Market, technology and business risks

Regulatory, compliance and corporate governance risks

Corporate Governance

Corporate Governance report 2015

Regulation and compliance

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 telecommunications 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. The EU sanctions towards Iran grant an exemption for the supply of certain telecommunications equipment and software based on which these export licenses are granted.

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

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similar supplies and customs related services. As a result, Ericsson has contact with companies 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, it is sometimes 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.

During 2015, Ericsson sold telecommunications infrastructure related products and services in Iran to telecommunications companies operating in the country; MTNIrancell, Mobile Communication Company of Iran (MCCI) and Dadeh Gostare Asre Novin (Hiweb), and contracted with Sherkate Khadamate Ertebati Rightel (Rightel) for such sales. During 2015, Ericsson s gross revenue (reported as net sales) related to sales to Hiweb, MTNIrancell and MCCI in Iran was approximately SEK 2,600 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 less than SEK 639 million during 2015. 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 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 three banks with respect to Ericsson s business activities in Iran were issued during 2015, nor were payments made to beneficiaries under any such existing bond or guarantee.

Some payments made to Ericsson s local subsidiary and payments required to be made by the local subsidiary to suppliers involve banks controlled by the government of Iran, such as Bank Mellat, Tejarat Bank, Bank Melli, Saderat Bank, Keshavarzi Bank, Eghtesad Novin Bank, Refah Bank and Bank Sepah. 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, 2015.

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

Subsidiary Company	Reg. No.	Domicile	Percentage of ownership	Par value in local	Carrying value, SEK million

				currency, million	
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
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)					1,64
Ericsson Austria GmbH		Austria	100	4	65
Ericsson Danmark A/S		Denmark	100	90	216

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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
LM Ericsson Holdings Ltd.	Ireland	100	2	15
L M Ericsson Limited	Ireland	100	4	34
Ericsson Telecomunicazioni S.p.A.	Italy	100	44	5,357
Ericsson Holding International B.V.	The Netherlands	100	222	3,199
Ericsson A/S	Norway	100	75	114
Ericsson Television AS	Norway	100	161	1,729
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	4,094
Other (Europe, excluding Sweden)				269
Ericsson Holding II Inc.	United States	100	2,896	29,006
Companía Ericsson S.A.C.I.	Argentina	95 1)	41	15
Ericsson Canada Inc.	Canada	100		51
Belair Networks	Canada	100		170
Ericsson Telecom S.A. de C.V.	Mexico	100		1,05
Other (United States, Latin America)				166
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	725	147
Ericsson India Global Services PVT. Ltd	India	100	389	64
Ericsson Media Solutions Ltd	Israel	100		711
Ericsson-LG CO Ltd.	Korea	75	600	3,114
Ericsson (Malaysia) Sdn. Bhd.	Malaysia	70	2	4
Ericsson Telecommunications Pte. Ltd.	Singapore	100	2	1
Ericsson South Africa PTY. Ltd	South Africa	75		144
Ericsson Taiwan Ltd.	Taiwan	90	270	36
Ericsson (Thailand) Ltd.	Thailand	49 2)	90	17
Other countries (the rest of the world)				255
Total				80,928
Joint ventures and associated companies				
ST-Ericsson SA	Switzerland	50	137	
Rockstar Consortium Group	Canada	21	1	
Ericsson Nikola Tesla d.d.	Croatia	49	65	330

Total	330

1) Through subsidiary holdings, total holdings amount to 100% of Compania Ericsson S.A.C.I.
2) Through subsidiary holdings, total holdings amount to 100% of Ericsson (Thailand) Ltd.

Shares owned by subsidiary companies

Company	Reg. No.	Domicile	Percentage of ownership
Subsidiary companies			
Ericsson Cables Holding AB	556044-9489	Sweden	100
Ericsson France SAS		France	100
Ericsson Telekommunikation GmbH 1)		Germany	100

