
Registered No: 00942215

Ericsson Limited

Annual Report and Financial Statements

Year ended 31 December 2022



Ericsson Limited

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Ericsson Limited

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Strategic report

The directors present their strategic report on the Company for the year ended 31 December 2022.

Review of the business

The Company is a major product and service provider to fixed and mobile telecommunications systems operators in the UK. The company continues to provide all-IP, 4G/LTE and 5G networks as the evolution of telecommunications towards data continues. Our portfolio also includes a wide range of OSS/BSS, transmission solutions, and Customer Experience Management (CEM). We continue to deliver managed services, consulting and systems integration, customer support and network rollout.

The Company delivered an increased performance in 2022, due to additional customer network roll out contracts won towards the end of 2020 and now in the process of fulfilling these. It also continues to improve delivery of its local services contracts and expand its product sales to its existing customer base. There has been a need for increased communication efficiency and reliability as the working environment has changed within the UK economy, which has presented further opportunities to our customers and our business, although we expect mobile operators still to continue to focus on increasing their operational efficiency, consolidation opportunities and reducing their operating expenses in a competitive trading environment.

The gross margin percentage has increased during the year to 13.7% from 13.3% in the prior year, with the gross profit increasing by £12.9m year on year. This is primarily due to changes in sales mix.

Principal risks and uncertainties

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

Challenging economic conditions could have adverse, wide-ranging effects on demand for our products and for the products of our customers. Adverse global economic conditions could cause network operators to postpone investments or initiate other cost cutting initiatives to improve their financial position. This could result in significantly reduced expenditures for network infrastructure and services, in which case our operating results would suffer. When deemed necessary, we undertake specific restructuring or cost saving initiatives, however, there are no guarantees that such initiatives will be sufficient, successful or executed in time to deliver any improvements in our earnings.

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

The UK telecommunications industry has experienced downturns in the past in which operators substantially reduced their capital spending on new equipment. While we expect the network service provider equipment market and telecommunications services market to grow in the coming years, the uncertainty surrounding the global economic recovery may materially harm actual market conditions. Even if macroeconomic conditions improve, conditions in the specific industry segments in which we participate may be weaker than in other segments. In that case, the results of our operations may be adversely affected. If capital expenditures by service providers and other customers is weaker than we anticipate, our revenues and profitability may be adversely affected. The level of demand by service providers and other customers who buy our products and services can change quickly and can vary over short periods of time, including from month to month. Due to the uncertainty and variations in the telecommunications industry, accurately forecasting revenues, results, and cash flow remains difficult.

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

Operators outsource parts of their operations to reduce cost and focus on new services. To address this opportunity, we offer operators various services in which we manage their networks. The growth rate in the managed services market is difficult to forecast and each new contract carries a risk that transformation and integration of the operations will not be as fast or smooth as planned. Additionally, early contract margins are generally low and the mix of new and old contracts may negatively affect reported results in a given period. Contracts for such services normally cover several years and generate recurring revenues. However, contracts have been, and may in the future be, terminated or reduced in scope, which has negative impacts on sales and earnings. While we believe we have a strong position in the managed services market, competition in this area is increasing, which may have adverse effects on our future growth and profitability.

Climate change and the potential resulting environmental impact may also result in new environmental, health and safety laws, rules and regulations that may affect us, our suppliers, and our customers.

Such laws, rules or regulations could cause us to incur additional direct costs for compliance (environmental, occupational health and safety liabilities) and indirect costs from our customers and suppliers. In addition, climate change could cause severe weather events, which could pose physical risks to our suppliers' facilities, cause disruptions in our logistic flows, and consequently increase operating costs and/or cause business interruptions. It is difficult at this time to reasonably estimate the future impact of environmental matters, such as climate and regulation change, the changes could impact the following areas; fixed assets, provisions, liabilities, fair values and disclosure of key accounting judgements, estimation uncertainties and related sensitivities.

The Ericsson Group continue to address rising requirements and stakeholder expectations, particularly regarding transparency around climate-related business impacts, for more information on Climate action please read our Sustainability and Corporate Responsibility Report 2022 on pages 194-239 of the Telefonaktiebolaget LM Ericsson Group 2022 Annual Report.

This can be found at: <https://www.ericsson.com/493873/assets/local/investors/documents/2022/annual-report-2022-en.pdf>.

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Strategic report (continued)**Financial key performance indicators (KPIs)**

The Company's key financial performance indicators during the year were as follows:

	2022	2021	
	£000	£000	% Change
Revenue	664,908	586,317	13.4%
Gross profit	91,102	78,247	16.4%
Gross margin %	13.7%	13.3%	0.4%
Profit before taxation	26,379	15,667	68.4%
Current assets as % of current liabilities	95.4%	89.3%	6.1%
Average number of employees	1,417	1,428	(0.8)%

Revenue for the business increased by 13.4% compared to prior year, the core business has remained vastly unchanged, with an additional radio contract deal with one of the major network providers. The performance was in line with expectations as the telecommunication operators continued to be cautious with their expansion plans and the competition amongst the telecommunication suppliers in the UK market remains intense.

Gross margin percentage increased by 0.4%, with the gross profit increasing by £12.9m year on year. This is primarily due to changes in sales mix.

The increase in the Current assets ratio by 6.1% was primarily due to the increased trading in 2022. Current assets are approximately £56m higher than financial year end 2021, mainly due to trade receivable, inventories and contract assets (net increase £64m) due to current trading with customers both old and new, which has been offset by a reduction in the cash balances held by the company, due to the timing of supplier payments, and repayment of intercompany balances during the year, thereby resulting in a net cash outflow from operating activities (see Statement of cash flows).

Average employees decreased by 0.8%, as the company continues to focus on cost improvement measures put in place in prior periods to ensure it is overall profitable.

Revenue by region:

	2022	2021	
	£000	£000	% Change
UK	648,096	565,216	14.7%
Rest of Europe	16,673	20,971	(20.5)%
Other	139	130	6.9%

Revenue has increased by 14.7% in the core region of the UK in which the business mainly operates, this is mainly attributable to the additional radio contracts recognised during the period. The overseas revenue is income derived from recharging services and people to the Ericsson Group rather than core services and products.

Financial position

The financial position of the Company is presented in the balance sheet, on page 14, and is summarised as follows:

	2022	2021
	£000	£000
Total equity:		
Total assets	505,446	510,725
Total liabilities	(382,493)	(373,242)
	122,953	137,483

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Strategic report (continued)**SECR Report Summary**

Ericsson Limited is committed to complying with relevant environmental legislation, striving to achieve transparency and accountability in our carbon emissions. To further this commitment, this section of our Directors report contains Ericsson Limited's energy consumption and carbon footprint in the UK. In compliance with the Streamline Energy and Carbon Reporting (SECR) initiative, this section includes consumption and emissions from this financial year and previous financial years.

Reporting Period

1st January 2022 - 31st December 2022

UK Energy & Carbon**Total Emission Scope Summary**

Emission Type	Total Volume (kWh)	Calculated Emissions (Tonnes of CO ₂ e)
Scope 1 (direct)	6,998,389	1,672
Scope 2 (indirect)	248,595	48
Scope 3 (indirect)	267,152	41
Total	7,514,136	1,761

Scope 1 Emissions (Direct)

Emissions from activities owned or controlled by Ericsson Limited that release emissions into the atmosphere. Examples of Scope 1 emissions include emissions from combustion in owned or controlled boilers, furnaces, vehicles; emissions from chemical production in owned or controlled process equipment.

Energy Type	Definition	Total Volume (kWh)	Calculated Emissions (Tonnes of CO ₂ e)
Gas	Emissions from combustion of gas	-	-
Transport	Emissions from combustion of fuel for transport purposes	6,998,389	1,672
Total		6,998,389	1,672

Scope 2 Emissions (Indirect)

Emissions released into the atmosphere associated with Ericsson Limited's consumption of purchased electricity, heat, steam and cooling. These are indirect emissions that are a consequence of Ericsson Limited's activities, but which occur at sources that Ericsson Limited do not own or control.

Energy Type	Definition	Total Volume (kWh)	Calculated Emissions (Tonnes of CO ₂ e)
Electricity	Emissions from purchased electricity	248,595	48
Total		248,595	48

Scope 3 Emissions (Indirect)

Emissions that are a consequence of Ericsson Limited's actions, which occur at sources which Ericsson Limited do not own or control and which are not classed as Scope 2 emissions. Examples of Scope 3 emissions are business travel by means not owned or controlled by Ericsson Limited (e.g. grey fleet and rental cars).

Energy Type	Definition	Total Volume (kWh)	Calculated Emissions (Tonnes of CO ₂ e)
Employee Owned Cars	Emissions from business travel in rental cars or employee-owned vehicles where the company is responsible for purchasing the fuel (mandatory)	267,152	41
Total		267,152	41

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Strategic report (continued)**SECR Report Summary (continued)****Out of Scope**

All fuels with biogenic content (such as 'Diesel and petrol (average biofuel blend)') should have the 'outside of scopes' emissions reported to ensure a complete picture of an organisation's emissions is created. However, these are not required to be included in Ericsson Limited's emissions total.

Energy Type	Total Volume (kWh)	Calculated Emissions (Tonnes of CO ₂ e)
Transport (e.g. cars)	-	-
Total	-	-

How does it compare

The company must state the emissions and energy use from previous years reports. This allows the company to track their emissions to encourage monitoring performance.

Emission	2022	2021
Tonnes of CO ₂ e	1,761	1,939
Total Energy (kWhs)	7,514,136	7,621,956
Intensity Ratio	2.6	3.3

Intensity Ratio

Intensity ratios compare emissions data with an appropriate business metric or financial indicator. Ericsson Limited has chosen to use tonnes of CO₂e per £ Turnover for its Intensity Ratio.