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Ericsson Telecommunicatie B.V.	The Netherlands	100
Ericsson Telekomunikasyon A.S.	Turkey	100
Ericsson Ltd.	United Kingdom	100
Redbee Media	United Kingdom	100
Ericsson Inc.	United States	100
Ericsson Wifi Inc.	United States	100
Drutt Corporation Inc.	United States	100
Redback Networks Inc.	United States	100
Telcordia Technologies Inc.	United States	100
Ericsson Telecomunicações S.A.	Brazil	100
Ericsson Australia Pty. Ltd.	Australia	100
Ericsson (China) Communications Co. Ltd.	China	100
Nanjing Ericsson Panda Communication Co. Ltd.	China	51
Ericsson Japan K.K.	Japan	100
Ericsson Communication Solutions Pte Ltd.	Singapore	100

1) Disclosures Pursuant to Section 264b of the German Commercial Code (Handelsgesetzbuch HGB) Applying Section 264b HGB, Ericsson Holding GmbH and Ericsson Telekommunikation GmbH, located in Frankfurt am Main/Germany, are exempted from the obligation to prepare, have audited and disclose financial statements and a management report in accordance with the legal requirements being applicable for German corporations.

D. Property, Plant and Equipment

The information set forth under the following headings of the 2015 Swedish Annual Report is incorporated herein by reference:

The business

Sustainability and corporate responsibility

Results

Board of Directors report

Financial highlights Capital expenditures

Sustainability and corporate responsibility

Notes to the consolidated financial statements

Note C11 Property, plant and equipment

Note C27 Leasing

Risk factors

Regulatory, Compliance and Corporate Governance risks

Primary manufacturing and assembly facilities

We continuously adjust our production capacity to meet expected customer demand. During 2015, our overall capacity utilization was around 85%.

The table below summarizes where we have major sites and the total floor space at year-end. Facilities are leased. The majority of the floor space within our production facilities is used for assembly.

	2015		2014		2013	
	Sites*	Thousands of sq	Sites	Thousands of sq meters	Sites	Thousands of sq meters

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		meters**				
Sweden	4	21.3	4	20.7	4	67.2
China	2	13	3	19.8	5	32.8
Estonia	1	6	1	9.1	1	23.7
Italy	0	0	1	16.0	1	16.0
Brazil	1	4.5	1	25.3	1	25.3
Mexico	1	0.8	1	0.8	1	0.8
India	1	10.8	1	24.5	1	24.5
Total	10	56.4	12	116.2	14	190.3

* In 2015, we closed our facility in Italy and one facility in China.

** In 2015 and 2014, floor space in square meters does not include any warehouses and any transportation areas (which are included in 2013).

ITEM 4A. Unresolved Staff Comments

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

A. Operating Results

The information set forth under the following headings of the 2015 Swedish Annual Report is incorporated herein by reference:

The business

Ericsson in brief

This is Ericsson

Business structure

Global presence 24/7

Five-year summary

Results

Board of Directors report

Business in 2015

Financial highlights

Business results Segments

Business results Regions

Risk management

Notes to the consolidated financial statements

Note C1 Significant accounting policies

Note C20 Financial risk management and financial instruments Foreign exchange risk

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Risk Factors

Operating results for the years ended December 31, 2013 and 2014

The figures in this section are IFRS figures. However, commentary is based on non-IFRS figures, unless stated otherwise. The reconciliation to IFRS figures is provided below.

Business in 2014

In 2014, Ericsson showed stable sales development with a solid operating margin. A sales decline in North America of 8% was compensated by growth in the Middle East, Europe and Asia. Operating margin improved in the core business, driven by a higher share of capacity sales and efficiency enhancements. This was partly offset by currency hedge losses, investments in targeted areas as well as losses related to the modems operations. (Reported operating margin decreased in 2014.)

The more than 100 IPR licensing agreements signed to date show the value of Ericsson s R&D investments and enable industry players to continue to innovate and bring exciting products to the market. In 2014, IPR revenues showed a steady positive development. Ericsson remains committed to licensing its standard-essential patents on fair, reasonable and non-discriminatory (FRAND) terms.

At the Capital Markets Day (CMD) in November, Ericsson outlined the progress on its Networked Society strategy, with focus on market development, growth agenda, transformation and profitability. In line with the strategy, the Company has invested into the targeted areas: IP networks, Cloud, TV & Media, Industry & Society and OSS & BSS. Sales in targeted areas showed a growth of more than 10% in 2014.

Ericsson continues to proactively identify efficiency opportunities in the Company. The cost and efficiency program presented at the CMD, with the ambition to achieve savings of approximately SEK 9 billion, with full effect during 2017, is progressing. Activities for the discontinuation of the modems business are included in the -program and are ahead of plan.

Ericsson improved the cash flow from operating activities, and generated a cash flow of SEK 18.7 (17.4) billion. For the third consecutive year, the Company exceeded its cash conversion -target of more than 70%. This resulted in a solid balance sheet, enabling Ericsson to continue to implement its strategy and to deliver consistent returns to its shareholders.

The Board of Directors proposes a dividend for 2014 of SEK 3.40 (3.00) per share, an increase of 13%.

Financial highlights

Financial results of operations

In this 2015 Form 20-F, unless otherwise indicated, commentary on sales, gross margin, operating income and net income reflects adjustments made on full year 2013 for the initial payment from Samsung following the January 2014 licensing agreement with Samsung. The table below presents the reconciliation between reported IFRS figures and the non-IFRS figures upon which the comments are based.

Reconciliation of Non-IFRS measures to IFRS measures

	IFRS		Adjustment initial Samsung IPR payment [1)]		Non-IFRS	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
Net sales	228.0	227.4		2.1	228.0	225.3
Cost of sales	145.6	151.0			145.6	151.0

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Gross income	82.4	76.4	0.0	2.1	82.4	74.3
Operating expenses	63.4	58.5			63.4	58.5
Other operating income and expenses	2.2	0.1			2.2	0.1
Share in earnings of associated companies	0.1	0.1			0.1	0.1
Operating income	16.8	17.8	0.0	2.1	16.8	15.7
Financial items	1.0	0.7			1.0	0.7
Taxes	4.7	4.9		0.5	4.7	4.4
Net income	11.1	12.2	0.0	1.6	11.1	10.6

1) The initial payment from Samsung in Q4 2013 was SEK 4.2 billion of which SEK 2.1 billion relates to 2013. The adjustment impacts segments Networks and Support Solutions.

Reported sales were flat and amounted to SEK 228.0 (227.4) -billion. Strong sales growth in China, the Middle East and India was offset by lower sales in North America and Japan, where several larger mobile broadband coverage projects were completed.

During the year, the SEK has weakened towards a number of currencies, including the USD, which has had a gradual positive impact on sales.

Reported sales for segments Networks and Global Services were flat compared with 2013, while -Support Solutions reported sales grew by 3%.

IPR and licensing revenues amounted to SEK 9.9 (10.6) billion. For 2013, IPR revenues included an initial payment of SEK 4.2 billion from Samsung for patent licensing.

The mix of sales by commodity was: Software 24% (24%), hardware 34% (34%) and -services 42% (42%).

Restructuring charges amounted to SEK 1.5 (4.5) billion and were mainly related to the continued implementation of the service delivery strategy. Implementation started on the cost and efficiency program announced in November 2014. As part of the continuous business transformation, annual restructuring -normally generates charges of approximately SEK 2 billion. In addition, the cost and efficiency program is expected to generate approximately SEK 3 4 billion in restructuring charges in -2015 2017.

Gross margin increased to 36.2%, due to a business mix with a higher share of capacity sales, lower restructuring charges and efficiency enhancements. The Global Services share of Group sales was flat at 43%, where the share of Network Rollout sales declined to 12% (14%) as a result of fewer large coverage projects.

Total operating expenses increased to SEK 63.4 (58.5) billion due to increased organic expenses in targeted areas and acquisitions such as Microsoft Mediaroom as well as inclusion of the modems operations.

In line with the strategy to establish leadership in targeted areas, the Company has increased its R&D activities, primarily in IP and Cloud. In addition, the modems operations were taken over from the ST-Ericsson joint venture. This resulted in total R&D expenses of SEK 36.3 (32.2) billion in 2014.

Other operating income and expenses decreased to SEK 2.2 (0.1) billion of which SEK 2.8 (0.5) billion relates to negative currency hedge effects. They derive from the hedge contract balance in USD, which has further decreased in value. The SEK has weakened towards the USD between December 31, 2013 (SEK/USD rate 6.46) and December 31, 2014 (7.79).

Operating income increased slightly to SEK 16.8 billion, positively impacted by an improved gross margin. (Reported operating income decreased slightly in 2014.) Operating income was negatively impacted by higher operating expenses, and negative effects from hedge -contracts. Operating margin was 7.4%.