Intensity Measurement	Turnover (£000)	Intensity Ratio (tCO ₂ e / Turnover £000)
Tonnes of CO ₂ e per total £m sales revenue	664,908	2.6

Quantification and Reporting Methodology

Emissions for this report were calculated following the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard (revised edition). Emission factors published by the UK government department for Business, Energy & Industrial Strategy (2022) were used to convert energy consumption to carbon emissions. This report will be covering emissions from scopes 1 to 3, using a location-based calculation methodology. Scope of reporting is as follows:

- Scope 1: Company-owned vehicles
- Scope 2: Electricity consumed in leased assets
- Scope 3: Business mileage in employee-owned vehicles

Because Ericsson Limited has no natural gas on site, energy consumption from properties is electricity exclusively. Consumption data was sourced from a mix of invoiced consumption and calculated spend based estimations. Spend based estimations were supported by invoiced spend on electricity.

Energy Efficiency Action

In 2022, Ericsson Limited's Reading office completed the following energy efficiency projects:

- LED lighting replacement across properties
- Optimisation of HVAC controls in plant rooms (equipment run and start times)

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Strategic report (continued)

Section 172(1) Statement

The Directors are required to explain how they considered the interests of key stakeholders and the broader matters set out in section 172(1) (A) to (F) of the Companies Act 2006 ('S172') when performing their duty to promote the success of the Company under S172.

The S172 statement focuses on matters of strategic importance to the Company, and the level of information disclosed is consistent with the size and the complexity of the business. When making decisions, each Director ensures that they act in the way they consider, in good faith, would most likely promote the Company's success for the benefit of its members as a whole, and in doing so have regard (among other matters) to:

S172(1) (A) "The likely consequences of any decision in the long term"

The Directors understand the business and the evolving environment in which we operate, including the challenges of navigating through the telecommunication industry. With the evolution of 5G and beyond, we are moving technological boundaries forward to create the biggest innovation platform ever. The number of connected applications and devices will continue to increase exponentially, so too will the economic value which relies on their integrity. Intelligent networks will carry an abundance of industry and consumer data, changing the nature of business competition. *Securing those assets will make future network security key to ensuring trustworthiness of society and industry.*

S172(1) (B) "The interests of the company's employees"

The Directors recognise that our employees are fundamental to our business and delivery of our strategic ambitions. The success of our business depends on attracting, retaining and motivating employees. See Employee consultation in the Director's Report.

During the past year Ericsson Group has set the foundation and re-designed our ways of working to create an even more positive employee experience in support of our company transformation. During 2022 we have continued to focus on the following areas: Business ethics and anti-corruption, Health, safety, and well-being, Learning and development & Climate action.

S172(1) (C) "The need to foster the company's business relationships with suppliers, customers and others"

Our business model is built to manage changing market requirements and to capture new business opportunities. Customer focus and motivated employees are key to drive our business, create stakeholder value and to build a stronger company long term. With an agile and efficient business model, we create value for our stakeholders by providing industry leading, high performing, sustainable and cost-efficient solutions to our customers.

The Company's business partners, including suppliers adhere to The Code of Conduct for Business Partners, It covers four main areas: *environmental management, human and labour rights, occupational health and safety and business ethics and anti-corruption.* Suppliers not adhering to the CoC may be subject to termination of their contracts. Ericsson offers free online training on the Company website for business partners that cover the CoC in general as well as additional focus training on anti-corruption, conflict minerals, occupational health and safety and climate action.

S172(1) (D) "The impact of the company's operations on the community and the environment"

Sustainability is central to Ericsson's purpose. We are committed to creating positive impacts in society and reducing risks to Ericsson, our customers and society through our technology, our solutions and the expertise of our people. The work is a continuous journey and our Sustainability and Corporate Responsibility strategy covers three focus areas: Responsible business, Environmental sustainability and Digital inclusion.

Ericsson Limited adheres to the Ericsson Group policy on Sustainability and Corporate Responsibility. For more information on Climate action please read our Sustainability and Corporate Responsibility Report 2022 on pages 194-239 within the PDF of the Telefonaktiebolaget LM Ericsson Group 2022 Annual Report. (<https://www.ericsson.com/493873/assets/local/investors/documents/2022/annual-report-2022-en.pdf>).

Proactive management of topics relating to climate action and environment is a core component of Ericsson's Group sustainability strategy. We leverage a circular economy (design, use, re-use, recycle) approach in everything we do; and work to reduce environmental impacts and emissions from our operations, our portfolio and in society.

S172(1) (E) "The desirability of the company maintaining a reputation for high standards of business conduct"

Ericsson Group's purpose is to empower an intelligent, sustainable and connected world in ways which are economically, environmentally and socially responsible. Ericsson Group has clear frameworks, such as Code of Conduct, Code of Business Ethics & Compliance manuals, and its Modern Slavery Statements, to ensure that its high standards are maintained both within Ericsson and the business relationships we maintain.

Please visit the appropriate corporate website addresses for more information on the following subjects:

- Corporate responsibility
<https://www.ericsson.com/en/about-us/sustainability-and-corporate-responsibility/responsible-business>
- Our Compass (Code of business ethics) - <https://www.ericsson.com/en/about-us/corporate-governance/code-of-ethics>
- Ericsson Code of Conduct for Business Partners -
https://www.ericsson.com/4982d3/assets/local/about-ericsson/sustainability-and-corporate-responsibility/documents/supplier-code-of-conduct/ericsson-code-of-conduct-for-business-partners_english.pdf
- Occupational Health & Safety policy
<https://www.ericsson.com/en/about-us/sustainability-and-corporate-responsibility/responsible-business/health-and-safety>

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Strategic report (continued)

Section 172(1) Statement (continued)

S172(1) (F) "The need to act fairly as between members of the company"

After weighing up all relevant factors, the Directors consider which course of action best enables delivery of our strategy through the long-term, taking into consideration the impact on all stakeholders (suppliers, customers, employees, society and shareholders).

In discharging its section 172 duties the Company has regard to the factors set out above. The directors also take into account the views and interests of a wider set of stakeholders when making decisions. During the year the Directors received information to enable them to consider the impact of the company's decisions on its key stakeholders. This information was distributed in a range of different formats, including through reports and presentations on our financial and operational performance, non-financial KPIs and risk matters. We acknowledge that every decision we make will not necessarily result in a positive outcome for all of our stakeholders and the Directors have to make difficult decisions based on competing priorities. By considering the company's purpose and values, together with its strategic priorities and having a process in place for decision-making, the Directors do, however, aim to balance those different perspectives.


As is normal for large companies, Directors have delegated authority for day-to-day management of the company to its key management executives and then engage management in setting, approving and overseeing the execution of the strategy and related policies. During the year, the Directors reviewed the company's financial and operational performance; key transactions (if any); matters relating to the commitments which were made as part of the Ericsson's Group DPA with the US Department of Justice; regulatory, funding and pensions matters, mechanisms of stakeholder engagement and diversity and inclusion. The Directors received papers and reports on these matters which were then reviewed, discussed and approved, as necessary.

The impact of the company's activities on our stakeholders, including our colleagues, customers and suppliers is an important consideration when making decisions. The Directors will sometimes engage directly with stakeholders on certain issues, but the size and distribution of our stakeholders and of Telefonaktiebolaget LM Ericsson Group means that stakeholder engagement often takes place at an operational or group level. This is deemed as being a more efficient and effective approach, also helping to achieve a greater positive impact on environmental, social and other issues than by working alone as an individual company. For details on how the Ericsson Group engages with its stakeholders and how stakeholder interests and section 172 duties have been considered in reaching certain key strategic decisions, please see page 234 "section O1" in the Telefonaktiebolaget LM Ericsson Group 2022 Annual Report, which is available from:

<https://www.ericsson.com/493873/assets/local/investors/documents/2022/annual-report-2022-en.pdf>

As set out above, decisions taken by the Directors consider the interests of our key stakeholders and the impacts of these decisions. The Directors of the Company feel that there has not been a singular example of what they consider is a key decision that has been made in regard to the matters set out in section 172(1)(a)-(f) when discharging our section 172 duties.

Approved for issue by the board of directors

DocuSigned by:

517A682258AE4DE

Mr L O'Brien
Director
18/07/2023

Ericsson Limited

Directors' report

The directors present their annual report and financial statements of the Company as at and for the year ended 31 December 2022.

Principal activities

The Company is a private company, limited by shares and incorporated and domiciled in England, United Kingdom. Its registered office and principal place of business is the 14th Floor, Thames Tower, Station Road, Reading, Berkshire RG1 1LX.

The principal activities of the Company are the design, supply, installation and service of telecommunications equipment and network services. The Company provides complete solutions for operators, and consumers from fixed and mobile networking, intelligent network platforms, telecom management solutions, through to end-user applications and service delivery.

Going concern

As at 31 December 2022, the company has been in a net assets and a net current liability position. However, after ensuring that financial, operational and liquidity forecasting updates are maintained and reviewed on an ongoing basis, the positive results for the first quarter of 2023 of both the company and the group, and receiving an undertaking from the ultimate parent company, Telefonaktiebolaget LM Ericsson, that it will provide all necessary financial support to the Company for at least 12 months from the date of approval of these financial statements, the directors have formed a judgement at the time of approving the financial statements that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they have adopted the going concern basis in preparing financial statements.

Future developments

Ericsson's vision is of a Networked Society where everything that benefits from being connected will be connected. During the transformation to the Networked Society clear customer segmentation is taking place as operators assume different roles in the transforming information and communications technology (ICT) market. Ericsson supports its customers in the new ICT landscape by using the advantages of technology leadership, a position which has resulted in a competitive portfolio of radio networks, core networks and backhaul solutions. Since network performance has become the prime driver of consumer loyalty, and increasing customer loyalty has significant benefits in terms of generating long-term value, there is also a demand for network design and optimization expertise to maintain high-quality of service, including accessibility, speed, reliability and high-quality user experience.

Ericsson has identified three emerging and strategic operator segments where connectivity is, and will continue to be, the foundation of business: Network developer, Service enabler, and Service creator.

Network developer: Ericsson addresses the demands with solutions for high-performance network architecture including mobile infrastructure, software-defined networking (SDN) technologies, network functions virtualization (NFV) and indoor connectivity.

Service enabler: Ericsson addresses demands for a high-performing network, billing, customer care and service assurance with its OSS and BSS platforms and professional services offering. These offerings cater to needs for control and management of operations and the identification of new revenue streams. Included in Ericsson's offerings are also the Network-enabled Cloud, network functions virtualization (NFV) and software-defined networking technologies that enable common management and orchestration across network resources and cloud applications.

Service creator: Ericsson offers intelligent nodes and platforms, and tools to transform the platforms, including service capabilities that fit the demands of service creators and enable them to expand their business. Ericsson also addresses service creator needs by providing technology that brings cloud capabilities into the network, with the flexibility and elasticity needed to deploy software applications wherever and whenever they are needed. Offerings include Smart Meter Managers and IoT Security.

Employee engagement and business relationships

Please see the Strategic Report S172(1) (B) and S172(1) (C) on page 6.

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Directors' report (continued)

Dividends

No dividend payment was made during the year (2021: £nil) and the directors do not propose to declare a final dividend in respect of 2022 (2021: £nil).

Post balance sheet event

There were no material or significant events that occurred in the period from 31 December 2022 to the date of reporting that would require adjustment to or disclosure in the financial statements.

Directors and their interests

The directors of the company who were in office during the year and up to the date of signing the financial statements were as follows:

Mr L O'Brien
Mr R Peacock
Mr J Griffin
Ms K Ainley

None of the directors held any interest in the share capital of the Company or that of its parent company, Telefonaktiebolaget LM Ericsson, a Company incorporated in Sweden (which is domiciled in Sweden at Torshamnsgatan 21, SE-164 83 Stockholm), at any time during the year. During the year and at the date of approval of the financial statements, the Company held third party indemnity cover in respect of directors of the Company.

The directors are the only key management personnel of the Company and their remuneration is included in the disclosure in Note 17 of the financial statements.

Financial risk management

The Company's financial risk management policy is primarily driven by Ericsson Group Treasury. The principal role is to ensure that appropriate financing is in place to manage the Company's liquidity as well as financial assets and liabilities, and to control financial risks exposures in a manner consistent with underlying business risks and financial policies. The Company does not undertake any local hedging activities.

See Note 15 for further details on foreign exchange, interest rate and liquidity risks.

Disabled employees

Applications for employment by disabled persons are fully considered, bearing in mind the aptitudes of the applicants concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee engagement and business relationships

Please see the Strategic Report S172(1) (B) and S172(1) (C) on page 6.

Employee consultation

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal and informal meetings. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Employees are engaged with on a group wide basis via Voice Surveys, where by the engagement is delegated via departmental heads. These surveys serve as a multi directional tool to feedback to the Ericsson group on subjects that matter and affect the staff and their interests and discussions are implemented on improvements and actions needed.

Policy and practice on payment of creditors

The Company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are informed of payment and that the Company abides by the terms of payment.

Trade creditors (including intercompany) of the Company at 31 December 2022 were equivalent to 74 days purchases (2021: 73 days), based on the average daily amount invoiced by suppliers during the year.

Ericsson Limited

Directors' report (continued)

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRS Standards) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The financial statements also comply with International Financial Reporting Standards as issued by the IASB. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as issued by the IASB and as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosures included in the strategic report

Items that are required to be included within the Directors report and the strategic report have been limited to the Strategic report and are cross referenced here for simplicity.

- How the director have had regard to fostering business relationships and the engagement with suppliers, customers and others. (See section 172 disclosure pages 6 - 7);
- Annual quality of emissions (See SECR Report summary pages 4 - 5);
- Intensity ration in respect of annual emissions (See SECR Report summary pages 4 - 5); and
- Measure to increase energy efficiency (See SECR Report summary pages 4 - 5).

Disclosure of information to the auditors

In accordance with Section 418 of the Companies Act 2006 in the case of each director in office at the date the directors' report, it has been approved that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors

Pursuant to section 487 of the Companies Act 2006, Deloitte LLP have expressed their willingness to continue in office as auditors and are therefore deemed reappointed as auditors.

Approved for Issue by the board of directors

DocuSigned by:
Liam O'Brien
517A5832828A4E4D8...

Mr L O'Brien
Director
18/07/2023

Ericsson Limited

Independent auditors' report to the members of Ericsson Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Ericsson Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the statement of cashflows;
- the statement of accounting policies; and
- the related notes 1 to 19.

The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom adopted international accounting standards and IFRSs as issued by the IASB.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Ericsson Limited

Independent auditors' report to the members of Ericsson Limited (continued)

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the company's business sector.

We obtained an understanding of the legal and regulatory framework(s) that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation, tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following area, and our procedures performed to address it are described below:

- the risk that revenue is overstated as a result of unrecorded price concessions in relation to renegotiation of agreements that could result in retrospective price adjustments that are not reported timely in the financial statements. In response to the risk, we have tested design, implementation and operating effectiveness of relevant controls that are in place to ensure accurate accounting treatment of identified performance obligations. Our substantive testing procedures included inquiries with controllers as to ongoing negotiations of agreements with existing customers, obtaining relevant meeting minutes, and inspecting those for any discussions of potential price concessions, obtaining the list and supporting evidence for post fiscal year-end revenue reversals and determining if the revenue reversal pertains to the correct period or if a price concession has been identified that should have been estimated and recorded in the period under audit.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;

- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

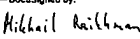
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

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Mikhail Raikhman CA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor, London, United Kingdom
18 July 2023

Ericsson Limited

Income statement
Year ended 31 December 2022

	Notes	2022 £000	2021 £000
Revenue	2	664,908	586,317
Cost of sales		(573,806)	(508,070)
Gross profit		91,102	78,247
Administration and selling expenses		(68,695)	(61,244)
Operating profit	3	22,407	17,003
Finance expense	6	(2,163)	(3,739)
Finance income	6	2,400	55
Net pension scheme finance income	16	3,735	2,348
Profit before taxation		26,379	15,667
Tax	5(a)	(6,379)	(8,872)
Profit for the financial year		20,000	6,795

All of the above results relate to continuing activities.

Statement of comprehensive income
Year ended 31 December 2022

	Notes	2022 £000	2021 £000
Profit for the financial year		20,000	6,795
Other comprehensive (loss) / Income			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit pension plans	16	(46,638)	45,849
Tax on remeasurements of defined benefit pension plans	5(c)	11,660	(13,746)
Total comprehensive (loss) / income		(14,978)	38,898

The total comprehensive (loss) / income above is attributable to the owners of the company.

Ericsson Limited

Balance sheet

At 31 December 2022

	Notes	2022 £000	2021 £000
ASSETS			
Non-current assets			
Property, plant and equipment	7	2,944	3,629
Right-of-use assets	14	5,891	7,668
Pension assets	16	171,118	229,772
		179,953	241,069
Current assets			
Inventories	8	25,650	28,449
Contract assets	2	12,017	53,412
Trade and other receivables	9	287,624	179,072
Cash	10	202	8,723
		325,493	269,656
TOTAL ASSETS		505,446	510,725
EQUITY AND LIABILITIES			
Total equity			
Share capital	13	52,600	52,600
Retained earnings		70,353	84,883
		122,953	137,483
Non-current liabilities			
Lease liabilities	14	6,673	8,411
Pension liabilities	16	-	17,449
Deferred tax	5	33,918	43,880
Provisions	12	755	1,460
		41,346	71,200
Current liabilities			
Provisions	12	1,596	2,921
Contract liabilities	2	84,543	70,568
Lease liabilities	14	1,814	2,205
Trade and other payables	11	253,194	226,348
		341,147	302,042
TOTAL EQUITY AND LIABILITIES		505,446	510,725

The financial statements on pages 13 to 35 were approved and authorised for issue by the board and were signed on their behalf by Mr L O'Brien on 18/07/2023.

DocuSigned by:
Liam O'Brien
517A683268AE4D6..

Mr L O'Brien (Director)
Registered No: 00942215

Ericsson Limited

Statement of cash flows

For the year ended 31 December 2022

	Note(s)	2022 £000	2021 £000
Operating activities			
Profit before taxation		26,379	15,667
Adjustments for:			
Depreciation - property, plant and machinery	7	890	1,095
Depreciation - right-of-use assets		1,913	3,084
Loss on disposal of property, plant and equipment		33	-
Loss on disposal of right-of-use assets		24	-
Finance income		(2,400)	(55)
Finance costs		2,164	3,612
R&D credit		(1,126)	(1,327)
Withholding tax write off		1	233
Changes in operating net assets			
Inventories	8	2,799	(5,127)
Contract assets		41,395	(39,932)
Trade and other receivables		(108,552)	(22,883)
Contract liabilities		13,975	20,806
Trade and other payables		22,939	(14,019)
Provisions	12	(2,030)	(1,678)
Pensions		(3,271)	(4,822)
Cash used in operations		(4,867)	(45,346)
Group relief payment		-	(2,519)
Cash outflow from operating activities		(4,867)	(47,865)
Investing activities			
Purchase of property, plant and equipment	7	(238)	(154)
Cash outflow from investing activities		(238)	(154)
Financing activities			
Interest paid	6	(1,680)	(3,021)
Lease payments		(3,887)	(3,887)
Interest received	6	2,151	55
Cash outflow from financing activities		(3,416)	(6,853)
Net change in cash		(8,521)	(54,871)
Cash at the beginning of year		8,723	63,594
Cash and cash equivalents, end of year	10, 11	202	8,723

Statement of changes in equity

For the year ended 31 December 2022

	Notes	Share capital £000	Retained earnings £000	Total equity £000
At 1 January 2021		52,600	45,498	98,098
Profit for the financial year		-	6,795	6,795
Share based payments		-	487	487
Other comprehensive income		-	32,103	32,103
At 31 December 2021		52,600	84,883	137,483
At 1 January 2022		52,600	84,883	137,483
Profit for the financial year		-	20,000	20,000
Share based payments		-	448	448
Other comprehensive loss		-	(34,978)	(34,978)
At 31 December 2022		52,600	70,353	122,953

Ericsson Limited

Notes to the financial statements

For the year ended 31 December 2022

1 Accounting policies

Basis of preparation

The Company is a private company, limited by shares and incorporated and domiciled in England, United Kingdom. Its registered office and principal place of business is the 14th Floor, Thames Tower, Station Road, Reading, Berkshire RG1 1LX.