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Financial net amounted to SEK 1.0 (0.7) -billion. The difference is mainly attributable to foreign currency revaluation effects.

The tax rate for 2014 was 30% compared with 29% in 2013. Tax costs were SEK 4.7 (4.9) billion.

Net income increased to SEK 11.1 -billion, for the same reasons as for the increase in -operating income. (Reported net income decreased in 2014.)

EPS diluted was SEK 3.54.

Business results Segments

Networks

Sales were flat. Sales declined in North America, where two large LTE coverage projects were completed. In addition, operators in the US increased their focus on cash flow optimization during the second half of the year, with reduced network investments as a consequence. The decline in the North American business was partly offset by increased mobile broadband sales in the Middle East. Large LTE network deployments continued in mainland China.

In 2014, operators increased their focus on improving network performance as a key differentiator. This, in combination with continued data traffic increase, and introduction of new services such as VoLTE, led to increased -cap-acity business in Radio, IMS and IP.

Operating income improved significantly compared with last year due to increased capacity business, earlier actions to improve commercial and operational efficiency and lower -restructuring charges. This was partly offset by a negative effect from currency hedges of SEK 2.1 (0.5) billion and higher operating expenses, mainly in IP and Cloud. Restructuring charges amounted to SEK 0.4 (2.2) billion.

Global Services

Sales for Global Services were flat compared with 2013 despite strong development in Managed Services and in -Network Design and Optimization.

There was continued momentum for Professional Services with double-digit sales growth during the second half of the year. Sales in targeted areas developed positively and in line with plan. Network Rollout sales declined, primarily due to a lower share of coverage projects.

Global Services operating income was flat compared with 2013. The Network Rollout -margin gradually improved during the year due to the declining dilutive effect from the European network modernization projects.

Professional Services operating margin declined to 12% (14%), partly due to negative currency hedge effects and partly due to the high share of managed services contracts in the trans-formation phase.

Restructuring charges declined to SEK 0.8 (2.0) billion. Implementation of the service delivery strategy to move local service delivery resources to global centers continued, but at a slower pace during the first half of the year.

Support Solutions

Reported sales grew by 3%, driven by growth in OSS and in TV & Media through the Mediaroom acquisition. Regions North America and North East Asia showed strong growth while Latin America and Sub Saharan Africa declined, primarily due to lower BSS sales.

Operating income declined slightly, partly due to lower sales in legacy systems and partly due to acquired operating expenses.

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Modems

Ericsson took over the LTE thin-modem operations as part of the breakup of the joint venture with STMicroelectronics in 2013. Since the -integration, the modems market developed in a direction that reduced the addressable market for thin modems. In addition, there is strong competition, price erosion and an accelerating pace of technology innovation. Success in this evolved market requires significant R&D investments. In 2014, Ericsson announced the discontinuation of further development of modems and the shift of approximately 500 R&D resources to Networks to pursue growth opportunities in the radio business.

Operating income was SEK 2.0 billion. The discontinuation of the modems business will lead to a significant reduction in costs. Good progress has been made in 2014, and activities are ahead of plan. End-of-life agreements have been signed with existing customers.

Business results Regions

North America: Sales declined, driven by lower network sales as a result of large mobile network coverage projects coming to an end, and increased operator focus on cash flow in the second half of the year. Sales in Support Solutions and Professional Services continued to grow, driven by OSS and BSS modernization.

Latin America: Sales increased, driven by mobile broadband coverage projects and network quality investments, partly offset by currency restrictions.

Northern Europe and Central Asia: Sales increased, driven primarily by mobile broadband deployments in Russia with sales of SEK 6.7 (5.6) billion. Professional Services sales grew, driven by network design and optimization services. TV & Media business showed positive development.

Western and Central Europe: The European modernization projects came to an end in 2014. Sales growth was increasingly driven by investments in network quality and capacity during the year.

Mediterranean: Sales decreased as the European modernization projects came to an end, while managed services contributed positively to sales.

Middle East: Sales growth was driven by mobile broadband investments related to new licenses and growth in data traffic in both advanced and developing markets.