The principal activities of the Company are the design, supply, installation and service of telecommunications equipment and network services. The Company provides complete solutions for operators, and consumers from fixed and mobile networking, intelligent network platforms, telecom management solutions, through to end-user applications and service delivery.

These financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the provisions of the Companies Act 2006.

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

The financial statements have been prepared under the historical cost convention except as described in the accounting policy on plan assets related to defined benefit pension plans.

The preparation of financial statements in conformity with IFRS requires the use of accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies.

Going concern

As at 31 December 2022, the company has been in a net assets and a net current liability position. However, after ensuring that financial, operational and liquidity forecasting updates are maintained and reviewed on an ongoing basis, the positive results for the first quarter of 2023 of both the company and the group, and receiving an undertaking from the ultimate parent company, Telefonaktiebolaget LM Ericsson, that it will provide all necessary financial support to the Company for at least 12 months from the date of approval of these financial statements, the directors have formed a judgement at the time of approving the financial statements that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they have adopted the going concern basis in preparing financial statements.

Standards, amendments and interpretations effective in 2022

The Company has finalised the evaluation of any impact on financial results or position from newly adopted IASB standards and amendments, as well as the new standards and interpretations issued by the IASB and not yet adopted and concluded that they will have no material impact on the results and financial position of the Company.

Statement of cash flows

The statement of cash flows is prepared in accordance with the indirect method.

Foreign currency transactions and translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Revenue recognition

Revenue primarily represents the value of goods and services supplied to customers during the period and is recorded net of both discounts/rebates and VAT. Revenue also includes transactions with group companies ranging from supply of goods, services and cost recharges. Revenue is recognised with reference to all significant contractual terms when the product or service has been delivered, when the revenue amount is fixed or determinable and when collection is reasonably assured. Specific contractual performance and acceptance criteria may impact the timing and amounts of revenue recognised.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. Depreciation and any impairment charges are included in Administration and selling expenses. Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful life, at the following annual rate:

Leasehold buildings	- Term of lease
Plant and machinery	- 2 to 10 years
Software development costs	- 3 to 4 years

The assets' useful lives are reviewed and adjusted as appropriate at the end of each reporting period. The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Gains and losses on disposals are determined by comparing the proceeds less cost to sell with the carrying amount and are recognised within Administration and selling expenses in the income statement.

Notes to the financial statements (continued)
For the year ended 31 December 2022**1 Accounting policies (continued)****Leasing**

The assets leased by the Company are vehicle and real estate related.

Leasing when the Company is the lessee

The Company recognizes right-of-use assets and lease liabilities arising from all leases in the balance sheet, with some exceptions. This model reflects that, at the start of a lease, the lessee always obtains the right to use an asset for a period of time and has an obligation to pay for that right.

In the assessment of a lease contract the lease components are separated from non-lease components and the lease term is defined based on the contract lease term and when reasonably certain estimated extension or termination options are included.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted normally using the Company's incremental borrowing rate. The incremental borrowing rate is calculated considering interest swap rates, the creditworthiness of the entity that signs the lease and an adjustment for the asset being collateralised. Lease payments included in the liability are fixed payments, variable payments depending on an index or rate and penalties for termination of contracts.

The right-of-use asset is initially measured at cost, which equals the amount of the initial measurement of lease liability adjusted for any lease payments made at or before the commencement date less any lease incentives received plus any initial direct costs, and restoration costs.

The Company applies the recognition exemption for short-term leases and leases for which the underlying asset is of low-value recognizing the lease payments for those leases as an expense on a straight-line basis over the lease term. The interest expense on lease liabilities is presented as a component of finance costs separate from the depreciation charges for right-of-use assets. For more information regarding leasing, see note 18, "Leases."

Financial assets

Financial assets are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. *Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the income statement.*

Financial assets at amortized cost

Financial assets are classified as amortized cost if the contractual terms give rise to payments that are solely payments of principal and interest on the principal amount outstanding and the financial asset is held in a business model whose objective is to hold financial assets in order to collect contractual cash flows. These assets are subsequently measured at amortized cost using the effective interest method, minus impairment allowances. Interest income and gains and losses from financial assets at amortized cost are recognized in financial income.

Impairment

At each balance sheet date, financial assets and contract assets are assessed for impairment based on Expected Credit Losses (ECL). ECLs are the differences between all contractual cash flows that are due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

The Company adopts a simplified approach for trade receivables and contract assets whereby allowances are always equal to lifetime ECLs. The Company has established a provision matrix based on historical credit loss experience, which has been adjusted for current conditions and expectations of future economic conditions. The losses are recognized in the income statement. When there is no reasonable expectation of collection, the asset is written off.

Financial liabilities

Financial liabilities are recognised when the Company becomes bound to the contractual obligations of the instrument. Financial liabilities are derecognised when they are extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expired.

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Inventories

Inventories are measured at the lower of cost or net realizable value and using cost formula first-in, first-out (FIFO) related to the Company's owned production and weighted average cost formula for externally purchased components and raw materials within the Company's production units. The cost of inventories related to work in progress is measured at its individual costs. Risks of obsolescence have been measured by estimating market value based on future customer demand and changes in technology and customer acceptance of new products.

A significant part of inventories is Contract work in progress (CWIP). Recognition and derecognition of CWIP relates to the Company's revenue recognition principles meaning that costs incurred under a customer contract are initially recognized as CWIP (see Revenue recognition policy). When the related revenue is recognised, CWIP is derecognised and is instead recognised as Cost of sales.

Notes to the financial statements (continued)
For the year ended 31 December 2022**1 Accounting policies (continued)****Income taxes**

Income taxes in the financial statements include both current and deferred taxes. Income taxes are reported in the income statement unless the underlying item is reported directly in equity or other comprehensive income (OCI). For those items, the related income tax is also reported directly in equity or OCI. A current tax liability or asset is recognised for the estimated taxes payable or refundable for the current year or prior years.

Deferred tax is recognised for temporary differences between the book values of assets and liabilities and their tax values and for tax loss and tax credit carry forwards. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and unused tax loss and tax credit carry forwards can be utilised. Deferred tax is not recognised for the initial recognition of assets or liabilities that affect neither accounting nor taxable profit or when it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is measured at the tax rate that is expected to be applied to the temporary differences when they reverse, based on the tax laws that have been enacted or substantively enacted by the reporting date. An adjustment of deferred tax asset/liability balances due to a change in the tax rate is recognised in the income statement, unless it relates to a temporary difference earlier recognised directly in equity or OCI, in which case the adjustment is also recognised in equity or OCI.

The measurement of deferred tax assets involves judgment regarding the deductibility of costs not yet subject to taxation and estimates regarding sufficient future taxable income to enable utilization of unused tax losses in different tax jurisdictions. All deferred tax assets are subject to annual review of probable utilization.

Provisions and contingent liabilities

Provisions are made when there are legal or constructive obligations as a result of past events and when it is probable that an outflow of resources will be required to settle the obligations and the amounts can be reliably estimated. When the effect of the time value of money is material, discounting is made of estimated outflows. However, the actual outflows as a result of the obligations may differ from such estimates.

The provisions are mainly related to restructuring, customer projects and other obligations and claims or obligations as a result of patent infringement and other litigations.

A restructuring obligation is considered to have arisen when the Company has a detailed formal plan for the restructuring (approved by management), which has been communicated in such a way that a valid expectation has been raised among those affected. Provision for restructuring is recorded when the Company has a constructive obligation and can reliably estimate the related liabilities. The estimate is based on the Company's expected expenditure to settle the obligation and is adjusted when changes to the expenditure are known.

Project related provisions include estimated losses on onerous contracts, contractual penalties and undertakings. For losses on customer contracts, a provision equal to the total estimated loss is recorded when a loss from a contract is anticipated and possible to estimate reliably. These contract loss estimates include any probable penalties to a customer under a loss contract.

Provisions are recognised when it is probable that an obligation has arisen, and the amount can be reasonably estimated based on a detailed analysis of each individual issue.

Present or possible obligations which do not meet the provision recognition criteria are reported as contingent liabilities. For further detailed information, see note 18.

Pensions

Pensions are classified as either defined contribution plans or defined benefit plans. Under a defined contribution plan, the Company's only obligation is to pay a fixed amount to a separate entity (a pension trust fund) with no obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits. The related actuarial and investment risks fall on the employee. The expenditures for defined contribution plans are recognised as expenses during the period when the employee provides service. Under a defined benefit plan, it is the Company's obligation to provide agreed benefits to current and former employees. The related actuarial and investment risks fall on the Company.

The Company operates two defined benefit pension schemes and a defined contribution pension scheme for its employees. The assets of the schemes are held separately from those of the Company.

Pension scheme liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. Pension scheme assets are measured using market values at the balance sheet date.

The pension scheme asset is recognised in full on the balance sheet. The deferred tax liability relating to a benefit asset is recorded separately in provisions, as a deferred tax liability.

Increases in the present value of the scheme liabilities expected to arise from employee service in the period are charged to operating profit. The expected return on scheme assets less the increase in the present value of scheme liabilities arising from the passage of time are included within net finance charges. Actuarial gains and losses are recognised in OCI in the period in which they occur.

Critical accounting estimates and judgements

The preparation of financial statements and application of accounting standards often involve management's judgement and the use of estimates and assumptions deemed to be reasonable at the time they are made. However, other results may be derived with different judgements or using different assumptions or estimates, and events may occur that could require a material adjustment to the carrying amount of the asset or liability affected. The following are the accounting policies subject to such judgements and the key sources of estimation uncertainty that the Company believes could have the most significant impact on the reported results and financial position.

Ericsson Limited

Notes to the financial statements (continued)
For the year ended 31 December 2022

1 Accounting policies (continued)

Critical accounting estimates and judgements (continued)

Revenue recognition

Key sources of estimation uncertainty

The Company uses estimates and judgments in determining the amount and timing of revenue particularly when determining the transaction price and its allocation to performance obligations identified under the contract.

Transaction price may consist of variable elements such as discounts, performance related price and contract penalties. Transaction price, including variable considerations, is estimated at the commencement of the contract (and periodically thereafter). Judgment is used in the estimation process based on historical experience with the type of business and customer. This includes assessment of price concession based on latest available information on contract negotiations that could have retrospective impact on prices for products and services already ordered or delivered.

Revenue is allocated to each performance obligations by reference to their standalone selling prices. The Company considers that an adjusted market assessment approach should be used to estimate stand-alone selling prices for its products and services for the purposes of allocating transaction price. These estimates comprise prices set for similar customers and circumstances, adjusted to reflect appropriate profit margins for the market. Estimates are used to determine discounts that relate specifically to each performance obligation, thus impacting the stand-alone selling price.

Judgments made in relation to accounting policies applied

Management applies judgment when assessing the customer's ability and intention to pay in a contract. The assessment is based on the latest customer credit standing and the customer's past payment history. This assessment may change during the contract execution, and if there is evidence of deterioration in the customer's ability or intention to pay, then no further revenue shall be recognized until the collectability criteria is met. Conversely, this assessment may also change favourably over time, upon which revenue shall now be recognized on a contract that did not initially meet the collectability criteria.

Management also applies judgment in assessing criteria for contract combination. Master purchase agreement can cover a number of different businesses with the same customer and judgment is applied to assess if prices relating to the different businesses are highly dependent, in which case, contracts relating to such businesses shall be combined and the total transaction price allocated to each performance obligation based on estimated stand-alone selling prices. Judgment can also be applied on contract amendments related to prior performance obligations, in which case, the judgment is related to assess if part of the transaction price shall be applied retrospectively.

Revenue for standard products shall be recognized when control over the equipment is transferred to the customer at a point in time. This assessment shall be viewed from a customer's perspective considering indicators such as transfer of titles and risks, customer acceptance, physical possession, and billing rights. Judgment may be applied in determining whether risk and rewards have been transferred to the customer and whether the customer has accepted the products. Often all indicators of transfer of control are assessed together and an overall judgment formed as to when transfer of control has occurred in a customer contract.

Pensions

Accounting for the costs of defined benefit pension plans is based on actuarial valuations, relying on key estimates for discount rates, expected return on plan assets, future salary increases, employee turnover rates and mortality tables (see note 17). The discount rate assumptions are based on rates for high-quality fixed-income investments with durations as close as possible to the Company's pension plans.

Ericsson Limited

Notes to the financial statements (continued)
For the year ended 31 December 2022

2 Revenue

All revenue is derived from the main activity of the company. An analysis of revenue by geographical market is given below, based on the region in which the order is received:

	2022	2021
	£000	£000
UK	648,096	565,216
Rest of Europe	16,673	20,971
Other	139	130
	664,908	586,317

During the year five customers from the UK geographical market individually contributed to more than 10% of the company's total revenue. The total value of revenue derived from these five customers amounted to £627.3m (2021: five customers amounting to £541.2m).

All revenue is derived from the main activity of the company. An analysis of revenue by category is given below:

	2022	2021
	£000	£000
Internal cost recovery	16,231	21,023
External sales:		
Customer support	325,935	322,160
Hardware	218,658	152,773
Software	104,084	90,361
	664,908	586,317

Assets and liabilities related to contracts with customers

	2022	2021
	£000	£000
Contract assets	12,017	53,412
Contract liabilities	84,543	70,568

The following table shows how much of the revenue recognised in the current reporting year relates to carried forward contract liabilities:

Revenue recognised in the year	2022	2021
	£000	£000
Revenue recognised in the year related to the opening contract liability balance	64,018	44,867

Unsatisfied long-term contracts

The following table shows unsatisfied performance obligations resulting from contracts:

	2022	2021
	£000	£000
Unsatisfied long-term contracts	386,502	411,101

Management expects that 67% of the transaction price allocated to the unsatisfied contracts as of 31 December 2022 will be recognised as revenue during the next reporting period. The remaining 33% will be recognised in the 2024 financial year or later.

3 Operating profit

This is stated after charging:

	2022	2021
	£000	£000
Depreciation of owned fixed assets	890	1,095
Depreciation of right-of-use assets	1,915	3,084
Auditors' remuneration - for audit of the Company's financial statements	86	135

Ericsson Limited

Notes to the financial statements (continued)
For the year ended 31 December 2022

4 Staff costs

	2022	2021
	£000	£000
Wages and salaries	122,094	116,916
Social security costs	15,378	14,074
Other pension costs:		
Defined benefit pension costs	1,573	1,371
Defined contribution pension costs	8,364	8,036
	147,409	140,397

The monthly average number of employees during the year was as follows:

	2022	2021
	No.	No.
Services	1,208	1,212
Research & development	9	10
Sales and marketing	79	78
General & administration	121	128
	1,417	1,428

See note 17 for disclosure on directors' emoluments and the number of directors who are accruing benefits under the defined benefit scheme.

5 Tax expense**a. Tax expense**

	2022	2021
	£000	£000
Current tax:		
UK current income tax	2,839	725
WHT write off	1	233
Adjustments in respect of prior years	1,841	181
Total current tax	4,681	905
Deferred tax:		
Origination and reversal of temporary differences	2,368	2,381
Effect of rate change	748	5,934
Adjustments in respect of prior years	(1,418)	(581)
Total deferred tax	1,698	7,734
Tax on profit	6,379	8,872

The year end balance for current income tax is as follows:

	2022	2021
	£000	£000
Current income tax (payable) / receivable	(1,263)	1,202

Ericsson Limited

Notes to the financial statements (continued)
For the year ended 31 December 2022

5 Tax expense (continued)**b. Factors affecting tax charge for year**

The UK standard rate of tax was 19% in 2022 and in 2021. Due to the increase in the UK corporation tax rate from 19% to 25% effective from 1 April 2023, the deferred tax liability is valued at a tax rate of 25%.

	2022	2021
	£000	£000
Profit before taxation	26,379	15,667
Profit at standard rate 19.00% (2021: 19.00%)	5,012	2,977
Effects of:		
Expenses not deductible for tax purposes	196	129
Adjustments in respect of prior years	423	(401)
Effect of rate change	748	5,934
WHT write off	1	233
Total tax expense for the year	6,379	8,872

c. Deferred tax liability

A deferred tax liability of £33.9m (2021: £43.9m), was recognised in the books at 31 December 2022. It is payable in more than one year.

	2022	2021
	£000	£000
Depreciation in excess of capital allowances	5,879	5,789
Pensions	(42,779)	(53,081)
Other temporary differences	708	1,069
Tax losses	-	521
Deferred tax credits	2,274	1,822
Total deferred tax liability	(33,918)	(43,880)

	2022	2021
	£000	£000
Amounts recognised in the financial statements		
At 1 January	(43,880)	(24,222)
Charge to income statement	(1,698)	(7,734)
Recognised in OCI	11,660	(13,746)
Reclassification of deferred tax credits from current to deferred taxes	-	1,822
At 31 December	(33,918)	(43,880)

6 Finance income / (expense)

Finance income:	2022	2021
	£000	£000
Interest receivable and similar income:	1,940	55
Foreign exchange gains	460	-
	2,400	55

Finance expense:	2022	2021
	£000	£000
Interest payable and similar charges:		
Interest due to group companies	(1,680)	(3,021)
Interest on lease liabilities	(484)	(591)
Foreign exchange losses	-	(127)
	(2,164)	(3,739)

Ericsson Limited

Notes to the financial statements (continued)
For the year ended 31 December 2022

7 Property, plant and equipment

	Leasehold buildings £000	Plant & machinery £000	Total £000
Cost:			
At 31 December 2021	4,366	11,296	15,662
Additions	-	238	238
Disposals	-	(37)	(37)
At 31 December 2022	4,366	11,497	15,863
Accumulated depreciation:			
At 31 December 2021	1,358	10,675	12,033
Provided during the year	442	448	890
Disposals	-	(4)	(4)
At 31 December 2022	1,800	11,119	12,919
Net book value:			
At 31 December 2022	2,566	378	2,944
At 31 December 2021	3,008	621	3,629

8 Inventories

	2022 £000	2021 £000
Work in process and goods in transit	20,238	24,519
Finished goods and goods for resale	5,412	3,930
	25,650	28,449

The above balances include £0m (2021: £0.18m) which represents the allowance for obsolescence.