Sub-Saharan Africa: Sales declined but recovered in the second half of the year, mainly driven by operator focus on network traffic and quality management. This resulted in a continued demand for managed services.

India: Sales growth was driven by mobile broadband infrastructure investments. Increased smartphone penetration drove growth in mobile data usage.

North East Asia: Sales increased in mainland China and Taiwan as a result of delivering on previously awarded 4G / LTE contracts. The increase was partly offset by reduced network investment levels in Korea and Japan.

South East Asia and Oceania: Sales remained flat in 2014. Growth in major roll-out projects in Australia compensated for a decline in Indonesia where major 3G projects peaked in 2013.

Other: Sales declined somewhat due to exit of the telecom and power cable businesses in 2013 and lower IPR revenues. Broadcast services grew, driven by the acquired Red Bee Media business that was fully consolidated in 2014.

NET SALES BY SEGMENT SEK million	2014 Jan - Dec

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Networks	117,487
Global Services	97,659
Of which Professional Services	*70,831*
Of which Managed Services	*27,155*
Of which Network Rollout	*26,828*
Support Solutions	12,655
Modems	182
Total	**227,983**

NET SALES BY REGION	**2014**
SEK million	**Jan - Dec**
North America	54,509
Latin America	22,570
Northern Europe & Central Asia	12,373
Western & Central Europe	19,706
Mediterranean	23,003
Middle East	21,277
Sub Saharan Africa	8,749
India	7,702
North East Asia	27,572
South East Asia & Oceania	15,858
Other	14,664
Total	**227,983**

B. Liquidity and Capital Resources

The information set forth under the following headings of the 2015 Swedish Annual Report is incorporated herein by reference:

Results

Board of Directors report

Financial highlights Cash flow

Financial highlights Financial position

Financial highlights Seasonality

Financial highlights Capital expenditures

Notes to the consolidated financial statements

Note C19 Interest-bearing liabilities

Note C20 Financial risk management and financial instruments

Note C25 Statement of cash flows

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Balance sheet and other performance indicators for the years ended December 31, 2013 and 2014

Cash flow

Cash flow from operating activities was positive at SEK 18.7 (17.4) billion.

Total investing activities amounted to SEK 7.5 (11.1) billion. Investments in property, plant and equipment were SEK 5.3 (4.5) billion, representing 2% of sales. Acquisitions and divestments, net, were SEK 4.4 (2.7) billion.
The -acquisitions are strategic investments made to strengthen the position in targeted areas.

In 2014, approximately SEK 8 billion of debt -outstanding was repaid:

- A SEK 4 billion EIB loan, with original maturity in 2015, was repaid.
- A USD 300 million bond, with original maturity in 2016, was repaid.
- A EUR 219 million bond matured and was repaid in full.

Working capital

Days sales outstanding (DSO) increased to 105 (97) days mainly due to geographical mix and negative currency effects. Inventory turn-over days increased to 64 (62) days due to a larger share of projects and negative currency effects.

Accounts payable days increased to 56 (53) days.

Provisions amounted to SEK 4.4 (5.4) billion at year end, reflecting implementation of previous years efficiency programs and headcount reductions.

Financial position

The average maturity of long-term borrowings as of December 31, 2014, was 5.7 years, compared with 5.1 years at the end of 2013.

The net cash decreased from SEK 37.8 billion to SEK 27.6 billion as a result of increased post-employment benefits of SEK 10.6 billion due to lower discount rates.

Ericsson has an unutilized Revolving Credit Facility of USD 2.0 billion.

Seasonality

The Company s sales, income and cash flow from operations vary between quarters, and are generally lowest in the first quarter of the year and highest in the fourth quarter. This is mainly a result of the seasonal purchase patterns of network operators.

Most recent five-year average seasonality

	First quarter	Second quarter	Third quarter	Fourth quarter
Sequential change	22%	8%	0	23%
Share of annual sales	22%	24%	24%	30%

Off-balance sheet arrangements

There are currently no material off-balance sheet arrangements that have, or would be reasonably likely to have, a current or anticipated material effect on the Company s financial condition, revenues, expenses, result of operations, liquidity, capital expenditures or capital resources.

Capital expenditures

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For 2014, capital expenditures were SEK 5.3 (4.5) billion, representing 2% of sales. Expenditures are largely related to test sites and equipment for R&D and network operation centers as well as manufacturing and repair operations.