9 Trade and other receivables

	2022 £000	2021 £000
Trade receivables	275,468	150,636
Allowances for impairment	(18)	(8)
Net trade receivables	275,450	150,628
Amounts owed by group undertakings	7,187	24,708
Prepayments	4,987	3,736
	287,624	179,072

Trade receivables are primarily denominated in sterling, with £0.2m being denominated in US dollars/US dollar linked currencies (2021: £0.1m) and £27.0m being denominated in Euros (2021: £28.8m). The book value of trade and other receivables is consistent with fair value in the current and prior year.

Movement in allowances for impairment

	2022 £000	2021 £000
Balance at 1 January	(8)	(34)
Additions	(363)	(234)
Utilisation	353	260
Balance at 31 December	(18)	(8)

Aging analysis as at 31 December 2022

	Amount £000	Of which neither impaired nor past due £000	Of which impaired, not past due £000	Of which past due in the following time intervals		Of which past due and impaired in the following time intervals	
				less than 90 days £000	90 days or more £000	less than 90 days £000	90 days or more £000
Trade receivables	275,468	273,721	-	1,687	42	-	18
Allowances for impairment	(18)	-	-	-	-	-	(18)
Net trade receivables	275,450	273,721	-	1,687	42	-	-

Ericsson Limited

Notes to the financial statements (continued)
For the year ended 31 December 2022

9 Trade and other receivables (continued)

Aging analysis as at 31 December 2021

	Amount £000	Of which neither impaired nor past due £000	Of which impaired, not past due £000	Of which past due in the following time intervals		Of which past due and impaired in the following time intervals	
				less than 90 days £000	90 days or more £000	less than 90 days £000	90 days or more £000
Trade receivables	150,636	146,799	-	3,772	57	-	8
Allowances for impairment	(8)	-	-	-	-	-	(8)
Net trade receivables	150,628	146,799	-	3,772	57	-	-

Credit risk in trade receivables is governed by a policy applicable for all legal entities in Ericsson. The purpose of the policy is to:

- Avoid credit losses through establishing internal standard credit approval routines in all Ericsson legal entities
- Ensure monitoring and risk mitigation of defaulting accounts, i.e. events of non-payment and/or delayed payments from customers
- Ensure efficient credit management within the Company and thereby improve Days Sales Outstanding and Cash Flow
- Ensure payment terms are commercially justifiable
- Define escalation path and approval process for payment terms and customer credit limits.

The creditworthiness of all customers is regularly assessed and a credit limit is set. Through credit management system functionality, credit checks are performed every time a sales order or an invoice is generated in the source system. This is based on the credit risk set on the customer. Credit blocks appear if the credit limit set on customer is exceeded or if past due receivables are higher than permitted levels. Release of a credit block requires authorization.

Trade receivables amounted to £275.5m (2021: £150.6m). Provisions for expected losses are regularly assessed and amounted to £0.0m (2021: £0.0m). Ericsson's nominal credit losses have, however, historically been low. The five largest customers are the main telecom operators in the UK and represent 96.5% (2021: 96.3%) of the total trade receivables.

10 Cash

	2022 £000	2021 £000
Cash in hand and at bank	202	8,723
	202	8,723

11 Trade and other payables

	2022 £000	2021 £000
Trade creditors	33,215	34,839
Amounts owed to group undertakings	133,579	118,091
Taxation and social security	29,271	17,899
Accruals and deferred income	57,129	55,519
	253,194	226,348

On 8 June 2022 a new loan agreement from the ultimate parent undertaking and controlling party Telefonaktiebolaget LM Ericsson was signed by the company. This loan amounted to £50m and was agreed for a period of a year, the prior loan between Ericsson Limited and Telefonaktiebolaget LM Ericsson also amounted to £50m. Due to parts of the London interbank offered rate (LIBOR), as an interest rate mechanism being discontinued during late 2022 (and scheduled to fully end during 2023), this loan was revised twice over this period to cover the new mechanism of the Secured Overnight Financing Rate (SOFR) as the replacement to LIBOR, and the available loan periods offered by Telefonaktiebolaget LM Ericsson:

- 8 June 2022 – for 5 months from the date of disbursement. Initial period with interest being charged over the term of this element of the loan calculated at LIBOR plus agreed markup, and payable on the last day of the loan.
- 10 November 2022 – for 6 months, with interest being charged over the term of this element of the loan calculated at SOFR plus agreed markup, and payable on the last day of the loan.
- 8 May 2023 – for 1 month with interest being charged over the term of this element of the loan calculated at SOFR plus agreed markup, and payable on the last day of the month period.

On 8 June 2023 a new loan agreement from the ultimate parent undertaking and controlling party Telefonaktiebolaget LM Ericsson was signed by the company. This loan amounted to £50m, the loan period (including any accrued interests) was for 6 months from the date of disbursement, with interest being charged over the full term of the loan calculated at SOFR plus agreed markup, and payable on the last day of the loan period.

Ericsson Limited

Notes to the financial statements (continued)
For the year ended 31 December 2022

12 Provisions

	Onerous customer contracts	LTV scheme	Restructuring	Total
	£000	£000	£000	£000
At 1 January 2021	-	5,202	857	6,059
Additions	215	3,062	414	3,691
Reversals	-	(489)	(354)	(843)
Utilisation	-	(4,323)	(203)	(4,526)
At 1 January 2022	215	3,452	714	4,381
Additions	-	713	-	713
Reversals	(66)	(216)	(287)	(569)
Utilisation	(146)	(1,901)	(127)	(2,174)
At 31 December 2022	3	2,048	300	2,351
Of which at 31 December 2022:				
Non-current liabilities	-	755	-	755
Current liabilities	3	1,293	300	1,596
At 31 December 2022	3	2,048	300	2,351
Of which a at 31 December 2021:				
Non-current liabilities	-	1,460	-	1,460
Current liabilities	215	1,992	714	2,921
At 31 December 2021	215	3,452	714	4,381

Onerous contract provision

Onerous contract provision of £nil (2021: £0.2m) relates to loss on customer contracts where the expected contract revenues will not be sufficient to cover the expected contract costs.

Restructuring provision

At 31 December 2022 the provision of £0.3m (2021: £0.7m) represents the restructuring provision for severance and other termination costs provided for in relation to the continuing cost reduction measures undertaken by the company. The overall provision is expected to be realised by the end of 2023.

Long Term Variable scheme

As at 31 December 2022 the provision of £2.0m (2021 £3.5m) represents the estimated cost of Long Term Variable pay compensation. There are two plans.

The Plans are cash-settled retention plans. Employees are selected as participants annually through a nomination process. Participants are assigned a potential award based on a percentage of their annual gross salary, which is converted into a number of synthetic shares based on the same market price of Ericsson B shares used for the respective year's LTV.

One plan is a retention plan, therefore there are no performance criteria for vesting of awards. In general, there is a three-year service period for receiving the award in full and the award is subject only to continued employment during the service period.

On the second plan the vesting level of the award is subject to the achievement of the same performance criteria over the same performance period defined for the respective year and generally requires that the participant retains his or her employment over the vesting period.

At the end of the vesting period, the allotted synthetic shares are converted into a cash amount, based on the market price of Ericsson B shares at Nasdaq Stockholm at the pay-out date, and this final amount is paid to the participant in cash gross before tax.

Ericsson Limited

Notes to the financial statements (continued)
For the year ended 31 December 2022

13 Share capital

Authorised

	2022	2021
	£000	£000
31,000,000 ordinary shares of £1 each	31,000	31,000
139,000,000 redeemable ordinary shares of £1 each	139,000	139,000
	170,000	170,000

Allotted, called up and fully paid

	2022	2021
	£000	£000
30,600,000 ordinary shares of £1 each	30,600	30,600
22,000,000 redeemable ordinary shares of £1 each	22,000	22,000
	52,600	52,600

The redeemable ordinary shares can be redeemed at par by the Company giving notice in writing of not less than one month. Both classes of shares of the Company rank pari passu in all respects.

14 Lease liabilities**The Company as lessee****i) Right of use assets**

Buildings	2022	2021
	£000	£000
Opening balance at 1 January	6,768	8,659
Depreciation charge	(1,190)	(2,171)
Additions	18	280
Closing balance at 31 December	5,596	6,768

Vehicles	2022	2021
	£000	£000
Opening balance at 1 January	900	1,812
Depreciation charge	(723)	(913)
Additions	142	240
Retirements - cost	(264)	(938)
Retirements - depreciation	240	699
Closing balance at 31 December	295	900

Closing balance of right of use assets at 31 December **5,891** **7,668**

ii) Lease liabilities

Lease liabilities	2022	2021
	£000	£000
Non-current	6,673	8,411
Current	1,814	2,205
	8,487	10,616

	2022	2021
	£000	£000
Interest expense (included in finance costs)	(484)	(591)
Total cash outflow for leases during the financial year	3,887	3,887

Ericsson Limited

Notes to the financial statements (continued)
For the year ended 31 December 2022

15 Financial risk management and financial instruments

The Company's capital and financial risk management policies are governed at the Ericsson Group level.

Capital management

Ericsson Group defines its managed capital as the total of Company's equity, therefore uses Equity / Total Assets ratio as a measure of determining the appropriate capital structure of its group companies.

The capital structure is managed by balancing equity, intercompany loans and liquidity in such a way that the Company secures funding of its operations in a cost effective way for the Ericsson Group.

The Company achieves its funding needs solely through Ericsson Group Treasury and does not negotiate any external borrowing independently. This provides financial flexibility and independence to operate and manage variations in working capital needs as well as to capitalize on business opportunities.

The Company strives to finance growth, normal capital expenditures and dividends to Ericsson Group by generating sufficient positive cash flows from operating activities.

Capital objectives information:

	2022 £000	2021 £000
Equity	122,953	137,483
Total assets	505,446	510,725
Equity ratio	24.3%	26.9%
Cash flow from operating activities	(4,867)	(47,865)

Financial management

The Company's financial risk management policy is primarily driven by Ericsson Group Treasury. The principal role is to ensure that appropriate financing is in place to manage the Company's liquidity as well as financial assets and liabilities, and to control financial risks exposures in a manner consistent with underlying business risks and financial policies. The Company does not undertake any local hedging activities.

Foreign exchange risk

The Company is exposed to foreign exchange risk in the normal course of business for transactions not denominated in GBP Sterling. For intercompany transactions, Ericsson Group Treasury seeks to minimize such risk by dictating the currency of trade between the Company and its group undertakings.

Interest rate risk

The Company is exposed to interest rate risk through market value fluctuations in certain balance sheet items and through changes in interest revenues and expenses. The cash balance at year end was £0.2m (2021: £8.7m net cash). There were no interest bearing liabilities at year end (2021: £nil)

Cash or overdraft balances are managed through a cash pooling arrangement, subject to floating rates applicable to the cash pooling arrangement with the Ericsson Group Treasury. No assets or liabilities are subject to fixed interest rate exposure.

The Company policy is to avoid a significant fixed rate exposure in its assets and liabilities.

Price risk

The Company is exposed to low price risks due to prices being regulated at a Group level. The Company receives market support and has transfer pricing arrangements in place with the Group company.

Liquidity risk

Liquidity risk is that the Company is unable to meet its short-term payment obligations due to insufficient funds or illiquid cash reserve. The Company minimizes the liquidity risk by maintaining a sufficient net cash position and having Ericsson Group Treasury loan facilities in place to meet potential funding needs.

All financial instruments of the company fall under level 3 of the fair value hierarchy.

The entire cash balance is held with reputable financial institutions.

Ericsson Limited

Notes to the financial statements (continued)
For the year ended 31 December 2022

15 Financial risk management and financial instruments (continued)

Carrying amounts of financial instruments

	Trade receivables (note 9) £000	Lease liabilities (note 14) £000	Trade payables (note 11) £000	2022 £000	2021 £000
Loans and receivables at amortised cost	282,637	-	-	282,637	175,336
Financial liabilities at amortised cost	-	(8,487)	(166,794)	(175,281)	(163,546)
Total	282,637	(8,487)	(166,794)	107,356	11,790

The following table shows analysis of financial liabilities, including lease liabilities by contractual maturity.

	Lease liabilities £000	Trade payables (note 11) £000	Total 2022 £000
Less than 1 year	1,795	166,794	168,589
1 - 3 years	3,041	-	3,041
3 - 5 years	3,257	-	3,257
More than 5 years	1,889	-	1,889
Total	9,982	166,794	176,776

	Lease liabilities £000	Trade payables (note 11) £000	Total 2021 £000
Less than 1 year	2,205	152,930	155,135
1 - 3 years	3,266	-	3,266
3 - 5 years	3,257	-	3,257
More than 5 years	1,889	-	1,889
Total	10,617	152,930	163,547

16 Pension commitments

The company operates three final salary defined pension schemes, the Ericsson Employee Benefits Scheme ("EESB") and the Ericsson Marconi Pension Plan ("EMPP") and the Ericsson Television Defined Benefit Scheme ("ETDBS"). All of these schemes are closed to new entrants and to future accruals for existing members. In addition, the company operates a defined contribution scheme with defined benefit underpin - the Ericsson Television Pension Plan ("ETPP"). The ETPP was closed to future defined benefit accrual as at 31 May 2016. The assets for each scheme are held separately from those of the Company in independently administered funds. The trustee boards are composed of representatives from both employers and plan members. The trustee boards of the schemes are required by law to act in the interest of the fund and of all relevant stakeholders in the scheme, i.e. employees / former employees, retirees, employers. The trustee boards of the schemes are responsible for the investment policy with regard to the assets of the fund.

The pension assets and liabilities comprise:

	2022 £000	2021 £000
Defined benefit scheme	171,035	229,772
Defined contribution scheme with underpin	83	(17,449)
	171,118	212,323

There are no amounts of unpaid contributions at the year end relating to the defined benefit scheme or the defined contribution scheme as all payments were made within the month due.

Administration costs incurred to administer and govern the pension plan have been expensed through the income statement. Administration costs incurred for directly managing the plan assets such as fees paid to the bank for asset management services and salaries of the management board who manage the trust are included in the return in plan assets.

Notes to the financial statements (continued)
For the year ended 31 December 2022

16 Pension commitments (continued)

The schemes typically expose the Company to actuarial risks such as: investment risk, interest rate risk, longevity risk and inflation. In addition the defined contribution scheme with a defined benefit underpin has annuity risks.

Investment risk - The present value of each scheme's liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on the scheme asset is below this rate, it will create a scheme deficit. Due to the long-term nature of the scheme liabilities, the board of the pension fund considers it appropriate that a reasonable portion of the scheme assets should be invested in equity securities and real estate to leverage the return generated by the scheme. As the defined contribution scheme with the defined benefit underpin is primarily a defined contribution arrangement, the board of this scheme considers it appropriate to invest the majority of the scheme's assets in equity funds.

Interest risk - A decrease in bond interest rate will increase the liabilities; however, for the defined benefit scheme, this will be partially offset by an increase in the return on the plan's debt investments. The trustees of the defined benefit schemes have substantially hedged the assets against interest rate risk, relative to a gilts measure. Therefore the key exposure relative to the accounting assumptions for the defined benefit schemes relates to movements in corporate bond spreads.

Longevity risk - The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the scheme's liability.

Inflation risk - The present value of the defined benefit liability is linked to inflation, and higher inflation will lead to higher liabilities. The majority of the scheme's assets however are aligned to movements in liabilities due to the hedging arrangements in place, with the exception of the defined contribution scheme, where assets are only loosely correlated with inflation, meaning that an increase in inflation will increase the deficit shown in respect of this Plan.

In December 2022, the trustees purchased a bulk annuity buy-in contract (valued at £149m) from an insurance company to secure all future payments to members of one of the UK pension plans. This transfers risks associated with the plan to the insurance company, although, since the Company retains the legal responsibility to pay all scheme benefits, the plan liabilities remain on the balance sheet alongside the corresponding buy-in assets.

Defined benefit pension schemes

Actuarial valuations for scheme funding purposes were carried out at 31 December 2021 EMPP and EEBS and 30 September 2020 for ETDBS. The valuations have been updated at 31 December 2022 by a qualified and independent actuary using revised assumptions that are consistent with the requirements of IAS 19. Investments have been valued, for this purpose, at market value.

During the year the company paid cash contributions of £0.8m for the EEBS scheme and £0.5m for the EMPP scheme, in accordance with the Schedule of Contributions agreed with the pensions trustees. Contributions are expected to be £0.8m and £nil in the coming year for EEBS and EMPP respectively.

The major assumptions used for the actuarial valuation were:

	2022		2021	
	ETDBS %	EEBS & EMPP %	ETDBS %	EEBS & EMPP %
Rate of increase in pensions in payment (RPI capped at 5% p.a.)	2.90	2.85	3.10	3.05
Discount rate	4.95	4.90	1.80	1.75
Inflation assumptions (RPI)	3.10	3.05	3.25	3.20
Inflation assumptions (CPI) [pre 2030 / post 2030]	2.10/3.10	2.05/3.05	2.25 / 3.25	2.20 / 3.20

For the purpose of 31 December 2022 actuarial valuation the discount rate is based on high quality corporate bonds rated AA by at least one of two principle credit rating agencies and which have an outstanding debt issue of at least £50m. This is consistent with the prior year.

The mortality assumptions used for the 2022 year end are the S3PA tables with CMI 2021 projections and 1.5% improvements (smoothing parameter=7.5 and A=0 and W2020=W2021=0) with scheme specific weightings based on the best estimate assumption derived from the latest Trustee funding valuation. Average life expectancy for mortality tables used to determine the defined benefit obligation at 31 December 2022 were:

	2022		2021	
	Male	Female	Male	Female
EEBS, EMPP & ETDBS :				
Aged 65 now; average life expectancy	22.3	24.5	22.3	24.6
Aged 40 now; average life expectancy on retirement at age 65	24.4	26.7	24.4	26.8

Ericsson Limited

Notes to the financial statements (continued)
For the year ended 31 December 2022

16 Pension commitments (continued)

Defined benefit pension schemes (continued)

The market value of the assets in the scheme, the present value of the liabilities in the scheme and the expected rate of return at the balance sheet date were:

	%	2022 £000	%	2021 £000
Equity investments categorised by risk:				
- Quoted	1.1%	8,347	1.2%	15,703
Bonds				
- Government (fixed linked)		125,230		284,726
- Government (index linked)		315,400		647,042
- Corporate bonds (investment grade)		14,870		19,575
Subtotal	57.6%	455,500	71.2%	951,343
Property	0.8%	6,190	0.4%	5,899
Investment funds	37.8%	298,475	26.0%	347,721
Cash and cash equivalents categorised by risk:				
- Quoted	2.8%	21,932	1.2%	16,119
Total market value of assets		790,444		1,336,785
Present value of scheme liabilities		(619,409)		(1,107,013)
Net pension asset	100%	171,035	100%	229,772

The fair values of the above equity and debt instruments are determined based on quoted market prices in active markets whereas the fair values of properties are based on the value of the underlying securities at close of business.

Changes in the present value of benefit obligation:	2022 £000	2021 £000
Opening benefit obligation	1,107,013	1,125,491
Interest cost	19,263	16,199
Benefits paid	(23,929)	(23,335)
Actuarial gains	(482,938)	(11,342)
Closing benefit obligation	619,409	1,107,013

Ericsson Limited

Notes to the financial statements (continued)
For the year ended 31 December 2022

16 Pension commitments (continued)

Changes in the value of scheme assets:	2022	2021
	£000	£000
Opening value of scheme assets	1,336,785	1,312,911
Interest income	23,293	18,930
Employer contributions	1,216	4,403
Benefits paid	(23,929)	(23,335)
Expenses	(1,573)	(1,371)
Actuarial (losses) / gains	(545,348)	25,247
Value of scheme assets at end of year	790,444	1,336,785
Surplus recognised	171,035	229,772
	2022	2021
	£000	£000
Actual return on plan assets	(522,055)	44,177
Analysis of the amount charged to operating profit:	2022	2021
	£000	£000
Administration expenses	(1,573)	(1,371)
Net charged to operating profit	(1,573)	(1,371)
Analysis of the amount charged to net finance charges:	2022	2021
	£000	£000
Interest income on pension scheme assets	23,293	18,930
Interest expense on pension scheme liabilities	(19,263)	(16,199)
Net interest income	4,030	2,731
Analysis of the actuarial (losses)/gains recognised in the statement of comprehensive income:	2022	2021
	£000	£000
Actual return less interest income on pension scheme assets	(545,348)	25,247
Experience losses arising on the scheme liabilities	(53,485)	16,096
Changes in demographic assumptions	2,831	4,232
Changes in financial assumptions underlying the present value of scheme liabilities	533,592	(8,986)
	(62,410)	36,589

Ericsson Limited

Notes to the financial statements (continued)
For the year ended 31 December 2022

16 Pension commitments (continued)

Movement in scheme surplus during the year:

	2022 £000	2021 £000
Pension scheme surplus at start of year	229,772	187,420
Administration expenses	(1,573)	(1,371)
Contributions	1,216	4,403
Net finance income	4,030	2,731
Actuarial (losses)/gains	(62,410)	36,589
Pension scheme surplus at end of year	171,035	229,772

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, long-term expected inflation and mortality. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting year, while holding all other assumptions constant.

- If the discount rate is 0.5% higher (lower), the defined benefit obligation would decrease by £49.1m (increase by £54.9m).
- If the inflation rates are 0.5% higher (lower), the defined benefit obligation would increase by £39.4m (decrease by £38.9m).
- If the life expectancy increases (decreases) by one year for both men and women, the defined benefit obligation would increase by £18.2m (decrease by £18.3m).

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting year, which is the same as that applied in calculating the defined benefit obligation liability recognised in the balance sheet.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

The plan trustees and the Company regularly review the plan's investment strategy to ensure that it remains appropriate for risk and return profiles.

As the schemes are closed to future accrual, employees pay no further contributions to the schemes. The Company's funding requirements depend on the level of any deficit in the plan and are based on the local actuarial measurement framework.

The average duration of the defined benefit obligation at 31 December 2022 is 18 years (2021: 22 years).

The Company expects to make a contribution of £0.8m to the defined benefit schemes during the next financial year.

Defined contribution pension plan with defined benefit underpin

The Ericsson Television Limited Pension Plan ("ETPP") is defined contribution in nature but a defined benefit underpin applies in respect of members' pensionable service up to 1 June 2016. After this date, employees moved to a defined contribution arrangement (see note 4). The Company pays contributions of 8% of pensionable earnings into the DC arrangement. In addition, the Company will pay £2.02m per annum in deficit recovery contributions towards the Old Section from 1 January 2022 to 31 December 2028.

A member by member valuation is carried out by a qualified and independent actuary using assumptions that are consistent with the requirements of IAS 19. Investments have been valued, for this purpose, at market value.

The major assumptions used for the actuarial valuation were:

	2022 %	2021 %
Net discount rate underlying annuity purchase	(0.40)	(2.35)
Pre-retirement discount rate	4.95	1.80
Inflation assumptions	3.10	3.25

	2022		2021	
	Male	Female	Male	Female
Aged 65 now; average life expectancy	22.3	24.6	22.2	24.6
Aged 45 now; average life expectancy on retirement at 65	23.9	26.3	23.9	26.3

The market value of the assets in the scheme, the present value of the liabilities in the scheme and the expected rate of return at the balance sheet date were:

Ericsson Limited

Notes to the financial statements (continued)
For the year ended 31 December 2022

16 Pension commitments (continued)

		2022		2021
	%	£000	%	£000
Equity investments categorised by region:				
- UK		25,855		28,549
- Europe		9,003		9,943
- North America		9,003		9,943
- Other		7,717		8,522
Subtotal	86%	51,578	75%	56,957
Bonds				
- Government		5,804		16,019
- Corporate bonds (investment grade)		950		1,303
Subtotal	11%	6,754	23%	17,322
Cash	3%	1,646	2%	1,627
Total market value of assets	100%	59,978	100%	75,906
Present value of scheme liabilities		(59,895)		(93,355)
Net pension liability		83		(17,449)

The fair values of the above equity and debt instruments are determined based on quoted market prices in active markets whereas the fair value of properties are based on the value of the underlying securities

Changes in the present value of benefit obligation:

	2022	2021
	£000	£000
Benefit obligation at start of year	93,355	93,824
Interest expense	1,672	1,358
Benefits paid	(667)	(897)
Actuarial gains	(34,465)	(930)
Closing benefit obligation	59,895	93,355

Changes in the value of scheme assets:

	2022	2021
	£000	£000
Opening value of scheme assets	75,906	67,079
Interest income	1,377	974
Employer contributions	2,055	420
Benefits paid	(667)	(897)
Actuarial (losses) / gains	(18,693)	8,330
Value of scheme assets at end of year	59,978	75,906
Surplus / (deficit) recognised	83	(17,449)

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Notes to the financial statements (continued)
For the year ended 31 December 2022

16 Pension commitments (continued)

	2022 £000	2021 £000
Actual (loss) / return on plan assets	(17,316)	9,304
Analysis of the amount charged to net finance charges:		
	2022 £000	2021 £000
Interest income on pension scheme assets	1,377	974
Interest expense on pension scheme liabilities	(1,672)	(1,358)
Net interest expense	(295)	(384)
Analysis of the actuarial gains recognised in the statement of comprehensive income:		
	2022 £000	2021 £000
Actual return less interest income on pension scheme assets	(18,693)	8,330
Experience losses arising on the scheme liabilities	(5,097)	122
Changes in demographic assumptions underlying the present value of scheme liabilities	(47)	(807)
Changes in financial assumptions underlying the present value of scheme liabilities	39,609	1,615
	15,772	9,260
Movement in scheme deficit during the year:		
	2022 £000	2021 £000
Pension scheme deficit at start of year	(17,449)	(26,745)
Contributions	2,055	420
Net finance income	(295)	(384)
Actuarial gains	15,772	9,260
Pension scheme surplus / (deficit) at end of year	83	(17,449)

Significant actuarial assumptions for the determination of the defined benefit obligation are the discount rate assumption, inflation assumption and mortality assumption. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting year, while holding all other assumptions constant.

- If the discount rate is 0.5% higher (lower), the defined benefit obligation would decrease by £2.7m (increase by £3.6m).
- If the inflation rates are 0.5% higher (lower), the defined benefit obligation would increase by £2.9m (decrease by £1.8m).
- If the life expectancy increases (decreases) by one year for both men and women, the defined benefit obligation would increase by £0.8m (decrease by £0.7m).

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

The average duration of the defined benefit obligation at 31 December 2022 is 27 years (2021: 27 years).

The Company expects to contribute £2.02m to the Plan during the next financial year.

Ericsson Limited

Notes to the financial statements (continued)
For the year ended 31 December 2022

17 Related parties

Parent and ultimate controlling party

The Company's immediate parent and ultimate parent undertaking and controlling party is Telefonaktiebolaget LM Ericsson, a company incorporated in Sweden (Torshamnsgatan 21, SE-164 83 Stockholm), the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of the financial statements of Telefonaktiebolaget LM Ericsson may be obtained from www.ericsson.com.

Transactions with key management personnel

Key management personnel compensation comprised of the directors noted in the Directors report.

	2022	2021
	£000	£000
Salaries and short-term employee benefits	633	554
Company contributions paid to post-employment benefits	12	33
	645	587
	2022	2021
	No.	No.
Members of post-employment benefits schemes	3	3
	2022	2021
	£000	£000
<i>Highest paid director</i>		
Emoluments and amounts receivable under incentive schemes	382	212

The emoluments of certain directors were paid during the year by another Ericsson Group company which made no recharges to the Company and no allocation of costs is possible. Accordingly, the remuneration shown above does not include these emoluments.

Only the directors are considered to be key management personnel as only the directors are responsible for key decisions in the company.

Other related party transactions

Related party transactions during the year are as follows:

	2022	2021
	£000	£000
Immediate & ultimate parent		
- Interest on Group loan facility	1,680	3,021
- Recharges back	2,745	3,309
Fellow subsidiaries		
- Sales	13,992	18,219
- Purchases	(329,568)	(347,378)
Related party balances as at the year end are as follows:		
	2022	2021
	£000	£000
Immediate & ultimate parent		
- Receivables	234	723
- Liabilities	(50,345)	(50,078)
Fellow subsidiaries		
- Receivables	6,953	23,985
- Liabilities	(83,234)	(68,015)

18 Commitments

Bank guarantees of £0.1m (2021: £0.1m) have been made to HMRC in the ordinary course of business.

19 Post balance sheet events

There were no material or significant events that occurred in the period from 31 December 2022 to the date of reporting that would require adjustment to or disclosure in the financial statements.