Investments are being made in three new global ICT centers, of which two are in Sweden and one is in Canada. The centers will support R&D and services in developing and verifying solutions more efficiently and bringing innovation faster to the market. The first center, in Linköping, Sweden, was opened in 2014.

Apart from these investments, Ericsson believes that the Company s property, plant and equipment and the facilities the Company occupies are suitable for its present needs in most locations.

Annual capital expenditures are normally around 2% of sales. This corresponds to the needs for keeping and maintaining the current capacity level. The Board of Directors reviews the Company s investment plans and proposals.

As of December 31, 2014, no material land, buildings, machinery or equipment were pledged as collateral for outstanding indebtedness.

The Company believes it has sufficient cash and cash generation capacity to fund expected capital expenditures without external borrowings in 2015.

Capital expenditures 2010 2014

SEK billion	**2014**	**2013**	**2012**	**2011**	**2010**
Capital -expenditures	5.3	4.5	5.4	5.0	3.7
Of which in Sweden	*2.4*	*1.9*	*1.3*	*1.7*	*1.4*
Share of annual sales	2.3%	2.0%	2.4%	2.2%	1.8%

C. Research and Development, Patents and Licenses

The information set forth under the following headings of the 2015 Swedish Annual Report is incorporated herein by reference:

Other information

Five-year summary

The business

This is Ericsson

The IPR portfolio

Results

Board of Directors report

Financial highlights Research and development, patents and licensing

Consolidated financial statements

Consolidated income statement

Research and development, patents and licensing

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In 2014, in line with the strategy to establish leadership in targeted areas, the Company has increased its R&D activities, primarily in IP and Cloud. In addition, the modems operations were taken over from the ST-Ericsson joint venture. This resulted in total R&D expenses of SEK 36.3 (32.2) billion.

	2014	2013	2012
Expenses (SEK billion)	36.3	32.2	32.8
As percent of Net sales	15.9%	14.2%	14.4%
Employees within R&D as of December 31[1)]	25,700	25,300	24,100
Patents[1)]	37,000	35,000	33,000
IPR revenue, net (SEK billion)	9.9	10.6	6.6

1) The number of employees and patents are approximate.

D. Trend Information

The information set forth under the following headings of the 2015 Swedish Annual Report is incorporated herein by reference:

The Business

This is Ericsson

Profit improvement

Market transformation

The strategic direction

E. Off-Balance Sheet Arrangements

The information set forth under the following headings of the 2015 Swedish Annual Report is incorporated herein by reference:

Results

Board of Directors report

Financial highlights - Off-balance sheet arrangements

Notes to the consolidated financial statements

Note C14 Trade receivables and customer finance, Transfers of financial assets

Note C24 Contingent liabilities

F. Tabular Disclosure of Contractual Obligations

The information set forth under the section Results Notes to the consolidated financial statements Note C31 Contractual obligations of the 2015 Swedish Annual Report is incorporated herein by reference.

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ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

The information set forth under the following headings of the 2015 Swedish Annual Report is incorporated herein by reference:

Corporate Governance

Corporate Governance report 2015

Members of the Board of Directors

Members of the Executive Leadership Team

B. Compensation

The information set forth under the following headings of the 2015 Swedish Annual Report is incorporated herein by reference:

Results

Board of Directors report

Corporate governance Remuneration

Notes to the consolidated financial statements

Note C17 Post-employment benefits

Note C28 Information regarding members of the Board of Directors,the Group management and employees

Corporate Governance

Corporate Governance report 2015

Remuneration to Board members

Remuneration report

C. Board Practices

The information set forth under the following headings of the 2015 Swedish Annual Report is incorporated herein by reference:

Results

Notes to the consolidated financial statements

Note C28 Information regarding members of the Board of Directors, the Group management and employees Comments to the table

Corporate Governance

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Corporate Governance report 2015

Board of Directors   Composition of the Board of Directors

Committees of the Board of Directors   Audit committee

Committees of the Board of Directors   Remuneration committee

Remuneration report

The Remuneration Committee

D. Employees

The information set forth under the following headings of the 2015 Swedish Annual Report is incorporated herein by reference: