Ericsson
Annual Report
2022

ericsson.com

Contents

Financial report

Corporate Governance report

Remuneration report

Sustainability and Corporate Responsibility report

Ericsson Annual Report 2022

Our legal Annual Report consists of four parts published as one pdf. The four parts can also be downloaded separately:

- The Financial report, including Board of Director's report and the financial statements and notes
- The Corporate Governance report
- The Remuneration report
- The Sustainability and Corporate Responsibility report

Ericsson's annual accounts and consolidated accounts are included on pages 14–122 in the Financial report and are reported on by Deloitte in the auditor's report. The Corporate Governance report, the Remuneration report and the Sustainability and Corporate Responsibility report have also been subject to assurance procedures by Deloitte. We also file an Annual Report on Form 20-F with the U.S. Securities and Exchange Commission (SEC). All parts of the legal Annual Report are available on Ericsson's website. The report Ericsson 2022 In Review, published on Ericsson's website, describes the Company, its strategy and organization.

Financial report

Part of
Ericsson
Annual Report
2022

Annual Report 2022

Financial report

Corporate Governance report

Remuneration report

Sustainability and Corporate Responsibility report

ericsson.com

Contents

Financial report 2022

This is Ericsson

Ericsson's vision is a world where limitless connectivity improves lives, redefines business and pioneers a sustainable future.

We are one of the leading providers of Information and Communications Technology (ICT). We enable the full value of connectivity by creating game-changing technology and services that are easy to use, adopt, and scale, making our customers successful in a fully connected world.

Our portfolio spans Networks, Cloud Software and Services, Enterprise Wireless Solutions, Global Communications Platform, Technologies and New Businesses, and IPR licensing.

Ericsson's strategy is to leverage its leadership in mobile networks to drive focused expansion in enterprise; lead the industry with critical innovations, and capture strategic business opportunities. We are now driving a paradigm shift to the next wave of connectivity and are transforming ourselves to a platform company, leveraging 5G networks as a powerful innovation platform.

Our broad portfolio allows us to cater to a wide range of customers in multiple industries. Ericsson's communications service provider business is divided into five geographical market areas: North America; Europe and Latin America; Middle East and Africa; South East Asia Oceania and India; and North East Asia.

We are committed to being a leader in conducting business built on a culture of ethics and integrity. The Company has approximately 105,000 employees, and customers in around 180 countries. Ericsson is headquartered in Stockholm, Sweden. Our shares are listed on Nasdaq Stockholm and our American Depositary Shares (ADS) are listed on Nasdaq New York.

A platform for growth and exponential innovation

2022 marked a significant year for Ericsson. We are a company on the move and have solidified our leadership position in mobile networks, built an enterprise business, and continued to drive transformation of our culture.

Ericsson is at the epicenter of a powerful trend where anything that can go wireless will go wireless. Together with front-runner customers, we are shaping the industry landscape by becoming a platform company building on 5G.

Our strategy is to extend our leadership in mobile networks and grow our enterprise business. Our current available market is around USD 100 billion, and with enterprise offerings it increases by about 50%. While the mobile network's market is expected to be flattish, the enterprise market is poised to double over the next few years.

We are executing on our strategy. Our investments in technology leadership have allowed us to build a leading portfolio in mobile networks which is the foundation of our global leadership position. Half of the world's 5G traffic outside of Mainland China, is carried over our networks, and 16 of the world's 20 largest communications service providers have selected Ericsson 5G core.

Enterprise growth

Building on our technology and leadership in mobile network solutions, we are expanding into the enterprise space with a two-pillar approach.

The first pillar is Enterprise Wireless Solutions which includes Cradlepoint solutions and private networks. This is a high-growth multibillion-dollar opportunity, which can create new revenues for Ericsson and our customers.

The second pillar is powered by our acquisition of Vonage. The next lever of digitalization in enterprise will leverage the capabilities only the network can provide, such as speed, latency, and authentication. By leveraging Vonage's platform and its global ecosystem of application developers, we aim to transform how network capabilities are exposed, consumed, and paid for, using Application Programming Interfaces (APIs).

The current API market, addressed through Vonage's Communication Platform as a Service (CPaaS), is an attractive standalone opportunity with a high growth outlook.

Beyond this, our ambition is to create an entirely new market for open network APIs that allows developers to easily integrate network capabilities and differentiated performance into their applications. This is a brand-new market, and over time we believe it could be as large as the current communications API market.

At the recent Mobile World Congress, we showcased the live use of network APIs in a mobile gaming application and video solution for the first time. We are working closely with selected frontrunner customers, who see that network APIs can create significant revenue streams on top of their current subscription revenues, resulting in a virtuous cycle that will stimulate further investments in the network.

Business performance

During 2022, organic sales grew by 3% to reach SEK 271.5 billion. At the end of the year, Ericsson powered 141 live 5G networks in 61 countries. Free cash flow before M&A reached SEK 22.2 billion. This performance allows us to continue investing in Research & Development

(R&D), which is crucial to maintaining our technology leadership position. During 2022, R&D investments totaled SEK 47.3 billion.

EBITA excluding restructuring charges declined to SEK 29.5 billion with an EBITA margin of 10.9%. Excluding Vonage and previously announced charges of SEK −5.5 billion during the year, EBIT margin excluding restructuring charges was 12.9%, reaching the target for 2022 set in 2018 of 12–14%.

Russia's war in Ukraine has heartbreaking consequences on individuals' lives and a ripple effect on the global economy. Following the invasion, we wound down our engagement in Russia in a controlled way. By year-end 2022, we exited our operations in Russia and now have a small presence to fulfil remaining legal and administrative requirements.

To capitalize on the convergence of software and services, we formed business area Cloud Software and Services by combining business areas Digital Services and Managed Services. Our performance in this area has not been satisfactory. To improve profitability, our revised strategy is based on limiting subscale software development, accelerating automation, and changing focus from market share gains to profitability. We are confident that we are on a clear path to reaching operating profit break-even for full-year 2023 with further improvements thereafter.

At the end of 2022, Ericsson secured a multi-year license agreement with a leading device manufacturer. Based on this positive outcome, we are confident that revenues from our patent portfolio can increase significantly, both through new 5G agreements with previously unlicensed device vendors and through expansion into other licensing areas.

In 2022, we put renewed focus on our operating performance. We announced the introduction of a new Group function, Global Operations, which is driving operational simplification and improving customer experience. Additionally, we are accelerating structural cost improvements and productivity, aiming to reduce cost run rate by SEK 9 billion by end of 2023.

Cost savings, growing IPR revenues, a revised Cloud Software and Services strategy, portfolio adjustments and enhanced R&D productivity, are expected to allow us to reach the lower end of our long-term EBITA[1] target of 15–18% by 2024.

Market development

Robust digital infrastructure is a prerequisite for a digital society. Data traffic in the networks is expected to grow almost 4x until 2028. This growth will require more network infrastructure. We are still in the early days of 5G deployment with only about 20% of all radio base stations upgraded to 5G mid-band, which is needed for performance and capacity.

We expect the near term to be choppy. Some of our customers, primarily in frontrunner markets, are guiding for lower capex and a reduction of their inventory, impacting near-term demand. The rapid build-out of 5G in India, however, can to some extent offset this. Given the macroeconomic headwinds, we are also planning for slower near-term growth in the Enterprise segment. We expect a better demand in the second half of 2023 as data traffic growth will require further investments.

People and culture

Throughout 2022, we continued to enhance our culture, with integrity and ethics at the center of everything that we do. We will continue to prioritize operational excellence, accountability, and strong governance across the Company. Our people are at the core of everything; our success depends on our ability to foster a diverse and inclusive culture that enables our world-class talent to execute our strategy and help us shape a stronger Ericsson for the future.

We have strengthened our governance further over the course of 2022. We introduced a revamped approach to global risk management, and we continue to implement and embed our compliance program, with the aim of being best in class.

We pride ourselves on our global market position, customers in around 180 countries and playing a critical role in maintaining communications networks around the world. We regard access to connectivity as a fundamental human need. We are at the same time very thoughtful about where and with whom we work. We are constantly assessing our operations in various markets and will not compromise the safety of our people, our fundamental principles, or our core values.

Alongside ethical behavior, the safety and well-being of our team, or anyone working on behalf of Ericsson, is paramount. During 2022, we continued to strengthen occupational health and safety programs and practices in our operations and throughout the supply chain.

Cultural transformation is a journey and requires continuous effort – we have made great progress but there is always more work to do. We genuinely believe that having a strong culture of ethics, integrity, diversity, and inclusion is a long-term competitive advantage.

Resolution with the United States Department of Justice

On March 2, 2023, we reached a resolution with the DOJ regarding non-criminal breaches of our 2019 deferred prosecution agreement (DPA) and agreed to plead guilty to the historical charges which concern conduct prior to 2017. The Ericsson Executive Team and I continue to work hard to clean up the past, strengthening our controls and processes, and transforming our culture to ensure that the historical misconduct that led to our 2019 DPA never happens again.

The DOJ noted in our agreement: "[Ericsson] has significantly enhanced its compliance program and internal accounting controls through structural and leadership changes,

[1] Excluding restructuring charges.

including but not limited to the hiring of a new Chief Legal Officer and new Head of Corporate and Government Investigations and the establishment of a multi-disciplinary Business Risk Committee comprised of Group-level senior executives ... and has committed to continuing to implement and test further enhancements. " Further, "[Ericsson] has significantly enhanced its cooperation and information sharing efforts."

Regarding the conduct in Iraq which has been the subject of our investigation, it is important to note that this is historical conduct, and is more than a decade old in some instances. We will continue to investigate the historical facts and are committed to cooperating openly and fully with the DOJ and the U.S. Securities and Exchange Commission until the matter is closed out. And, as we announced on March 2, 2023, our 2019 investigation did not conclude that Ericsson made or was responsible for any payments to any terrorist organization, and our significant further investigation over the course of 2022 has not altered this conclusion.

When I joined, we began a concerted effort to root out the type of misconduct that led to the DPA, and we have made major changes since then. With limited ability to travel during COVID, we now need to accelerate our transformation going forward. We recognize the need to get this right – to be a true industry leader, we need to be market and technology leaders as well as world class in how we conduct our business.

Sustainability

Connectivity is the backbone of society's sustainable development, and Ericsson's technology is a key lever for fighting climate change and an enabler of greater social inclusion.

In 2022, we continued our work on closing the digital divide through public-private partnerships including UNICEF's and ITU's Giga initiative, which aims to connect every school by 2030.

Ericsson and the telecom industry are leading the race to zero emissions. We have set an ambition to be Net Zero within our own operations by 2030 and to reach Net Zero across our value chain by 2040. We have invested in an energy-efficient portfolio so our customers can reduce their energy cost and carbon emissions. The potential to decarbonize other sectors through digitalization is even greater. Ericsson has an important role to play by providing digital infrastructure, enabling sectors like manufacturing or transportation to reduce their emissions.

Concluding remarks

Our strategy is rooted in driving sustainable growth and maximizing value for all stakeholders. We expect the mobile market to be flattish over the next few years, with large short-term swings. To build sustainable and resilient growth, our strategy to expand into the Enterprise segment is critical. Success will require making near-term investments in building a strong go-to-market model, broadening our portfolio, and creating a new market for network APIs.

We are confident that we have the right team and strategy in place to extend our leadership in mobile networks; achieve profitability in Cloud Software and Services; execute in the high-growth enterprise segment; transform into a platform company; and shape the industry landscape. We are committed to doing all of this with integrity.

These are exciting times for Ericsson, and we are in the midst of our journey to redefine our company and our industry. There is much more to come, and I want to thank the entire Ericsson team worldwide for continuing their work in this important journey. Their passion, commitment and skills are a true inspiration and without their hard work and dedication, these accomplishments would not be possible.

We are helping to shape an exciting and positive future – a world where limitless connectivity improves lives, redefines business and pioneers a sustainable future.

Börje Ekholm
President and CEO

"Together with front-runner customers, we are shaping the industry landscape by becoming a platform company building on 5G."

Strategy

Creating long-term value

Ericsson continues to strengthen its market and technology leadership position by investing in R&D for cost and performance benefits. We have taken important steps in establishing an enterprise presence and will further expand this business. Now we are shaping the industry landscape by transforming into a platform company, leveraging 5G as the innovation platform in close cooperation with our leading customers. By growing our core mobile networks business and capitalizing on the fast-growing enterprise market, we look to create value for all stakeholders. However, we know that to be an industry leader, market and technology leadership are not enough. We also need to be an ethical leader, operating the Company with the highest standards based on integrity. We have made significant investments in building a strong culture of ethics and integrity.

Profitable growth based on technology leadership

Ericsson has achieved a successful turnaround since 2017 by refocusing the portfolio, taking out significant cost, and increasing the investments in R&D to regain technology leadership. Today, Ericsson has established a leadership position in mobile networks with around 50% of the world's 5G traffic, outside of Mainland China, carried over Ericsson's networks. At year-end 2022, Ericsson powered 141 out of the 228 live 5G networks.

Our strategy is to enhance our leadership in mobile networks and expand into enterprise. The changes to our organization during 2022 aimed at accelerating the execution of our strategy. Ericsson's Networks segment, which accounts for 71% of the Company's revenues, remained unchanged. Meanwhile we merged two segments, Managed Services and Digital Services to create Segment Cloud Software and Services. This segment is designed to leverage synergies in R&D investments, increase cloud-native offerings and build combined offerings for automation and artificial intelligence (AI) for service delivery.

The acquisition of Vonage in 2022 and the formation of the business area Global Communications Platform provide us with the foundation to transform Ericsson into a platform company and are key steps in Ericsson's expansion into the attractive and high-growth enterprise market. 5G is an innovation platform for digitalizing enterprises and society, which offers differentiated network performance and capabilities. These capabilities enable communications service providers to offer differentiated services, such as enhanced network performance for extended reality, video production or gaming. Another example is more secure and easy-to-use authentication for financial transactions and service access. These use cases will benefit communications service providers by creating additional revenue streams on top of their current subscription offerings and stimulate further investments in the network. The acquisition of Vonage provides us with access to powerful building blocks, underpinning a full range of cloud communication solutions, and creates the foundation for a global network platform. This will enable us to establish a new market for network application programming interface (APIs) and a new way to expose, consume and monetize the network capabilities.

The success of the focused strategy is visible in our financial performance, which shows organic growth, increased EBITA[1)] and solid Free cash flow. Our long-term targets are to generate an EBITA margin excluding restructuring charges of 15–18% and Free cash flow before M&A of 9–12% of sales. We remain committed to be Net Zero within our own operations by 2030 and to reach Net Zero across the value chain by 2040. Our target to reduce greenhouse gas emissions from our own activities by 35% by 2022 (from a 2016 baseline) has been reached.

We will prudently manage our costs, investments and balance sheet and will invest responsibly to preserve and enhance our technology leadership, market share and profitability. M&A activities will be limited to bolt-on acquisitions with attractive returns and a clear strategic fit. Near-term focus will be to ensure a strong financial position, prioritizing investments to support the strategy, and ensuring technology and market leadership.

During 2022, we have continued to strengthen and enhance our Ethics and Compliance program to ensure effective and sustainable anti-bribery and anti-corruption processes. We have revamped our approach to global risk management and strengthened governance by establishing a sustainable platform for compliance and controls. We continue to develop and streamline internal processes and internal anti-corruption controls.

We are committed to provide a work environment that promotes and safeguards the health, safety and well-being of our people. During the year we have accelerated the implementation of the cultural transformation program Ericsson on the Move, with its five cornerstones: empathy and humanness, cooperation and collaboration, fact-based and courageous decisions, executing speedily, and fostering a speak-up environment.

[1)] Excluding restructuring charges and previously announced charges of SEK –5.5 billion in 2022.

A purpose driven organization

Purpose
Ericsson's purpose, to create connections that make the unimaginable possible, is the foundation for the strategy to leverage technology leadership, to enhance our leadership in mobile networks to grow the mobile network business and to expand into enterprise. 5G technology is the platform for innovation, offering nearly limitless opportunity to develop superfast, highly reliable, low-latency and mission-critical services.

Vision
Ericsson's vision is a world where limitless connectivity improves lives, redefines business and pioneers a sustainable future. The vision, as well as the purpose, are anchored in the core values of professionalism, respect, perseverance, and integrity. These values are at the heart of everything we do and ensure that we do business in the right way.

A culture of ethics and integrity
In addition to being a technology leader and a market leader, it is equally important to be a leader in how we conduct business. Therefore, we have put in place a solid compliance program with robust processes that permeate the Company. We also invest in simplification of processes and procedures to strengthen governance and accountability. These initiatives will continue to make us a stronger and even more resilient company.

Sustainability
Sustainability and responsible business practices are fundamental to Ericsson's culture and strategy to drive business transformation and create value for stakeholders. Ericsson's efforts in pioneering a sustainable future are grounded in concrete targets set across the value chain. We are committed to supporting industries' transition towards a low-carbon economy. We do this by using our technology leadership and expertise in network operations and optimization, in the identification of new innovative opportunities to minimize energy consumption in mobile networks, while maintaining a consistently high quality of customer experience. We continue our efforts to create a positive safety culture and our Target Zero program aims for zero fatalities and lost workday incidents by 2025. This target covers health, safety and well-being efforts for everyone working for Ericsson.

Ericsson business strategy

Our business strategy is focused on creating long-term value through leadership in mobile networks and a focused expansion into enterprise.

Superior experience for consumers

Reliable and easy-to-use solutions for businesses

Customer values

Leading network performance, relentless efficiency and revenue growth in an open world

Businesses

Leadership in mobile networks

- Invest in technology leadership for cost, performance and sustainability across RAN, telecom core and OSS/BSS
- End-to-end orchestration, automated deployments & operation and advanced network services

Focused expansion into enterprise

Wireless networks

- Pre-packaged solutions
- Leading reliability, security, and operations

Communication platform

- Accelerate the world's ability to connect
- Global network platform

Be first in critical innovations, and capture strategic business opportunities

Foundation

Technology leadership	**Cost efficiency**	**Data-driven operations**	**Global skill & scale**

Superior experience for consumers and reliable and easy-to-use solutions for businesses

We are well positioned to create long-term value with a strategy based on the needs of our customers. The convergence of internet, mobility and the cloud, combined with a powerful 5G network, is driving a rapid acceleration in digital transformation. We at Ericsson are at the epicenter of a powerful trend, where anything that can go wireless will go wireless. The capabilities 5G offers, as a wireless technology, will improve and spur new use cases that drive traffic, such as Fixed Wireless Access (FWA) and mission-critical networks for public safety, rail or utilities and eventually also enabling digital airspaces and satellite-based communication. 5G is also crucial for the digitalization of many industries, including ports, mines and manufacturing. In the coming years, extended reality (XR) can be the next paradigm shift in technology after the smartphone, driving multiple times higher network requirements.

Leadership in mobile networks

Our customer offering is based on technology leadership, offering leading network performance and superior user experience. The increased demand for broader consumer and enterprise applications will drive further demand on network performance including advanced features such as high speed, time-bound latency, network slicing and authentication. Our ambition is to help our customers leverage their network investments by unlocking new revenue streams and by developing new revenue-generating use cases in the most cost-efficient way.

Technology leadership
Our strong R&D investments position us to further extend our technology leadership for cost performance and sustainability. We also capitalize on our R&D investments by creating, securing, protecting, and licensing a portfolio of patents in support of the overall business goals. Our patent portfolio comprises more than 60,000 granted patents. We are making substantial contributions to the development of standards and cutting-edge technologies.

Global scale and skills
Our global presence, the skills and expertise of our people and close interaction with our customers, create opportunities for us to grow with discipline, leading to increased market footprint and economies of scale.

Cost efficiency and productivity across the supply chain
We invest in technology for performance leadership and cost leadership, entailing the ability to provide the lowest network cost per gigabit. We continue to focus on improving productivity and capital efficiency across our supply chain.

Sustainability leadership
5G is significantly more energy efficient than previous generations, supporting both cost and emissions reductions.

5G networks are playing a multiplier role in addressing climate change by reducing not only the ICT industry's emissions, but also enabling other sectors to cut their emissions in the transition toward a low-carbon economy. Ericsson is driving energy-efficient network modernization through hardware modernization, new software features, network energy optimization services and the use of AI-enabled automation and digital twin technologies.

Focused expansion into enterprise

Our Enterprise strategy is organized around two pillars, each leveraging the Company's strength in mobile networks: Enterprise Wireless Solutions, where we are driving business transformation through seamless and secure network solutions, and secondly Global Communications Platform, where we will be able to monetize 5G in new ways by transforming how network features such as high speed and low latency are globally exposed, consumed and paid for.

Enterprise Wireless Solutions
With 5G, we are in the early stages of widespread enterprise digitalization – creating significant additional value for industrial applications such as mining, airports, and manufacturing. Ericsson provides cost-efficient high-resilience pre-packaged solutions for private 5G networks as well as wireless wide area networks (WWAN). There is significant revenue potential in delivering new 5G enterprise services. Our ambition is to support our customers by developing competitive industrial solutions with leading reliability, security and easy-to-manage operations. This area will provide a growing recurring revenue base with a different business model than our mobile network business. We continue to invest in developing a strong product portfolio and dedicated enterprise go-to-market channels.

Global Communications Platform
The second pillar of our enterprise business is powered by our acquisition of Vonage. With 5G, the network becomes a platform for innovation. Consumers and enterprises are willing to pay a premium for performance, with advanced features such as high speed, time-bound latency, network slicing and authentication. New differentiated performance services can be created, which require a new monetization model.

This is where network APIs (application programming interfaces) and the global network platform come into play. To develop new network APIs, a deep understanding of the network and network functionality is required, and that is our core capability. With the acquisition of Vonage, Ericsson has a leading position in the high growth CPaaS (Communications Platform as a Service) market, as well as the Unified Communications as a Service (UCaaS) and Contact Center as a Service (CCaaS) markets. Building on CPaaS, Ericsson has the platform to expose APIs, and a community of more than one million developers. Network APIs put the capabilities of the network at the fingertips of the global developer community who in turn will create new innovative use cases, such as authentication without passwords or low-latency performance for superior extended reality experiences. These new use cases, which are based on differentiated performance, will offer additional revenue streams on top of the communications service providers' current subscription revenues, and transform the way advanced 5G network capabilities are exposed, consumed, and paid for.

Be first in critical innovations and capture strategic business opportunities

New and innovative consumer and enterprise applications
Investing in technology leadership and leveraging 5G as a platform for innovation enables us to be first to market with significant innovative solutions. The position as a technology front-runner creates advantages for our customers and enables us to capture strategic business opportunities. The combination of 5G capabilities and the global network platform enables Ericsson to be a first mover also in the creation of open global network applications and completely new services.

Corporate responsibility and business integrity

To be an industry leader, market and technology leadership are not enough. We also need to be an ethical leader, operating the Company with the highest standards based on integrity. We started our journey to build a culture of compliance and ethics in 2017 and through this cultural transformation journey we aim to protect Ericsson and its assets and create a stronger and improved business. We are strongly committed to continuing to strengthen our Ethics and Compliance (E&C) program and developing and streamlining internal processes and internal anti-corruption controls further.

A cornerstone in Ericsson's strategy is the ambition to be a relevant driver of positive change. Ethical, responsible and sustainable business practices are the foundation of our strategy and of everything we do. Corporate responsibility and business integrity are embedded in Ericsson's business and fundamental to our culture, no matter where in the world we operate. With a zero-tolerance policy regarding corruption and financial irregularity, the revised Code of Business Ethics (CoBE), individually signed off by all employees, forms a guiding framework consistent with all internationally recognized human rights principles as well as applicable laws and regulations where Ericsson operates. The CoBE is our compass and guide to all decision-making, defining both Ericsson's ethical principles and its expectations on responsibility across the value chain.

With this value chain approach, we relentlessly continue to drive a proactive agenda to further improve and strengthen our responsible business practices and transform our global culture. Our focus is on fostering accountability, building and maintaining trust and respect among stakeholders, and driving transparency and integrity in all we do. To further instill this focus, Integrity was added to our long-standing core values of Respect, Professionalism and Perseverance in 2021.

In recent years, efforts have also included enhancing and simplifying Ericsson's Ethics and Compliance (E&C) related policies, procedures and processes to provide clarity, improve user-friendliness and to set up adequate controls for high-risk transactions.

The solid Ericsson Group Management System secures the management of our business in a systematic way, which is necessary to build, evolve and maintain the essential key E&C capabilities, including the health and safety and well-being of employees and anyone who is affected by our activities. To further strengthen Ericsson's capabilities, and as an element of the E&C program, online training on anti-bribery and anti-corruption is mandatory for all employees. Managers are also trained in leading with integrity and solving ethical dilemmas.

Our corporate responsibility agenda delivers value to Ericsson and stakeholders across the value chain. Corporate responsibility extends beyond legal compliance through proactive mitigation and addressing of risks. Identifying and managing compliance risks, including human rights risks, especially in certain high-risk geographies, are part of this extensive ongoing work. To ensure the effectiveness and sustainability of the E&C program in the years ahead, the operational E&C plan is continuously updated and strengthened.

Segments

Networks

Offering

Networks offers multi-technology capable Radio Access Network (RAN) solutions for all network spectrum bands, including integrated high-performing hardware and software. The offering also includes a cloud-native RAN portfolio, a transport portfolio, passive and active antenna solutions and a complete service portfolio covering network deployment and support.

Business model

Networks business is primarily based on a model, where Ericsson develops, sells, licenses and delivers hardware, software and services. Networks business also includes recurring revenue streams such as customer support and software revenues.

Cloud Software and Services

Offering

Cloud Software and Services provides solutions for core networks, business and operational support systems, network design and optimization, and network managed services. The focus is to enable communications service providers to succeed in their transition to cloud-native, intelligent and automated networks and operations.

Business model

Cloud Software and Services develops, sells, and delivers solutions, based on software or services, or both. The software solutions typically include services with contracts for deployment projects as well as recurring revenues from software, support and lifecycle management. The network managed services contracts are typically multi-year outsourcing agreements.

Enterprise

Offering

The segment comprises of three business areas offering solutions primarily to enterprises: Global Communications Platform (Vonage) including cloud-based Unified Communications as a Service (UCaaS), Contact Center as a Service (CCaaS) and Communications Platform as a Service (CPaaS); Enterprise Wireless Solutions including private wireless networks and wireless WAN (Cradlepoint) pre-packaged solutions; Technologies and New Businesses including mobile financial services, security solutions and advertising services.

Business model

Global Communications Platform offerings are predominately sold via a monthly recurring consumption-based revenue model. The Cradlepoint offerings in Enterprise Wireless Solutions are sold through a term-based subscription contract, typically a three-year contract with subsequent yearly renewal periods. These subscriptions have up-front payments at the beginning of the contract and each renewal period. Other contracts in the segment are typically aaS (as a Service) or license based with recurring revenue from software licenses, services, subscriptions and support.

Other

Offering

Segment Other comprises of Redbee Media, which prepares and distributes live and on-demand video services for broadcasters, sports leagues and communications service providers. The Segment also includes other non-allocated business.

Business model

Outsourced broadcast service contracts are generally multi-year agreements whilst other media contracts are typically aaS (as a Service) or license based with recurring revenue from services, subscriptions and support.

Mobile Networks go-to-market

Our market is divided into five geographical market areas. The market areas are responsible for selling and delivering products and solutions that are developed in Networks and Cloud Software and Services, and focus on communications service provider customers. Close cooperation with our customers is key. In line with the strategy, the market areas have responsibility to ensure that we stay close to our customers while maintaining central guidelines and governance structures.

Enterprise go-to-market

To reach the enterprise market with businesses of all sizes, Ericsson has a multi-channel approach, which builds on the enterprise channel from Cradlepoint. It is a global program with access to tens of thousands of reseller partners in Enterprise Wireless Solutions.

In order to provide communication APIs and create the Global Network Platform, the go-to-market model to reach enterprises, application software providers as well as developers is critical. Vonage has a go-to-market channel with 120,000 businesses and a developer community with more than one million developers.

IPR licensing revenues

Ericsson's patents are licensed globally on FRAND terms to the users of our technology. The key cellular market segments for our patents are smartphones, IoT devices, consumer electronics and automotive. Beyond cellular, other licensed technologies include media technologies and other connectivity standards. Ericsson licenses its patents bilaterally as well as by participating in patent pools covering certain market segments.

Market areas

Letter from the Chair of the Board

Dear shareholders,

2022 was marked by geopolitical upheavals, ushering in a context of rising inflation, high energy prices, and prolonged supply chain issues – factors that are impacting world economic recovery from the COVID-19 pandemic. The geopolitical focal point in 2022 was the war in Ukraine, which has led to great human suffering and destruction. Despite these circumstances, Ericsson has once again demonstrated its resilience and ability to adapt to challenges; taking the opportunity to transform by streamlining operations across the business and further optimizing efficiency and productivity. All whilst continuing to develop and deliver best-in-class products and services to its customers.

Strategic steps

In 2022 the Board invested significant time in reviewing Ericsson's strategy of leveraging its leadership in mobile networks, driving focused expansion in enterprise, leading the industry with critical innovations, and capturing strategic business opportunities. During 2022, the Company took a major step towards delivering its enterprise strategy through the Vonage acquisition. This enterprise strategy will leverage the company's strength in mobile networks to help transform Ericsson into a platform company, and will maximize long-term value for Ericsson.

The new business area, Global Communications Platform, provides the business with the foundation to realize its ambition of monetizing 5G. It will do this by transforming how network features are globally exposed, consumed and paid for.

The creation of the Cloud Software and Services business segment in 2022 was designed to leverage R&D investments, increase cloud-native expertise and build combined offerings for automation and AI for service delivery. The Board is actively overseeing the implementation of the revised Cloud Software and Services strategy, with a shift in focus from market share gains to profitability.

Sustainability and corporate responsibility

Ericsson's commitment to drive technology leadership in both cost performance and sustainability, creating additional value for our customers and other stakeholders, is fully endorsed by the Board. Ericsson supports its customers in their transition towards a low-carbon economy through its technology leadership, and by identifying new, innovative opportunities to minimize energy consumption in networks, while maintaining a consistently high quality of consumer experience.

The Board of Directors acknowledges the vote against discharge from liability at the 2022 Annual General Meeting, and emphasizes that best-in-class governance and building a culture of compliance, ethics and integrity have been, and continue to be, a top priority for the Board. In 2022, the Board oversaw the reinforcement of the Ethics and Compliance program and the execution of the Company's ambition to become a global industry player underpinned by ethical leadership. The Board worked closely with the management in the Company's acceleration of its cultural transformation program, the revamping of our global risk management approach, and the strengthening of our governance. We also continue to embed a sustainable program of compliance and controls. In 2022, the Board witnessed with satisfaction Ericsson's strong commitment and progress in streamlining and clarifying internal processes, oversight and controls, as well as setting even higher expectations of performance and adherence to its integrity mandate for all employees.

On March 2, 2023, importantly, we announced our agreement with the United States Department of Justice (DOJ) to resolve non-criminal breaches of the deferred prosecution agreement (DPA). Under this agreement, we again accepted responsibility for, and the Company agreed to plead guilty to, the pre-2017 conduct that had led to the 2019 DPA. Ericsson will continue its cooperation and partnership with the appointed independent compliance monitor and is now in its third year of an extended four-year independent compliance monitorship. With respect to Iraq, I emphasize that this relates wholly to historical conduct. And, as we announced on March 2, 2023, the Company's 2019 investigation did not conclude that Ericsson made or was responsible for any payments to any terrorist organization; and the Company's significant further investigation over the course of 2022 has not altered this conclusion.

Since 2017, under the strong leadership of Börje Ekholm, the Company has strengthened its approach to risk management, compliance and internal controls, including an enhancement of its anti-corruption compliance program to prevent and detect problematic conduct. The Board will continue its active oversight and, with our full support, Börje and his leadership team will continue to drive governance, compliance and cultural change, which will give Ericsson a competitive advantage in our vital mission.

Customer focus and technology leadership

Long-term value creation is key for all our stakeholders, and by partnering with front-runner customers, Ericsson is truly at the heart of the industry's development. The company has showcased its leadership position in mobile networks by expanding its global market share (outside of China) through customer-centric competitive offerings. In 2022, Ericsson generated revenues of SEK 272 billion with an EBIT margin excluding restructuring charges of 10%. The company generated SEK 22 billion in Free cash flow (before M&A), supported by the acceleration of initiatives to further increase efficiency.

Since 2017, the Company has undergone a considerable transformation, executing on its strategy of investing in technology and cost leadership, with an increased focus on products and solutions. This shift in the cost base and strong execution restored Ericsson to a competitive position, enabling it to reach its 2020 and 2022 targets earlier than expected.

Ericsson's technology leadership and innovation-based value creation are key, enabling the Company to leverage R&D investments beyond mobile broadband, to fixed wireless access and the wider enterprise space. Moreover, the increased demand for broader consumer and enterprise applications will drive further demand for network performance and Ericsson is positioned to capture that upside with limited additional R&D investments. This is a result of the Company's extended leadership in mobile networks and focused expansion into enterprise. In addition, the current shift in focus towards higher R&D productivity will be crucial going forward, as will significant IPR revenue growth potential over the coming 18–24 months in new and existing areas.

Capital structure

The Board oversees resource allocation and monitors Ericsson's capital structure with the aim of safeguarding balance sheet strength, generating Free cash flow in line with the target of 9–12% Free cash flow before M&A over net sales, and deploying capital wisely for maximum value creation. Near-term focus will be ensuring a strong financial position, prioritizing investments to support the strategy, and enhancing technology and market leadership, supported by bolt-on acquisitions with attractive returns and a clear strategic fit.

The Board aims at a stable to progressive dividend based on earnings, business outlook and financial position. As a mark of its confidence in Ericsson's future, the Board will propose a dividend for 2022 of SEK 2.70 per share to the Annual General Meeting, up from SEK 2.50 in 2021.

Concluding remarks

The commitment and energy of Ericsson's employees are critical to the Company's success. Great emphasis is therefore placed on career management, leadership, and factors that secure Ericsson's ability to attract, motivate and retain talent. Moreover, Ericsson has a long-term variable compensation program focused on value creation.

Finally, during 2022 the Board conducted 29 meetings, well supported by Börje Ekholm and the Executive team. On behalf of all members of the Board, I would like to take this opportunity to thank the management and all employees at Ericsson, for their efforts, commitment and achievements during 2022. I also offer my personal thanks to Börje Ekholm and his team for their collaboration during my years as Chairman.

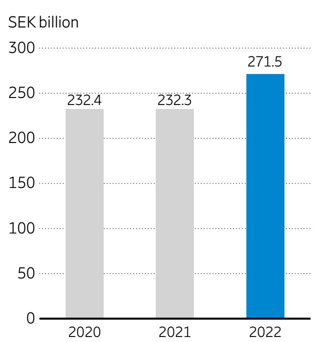
As previously announced, Jan Carlson will be proposed as my successor at our 2023 Annual General Meeting. It has been my great honor to serve as chairman of this great company. I am confident that the Company's leadership, resilience, and its steadfast commitment to transformation and to building a culture of ethics and integrity, put it in a strong position to continue leading the industry and capitalize on even bigger opportunities. I wish Jan, the Board of Directors and all Ericsson colleagues the best for the future.

Ronnie Leten
Chair of the Board

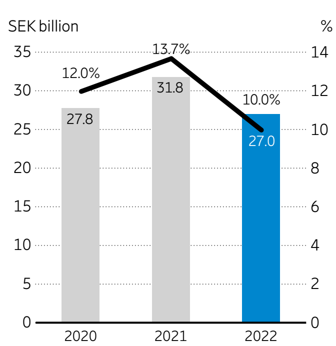
Board of Director's report

Contents

Net sales



EBIT and EBIT margin



2022 highlights

- Reported sales increased by 17% to SEK 271.5 (232.3) billion. Group organic sales grew by 3%, with an increase in Networks organic sales of 4% and in Enterprise of 16%. Gross income increased to SEK 113.3 (100.7) billion with increases in segments Networks, Cloud Software and Services, and Enterprise.
- EBIT decreased to SEK 27.0 (31.8) billion with an EBIT margin of 10.0% (13.7%). EBIT margin excluding restructuring charges was 10.1% (13.9%). Excluding Vonage and previously announced charges of SEK −5.5 billion during the year, EBIT margin was 12.9%, reaching the 2022 target of 12–14%.
- EBITA amounted to SEK 29.1 (33.3) billion with an EBITA margin of 10.7% (14.3%). EBITA was negatively impacted by previously announced charges in 2022 of SEK −5.5 billion, partly compensated by increased IPR licensing revenues.
- Net income was SEK 19.1 (23.0) billion. Earnings per share (EPS) diluted was SEK 5.62 (6.81).
- Operating cash flow was SEK 30.9 (39.1) billion. Free cash flow before M&A amounted to SEK 22.2 (32.1) billion. Net cash was SEK 23.3 (65.8) billion on December 31, 2022.
- The Board of Directors proposes a dividend for 2022 of SEK 2.70 (2.50) per share to the AGM.

Business in 2022

In 2022, reported sales increased to SEK 271.5 (232.3) billion. A weaker Swedish krona (SEK) had a positive impact on reported sales in all segments. Sales growth adjusted for comparable units and currency was 3%, mainly driven by growth in Networks and in Enterprise.

Reported sales grew by 15% in Networks, while organic sales increased by 4%, primarily supported by continued market share gains as well as increased IPR licensing revenues. From a geographical point of view, sales growth was primarily driven by North America, Europe and Latin America as well as by South East Asia, Oceania and India.

Reported sales increased in Cloud Software and Services by 8%, while organic sales decreased by −1%. Sales growth in North America and increased IPR licensing revenues were offset by sales decline in managed networks services business as a result of descoping and contract exits.

Reported sales in Enterprise increased to SEK 15.4 (6.2) billion, driven by the acquired Vonage business as well as by growth in Enterprise Wireless Solutions. Organic sales in Enterprise increased by 16% driven mainly by Enterprise Wireless Solutions.

Gross income increased to SEK 113.3 (100.7) billion with increases in all segments. Gross margin decreased to 41.7% (43.4%), negatively impacted mainly by increased component costs, inflationary pressure and large-scale projects from market share gains in Networks, as well as an impact from initial 5G Core deployment costs in Cloud Software and Services. Gross margin in Enterprise declined mainly due to the dilutive effect of Vonage. Higher IPR licensing revenues in the sales mix had a positive impact on the gross margin.

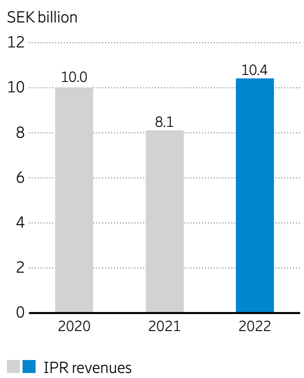
Operating expenses increased to SEK −83.0 (−69.1) billion, including a currency effect of SEK −3.8 billion. Research and development (R&D) expenses increased by SEK −5.2 billion to SEK −47.3 billion including a currency effect of SEK −2.1 billion. R&D expenses increased primarily in segments Networks and Enterprise. Selling and administrative (SG&A) expenses increased by SEK −8.7 billion to SEK −35.7 billion including a currency effect of SEK −1.7 billion. The increase is mainly related to the acquisition of Vonage (SEK −4.3 billion) and investment in the go-to-market organization in Enterprise Wireless Solutions as well as increases in compliance and legal expenses.

Restructuring charges decreased to SEK −0.4 (−0.5) billion.

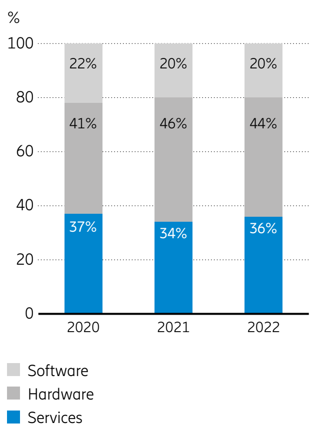
EBIT was SEK 27.0 (31.8) billion, impacted by previously announced charges of SEK −5.5 billion during the year. The main items were SEK −2.3 billion due to a provision in relation to a potential resolution [1] with the United States Department of Justice (DOJ) (including estimated expenses for the previously announced extended monitorship), charges

[1] On March 2, 2023, the Company reached a resolution with the DOJ (the DOJ Plea Agreement) and agreed to pay a fine of approximately SEK 2.2 billion.

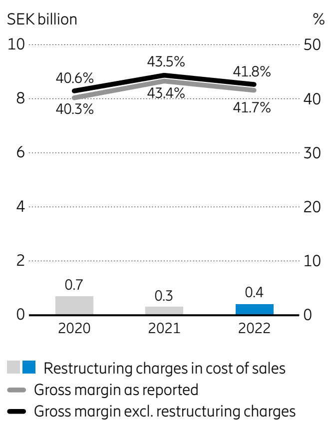
IPR licensing revenues



Software, hardware and services: share of total sales



Gross margin and restructuring charges



of SEK −1.0 billion related to the divestment of IoT and other portfolio adjustments, SEK −0.9 billion related to market exits including Russia, SEK −0.8 billion related exit of subscale agreements and product offerings in Cloud Software and Services, as well as acquisition-related costs of SEK −0.4 billion related to Vonage.

The number of employees increased to 105,529 (101,322). The increase is mainly driven by the acquisition of Vonage and increases in service delivery.

Cash flow from operating activities was SEK 30.9 (39.1) billion. Free cash flow before M&A amounted to SEK 22.2 (32.1) billion. Free cash flow was impacted by an increase in working capital, primarily in inventory, higher taxes as well as higher interest paid. Net cash at December 31 was SEK 23.3 (65.8) billion. The decrease is primarily a result of the acquisition of Vonage in July 2022.

Financial highlights

Net sales

Reported sales increased by 17% to SEK 271.5 (232.3) billion. Networks sales increased by SEK 25.6 billion to SEK 193.5 billion. Cloud Software and Services sales increased by SEK 4.3 billion to SEK 60.5 billion. Enterprise sales increased by SEK 9.1 billion to SEK 15.4 billion. Sales in segment Other increased by SEK 0.2 billion, to SEK 2.2 billion. Sales adjusted for comparable units and currency increased by 3%.

IPR licensing revenues increased to SEK 10.4 (8.1) billion primarily as a result of a new patent license agreement including 5G.

Networks sales adjusted for comparable units and currency increased by 4%. Market areas North America, Europe and Latin America and South East Asia, Oceania and India reported mid-single digit organic growth while sales in North East Asia and Middle East and Africa declined. Reported sales grew by 15%. Networks accounted for 71% (72%) of Group sales.

Cloud Software and Services sales adjusted for comparable units and currency decreased by −1%. Sales growth in North America and in IPR licensing revenues was more than offset by sales decline in other market areas. Reported sales grew by 8%. Cloud Software and Services accounted for 22% (24%) of Group sales.

Enterprise sales adjusted for comparable units and currency grew by 16% driven primarily by business area Enterprise Wireless Solutions. Reported sales grew by 147%. Enterprise accounted for 6% (3%) of Group sales. The increase was a result of the Vonage acquisition, which contributed with sales of SEK 7.0 billion.

The share of hardware in the sales mix was 44% (46%), software 20% (20%) and services 36% (34%).

Gross income

Gross income increased to SEK 113.3 (100.7) billion with increases in all segments. Gross margin decreased to 41.7% (43.4%), negatively impacted mainly by increased component costs, inflationary pressure and large-scale projects from market share gains in Networks, as well as an impact from initial 5G Core deployment costs in Cloud Software and Services, partly offset by retroactive IPR licensing revenues.

Research and development (R&D) expenses

R&D expenses increased by SEK −5.2 billion to SEK −47.3 (−42.1) billion including a currency effect of SEK −2.1 billion. R&D expenses increased primarily in Networks as a result of further investments in Cloud RAN and in Ericsson Silicon (ASICs) as well as in Enterprise, through the acquisition of Vonage and increased investments in Enterprise Wireless Solutions.

Selling and administrative (SG&A) expenses

SG&A expenses increased by SEK −8.7 billion to SEK −35.7 (−27.0) billion including a currency effect of SEK −1.7 billion. The increase is mainly related to the acquisition of Vonage (SEK −4.3 billion), investments in the go-to-market organization for Enterprise Wireless Solutions and increases in compliance and legal expenses.

Other operating income and expenses

Other operating income and expenses was SEK −3.3 (0.4) billion impacted by SEK −2.3 billion due to a provision in relation to a potential resolution [1] with the DOJ including estimated expenses for the previously announced extended monitorship, and by SEK −1.0 billion due to the announced charges related to the divestment of IoT and other portfolio adjustments.

Share in earnings of JVs and associated companies was SEK 0.0 (−0.3) billion.

Restructuring charges

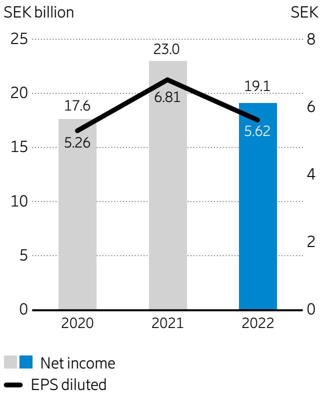
Restructuring charges decreased to SEK −0.4 (−0.5) billion.

Earnings before interest, taxes and amortizations (EBITA)

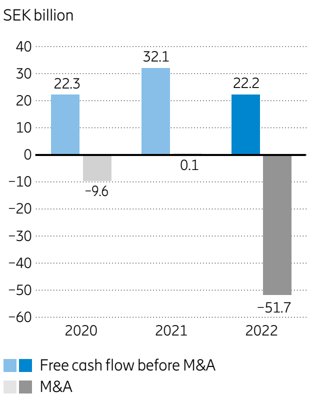
EBITA declined to SEK 29.1 (33.3) billion with an EBITA margin of 10.7% (14.3%). EBITA

[1] On March 2, 2023, the Company reached a resolution with the DOJ (the DOJ Plea Agreement) and agreed to pay a fine of approximately SEK 2.2 billion.

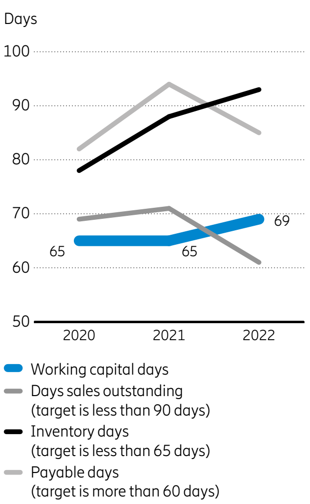
Net income and EPS diluted



Free cash flow



Working capital days



was impacted by previously announced charges of SEK −5.5 billion during the year and higher R&D expenses in segments Networks and Enterprise as well as increased SG&A expenses in segment Enterprise, mainly from the acquisition of Vonage.

Earnings before financial items and income tax (EBIT)

EBIT decreased to SEK 27.0 (31.8) billion, with an EBIT margin of 10.0% (13.7%). EBIT was impacted by SEK −2.1 (−1.4) billion of amortization of intangible assets, mainly related to Vonage.

Financial income and expenses

Financial income and expenses improved by SEK 0.1 billion to SEK −2.4 (−2.5) billion, mainly due to foreign exchange revaluation effects. The currency hedge effect impacted financial income and expenses by SEK −0.9 (−0.8) billion. The USD strengthened against the SEK between December 31, 2021 (SEK/USD rate 9.05) and December 31, 2022, (SEK/USD rate 10.38).

Taxes

Taxes were SEK −5.5 (−6.3) billion, positively impacted by utilization of previously impaired withholding tax assets in Sweden. The effective tax rate in 2022 was 22%, compared with 21% in 2021.

Net income

Net income declined to SEK 19.1 (23.0) billion. EPS diluted was SEK 5.62 (6.81) and Adjusted EPS was SEK 6.16 (7.26).

Employees

The number of employees on December 31, 2022, was 105,529, a total increase of 4,207 employees compared with December 31, 2021. The increase is mainly driven by the acquisition of Vonage and increases in service delivery.

Cash flow

Cash flow from operating activities

Cash flow from operating activities was SEK 30.9 (39.1) billion, following an increase in working capital mainly as a result of a decision to strengthen the supply chain resilience in view of global component shortage. In addition, the lower EBIT and higher taxes paid affected cash flow negatively compared with 2021.

Accounts receivable days of sales outstanding decreased to 61 (71) days while inventory turnover days increased to 93 (88) and payable days decreased to 85 (94). This resulted in an increase in working capital days to 69 (65) days.

Free cash flow

Free cash flow before M&A was SEK 22.2 (32.1) billion or 8.2% (13.8%) in relation to sales, compared with the long-term target of 9–12%. Capex net and other investing activities was SEK −6.1 (−4.6) billion. Repayment of lease liabilities was SEK −2.6 (−2.4) billion. The increase is related to higher interest rates for property leases.

Free cash flow after M&A was SEK −29.5 (32.1) billion. The decrease is primarily a result of the acquisition of Vonage in July 2022.

Cash flow from investing activities

Cash flow from investing activities was SEK −34.4 (−19.9) billion due to the acquisition of Vonage with a purchase price paid of SEK −51.3 billion, partly mitigated by disposal of interest-bearing securities.

Cash flow from financing activities

Cash flow from financing activities was SEK −15.9 (−9.3) billion including repayment of lease liabilities. During the year, dividends of SEK −8.4 (−6.9) billion were paid to shareholders. The net impact on cash flow from issuance and repayment of long-term debt, including repayment of debt related to Vonage, was SEK −5.3 billion.

Financial position

Gross cash decreased to SEK 56.2 (97.6) billion due to the acquisition of Vonage, repayment of Vonage debt and dividends paid to Ericsson shareholders. The decrease was partly compensated by positive free cash flow. Net cash was SEK 23.3 (65.8) billion.

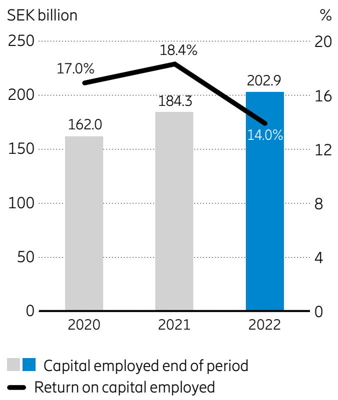
Liabilities for post-employment benefits decreased to SEK 27.4 (36.1) billion primarily due to higher discount rates. The Swedish defined benefit obligation (DBO) was calculated using a discount rate based on the yields of Swedish government bonds. If the discount rate had been based on Swedish covered mortgage bonds, the liabilities for post-employment benefits would have been approximately SEK 10.9 billion (SEK 16.5 billion lower than the reported liabilities).

The average maturity of long-term borrowings was 3.8 years as of December 31, 2022, an increase from 3.5 years 12 months earlier.

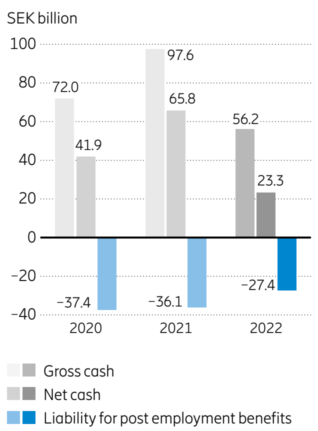
In February 2022, Ericsson issued a EUR 750 million (SEK 7.8 billion) bond maturing in February 2027. In May 2022, Ericsson repaid its USD −1.0 billion (SEK −10.0 billion) bond.

In July 2022, Ericsson completed the acquisition of Vonage. The cash effect on the day of the acquisition amounted to SEK −51.3 billion, adjusted by a positive cash flow hedge release of SEK 3.7 billion. Following the acquisition, a Vonage debt of USD −0.6 billion (SEK −5.9 billion) was repaid.

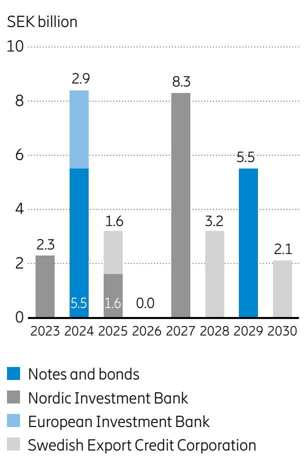
Return on capital employed



Cash position



Debt maturity, Parent Company[1)]



1) Nominal amounts using FX rates per year end 2022.

Ericsson has an unutilized revolving credit facility of USD 2.0 billion, linked to two of Ericsson's long-term sustainability goals. The facility is set to expire in 2027, with a one-year extension option.

Ericsson has established a Green Financing Framework to enable financing of investments in energy-efficient technologies, such as 4G, 5G and future 6G, and renewable energy solutions.

Ericsson has established a commercial paper program for short-term borrowing. The program is a complement to Ericsson funding and has not yet been utilized.

S&P Global and Fitch Ratings both have a long-term BBB- rating on Ericsson, with developing outlook from S&P Global and a stable outlook with Fitch Ratings. Moody's has a Ba1 rating with stable outlook.

The capital turnover increased to 1.4 (1.3) times, while Return on capital employed (ROCE) decreased to 14.0% (18.4%) as a result of higher capital employed and lower EBIT.

Research and development, patents and licensing

In 2022, R&D expenses amounted to SEK –47.3 (–42.1) billion. R&D expenses were impacted by a currency effect of SEK –2.1 billion and SEK –0.1 (–0.1) billion of restructuring charges. The number of R&D resources increased to 29,304 (27,379) and the number of granted patents amounted to more than 60,000.

Seasonality

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

Most recent three-year average seasonality

	First quarter	Second quarter	Third quarter	Fourth quarter
Share of annual Group sales	21%	24%	25%	31%
Sequential change, sales within Networks	–23%	12%	4%	22%
Sequential change, sales within Cloud Software and Services	–35%	12%	2%	35%

Off-balance sheet arrangements

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

Capital expenditures

For 2022, capital expenditure was SEK 4.5 (3.7) billion, representing 1.6% of sales. Expenditures are largely related to test sites and equipment for R&D, network operation centers and manufacturing and repair operations.

Annual capital expenditures are normally around 2% of sales. This corresponds to the need for keeping and maintaining the current capacity level. The Board of Directors reviews the Company's investment plans and proposals. As of December 31, 2022, no material land, buildings, machinery or equipment were pledged as collateral for outstanding indebtedness.

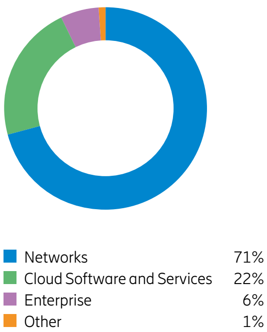
Capital expenditures 2020–2022

SEK billion	2022	2021	2020
Capital expenditures	4.5	3.7	4.5
Of which in Sweden	*1.7*	*1.5*	*1.9*
Share of annual sales	1.6%	1.6%	1.9%

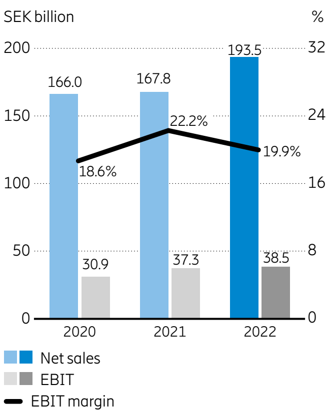
Capitalized development expenses

Capitalized development expenses increased to SEK –1.7 (–1.0) billion primarily due to 5G development projects and the acquisition of Vonage.

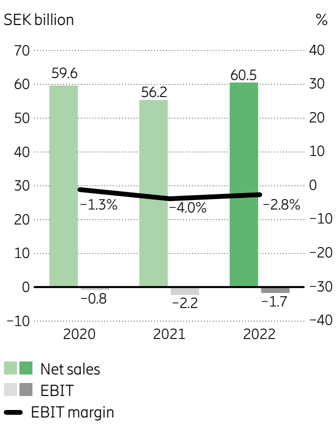
Sales split per segment



Networks



Cloud Software and Services



Business results – Segments

Networks

Networks represented 71% (72%) of Group net sales in 2022. Networks offers multi-technology capable Radio Access Network (RAN) solutions for all network spectrum bands, including integrated high-performing hardware and software. The offering also includes a cloud-native RAN portfolio, a transport portfolio, passive and active antenna solutions and a complete service portfolio covering network deployment and support.

Net sales

Reported sales increased by 15% in 2022 to SEK 193.5 (167.8) billion. Growth was driven primarily by North America, Europe and Latin America, South East Asia, Oceania and India as well as by increased IPR licensing revenues. Sales adjusted for comparable units and currency increased by 4%.

Gross income

Gross income increased by SEK 7.5 billion to SEK 86.4 billion while gross margin decreased to 44.6% (47.0%). Gross margin was impacted by increased component costs, inflationary pressure, and investments in supply chain resilience, partly offset by higher IPR licensing revenues in the sales mix and commercial activities. Large scale projects from market share gains had a dilutive impact on the gross margin.

EBIT

EBIT increased to SEK 38.5 (37.3) billion, with a decrease in EBIT margin to 19.9% (22.2%), impacted by lower gross margin.

Operating expenses increased by SEK –6.4 billion to SEK –48.3 billion (including a negative currency impact of SEK –2.0 billion), primarily due to higher investments in R&D in Cloud RAN and in Ericsson Silicon (ASICs). Networks EBIT margin exceeded the 2022 target of 16–18%.

Cloud Software and Services

Cloud Software and Services represented 22% (24%) of Group net sales in 2022. Cloud Software and Services provides solutions for core networks, business and operational support systems, network design and optimization, and network managed services. The focus is to enable communications service providers to succeed in their transition to cloud native, intelligent and automated networks and operations.

Net sales

Reported sales increased by 8% to SEK 60.5 (56.2) billion in 2022. Sales adjusted for comparable units and currency decreased by –1%. Sales growth in market area North America and higher IPR licensing revenues were offset by sales decline in managed networks services business as a result of descoping and contract exits.

Gross income

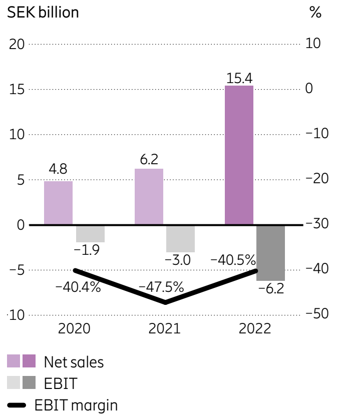
Gross income increased by SEK 1.3 billion to SEK 20.1 billion. Gross margin was stable at 33.2% (33.5%). Positive impact from higher IPR licensing revenues in the sales mix was offset by initial 5G Core deployment costs.

EBIT (loss)

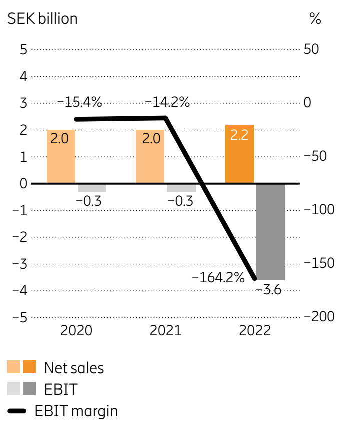
EBIT was SEK –1.7 (–2.2) billion with an EBIT margin of –2.8% (–4.0%). EBIT was negatively impacted by a previously announced cost of SEK –0.8 billion as a result of continued execution of the Cloud Software and Services revised strategy. The strategy includes limiting subscale software development, accelerating automation to reduce deployment and maintenance efforts, and changing focus from market share gains to profitable business.

Operating expenses increased by SEK –0.7 billion to SEK –21.9 billion (including a negative currency impact of SEK –1.0 billion).

Enterprise



Other



Enterprise

Segment Enterprise represented 6% (3%) of Group net sales in 2022. The segment comprises of three Business Areas offering solutions primarily to Enterprise: Global Communications Platform (Vonage) including cloud-based Unified Communications as a Service (UCaaS), Contact Center as a Service (CCaaS) and Communications Platform as a Service (CPaaS); Enterprise Wireless Solutions including private wireless networks and wireless WAN (Cradlepoint) pre-packaged solutions; Technologies and New Businesses including mobile financial services, security solutions and advertising services.

Net sales

Reported sales increased by 147% driven by the acquired Vonage business. Reported sales growth exceeded 70% in Enterprise Wireless Solutions. Sales adjusted for comparable units and currency increased by 16% in 2022, driven mainly by Enterprise Wireless Solutions.

Gross margin

Gross margin decreased to 45.2% (46.4%) mainly due to the dilutive effect of Vonage.

EBITA (loss)

EBITA (loss) was SEK −4.5 (−2.3) billion. The decline is mainly due to previously announced charges related to the divestment of IoT and other portfolio adjustments as well as increased growth investments in Enterprise Wireless Solutions and Vonage acquisition-related costs.

EBIT (loss)

EBIT (loss) was SEK −6.2 (−3.0) billion impacted by amortization of intangible assets from acquired businesses.

Other

Segment Other represented 1% (1%) of Group net sales in 2022. Segment Other includes media businesses as well as other non-allocated business.

Net sales

Reported sales increased by 8%.
Sales adjusted for comparable units and currency increased by 3% compared to 2021. Sales in the media business were stable.

Gross income

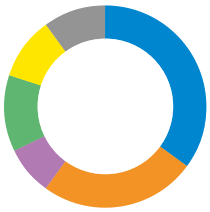
Gross income decreased by SEK −0.3 billion primarily due to the previously announced charges related to a market exit (SEK −0.2 billion). For this reason, gross margin decreased to −5.7% (7.9%).

EBIT (loss)

EBIT (loss) was SEK −3.6 (−0.3) billion, impacted by a provision of SEK −2.3 billion in relation to a potential resolution [1] with the DOJ including estimated expenses for the previously announced extended monitorship. Furthermore, there was an impact of SEK −0.9 billion for a provision related to exit from operations in Russia and previously announced market exit costs.

[1] On March 2, 2023, the Company reached a resolution with the DOJ (the DOJ Plea Agreement) and agreed to pay a fine of approximately SEK 2.2 billion.

Sales split per market area



North America	35%
Europe and Latin America	25%
Middle East and Africa	8%
South East Asia, Oceania and India	12%
North East Asia	10%
Other	10%

Business results – Market areas

North America
Reported sales grew by 23% to SEK 95.4 billion. Sales adjusted for comparable units and currency increased by 5% driven by 5G network deployments and growth in 5G Core and Cloud Native solutions.

Europe and Latin America
Reported sales grew by 11% to SEK 66.8 billion. Sales adjusted for comparable units and currency increased by 4% with increases in both Europe and in Latin America. Sales in Networks increased as a result of high investment levels during the year and market share gains, partly offset by the decline in Russia.

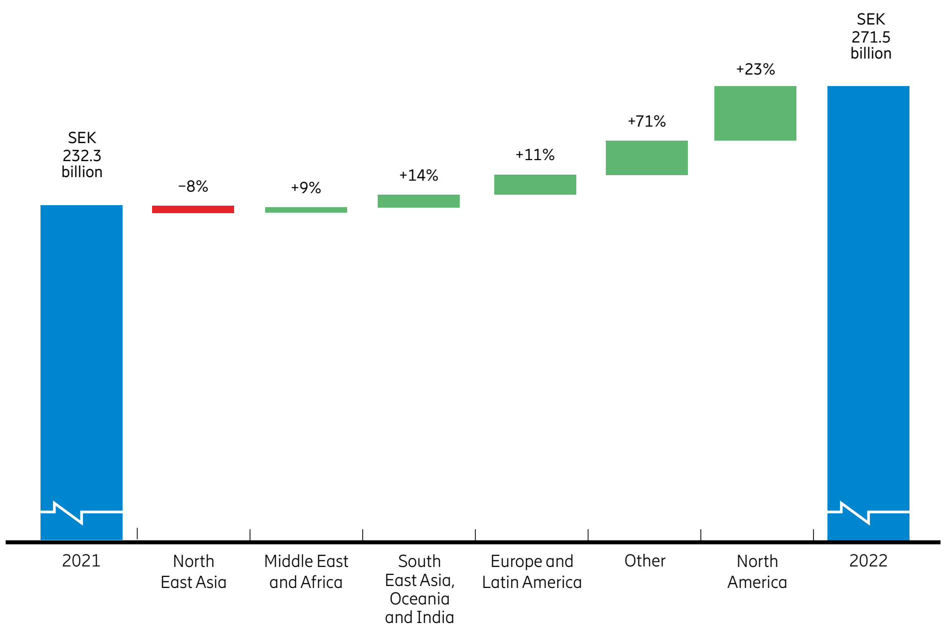
Middle East and Africa
Reported sales grew by 9% to SEK 22.6 billion. Sales adjusted for comparable units and currency decreased by −1%, primarily due to lower sales volumes in countries hit by currency devaluation and macro-economic challenges.

South East Asia, Oceania and India
Reported sales grew by 14% to SEK 33.0 billion. Sales adjusted for comparable units and currency increased by 7% driven by increased volumes in India on the back of significant market share gains. These gains compensated for lower investment levels in certain countries in the market area.

North East Asia
Reported sales declined by −8% to SEK 26.7 billion. Sales adjusted for comparable units and currency decreased by −11%, as communications service providers in several markets have finalized the first build-out phase of 5G.

Other
Market area Other primarily includes IPR licensing revenues and a major part of segment Enterprise. Reported sales grew by 71% driven by the acquisition of Vonage as well as increased IPR licensing revenues of SEK 10.4 (8.1) billion primarily as a result of new patent license agreement including 5G.

Reported sales per market area – 2022 compared with 2021



	North East Asia	Middle East and Africa	South East Asia, Oceania and India	Europe and Latin America	Other	North America
Sales adjusted for comparable units and currency, growth/decline	−11%	−1%	+7%	+4%	N/A	+5%

Corporate governance

In accordance with the Swedish Annual Accounts Act and the Swedish Corporate Governance Code (the Code), a separate Corporate Governance Report, including an internal control section, has been prepared and appended to this Financial Report.

Ericsson's Corporate Governance

Ericsson is committed to ensuring the highest standards of corporate governance: effective oversight across the organization (by the Board, the President and CEO and the Executive Team); effective decision making with clear accountabilities at all levels; a robust approach to risk management to effectively identify and control risks; compliance with law in everything we do; and an integrity-led culture.

The Company has adopted corporate governance practices and procedures that establish clear rules of governance, ranging from matters requiring approval of the Company's shareholders and members of its Board to conflict of interest policies, and director and management duties and obligations. More information can be found on our website at https://www.ericsson.com/en/about-us/corporate-governance.

Key Corporate Governance Developments in 2022

In the first quarter of 2022, the Board and Ericsson's President and CEO requested that the Executive Team, led by the Chief Legal Officer and working with the Audit and Compliance Committee, review the Company's corporate governance practices with a view to extending them beyond the standard and mandatory levels of compliance and introducing enhancements. The Company is pleased to report that good progress has been made and our governance enhancements will continue to be made throughout 2023. The priorities that were implemented in 2022 are as follows:

- introduction of an enhanced approach to risk management and establishment of a Group Business Risk Committee (BRC) comprising executives and co-chaired by the Chief Financial Officer and the Chief Legal Officer;
- enhancing disclosures on our corporate governance practices;
- formally introducing compliance and integrity performance indicators into executive remuneration;
- formally expanding the remit of the Audit and Compliance Committee to ensure enhanced oversight of the compliance program, high-risk investigations, and risk management;
- increasing the number of Audit and Compliance Committee meetings and enhancing the Audit and Compliance Committee's oversight of ongoing implementation of the Company's compliance and internal controls program;
- substantially increasing the resources in the Compliance office and Corporate & Government Investigations team, and continuing to invest in transactional controls and analytics; and
- making enhancements to risk assessments, including expanded risk assessments to address country specific compliance risks, and continuing to tighten our vetting and oversight of third parties with whom we work, to choose parties who will meet our ethics and compliance expectations.

The Company has strengthened its executive oversight of risk management with the recruitment of highly-experienced executives, including a new Chief Legal Officer, and a new Head of Corporate & Government Investigations.

Continued compliance with the Swedish Corporate Governance Code

Ericsson is committed to complying with best-practice corporate governance standards on a global level wherever possible. For 2022, Ericsson does not report any deviations from the Code.

Business integrity

Ericsson's Code of Business Ethics (CoBE) outlines the fundamental ethical principles and expectations that guide Ericsson's decisions and is designed to ensure that Ericsson pursues business with a strong sense of integrity. It reflects the Company's commitment to conducting business responsibly, consistent with all internationally recognized human rights principles and the applicable laws and regulations where Ericsson operates.

Ericsson reviews and updates CoBE's content periodically, and runs an acknowledgment process regularly to ensure that everyone working for Ericsson has read and understood it. New employees and individuals starting to work for Ericsson are also required to acknowledge their understanding of CoBE upon their recruitment or on the first day of their assignment.

Board of Directors

At the Annual General Meeting, held on March 29, 2022, Ronnie Leten was re-elected as Chair of the Board, and Jon Fredrik Baksaas, Jan Carlson, Nora Denzel, Börje Ekholm, Eric A. Elzvik, Kurt Jofs, Kristin S. Rinne, Helena Stjernholm and Jacob Wallenberg were re-elected as members of the Board. Carolina Dybeck Happe was elected as a new Board member. As of March 29, 2022, Torbjörn Nyman, Anders Ripa and Kjell-Åke Soting were appointed as employee representatives by the unions, with Ulf Rosberg, Loredana Roslund and Annika Salomonsson as deputies.

Management

Since 2017 Börje Ekholm has been President and CEO of the Group. The President and CEO is supported by the Group management, consisting of the Executive Team.

Ericsson has a global management system, the Ericsson Group Management System (EGMS). EGMS aims to ensure that Ericsson's business is well-managed and has the ability to fulfil the objectives of major stakeholders within established risk limits and with reliable internal control. EGMS also aims to ensure compliance with applicable laws, listing requirements, governance codes and corporate responsibilities.

Discharge from liability vote at the 2022 Annual General Meeting

Under the Swedish Companies Act, the Annual General Meeting (AGM) of Swedish limited liability companies should include a vote on whether or not to discharge each individual member of the Board and the CEO and President from legal liability for the previous financial year. If shareholders representing at least 10% of the Company's share capital vote against this discharge from liability, an action for damages on behalf of the Company may be brought within one year.

A vote against the discharge from liability does not predicate or in itself lead to legal action.

At Ericsson's AGM on March 29, 2022, Ericsson shareholders representing more than 70% of the Company's share capital voted for discharging from liability each of the members of the Board and the Company's CEO and President for the financial year 2021 and more than 10% voted against. At the same AGM, Ericsson's shareholders voted in favor of re-electing the individuals nominated for Board (including the CEO and President). The Company's external auditor, Deloitte, recommended that shareholders vote in favor of discharging liability.

Regardless of the shareholder decision at the 2022 AGM, the Board has and will continue to work actively with management to continuously improve Ericsson's internal controls, governance, risk management and compliance program, recognizing the critical importance of these areas to the Company's overall strength and competitiveness. The embedding of a sustainable and strong culture of integrity and ethics into all of Ericsson's businesses and operations continues to be a priority for the Board throughout 2022 and into the future.

Remuneration

Remuneration to the members of the Board of Directors and to Group management are reported in note G2, "Information regarding members of the Board of Directors and the Group management." Further information about remuneration to the President and CEO and the Executive Vice Presidents is included in the "Remuneration report" appended to this Financial Report.

Guidelines for remuneration to Group management

The current Guidelines for remuneration to Group management was adopted by the Annual General Meeting 2020, included on pages 28–31. The Board of Directors proposes that new amended Guidelines for remuneration to Group management is resolved by the Annual General Meeting 2023, which are intended to remain in place for four years until the Annual General Meeting 2027. The proposed Guidelines are included on pages 25–27.

Long-Term Variable Compensation Program 2022 (LTV 2022) for the Executive Team

Ericsson has share-based Long-Term Variable Compensation Programs in place for the Executive Team. LTV 2022 for the Executive Team was approved by the Annual General Meeting 2022. Details of LTV 2022 are explained in note G3, "Share-based compensation."

Material contracts

Material contractual obligations are outlined in note D4, "Contractual obligations." These are primarily related to leases of office and production facilities, purchase contracts for outsourced manufacturing, R&D and IT operations as well as the purchase of components for the Company's own manufacturing.

The Company is party to certain agreements, which include provisions that may take effect or be altered or invalidated by a change in control of the Company as a result of a public takeover offer. Such provisions are not unusual for certain types of agreements, such as financing agreements and certain license agreements. However, considering among other things the Company's strong financial position, the Company believes that none of the agreements currently in effect would in and of itself entail any material consequence for Ericsson due to a change in control of the Company.

Risk management

Ericsson's Enterprise Risk Management (ERM) framework is an integrated part of the EGMS. The aim of the ERM framework is to strengthen the Group's governance by integrating risk management with strategy-setting and execution. The ERM framework is designed to establish an adequate and effective management of risk, i.e. the uncertainty in achieving the strategic objectives of the Company. The framework provides methods to identify, assess and treat the risks, and to agree on and stay within the Company's risk appetite.

Each manager is responsible for handling the risks that emerge from their respective areas of responsibility. The responsibility for identified prime risks of the Company is always allocated to an Executive Team member. The Group Risk Management function is responsible for driving the ERM strategy execution and the ERM operations on Group level. The head of each group function, market area and business area is accountable for appointing one or several enterprise risk manager(s) to drive risk management within the unit's area of responsibility, and for overseeing the ERM in the respective unit. The Chief Legal Officer (CLO) and the Chief Financial Officer (CFO) are accountable for performing oversight of ERM, and they co-chair the group Business Risk Committee. The Business Risk Committee permanently comprises of the CLO, CFO, and Head of Group Risk management. The Committee comprises of an additional 2–4 members of the Executive Management of the Company, to be agreed and appointed by the co-chairs and approved by the CEO and the Audit and Compliance Committee (ACC). In 2022, these members consisted of the Chief Technology Officer, Chief Security Officer, Chief Marketing and Communications Officer and Head of Market Area North East Asia. The CEO, Chief Compliance Officer (CCO) and Head of Corporate and Government Investigations are invited to the Committee on an as-needed basis. The group Business Risk Committee is a group wide body intended to ensure there is proper oversight of risk management and to provide an appropriate forum for, and support to accountable executives in, discussing management of material risks. The Board of Directors and the Audit and Compliance Committee are responsible for reviewing the effectiveness and appropriateness of ERM.

For information on risks that could impact the fulfilment of objectives, and form the basis for mitigating activities, see the other sections of the Board of Director's report, notes A2 "Critical accounting estimates and judgments," F1 "Financial risk management," F4 "Interest-bearing liabilities" and the chapter Risk factors.

Sourcing and supply

Ericsson's hardware largely consists of electronics. For manufacturing, the Company purchases customized and standardized components and services from global, regional and local suppliers.

The Company negotiates global supply agreements with its primary suppliers. In general, Ericsson endeavours to have alternative supply sources and seeks to avoid single source supply situations, as a means to build resilience in the supply chain.

The production of electronic modules and sub-assemblies is mostly outsourced to manufacturing services companies. Ericsson is focusing internal manufacturing on new product introductions and new technologies. The majority of the matured portfolio is outsourced through production partners. Ericsson has internal production sites in USA, Estonia, China and Brazil and for Ericsson Antenna Systems in Romania and Mexico.

The Company requires its suppliers to comply with principles set forth in the Code of Conduct for Business Partners. The Code of Conduct sets forth standards on environmental management, human and labor rights, occupational health and safety and business ethics and anti-corruption as fundamental parts of Ericsson's responsible business.

Business Partners are required to have an environmental management system and to be aware of and comply with applicable environmental legislation, permits and reporting requirements. Where the requirements in the Ericsson Code of Conduct for Business Partners are higher than local standards and laws, the requirements of the Code should be applied.

Ericsson works to reduce environmental impacts and emissions in the product portfolio and supply chain. Ericsson has set an ambition that a certain number of high emitting and strategic suppliers should have their own 1.5°C aligned climate targets.

Ericsson's approach to environmental sustainability is through a circular approach, where the Company continuously strives to minimize the negative impacts of its operations, and to improve the environmental and energy performance of its products. Minimizing waste is key to a circular economy.

Sustainability and Corporate Responsibility

Sustainability and corporate responsibility are integral parts of Ericsson's strategy and culture and are embedded across its operations to drive business transformation and create value for the Company's stakeholders.

Ericsson is committed to creating positive impacts for and reducing risks to the Company and its stakeholders through its operations, the expertise of its employees and its technology and solutions.

In accordance with the Swedish Annual Accounts Act, Ericsson has prepared a separate sustainability report titled "Sustainability and Corporate Responsibility Report 2022", which is appended to the Annual Report.

Security and privacy

Security and privacy are important areas for Ericsson. Enterprise security and privacy is governed through the Chief Security Officer Security Board and Ericsson's Group Enterprise Security and Privacy Board, while the Product and Technology Security Board governs product security. The Audit and Compliance Committee and the Technology and Science Committee of the Board of Directors receive regular updates on security and privacy.

Policies, directives and frameworks establish the security requirements across Ericsson. The security and privacy frameworks cover product security, information security, privacy, IT-security, risk management, sourcing and third parties, incident management, insider threat prevention, business continuity, physical security, security in high-risk areas, and travel and event security to secure all areas of Ericsson's business processes and ensure the delivery of resilient products. Frameworks are based on with applicable regulations, international standards and best practices. For example, Ericsson's Information Security Management System is certified to ISO/IEC 27001 and the Ericsson Security Reliability Model detailing the security requirements for Ericsson's products is aligned with GSMA NESAS and NIST Cyber Security Framework.

Ericsson endeavours to continuously assessing and adjusting its capabilities, controls and processes and developing its portfolio in order to secure the Company's and its customers' assets in relation to evolving threats, risks and legal requirements.

For further information on Security and Privacy and risks relating thereto see the chapter Risk factors in the Financial Report.

Ericsson interactions with US authorities and other governmental authorities

In December 2019, Ericsson entered into a resolution with the United States Department of Justice (DOJ) resolving the DOJ's investigations into Ericsson's business dealings in Djibouti, China, Vietnam, Indonesia and Kuwait. The resolution included a deferred prosecution agreement (DPA), and a guilty plea by Ericsson's Egyptian subsidiary to a criminal violation of the US Foreign Corrupt Practices Act's (FCPA) antibribery provisions. Under the DPA, the Company admitted to the conduct described in the DPA's statement of facts, and the DOJ agreed to defer prosecution of Ericsson for the DPA's three-year term if Ericsson did not violate the terms of the DPA. As part of the DPA with the DOJ and consent judgment with the U.S. Securities and Exchange Commission (SEC), Ericsson agreed to engage an independent compliance monitor for three years while the Company continues to undertake significant reforms to strengthen its Ethics and Compliance Program. The monitor's primary responsibilities include reviewing and evaluating the Company's progress in implementing and operating its enhanced compliance program and accompanying controls pursuant to the terms of the DPA, as well as providing recommendations for improvements.

In October 2021, the DOJ notified Ericsson of its determination that the Company breached its obligations under the DPA by failing to provide required information to the DOJ.

In February 2022, the Company publicly disclosed that an internal investigation in 2019 included a review of the conduct of Ericsson employees, vendors and suppliers in Iraq during the period 2011–2019. The investigation found serious breaches of compliance rules and the Company's Code of Business Ethics and identified evidence of corruption-related misconduct and other serious violations, including payments to intermediaries and the potential use of alternate transport routes in connection with circumventing Iraqi Customs, at a time when terrorist organizations, including ISIS, controlled some transport routes. The investigation also identified payment schemes and cash transactions that potentially created the risk of money laundering. The investigators could not determine the ultimate recipients of any payments, nor identify that any Ericsson employee was directly involved in financing terrorist organizations.

In March 2022, the DOJ informed Ericsson it had determined that, before entering into the DPA, the Company provided insufficient information to the DOJ about the Company's 2019 internal investigation into conduct in Iraq. The DOJ also determined that the Company breached the DPA by failing to inform the DOJ about the investigation after entering into the DPA.

In June 2022, the SEC informed Ericsson that it opened an investigation concerning matters described in the Company's 2019 Iraq investigation report. Under Ericsson's consent judgment with the SEC, Ericsson are permanently enjoined from violating the FCPA's antibribery, books and records and internal controls provisions. Violations of the injunction or consent judgment could subject the Company to new civil and criminal penalties as well as new enforcement actions.

In December 2022, the Company agreed with the DOJ and SEC to extend the term of the Company's independent compliance monitor for one year, until June 2024.

On March 2, 2023, the Company reached a resolution (DOJ Plea Agreement) with the DOJ regarding non-criminal breaches under the DPA. Under the DOJ Plea Agreement, Ericsson will plead guilty to previously deferred charges relating to conduct prior to 2017. In addition, Ericsson has agreed to pay a fine of USD 206,728,848. The entry of the DOJ Plea Agreement will bring the DPA to an end. On January 12, 2023, the Company announced a provision in the fourth quarter of 2022 of SEK 2.3 billion (approx. USD 220 million) related to the DOJ Plea Agreement, which also included estimated expenses (SEK 0.1 billion) for the previously announced extended compliance monitorship.

The Company's internal investigation and its cooperation with authorities in relation to the matters discussed in the 2019 internal Iraq investigation report remain open and ongoing and are not covered by the DOJ Plea Agreement. With respect to the matters discussed in the 2019 internal Iraq investigation report, the Company continues to thoroughly investigate the matters in full cooperation with the DOJ and the SEC. As previously disclosed, the Company's 2019 internal Iraq investigation did not conclude that Ericsson made or was responsible for any payments to any terrorist organization and significant further investigation over the course of 2022 has not altered this conclusion.

Legal proceedings

On December 9, 2022, Ericsson and Apple reached a multi-year, global patent license agreement between the two companies. The agreement includes a cross-license relating to patented cellular standard-essential technologies and grants certain other patent rights. Furthermore, Ericsson and Apple have mutually agreed to strengthen their technology and business collaboration, including in technology, interoperability and standards development. This settlement ends the lawsuits filed by both companies in several countries, including in the United States District Court of the Eastern District of Texas, as well as the complaints filed before the United States International Trade Commission (USITC).

On March 3, 2022, Telefonaktiebolaget LM Ericsson and certain officers of Ericsson were named as defendants in a putative class action filed on behalf of purchasers of Ericsson ADS in the United States, in the United States District Court for the Eastern District of New York. An amended complaint was filed on September 9, 2022, which added a former Ericsson officer as defendant. The amended complaint alleges violations of United States securities laws, in connection with allegedly false and misleading statements principally concerning the Company's adherence with its compliance and anti-corruption policies and obligations and the conduct of its business in Iraq. In December 2022, Ericsson and the Individual Defendants filed a motion to dismiss the complaint. In February 2023, the plaintiff opposed the motion.

In August 2022, a civil lawsuit was filed in the United States District Court for the District of Columbia against Telefonaktiebolaget LM Ericsson and Ericsson Inc. The lawsuit was brought by US military service members and employees of US government contractors who were killed or injured in terrorist attacks in Iraq, Afghanistan and Syria from 2005 to 2021, as well as by their family members. The lawsuit asserts claims against Ericsson under the US Anti-Terrorism Act alleging that Ericsson made payments that ultimately aided the terrorist organizations that committed, planned or authorized the attacks. In November 2022, Ericsson filed a motion to dismiss the complaint. On December 20, 2022, plaintiffs filed an amended complaint, which added additional plaintiffs, including a plaintiff injured in Turkey, named Ericsson AB, CEO Börje Ekholm and a former employee as additional defendants and also asserted additional allegations and claims.

As part of its defense to a now settled patent infringement lawsuit filed by Ericsson in 2013 in the Delhi High Court against Indian handset company Micromax, Micromax filed a complaint against Ericsson with the Competition Commission of India (CCI). The CCI decided to refer the case to the Director General's Office for an in-depth investigation. The CCI opened similar investigations against Ericsson in January 2014 based on claims made by Intex Technologies (India) Limited and, in 2015, based on a now settled claim from iBall. Ericsson has challenged CCI's jurisdiction in these cases before the Delhi High Court and is awaiting a decision on the appeal of the first instance court's decision.

In April 2019, Ericsson was informed by China's State Administration for Market Regulation (SAMR) Anti-monopoly bureau that SAMR has initiated an investigation into Ericsson's patent licensing practices in China. Ericsson is cooperating with the investigation, which is still in a fact-finding phase. The next steps include continued fact finding and meetings with SAMR in order to facilitate the authority's assessments and conclusions.

In addition to the proceedings discussed above, the Company is, and in the future may be, involved in various other regulatory investigations, lawsuits, claims and proceedings incidental to the ordinary course of business. For information on risks e.g. relating to lawsuits, claims and proceedings, see the chapter Risk factors.

Parent Company

Telefonaktiebolaget LM Ericsson´s (the Parent Company) business consists mainly of corporate management, holding company functions, internal banking activities and customer credit management. As of December 31, 2022 the Parent Company had 3 (3) branch offices. In total, the Group has 79 (74) branch and representative offices.

Financial information

Income after financial items was SEK 18.4 (9.3) billion. The Parent Company had no sales in 2022 or 2021 to subsidiaries, while 29% (34%) of total purchases of goods and services were from subsidiaries.

Major changes in the Parent Company's financial position for the year included:

- Current and non-current liabilities to subsidiaries increased by SEK 13.7 billion to SEK 94.4 billion.
- Current and non-current receivables from subsidiaries decreased by SEK 0.9 billion to SEK 24.2 billion.
- Shareholder contributions to subsidiaries of SEK 55.8 billion.
- Impairment of investments in subsidiaries and associates of SEK 2.2 billion.
- Gross cash decreased by SEK 39.1 billion to SEK 41.4 billion.

At the end of the year, gross cash: cash and cash equivalents plus interest-bearing securities (current and non-current), amounted to SEK 41.4 (80.5) billion.

At the end of the year, non-restricted equity amounted to SEK 37.8 (35.0) billion, and total equity amounted to SEK 85.9 (83.1) billion.

Share information

As of December 31, 2022, the total number of shares issued was 3,334,151,735, of which 261,755,983 were Class A shares, each carrying one vote, and 3,072,395,752 were Class B shares, each carrying one tenth of one vote. Both classes of shares have the same rights of participation in the net assets and earnings. The largest shareholders of the Parent Company at year-end were Investor AB with approximately 23.79% of the votes (8.00% of the shares), AB Industrivärden with approximately 15.14% of the votes (2.61% of the shares) and AMF Tjänstepension and AMF Fonder with approximately 4.87% of the votes (2.74% of the shares).

In accordance with the conditions of the Long-Term Variable Compensation Program (LTV) for Ericsson employees, no treasury shares were distributed to employees or sold in 2022.

The holding of treasury stock at December 31, 2022 was 4,009,306 Class B shares. The quotient value of these shares is SEK 5.00, totaling SEK 20 million, representing 0.1% of capital stock, and the purchase price amounts to SEK 29.1 million.

Proposed disposition of earnings

The Board of Directors proposes a dividend of SEK 2.70 (2.50) per share, and that the Parent Company shall retain the remaining part of non-restricted equity. The dividend is proposed to be paid in two equal installments, SEK 1.35 per share with the record date March 31, 2023 (payment date April 5, 2023), and SEK 1.35 per share with the record date September 29, 2023 (payment date October 4, 2023).

For holders of the Parent Company's treasury shares of Class B, no dividend will be distributed. All such treasury shares of Class B are held by the Parent Company. Assuming that no treasury shares remain on the record date, the Board of Directors proposes that earnings be distributed as follows:

Amount to be paid to the shareholders	SEK 9,002,209,685
Amount to be retained by the Parent Company	SEK 28,750,998,521
Total non-restricted equity of the Parent Company	SEK 37,753,208,206

As a basis for its dividend proposal, the Board of Directors has made an assessment in accordance with Chapter 18, Section 4 of the Swedish Companies Act of the Parent Company's and the Group's need for financial resources as well as the Parent Company's and the Group's liquidity, financial position in other respects and long-term ability to meet their commitments. The Group reports an equity ratio of 38.1% (35.0%) and a net cash amount of SEK 23.3 (65.8) billion.

The Parent Company's equity would have been SEK 4.4 billion lower if assets and liabilities had not been valued at fair value pursuant to Chapter 4, Section 14a of the Swedish Annual Accounts Act.

The Board of Directors has also considered the Parent Company's results and financial position and the Group's position in general. In this respect, the Board of Directors has taken into account known commitments that may have an impact on the financial positions of the Parent Company and its subsidiaries.

The proposed dividend does not limit the Group's ability to make investments or raise funds, and it is the Board of Directors' assessment that the proposed dividend is well balanced considering the nature, scope and risks of the business activities, as well as the capital requirements for the Parent Company and the Group, in addition to coming years' business plans and economic development.

Proposal of new guidelines for Remuneration to Group Management

The Board of Directors proposes that the AGM 2023 resolves on the following guidelines for remuneration to group management. In comparison with the guidelines decided by the AGM 2020, the guidelines have been updated in order to:

– adapt the guidelines to ensure the Company's business strategies and ways of working can be supported through the lifecycle of the guidelines;
– clarify the mandate for the Board of Directors and Remuneration Committee to define meaningful short-term variable compensation ("**STV**") targets linked to the business plan. This enables STV targets to be defined and weighed differently for different parts of the business given the phase in the business lifecycle they are in as required by the business strategy. Therefore, detailed requirements for mandatory weighting and definition of STV targets has been removed;
– enable for the Board of Directors to potentially include STV in the remuneration package of the President and CEO. Any inclusion of STV for the future or current President and CEO will take into account the aggregated target opportunity of long-term variable compensation programs and STV; and
– broaden the pension guidelines for Swedish members of the group management by removal of specific wordings related to the Swedish collective pension plan ITP1, to accommodate for potential future changes in collective pension plans and to allow for supplementary pension contributions or supplementary cash pension allowance, in excess of any caps of pension contributions allowed under collective pension plans.

Introduction

These Guidelines for Remuneration to Group Management (the "**Guidelines**") apply to the Executive Team of Telefonaktiebolaget LM Ericsson (the "**Company**" or "**Ericsson**"), including the President and Chief Executive Officer (the "**President** and **CEO**") ("**Group Management**"). These Guidelines apply to remuneration agreed and changes to previously agreed remuneration after the date of approval of the Guidelines and are intended to remain in place for four years until the Annual General Meeting of shareholders 2027. For employments outside of Sweden, due adaptations may be made to comply with mandatory local rules or established local practices. In such cases, the overall purpose of these Guidelines shall be accommodated to the largest extent possible. These Guidelines do not cover remuneration resolved by the general meeting of shareholders, such as long-term variable compensation programs ("**LTV**").

Objective

These Guidelines aim to ensure alignment with the current remuneration philosophy and practices applicable for the Company's employees based on the principles of competitiveness, fairness, transparency, and performance. In particular to:

– attract and retain highly competent, performing, and motivated people that have the ability, experience, and skill to deliver on the Ericsson strategy;
– encourage behavior consistent with Ericsson's culture and core values;
– ensure fairness in reward by delivering total remuneration that is appropriate but not excessive, and clearly explained;
– have a total compensation mix of fixed pay, variable pay and benefits that is competitive where Ericsson competes for talent; and
– encourage variable remuneration which aligns employees with clear and relevant targets, reinforces their performance and enables flexible remuneration costs for Ericsson.

The Guidelines and the Company's strategy and sustainable long-term interest

A successful implementation of the Company's strategy and sustainable long-term interests requires that the Company can attract, retain, and motivate the right talent and can offer competitive remuneration. These Guidelines aim to allow the Company to offer the members of the Group Management attractive and competitive total remuneration. Variable compensation covered by these guidelines shall be awarded against specific pre-defined and measurable business targets derived from the short and long-term business plan approved by the Board of Directors. Targets will include financial targets at Group, Business Area and/or Market Area level. In addition, strategic targets, operational targets, employee engagement targets, customer satisfaction targets, sustainability and corporate responsibility targets or other lead indicator targets will be applied as deemed appropriate by the Remuneration Committee.

The Company operates long-term variable compensation programs for the Group Management as approved by the Annual General Meeting ("**AGM**"). Such decisions are not covered by these Guidelines. Details of Ericsson's current remuneration policy and how we deliver on our policy and guidelines and information on previously decided long-term variable compensation programs that have not yet become due for payment, including applicable performance criteria, can be found in the Remuneration Report and in Note G2, "Information regarding members of the Board of Directors, the Group management" and Note G3, "Share-based compensation" in the annual report.

Governance of remuneration to Group Management

The Board has established a Remuneration Committee (the "**Committee**") to handle compensation policies and principles and matters concerning remuneration to Group Management. The Board has authorized the Committee to determine and handle certain issues in specific areas. The Board may also on occasion provide extended authorization for the Committee to determine specific matters.

The Committee is authorized to review and prepare for resolution by the Board salary and other remuneration for the President and CEO. Further, the Committee shall prepare for resolution by the Board proposals to the AGM on Guidelines for Remuneration to Group Management at least every fourth year and on Long-term Variable compensation programs and similar equity arrangements.

The Committee has the mandate to resolve salary and other remuneration for the other members of Group Management except for the President and CEO, including targets for short-term variable compensation ("**STV**"), and payout of STV based on achievements and performance.

To conduct its responsibilities, the Committee considers trends in remuneration, legislative changes, disclosure rules and the general global executive remuneration environment. Before preparing salary adjustment recommendations for the President and CEO for resolution by the Board and approving any salary adjustments for the other members of Group Management the Committee reviews salary survey data, Company results and individual performance. No employee is present at the Committee's meetings when issues relating to their own remuneration are being discussed. Similarly, the President and CEO is not present at Board meetings when issues relating to the President and CEO's own remuneration are being discussed. The Committee may appoint independent expert advisors to assist and advise in its work.

The Chair of the Remuneration Committee along with the Chair of the Board work together with Ericsson's Investor Relations team, striving to ensure that healthy contact is maintained as necessary and appropriate with shareholders regarding remuneration to Group Management.

Overview of remuneration package covered by these Guidelines

For Group Management the remuneration package may consist of fixed salary, short-term and long-term variable compensation (STV and LTV), pension and other benefits.

Below are the key components of remuneration of Group Management covered by these Guidelines, including why they are used, their operation, opportunity levels and related performance measures. In addition, the AGM has resolved and may in the future decide to implement LTV for Group Management. The ongoing share-based LTV programs resolved by the AGM have been designed to provide long-term incentives for the members of Group Management and to incentivize the Company's performance creating long-term value. The aim is to attract, retain and motivate executives in a competitive market through performance-based share related incentives and to encourage the build-up of significant equity holdings to align the interests of the members of Group Management with those of shareholders. The vesting period under the ongoing share-based LTV programs resolved by the shareholders is three years and vesting is subject to the satisfaction of identified performance criteria. Although LTV is an important component of the remuneration of Group Management, it is not covered by these Guidelines, because these programs are resolved separately by the AGM.

Element and purpose	Description
Fixed salary Fixed compensation paid at set times. Purpose: – attract and retain the executive talent required to implement Ericsson's strategy – deliver part of the annual compensation in a predictable format	Salaries shall be set taking into account: – Ericsson's overall business performance – business performance of the Unit that the individual leads – year-on-year performance of the individual – external economic environment – size and complexity of the position – external market data – pay and conditions for other employees based in locations considered to be relevant to the role. When setting fixed salaries, the impact on total remuneration, including pensions and associated costs, shall be taken into consideration.
Short-term variable compensation (STV) STV is a variable compensation plan that shall be measured against targets derived from the business plan and paid over a single year. Purpose: – align members of Group Management with clear and relevant targets to Ericsson's strategy and sustainable long-term interests, – provide individuals an earning opportunity for performance at flexible cost to the Company.	The STV shall be paid in cash every year after the Committee and, as applicable, the Board have reviewed and approved performance against targets which are normally determined at the start of each year for each member of Group Management. Target pay-out opportunity for any financial year may be up to 150% of annual fixed salary of the individual. This shall normally be determined in line with the external market practices of the country of employment. Maximum pay-out shall be up to two times the target pay-out opportunity (i.e., no more than 300% of annual fixed salary). Any existing long-term variable pay-opportunity should be taken into account when determining target opportunity for STV (and vice versa). The STV shall be based on measures linked to the annual business plan and to Ericsson's long-term strategy and sustainability. Measures will include financial targets at Group, Business Area and/or Market Area level (for relevant members of Group Management). Other potential measures may include strategic targets, operational targets, employee engagement targets, customer satisfaction targets, sustainability and corporate responsibility targets or other lead indicator targets. At the end of the performance period for each STV cycle, the Board and the Committee shall assess performance versus the measures and determine the formula-based outcome using the financial information made public by the Company for the financial targets when applicable. The Board and the Committee reserve the right to: – revise any or all of the STV targets at any time, – adjust the STV targets retroactively under extraordinary circumstances, – reduce or cancel STV if Ericsson faces severe economic difficulties, for instance in circumstances as serious as no dividend being paid, – adjust STV in the event that the results of the STV targets are not a true reflection of business performance, – reduce or cancel STV for individuals either whose performance evaluation or whose documented performance feedback is below an acceptable level or who are on performance counselling. The Board and the Committee shall have the right in their discretion to: – deny, in whole or in part, the entitlement of an individual to the STV payout in case an individual has acted in breach of Ericsson's Code of Business Ethics, – claim repayment in whole or in part the STV paid in case an individual has acted in breach of Ericsson's Code of Business Ethics, – reclaim STV paid to an individual on incorrect grounds such as restatement of financial results due to incorrect financial reporting, non-compliance with a financial reporting requirement etc.
Pension Contributions paid towards retirement fund. Purpose: – attract and retain the executive talent required to implement Ericsson's strategy, – facilitate planning for retirement by way of providing competitive retirement arrangements in line with local market practices.	The operation of the pension plan shall follow competitive practice in the individual's home country and may contain various supplementary plans in addition to any national system for social security. Pension plans should be defined contribution plans unless the individual concerned is subject to defined benefit pension plan under mandatory collective bargaining agreement provisions or mandatory local regulations. For Group Management members in Sweden: – pension benefits shall be granted based on a defined contribution plan except where law or collective bargaining agreement require a defined benefit pension. The pensionable salary shall include fixed salary and, where required by law or collective bargaining agreement, any variable salary. – a supplementary pension contribution can be paid amounting to a maximum of 35% of the fixed annual salary that exceeds any cap in collective pension plans, unless a higher percentage is obliged by law or collective bargaining agreement. – the supplementary pension contribution can, as an alternative to a pension contribution, be exchanged for a cash payment provided that it is done in a way that is cost-neutral for the Company. Members of Group Management employed outside of Sweden may participate in the local market competitive pension arrangements that apply in their home countries in line with what is offered to other employees in the same country. In some special circumstances where individuals cannot participate in the local pension plans of their home countries of employment: – cash equivalent to pension may be provided as a taxable benefit, or – contributions may be made to an international pension fund on behalf of the individual on a costneutral basis In all cases the annual pension contributions shall be capped at 70% of annual fixed salary.
Other benefits Additional tangible or intangible compensation paid annually which do not fall under fixed salary, short-term and long-term variable compensation, or pension. Purpose: – attract and retain the executive talent required to implement Ericsson's strategy, – deliver part of the annual compensation in a predictable format.	Benefits offered shall consider the competitive practices in the individual's country of employment and should be in line with what is offered to other senior employees in the same country and may evolve year on year. Benefits may for example include Company phones, Company cars, wellbeing assistance, medical and other insurance benefits, tax support, travel, Company gifts and any international relocation and/or commuting benefits if the individual is required to relocate and/or commute internationally to execute the requirements of the role. Benefit opportunities shall be set in line with competitive market practices and shall reflect what is offered to other senior employees in the individual's country of employment. The levels of benefits provided may vary year on year depending on the cost of the provision of benefits to the Company. Other benefits shall be capped at 10% of annual fixed salary for members of Group Management located in Sweden. Additional benefits and allowances for members of Group Management who are commuters into Sweden or who are on long-term assignment ("**LTA**") in countries other than their home countries of employment, shall be determined in line with the Company's international mobility policy which may include (but is not limited to) commuting or relocation costs; cost of living adjustment, housing, home travel or education allowance; tax and social security equalization assistance.

Consideration of remuneration offered to the Company's employees

When developing these Guidelines, the Board and the Committee have considered the total remuneration and employment conditions of the Company's employees by reviewing the application of Ericsson's remuneration policy for the wider employee population to ensure consistency.

There is clear alignment in the remuneration components for the members of Group Management and the Company's employees in the way that remuneration policy is applied as well as the methods followed in determining fixed salaries, short-term and long-term variable compensation, pension, and benefits, which are to be applied broadly and consistently throughout the Company. The targets under short-term variable compensation are similar and the performance measures under long-term variable compensation program are the same for the members of Group Management and other eligible employees of the Company. However, the proportion of pay that is linked to performance is typically higher for Group Management in line with market practice and the higher levels of total compensation applicable at that level.

Employment contracts and termination of employment

The members of Group Management are employed on permanent rolling contracts. The maximum mutual notice period is no more than 12 months. In case of termination by the employee, the employee has no right to severance pay.

In any case, the fixed salary paid during the notice period plus any severance pay payable will not together exceed an amount equivalent to the individual's 24 months fixed salary unless otherwise determined by local legislation or collective bargaining agreements.

The employee may be entitled to severance pay up until the agreed retirement age or, if a retirement age has not been agreed, until the month when the employee turns 65. In a case where the employee is entitled to severance pay from a date later than 12 months prior to retirement, the severance pay shall be reduced in proportion to the time remaining and calculated only for the time as of the date when the employee's employment ceases (i.e., the end of the period of notice) and until the time of retirement.

Severance pay shall be reduced by 50% of the remuneration or equivalent compensation the employee receives, or has become entitled to, from any other employer or from his/her own or other activities during the period that severance is paid to the employee by the Company.

The Company shall have the right to terminate the employment contract and dismiss the employee with immediate effect, without giving any advance notice and entitlement to severance pay, if the employee commits a serious breach of his/her obligations towards the Company.

Normally disputes regarding employment agreements or any other agreements concerning the employment of the members of Group Management, the way such agreements have been arrived at, interpreted, or applied, as well as any other litigation proceedings from legal relations based on such agreements, shall be settled by arbitration by three arbitrators in accordance with the Rules of the Arbitration Institute of the Stockholm Chamber of Commerce. Irrespective of the outcome of any arbitral award, the Company may, in the relation between the parties, carry all fees and expenses charged by the arbitrators and all of its own litigation costs (including attorney's fees), except in the event the arbitration proceedings were initiated by the employee without reasonable cause.

Recruitment policy for new members of Group Management

In determining the remuneration of a new member of Group Management, the Board and the Committee shall take into consideration all relevant factors to ensure that arrangements are in the best interests of the Company and its shareholders. These factors include:

- the role being taken on,
- the skills, experience and caliber of the candidate,
- the level and type of remuneration opportunity received at a previous employer,
- the geography in which the candidate is being recruited from and whether any relocation allowance is required,
- the circumstances of the candidate,
- the current external market and salary practice,
- internal relativities.

Additional arrangements

By way of exception, additional arrangements can be made when deemed appropriate and necessary to recruit or retain an individual. Such arrangement could be in the form of short-term or long-term variable compensation or fixed component and can be renewed, but each such arrangement shall be limited in time and shall not exceed a period of 36 months and twice the annual fixed salary that the individual would have received if no additional arrangements were made. In addition, if appropriate, different measures and targets may be applied to the new appointment's incentives in the first year.

In addition, it may on a case-by-case basis be decided by the Board and the Committee respectively to compensate an individual for remuneration forfeited from a previous employer during recruitment. The Board and the Committee will consider on a case-by-case basis if all or some of the remuneration including incentives forfeited need to be 'bought-out'. If there is a buy-out of forfeited incentives, this will take into account relevant factors including the form they were granted (cash vs. shares), performance conditions attached to these awards and the time they would have vested/paid. Generally, buy-out awards will be made on a comparable basis to those forfeited.

In the event of an internal candidate being promoted to Group Management, legacy terms and conditions may be honored, including pension and benefit entitlements and any outstanding incentive awards. If a Group Management member is appointed following a merger or acquisition with/of another company, legacy terms and conditions may also be honored for a maximum period of 36 months.

Board of Directors' discretions

The Board upon recommendation from the Committee may in a specific case decide to temporarily deviate from these Guidelines in whole or in part based on its full discretion in unusual circumstances such as:

- upon change of the President and CEO,
- upon material changes in the Company structure, organization, ownership, and business (for example takeover, acquisition, merger, demerger etc.) which may require adjustments in STV and LTV or other elements to ensure continuity of Group Management, and
- in any other circumstances, provided that the deviation is required to serve the long-term interests and sustainability of the Company or to assure its financial viability.

The Committee is responsible for preparing matters for resolution by the Board, and this includes matters relating to deviations from these Guidelines. Any such deviation will be disclosed in the Remuneration Report for the relevant year.

Guidelines for Remuneration to Group Management approved by the Annual General Meeting of shareholders 2020

Guidelines for Remuneration to Group Management

Introduction

These Guidelines for Remuneration to Group Management (the "**Guidelines**") apply to the Executive Team of Telefonaktiebolaget LM Ericsson (the "**Company**" or "**Ericsson**"), including the President and Chief Executive Officer (the "**President and CEO**") ("**Group Management**"). These Guidelines apply to remuneration agreed and changes to previously agreed remuneration after the date of approval of the Guidelines and are intended to remain in place for four years until the Annual General Meeting of shareholders 2024. For employments outside of Sweden, due adaptations may be made to comply with mandatory local rules or established local practices. In such cases, the overall purpose of these Guidelines shall be accommodated to the largest extent possible. These Guidelines do not cover remuneration resolved by the general meeting of shareholders, such as long-term variable compensation programs ("**LTV**").

Objective

These Guidelines aim to ensure alignment with the current remuneration philosophy and practices applicable for the Company's employees based on the principles of competitiveness, fairness, transparency and performance. In particular to:

- attract and retain highly competent, performing and motivated people that have the ability, experience and skill to deliver on the Ericsson strategy,
- encourage behavior consistent with Ericsson's culture and core values,
- ensure fairness in reward by delivering total remuneration that is appropriate but not excessive, and clearly explained,
- have a total compensation mix of fixed pay, variable pay and benefits that is competitive where Ericsson competes for talent, and
- encourage variable remuneration which aligns employees with clear and relevant targets, reinforces their performance and enables flexible remuneration costs.

The Guidelines and the Company's strategy and sustainable long-term interest

A successful implementation of the Company's strategy and sustainable long-term interests requires that the Company can attract, retain and motivate the right talent and can offer them competitive remuneration. These Guidelines aim to allow the Company to offer the members of the Group Management attractive and competitive total remuneration. Variable compensation covered by these guidelines shall be awarded against specific pre-defined and measurable business targets derived from the long-term business plan approved by the Board of Directors. Targets may include financial targets at either Group, Business Area or Market Area level, strategic targets, operational targets, employee engagement targets, customer satisfaction targets, sustainability and corporate responsibility targets or other lead indicator targets.

The Company operates long-term variable compensation programs for the Group Management. These have been approved by the Annual General Meeting ("**AGM**") and as a result are not covered by these Guidelines. Details of Ericsson's current remuneration policy and how we deliver on our policy and guidelines and information on previously decided long-term variable compensation programs that have not yet become due for payment, including applicable performance criteria, can be found in the Remuneration Report and in note G2, "Information regarding members of the Board of Directors, the Group management" and note G3, "Share-based compensation" in the annual report 2019.[1)]

Governance of remuneration to Group Management

The Board has established a Remuneration Committee (the "**Committee**") to handle compensation policies and principles and matters concerning remuneration to Group Management. The Board has authorized the Committee to determine and handle certain issues in specific areas. The Board may also on occasion provide extended authorization for the Committee to determine specific matters.

The Committee is authorized to review and prepare for resolution by the Board salary and other remuneration for the President and CEO. Further, the Committee shall prepare for resolution by the Board proposals to the AGM on Guidelines for Remuneration to Group Management at least every fourth year and on LTV and similar equity arrangements.

The Committee has the mandate to resolve salary and other remuneration for the other members of Group Management except for the President and CEO, including targets for short-term variable compensation ("STV"), and payout of STV based on achievements and performance.

In order to conduct its responsibilities, the Committee considers trends in remuneration, legislative changes, disclosure rules and the general global executive remuneration environment. It reviews salary survey data, Company results and individual performance before preparing salary adjustment recommendations for the President and CEO for resolution by the Board and before approving any salary adjustments for the other members of Group Management. In order to avoid conflict of interests, no employee is present at the Committee's meetings when issues relating to their own remuneration are being discussed. The President and CEO is not present at Board meetings when issues relating to the President and CEO's own remuneration are being discussed. The Committee may appoint independent expert advisors to assist and advise in its work.

The Chair of the Remuneration Committee along with the Chair of the Board work together with Ericsson's Investor Relations team, striving to ensure that healthy contact is maintained as necessary and appropriate with shareholders regarding remuneration to Group Management.

Overview of remuneration package covered by these Guidelines

For Group Management the remuneration package may consist of fixed salary, short-term and long-term variable compensation (STV and LTV), pension and other benefits.

The table below sets out the key components of remuneration of Group Management covered by these Guidelines, including why they are used, their operation, opportunity levels and the related performance measures. In addition, the AGM has resolved and may in the future decide to implement LTV for Group Management. The ongoing share-based LTV programs resolved by the AGM have been designed to provide long-term incentives for the members of Group Management and to incentivize the Company's performance creating long-term value. The aim is to attract, retain and motivate executives in a competitive market through performance-based share related incentives and to encourage the build-up of significant equity holdings to align the interests of the members of Group Management with those of shareholders. The vesting period under the ongoing share-based LTV programs resolved by the shareholders is three years and vesting is subject to the satisfaction of identified performance criteria. Although LTV is an important component of the remuneration of Group Management, it is not covered by these Guidelines, because these programs are separately resolved by the AGM.

1) Information for 2022 can be found in the Remuneration report and in note G2, "Information regarding members of the Board of Directors and Group management" and note G3, "Share-based compensation" in the Financial report.

<table>
<tr><th>Element and purpose</th><th>Operation</th><th>Opportunity</th><th>Performance measures</th></tr>
<tr><td>Fixed salary
Fixed compensation paid at set times.
Purpose:
– attract and retain the executive talent required to implement Ericsson's strategy,
– deliver part of the annual compensation in a predictable format.</td><td>Salaries shall normally be reviewed annually in January.
Salaries shall be set taking into account:
– Ericsson's overall business performance,
– business performance of the Unit that the individual leads,
– year-on-year performance of the individual,
– external economic environment,
– size and complexity of the position,
– external market data,
– pay and conditions for other employees based in locations considered to be relevant to the role.
When setting fixed salaries, the impact on total remuneration, including pensions and associated costs, shall be taken into consideration.</td><td>There is no maximum salary level; however, salary increases (as a % of existing salary) for most Group Management members would normally be in line with the external market practices, employees in relevant locations and performance of the individual.
There are circumstances where higher salary increases could be awarded. For example, where:
– a new Group Management member has been appointed at a below-market salary, in which case larger increases may be awarded in following years, subject to strong individual performance,
– the Group Management member has been promoted or has had an increase in responsibilities,
– an individual's salary has fallen significantly behind market practice.</td><td>This element of the package does not require achievement of any specific performance targets.
However, individual performance and capability shall be taken into account along with business performance when determining fixed salary levels and any salary increases.</td></tr>
<tr><td>Short-term variable compensation (STV)
STV is a variable compensation plan that shall be measured and paid over a single year.
Purpose:
– align members of Group Management with clear and relevant targets to Ericsson's strategy and sustainable long-term interests,
– provide individuals an earning opportunity for performance at flexible cost to the Company.</td><td>The STV shall be paid in cash every year after the Committee and, as applicable, the Board have reviewed and approved performance against targets which are normally determined at the start of each year for each member of Group Management.
The Board and the Committee reserve the right to:
– revise any or all of the STV targets at any time,
– adjust the STV targets retroactively under extraordinary circumstances,
– reduce or cancel STV if Ericsson faces severe economic difficulties, for instance in circumstances as serious as no dividend being paid,
– adjust STV in the event that the results of the STV targets are not a true reflection of business performance,
– reduce or cancel STV for individuals either whose performance evaluation or whose documented performance feedback is below an acceptable level or who are on performance counselling.

Malus and clawback
The Board and the Committee shall have the right in their discretion to:
– deny, in whole or in part, the entitlement of an individual to the STV payout in case an individual has acted in breach of Ericsson's Code of Business Ethics.
– claim repayment in whole or in part the STV paid in case an individual has acted in breach of Ericsson's Code of Business Ethics.
– reclaim STV paid to an individual on incorrect grounds such as restatement of financial results due to incorrect financial reporting, non-compliance with a financial reporting requirement etc.</td><td>Target pay-out opportunity for any financial year may be up to 150% of annual fixed salary of the individual. This shall normally be determined in line with the external market practices of the country of employment.
Maximum pay-out shall be up to two times the target pay-out opportunity (i.e. 300% of annual fixed salary).[1) 2)]</td><td>The STV shall be based on measures linked to the annual business plan which in itself is linked to Ericsson's long-term strategy and sustainability.
Measures shall include financial targets at Group, Business Area or Market Area level (for relevant members of Group Management). Other potential measures may include strategic targets, operational targets, employee engagement targets, customer satisfaction targets, sustainability and corporate responsibility targets or other lead indicator targets.
A maximum of four STV targets shall be assigned to an individual in total for a financial year. Financial targets shall comprise at least 75% of the target bonus opportunity with a minimum of 40% being defined at Group level. The minimum weighting for an STV target shall be 20%.
Performance of all STV targets shall be tested over a one-year performance period (financial year).
The STV measures and targets shall be determined by the Committee for the members of Group Management other than the President and CEO.
The Board has the mandate to define STV measures and targets for the President and CEO, should STV be introduced for the President and CEO.</td></tr>
</table>

Element and purpose	Operation	Opportunity	Performance measures
Pension Contributions paid towards retirement fund. Purpose: – attract and retain the executive talent required to implement Ericsson's strategy, – facilitate planning for retirement by way of providing competitive retirement arrangements in line with local market practices.	The operation of the pension plan shall follow competitive practice in the individual's home country and may contain various supplementary plans in addition to any national system for social security. Pension plans should be defined contribution plans unless the individual concerned is subject to defined benefit pension plan under mandatory collective agreement provisions or mandatory local regulations. In some special circumstances where individuals cannot participate in the local pension plans of their home countries of employment: – cash equivalent to pension may be provided as a taxable benefit, or – contributions may be made to an international pension fund on behalf of the individual on a cost-neutral basis.	Since 2011, members of Group Management in Sweden participate in the defined contribution plan (ITP1) which applies for the wider workforce in Sweden. The pension contribution for ITP1 is capped at 30% of pensionable salary which includes fixed salary and STV paid in cash. According to the local collective bargaining agreement in Sweden, the members of Group Management are also entitled to an additional pension contribution for part-time retirement for which the cap is determined during the union negotiations for all the local employees. Members of Group Management employed outside of Sweden may participate in the local market competitive pension arrangements that apply in their home countries in line with what is offered to other employees in the same country. In all cases the annual pension contributions shall be capped at 70% of annual fixed salary.[3]	None
Other benefits Additional tangible or intangible compensation paid annually which do not fall under fixed salary, short-term and long-term variable compensation or pension. Purpose: – attract and retain the executive talent required to implement Ericsson's strategy, – deliver part of the annual compensation in a predictable format.	Benefits offered shall take into account the competitive practices in the individual's country of employment and should be in line with what is offered to other senior employees in the same country and may evolve year on year. Benefits may for example include company phones, company cars, medical and other insurance benefits, tax support, travel, Company gifts and any international relocation and/or commuting benefits if the individual is required to relocate and/or commute internationally to execute the requirements of the role.	Benefit opportunities shall be set in line with competitive market practices and shall reflect what is offered to other senior employees in the individual's country of employment. The levels of benefits provided may vary year on year depending on the cost of the provision of benefits to the Company. Other benefits shall be capped at 10% of annual fixed salary for members of Group Management located in Sweden. Additional benefits and allowances for members of Group Management who are commuters into Sweden or who are on long-term assignment ("LTA") in countries other than their home countries of employment, shall be determined in line with the Company's international mobility policy which may include (but is not limited to) commuting or relocation costs; cost of living adjustment, housing, home travel or education allowance; tax and social security equalization assistance.	None

1) For most of the current members of Group Management, the current STV target opportunity is below 50% of the annual fixed salary.

2) At present the President and CEO does not participate in STV. The Board has the mandate to decide to include the President and CEO in STV in the future. In doing so the Board shall:
– determine the STV opportunity for the President and CEO within the ranges mentioned above and in line with the external market practices of the country of employment, keeping the STV opportunity of the other members of Group Management under consideration,
– reduce the LTV opportunity in relation to the STV opportunity, keeping the total target cash compensation consisting of fixed salary, STV and LTV unchanged.
Should the Board decide to introduce STV for the President and CEO, the details will be disclosed in the Remuneration Report for the relevant year.

3) Since most of the current members of Group Management are currently under ITP1 coverage, their pension contributions are currently capped at 30% of pensionable salary and the additional pension contribution for part-time retirement mandated by the local collective bargaining agreement in Sweden.

Alignment of short-term variable compensation with the Company's strategy and criteria for payment

These Guidelines for Remuneration to Group Management have been developed to support alignment of Ericsson's business strategy and long-term interests of members of Group Management with that of shareholders, in particular:

– The targets for the STV shall be set each year either by the Board or the Committee as appropriate for the members of the Group Management. In determining the targets, the Board and the Committee shall take into account Ericsson's focused business strategy, which is built on technology leadership, product-led solutions and global scale, along with internal annual and long-term business plans. Therefore, all members of Group Management shall have one or more Group financial targets derived from the long-term financial targets which amount to at least 40% of the target STV opportunity. At least 75% of the target STV opportunity shall be linked to financial measures. The Board and the Committee, as applicable, may also choose to include other operational, strategic, employee engagement, customer satisfaction or sustainability and corporate responsibility or other lead indicator measures to support the delivery of the business plan. For certain roles such targets may be supplemented by targets for the relevant Business Area, Market Area or Group Function.

- Maximum pay-out shall be achievable for truly outstanding performance and exceptional value creation.
- At the end of the performance period for each STV cycle, the Board and the Committee shall assess performance versus the measures and determine the formula-based outcome using the financial information made public by the Company for the financial targets. The Board has the discretion to adjust targets and the subsequent outcome in the event that they cease to be relevant or stretching or to enhance shareholder value. Adjustments shall normally only occur in the event of a major change (e.g. an acquisition or divestment) and shall be on the basis that the new target shall be no more or less difficult to achieve.

Consideration of remuneration offered to the Company's employees

When developing these Guidelines, the Board and the Committee have considered the total remuneration and employment conditions of the Company's employees by reviewing the application of Ericsson's remuneration policy for the wider employee population to ensure consistency.

There is clear alignment in the remuneration components for the members of Group Management and the Company's employees in the way that remuneration policy is applied as well as the methods followed in determining fixed salaries, short-term and long-term variable compensation, pension and benefits, which are to be applied broadly and consistently throughout the Company. The targets under short-term variable compensation are similar and the performance measures under long-term variable compensation program are the same for the members of Group Management and other eligible employees of the Company. However, the proportion of pay that is linked to performance is typically higher for Group Management in line with market practice.

Employment contracts and termination of employment

The members of Group Management are employed on permanent rolling contracts. The maximum mutual notice period is no more than 12 months. In case of termination by the employee, the employee has no right to severance pay.

In any case, the fixed salary paid during the notice period plus any severance pay payable will not together exceed an amount equivalent to the individual's 24 months fixed salary.

The employee may be entitled to severance pay up until the agreed retirement age or, if a retirement age has not been agreed, until the month when the employee turns 65. In a case where the employee is entitled to severance pay from a date later than 12 months prior to retirement, the severance pay shall be reduced in proportion to the time remaining and calculated only for the time as of the date when the employee's employment ceases (i.e. the end of the period of notice) and until the time of retirement.

Severance pay shall be reduced by 50% of the remuneration or equivalent compensation the employee receives, or has become entitled to, from any other employer or from his/her own or other activities during the period that severance is paid to the employee by the Company.

The Company shall have the right to terminate the employment contract and dismiss the employee with immediate effect, without giving any advance notice and entitlement to severance pay, if the employee commits a serious breach of his/her obligations towards the Company.

Normally disputes regarding employment agreements or any other agreements concerning the employment of the members of Group Management, the way such agreements have been arrived at, interpreted or applied, as well as any other litigation proceedings from legal relations based on such agreements, shall be settled by arbitration by three arbitrators in accordance with the Rules of the Arbitration Institute of the Stockholm Chamber of Commerce. Irrespective of the outcome of any arbitral award, the Company may, in the relation between the parties, carry all fees and expenses charged by the arbitrators and all of its own litigation costs (including attorney's fees), except in the event the arbitration proceedings were initiated by the employee without reasonable cause.

Recruitment policy for new members of Group Management

In determining the remuneration of a new member of Group Management, the Board and the Committee shall take into consideration all relevant factors to ensure that arrangements are in the best interests of the Company and its shareholders. These factors include:

- The role being taken on.
- The level and type of remuneration opportunity received at a previous employer.
- The geography in which the candidate is being recruited from and whether any relocation allowance is required.
- The skills, experience and caliber of the candidate.
- The circumstances of the candidate.
- The current external market and salary practice.
- Internal relativities.

Additional arrangements

By way of exception, additional arrangements can be made when deemed appropriate and necessary to recruit or retain an individual. Such arrangement could be in the form of short-term or long-term variable compensation or fixed component and can be renewed, but each such arrangement shall be limited in time and shall not exceed a period of 36 months and twice the annual fixed salary that the individual would have received if no additional arrangements were made. In addition, if appropriate, different measures and targets may be applied to the new appointment's incentives in the first year.

In addition, it may on a case by case basis be decided by the Board and the Committee respectively to compensate an individual for remuneration forfeited from a previous employer during recruitment. The Board and the Committee will consider on a case by case basis if all or some of the remuneration including incentives forfeited need to be 'bought-out'. If there is a buy-out of forfeited incentives, this will take into account relevant factors including the form they were granted (cash vs. shares), performance conditions attached to these awards and the time they would have vested/paid. Generally, buy-out awards will be made on a comparable basis to those forfeited.

In the event of an internal candidate being promoted to Group Management, legacy terms and conditions may be honored, including pension and benefit entitlements and any outstanding incentive awards. If a Group Management member is appointed following a merger or acquisition with/of another company, legacy terms and conditions may also be honored for a maximum period of 36 months.

Board of Directors' discretions

The Board upon recommendation from the Committee may in a specific case decide to temporarily deviate from these Guidelines in whole or in part based on its full discretion in unusual circumstances such as:

- upon change of the President and CEO in accordance with recruitment policy for new members of Group Management,
- upon material changes in the Company structure, organization, ownership and business (for example takeover, acquisition, merger, demerger etc.) which may require adjustments in STV and LTV or other elements to ensure continuity of Group Management, and
- in any other circumstances, provided that the deviation is required to serve the long-term interests and sustainability of the Company or to assure its financial viability.

The Committee is responsible for preparing matters for resolution by the Board, and this includes matters relating to deviations from these Guidelines. Any such deviation will be disclosed in the Remuneration Report for the relevant year.

Events after the reporting period

Proposals from the Nomination Committee
On January 11, 2023, Ericsson announced the Nomination Committee's proposal that the shareholders elect at the Annual General Meeting 2023 ten ordinary board members with no deputy directors. The Nomination Committee proposed that the following persons be elected as board members:
- Jan Carlson, Chairman (re-election as director, new election as Chairman)
- Jon Fredrik Baksaas (re-election)
- Carolina Dybeck Happe (re-election)
- Börje Ekholm (re-election)
- Eric A. Elzvik (re-election)
- Kristin S. Rinne (re-election)
- Helena Stjernholm (re-election)
- Jacob Wallenberg (re-election)
- Jonas Synnergren (new election)
- Christy Wyatt (new election)

In addition, the Nomination Committee informed the Company that the current chairman, Ronnie Leten, and board members Kurt Jofs and Nora Denzel had informed the Nomination Committee that they will not stand for re-election at the Annual General Meeting 2023.

The Company expects to hold its Annual General Meeting on March 29, 2023, and the Nomination Committee's complete proposals and motivated statement are available on the Company's website www.ericsson.com.

Update on deferred prosecution agreement
In 2019, Ericsson entered into a deferred prosecution agreement (DPA) with the United States Department of Justice (DOJ) in order to resolve past (prior to 2017) Foreign Corrupt Practices Act (FCPA) violations relating to misconduct in certain countries. The DPA provided that, in the event of any breach of its ongoing DPA obligations, the Company could be prosecuted for the historical FCPA violations covered by the DPA.

As announced in October 2021 and March 2022, the DOJ notified Ericsson that it failed to provide certain documents and information to the DOJ in a timely manner and did not adequately report to the DOJ certain information relating to the 2019 internal Iraq investigation. The DOJ has not alleged or charged Ericsson with any new criminal misconduct since the start of the DPA.

The Company's internal investigation and its cooperation with authorities in relation to the matters discussed in a 2019 internal Iraq investigation report remain open and ongoing. With respect to the matters described in the 2019 internal Iraq investigation report, the Company continues to thoroughly investigate the matters in full cooperation with the DOJ and the SEC. As previously disclosed, the Company's 2019 investigation did not conclude that Ericsson made or was responsible for any payments to any terrorist organization and significant further investigation over the course of 2022 has not altered this conclusion. Since 2019, Ericsson has taken significant remedial measures, overseen by the Board of Directors. These include enhancing its group-wide approach to risk management and strengthening its compliance program and internal controls. The Company agreed in December 2022 to extend its independent compliance monitorship with one year, until June 2024, to further our efforts to embed best-in-class compliance, risk management and internal controls across the organization.

On March 2, 2023, the Company reached a resolution (DOJ Plea Agreement) with the DOJ regarding non-criminal breaches under its DPA . Under the DOJ Plea Agreement, Ericsson will plead guilty to previously deferred charges relating to conduct prior to 2017. In addition, Ericsson has agreed to pay a fine of USD 206,728,848. The entry of the DOJ Plea Agreement will bring the DPA to an end. In the fourth quarter of 2022, the Company made a provision of SEK 2.3 billion (approx. USD 220 million) in relation to the DOJ Plea Agreement, including estimated expenses (SEK 0.1 billion) for the extended compliance monitorship.

Ericsson announces changes to the Executive Team
On January 25, 2023, Ericsson announced that Jenny Lindqvist has been appointed as Senior Vice President, Head of Market Area Europe and Latin America, as of February 1, 2023. Effective the same date she will become member of the Ericsson Executive Team, reporting to the President and CEO.

Jenny Lindqvist has a Master of Science in Business and Economics from Stockholm School of Economics. Previous management positions within Ericsson Business Area and Market Area organizations include Head of Global Customer Unit Telia Company, Head of Solution Line Intelligent Transport Systems, Key Account Manager Telenor, Managed Services Engagement Lead and Business Manager Multimedia. Previous positions outside Ericsson include roles in management consulting in France and Sweden, as well as in Pharmaceuticals in the Philippines.

As a member of Ericsson's Executive Team, Jenny Lindqvist succeeds Stefan Koetz who has been acting in this role as of June 1, 2022. Stefan will take on a new role as Head of Strategic Projects for Market Area Europe and Latin America.

Ericsson Announces Compliance Leadership Changes
On February 28, 2023, Ericsson announced that after almost four years as Ericsson's Chief Compliance Officer (CCO), Laurie Waddy would be leaving the Company. Ms. Waddy joined Ericsson in April 2019 and played an important role in strengthening the Company's ethics and compliance function. She has been replaced on an interim basis by Jan Sprafke.

Board assurance

The Board of Directors and the President declare that the consolidated financial statements have been prepared in accordance with IFRS, as issued by the IASB, and as adopted by the EU, and give a fair view of the Group's financial position and results of operations. The financial statements of the Parent Company have been prepared in accordance with generally accepted accounting principles in Sweden and give a fair view of the Parent Company's financial position and results of operations. The Board of Directors' Report for the Ericsson Group and the Parent Company provides a fair view of the development of the Group's and the Parent Company's operations, financial position and results of operations and describes material risks and uncertainties facing the Parent Company and the companies included in the Group.

Stockholm, March 7, 2023

Telefonaktiebolaget LM Ericsson (publ)
Org. no. 556016-0680

Ronnie Leten
Chair of the Board

Helena Stjernholm
Deputy Chair of the Board

Jacob Wallenberg
Deputy Chair of the Board

Jon Fredrik Baksaas
Member of the Board

Jan Carlson
Member of the Board

Nora Denzel
Member of the Board

Carolina Dybeck Happe
Member of the Board

Börje Ekholm
President, CEO and Member of the Board

Eric A. Elzvik
Member of the Board

Kurt Jofs
Member of the Board

Kristin S. Rinne
Member of the Board

Torbjörn Nyman
Member of the Board

Anders Ripa
Member of the Board

Kjell-Åke Soting
Member of the Board

Our audit report has been submitted on March 7, 2023

Deloitte AB

Thomas Strömberg
Authorized Public Accountant

Consolidated financial statements with notes

Contents

Consolidated financial statements

Consolidated income statement

January–December, SEK million	Notes	2022	2021	2020
Net sales	B1, B2	271,546	232,314	232,390
Cost of sales		–158,251	–131,565	–138,666
Gross income		**113,295**	**100,749**	**93,724**
Research and development expenses		–47,298	–42,074	–39,714
Selling and administrative expenses		–35,692	–26,957	–26,684
Impairment losses on trade receivables	F1	–40	–40	118
Operating expenses		*–83,030*	*–69,071*	*–66,280*
Other operating income	B4	1,231	1,526	1,161
Other operating expenses	B4	–4,493	–1,164	–499
Share in earnings of joint ventures and associated companies	B1, E3	17	–260	–298
Earnings before financial items and income tax (EBIT)	B1	**27,020**	**31,780**	**27,808**
Financial income and expenses, net	F2	–2,411	–2,530	–596
Income after financial items		**24,609**	**29,250**	**27,212**
Income tax	H1	–5,497	–6,270	–9,589
Net income		**19,112**	**22,980**	**17,623**
Net income attributable to:				
Owners of the Parent Company		18,724	22,694	17,483
Non-controlling interests		388	286	140
Other information				
Average number of shares, basic (million)	H2	3,330	3,329	3,323
Earnings per share attributable to owners of the Parent Company, basic (SEK)	H2	5.62	6.82	5.26
Earnings per share attributable to owners of the Parent Company, diluted (SEK)	H2	5.62	6.81	5.26

Consolidated statement of comprehensive income (loss)

January–December, SEK million	2022	2021	2020
Net income	**19,112**	**22,980**	**17,623**
Other comprehensive income (loss)			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit pension plans including asset ceiling	10,669	3,537	–4,618
Revaluation of borrowings due to change in credit risk	1,030	31	99
Cash flow hedge reserve			
Gains/losses arising during the period	3,703	–	–
Transfer to goodwill	–3,677	–	–
Tax on items that will not be reclassified to profit or loss	–3,067	–682	880
Items that have been or may be reclassified to profit or loss			
Cash flow hedge reserve			
Gains/losses arising during the period	–701	–542	136
Reclassification adjustments on gains/losses included in profit or loss	280	–96	281
Translation reserves			
Changes in translation reserves	7,130	3,342	–5,376
Reclassification to profit and loss	–85	46	124
Share of other comprehensive income of JV and associated companies	49	28	–81
Tax on items that have been or may be reclassified to profit or loss	87	126	–86
Other comprehensive income (loss), net of tax	**15,418**	**5,790**	**–8,641**
Total comprehensive income	**34,530**	**28,770**	**8,982**
Total comprehensive income attributable to:			
Owners of the Parent Company	34,274	28,694	8,787
Non-controlling interests	256	76	195

Consolidated balance sheet

SEK million	Notes	Dec 31 2022	Dec 31 2021
Assets			
Non-current assets			
Intangible assets	C1		
Capitalized development expenses		3,705	3,528
Goodwill		84,570	38,204
Customer relationships, IPRs and other intangible assets		26,340	3,830
Property, plant and equipment	C2	14,236	13,580
Right-of-use assets	C3	7,870	7,948
Financial assets			
Equity in joint ventures and associated companies	E3	1,127	941
Other investments in shares and participations	F3	2,074	2,258
Customer finance, non-current	B6, F1	415	568
Interest-bearing securities, non-current	F1, F3	9,164	30,626
Other financial assets, non-current	F3	6,839	6,217
Deferred tax assets	H1	19,394	23,109
		175,734	**130,809**
Current assets			
Inventories	B5	45,846	35,164
Contract assets	B6, F1	9,843	10,506
Trade receivables	B6, F1	48,413	45,399
Customer finance, current	B6, F1	4,955	2,719
Current tax assets		7,973	6,379
Other current receivables	B7	9,688	7,656
Interest-bearing securities, current	F1	8,736	12,932
Cash and cash equivalents	H3	38,349	54,050
		173,803	**174,805**
Total assets		**349,537**	**305,614**
Equity and liabilities			
Equity			
Capital stock	E1	16,672	16,672
Additional paid in capital	E1	24,731	24,731
Other reserves	E1	8,201	454
Retained earnings	E1	85,210	66,918
Equity attributable to owners of the Parent Company	E1	134,814	108,775
Non-controlling interests	E1	−1,510	−1,676
		133,304	**107,099**
Non-current liabilities			
Post-employment benefits	G1	27,361	36,050
Provisions, non-current	D1	3,959	3,722
Deferred tax liabilities	H1	4,784	884
Borrowings, non-current	F4	26,946	22,241
Lease liabilities, non-current	C3	6,818	7,079
Other non-current liabilities		745	1,587
		70,613	**71,563**
Current liabilities			
Provisions, current	D1	7,629	5,782
Borrowings, current	F4	5,984	9,590
Lease liabilities, current	C3	2,486	2,224
Contract liabilities	B6	42,251	32,834
Trade payables	B8	38,437	35,684
Current tax liabilities		2,640	2,917
Other current liabilities	B9	46,193	37,921
		145,620	**126,952**
Total equity and liabilities		**349,537**	**305,614**

Consolidated statement of cash flows

January–December, SEK million	Notes	2022	2021	2020
Operating activities				
Net income		19,112	22,980	17,623
Adjustments to reconcile net income to cash	H3	17,638	17,143	19,931
		36,750	**40,123**	**37,554**
Changes in operating net assets				
Inventories		–7,740	–5,565	384
Customer finance, current and non-current		–1,732	34	370
Trade receivables and contract assets		4,766	1,551	–3,185
Trade payables		–1,995	1,385	4,303
Provisions and post-employment benefits		2,339	–118	–2,669
Contract liabilities		5,794	4,014	–560
Other operating assets and liabilities, net		–813	2,701	–2,280
		619	**4,002**	**–3,637**
Interest received		344	8	763
Interest paid		–1,250	–974	–1,434
Taxes paid		–5,600	–4,094	–4,313
Cash flow from operating activities		**30,863**	**39,065**	**28,933**
Investing activities				
Investments in property, plant and equipment	C2	–4,477	–3,663	–4,493
Sales of property, plant and equipment		249	115	254
Acquisitions of subsidiaries and other operations	H3, E2	–51,995	–389	–9,657
Divestments of subsidiaries and other operations	H3, E2	307	448	59
Product development	C1	–1,720	–962	–817
Purchase of interest-bearing securities		–13,582	–35,415	–13,637
Sale of interest-bearing securities		40,541	20,114	12,289
Other investing activities		–3,720	–131	801
Cash flow from investing activities		**–34,397**	**–19,883**	**–15,201**
Financing activities				
Proceeds from issuance of borrowings	F4	10,755	7,882	3,219
Repayment of borrowings	F4	–16,029	–5,791	–9,031
Sale of own shares		–	42	163
Dividends paid		–8,415	–6,889	–5,996
Repayment of lease liabilities	F4	–2,593	–2,368	–2,417
Other financing activities		352	–2,183	1,570
Cash flow from financing activities		**–15,930**	**–9,307**	**–12,492**
Effect of exchange rate changes on cash		3,763	563	–2,707
Net change in cash and cash equivalents		**–15,701**	**10,438**	**–1,467**
Cash and cash equivalents, beginning of period		**54,050**	**43,612**	**45,079**
Cash and cash equivalents, end of period	H3	**38,349**	**54,050**	**43,612**

Consolidated statement of changes in equity

Equity and Other comprehensive income (loss) 2022

SEK million	Capital stock	Additional paid in capital	Other reserves	Retained earnings	Stockholders' equity	Non-controlling interests	Total equity
January 1, 2022	**16,672**	**24,731**	**454**	**66,918**	**108,775**	**–1,676**	**107,099**
Net income	**–**	**–**	**–**	**18,724**	**18,724**	**388**	**19,112**
Other comprehensive income (loss)							
Items that will not be reclassified to profit or loss							
Remeasurements of defined benefit pension plans including asset ceiling	–	–	–	10,654	10,654	15	10,669
Revaluation of borrowings due to change in credit risk	–	–	1,030	–	1,030	–	1,030
Cash flow hedge reserve							
Gains/losses arising during the period	–	–	3,703	–	3,703	–	3,703
Transfer to goodwill	–	–	–3,677	–	–3,677	–	–3,677
Tax on items that will not be reclassified to profit or loss	–	–	–970	–2,093	–3,063	–4	–3,067
Items that have been or may be reclassified to profit or loss							
Cash flow hedge reserve							
Gains/losses arising during the period	–	–	–701	–	–701	–	–701
Reclassification to profit and loss	–	–	280	–	280	–	280
Translation reserves [1]							
Changes in translation reserves	–	–	7,273	–	7,273	–143	7,130
Reclassification to profit and loss	–	–	–85	–	–85	–	–85
Share of other comprehensive income of JV and associated companies	–	–	49	–	49	–	49
Tax on items that have been or may be reclassified to profit or loss	–	–	87	–	87	–	87
Other comprehensive income (loss), net of tax	**–**	**–**	**6,989**	**8,561**	**15,550**	**–132**	**15,418**
Total comprehensive income	**–**	**–**	**6,989**	**27,285**	**34,274**	**256**	**34,530**
Transfer to retained earnings	–	–	758	–758	–	–	–
Transactions with owners							
Long-term variable compensation plans	–	–	–	89	89	–	89
Dividends paid [2]	–	–	–	–8,325	–8,325	–90	–8,415
Transactions with non-controlling interest	–	–	–	1	1	–	1
December 31, 2022	**16,672**	**24,731**	**8,201**	**85,210**	**134,814**	**–1,510**	**133,304**

[1] Changes in translation reserves include changes regarding revaluation of goodwill in local currency of SEK 5,070 million (SEK 2,646 million in 2021 and SEK –3,359 million in 2020).

[2] Dividends paid per share amounted to SEK 2.50 (SEK 2.00 in 2021 and SEK 1.50 in 2020).

Equity and Other comprehensive income (loss) 2021

SEK million	Capital stock	Additional paid in capital	Other reserves	Retained earnings	Stockholders' equity	Non-controlling interests	Total equity
January 1, 2021	**16,672**	**24,731**	**–2,689**	**47,960**	**86,674**	**–1,497**	**85,177**
Net income	**–**	**–**	**–**	**22,694**	**22,694**	**286**	**22,980**
Other comprehensive income (loss)							
Items that will not be reclassified to profit or loss							
Remeasurements of defined benefit pension plans including asset ceiling	–	–	–	3,532	3,532	5	3,537
Revaluation of borrowings due to change in credit risk	–	–	31	–	31	–	31
Tax on items that will not be reclassified to profit or loss	–	–	–6	–675	–681	–1	–682
Items that have been or may be reclassified to profit or loss							
Cash flow hedge reserve							
Gains/losses arising during the period	–	–	–542	–	–542	–	–542
Reclassification to profit and loss	–	–	–96	–	–96	–	–96
Translation reserves							
Changes in translation reserves	–	–	3,556	–	3,556	–214	3,342
Reclassification to profit and loss	–	–	46	–	46	–	46
Share of other comprehensive income of JV and associated companies	–	–	28	–	28	–	28
Tax on items that have been or may be reclassified to profit or loss	–	–	126	–	126	–	126
Other comprehensive income (loss), net of tax	**–**	**–**	**3,143**	**2,857**	**6,000**	**–210**	**5,790**
Total comprehensive income	**–**	**–**	**3,143**	**25,551**	**28,694**	**76**	**28,770**
Transactions with owners							
Sale of own shares	–	–	–	42	42	–	42
Long-term variable compensation plans	–	–	–	93	93	–	93
Dividends paid	–	–	–	–6,658	–6,658	–231	–6,889
Transactions with non-controlling interest	–	–	–	–70	–70	–24	–94
December 31, 2021	**16,672**	**24,731**	**454**	**66,918**	**108,775**	**–1,676**	**107,099**

Equity and Other comprehensive income (loss) 2020

SEK million	Capital stock	Additional paid in capital	Other reserves	Retained earnings	Stockholders' equity	Non-controlling interests	Total equity
January 1, 2020	**16,672**	**24,731**	**2,292**	**38,864**	**82,559**	**−681**	**81,878**
Net income	**–**	**–**	**–**	**17,483**	**17,483**	**140**	**17,623**
Other comprehensive income (loss)							
Items that will not be reclassified to profit or loss							
Remeasurements of defined benefit pension plans including asset ceiling	–	–	–	−4,614	−4,614	−4	−4,618
Revaluation of borrowings due to change in credit risk	–	–	99	–	99	–	99
Tax on items that will not be reclassified to profit or loss	–	–	−20	899	879	1	880
Items that have been or may be reclassified to profit or loss							
Cash flow hedge reserve							
Gains/losses arising during the period	–	–	136	–	136	–	136
Reclassification to profit and loss	–	–	281	–	281	–	281
Translation reserves							
Changes in translation reserves	–	–	−5,434	–	−5,434	58	−5,376
Reclassification to profit and loss	–	–	124	–	124	–	124
Share of other comprehensive income of JV and associated companies	–	–	−81	–	−81	–	−81
Tax on items that have been or may be reclassified to profit or loss	–	–	−86	–	−86	–	−86
Other comprehensive income (loss), net of tax	**–**	**–**	**−4,981**	**−3,715**	**−8,696**	**55**	**−8,641**
Total comprehensive income (loss)	**–**	**–**	**−4,981**	**13,768**	**8,787**	**195**	**8,982**
Transactions with owners							
Sale of own shares	–	–	–	163	163	–	163
Long-term variable compensation plans	–	–	–	150	150	–	150
Dividends paid	–	–	–	−4,985	−4,985	−1,011	−5,996
December 31, 2020	**16,672**	**24,731**	**−2,689**	**47,960**	**86,674**	**−1,497**	**85,177**

Notes to the consolidated financial statements

Section A – Basis of presentation

A1 Significant accounting policies

Basis of presentation

Introduction
The consolidated financial statements comprise Telefonaktiebolaget LM Ericsson, the Parent Company, and its subsidiaries ("the Company") and the Company's interests in joint ventures and associated companies. The Parent Company is domiciled in Sweden at Torshamnsgatan 21, SE-164 83 Stockholm. Ericsson supplies communication infrastructure, services and software to the telecom industry and other sectors.

The consolidated financial statements for the year ended December 31, 2022, have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the IASB, and as endorsed by the EU and RFR 1 "Additional rules for Group Accounting," related interpretations issued by the Swedish Financial Reporting Board (Rådet för finansiell rapportering), and the Swedish Annual Accounts Act. For the financial reporting of 2022, the Company has applied IFRS as issued by the IASB (IFRS effective as per December 31, 2022). There is no difference between IFRS effective as per December 31, 2022, and IFRS as endorsed by the EU, nor is RFR 1 related interpretations issued by the Swedish Financial Reporting Board (Rådet för finansiell rapportering) or the Swedish Annual Accounts Act in conflict with IFRS, for all periods presented.

The financial statements were approved by the Board of Directors on March 7, 2023. The financial statements are subject to approval by the Annual General Meeting of shareholders.

Disclosure about new standards and amendments applied as from January 1, 2022, can be found in the end of this note.

The preparations for the adoption of new standards and interpretations not adopted in 2022 are disclosed at the end of this note, see heading Other.

Basis of presentation
The financial statements are presented in millions of Swedish Krona (SEK). They are prepared on a going concern and historical cost basis, except for certain financial assets and liabilities that are stated at fair value: financial instruments classified as fair value through profit and loss (FVTPL), financial instruments classified as fair value through other comprehensive income (FVOCI) and plan assets related to defined benefit pension plans. Assets acquired under business combinations are fair valued at initial recognition. Financial information in the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity with related notes are presented with two comparison years. For the consolidated balance sheet, financial information with related notes is presented with one comparison year.

Basis of consolidation and composition of the Group
The consolidated financial statements are prepared in accordance with the purchase method. Accordingly, consolidated stockholders' equity includes equity in subsidiaries, joint ventures and associated companies earned only after their acquisition.

Subsidiaries are all companies for which Telefonaktiebolaget LM Ericsson, directly or indirectly, is the parent. To be classified as a parent, Telefonaktiebolaget LM Ericsson, directly or indirectly, must control another company which requires that the Parent Company has power over that other company, is exposed to variable returns from its involvement and has the ability to use its power over that other company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that such control ceases.

Intra-group balances and any unrealized income and expense arising from intra-group transactions are fully eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

The Company is comprised of the parent company, Telefonaktiebolaget LM Ericsson, with generally fully-owned subsidiaries in many countries of the world. The largest operating subsidiaries are the fully-owned telecom vendor companies Ericsson AB, incorporated in Sweden and Ericsson Inc., incorporated in the US.

Foreign currency remeasurement and translation
Items included in the financial statements of each entity of the Company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Swedish Krona (SEK), which is the Parent Company's functional and presentation currency.

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of each respective transaction. 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 recognized in the income statement. An exception applies to intercompany loans regarded as part of net investment in foreign operations, whereby the foreign exchange gains and losses on translation shall be recognised in Other Comprehensive Income (OCI) on consolidation until the intercompany loan is repaid or written off, at which time the cumulative OCI amount is reclassified to the income statement.

Changes in the fair value of monetary securities denominated in foreign currency classified as fair value through other comprehensive income (FVOCI) are allocated between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortized cost are recognized in profit or loss, and other changes in the carrying amount are recognized in Other Comprehensive Income (OCI).

Foreign currency exchange effect is presented as a net item within Financial income and expenses, reported separately from other financial income and expenses items as this reflects the way the Company manages its foreign exchange risks on a net basis.

Translations of Group companies
The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet.

Period income and expenses for each income statement are translated at period average exchange rates.

All resulting net exchange differences are recognized as a separate component of Other comprehensive income (OCI).

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are accounted for in OCI. When a foreign operation is disposed of or sold, exchange differences that were recorded in OCI are recognized in the income statement as part of the gain or loss on sale.

Note A1, cont'd.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate.

The Company is continuously monitoring the economies with high inflation, the risk of hyperinflation and potential impact on the Company. There is no significant impact due to any currency translation of a hyper-inflationary economy.

Business and operations

For further disclosure, see the notes under section B.

Revenue recognition

The following paragraphs describe the types of contracts, when performance obligations are satisfied, and the timing of revenue recognition. They also describe the normal payment terms associated with such contracts and the resulting impact on the balance sheet over the duration of the contracts. The majority of Ericsson's business is for the sale of standard products and services.

Standard products and services

Products and services are classified as standard solutions if they do not require significant installation and integration services to be delivered. Installation and integration services are generally completed within a short period of time, from the delivery of the related products. These products and services are viewed as separate distinct performance obligations. This type of customer contract is usually signed as a frame agreement and the customer issues individual purchase orders to commit to purchases of products and services over the duration of the agreement.

Revenue for standard products is 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. For hardware sales, transfer of control is usually deemed to occur when the equipment arrives at the customer site.

Standard product software is sold as an on-premises software license that provides a right to use the software as it exists when made available to the customer. Software licenses may be provided to the customer at a point in time, activated or ready to be activated by the customer at a later stage, therefore revenue is recognized when customer obtains control of the software.

Software licenses are also sold on a when-and-if available basis or delivered to the customer network over a period of time. In such cases, the customer is billed on a subscription basis, and revenue is recognized over time. For software revenue based on usage the revenue is recognized upon usage measurement and right to invoice. Revenue for installation and integration services is recognized upon completion of the service. Costs incurred in delivering standard products and services are recognized as costs of sales when the related revenue is recognized in the Income statement. Costs incurred relating to performance obligations not yet fully delivered are recognized as Inventories.

Transaction prices under these contracts are usually fixed, and mostly billed upon delivery of the hardware or software, or completion of installation services. A proportion of the transaction price may be billed upon formal acceptance of the related installation services, which will result in a contract asset for the proportion of the transaction price that is not yet billed. Amounts billed are normally subject to payments terms within 60 days from invoice date. Customer finance agreements are agreed separately with some customers where payment terms exceed 179 days.

Revenue for recurring services such as customer support and managed services is recognized as the services are delivered, pro-rata over time. Costs incurred in delivering recurring services are recognized as cost of sales as they are incurred. Transaction prices under these contracts are billed over time, often on a quarterly basis. Transaction price for managed services contract may include variable consideration that is estimated based on performance and prior experience with the customer. Amounts billed are normally subject to payments terms within 60 days from invoice date. Contract liabilities or receivables may arise depending on whether the quarterly billing is in advance or in arrears. Contracts for standard products and services apply to all segments.

Enterprise solutions

Enterprise solutions comprise mainly of software platform solutions, delivered as-a-service through a cloud delivery model. These are generally sold as subscription contracts with revenue recognized pro-rata over time or on a usage basis.

Cloud services allow the customer to use hosted software over the contract period without taking possession of the software. Cloud services are highly integrated with the software and the individual components are not considered distinct, hence all revenue is recognized in the period these services are provided. Contract duration ranges from one month to 5 years. Where equipment is supplied, lease assessment is performed. In most cases, no lease arrangement is identified. Cost of equipment is expensed as cost of sales over the contract period. Costs relating to services delivered are recognized as cost of sales when incurred.

Revenue for fixed fee is recognized on a pro-rata basis over the contract duration. Revenue for fees based on usage is recognized when usage occurs.

Services sold through wholesalers or distributors are assessed for principal or agent relationship. Wholesalers are treated as agents for services that are activated upon delivery of equipment to the end users since the Company still has the primary responsibility to the customers for providing the services, hence revenue (in the gross amount) is recognized ratably from activation until the end of the contract. In some cases within the communication application platform interfaces ('API') business, wholesalers are viewed both as our customers and suppliers, hence revenue and costs of sales are accounted for on a gross basis when usage by the end customer occurs.

For fixed fee contracts, billing is typically in advance, resulting in contract liability. For usage based contracts, billing is in arrears, resulting in a receivable. Typical credit term is 30 to 45 days.

This type of business applies to the Enterprise segment.

Intellectual Property Rights (IPR)

This type of contract relates to the patent and licensing business. The Company has assessed that the nature of its IPR contracts is such that they provide customers a license with the right to access the Company's intellectual properties over time, therefore revenue shall be recognized over the duration of the contract. Royalty revenue based on sales or usage is recognized when the sales and usage occur.

The transaction price on these contracts is usually structured as a royalty fee based on sales or usage over the period, measured on a quarterly basis. This results in a receivable balance if the billing is performed the following quarter after measurement. Some contracts include lump sum amounts, payable either up front at commencement or on an annual basis. This results in a contract liability balance if payment is in advance of revenue, as revenue is recognized over time. Amounts billed are normally subject to payments terms within 60 days from invoice date.

As described in note B1 "Segment Information", revenue from IPR licensing contracts are allocated to the segments Networks and Cloud Software and Services.

Customer contract related balances

Trade receivables include amounts that are billed in accordance with customer contract terms and amounts that the Company has an unconditional right to, with only passage of time before the amounts can be billed in accordance with the customer contract terms.

Customer finance credits arise from credit terms exceeding 179 days in the customer contract or a separate financing agreement signed with the customer. Customer finance is a class of financial assets that is managed separately from receivables. See note F1 "Financial risk management," for further information on credit risk management of trade receivables and customer finance credits.

Where significant financing is provided to the customer, revenue is adjusted to reflect the impact of the financing transaction. These transactions could arise from the customer finance credits above if the contracted interest rate is below the market rate or through implied financing transactions due to payment terms of more than one year from the date of transfer of control. The Company has elected to use the practical expedient not to adjust revenue for transactions with payment terms, measured from the date of transfer of control, of one year or less.

Note A1, cont'd.

Contract asset is unbilled sales amount relating to performance obligation that has been satisfied under customer contract but is conditional on terms other than only the passage of time before payment of the consideration is due.

Contract liability relates to amounts that are paid by or due from customers for which performance obligations are unsatisfied or partially satisfied. Advances from customers are also included in the contract liability balance.

Deferred sales commissions

The Company has various incremental commission costs for internal sales personnel and channel partners that relate to the acquisition of customer contracts in the Enterprise segment. These costs are capitalized as deferred contract acquisition costs (within Other non-current and Other current assets) and amortized on a straight-line basis to selling and administrative expenses over the contract period. The Company expenses sales commissions for commission plans related to customer arrangements with a duration of one year or less. The Company periodically assesses for changes in its business or market conditions which would indicate that its amortization period shall be changed or if there are potential indicators of impairment.

Segment reporting

The segment presentation, as per each segment, is based on the Company's accounting policies as disclosed in this note. An operating segment is a component of a company whose operating results are regularly reviewed by the Company's chief operating decision maker (CODM), to make decisions about resources to be allocated to the segment and assess its performance. The President and the CEO is defined as the CODM function in the Company.

The Company's segment disclosure about geographical areas is based on the country in which transfer of control of products and services occur. For further information, see note B1 "Segment information."

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 recognized, CWIP is derecognized and is instead recognized as Cost of sales.

In note A2, "Critical accounting estimates and judgments," further disclosure is presented in relation to (i) key sources of estimation uncertainty and (ii) the decision made in relation to accounting policies applied.

Long-term assets

For further disclosure, see the notes under section C.

Goodwill

As from the acquisition date, goodwill acquired in a business combination is allocated to each cash-generating unit (CGU) of the Company expected to benefit from the synergies of the combination.

An annual impairment test for the CGUs to which goodwill has been allocated is performed in the fourth quarter, or when there is an indication of impairment. An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The recoverable amount is the higher of the value in use and the fair value less costs of disposal. In assessing value in use, the estimated future cash flows after tax are discounted to their present value using an after-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Application of after-tax amounts in calculation, both in relation to cash flows and discount rate is applied because available models for calculating discount rate include a tax component. The effect of after-tax discount rates applied by the Company is not materially different from a discounting based on before-tax future cash flows and before-tax discount rates, as required by IFRS. An impairment loss in respect of goodwill is not reversed. Write-downs of goodwill are reported under other operating expenses.

Additional disclosure is required in relation to goodwill impairment testing: see note A2 "Critical accounting estimates and judgments" and note C1 "Intangible assets."

Intangible assets other than goodwill

Intangible assets other than goodwill comprises intangible assets acquired through business combination in order of materiality they are customer relationships, technology (patents), trademarks and software. In addition there are capitalized development expenses and separately acquired intangibles assets, mainly consisting of software. At initial recognition, acquired intangible assets relating to business combinations are stated at fair value and capitalized development expenses and software are stated at cost. Subsequent to initial recognition, these intangible assets are stated at the initially recognized amounts less accumulated amortization and any impairment. Amortization and any impairment losses are included in Research and development expenses, which mainly consists of capitalized development expenses and technology; in Selling and administrative expenses, which mainly consists of expenses relating to customer relations and brands; and in Cost of sales.

Costs incurred for the development of products to be sold, leased, or otherwise marketed or intended for internal use are capitalized as from when technological and economic feasibility has been established until the product is available for sale or use. Research and development expenses directly related to orders from customers are accounted for as a part of Cost of sales. Other research and development expenses are charged to the income statement as incurred. Amortization of acquired intangible assets, such as patents, customer relations, trademarks, and software, is made according to the straight-line method over their estimated useful lives, not exceeding ten years. Amortization of capitalized development expenses is made according to the straight-line method over their useful lives, which is normally three years.

The Company has not recognized any intangible assets with indefinite useful life other than goodwill.

Impairment tests are performed when there is an indication of impairment. Tests are performed in the same way as for goodwill but on an asset level, see above. However, intangible assets not yet available for use are tested annually for impairment.

Corporate assets have been allocated to cash-generating units in relation to each unit's proportion of total net sales. The amount related to corporate assets is not significant. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

In note A2, "Critical accounting estimates and judgments," further disclosure is presented in relation to (i) key sources of estimation uncertainty and (ii) the decision made in relation to accounting policies applied.

Property, plant, and equipment

Property, plant, and equipment consist of real estate, machinery and other technical assets, other equipment, tools and installations, and construction in progress. They are stated at cost less accumulated depreciation and any impairment losses.

Depreciation is charged to the income statement, on a straight-line basis, over the estimated useful life of each component of an item of property, plant, and equipment, including buildings. Estimated useful lives are, in general, 25–50 years for real estate and 3–10 years for machinery and equipment. Depreciation and any impairment charges are included in Cost of sales, Research and development or Selling and administrative expenses.

For each item of property, plant and equipment , the Company recognizes separate components based on 1) physical component, and 2) a non-physical component that represents a major inspection of overhaul. The Company recognizes in the carrying amount of an item of property, plant, and equipment the cost of replacing a component and derecognizes the residual value of the replaced component.

Impairment testing as well as recognition or reversal of impairment of property, plant and equipment is performed in the same manner as for intangible assets other than goodwill, see description under "Intangible assets other than goodwill" above.

Note A1, cont'd.

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

Leases

The main types of assets leased by the Company are, in the order of materiality, real estate, and vehicles and IT-equipment. Vehicles are mainly used under service contracts.

Leases 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 of low value assets. This model reflects that, at the start of a lease, the lessee always obtains the right to control 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. The lease term is defined based on the contract lease term and when reasonably certain estimated extension or termination options are included. The average remaining lease term for real estate contracts is around five years. For lease extensions not included in the lease liability there can be multiple options for different periods (overlapping) and they can have different stipulations for how the various options can be applied to be valid (limitations on size/scope) that must be maintained for extension. As a result, the future payments for these lease extensions are not known.

At commencement date the lease liabilities are measured at the present value of the lease payments not paid at the commencement date, discounted 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 collateralized. Lease payments included in the liability are fixed payments, variable payments depending on an index or rate and penalties for termination of contracts.

After the commencement date, the amount of lease liabilities is measured on an amortized cost basis using the effective interest method where the lease liabilities increase related to the accrued interest and decrease due to lease payments made. In addition, the lease liability is remeasured if there is a modification, a change in the lease term or a change in the future lease payments resulting from a change in an index or rate used to determine such lease payments.

At commencement date the right-of-use assets are 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.

After commencement date the right-of-use assets are measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurements of the lease liabilities. The right-of-use asset is depreciated over the lease term straight-line. Impairment of right-of-use assets follows IAS 36 "Impairment of Assets." When there is impairment the asset value shall be written down to its recoverable amount.

The Company applies the recognition exemption for short-term leases and leases for which the underlying asset is of low value and recognizes the lease payments for those leases as an expense on a straight-line basis over the lease term. The interest expense on lease liabilities in the income statement is presented as a component of finance costs separate from the depreciation charges for right-of-use assets. In the statement of cash flows, cash payments related to the amortization of the lease liabilities are reported within financing activities. Interest payments, payments for short-term leases, low-value assets and variable lease expenses not included in the measurement of the lease liability are reported within operating activities. For more information regarding leases, see note C3 "Leases."

Leases when the Company is the lessor

Lease contracts with the Company as lessor are classified as finance leases when substantially all of risks and rewards are transferred to the lessee, and otherwise as operating leases. Under a finance lease, a receivable is recognized at an amount equal to the net investment in the lease and revenue is recognized in accordance with the revenue recognition principles. Under operating leases revenue as well as depreciation is recognized on a straight-line basis over the lease term. When the Company acts as a lessor it is mainly in relation to real estate sublease, financing and operating.

Obligations

For further disclosure, see the notes under section D.

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, the estimated cash flows are discounted to present value. However, the actual outflows as a result of the obligations may differ from such estimates.

Provisions mainly relate to restructuring, customer and supplier-related provisions, warranty commitments and other obligations, cash-settled share-based payments, 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 is known.

Customer-related provisions mainly consist of estimated losses on onerous contracts. For losses on customer contracts, a provision equal to the total estimated loss is recorded immediately when a loss from a contract is probable and can be estimated reliably. The loss is calculated based upon the lower of the unavoidable costs to fulfill a contract and the exit penalty. The unavoidable cost includes both the incremental and allocated costs to fulfill the contract.

Supplier-related provisions relate to contractual obligations, mostly relating to inventory, which has been assessed to be at risk for obsolescence based on the business forecast. Based on a risk assessment a provision equal to the best estimate of the expected obsolescence relating to the contractual commitments is provided for.

Product warranty commitments consider probabilities of all material quality issues based on historical performance for established products and expected performance for new products, estimates of repair cost per unit, and volumes sold still under warranty up to the reporting date.

Share-based payment provision relates to cash-settled share-based programs. Refer to the accounting policy under "Cash-settled plans."

Other provisions relate mainly to litigations and other provisions which do not fall within the defined categories. The Company provides for estimated future settlements related to patent infringements based on the probable outcome of each infringement. The actual outcome or actual cost of settling an individual infringement may vary from the Company's estimate. The Company estimates the outcome of any potential patent infringement made known to the Company through assertion and the Company's monitoring of patent-related cases in the relevant legal systems. To the extent that the Company makes the judgment that an identified potential infringement will more likely than not result in an outflow of resources, the Company records a provision based on the Company's best estimate of the expenditure required to settle with the counterpart.

In the ordinary course of business, the Company is subject to proceedings, lawsuits, and other unresolved claims, including proceedings under laws and government regulations and other matters. These matters are often resolved over a long period of time. The Company regularly assesses the likelihood of any adverse judgments in or outcomes of these matters, as well as potential ranges of possible losses. Provisions are recognized 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 D2 "Contingent liabilities." In note A2 "Critical accounting estimates and judgments," further disclosure is presented in relation to (i) key sources of estimation uncertainty and (ii) the decision made in relation to accounting policies applied.

Note A1, cont'd.

Group structure

For further disclosure, see the notes under section E.

Business combinations

At the acquisition of a business, the cost of the acquisition, being the purchase price, is measured as the fair value of the assets given, and liabilities incurred or assumed at the date of exchange, including any cost related to contingent consideration. Transaction costs attributable to the acquisition are expensed as incurred. The acquisition cost is allocated to acquired assets, liabilities, and contingent liabilities based upon appraisals made, including assets and liabilities that were not recognized on the acquired entity's balance sheet, for example, intangible assets such as customer relations, brands, patents, and financial liabilities. Goodwill arises when the purchase price exceeds the fair value of recognizable acquired net assets. In acquisitions with non-controlling interests full or partial goodwill can be recognized. Final amounts are established within one year after the transaction date at the latest.

In case there is a put option for a non-controlling interest in a subsidiary a corresponding financial liability is recognized.

Non-controlling interests

The Company treats transactions with non-controlling interests as transactions with equity owners of the Company. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

At acquisition, the Company chooses on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Joint ventures and associated companies

Joint ventures and associated companies are accounted for in accordance with the equity method. Under the equity method, the investment in the joint venture or associate is initially recognized at cost and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. Any change in other comprehensive income of joint ventures and associated companies are presented as part of other comprehensive income. If the Company's interest in an associated company is nil, the Company does not, recognize its part of any future losses. Provisions related to obligations for such an interest shall, however, be recognized in relation to such an interest.

Investments in associated companies is when the Company has significant influence and the power to participate in the financial and operating policy decisions of the associated company but is not in control or joint control over those policies. Normally, this is the case in voting stock interest, including effective potential voting rights, which stand at least at 20% but not more than 50%.

The Company's share of income before taxes is reported in item "Share in earnings of joint ventures and associated companies," included in EBIT. This reflects the fact that these interests are held for operating rather than investing or financial purposes. Ericsson's share of income taxes related to associated companies is reported under the line item "Income tax," in the income statement.

Unrealized gains on transactions between the Company and its joint ventures and associated companies are eliminated to the extent of the Company's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Shares in earnings of joint ventures and associated companies are included in consolidated equity since they are undistributed. They are reported in retained earnings in the balance sheet.

Impairment testing, as well as recognition or reversal of impairment of investments in each joint venture and associated company, is performed in the same manner as for intangible assets other than goodwill. The entire carrying value of each investment, including goodwill, is tested as a single asset. See also description under "Intangible assets other than goodwill."

When the Company ceases to have control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest in an associate or financial asset. In addition, any amounts previously recognized in Other comprehensive income in respect of that entity are accounted for as if the Company had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in Other comprehensive income are reclassified to profit or loss.

Financial instruments and risk management

For further disclosure, see the notes under section F. Plan assets under IAS 19 are excluded from the financial risk management policy and financial instruments disclosures in section F.

Financial assets

Financial assets are recognized when the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of financial securities are recognized on the settlement date. 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. Separate assets or liabilities are recognized if any rights and obligations are created or retained in the transfer.

The Company classifies its financial assets in the following categories: at amortized cost, at fair value through other comprehensive income (FVOCI), and at fair value through profit or loss (FVTPL). The classification depends on the cash flow characteristics of the asset and the business model in which it is held.

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.

The fair values of quoted financial investments and derivatives are based on quoted market prices or rates. If official rates or market prices are not available, fair values are calculated using observable inputs such as market prices for implied volatility, foreign exchange and interest rates. Where there are no observable market data, fair values are calculated using other inputs such as data from transactions, external evidence on exit price or other analytical techniques.

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. Interest bearing assets, including cash equivalents, held with the objective to collect contractual cash flows, are classified as amortized cost assets.

Financial assets at fair value through other comprehensive income (FVOCI)

Assets are classified as FVOCI 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 achieved by both collecting contractual cash flows and selling financial assets. These assets are subsequently measured at fair value with changes in fair value recognized in other comprehensive income (OCI), except for effective interest, impairment gains and losses and foreign exchange gains and losses which are recognized in the income statement. Upon derecognition, the cumulative gain or loss in OCI is reclassified to the income statement. Trade receivables are classified as FVOCI because the business model is primarily to collect, with occasional sales.

Financial assets at fair value through profit or loss (FVTPL)

All financial assets that are not classified as either amortized cost or FVOCI are classified as FVTPL. Derivatives are classified as FVTPL, unless they are designated as hedging instruments for the purpose of hedge accounting. Derivatives assets and liabilities are offset where there is legally enforceable right to set-off, and the Company settles on a net basis with the counterparties.

Note A1, cont'd.

Derivatives assets and liabilities (after offset) are classified as current and non-current based on the maturity of the contract, unless they are intended and expected to be settled within 12 months.

Interest-bearing assets including cash collaterals paid in the Parent Company are classified as FVTPL as they are either held in a portfolio managed on a fair value basis or held for short term liquidity purposes. Customer finance receivables are classified as FVTPL because they are primarily held for sale. These assets are presented on the balance sheet based on their maturity date (i.e., those with a maturity longer than one year are presented as non-current). Investments in shares and participations are classified as FVTPL and presented as non-current financial assets.

Gains or losses arising from changes in the fair values of investment in shares and participations are presented in the income statement within other operating income. Gains and losses on derivatives are presented in the income statement as follows. Gains and losses on derivatives used to hedge foreign exchange risks are presented within net foreign exchange gains and losses. Gains and losses on interest rate derivatives used to hedge financial assets and liabilities are presented in financial income and financial expense, respectively. Gains and losses on revaluation of customer financing receivables are presented in the income statement as selling expenses. Gains and losses arising from changes in the fair values of all other assets in the FVTPL category are presented in the income statement within financial income.

Dividends on equity instruments are recognized in the income statement as part of financial income when the Company's right to receive payments is established.

Impairment in relation to financial assets

At each balance sheet date, financial assets classified as either amortized cost or FVOCI 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 ECL. 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.

Other amortized costs assets are mainly investment grade assets deemed to be low risk hence credit risk is assumed not to have increased significantly since initial recognition. If the Company identifies evidence of significant change in credit risk on the assets, lifetime ECL is used to calculate allowance on the asset. Default is deemed if the asset is more than 90 days past due, after which lifetime ECL is also used to calculate allowance on the asset.

Financial liabilities

Financial liabilities are recognized when the Company becomes bound to the contractual obligations of the instrument.

Financial liabilities are derecognized when they are extinguished, i.e., when the obligation specified in the contract is discharged, cancelled or expired.

Borrowings

Borrowings issued by the Parent Company are designated FVTPL because they are managed on a fair value basis. Changes in fair value are recognized in financial expense, except for changes in fair value due to changes in credit risk which are recognized in other comprehensive income.

Borrowings not issued by the Parent Company and cash collaterals received are classified as amortized cost liabilities. They are initially recognized at fair value, net of transaction costs incurred. These borrowings are subsequently measured at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Borrowings are presented as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Trade payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. Invoices sold to banks under the Company's supply chain financing program continue to be recognized as trade payables as there is no significant change in the nature and function of the liabilities.

Cash flow hedge accounting

The Company has the following recurring hedge programs:

a) Certain customer contracts where a fluctuation in the USD/SEK foreign exchange (FX) rate would significantly impact net sales. These contracts are multi-year contracts denominated in USD with highly probable payments at fixed points in time.
b) Highly probable forecasted sales denominated in USD in Ericsson AB ('EAB) for the next 7 to 18 months are hedged on a monthly rolling basis.

For both programs, the Company enters into FX forward contracts that match the terms of the foreign exchange exposure as closely as possible and designates these as hedging instruments.

At inception, the Company documents the economic relationship between the hedged item and hedging instrument. For FX hedges, the hedge ratio is usually 1:1. The Company designates changes in forward rates as the hedged risk. When applying hedge accounting, the effective portion of changes in the fair value of derivatives that is designated and qualifies as cash flow hedges is recognized in OCI. The gain or loss relating to an ineffective portion is recognized immediately in Financial income and expenses, net. Upon recognition of the hedged net sales, the cumulative amount in cash flow hedge reserve is released in the OCI as a reclassification adjustment and recognized in net sales.

In addition to the recurring hedge programs, cash flow hedge is also designated for certain highly probable acquisition expected to be transacted in foreign currencies. FX derivatives are used as hedging instruments, at a hedge ratio of 1:1. The Company designates changes in forward rates as the hedged risks. The accounting is similar to that described for the cash flow hedge above, except that upon recognition of the hedged acquisition, the cumulative amount in the cash flow hedge reserve is released and recognized as a basis adjustment to the goodwill.

Employee related

For further disclosure, see the notes under section G.

Post-employment benefits

Pensions and other post-employment benefits 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 recognized 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 present value of the defined benefit obligations for current and former employees is calculated using the Projected Unit Credit Method. The discount rate for each country is determined by reference to market yields on high-quality corporate bonds that have maturity dates approximating the terms of the Company's obligations. In countries where there is no deep market for such bonds, the market yields on government bonds are used. The calculations are based upon actuarial assumptions that are updated annually. Actuarial assumptions are the Company's best estimate of the variables that determine the cost of providing the benefits. When using actuarial assumptions, it is possible that the actual results will differ from the estimated results or that the actuarial assumptions will change from one period to another. These differences are reported as actuarial gains and losses. They are, for example, caused

Note A1, cont'd.

by unexpectedly high or low rates of employee turnover, changed life expectancy, salary changes and changes in the discount rate. Actuarial gains and losses and gains and losses from remeasurement of plan assets are recognized in OCI in the period in which they occur. The Company's net liability for each defined benefit plan consists of the present value of pension commitments less the fair value of plan assets and is recognized net on the balance sheet. When the result is a net benefit to the Company, the recognized asset is limited to the present value of any future refunds from the plan or reductions in future contributions to the plan, referred to as 'asset ceiling'.

Interest cost on the defined benefit obligation and interest income on plan assets is calculated as a net interest amount by applying the discount rate to the net defined benefit liability. Current service cost relating to employee service is recognized in the profit and loss in the period. Past service cost relating to plan amendments or curtailment is recognized immediately in the period it occurs. Swedish special payroll tax is accounted for as a part of the pension cost and the pension liability respectively.

Payroll taxes related to actuarial gains and losses are included in determining actuarial gains and losses, reported under OCI.

In note A2, "Critical accounting estimates and judgments" further disclosure is presented in relation to key sources of estimation uncertainty.

Share-based compensation to employees and the Board of Directors

Share-based compensation is related to remuneration to employees, including key management personnel and the Board of Directors and could be settled either in shares or cash.

Under IFRS, a company shall recognize compensation costs for share-based compensation programs based on a measure of the value to the company of the services received under the plans. For share-settled plans, a corresponding increase in equity shall be recognized.

As from 2017 the granted share-based programs are cash-settled, except for programs for the Executive Team. Those programs are share-settled.

Share-settled plans

Compensation costs are recognized during the vesting period, based on the fair value of the Ericsson share at the grant date, as well as considering performance and market conditions. Examples of performance conditions could be revenue and profit targets while market conditions relate to the development of the Parent Company's share price in relation to a group of reference shares. All plans have service conditions and some of them have performance or market conditions.

For share-settled plans, a corresponding increase in equity shall be recognized. The reason for this IFRS accounting principle is that compensation cost for a share-settled program is a cost with no direct cash flow impact.

For further detailed information, see note G3 "Share-based compensation."

Cash-settled plans

The total compensation expense for a cash-settled plan is equal to the payments made to the employees at the date of the end of the service period. The fair value of the synthetic shares, being the cash equivalents of shares, is therefore reassessed and amended during the service period, and accounted for as a provision. Otherwise the accounting is similar to a share-settled plan.

For further detailed information, see note G3 "Share-based compensation."

Compensation to the Board of Directors

Since 2008, the annual general shareholders meeting of the Parent Company has each year resolved that the Board members shall be able to choose to receive part of the Board remuneration in the form of synthetic shares. The program gives non-employee Directors elected by the General Meeting of shareholders a right to receive part of their remuneration as a future payment of an amount which corresponds to the market value of a share of class B in the Parent Company at the time of payment, as further disclosed in note G3, "Share-based compensation." The cost for cash-settlements is measured and recognized based on the estimated costs for the program on a pro-rata basis during the service period, being one year. The estimated costs are remeasured during and at the end of the service period.

Other

For further disclosure, see the notes under section H.

Income taxes

Income taxes in the consolidated 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 OCI. For those items, the related income tax is also reported directly in equity or OCI. A current tax liability or asset is recognized for the estimated taxes payable or refundable for the current year or prior years.

Current income tax is measured at the tax rate that is expected to be applied based on the tax laws that have been enacted or substantially enacted for the reporting period in the corresponding jurisdiction.

Deferred tax is recognized for temporary differences between the book values of assets and liabilities and their tax values for unused tax loss carry-forwards and for unused tax credits. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, tax loss carry-forwards and tax credits can be utilized. In the recognition of income taxes, the Company offsets current tax receivables against current tax liabilities and deferred tax assets against deferred tax liabilities in the balance sheet, when the Company has a legal right to offset these items and the intention to do so. Deferred tax is not recognized for the following temporary differences: goodwill not deductible for tax purposes, for the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and for differences related to investments in subsidiaries 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 recognized in the income statement, unless it relates to a temporary difference earlier recognized directly in equity or OCI, in which case the adjustment is also recognized in equity or OCI. As prescribed in IFRIC 23, only uncertainty over income tax treatment is considered if and when recognizing and measuring income tax items in the financial statements.

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 and/or tax credits in different tax jurisdictions. All deferred tax assets are subject to annual review of probable utilization.

In note A2, "Critical accounting estimates and judgments," further disclosure is presented in relation to (i) key sources of estimation uncertainty and (ii) the decision made in relation to accounting policies applied.

Earnings per share

Basic earnings per share are calculated by dividing net income attributable to owners of the Parent Company by the weighted average number of shares outstanding (total number of shares less treasury shares) during the year.

Diluted earnings per share are calculated by dividing net income attributable to owners of the Parent Company, when appropriately adjusted by the sum of the weighted average number of ordinary shares outstanding and dilutive potential ordinary shares. Potential ordinary shares are treated as dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share.

Statement of cash flows

The statement of cash flows is prepared in accordance with the indirect method. Cash flows in foreign subsidiaries are translated at the average exchange rate during the period. Payments for subsidiaries acquired or divested are reported as cash flow from investing activities, net of cash and cash equivalents acquired or disposed of respectively. Movements in cash collaterals received and bank borrowings less than 3 months (used for short term liquidity purposes) are presented net within "Other financing activities".

Note A1, cont'd.

Cash and cash equivalents consist of cash, bank, and interest-bearing securities that are highly liquid monetary financial instruments with a remaining maturity of three months or less at the date of acquisition.

Government grants
Government grants are recognized when there is reasonable assurance that the Company will comply with the conditions attached to them and the grants will be received. Government grants received are mainly recognized in the consolidated income statement as a deduction against the related expense.

New accounting standards and interpretations
On January 1, 2022, the following amendments issued by the IASB were adopted with no material impact on the results and financial position of the Company.
– IAS 16: Property, Plant and Equipment (PP&E) – Proceeds before Intended Use
– IAS 37: Onerous Contracts – Cost of Fulfilling a Contract
– Annual Improvements to IFRS Standards 2018–2020
– IFRS 3: Reference to the Conceptual Framework

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended December 31, 2022 and have not been applied in preparing these consolidated financial statements.

The IASB has issued the following new standard with effective date January 1, 2023:
– IFRS 17 Insurance contracts (including the June 2020 and December 2021 amendments to IFRS 17, which establishes principles for the recognition, measurements, presentation and disclosure of insurance contracts.)

The IASB has also issued the following amendments with effective date January 1, 2023:
– Amendments to IAS 1 Presentation of financial statements – Classification of liabilities as current or non-current
– Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 – Disclosure of Accounting policies
– Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates
– Amendments to IAS 12 Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction.

The Company has finalized the evaluation of any impact on financial results or position from this standard and these amendments and concluded that they will not have a material impact on the results and financial position of the Company.

A2 Critical accounting estimates and judgments

The preparation of financial statements and application of accounting standards often involve management's judgment 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 judgments 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. Examples of this could occur at change of strategy or restructuring. Judgments for accounting policies to be applied as well as estimates may also be impacted due to this. Following are the most important accounting policies subject to such judgments and the key sources of estimation uncertainty that the Company believes could have the most significant impact on the reported results and financial position.

The information in this note is grouped as per:
– Key sources of estimation uncertainty
– Judgments management has made in the process of applying the Company's accounting policies.

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 comprised of 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 favorably 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.

Impairment allowance on receivables and contract assets
Key sources of estimation uncertainty
The Company monitors the financial stability of its customers, the environments in which they operate and historical credit losses. This is combined with expectations of future economic conditions to calculate expected credit losses (ECLs). ECLs on trade receivables and contract assets are assessed using a provision matrix based on days past due for groupings of customers that have historically had similar loss patterns. The amount of ECLs is sensitive to changes in the circumstances of our customers and the environments in which they operate as well as management's expectations of future economic conditions. Actual credit losses may be higher or lower than expected, therefore

Note A2, cont'd.

are regularly monitored to ensure the provision matrix is updated if required. Management review of current and future conditions is based on latest observable economic updates and our internal assessment of the potential impact on our customers. Total allowances for expected credit losses as of December 31, 2022 were SEK 2.5 (2.4) billion or 4% (4%) of gross trade receivables and contract assets. For further detailed information see note F1 "Financial risk management".

Customer financing receivables are valued at fair value on an individual basis. When market pricing is not available, an internal valuation model is applied considering external credit rating, political and commercial risks and bank pricing. Regular monitoring of customer behavior is also a part of the internal assessment.

Inventory valuation

Key sources of estimation uncertainty

Inventories are valued at the lower of cost and net realizable value. Estimates are required in relation to forecasted sales volumes and inventory balances. In situations where excess inventory balances are identified, estimates of net realizable values for the excess volumes are made. Inventory allowances for estimated losses as of December 31, 2022, amounted to SEK 5.7 (3.6) billion or 11% (9%) of gross inventory. For further detailed information, see note B5 "Inventories."

Acquired customer relationships, intellectual property rights and other intangible assets, including goodwill

Key sources of estimation uncertainty

At initial recognition, future cash flows are estimated, to ensure that the initial carrying values do not exceed the expected discounted cash flows for the items of this type of assets. After initial recognition, impairment testing is performed whenever there is an indication of impairment, in addition, goodwill impairment testing is performed once per year. Negative deviations in actual cash flows compared to estimated cash flows as well as new estimates that indicate lower future cash flows might result in recognition of impairment charges. Impairment losses for intangible assets and goodwill amounted to SEK −0.1 (−0.3) billion for 2022.

At December 31, 2022, the carrying amount of acquired intangible assets amounted to SEK 110.9 (42.0) billion, including goodwill of SEK 84.6 (38.2) billion.

For further discussion on goodwill, see note A1 "Significant accounting policies." Estimates related to acquired intangible assets are based on similar assumptions and risks as for goodwill. For more information, see note C1 "Intangible assets."

Judgments made in relation to accounting policies applied

At initial recognition and subsequent remeasurement, management judgments are made, both for key assumptions and regarding impairment indicators.

Management judgment is required for the purchase price allocation. For example when determining the fair values of acquired intangible assets. Judgment is also required in the definition of cash-generating units for impairment testing purposes. Other judgments might result in significantly different results and financial position in the future.

Leases

Key sources of estimation uncertainty

Estimation uncertainty exists due to possible future changes in business operations, which may impact the actual lease term of a contract. For example, an early break due to business downturn. The determination of the rates at which the lease liabilities are discounted is another uncertainty and this affects the lease liability and interest expense. This rate determines the discounting of lease liabilities and right-of-use assets recognized in the statement of financial position, as well as the split between interest expense and depreciation recognized in the income statement over the lease term. For more information, see note C3 "Leases."

Judgments made in relation to accounting policies applied

At initial recognition and subsequent remeasurement, management estimates are made for the term applied in a lease contract. The outcome of these estimates may turn out not to match the actual outcome of the lease and may have an adverse effect on the right-of-use assets. The Group estimates its incremental borrowing rate to measure lease liabilities at the present value of lease payments as the interest rate implicit in the lease is not readily determinable. An incremental borrowing rate is used in discounting of the lease liabilities and requires judgment to reflect the rate of interest that would have to be paid to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Provisions and contingent liabilities

Key sources of estimation uncertainty

The key sources of estimation uncertainty relating to provisions are the assessment of the probability of outflow as well as whether a reliable estimate can be made.

Supplier-related provisions require a reliable business forecast to estimate the expected usage of the committed inventory purchases. Therefore, estimation uncertainty exists regarding the forecast and expected usage to assess the future obsolescence risk and the provision amount. Other provisions include a provision relating to a potential deferred prosecution agreement breach resolution with the United States Department of Justice (DOJ). On March 2, 2023, the Company reached a resolution with the DOJ (the DOJ Plea Agreement) and agreed to pay a fine of approximately SEK 2.2 billion in line with the provision made in the fourth quarter 2022 for such resolution. The Company's internal investigation and its cooperation with authorities in relation to the matters discussed in the 2019 internal Iraq investigation report remain open and ongoing. Other sources for estimation uncertainty are patent and other litigations and disputes which may continue over several years and therefore there is uncertainty in the final outcome and expected settlement.

The same estimation uncertainties described above for provisions exist for contingent liabilities. Contingent liabilities include obligations that are not recognized because their amount cannot be measured reliably or because settlement is not probable. Contingent liabilities mainly relate to estimates for litigation, tax litigation, losses on customer contracts and pension guarantees. As the contingent liabilities will only be confirmed in the future based on the resolution of the litigation or dispute, management is required to estimate the possibility of an adverse outcome occurring and the potential settlement value. A contingent liability may exist at year end, and/or expense (provision) may have to be recognized at a later stage based on the latest conditions and progress of the potential obligation.

Provisions and contingent liabilities are regularly reassessed based on the latest information available and are adjusted to reflect the Company's best estimate of the eventual outcome. This means there may be changes to the values over time.

At December 31, 2022, provisions amounted to SEK 11.6 (9.5) billion. For further detailed information, see note D1 "Provisions."

At December 31, 2022, contingent liabilities disclosed amounted to SEK 3.3 (1.6) billion. For further detailed information, see note D2 "Contingent liabilities" including a description of contingent liabilities which cannot be quantified.

Judgments made in relation to accounting policies applied

The nature and type of risks for these provisions and contingencies differ and management's judgment is applied regarding the nature and extent of obligations in deciding on the probability of the outcome. Further judgment is required in determining the value of the present or possible obligation as this is based on the Company's best estimate as to the expected future expenditure required to settle the obligation.

Supplier payments program

Judgments made in relation to accounting policies applied

With the aim of increasing working capital efficiency, Ericsson continuously renegotiates payment days with suppliers. The negotiations with suppliers for payment days is an integral part of the procurement activities. Some suppliers sell their Ericsson receivables to banks and Ericsson can if requested introduce a bank interested in purchasing such receivables. Ericsson does not pay or receive a fee, nor provide additional security under the program. This arrangement does not lead to any significant change in the nature or function of Ericsson's liabilities because the supplier invoices are considered part of working capital used in Ericsson's normal operating cycle. The maximum credit

Note A2, cont'd.

period agreed with any supplier does not exceed six months. Therefore, these liabilities remain classified as trade payables with separate disclosure in the notes, see note B8 "Trade payables."

Pensions and other post-employment benefits

Key sources of estimation uncertainty

Accounting for the costs of defined benefit pension plans and other applicable post-employment benefits is based on actuarial valuations, relying on key estimates for discount rates, future salary increases, employee turnover rates and mortality tables. 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. In countries where there is not a deep market in high-quality corporate bonds, the market yields on government bonds shall be applied. Judgment is applied in determining the depth of the high-quality corporate bond market in each country. The impact of applying an alternative discount rate based on Swedish covered bonds is disclosed in note G1, "Post-employment benefits." At December 31, 2022, defined benefit obligations for pensions and other post-employment benefits amounted to SEK 83.7 (113.5) billion and fair value of plan assets to SEK 60.5 (81.4) billion. For more information on estimates and assumptions, see note G1 "Post-employment benefits."

Accounting for deferred tax

Key sources of estimation uncertainty

Deferred tax assets and liabilities are recognized for temporary differences and for tax loss carry-forwards and for tax credits. The valuation of temporary differences, tax loss carry-forwards and tax credits is based on management's estimates of future taxable profits in different tax jurisdictions against which the temporary differences, loss carry-forwards and tax credits may be utilized. These estimates are primarily based on business plans for the Company´s estimated outcome of future taxable profits. As prescribed in IFRIC 23 "Uncertainty over Income Tax Treatments" estimates are made in relation to uncertain tax positions in a limited number of countries. Estimates are also made for any expected changes in tax legislation with a potential material impact.

The largest amounts of tax loss carry-forwards are reported in Sweden, with an indefinite period of utilization (i.e. with no expiry date), except for withholding taxes that expire after five years. For further information, see note H1 "Taxes."

At December 31, 2022, the value of deferred tax assets amounted to SEK 19.4 (23.1) billion. The deferred tax assets related to loss carry-forwards are reported as non-current assets.

Accounting for income tax, value added tax, and other taxes

Key sources of estimation uncertainty

Accounting for these items is based upon evaluation of taxable income, value added and other tax rules in all jurisdictions where the profits arise. The total complexity of rules related to taxes and the accounting for these require management's involvement in judgments regarding classification of transactions and in estimates of probable outcomes of claimed deductions and/or disputes.

OECD guidelines on Pillar I (redistribution of excess profits over a certain margin to countries in proportion to local sales) and Pillar II (global minimum effective tax rate) are still not enacted in Sweden or other relevant countries´ tax laws. The likely effects of these proposals are being monitored, but it is not yet clear whether there will be a material impact on the Group´s results.

Section B – Business and operations

B1 Segment information

New segment structure
The Company started to report financial information according to the new segment structure as of the third quarter 2022. The financial information has been restated for the new reporting structure.

Segments
When determining Ericsson's operating segments, consideration has been given to the financial reporting reviewed by the Chief Operating Decision Maker (CODM). Markets and what type of customers the products and services aim to attract has been considered, as well as the distribution channels they are sold through. Commonality regarding technology, research and development has also been taken into account. To best reflect the business focus and to facilitate comparability with peers, three operating segments are presented;
- Networks
- Cloud Software and Services
- Enterprise

Segment Networks offers multitechnology capable Radio Access Network (RAN) solutions for all network spectrum bands, including integrated high-performing hardware and software. The offering also includes a cloud-native RAN portfolio, a transport portfolio, passive and active antenna solutions and a complete service portfolio covering network deployment and support. 82% (82% in 2021 and 2020 respectively) of the IPR licensing revenues are reported as part of segment Networks.

Segment Cloud Software and Services provides solutions for core networks, business and operational support systems, network design and optimization, and network managed services. The focus is to enable communications service providers to succeed in their transition to cloud native, intelligent and automated networks and operations. 18% (18% in 2021 and 2020 respectively) of the IPR licensing revenues are reported as part of segment Cloud Software and Services.

Segment Enterprise comprises of three Business Areas offering solutions primarily to Enterprise: Global Communications Platform (Vonage) including cloud-based Unified Communications as a Service (UCaaS), Contact Center as a Service (CCaaS) and Communications Platform as a Service (CPaaS). Enterprise Wireless Solutions including private wireless networks and wireless WAN (Cradlepoint) pre-packaged solutions. Technologies and New Businesses including mobile financial services, security solutions and advertising services.

Other includes media businesses as well as other non-allocated business. Segment-level information has also been presented for Other.

Market areas
The market areas are the Company's primary sales channel with the responsibility to sell and deliver customer solutions.

The Company operates worldwide and reports its operations divided into five geographical market areas:
- Europe and Latin America
- Middle East and Africa
- North America
- North East Asia
- South East Asia, Oceania and India.

Segment Enterprise has a multi-channel go-to-market distribution model. Sales from segment Enterprise and Other, and the IPR licensing revenues are externally reported as market area Other.

Major customers
The Company derives most of its sales from large, multi-year agreements with a limited number of significant customers. Out of a customer base of more than 500 customers, mainly consisting of communications service providers, the ten largest customers accounted for 50% (49% in 2021 and 50% in 2020) of net sales. The largest customer accounted for approximately 14% (13% in 2021 and 13% in 2020) and the second largest customer accounted for 10% (9% in 2021 and 10% in 2020) of net sales in 2022. These customers were reported under segment Networks and Cloud Software and Services.

Segment information 2022

	Networks	Cloud Software and Services	Enterprise	Other	Total Segments	Group
Segment sales	193,468	60,524	15,380	2,174	271,546	271,546
Net sales	**193,468**	**60,524**	**15,380**	**2,174**	**271,546**	**271,546**
Gross income	**86,368**	**20,106**	**6,946**	**–125**	**113,295**	**113,295**
Gross margin (%)	44.6%	33.2%	45.2%	–5.7%	41.7%	41.7%
Earnings (loss) before financial items and income tax (EBIT) [1]	**38,512**	**–1,689**	**–6,234**	**–3,569**	**27,020**	**27,020**
EBIT margin (%)	19.9%	–2.8%	–40.5%	–164.2%	10.0%	10.0%
Financial income and expenses, net						–2,411
Income after financial items						**24,609**
Income tax						–5,497
Net income						**19,112**
Other segment items						
Share in earnings of JV and associated companies	30	27	–	–40	17	17
Amortizations	–1,424	–122	–2,019	–12	–3,577	–3,577
Depreciations	–4,073	–1,792	–515	–185	–6,565	–6,565
Impairment losses	–211	–91	–87	–12	–401	–401
Restructuring charges	–146	–96	–157	–	–399	–399
Gains/losses on investments and sale of operations	253	–	111	–108	256	256

[1] Segment Other includes a provision of SEK –2.3 billion in relation to a potential resolution with the United States Department of Justice regarding, previously announced, non-criminal, alleged breaches under the deferred prosecution agreement (DPA), including estimated expenses for extended compliance monitorship,noting that the Company, on March 2, 2023, entered into the DOJ Plea Agreement with the DOJ and agreed to pay a fine of approximately SEK 2.2 billion in line with the provision made in the fourth quarter 2022, and SEK –1.0 billion due to the divestment of IoT and other portfolio adjustments.

Note B1, cont'd.

Segment information 2021

	Networks	Cloud Software and Services	Enterprise	Other	Total Segments	Group
Segment sales	167,838	56,224	6,236	2,016	232,314	232,314
Net sales	**167,838**	**56,224**	**6,236**	**2,016**	**232,314**	**232,314**
Gross income	**78,869**	**18,829**	**2,891**	**160**	**100,749**	**100,749**
Gross margin (%)	47.0%	33.5%	46.4%	7.9%	43.4%	43.4%
Earnings (loss) before financial items and income tax (EBIT)	**37,266**	**−2,234**	**−2,965**	**−287**	**31,780**	**31,780**
EBIT margin (%)	22.2%	−4.0%	−47.5%	−14.2%	13.7%	13.7%
Financial income and expenses, net						−2,530
Income after financial items						**29,250**
Income tax						−6,270
Net income						**22,980**
Other segment items						
Share in earnings of JV and associated companies	40	72	–	−372	−260	−260
Amortizations	−1,169	−508	−830	–	−2,507	−2,507
Depreciations	−3,764	−1,568	−430	−189	−5,951	−5,951
Impairment losses	−127	−185	−188	−11	−511	−511
Restructuring charges	−262	−254	−16	−17	−549	−549
Gains/losses on investments and sale of operations	14	−51	998	–	961	961

Segment information 2020

	Networks	Cloud Software and Services	Enterprise	Other	Total Segments	Group
Segment sales	165,978	59,597	4,792	2,023	232,390	232,390
Net sales	**165,978**	**59,597**	**4,792**	**2,023**	**232,390**	**232,390**
Gross income	**72,413**	**19,496**	**1,767**	**48**	**93,724**	**93,724**
Gross margin (%)	43.6%	32.7%	36.9%	2.4%	40.3%	40.3%
Earnings (loss) before financial items and income tax (EBIT)	**30,851**	**−796**	**−1,935**	**−312**	**27,808**	**27,808**
EBIT margin (%)	18.6%	−1.3%	−40.4%	−15.4%	12.0%	12.0%
Financial income and expenses, net						−596
Income after financial items						**27,212**
Income tax						−9,589
Net income						**17,623**
Other segment items						
Share in earnings of JV and associated companies	37	33	–	−368	−298	−298
Amortizations	−775	−612	−602	–	−1,989	−1,989
Depreciations	−3,764	−1,632	−407	−186	−5,989	−5,989
Impairment losses	−494	−144	−32	−26	−696	−696
Restructuring charges	−746	−277	−267	−16	−1,306	−1,306
Gains/losses on investments and sale of operations	−129	17	1	−30	−141	−141

Products and Services by Segments

	Networks	Cloud Software and Services	Enterprise	Other	Total Segments
2022					
Products	147,997	21,105	4,923	−1	174,024
Services	45,471	39,419	10,457	2,175	97,522
Total	**193,468**	**60,524**	**15,380**	**2,174**	**271,546**
2021					
Products	128,951	19,267	3,955	24	152,197
Services	38,887	36,957	2,281	1,992	80,117
Total	**167,838**	**56,224**	**6,236**	**2,016**	**232,314**
2020					
Products	122,229	20,317	3,735	−95	146,186
Services	43,749	39,280	1,057	2,118	86,204
Total	**165,978**	**59,597**	**4,792**	**2,023**	**232,390**

Note B1, cont'd.

Market area 2022

	Net sales					Non-current assets [5]
	Networks	Cloud Software and Services	Enterprise	Other	Total	Total
South East Asia, Oceania and India [3]	23,695	9,179	77	–	32,951	999
North East Asia [4]	22,488	4,015	230	–	26,733	3,385
North America [2]	81,917	13,362	115	–	95,394	41,065
Europe and Latin America [1]	44,644	21,638	508	–	66,790	93,612
Middle East and Africa	11,707	10,472	392	–	22,571	−804
Other [1) 2) 3) 4) 6)]	9,017	1,858	14,058	2,174	27,107	–
Total	**193,468**	**60,524**	**15,380**	**2,174**	**271,546**	**138,257**
[1] Of which in EU [6]					*35,859*	*92,167*
Of which in Sweden [6]					*3,239*	*88,057*
[2] Of which in the United States [6]					*109,709*	*39,906*
[3] Of which in India [6]					*10,957*	*519*
[4] Of which in Japan [6]					*9,965*	*187*
[4] Of which in China [6]					*10,523*	*2,068*

[5] Total non-current assets excluding financial instruments, deferred tax assets, and post-employment benefit assets.
[6] Including IPR licensing revenue reported under Market area Other which is allocated based on the country location of the customer. Other sales are attributed to countries based on the destination of products or services delivered.

Market area 2021

	Net sales					Non-current assets [5]
	Networks	Cloud Software and Services	Enterprise	Other	Total	Total
South East Asia, Oceania and India [3]	20,299	8,493	37	–	28,829	1,010
North East Asia [4]	24,464	4,405	252	–	29,121	2,700
North America [2]	66,464	10,913	79	–	77,456	11,971
Europe and Latin America [1]	38,671	21,181	420	–	60,272	52,141
Middle East and Africa	10,743	9,726	316	–	20,785	209
Other [1) 2) 3) 4) 6)]	7,197	1,506	5,132	2,016	15,851	–
Total	**167,838**	**56,224**	**6,236**	**2,016**	**232,314**	**68,031**
[1] Of which in EU [6]					*31,307*	*50,428*
Of which in Sweden [6]					*2,349*	*45,997*
[2] Of which in the United States [6]					*79,896*	*10,749*
[3] Of which in India [6]					*7,482*	*484*
[4] Of which in Japan [6]					*13,678*	*261*
[4] Of which in China [6]					*10,078*	*2,202*

[5] Total non-current assets excluding financial instruments, deferred tax assets, and post-employment benefit assets.
[6] Including IPR licensing revenue reported under Market area Other which is allocated based on the country location of the customer. Other sales are attributed to countries based on the destination of products or services delivered.

Market area 2020

	Net sales					Non-current assets [5]
	Networks	Cloud Software and Services	Enterprise	Other	Total	Total
South East Asia, Oceania and India [3]	21,464	8,547	37	–	30,048	812
North East Asia [4]	27,120	5,955	259	–	33,334	2,648
North America [2]	62,199	11,508	68	–	73,775	12,749
Europe and Latin America [1]	33,257	22,116	372	–	55,745	49,895
Middle East and Africa	13,281	9,676	341	–	23,298	140
Other [1) 2) 3) 4) 6)]	8,657	1,795	3,715	2,023	16,190	–
Total	**165,978**	**59,597**	**4,792**	**2,023**	**232,390**	**66,244**
[1] Of which in EU [6]					*29,501*	*48,133*
Of which in Sweden [6]					*1,123*	*43,627*
[2] Of which in the United States [6]					*77,835*	*11,533*
[3] Of which in India [6]					*6,970*	*407*
[4] Of which in Japan [6]					*12,150*	*272*
[4] Of which in China [6]					*18,745*	*2,136*

[5] Total non-current assets excluding financial instruments, deferred tax assets, and post-employment benefit assets.
[6] Including IPR licensing revenue reported under Market area Other which is allocated based on the country location of the customer. Other sales are attributed to countries based on the destination of products or services delivered.

B2 Net sales

Net sales

	2022	2021	2020
Hardware	119,215	106,399	96,294
Software	54,809	45,798	49,892
Services	97,522	80,117	86,204
Net sales	**271,546**	**232,314**	**232,390**
Of which IPR licensing revenues	10,399	8,134	9,975
Of which export sales from Sweden	153,833	140,898	132,269

B3 Expenses by nature

Expenses by nature

	2022	2021	2020
Goods and services	147,023	119,787	120,102
Employee remuneration	89,191	77,462	74,645
Amortizations and depreciations	10,142	8,458	7,978
Impairments, obsolescence allowances and revaluation	4,383	1,456	3,082
Inventory increase, net	−7,738	−5,565	−44
Additions to capitalized development	−1,720	−962	−817
Expenses charged to cost of sales and operating expenses	**241,281**	**200,636**	**204,946**

Total restructuring charges in 2022 were SEK 0.4 (0.5) billion. Restructuring charges are included in the expenses presented above.

Restructuring charges by function

	2022	2021	2020
Cost of sales	195	273	725
R&D expenses	54	137	411
Selling and administrative expenses	150	139	170
Total restructuring charges	**399**	**549**	**1,306**

B4 Other operating income and expenses

Other operating income and expenses

	2022	2021	2020
Other operating income			
Gains on sales of intangible assets and PP&E	85	13	64
Gains on investments and sale of operations [1]	701	1,199	347
Other operating income	445	314	750
Total other operating income	**1,231**	**1,526**	**1,161**
Other operating expenses			
Losses on sales of intangible assets and PP&E	−54	−3	–
Losses on investments and sale of operations [1]	−445	−238	−488
Impairment of goodwill [2]	–	−112	–
Other operating expenses [3]	−3,994	−811	−11
Total other operating expenses	**−4,493**	**− 1,164**	**−499**

1) Information about divestments is presented in note E2 "Business combinations."

2) For more information about the impairment of goodwill, see note C1 "Intangible assets."

3) 2022 includes a provision of SEK −2.3 billion in relation to a potential resolution with the United States Department of Justice regarding previously announced, non-criminal, alleged breaches under the deferred prosecution agreement (DPA), including estimated expenses for the extended compliance monitorship, noting that the Company, on March 2, 2023, entered into the DOJ Plea Agreement with the DOJ and agreed to pay a fine of approx. SEK 2.2 billion, and charges of SEK −1.0 billion related to the divestment of IoT and other portfolio adjustments.

B5 Inventories

Inventories

	2022	2021
Raw materials, components, consumables and manufacturing work in progress	16,873	11,584
Finished products	14,376	11,207
Contract work in progress	14,597	12,373
Inventories, net	**45,846**	**35,164**

The amount of inventories recognized as expense and included in Cost of sales was SEK 68,838 (60,362) million.

Contract work in progress consists of costs incurred to date on customer projects where the performance obligations are yet to be fully delivered. These costs will be recognized as cost of sales when the related revenue is recognized in the income statement.

The Company has had to increase its buffer of vital components to mitigate the supply chain issues affecting electronic components globally. Inventory allowance is reviewed periodically to ensure obsolete components are adequately provided for.

The Company's current climate-related strategy's aim to have a portfolio of energy performance products may affect recoverability of inventories as customers push for fast substitution and uptake of volume towards the most energy efficient products. The current radio product offering largely reflects the latest energy efficient technologies and although ongoing improvements are expected in future, these factors have been included in the inventory obsolescence risk assessment at year end.

Reported amounts are net of obsolescence allowances of SEK 5,716 (3,676) million.

Movements in obsolescence allowances

	2022	2021
Opening balance	3,676	3,627
Additions	3,927	1,378
Utilization	−2,115	−1,457
Translation differences	228	128
Closing balance	**5,716**	**3,676**

Physical risks of climate changes on manufacturing facilities have also been identified as a potential climate-related risk to the Company's operations, although these risks are mostly mitigated through having appropriate insurance policies for damage to inventories and fixed assets, as well as potential business interruptions, combined with having a globally spread production capability.

B6 Customer contract related balances

Trade receivables, customer finance, contract assets, contract liabilities and deferred sales commissions

	2022	2021
Customer finance credits [1]	5,370	3,287
Trade receivables [2]	48,413	45,399
Contract assets	9,843	10,506
Contract liabilities	42,251	32,834
Deferred sales commissions [3]	754	316

[1] Of the total Customer finance credits balance, SEK 4,955 (2,719) million is current
[2] Total trade receivables include SEK 70 (0) million relating to associated companies.
[3] Of the total Deferred sales commissions balance SEK 345 (316) million is current. The non-current balance is presented within Other financial assets, non-current (see note F3 "Financial assets, non-current") and the current balance is presented within Other current receivables (see note B7 "Other current receivables").

Deferred sales commissions amortized in the year is SEK 288 (143) million. There were no material impairment losses incurred in 2022 and 2021.

For information about credit risk and impairment of customer contract related balances, see note F1, "Financial risk management."

Revenue recognized in the period

	2022	2021
Revenue recognized relating to the opening contract liability balance	25,601	19,745
Revenue recognized relating to performance obligations satisfied, or partially satisfied, in prior reporting periods	–7	– 186

Revenue recognized relating to performance obligations satisfied, or partially satisfied, in prior reporting periods is a net adjustment that relates to contract modifications, retrospective price adjustments, settlement and adjustments to variable consideration based on actual measurements concluded in the period.

Transaction price allocated to the remaining performance obligations

	2022	2021
Aggregate amount of transaction price allocated to unsatisfied, or partially unsatisfied, performance obligations	169,609	138,234

The Company expects that the transaction price allocated to the remaining performance obligations will be converted into revenue in accordance with the following approximation: 65% in 2023, 15% in 2024 and remaining 20% in 2025 and beyond.

B7 Other current receivables

Other current receivables

	2022	2021
Prepaid expenses	2,506	2,290
Advance payments to suppliers	473	426
Derivative assets [1]	1,121	317
Other taxes [2]	3,349	3,022
Other	2,239	1,601
Total	**9,688**	**7,656**

[1] See also note F1 "Financial risk management."
[2] Other taxes mainly includes VAT receivables.

B8 Trade payables

Trade payables

	2022	2021
Trade payables to associated companies and joint ventures	179	115
Trade payables, excluding associated companies and joint ventures [1]	38,258	35,569
Total	**38,437**	**35,684**

[1] Of the trade payable amount SEK 9.7 (8.3) billion relates to supplier invoices under Ericsson's supplier payments program.

B9 Other current liabilities

Other current liabilities

	2022	2021
Accrued interest	335	177
Accrued expenses	35,896	30,837
Of which employee-related	*19,630*	*15,380*
Of which supplier-related	*9,849*	*9,100*
Of which other [1]	*6,417*	*6,357*
Derivative liabilities [2]	2,621	762
Other [3]	7,341	6,145
Total	**46,193**	**37,921**

[1] Major balance relates to accrued expenses for customer projects.
[2] See also note F1 "Financial risk management."
[3] Includes items such as VAT and other payroll deductions.

Section C – Long-term assets

C1 Intangible assets

Intangible assets

	2022			2021		
	Capitalized development expenses	Goodwill	Customer relationships, IPR [1], and other intangible assets	Capitalized development expenses	Goodwill	Customer relationships, IPR [1], and other intangible assets
Cost						
Opening balance	19,158	44,963	55,936	18,049	41,592	53,913
Additions	1,720	–	126	962	–	131
Balances regarding acquired/divested business [2]	–	40,881	23,451	–	725	–95
Disposals	–	–	–452	–	–	–18
Translation differences	218	5,070	3,793	147	2,646	2,005
Closing balance	**21,096**	**90,914**	**82,854**	**19,158**	**44,963**	**55,936**
Accumulated amortizations						
Opening balance	–11,885	–	–44,456	–10,447	–	–41,721
Amortizations	–1,586	–	–1,991	–1,343	–	–1,164
Balances regarding divested business [2]	–	–	22	–	–	–
Disposals	–	–	452	–	–	18
Translation differences	–175	–	–2,797	–95	–	–1,589
Closing balance	**–13,646**	**–**	**–48,770**	**–11,885**	**–**	**–44,456**
Accumulated impairment losses						
Opening balance	–3,745	–6,759	–7,650	–3,745	–6,647	–7,387
Balances regarding divested business [2]	–	415	81	–	–	–
Impairment losses	–	–	–61	–	–112	–201
Translation differences	–	–	–114	–	–	–62
Closing balance	**–3,745**	**–6,344**	**–7,744**	**–3,745**	**–6,759**	**–7,650**
Net carrying value	**3,705**	**84,570**	**26,340**	**3,528**	**38,204**	**3,830**

1) Intellectual property rights.
2) For more information on acquired/divested businesses, see note E2 "Business combinations."

The total goodwill for the Company is SEK 84.6 (38.2) billion and is allocated to the operating segments Networks, with SEK 28.5 (25.8) billion, Cloud Software and Services, with SEK 3.6 (3.2) billion and Enterprise, with SEK 52.5 (9.2) billion, of which Vonage SEK 42.0 billion and Cradlepoint SEK 9.0 billion. Segment Other does not carry goodwill. More information is disclosed in note B1 "Segment information."

Impairment losses

In segment Enterprise there was an impairment loss of intangibles of SEK 61 million in a business related to the Internet of Things during 2022 due to a strategic decision to discontinue the business operation, which is reported on the line item Research and development expenses in the income statement.

In 2021 there was an impairment loss of SEK 176 million in the restated segment Enterprise and an impairment loss of SEK 137 million in the restated segment Cloud Software and Services. The impairment losses for 2020 is considered immaterial.

Intangible assets

The carrying value of customer relationships, IPR, and other intangible assets is SEK 26.3 (3.8) billion, of which customer relationships, acquired through the Vonage transaction, amount to SEK 18.8 billion with a remaining amortization period of 7 to 10 years.

Capitalized development expenses

The Company capitalizes 5G radio product development costs which are amortized over a period of 3 years. In considering the Company's climate-related aim to have more energy efficient products, the Company continually assesses the impact of future radio product improvements on the recoverability of such development costs. The conclusion is that the carrying value at year end is appropriate as the amortization period and product development lifecycle are relatively short.

Goodwill allocation

Goodwill from the previous CGU Digital Services has been transferred to the new CGU Cloud Software and Services and goodwill from the Vonage acquisition during the year has been allocated to the Vonage CGU within segment Enterprise. Other than that, the goodwill allocation has not changed.

Impairment tests

Each of segment Networks and segment Cloud Software and Services is a CGU and there are several CGUs within segment Enterprise. The value in use method has been used for goodwill impairment testing, which means that the recoverable amounts for CGUs are established as the present value of expected future cash flows based on business plans approved by management.

Estimation of future cash flows includes assumptions mainly for the following key financial parameters:

– Sales growth
– Development of EBIT (based on EBIT margin or cost of goods sold and operating expenses relative to sales)
– Related development of working capital and capital expenditure requirements.

The assumptions regarding industry-specific market drivers and market growth are based on industry sources as input to the projections made within the Company for the development 2023–2027 for key telecom industry parameters:

– By 2027, about 35 years after the introduction of digital mobile technology, it is predicted that there will be 9.1 billion mobile subscriptions (excl. Cellular IoT). Out of all mobile subscriptions, 7.9 billion will be associated with a smartphone.
– The number of 5G subscriptions is forecasted to reach 4.3 billion (excluding Cellular IoT) by the end of 2027.

Note C1, cont'd.

- By 2027, about 42 billion connected devices are forecasted, of which over 30 billion will be related to Internet of Things, IoT. Connected IoT devices including connected cars, machines, meters, sensors, point-of-sale terminals, consumer electronics and wearables.
- Cellular IoT is predicted to grow from 3.1 billion devices in end of 2023 to 5.0 billion devices in end of 2027.
- Mobile data traffic volume is estimated to increase by more than two times in the period 2023–2027. The mobile traffic is driven by smartphone users and video traffic, with mobile video traffic forecasted to grow by almost 30% annually through 2027 to account for approximately 80% of all mobile data traffic.

The assumptions are also based upon information gathered in the Company's long-term strategy process, including assessments of new technology, the Company's competitive position and new types of business and customers, driven by the continued integration of telecom and data.

The forecasted cash flows are based on a five-year business plan. The CGUs Vonage and Cradlepoint have assumed a forecasted growth above 20% per year over the next five years followed by a gradual decline in growth rates. The assumptions reflect the expected high growth market conditions in which both CGUs are present. Market maturity and market growth at long term sustainable levels (nominal rates described below) are not expected to be reached until after ten years. It is noted that it is more difficult to estimate market conditions the further into the future they are forecasted.

Sales growth in the Enterprise segment is driven by the adoption of 5G and the convergence of 5G and Cloud communications in the enterprise market. The Enterprise Private Network and Wireless WAN addressable market is expected to grow with a CAGR of 34% 2022–2025 and by 2025 the Cloud Communications total addressable market is estimated to reach USD 73 billion, up from USD 41 billion in 2021.

Projections over extended time periods where the estimated cash flow growth exceeds that of the market in which the Company operates are inherently uncertain. The recoverable amount for CGU Vonage would equal the carrying value, if the expected sales growth per year is reduced by circa 3% until assuming steady state, or if a 4% decrease in the long term EBIT margin would be applied. Likewise, an increase in the applied WACC for Vonage by 1.5% would give the same outcome.

For the other CGUs there are no reasonably possible changes that would lead to the carrying value not being recoverable.

The growth rates after the forecast period have increased this year as a result of the increase in risk-free rates. All CGUs use a nominal annual growth rate of 2.0% (1.5%) per year after the forecast period, except Vonage which uses a rate of 3.5%. The higher rate for Vonage is due to the higher risk-free rate implied by USD treasury bonds, which are used as the cash flows are forecasted in USD.

An after-tax discount rate has been applied for the discounting of projected after-tax cash flows. Rates per CGU:

Post-tax discount rates (%)

CGU	2022	2021
Networks	9.0	7.5
Cloud Software and Services	10.0	8.0
Vonage	9.5	–
Cradlepoint	9.5	10.0
iconectiv	10.0	9.0
Emodo	14.5	12.0
Red Bee Media	11.0	9.5

The Company's discounting is based on after-tax future cash flows and after-tax discount rates. This discounting is not materially different from a discounting based on before-tax future cash flows and before-tax discount rates, as required by IFRS. In note A1 "Significant accounting policies," and note A2 "Critical accounting estimates and judgments," further disclosures are given regarding goodwill impairment testing. The assumptions for 2021 are disclosed in note C1 "Intangible assets" in the Annual Report of 2021.

Risk assessment on the business plans is carried out on a regular basis and an impairment review will be performed if conditions suggest that such assets may be impaired.

C2 Property, plant and equipment

Property, plant and equipment 2022

	Real estate	Machinery and other technical assets	Other equipment, tools and installations	Construction in progress and advance payments	Total
Cost					
Opening balance	6,946	3,549	35,009	705	46,209
Additions	47	200	2,705	1,525	4,477
Balances regarding acquired/divested business	37	–	138	11	186
Disposals	–275	–421	–1,638	–253	–2,587
Reclassifications	287	213	593	–1,093	–
Translation differences	481	284	1,413	78	2,256
Closing balance	**7,523**	**3,825**	**38,220**	**973**	**50,541**
Accumulated depreciations					
Opening balance	–3,741	–2,678	–24,769	–	–31,188
Depreciations	–502	–373	–3,239	–	–4,114
Disposals	226	434	1,509	–	2,169
Translation differences	–265	–180	–1,107	–	–1,552
Closing balance	**–4,282**	**–2,797**	**–27,606**	**–**	**–34,685**
Accumulated impairment losses					
Opening balance	–283	–104	–1,054	–	–1,441
Impairment losses	–115	–4	–146	–9	–274
Disposals	44	3	145	9	201
Translation differences	–31	–9	–66	–	–106
Closing balance	**–385**	**–114**	**–1,121**	**–**	**–1,620**
Net carrying value	**2,856**	**914**	**9,493**	**973**	**14,236**

Contractual commitments for the acquisition of property, plant and equipment as per December 31, 2022, amounted to SEK 510 (477) million.

Property, plant and equipment 2021

	Real estate	Machinery and other technical assets	Other equipment, tools and installations	Construction in progress and advance payments	Total
Cost					
Opening balance	6,503	3,030	32,890	995	43,418
Additions	54	207	2,215	1,187	3,663
Balances regarding acquired/divested business	–	–	–75	–	–75
Disposals	–348	–135	–2,145	–94	–2,722
Reclassifications	356	270	813	–1,439	–
Translation differences	381	177	1,311	56	1,925
Closing balance	**6,946**	**3,549**	**35,009**	**705**	**46,209**
Accumulated depreciations					
Opening balance	–3,405	–2,393	–22,863	–	–28,661
Depreciations	–441	–286	–2,947	–	–3,674
Balances regarding divested business	–	–	50	–	50
Disposals	315	136	1,956	–	2,407
Reclassifications	1	2	–3	–	–
Translation differences	–211	–137	–962	–	–1,310
Closing balance	**–3,741**	**–2,678**	**–24,769**	**–**	**–31,188**
Accumulated impairment losses					
Opening balance	–275	–75	–1,024	–	–1,374
Impairment losses	–22	–30	–146	–	–198
Disposals	29	5	176	–	210
Translation differences	–15	–4	–60	–	–79
Closing balance	**–283**	**–104**	**–1,054**	**–**	**–1,441**
Net carrying value	**2,922**	**767**	**9,186**	**705**	**13,580**

C3 Leases

Leases with the Company as lessee

Right-of-use assets

	2022				2021			
	Real estate	Vehicles	Other	Total	Real estate	Vehicles	Other	Total
Cost								
Opening balance	13,756	930	171	14,857	11,784	823	171	12,778
Additions	1,650	168	136	1,954	1,759	258	–	2,017
Balances regarding acquired/divested business	334	–	–	334	–10	–11	–	–21
Terminations	–719	–178	–	–897	–395	–180	–	–575
Translation differences	874	78	–4	948	618	40	–	658
Closing balance	**15,895**	**998**	**303**	**17,196**	**13,756**	**930**	**171**	**14,857**
Accumulated depreciations								
Opening balance	–5,687	–495	–79	–6,261	–3,700	–390	–55	–4,145
Depreciations	–2,141	–250	–60	–2,451	–2,002	–251	–24	–2,277
Balances regarding divested business	–	–	–	–	8	6	–	14
Terminations	393	159	–	552	233	158	–	391
Translation differences	–354	–43	1	–396	–226	–18	–	–244
Closing balance	**–7,789**	**–629**	**–138**	**–8,556**	**–5,687**	**–495**	**–79**	**–6,261**
Accumulated impairment losses								
Opening balance	–303	–	–	–303	–340	–	–	–340
Impairment losses	–66	–	–	–66	–	–	–	–
Terminations	27	–	–	27	63	–	–	63
Translation differences	–32	–	–	–32	–26	–	–	–26
Closing balance	**–374**	**–**	**–**	**–374**	**–303**	**–**	**–**	**–303**
Financial sublease								
Opening balance	–345	–	–	–345	–313	–	–	–313
Translation differences	–51	–	–	–51	–32	–	–	–32
Closing balance	**–396**	**–**	**–**	**–396**	**–345**	**–**	**–**	**–345**
Net carrying value	**7,336**	**369**	**165**	**7,870**	**7,421**	**435**	**92**	**7,948**

Lease liabilities

The lease liabilities amounted to SEK 9,304 (9,303) million, of which SEK 2,486 (2,224) million is classified as current. The remaining contractual maturities as of December 31, 2022, is shown in note D4 "Contractual obligations."

Lease cost

The total lease cost amounted to SEK 3,775 (3,375) million, of which depreciation was SEK 2,451 (2,277) million, impairment losses were SEK –66 (0) million, lease expense relating to low-value assets was SEK 516 (434) million, interest expense was SEK 464 (426) million and variable lease expense was SEK 278 (238) million. Variable lease expense consists mainly of property tax.

Future cash outflow

Future cash outflows from leases not yet commenced in 2022 to which the Company is committed as the lessee is SEK 71 (157) million.

Leases with the Company as lessor

Lessor leases relate to subleases of real estate. These lease contracts vary in length from 1 to 10 years.

Receivables related to subleases in 2022 amounted to SEK 62 (70) million for operating leases and to SEK 75 (64) million for financial leases. Interest income from financial subleases was SEK 8 (9) million.

At December 31, 2022, future minimum payment receivables were distributed as follows:

Cash payments

Cash payments

	2022	2021
Repayments of the lease liabilities [1]	–2,593	–2,368
Interest expense of the lease liabilities	–464	–426
Low-value asset not included in the measurement of the liabilities	–516	–434
Variable lease payments not included in the measurement of the lease liabilities	–278	–238
Total cash outflow	**–3,851**	**–3,466**

[1] Including advance payments.

Future minimum payment receivables

	Financial leases	Operating leases
2023	77	67
2024	80	28
2025	14	20
2026	–	19
2027	–	11
2028 and later	–	3
Total	**171**	**148**

Section D – Obligations

D1 Provisions

Provisions

	Restructuring	Customer related	Supplier related	Warranty	Share-based payments	Other	Total
2022							
Opening balance	639	3,440	1,231	1,074	1,591	1,529	9,504
Additions	400	1,024	561	368	303	4,129	6,785
Balances regarding acquired business [1)]	–	–	–	–	–	1,050	1,050
Reversal of excess amounts	–54	–585	–960	–120	–99	–220	–2,038
Charged to income statement							*4,747*
Utilization [1)]	–338	–824	–144	–646	–897	–1,724	–4,573
Reclassifications	–21	–31	32	–	–	595	575
Translation differences	43	69	2	2	87	82	285
Closing balance	**669**	**3,093**	**722**	**678**	**985**	**5,441**	**11,588**
Of which current provisions	*448*	*1,215*	*198*	*572*	*642*	*4,554*	*7,629*
Of which non-current provisions	*221*	*1,878*	*524*	*106*	*343*	*887*	*3,959*
2021							
Opening balance	1,200	3,850	791	987	2,107	1,531	10,466
Additions	303	795	1,020	455	1,367	483	4,423
Reversal of excess amounts	–98	–491	–228	–153	–122	–86	–1,178
Charged to income statement							*3,245*
Utilization	–785	–841	–175	–109	–1,837	–462	–4,209
Reclassifications	–1	104	–179	–107	–	39	–144
Translation differences	20	23	2	1	76	24	146
Closing balance	**639**	**3,440**	**1,231**	**1,074**	**1,591**	**1,529**	**9,504**
Of which current provisions	*411*	*1,488*	*1,231*	*320*	*915*	*1,417*	*5,782*
Of which non-current provisions	*228*	*1,952*	*—*	*754*	*676*	*112*	*3,722*

[1)] Includes a provision from acquired business in the third quarter 2022, which was utilized in the fourth quarter 2022. For more information see note E2 "Business combinations".

Provisions will fluctuate over time depending on the business mix, market mix and, technology shifts. Risk assessment in the ongoing business is performed monthly to identify the need for new additions and reversals. Management uses its best judgment to estimate provisions based on this assessment. Under certain circumstances, provisions are no longer required due to outcomes being more favourable than anticipated, which affect the provision balance as a reversal. In other cases, the outcome can be negative, and if so, a charge is recorded in the income statement.

For 2022, the total provision value is SEK 11.6 (9.5) billion, of which SEK 4.0 (3.7) billion is classified as non-current. The provision balance increased mainly due to the SEK 2.3 billion provision raised in the fourth quarter of 2022 in relation to a potential resolution with the United States Department of Justice (DOJ), noting that the Company, on March 2, 2023, entered into the DOJ Plea Agreement with the DOJ and agreed to pay a fine of approx. SEK 2.2 billion. Refer to the section "Other provisions" below.

For more information, see note A1 "Significant accounting policies" and note A2 "Critical accounting estimates and judgments" for key estimation uncertainty regarding timing and amount.

Restructuring provisions

Restructuring provisions relate to structural efficiency programs that are planned and controlled by management and have a material impact on either the scope of the business undertaken or the manner in which the business is conducted. The scope of the structural efficiency measures involves service delivery, supply and manufacturing, R&D, and selling and administration expenses. Restructuring provisions are recognized based on the expected costs of the respective restructuring programs and primarily consist of personnel costs. Estimation uncertainty exists regarding the execution of the restructuring programs, which may impact the expected timing and realization of costs. Restructuring provisions are reviewed and adjusted regularly based on management's best estimate. The expected timing and amount of outflows are dependent on whether the plan execution is in line with management's assessment. The majority of the restructuring provision will be utilized within 1 year. For more information about the restructuring charges booked in the income statement, see note B3 "Expenses by nature."

Customer-related provisions

Customer-related provisions mainly consist of provisions for losses on customer contracts. To measure the customer-related provisions, management estimates the unavoidable costs to fulfill the obligations under the customer contract. If the exit penalty is lower than the estimated costs to fulfill the contract, then the provision value is limited to the exit penalty value. The unavoidable costs to fulfill the contract sometimes differ from management's estimates. Provisions raised for loss-making customer contracts are therefore regularly reviewed and adjusted based on the latest information available considering the realization of the costs estimated. The expected timing and amount of outflows are dependent on whether the customer contract execution is in line with management's assessment. The majority of the customer-related provisions will be utilized over 4 years.

Supplier-related provisions

Supplier-related provisions are for supplier claims/guarantees based on the contractual obligations mostly relating to inventory. The provision is calculated by comparing the committed inventory purchases with the expected usage based on forecast and any excess is provided for based on an assessment of the risk of obsolescence. Therefore, estimation uncertainty exists regarding the forecast and expected usage as well as the assessment of future obsolescence, as this is based on management's expectations. The expected timing and amount of outflows are dependent on the actual outcome of the supplier claims and guarantees. The majority of the supplier-related provisions will be utilized over 2 years.

Note D1, cont'd.

Warranty provisions
Warranty provisions are based on historic quality rates for established products as well as estimates regarding quality rates for new products and costs to remedy the various types of faults predicted. Uncertainty exists regarding the timing and amount as management utilizes the historical trends to estimate the warranty provisions as well as the cost to repair or replace, which may differ from the actual outcomes. New product warranty provisions require further estimation since historical information is not available. These provisions do not include costs for service in additions within customer contracts that are accounted for as separate performance obligations. The expected timing and amount of outflows are dependent on the actual product faults which may occur. The majority of the warranty provisions are expected to be utilized within 1 year.

Share-based payments provisions
Share-based payments provisions relate to cash-settled share-based programs and are based on the present period's best estimate of the eventual pay-outs, see note G3 "Share-based compensation" for more information. The uncertainty regarding outflows is relating to the fair value of the underlying instrument during the service period and expected fulfilment of the service conditions. The majority of the share-based payment provisions are expected to be utilized within 1 year.

Other provisions
The Company made a provision in the fourth quarter of 2022 of SEK 2.3 billion in relation to a potential resolution with the United States Department of Justice (DOJ) regarding previously announced, non-criminal, alleged breaches under the deferred prosecution agreement (DPA). The provision also includes estimated expenses of SEK 0.1 billion for the previously announced extended compliance monitorship. On March 2, 2023, the Company reached a resolution (DOJ Plea Agreement) with the DOJ regarding non-criminal breaches under its DPA. Under the DOJ Plea Agreement, the Company has agreed to pay a fine of USD 206,728,848 (approximately SEK 2.2 billion). The entry of the DOJ Plea Agreement will bring the DPA to an end. The Company's internal investigation and its cooperation with authorities in relation to the matters discussed in a 2019 Iraq-related internal investigation report remain open and ongoing.

The Russian invasion of Ukraine has had an adverse effect on the operations of the Company's business in Russia. As previously reported, the Company has provided SEK 0.9 billion for asset impairment and other costs in the first quarter 2022. Operations in Russia were suspended in the first quarter, and in December 2022, the Company announced that it has divested its customer support business in Russia. All costs relating to the business exit and divestment were included in the provision and fully utilized by year end.

Other than the provision relating to the DOJ, other provisions relate mostly to the divestment of the IoT business, litigation and patent infringement disputes. Management regularly assesses the likelihood of any adverse outcomes and if deemed probable then a provision is raised based on the best estimate of the expenditure required to settle with the counterpart. There is uncertainty in the final outcome and settlement, therefore management reviews the estimation regularly. Outflows relating to litigation are inherently uncertain in what applies to timing and amount, and therefore most of the provisions are expected used within 1 year.

D2 Contingent liabilities

Contingent liabilities

	2022	2021
Contingent liabilities	3,322	1,614
Total	**3,322**	**1,614**

Contingent liabilities mainly relate to, in order of materiality, litigations, tax litigations in subsidiaries, losses on customer contracts and pension guarantees, which are assessed to be possible obligations for the Company.

All ongoing legal and tax proceedings have been evaluated, their potential economic outflows and probability estimated, and necessary provisions made, or contingent liabilities disclosed. In note A2 "Critical accounting estimates and judgments," further disclosure is presented in relation to (i) key sources of estimation uncertainty and (ii) the decision made in relation to accounting policies applied.

As part of its defense to a now settled patent infringement lawsuit filed by Ericsson in 2013 in the Delhi High Court against Indian handset company Micromax, Micromax filed a complaint against Ericsson with the Competition Commission of India (CCI). The CCI decided to refer the case to the Director General's Office for an in-depth investigation. The CCI opened similar investigations against Ericsson in January 2014 based on claims made by Intex Technologies (India) Limited and, in 2015, based on a now settled claim from iBall. Ericsson has challenged CCI's jurisdiction in these cases before the Delhi High Court and is awaiting a decision on the appeal of the first instance court's decision.

In April 2019, Ericsson was informed by China's State Administration for Market Regulation (SAMR) Anti-monopoly bureau that SAMR has initiated an investigation into Ericsson's patent licensing practices in China. Ericsson is cooperating with the investigation, which is still in a fact-finding phase. The next steps include continued fact finding and meetings with SAMR in order to facilitate the authority's assessments and conclusions.

The above matters relating to Micromax and SAMR are possible obligations which cannot be quantified and are, therefore, not included in the contingent liability amount disclosed in the table.

D3 Assets pledged as collateral

Assets pledged as collateral

	2022	2021
Chattel mortgages [1)]	6,333	6,341
Bank deposits [2)]	893	532
Total	**7,226**	**6,873**

1) See also note G1 "Post-employment benefits."
2) See also note F1 "Financial risk management."

D4 Contractual obligations

Contractual obligations, SEK billion

	Payment due by period				
2022	<1 year	1–3 years	3–5 years	>5 years	Total
Current and non-current debt [1)]	6.3	12.9	9.1	11.2	39.5
Lease obligations [2)]	3.0	4.4	2.1	1.1	10.6
Other non-current liabilities	–	0.6	–	0.1	0.7
Purchase obligations [3)]	17.8	3.1	0.2	–	21.1
Trade payables	38.4	–	–	–	38.4
Commitments for customer finance [4)]	44.3	8.6	1.2	–	54.1
Derivatives liabilities [4)]	0.9	1.1	0.6	–	2.6
Total	**110.7**	**30.7**	**13.2**	**12.4**	**167.0**
2021					
Current and non-current debt [1)]	9.8	10.4	3.1	10.1	33.4
Lease obligations [2)]	2.6	4.3	2.3	1.4	10.6
Other non-current liabilities	–	1.0	–	0.6	1.6
Purchase obligations [3)]	23.2	4.1	0.3	–	27.6
Trade payables	35.7	–	–	–	35.7
Commitments for customer finance [4)]	34.4	9.7	3.2	–	47.3
Derivatives liabilities [4)]	0.4	0.4	–	–	0.8
Total	**106.1**	**29.9**	**8.9**	**12.1**	**157.0**

1) Current and non-current debt, including interest commitments.
2) Future lease obligations, nominal lease liability, see also note C3 "Leases."
3) The amounts of purchase obligations are gross, before deduction of any related provisions.
4) See also note F1 "Financial risk management."

Contractual purchase obligations at the end of 2022 were lower than the previous year end as supply chain constraints eased in the fourth quarter of 2022. However, contractual obligations have increased due to unfavorable exchange rate movements and an increase in customer finance commitments.

Section E – Group structure

E1 Equity

Capital stock

Capital stock

Parent Company	Class A shares	Class B shares	Total
December 31, 2022	1,309	15,363	16,672
December 31, 2021	1,309	15,363	16,672

The capital stock of the Parent Company is divided into two classes: Class A shares (quota value SEK 5.00) and Class B shares (quota value SEK 5.00). Both classes have the same rights of participation in the net assets and earnings. Class A shares, however, are entitled to one vote per share while Class B shares are entitled to one tenth of one vote per share.

At December 31, 2022, the total number of treasury shares was 4,009,306 (4,009,306 in 2021 and 6,043,960 in 2020) Class B shares.

Number of shares

2022	Class A shares	Class B shares	Total
As of January 1	261,755,983	3,072,395,752	3,334,151,735
As of December 31	261,755,983	3,072,395,752	3,334,151,735

2021	Class A shares	Class B shares	Total
As of January 1	261,755,983	3,072,395,752	3,334,151,735
As of December 31	261,755,983	3,072,395,752	3,334,151,735

Dividend proposal

The Board of Directors propose to the Annual General Meeting a dividend to the shareholders of SEK 2.70 per share (SEK 2.50 in 2021 and SEK 2.00 in 2020), representing a total dividend of SEK 9.0 (8.3) billion. The dividend is proposed to be paid in two equal installments, SEK 1.35 per share with the record date March 31, 2023 (payment date April 5, 2023), and SEK 1.35 per share with the record date September 29, 2023 (payment date October 4, 2023).

Additional paid in capital

Additional paid in capital relates to payments made by owners and includes share premiums paid.

Other reserves

Other reserves include translation reserves, cash flow hedges and revaluation of borrowings.

Translation reserves

The translation reserves comprise all foreign currency translation reserves arising from the translation of the financial statements of foreign operations to the Group presentation currency and changes regarding revaluation of excess value in local currency.

Cash flow hedge reserve

For further information, see note F1 "Financial risk management."

Revaluation of borrowings

For further information, see note F4 "Interest-bearing liabilities."

Retained earnings

Retained earnings, including net income for the year, comprise the earned profits of the Parent Company and its share of net income in subsidiaries, joint ventures and associated companies. Retained earnings also include remeasurements related to post-employment benefits.

Remeasurements related to post-employment benefits

Actuarial gains and losses resulting from experience-based events and changes in actuarial assumptions, fluctuations in the effect of the asset ceiling, and adjustments related to the Swedish special payroll taxes. For more information, see note G1 "Post-employment benefits."

Non-controlling interests

Equity in a subsidiary not attributable, directly or indirectly, to a parent.

Other reserves

	2022				2021			
SEK million	Translation reserves	Cash flow hedge reserve	Revaluation of borrowings	Total other reserves	Translation reserves	Cash flow hedge reserve	Revaluation of borrowings	Total other reserves
Opening balance	1,206	–411	–341	454	–2,424	101	–366	–2,689
Other comprehensive income								
Items that will not be reclassified to profit or loss								
Revaluation of borrowings due to change in credit risk	–	–	1,030	1,030	–	–	31	31
Cash flow hedge reserve								
Gains/losses arising during the period	–	3,703	–	3,703	–	–	–	–
Transfer to goodwill	–	–3,677	–	–3,677	–	–	–	–
Tax on items that will not be reclassified to profit or loss	–	–758	–212	–970	–	–	–6	–6
Items that have been or may be reclassified to profit or loss								
Cash flow hedge reserve								
Gains/losses arising during the period	–	–701	–	–701	–	–542	–	–542
Reclassification to profit and loss	–	280	–	280	–	–96	–	–96
Translation reserves								
Changes in translation reserves	7,273	–	–	7,273	3,556	–	–	3,556
Reclassification to profit and loss	–85	–	–	–85	46	–	–	46
Share of other comprehensive income of JV and associated companies	49	–	–	49	28	–	–	28
Tax on items that have been or may be reclassified to profit or loss	–	87	–	87	–	126	–	126
Other comprehensive income, net of tax	**7,237**	**–1,066**	**818**	**6,989**	**3,630**	**–512**	**25**	**3,143**
Total comprehensive income	**7,237**	**–1,066**	**818**	**6,989**	**3,630**	**–512**	**25**	**3,143**
Transfer to retained earnings	**–**	**758**	**–**	**758**	**–**	**–**	**–**	**–**
Closing balance	**8,443**	**–719**	**477**	**8,201**	**1,206**	**–411**	**–341**	**454**

E2 Business combinations

Acquisitions

Acquisitions 2020–2022

	2022	2021	2020
Consideration			
Purchase price paid on acquisition [1]	51,297	256	9,534
Deferred consideration/Others [2]	1,972	–	314
Total consideration, all cash and cash equivalents	**53,269**	**256**	**9,848**
Net assets (liabilities) acquired			
Intangible assets	23,554	–95	3,583
Property, plant and equipment	186	1	55
Right-of-use of assets	334	–	126
Investments in associates	–	–	167
Cash and cash equivalents	521	–	314
Other assets	5,344	21	1,292
Provisions, incl. post-employment benefits	–1,050	–	–16
Other liabilities	–16,916	–348	–2,781
Total identifiable net assets (liabilities)	**11,973**	**–421**	**2,740**
Goodwill	**41,296**	**677**	**7,108**
Total	**53,269**	**256**	**9,848**
Acquisition-related costs [3]	436	11	92

Vonage

	2022
Consideration	
Purchase price paid on acquisition [1]	51,297
Deferred consideration [2]	1,972
Total consideration, all cash and cash equivalents	**53,269**
Net assets (liabilities) acquired	
Intangible assets	23,554
Property, plant and equipment	186
Right-of-use assets	334
Deferred tax assets	2,353
Trade receivables	1,094
Cash and cash equivalents	521
Other assets	1,896
Provisions	–1,050
Deferred tax liabilities	–6,264
Borrowings	–6,473
Lease liabilities	–403
Other liabilities	–3,775
Total identifiable net assets (liabilities)	**11,973**
Goodwill	**41,296**
Total	**53,269**
Acquisition-related costs [3]	436

1) 2022 purchase price to acquire shares outstanding is net of hedge release of SEK 3.7 billion.
2) Deferred consideration relates to the pre-combination portion of employee stock awards that were previously granted to Vonage employees, which will be paid out post acquisition according to the original award vesting schedule.
3) Acquisition-related costs are included in Selling and administrative expenses in the consolidated income statement.

In 2022, the Company made acquisitions resulting in a negative cash flow effect from business combinations amounting to SEK 51,734 (256) million, see also note H3 "Statement of cash flows."

The cash flow effect differs from the total consideration in the above table due to the acquired cash of SEK 0.5 billion and the portion of deferred consideration not paid by year end of SEK 1.0 billion.

Vonage: On July 21, 2022, the Company acquired, in an all cash transaction, all of the shares in Vonage Holdings Corp. – a US-based global provider of cloud-based communications. This acquisition provides the Company with an opportunity to access a complementary, substantial and high growth segment. Vonage is a supplier of consumer communications solutions, as well as network API's, unified communications, and contact center solutions to enterprises world-wide. With increasing investments in 4G and 5G – and a flourishing ecosystem of new applications and use cases leveraging the power of modern networks – demand from enterprises for programmable networks has been accelerating. Goodwill in this transaction represents future customers, technology, and synergies and is not expected to be deductible for tax purposes. The intangible assets mainly relate to customer relationships. The fair values of the assets acquired and liabilities assumed, at the acquisition date as presented, are final.

Vonage's net sales and EBIT (loss) for the period, from acquisition date, amounts to SEK 7.0 billion and SEK –1.8 billion respectively.

Vonage's net sales and EBIT (loss) for the 2022 financial year, as though the acquisition date occurred at the beginning of the annual reporting period, amounts to SEK 14.4 billion and SEK –3.0 billion respectively.

Acquisitions 2020–2022

Business	Description	Transaction date
Vonage	A US based global provider of cloud-based communications.	Jul 2022
Quortus	A UK based mobile core software business with expertise in enterprise 4G/5G technology.	Nov 2021
Axonix	A UK based mobile-first programmatic advertising exchange business.	Mar 2021
Cradlepoint	A US company providing Wireless WAN Edge 4G and 5G solutions for the enterprise market.	Nov 2020
Genaker	A Spanish provider of Mission Critical Push-to-talk (MC-PTT) solutions.	Mar 2020

Note E2, cont'd.

Divestments

Divestments 2020–2022

	2022	2021	2020
Proceeds			
Cash and cash equivalents	20	273	4
Shares in associated companies	298	–	–
Total proceeds	**318**	**273**	**4**
Net assets disposed of			
Property, plant and equipment	–	26	1
Right-of-use assets	–	7	1
Investments in associates	82	–	–
Intangible assets	–	–	48
Goodwill	–	–48	4
Other assets	23	51	83
Provisions, incl. post-employment benefits	–42	–30	–1
Other liabilities	–101	36	6
Total net assets	**–38**	**42**	**142**
Net gains/losses from divestments	356	231	–138
Shares in associated companies	–298	–	–
Cash flow effect	**20**	**273**	**4**

In 2022, the Company made divestments with a cash flow effect amounting to SEK 20 (273) million. Net gains/losses from the divestments are presented on Other operating income in the Income statement, see also note B4 "Other operating income and expenses."

For more information, see note H3 "Statement of cash flow."

Divestments 2020–2022

Business	Description	Transaction date
Aerialink	A US based company providing premier messaging solutions for business to business communications	Nov 2022
Data center	A data center business located in the Netherlands.	Nov 2021

E3 Associated companies

Equity in associated companies

	2022	2021
Opening balance	941	1,274
Investments	298	–
Share in earnings	17	–260
Distribution of capital stock	–24	–
Taxes	–14	–11
Dividends	–58	–90
Divested business	–82	–260
Translation differences	49	28
Closing balance	**1,127**	**941**

The Company owns 49.07% of the shares in Ericsson Nikola Tesla d.d., located in Croatia and 35.6% of the shares in ConcealFab Inc., located in US.

See also note H4 "Related party transactions."

Section F – Financial instruments

F1 Financial risk management

The Company's financial risk management is governed by a policy approved by the Board of Directors. The Board of Directors is responsible for overseeing the capital structure and financial management of the Company, approving certain matters (such as investments, customer finance commitments and borrowing) and setting limits on the exposure to financial risks.

For the Company, a robust financial position with an investment grade rating, low leverage and ample liquidity is deemed important. 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's overall capital structure should support the financial targets. The capital structure is managed by balancing equity, debt financing and liquidity in such a way that the Company can secure funding of operations at a reasonable cost of capital. Regular borrowings are complemented with committed credit facilities to give additional flexibility to manage unforeseen funding needs. The Company strives to deliver strong free cash flow.

The Company's capital objectives are:
- Free cash flow before M&A of 9–12% of net sales
- Positive net cash position
- Investment grade rating by Moody's (Baa3), S&P Global (BBB-) and Fitch Ratings (BBB-).

Capital objectives-related information

	2022	2021
Free cash flow before M&A as % of net sales[1]	8.2%	13.8%
Positive net cash (SEK billion) [1]	23.3	65.8
Credit rating		
Fitch Ratings	BBB–, stable	BBB–, stable
S&P Global	BBB–, developing	BBB–, stable
Moody´s	Ba1, stable	Ba1, stable

[1] For more information about the measures, see Alternative performance measures and Financial terminology.

In March 2022, S&P Global announced a change in their outlook from stable to developing.

The Company has a treasury and customer finance function with the principal role to ensure that appropriate financing is in place through loans and committed credit facilities, actively managing the Company's liquidity as well as financial assets and liabilities, and managing and controlling financial risk exposures in a manner consistent with underlying business risks and financial policies. The customer finance function may arrange suitable third-party financing solutions for customers to support their purchases from Ericsson. In some cases, and to the extent that customer loans are not provided directly by banks, the Parent Company may provide vendor finance credits to customers directly. The central function also monitors the exposure from outstanding vendor credits and credit commitments.

The Company classifies financial risks as:
- Foreign exchange risk
- Interest rate risk
- Credit risk
- Liquidity risk
- Refinancing risk
- Market price risk in own and other equity instruments.

The Board of Directors has established risk limits for defined exposures to foreign exchange and interest rate risks as well as to political risks in certain countries.

For further information about accounting policies, see note A1 "Significant accounting policies."

Foreign exchange risk

The Company is a global company with sales mainly outside Sweden. Sales and costs incurred are to a large extent denominated in currencies other than SEK and therefore the financial results of the Company are impacted by currency fluctuations. The Company reports the financial statements in SEK. Movements in exchange rates between currencies that affect these statements will impact the comparability between periods.

Line items, primarily sales, are impacted by translation exposure incurred when converting foreign entities' financial statements into SEK. Line items and profitability, such as EBIT are impacted by transaction exposure incurred when financial assets and liabilities, primarily trade receivables and trade payables, are initially recognized and subsequently remeasured due to changes in foreign exchange rates.

The table below presents the external net sales and cost exposures for the largest currencies which impact profitability. The internal exposures will not impact group profitability if all related transactions occur and are recognized in the profit and loss in the same month. Any effect on profit and loss from internal transactions is a function of timing and FX volatility, therefore impossible to predict.

Currency exposure, SEK billion

Exposure currency	Sales translation exposure	Sales transaction exposure	Sales net exposure	Cost translation exposure	Cost transaction exposure [1]	Cost net exposure
USD [2]	106.2	51.5	157.7	–51.8	–77.9	–129.7
EUR	38.2	1.9	40.1	–32.1	15.2	–16.9
JPY	9.7	–	9.7	–3.7	–	–3.7
INR	10.9	–0.4	10.5	–6.5	0.1	–6.4
CAD	4.1	–	4.1	–1.0	0.4	–0.6
TWD	4.5	–	4.5	–1.8	–	–1.8
CNY	8.7	–0.3	8.4	–7.2	1.2	–6.0
KRW	4.5	–	4.5	–2.5	0.2	–2.3

[1] External purchases in foreign currency translated to functional currency.
[2] Sales transaction exposure in 2022 includes volume in the cash flow hedge of USD 401 million. Based on the outstanding cash flow hedge volume at year end, the hedged sales volume that will occur in 2023 is USD 2,278 million.

As SEK has weakened against major currencies in the year, this had a positive effect on net sales of the Company. The strengthening of USD against SEK also resulted in the treasury function acting on the Board mandate to increase the hedge volume of sales and purchases denominated in USD, thereby protecting the value of a portion of future sales. This resulted in a higher outstanding volume of cash flow hedges at year end compared to prior years.

Translation exposure

Translation exposure relates to sales and cost incurred in foreign entities when converted into SEK upon consolidation. These exposures cannot be addressed by hedging.

Transaction exposure

The Company considers the following transaction exposures.

a) Transaction risk impacting net sales and net income

Transaction exposure relates to sales and cost incurred in non-reporting currencies in individual group companies. Foreign exchange risk is as far as possible concentrated in Swedish group companies, primarily Ericsson AB, by selling to foreign subsidiaries in either the functional currency of the customers, EUR or USD. This transaction risk can be hedged, although it is only done for material cash inflows or outflows that are highly certain. The Company has the following recurring hedge programs:

i) The Company has identified certain customer contracts where a fluctuation in the USD/SEK foreign exchange rate would significantly impact net sales. These contracts are multi-year contracts with highly probable payments at fixed points in time denominated in USD.

The Board of Directors has provided a mandate to the Company to hedge between 0%–100% of the next three years receipts on a rolling basis, up to the end of the contract period. This mandate instructs the treasury function to hedge a percentage of this exposure according to a defined scale, locking in a higher percentage of exposure as the USD strengthens against SEK, up to 100%.

Note F1, cont'd.

ii) The Board of Directors has provided a mandate to the Company to hedge highly probable forecasted sales and purchases denominated in USD in EAB for the next 7 to 18 months, on a monthly rolling basis. This mandate instructs the treasury function to hedge a percentage of this exposure according to a defined scale, locking in a higher percentage of exposure as the USD strengthens against SEK, up to 100%.

For both programs, hedge accounting is applied, whereby the Company enters into foreign exchange forward contracts that match the terms of the foreign exchange exposure as closely as possible and designates them as hedging instruments. Hedge ineffectiveness is expected to be minimal but may arise due to differences in timing of the cash flows between the hedged items and the hedging instruments.

b) Transaction exposure in individual balance sheet

According to Company policy, transaction exposure in subsidiaries' balance sheets (e.g., trade receivables and trade payables that are remeasured due to change in foreign exchange rates) should be fully hedged. Foreign exchange exposures in balance sheet items are hedged through offsetting balances or derivatives. Foreign exchange exposures are managed net, and its effects are presented net within Financial income and expenses. This is not designated as hedge accounting.

c) FX execution risk in Ericsson AB (EAB)

As balance sheet hedging is done net on a monthly basis, significant volatility in USD hedge volumes exposes EAB to FX execution risk. In order to spread the FX execution risk over the year, 14% of each of the next six months forecasted sales and purchases in EAB are hedged monthly. This excludes volume in the 7 to 18 month cash flow hedge program. The hedged volumes are funded by internal loans from its parent company which are not hedged, therefore the FX impact on revaluation of the loan is recognized in net FX as incurred.

The sensitivity of the FX impact is dependent on changes in foreign exchange rates, forecasts and seasonality. USD is the only currency being hedged. Since the start of the 7 to 18 month cash flow hedge program in March 2022, the USD hedge volume has steadily reduced through the year. Outstanding loan at year-end was USD 149 million (USD 728 million), with an average balance of USD 529 million (USD 926 million) over the year. Due to the strengthening of USD against SEK throughout 2022, this resulted in a net loss on the hedge loan balances of SEK 897 million, comprised of net realization loss and unrealized revaluation gain on these loans of SEK 1,191 million and SEK 294 million respectively.

d) Transaction risk impacting business combination

The Company is exposed to FX execution risk on consideration payable for acquisition in foreign currency from the period of communication of the proposed transaction to final completion date. Such transaction, if deemed material and highly probable, will be hedged to protect the cash consideration for acquisition accounting.

Cash flow hedge accounting is applied, whereby the Company enters into foreign exchange forward contracts that match the terms of the foreign exchange exposure as closely as possible and designates them as hedging instruments. Hedge ineffectiveness is expected to be minimal but may arise due to differences in timing of the cash flows between the hedged item and the hedging instruments.

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 income and expenses.

Sensitivity analysis

The Company uses the Value at Risk (VaR) methodology to measure foreign exchange and interest rate risks managed by the treasury function. This statistical method expresses the maximum potential loss that can arise with a certain degree of probability during a certain period of time. For the VaR measurement, the Company has chosen a probability level of 99% and a one-day time horizon. The daily VaR measurement uses market volatilities and correlations based on historical daily data (one year).

The treasury function operates under two mandates. In the liquidity management activity, it has a mandate to deviate from floating interest on net liquidity and take foreign exchange positions up to an aggregated risk of VaR SEK 45 million given a confidence level of 99% and a one-day horizon. The average VaR calculated for 2022 was SEK 21.0 (15.3) million. No VaR limits were exceeded during 2022.

In the asset-liability management activity, the interest rate risk is managed by matching fixed and floating interest rates in interest-bearing balance sheet items. The policy is that the net sensitivity on a one basis point move on interest-bearing assets matching interest-bearing liabilities, taking derivatives into consideration, is less than SEK 10 million. The average exposure during 2022 was SEK 1.5 (1.1) million per basis point shift.

Sensitivity to interest rate increase of 1 basis point, SEK million

	< 3M	3–12M	1–3Y	3–5Y	>5Y	Total
Interest-bearing assets	–	–	–1	–1	–	–2
Interest-bearing liabilities [1)]	–	–	1	3	4	8
Derivatives	–	–	–1	–2	–3	–6
Total	**–**	**–**	**–1**	**–**	**1**	**–**

1) Borrowings are included as they are designated FVTPL.

Outstanding derivatives

Outstanding derivatives

2022	Gross amount recognized	Offset	Net amount presented	Related amounts not offset – collaterals	Net
Currency derivatives [1)]					
Assets	1,275	–165	1,110	–277	833
Liabilities	–2,778	165	–2,613	2,382	–231
Interest rate derivatives					
Assets	11	–	11	–	11
Liabilities	–8	–	–8	–	–8
2021	**Gross amount recognized**	**Offset**	**Net amount presented**	**Related amounts not offset – collaterals**	**Net**
Currency derivatives [1)]					
Assets	294	–36	258	–	258
Liabilities	–707	36	–671	467	–204
Interest rate derivatives					
Assets	79	–20	59	–	59
Liabilities	–111	20	–91	–	–91

1) Currency derivatives designated as cash flow hedge of SEK 566 (9) million are included in Other current receivables and SEK 1,472 (510) million in Other current liabilities.

Cash collaterals paid or received under Credit Support Annex (CSA) to ISDA for cross-currency derivatives are recognized as Interest-bearing securities, current or Borrowings, current, respectively.

The Company holds the following currency derivatives designated as hedging instruments:

Foreign exchange forward contracts

2022	< 3 months	3 – 12 months	> 1 year	Total
Notional Amount (USD millions)	916	1,362	2,194	4,472
Average forward rate (SEK/USD)	9.66	10.46	9.90	

Hedge ratio is 1:1 and changes in forward rate have been designated as the hedged risk. The change in the fair value of the hedging instrument is compared with the change in fair value of the hedged item, and the lower amount is taken to OCI. If the change in fair value of the hedging instrument is higher, then the excess change in fair value is considered ineffective hedging and recorded in net foreign exchange gains and losses. For hedge on customer

Note F1, cont'd.

contracts, upon recognition of the hedged net sales, the cumulative amount in hedging reserve is released in the OCI as a reclassification adjustment and recognized in net sales. For hedge on business combination, the cumulative amount in hedge reserve is transferred as a basis adjustment to goodwill upon recognition of the business combination.

See note E1 "Equity" for movement in the cash flow hedge reserve. No hedge ineffectiveness was recognized in the income statement in 2022.

Credit risk

Credit risk is divided into three categories: credit risk in trade receivables and contract assets, customer finance risk and financial credit risk, see note A1 "Significant accounting policies."

Credit risk in trade receivables and contract assets

Credit risk in trade receivables and contract assets is governed by a policy applicable to all legal entities in the Company. The purpose of the policy is to:

- Avoid credit losses through establishing internal standard credit approval routines in all the Company's legal entities
- Ensure monitoring and risk mitigation of defaulting accounts, i.e. events of non-payment
- Ensure efficient credit management within the Company and thereby improve days sales outstanding and cash flow
- Define escalation path and approval process for customer credit limits.

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

Letters of credits are used as a method for securing payments from customers operating in emerging markets, in particular in markets with unstable political and/or economic environments. By having banks confirming the letters of credit, the political and commercial credit risk exposures to the Company are mitigated.

Impairment of trade receivables and contract assets

Trade receivables and contract assets are assessed for impairment under a unified model. The Company has determined that credit risk largely depends on both the risk in the country where the customer resides (e.g. ability to make cross border payments) as well as the payment pattern of the customer. Therefore, expected credit losses (ECLs) are calculated using a provision matrix that specifies a fixed rate depending both on the number of days past due and the country risk rating. The country risk ratings depend on the ratings used by all Export Credit Agencies within the OECD. The rates defined in the provision matrix are based on historical loss patterns for that grouping of customers. These rates are adjusted for current conditions as well as management expectations of changes to political risks and payment patterns in the future. The provision rates are higher on high risk countries compared to low risk countries and also higher on amounts that remain unpaid for longer periods of time.

The Company has assessed the recent global economic conditions on the expected credit losses model for trade receivables and updated the provision matrix as appropriate.

Trade receivables and contract assets together amounted to SEK 58,256 (55,905) million as of December 31, 2022. Provisions for expected credit losses on trade receivables and contract assets amounted to SEK 2,492 (2,398) million as of December 31, 2022. Total past due more than 360 days has decreased and the expectation of collection from some customers has also improved, resulting in a lower allowance as a percentage of gross exposure at year end. The Company's write-offs have historically been low. During the year SEK 70 (163) million were written off due to the Company having no reasonable expectation of collection. Of these write-offs, SEK 4 (0) million are still subject to enforcement.

Movements in allowances for impairment of trade receivables and contract assets

	2022	2021
Opening balance	2,398	2,518
Balances regarding acquired business	90	–
Increase in allowance	40	40
Write-offs	–70	–163
Translation difference	34	3
Closing balance [1]	**2,492**	**2,398**

[1] Of which SEK 1 (1) million relates to contract assets.

The distribution of trade receivables and contract assets closely follows the distribution of the Company's sales, see note B1 "Segment information." The ten largest customers represented 45% (47%) of the total trade receivables and contract assets in 2022.

Aging analysis of gross values of trade receivables and contracts assets by risk category

		Days past dues				
2022	Not due	1–90	91–180	181–360	>360	Total
Country risk :Low	32,015	2,090	165	103	328	34,701
Country risk: Medium	17,731	1,614	150	134	585	20,214
Country risk: High	3,304	610	384	295	1,240	5,833
Total	**53,050**	**4,314**	**699**	**532**	**2,153**	**60,748**
		Days past dues				
2021	Not due	1–90	91–180	181–360	>360	Total
Country risk :Low	36,439	976	171	51	292	37,929
Country risk: Medium	12,119	689	208	220	735	13,971
Country risk: High	4,044	429	293	270	1,367	6,403
Total	**52,602**	**2,094**	**672**	**541**	**2,394**	**58,303**

Customer finance credit risk

All major commitments to finance customers are made only after approval in accordance with the work procedure for the Board of Directors and according to the established credit approval process.

Prior to the approval of new facilities reported as customer finance, an internal credit risk assessment is conducted in order to assess the credit rating of each transaction for political and commercial risk. The credit risk analysis is made by using an assessment tool, where the political risk rating is identical to the rating used by all Export Credit Agencies within the OECD. The commercial risk is assessed by analyzing a large number of parameters, which may affect the level of the future commercial credit risk exposure. The output from the assessment tool for the credit rating also includes an internal pricing of the risk. This is expressed as a risk margin per annum over the relevant base rate. The reference pricing for political and commercial risk, on which the tool is based, is reviewed using information from Export Credit Agencies and prevailing pricing in the bank loan and bond markets for structured financed deals. The objective is that the internally set risk margin shall reflect the assessed risk and that the pricing is as close as possible to the current market pricing. A reassessment of the credit rating for each customer finance facility is made on a regular basis.

As of December 31, 2022, the total amount payable to the Company under customer finance credits was SEK 7,758 (5,239) million. The carrying value of these assets was SEK 5,370 (3,287) million as of December 31, 2022. Customer finance is arranged for infrastructure projects in different geographic markets. As of December 31, 2022, there were a total of 73 (81) customer finance arrangements originated by or guaranteed by the Company. As of December 31, 2022, the five largest facilities represented 74% (70%) of the customer finance exposure. The geographical split of the year end exposure is as follows: Middle East and Africa 30% (44%), Europe and Latin America 27% (17%), North America 24% (32%) and South East Asia, Oceania and India 18% (6%). As of December 31, 2022, the Company also had unutilized customer finance commitments of SEK 54,086 (47,344) million.

Security arrangements for customer finance facilities may include pledges of equipment, pledges of certain assets belonging to the borrower and pledges of shares in the operating company. If available, third-party risk coverage is, as a rule, arranged. "Third-party risk coverage" means that a financial payment guarantee covering the credit risk has been issued by a bank, an export credit agency or an insurance company. All such institutions have been rated at least

Note F1, cont'd.

investment grade. A credit risk transfer under a sub-participation arrangement with a bank can also be arranged. In this case the entire credit risk and the funding is taken care of by the bank for the part that they cover.

The table below summarizes the Company's outstanding customer finance as of December 31, 2022 and 2021.

Outstanding customer finance credit risk exposure [1)]

	2022	2021
Fair value of customer finance credits	5,370	3,287
Financial guarantees for third-parties	6	6
Accrued interest	8	9
Maximum exposure to credit risk	**5,384**	**3,302**
Less third-party risk coverage	–298	–94
The Company's risk exposure, less third-party risk coverage	**5,086**	**3,208**

1) This table shows the maximum exposure to credit risk.

Fair value assessment of customer finance credits

Customer finance risk exposures are held at fair value and are classified as Level 3 on the fair value hierarchy. The Credit Asset Management Team within Ericsson Credit AB, reporting to Head of Group Treasury and Customer Finance, has established a process with respect to measurement of fair values. The quarterly credit review uses an internal model to determine a commercial rating for each credit and for calculation of the fair value. The model is based on external credit rating, political/country rating and bank pricing. Regular monitoring of customer behavior is also a part of the internal assessment. Revaluation of customer finance (excluding effect of foreign exchange translation) amounted to a net loss in the consolidated income statement of SEK 15 (gain of 350) million in 2022, of which net loss of SEK 17 (gain of 347) million relates to credits held as of December 31, 2022. This effect is presented within selling and administrative expenses.

Customer finance fair value reconciliation

	2022	2021
Opening balance	3,287	3,137
Additions	37,295	30,121
Disposals/repayments	–35,412	–30,468
Revaluation/amortization of interest	–151	322
Translation difference	351	175
Closing balance	**5,370**	**3,287**
Of which non-current	*415*	*568*

Due to 5G buildout, the demand for customer financing solutions has continued to increase significantly. Most of such financing has been successfully transferred to banks.

Financial credit risk

Financial instruments carry an element of risk in that counterparts may be unable to fulfill their payment obligations. This exposure arises in the investments in cash, cash equivalents, interest-bearing securities and from derivative positions with positive unrealized results against banks and other counterparties.

The Company mitigates these risks by investing cash primarily in high rated securities such as treasury bills, government bonds, commercial papers, and mortgage-covered bonds (see Liquidity risk section below). Separate credit limits are assigned to each counterpart in order to minimize risk concentration. All derivative transactions are covered by ISDA netting agreements to reduce the credit risk. For cross-currency derivatives a Credit Support Annex (CSA) to ISDA is signed to further reduce the credit risk by exchanging collateral weekly against market value. The Company has also moved some derivative exposures to clearing counterparties with daily settlement of margins.

At December 31, 2022, the credit risk in financial cash instruments was equal to the instruments' carrying value. The expected credit losses on cash equivalents and interest-bearings securities classified as amortized cost were immaterial. Credit exposure in derivative instruments was SEK 0.8 (0.3) billion.

Liquidity risk

The Company minimizes the liquidity risk by maintaining a sufficient cash position, centralized cash management, investments in highly liquid interest-bearing securities, and by having sufficient committed credit lines in place to meet potential funding needs. For information about contractual obligations, analyzed by contractual maturity, see note D4 "Contractual obligations." The current cash position is deemed to satisfy all short-term liquidity requirements.

Cash, cash equivalents, interest bearing securities and derivative assets

2022	Rating or equivalent	< 3 M	3–12 M	1–5 Y	>5 Y	Total
Bank deposits		38,485	166	7	—	38,658
Other financial institutions		604	—	—	—	604
Type of issuer:						
Governments	AA/AAA	915	3,950	277	—	5,142
Corporates	A2/P2	1,283	—	—	—	1,283
Mortgage institutes	AAA	—	1,682	8,880	—	10,562
Derivative assets		323	385	277	136	1,121
		41,610	**6,183**	**9,441**	**136**	**57,370**

2021	Rating or equivalent	< 3 M	3–12 M	1–5 Y	>5 Y	Total
Bank deposits		44,758	104	11	–	44,873
Other financial institutions		247	–	–	–	247
Type of issuer:						
Governments	AA/AAA	5,743	2,906	11,860	–	20,509
Corporates	A2/P2	4,226	–	–	–	4,226
Mortgage institutes	AAA	–	5,749	21,700	304	27,753
Derivative assets		118	199	–	–	317
		55,092	**8,958**	**33,571**	**304**	**97,925**

Refinancing risk

Refinancing risk is the risk that the Company is unable to refinance outstanding debt under reasonable terms and conditions, or at all, at a given point in time. The Company mitigates the risk by having diversified funding sources through a mix of bonds and bilateral loans, with a spread of debt maturing over time. The funding strategy is flexible to enable pre-financing before loan maturities and funding in various currencies. The average maturity of long-term borrowings is 3.8 years (3.5 years) at December 31, 2022. In addition to the existing funding programs, the Company has established a commercial paper program for short-term borrowings to complement the long-term borrowings. The commercial paper program remained unutilized at year end.

Debt financing is mainly carried out through borrowing in the Swedish and international debt capital markets. Bank financing is used for certain subsidiary funding and to obtain committed credit facilities.

Funding programs [1)]

	Amount	Utilized	Unutilized
Euro Medium-Term Note program (USD million)	5,000	2,218	2,782
SEC Registered program (USD million) [2)]	—	—	—
Commercial Paper Program (SEK million)	10,000	—	10,000

1) There are no financial covenants related to these programs.
2) Program amount indeterminate.

In February 2022, the Company issued new EUR 750 million notes under the Euro Medium-Term Note program with maturity in 2027. In May 2022, the Company redeemed USD 1,000 million notes issued under the SEC Registered program. In December 2022, the Company established a Green Financing Framework to enable it to issue green bonds and other green financing instruments. The proceeds will be exclusively allocated to investments in energy efficiency and renewable energy. Bonds issued within the Green Financing Framework will be under the existing funding programs.

Note F1, cont'd.

Committed credit facilities

	Amount	Utilized	Unutilized
Multi-currency revolving credit facility (USD million)	2,000	—	2,000

In September 2022, the Company exercised one (of two) one-year extension option on the USD 2 billion sustainability-linked revolving credit facility. The facility does not have interest rates linked to credit rating or financial covenants but is linked to two of Ericsson's sustainability KPIs.

The Green Financing Framework and the revolving credit facility were both unutilized at year end, and as such there was no accounting impact. Financial instruments arising from the use of these facilities will be assessed for accounting in future periods.

Fair valuation of the Company's financial instruments

The Company's financial instruments accounted for at fair value generally meet the requirements of level 1 valuation as they are based on quoted prices in active markets for identical assets. For some of the Company's financial assets and liabilities, especially derivatives, quoted prices are not readily available and fair values are calculated using market inputs such as interest rate quotes and currency rates.

For financial liabilities designated at fair value to profit and loss, the carrying amount reflects the effect in own credit spreads either in quoted prices or quoted Credit Default Swap (CDS) for Investment Grade companies.

Valuation hierarchy

– Quoted market prices – level 1

Assets and liabilities are classified as level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available, and the price represents actual and regularly occurring market transactions.

– Valuation technique using observable inputs – level 2

Assets and liabilities classified as level 2 have been valued using models whose inputs are observable either directly or indirectly. Valuations based on observable inputs include cash equivalents (e.g. discounted papers, term deposits) and interest rate derivatives which are valued using interest rate yield curves. Other market observable inputs include credit spreads and FX forward rates. Inputs for base interest rates are quoted fixing rates, interest rates swaps and IBOR rates.

FX derivatives are valued by using observable forward rates, discounted using base interest rate curve. Valuation of foreign exchange options are made using the Black-Scholes formula. The value of credit risks in derivative contracts are monitored regularly. Derivative credit and debit valuations adjustments are calculated based on outstanding market values and default probabilities from the CDS market, and if effect on valuation is material, are included in the fair value of the derivatives.

– Valuation technique using significant unobservable inputs – level 3

Assets and liabilities are classified as level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). Apart from trade receivables and customer finance receivables, this valuation technique mainly applies to investment in shares and other participations whereby valuation input is considered observable if it can be directly observed from transactions in an active market, or if there is compelling external evidence demonstrating an executable exit price. Using a market approach to valuation, unobservable inputs are generally determined via reference to observable inputs, historical observations or other analytical techniques.

Reconciliation of Level 3 fair value items

	Investment in shares and participations
Opening balance	1,674
Additions	218
Disposals	–205
Gains or losses [1]	291
Translation differences	8
Closing balance	**1,986**

[1] Table shows net gains or losses recognized in Other operating income or expenses, of which SEK 290 million unrealized gains relate to Level 3 assets held at the end of the year.

Financial instruments carried at amortized cost

Financial instruments, such as some cash equivalents, interest-bearing securities, borrowings and payables, are carried at amortized cost which is deemed to be equal to fair value. When a market price is not readily available and there is insignificant interest rate exposure and credit spreads affecting the value, the carrying value is considered to represent a reasonable estimate of fair value.

Financial instruments

	2022					2021				
			Fair value hierarchy level					Fair value hierarchy level		
SEK billion	Amortized cost	Fair value	Level 1	Level 2	Level 3	Amortized cost	Fair value	Level 1	Level 2	Level 3
Assets at fair value through profit or loss										
Customer finance	–	5.4	–	–	5.4	–	3.3	–	–	3.3
Interest-bearing securities	–	17.5	17.5	–	–	–	43.3	43.3	–	–
Cash equivalents [1]	–	15.7	–	15.7	–	–	26.0	–	26.0	–
Other financial assets	–	2.1	0.1	–	2.0	–	2.3	0.6	–	1.7
Other current assets	–	1.1	–	1.1	–	–	0.3	–	0.3	–
Assets at fair value through OCI										
Trade receivable	–	48.4	–	–	48.4	–	45.4	–	–	45.4
Assets at amortized cost										
Interest-bearing securities	0.4	–	–	–	–	0.3	–	–	–	–
Cash equivalents [1]	2.9	–	–	–	–	4.0	–	–	–	–
Other financial assets	0.6	–	–	–	–	0.5	–	–	–	–
Financial assets	**3.9**	**90.2**				**4.8**	**120.6**			
Financial liabilities at designated FVTPL										
Parent Company borrowings	–	–29.6	–16.7	–12.9	–	–	–31.4	–19.5	–11.9	–
Financial liabilities at FVTPL										
Other current liabilities	–	–2.6	–	–2.6	–	–	–0.8	–	–0.8	–
Liabilities at amortized cost										
Trade payables	–38.4	–	–	–	–	–35.7	–	–	–	–
Borrowings	–3.3	–	–	–	–	–0.4	–	–	–	–
Financial liabilities	**–41.7**	**–32.2**				**–36.1**	**–32.2**			

[1] Total Cash and cash equivalent is SEK 38.3 (54.1) billion, of which SEK 18.6 (30.0) billion relating to Cash equivalents are presented in the table above.

Note F1, cont'd.

Market price risk in own shares and other listed equity investments
The Company is exposed to fluctuations in its own share price through share-based compensation for employees and the Board of Directors. Some of the plans are share-settled and some are cash-settled as further disclosed in note A1 "Significant accounting policies", note G2 "Information regarding members of the Board of Directors and Group management" and note G3 "Share-based compensation."

Share-based plans for employees
The obligation to deliver shares under the Long-Term Variable compensation programs (LTV) for the Executive Team is covered by holding Ericsson Class B shares as treasury stock. The cash flow exposure is managed through the holding of Ericsson Class B shares as treasury stock shall be sold to generate funds, which also cover social security payments, when shares are delivered to participants at the end of their service period.

Cash-settled plans to employees and the Board of Directors
In the case of synthetic share programs (a cash-settled program as defined in IFRS 2) to Board members and cash-settled plans to employees, the Company is exposed to risks in relation to own share price, both with regard to compensation expenses and social security charges. The obligations to pay compensation amounts under the synthetic share-based compensations to the Board of Directors and employees are covered by a provision in the balance sheet. For further information about LTV, the cash- settled plans to employees and the synthetic share-based compensations to the Board of Directors, see note G2 "Information regarding members of the Board of Directors and Group management" and note G3 "Share-based compensation."

F2 Financial income and expenses

Financial income and expenses

	2022	2021	2020
Contractual interest on financial assets	717	360	665
of which on financial assets at amortized cost	*251*	*148*	*148*
Net revaluation gains and losses on financial assets	–146	10	–103
Other financial income	207	321	131
Financial income	**778**	**691**	**693**
Contractual interest on financial liabilities	–972	–525	–873
of which on financial liabilities at amortized cost	*–128*	*–41*	*–152*
Net revaluation gains and losses on financial liabilities	379	67	9
Lease interest expense	–464	–426	–490
Net interest on pension liabilities [1]	–361	–262	–262
Other financial expenses	–512	–528	–500
Financial expenses	**–1,930**	**–1,674**	**–2,116**
Net foreign exchange gains/losses	–1,259	–1,547	827
Financial income and expenses, net	**–2,411**	**–2,530**	**–596**
Net gains and losses on financial instruments exclude effect of foreign exchange translations:			
Financial instruments at fair value through profit or loss [2]	–2,552	–534	–257
Financial liabilities designated at fair value through profit or loss	2,847	404	–121

[1] Includes gains or losses on plan settlement.
[2] Excludes net loss from revaluation of customer finance receivables of SEK 15 million (net gain of SEK 350 million in 2021 and net loss of SEK 262 million in 2020), reported as Selling and administrative expenses, and net loss on revaluation of investments in shares and participations of SEK 205 million (net gain of SEK 784 million in 2021 and net gain of SEK 12 million in 2020) reported as Other operating income or expenses.

F3 Financial assets, non-current

Financial assets, non-current

	2022			2021		
	Other investments in shares and participations	Interest-bearing securities, non-current	Other financial assets, non-current [1]	Other investments in shares and participations	Interest-bearing securities, non-current	Other financial assets, non-current [1]
Opening balance	2,258	30,626	6,217	1,519	21,613	4,842
Additions	218	13,583	1,249	184	30,305	1,054
Disposals/repayments/deductions	–205	–29,523	–481	–229	–13,547	–959
Amortization	–	–	–288	–	–	–
Change in value in funded pension plans [2]	–	–	244	–	–	1,064
Revaluation	–205	262	85	784	–75	99
Reclassification	–	–5,784	–542	–1	–7,670	–1
Translation differences	8	–	355	1	–	118
Closing balance	**2,074**	**9,164**	**6,839**	**2,258**	**30,626**	**6,217**

[1] Includes items such as pension surplus assets, tax credit receivables, deferred sales commissions and loans to associates.
[2] This amount includes asset ceiling. For further information, see note G1 "Post-employment benefits."

F4 Interest-bearing liabilities

As of December 31, 2022, the Company's outstanding interest-bearing liabilities were SEK 32.9 (31.8) billion.

Interest-bearing liabilities (excluding lease obligations)

	2022	2021
Borrowings, current		
Current part of non-current borrowings	2,865	9,459
Other borrowings, current	3,119	131
Total borrowings, current	**5,984**	**9,590**
Borrowings, non-current		
Notes and bond loans	26,752	22,016
Other borrowings, non-current	194	225
Total borrowings, non-current	**26,946**	**22,241**
Total interest-bearing liabilities	**32,930**	**31,831**

Reconciliation of liabilities arising from financing activities (including lease obligations)

	2022	2021
Opening balance	41,134	39,460
Cash flows		
Proceeds from issuance of borrowings	10,755	7,882
Repayment of borrowings [1]	−16,029	−5,791
Other financing activities	315	−2,128
Lease payments	−2,593	−2,368
Non-cash changes		
Effect of foreign exchange movement	4,762	2,621
Revaluation due to changes in credit risk	−1,030	−31
Other changes in fair value	−2,888	−415
Acquisition of new lease contracts	1,986	2,009
Balances regarding acquired business	6,876	–
Other non-cash movements [1]	−1,054	−105
Closing balance	**42,234**	**41,134**

[1] Repayment in 2022 includes capped call received of SEK 0.6 billion (not classified as Borrowings) relating to convertible bonds repaid, therefore net repayment amount is lower. This is included in Other non-cash movements above.

To secure long-term funding, the Company uses notes and bond programs together with bilateral research and development loans. All outstanding notes and bond loans are issued by the Parent Company under its Euro Medium-Term Note (EMTN) program or under its U.S. Securities and Exchange Commission (SEC) Registered program. Bonds issued at a fixed interest rate are normally swapped to a floating interest rate using interest rate swaps under the Asset and liability management mandate described in note F1 "Financial risk management." Total weighted average interest rate cost for the long-term funding during the year was 2.45% (1.75%).

The global economy continues to face multiple challenges due to the war in Ukraine and the threat of recession affecting all major economies. Inflation rates have risen significantly across the world and central banks have raised interest rates in response. The higher short term interest rates increased interest payments on long-term borrowings as fixed coupons payments are swapped to floating rates. As all long-term borrowings are also denominated in either USD or Euro, interest payments and cost of borrowings in SEK have increased compared to prior years.

Notes, bonds and bilateral loans

Issued-maturing	Nominal amount	Coupon	Currency	Maturity date	Carrying value 2022	Changes in fair value due to changes in credit risk 2022	Cumulative changes in fair value due to changes in credit risk 2022	Carrying value 2021
Notes and bond loans								
2012–2022	1,000	4.125%	USD	May 15, 2022	–	−58	–	9,163
2017–2024	500	1.875%	EUR	Mar 1, 2024	5,392	−72	46	5,297
2017–2025 [1]	150	2.741%	USD	Dec 22, 2025	1,422	−50	30	1,393
2020–2030 [1]	200	3.020%	USD	Dec 30, 2030	1,682	−97	18	1,825
2021–2029	500	1.000%	EUR	May 26, 2029	4,196	−286	−312	5,007
2022–2027	750	1.125%	EUR	Feb 8, 2027	7,119	−208	−207	–
Total notes and bond loans					**19,811**	**−771**	**−425**	**22,685**
Bilateral loans								
2017–2023 [2]	220		USD	Jun 15, 2023	2,292	−38	6	2,033
2019–2024 [3]	281		USD	July 31, 2024	2,925	−58	4	2,608
2019–2025 [2]	150		USD	Dec 18, 2025	1,555	−45	−1	1,400
2021–2028 [3]	305		USD	Jun 21, 2028	2,981	−118	−183	2,692
Total bilateral loans					**9,753**	**−259**	**−174**	**8,733**

[1] Private Placement, Swedish Export Credit Corporation (SEK).
[2] Nordic Investment Bank (NIB), R&D project financing.
[3] European Investment Bank (EIB), R&D project financing.

Section G – Employee related

G1 Post-employment benefits

Ericsson sponsors a number of post-employment benefit plans throughout the Company, which are in line with market practice in each country.

The global economy continues to face multiple challenges due to the war in Ukraine and the threat of recession affecting all major economies. Short term inflation rates have risen significantly across the world and central banks have raised interest rates in response. Asset prices (equity and bonds) remain volatile in these market conditions.

The Company has updated the assumptions used to value the defined benefit pension liabilities based on the latest market conditions. Discount rates have increased, resulting in significant actuarial gain on remeasurement, although this is partly offset by higher inflation assumptions. Net actuarial gain on defined benefit obligations was SEK 29.0 billion. Plan assets also decreased due to market volatility in the year resulting in a remeasurement loss of SEK 14.1 billion. The net pension obligations decreased by SEK 8.7 billion compared to prior year.

Swedish plans

Sweden has both defined benefit and defined contribution plans based on collective agreement between the parties in the Swedish labor market:

- A defined benefit plan, known as ITP 2 (occupational pension for salaried employees in manufacturing industries and trade), complemented by a defined contribution plan, known as ITPK (supplementary retirement benefits). This is a final salary-based plan.
- A defined contribution plan, known as ITP 1, for employees born in 1979 or later.
- A defined contribution plan ITP 1 or alternative ITP, for employees earning more than 10 income base amount and who have opted out of the defined benefit plan ITP 2, where rules are set by the Company and approved by each employee selected to participate.

The Company has by far most of its Swedish pension liabilities under defined benefit plans which according to IAS 19 is funded to 57% (51%) by the assets of Ericsson Pensionsstiftelse (a Swedish Pension Foundation). These liabilities, if valued using different methodology and assumptions established by the Swedish PRI Pensionsgaranti, are considered funded to more than 100% by the assets of Ericsson Pensionsstiftelse. There are no funding requirements for the Swedish plans.

The disability and survivors' pension part of the ITP-plan is secured through an insurance solution with the company Alecta, see section about Multi-employer plans.

The Company pays benefit directly to the pensioners as the obligations fall due. The responsibility for governance of the plans and the plan assets lies with the Company and the Pensionsstiftelse. The Swedish Pensionsstiftelse is managed on the basis of a capital preservation strategy and the risk profile is set accordingly. Traditional asset-liability matching (ALM) studies are undertaken on a regular basis to allocate within different asset classes.

The plans are exposed to various risks, e.g., a sudden decrease in the bond yields, which would lead to an increase in the plan liability. A sudden instability in the financial market might also lead to a decrease in fair value of plan assets held by the Pensionsstiftelse, as the holdings of plan assets partly are exposed to equity markets; however, this may be partly offset by higher values in fixed income holdings. Swedish plans are linked to inflation and higher inflation will most likely lead to a higher liability.

Multi-employer plans

As before, the Company has secured the disability and survivors' pension part of the ITP Plan through an insurance solution with the insurance company Alecta. Although this part of the plan is classified as a multi-employer defined benefit plan, it is not possible to get sufficient information to apply defined benefit accounting, as for most of the accrued pension benefits in Alecta, information is missing on the allocation of earnings process between employers. Full vesting is instead registered on the last employer. Alecta is not able to calculate a breakdown of assets and provisions for each respective employer, and therefore, the disability and survivors' pension portion of the ITP Plan has been accounted for as a defined contribution plan.

Alecta has a collective funding ratio which acts as a buffer for its insurance commitments to protect against fluctuations in investment return and insurance risks. Alecta's collective funding ratio ranges from 125% to 175% and reflects the market value of Alecta's plan assets as a percentage of its commitments to policy holders (both guaranteed and non-guaranteed), measured in accordance with Alecta's actuarial assumptions, which are different from those in IAS 19. Alecta's collective funding ratio was 172% (172%) as of December 31, 2022. The Company's share of Alecta's saving premiums is 0.3%, the total share of active members in Alecta is 2.1%. The expected contribution to the plan is SEK 100 million for 2023.

Contingent liabilities / Assets pledged as collateral

Contingent liabilities include the Company's mutual responsibility as a credit insured company of PRI Pensionsgaranti in Sweden. This mutual responsibility can only be imposed in the instance that PRI Pensionsgaranti has consumed all of its assets, and it amounts to a maximum of 2% of the Company's pension liability in Sweden. The Company has a pledged business mortgage of SEK 6.1 billion to PRI Pensionsgaranti at year end. PRI continuously measures the Company credit risk levels according to the credit insurance terms and conditions. The Company has agreed to pledge additional business assets worth SEK 750 million in the first quarter of 2023 as additional credit risk guarantee.

US plans

The Company operates both defined contribution and defined benefit pension plans in the US, which are a combination of final salary pension plans and contribution-based arrangements. The final salary pension plans provide benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement. Retirees generally do not receive inflationary increases once in payment.

The other type of plan is a contribution-based pension plan, which provides a benefit determined using a "cash balance" approach. The balance is credited monthly with interest credits and contribution credits, based on a combination of current year salary and length of service.

The majority of benefit payments are from trustee-administered funds; however, there are also a number of unfunded plans where the Company meets the benefit payment obligation as it falls due. In the US, the Company's policy is at least to meet or exceed the funding requirements of federal regulations. The funded level in the US Pension Plan is above the point at which minimum funding would be required for fiscal year 2022.

Plan assets held in trusts are governed by local regulations and practice, as is the nature of the relationship between the Company and the trustees (or equivalent) and their composition. Responsibility for governance of the plans, including investment decisions and contribution schedules, lies with the Plan Administrative Committee (PAC). The PAC is composed of representatives from the Company.

The Company's plans are exposed to various risks associated with pension plans, i.e., a sudden decrease in bond yields would lead to an increase in the present value of the defined benefit obligation. A sudden instability in the financial markets might also lead to a decrease in the fair value of plan assets held by the trust. Pension benefits in the US are not linked to inflation; however, higher inflation poses the risk of increased final salaries being used to determine benefits for active employees. There is also a risk that the duration of payments to retirees will exceed the life expectancy in mortality tables.

In June 2022, the trustees completed a bulk annuity transaction which transferred all risks relating to some of the defined benefit plan liabilities to insurance companies. This resulted in a settlement event, whereby defined benefit obligation of SEK 11 billion was discharged.

UK plans

The Company operates both defined benefit and defined contribution plans in the UK. All defined benefit plans in the UK are closed to future pension accrual.

The defined benefit plans provide benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided is defined by the Trust Deed & Rules and depends on members' length of service

Note G1, cont'd.

and their salary. Pensions in payment are generally updated in line with the UK retail price index, subject to caps defined by the rules.

The plans' assets are held in trusts and are invested in a diverse range of assets. The plans are governed by local regulations and responsibility for the governance of the plans lies with the Trustee Directors, who are appointed by the Company from its employees and from the plans' members. Independent professional trustees sit on a number of the Boards.

The plans remain exposed to various risks associated with defined benefit plans, e.g. a decrease in bond yields or increase in inflation would lead to an increase in the present value of the defined benefit obligation. Alternatively, the duration of payments to retirees could exceed the life expectancy assumed in the current mortality tables leading to an increase in liabilities. A sudden instability in the financial markets might also lead to a decrease in the fair value of the plans' assets. The Company and Trustees' aim is to reduce the plans' exposure to the key risks over time.

In December 2022, the trustees purchased a bulk annuity buy-in contract (valued at SEK 2.3 billion) 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.

Other plans

The Company also sponsors plans in other countries. The main plans are in Brazil, India and Ireland. The main pension plans in Brazil are wholly funded with a net surplus of assets. The plan in Ireland is a final salary pension plan and is partly funded. The plans are managed by corporate trustees with directors appointed partly by the local company and partly by the plan members. The trustees are independent from the local company and subject to the specific country's pension laws.

The Provident Fund Plan in India is self-managed through a registered Exempted Trust and according to local legislation, investment returns shall be guaranteed at minimum rates of return specified by the government. The Company has an obligation to fund any shortfall on the yield of the trust's investments over the administered interest rates on an annual basis. These administered rates are determined annually predominantly considering the social and economic factors in the past.

Amount recognized in the Consolidated balance sheet

Amount recognized in the Consolidated balance sheet

	Sweden	US	UK	Other	Total
2022					
Defined benefit obligation (DBO)	50,441	5,365	9,866	18,019	83,691
Fair value of plan assets	28,521	5,111	11,999	14,849	60,480
Deficit/surplus (+/–)	**21,920**	**254**	**–2,133**	**3,170**	**23,211**
Plans with net surplus, excluding asset ceiling [1]	–	298	2,137	1,715	4,150
Provision for post-employment benefits [2]	**21,920**	**552**	**4**	**4,885**	**27,361**
2021					
Defined benefit obligation (DBO)	58,754	18,463	17,071	19,255	113,543
Fair value of plan assets	29,876	18,254	19,427	13,798	81,355
Deficit/surplus (+/–)	**28,878**	**209**	**–2,356**	**5,457**	**32,188**
Plans with net surplus, excluding asset ceiling [1]	–	450	2,802	610	3,862
Provision for post-employment benefits [2]	**28,878**	**659**	**446**	**6,067**	**36,050**

[1] Plans with a net surplus, i.e., where plan assets exceed DBO, are reported as Other financial assets, non-current, see note F3 "Financial assets, non-current." The asset ceiling increased during the year to SEK 584 (540) million.
[2] Plans with net liabilities are reported in the balance sheet as Post-employment benefits, non-current.

Total pension cost recognized in the Consolidated income statement

The costs for post-employment benefits within the Company are distributed between defined contribution plans and defined benefit plans.

Pension costs for defined contribution plans and defined benefit plans

	Sweden	US	UK	Other	Total
2022					
Pension cost for defined contribution plans	1,192	542	128	1,209	3,071
Pension cost for defined benefit plans [1]	2,144	160	–22	1,204	3,486
Total	**3,336**	**702**	**106**	**2,413**	**6,557**
Total pension cost expressed as a percentage of wages and salaries					8.9%
2021					
Pension cost for defined contribution plans	1,199	460	138	1,084	2,881
Pension cost for defined benefit plans	1,920	97	–6	931	2,942
Total	**3,119**	**557**	**132**	**2,015**	**5,823**
Total pension cost expressed as a percentage of wages and salaries					9.3%
2020					
Pension cost for defined contribution plans	963	415	136	664	2,178
Pension cost for defined benefit plans	1,783	13	–4	993	2,785
Total	**2,746**	**428**	**132**	**1,657**	**4,963**
Total pension cost expressed as a percentage of wages and salaries					8.1%

[1] For the UK plans, negative cost was due to interest income of SEK 355 million exceeding interest cost of SEK 312 million during the year.

Note G1, cont'd.

Change in the net defined benefit obligation

Change in the net defined benefit obligation

	Present value of obligation 2022 [1]	Fair value of plan assets 2022	Total 2022	Present value of obligation 2021 [1]	Fair value of plan assets 2021	Total 2021
Opening balance	113,543	–81,355	32,188	108,188	–73,611	34,577
Included in the income statement [2]						
Current service cost	2,772	–	2,772	2,644	–	2,644
Past service cost and gains and losses on settlements	311	–	311	1	–	1
Interest cost/income (+/–)	1,716	–1,475	241	1,463	–1,240	223
Taxes and administrative expenses	–	62	62	–	41	41
Other	43	1	44	10	–17	–7
	4,842	**–1,412**	**3,430**	**4,118**	**–1,216**	**2,902**
Remeasurements						
Return on plan assets excluding amounts in interest expense/income	–	14,135	14,135	–	–3,526	–3,526
Actuarial gains/losses (–/+) arising from changes in demographic assumptions	1,118	–	1,118	–49	–	–49
Actuarial gains/losses (–/+) arising from changes in financial assumptions	–29,031	–	–29,031	–287	–	–287
Experience-based gains/losses (–/+)	3,236	–	3,236	350	–	350
	–24,677	**14,135**	**–10,542**	**14**	**–3,526**	**–3,512**
Other changes						
Translation difference	3,381	–3,297	84	3,951	–3,764	187
Contributions and payments from:						
Employers [3]	–1,302	–652	–1,954	–1,260	–679	–1,939
Plan participants	334	–325	9	285	–270	15
Payments from plans:						
Benefit payments	–1,806	1,806	–	–1,825	1,825	–
Settlements	–10,759	10,755	–4	–12	–	–12
Business combinations and divestments	–	–	–	84	–114	–30
Other	135	–135	–	–	–	–
Closing balance	**83,691**	**–60,480**	**23,211**	**113,543**	**–81,355**	**32,188**

[1] The weighted average duration of DBO is 18.3 (20.4) years.
[2] Excludes the impact of the asset ceiling of SEK 55 (40) million in 2022.
[3] The expected contribution to the plans during 2023 is SEK 2.2 billion.

Present value of the defined benefit obligation

	Sweden	US	UK	Other	Total
2022					
DBO, closing balance	50,441	5,365	9,866	18,019	83,691
Of which partially or fully funded	*50,441*	*4,812*	*9,866*	*14,417*	*79,536*
Of which unfunded	–	*553*	–	*3,602*	*4,155*
2021					
DBO, closing balance	58,754	18,463	17,071	19,255	113,543
Of which partially or fully funded	*58,754*	*17,805*	*17,071*	*15,574*	*109,204*
Of which unfunded	–	*658*	–	*3,681*	*4,339*

Note G1, cont'd.

Asset allocation by asset type and geography [1]

	Sweden	US	UK	Other	Total	*Of which unquoted* [2]
2022						
Cash and cash equivalents	1,151	184	449	88	1,872	*6%*
Equity securities	6,803	419	1,113	2,791	11,126	*50%*
Debt securities	14,114	3,646	5,818	8,539	32,117	*28%*
Real estate	5,577	–	199	603	6,379	*100%*
Investment funds	917	789	2,417	578	4,701	*74%*
Assets held by insurance company	–	–	1,872	1,717	3,589	*100%*
Other	−41	73	131	533	696	*15%*
Total	**28,521**	**5,111**	**11,999**	**14,849**	**60,480**	
Of which real estate occupied by the Company	–	–	–	–	–	
Of which securities issued by the Company	–	–	–	–	–	
2021						
Cash and cash equivalents	1,100	500	1,468	46	3,114	*33%*
Equity securities	7,619	659	3,823	2,651	14,752	*58%*
Debt securities	14,427	15,817	12,705	7,999	50,948	*44%*
Real estate	5,157	–	195	594	5,946	*100%*
Investment funds	1,782	1,247	–	484	3,513	*64%*
Assets held by insurance company	–	–	–	1,597	1,597	*100%*
Other	−209	31	1,236	427	1,485	*69%*
Total	**29,876**	**18,254**	**19,427**	**13,798**	**81,355**	
Of which real estate occupied by the Company	–	–	–	–	–	
Of which securities issued by the Company	–	–	–	–	–	

1) Asset class is presented based on the underlying exposure of the investment. This includes direct investment in securities or investment through pooled funds that invest in an asset class.
2) Unquoted refers to assets classified as fair value level 2 and 3. Unquoted assets comprise mainly investments in pooled investment vehicles.

Actuarial assumptions

Financial and demographic actuarial assumptions

	2022			2021		
	Sweden	US	UK	Sweden	US	UK
Financial assumptions						
Discount rate	2.0%	5.4%	4.9%	0.6%	2.7%	1.8%
Inflation rate	2.3%	2.5%	3.1%	2.0%	2.5%	3.2%
Salary increase rate	2.8%	3.0%	–	2.8%	3.5%	–
Demographic assumptions						
Life expectancy after age 65 in years	23	22	23	23	23	23

Actuarial assumptions are assessed on a quarterly basis. See also note A1 "Significant accounting policies" and note A2 "Critical accounting estimates and judgments."

Sweden

The defined benefit obligation (DBO) has been calculated using a discount rate based on the yields of Swedish government bonds. IAS 19 Employee Benefits prescribes that if there is not a deep market in high-quality corporate bonds, the market yields on government bonds shall be applied for the pension liability calculation. As of December 31, 2022, the discount rate applied in Sweden was 2.0% (0.6%). If the discount rate had been based on Swedish covered mortgage bonds, the discount rate as of December 31, 2022 would have been 3.9% (2.1%). If the discount rate based on Swedish covered mortgage bonds had been applied for the pension liability calculation, the DBO at December 31, 2022 would have been approximately SEK 16.5 (18.8) billion lower.

US and UK

The defined benefit obligation has been calculated using a discount rate based on yields of high-quality corporate bonds, where "high-quality" has been defined as a rating of AA and above.

Higher corporate bond discount rates were used to value pensions liabilities in the US and UK plans at year end hence lowering the liabilities, although this was partially offset by higher inflation rate in the UK.

Total remeasurements in Other comprehensive income related to post-employment benefits

	2022	2021
Actuarial gains and losses (+/–)	8,943	3,255
The effect of asset ceiling	127	25
Swedish special payroll taxes	1,599	257
Total	**10,669**	**3,537**

Sensitivity analysis of significant actuarial assumptions, SEK billion

	2022		
Impact on the DBO of a change in assumptions	Sweden	US	UK
Financial assumptions			
Discount rate –0.5%	5.9	0.3	0.9
Discount rate +0.5%	–5.2	–0.2	–0.8
Inflation rate –0.5%	–4.1	–	–0.6
Inflation rate +0.5%	7.0	–	0.6
Salary increase rate –0.5%	–1.8	–	–
Salary increase rate +0.5%	1.9	–	–
Demographic assumptions			
Longevity – 1 year	–2.4	–0.1	–0.3
Longevity + 1 year	2.4	0.1	0.3

G2 Information regarding members of the Board of Directors and Group management

Remuneration to the Board of Directors

Remuneration to members of the Board of Directors

SEK	Board fees	Number of synthetic shares/portion of Board fee	Value at grant date of synthetic shares allocated in 2022	Number of previously allocated synthetic shares outstanding	Net change in value of synthetic shares [1]	Committee fees	Total fees paid in cash [2]	Total remuneration 2022	Total remuneration 2021
			A		B		C	(A+B+C)	
Board member									
Ronnie Leten	4,375,000	–	–	94,954	–2,501,774	385,000	4,760,000	2,258,226	4,487,599
Helena Stjernholm	1,100,000	6,669/50%	549,992	23,547	–1,182,457	180,000	730,000	97,535	1,441,705
Jacob Wallenberg	1,100,000	10,003/75%	824,947	35,323	–1,773,786	180,000	455,000	–493,839	1,375,710
Jon Fredrik Baksaas	1,100,000	6,669/50%	549,992	30,007	–1,519,416	205,000	755,000	–214,424	1,250,514
Jan Carlson	1,100,000	10,003/75%	824,947	35,323	–1,773,786	455,000	730,000	–218,839	1,512,156
Nora Denzel	1,100,000	3,334/25%	274,955	11,772	–591,164	180,000	1,005,000	688,791	1,240,674
Börje Ekholm	–	–	–	–	–	–	–	–	150,241
Carolina Dybeck Happe	1,100,000	10,003/75%	824,947	–	–215,765	–	–	609,182	–
Eric A. Elzvik	1,100,000	3,334/25%	274,955	11,772	–591,164	475,000	1,300,000	983,791	1,480,674
Kurt Jofs	1,100,000	3,334/25%	274,955	19,378	–459,865	635,000	1,460,000	1,275,090	1,598,923
Kristin S. Rinne	1,100,000	6,669/50%	549,992	14,005	–999,684	205,000	755,000	305,308	1,371,568
Employee Representatives									
Torbjörn Nyman	43,500	–	–	–	–	22,500	66,000	66,000	43,500
Anders Ripa	43,500	–	–	–	–	12,000	55,500	55,500	27,000
Kjell-Åke Soting	43,500	–	–	–	–	15,000	58,500	58,500	39,000
Annika Salomonsson [4]	28,500	–	–	–	–	–	28,500	28,500	–
Ulf Rosberg (deputy)	43,500	–	–	–	–	–	43,500	43,500	22,500
Loredana Roslund (deputy)	43,500	–	–	–	–	–	43,500	43,500	27,000
Roger Svensson	–	–	–	–	–	–	–	–	7,500
Per Holmberg (deputy)	–	–	–	–	–	–	–	–	21,000
Total	**14,521,000**	**60,018**	**4,949,682**	**276,081**	**–11,608,861**	**2,949,500**	**12,245,500**	**5,586,321** [3]	**16,097,264**

[1] The difference in value as of the time for payment, compared to December 31, 2021, for synthetic shares allocated in 2017 (for which payment was made in 2022). The difference in value as of December 31, 2022 compared to December 31, 2021, for synthetic shares allocated in 2018, 2019, 2020 and 2021. Calculated on a share price of SEK 60.90. The difference in value as of December 31, 2022, compared to grant date for synthetic shares allocated in 2022. The value of synthetic shares allocated in 2018, 2019, 2020 and 2021 includes respectively SEK 1.00, SEK 1.50, SEK 2.00 and SEK 2.50 per share in compensation for dividends resolved by the Annual General Meetings 2019, 2020, 2021 and 2022 and the value of the synthetic shares allocated in 2017 includes dividend compensation for dividends resolved in 2018, 2019, 2020 and 2021.

[2] Committee fee and cash portion of the Board fee.

[3] Excluding social security charges in the amount of SEK 1,102,787.

[4] Appointed deputy employee representative Board member as of March 29, 2022.

Comments to the table

- The Chair of the Board was entitled to a Board fee of SEK 4,375,000 and a fee of SEK 205,000 as Chair of the Finance Committee and a fee of SEK 180,000 as member of the Remuneration Committee.
- The other Directors elected by the Annual General Meeting were entitled to a fee of SEK 1,100,000 each. In addition, the Chair of the Audit and Compliance Committee was entitled to a fee of SEK 475,000 and the other non-employee members of the Audit and Compliance Committee were entitled to a fee of SEK 275,000 each. The Chairs of the Finance, Remuneration and Technology and Science Committees were entitled to a fee of SEK 205,000 each and the other non-employee members of these Committees were entitled to a fee of SEK 180,000 each.
- Members of the Board, who are not employees of the Company, have not received any remuneration other than the fees and synthetic shares as above. None of the Directors have entered into a service contract with the Parent Company or any of its subsidiaries, providing for termination benefits.
- Members and deputy members of the Board who are Ericsson employees received no remuneration or benefits other than their entitlements as employees and a fee to the employee representatives and their deputies of SEK 1,500 per attended Board meeting and Committee meeting.
- The Annual General Meeting 2022 resolved that non-employee Directors may choose to receive the Board fee (i.e., exclusive of Committee fee) as follows: i) 25% of the Board fee in cash and 75% in the form of synthetic shares, with a value corresponding to 75% of the Board fee at the time of allocation, ii) 50% in cash and 50% in the form of synthetic shares, or iii) 75% in cash and 25% in the form of synthetic shares. Directors may also choose not to participate in the synthetic share program and receive 100% of the Board fee in cash. Committee fees are always paid in cash.

The number of synthetic shares allocated is based on a volume-weighted average of the market price of Ericsson's Class B shares on Nasdaq Stockholm during the five trading days immediately following the publication of Ericsson's interim report for the first quarter 2022; SEK 82.47. The number of synthetic shares is rounded down to the nearest whole number of shares.

The synthetic shares are vested during the Directors' term of office and the right to receive payment with regard to the allocated synthetic shares occurs after the publication of the Company's year-end financial statement during the fifth year following the Annual General Meeting which resolved on the synthetic share program, i.e., in 2027. The amount payable shall be determined based on the volume-weighted average price for shares of Ericsson's Class B during the five trading days immediately following the publication of the year-end financial statement.

Synthetic shares were allocated to members of the Board for the first time in 2008 and have been allocated annually since then on equal terms and conditions. Payment based on synthetic shares allocated in 2017 occurred in 2022. The amounts paid in 2022 under the synthetic share programs were determined based on the volume-weighted average price for Ericsson's Class B shares on Nasdaq Stockholm during the five trading days immediately following the publication of the year-end financial statements for 2021:

Note G2, cont'd.

SEK 113.09 and totalled SEK 7,865,764 excluding social security charges. The payments made do not constitute a cost for the Company in 2022. The Company's costs for the synthetic shares have been disclosed each year and the net change in value of the synthetic shares for which payment was made in 2022, is disclosed in the table above "Remuneration to members of the Board of Directors".

The value of all outstanding synthetic shares fluctuates in line with the market value of Ericsson's Class B share and may differ from year to year compared to the original value on their respective grant dates. The change in value of the outstanding synthetic shares is established each year and affects the total recognized costs that year. As of December 31, 2022, the total outstanding number of synthetic shares under the programs is 336,099 and the total accounted debt is SEK 21,951,066.

Remuneration to the Group management

The Company's costs for remuneration to the Group management are the costs recognized in the income statement during the financial year. These costs are disclosed under Remuneration costs below.

Costs recognized during a financial year in the income statement are not fully paid by the Company at the end of the fiscal year. The unpaid amounts that the Company has in relation to the Group management are disclosed under Outstanding balances.

Remuneration costs

The total remuneration to the President and CEO and to other members of the Group management, consisting of the Executive Team (ET), includes fixed salary, short- and long-term variable compensation, pension and other benefits. These remuneration elements are based on the guidelines for remuneration to Group management (the Guidelines) as approved by the Annual General Meeting (AGM) of shareholders held in 2020.

Remuneration costs for the President and CEO and other members of Executive Team (ET)

SEK	President and CEO 2022	President and CEO 2021	President and CEO 2020	Other members of ET 2022 [3]	Other members of ET 2021	Other members of ET 2020	Total 2022	Total 2021	Total 2020
Salary [1]	19,154,852	18,208,859	17,727,726	132,945,295	110,043,431	98,063,266	152,100,147	128,252,290	115,790,992
Termination benefits	–	–	–	25,503,967	–	–	25,503,967	–	–
Annual variable remuneration provision earned for the year	–	–	–	90,908,181	52,507,185	37,992,529	90,908,181	52,507,185	37,992,529
Long-term variable compensation provision	41,125,015	43,701,650	41,110,656	43,688,149	48,260,833	41,237,506	84,813,164	91,962,483	82,348,162
Pension costs [2]	9,856,121	9,569,049	9,113,376	42,248,588	40,886,802	39,685,920	52,104,709	50,455,851	48,799,296
Other benefits	135,743	555,688	770,276	20,167,043	11,199,631	14,360,413	20,302,786	11,755,319	15,130,689
Social charges and taxes	22,079,378	22,633,474	21,592,463	60,745,133	57,469,705	52,289,551	82,824,511	80,103,179	73,882,014
Total	**92,351,109**	**94,668,720**	**90,314,497**	**416,206,356**	**320,367,587**	**283,629,185**	**508,557,465**	**415,036,307**	**373,943,682**

[1] Includes compensation for unused vacation days.
[2] Includes cash payments to the President and CEO in lieu of defined contribution payment in a cost neutral way to Ericsson.
[3] Does not include cash compensation paid to Rory Read during 2022 amounting to MUSD 32.76 for acceleration of existing restricted and performance stock units in Vonage Holdings Corp. (Vonage). Further information is included in the "Remuneration report".

Comments to the table

- Fredrik Jejdling was appointed Executive Vice President by the Board of Directors effective November 7, 2017. He did not substitute the President and CEO as the deputy to the President and CEO in 2022. Information regarding Fredrik Jejdling is included in the group "Other members of ET." The details of Fredrik Jejdling's remuneration in 2022 can be found in the Remuneration report 2022.
- Arun Bansal was appointed as Executive Vice President by the Board of Directors effective June 10, 2020. He did not substitute the President and CEO as the deputy to the President and CEO in 2022. He was relieved from his duties as Executive Vice President from June 1, 2022. Information regarding Arun Bansal is included in the group "Other members of ET". The details of Arun Bansal's remuneration in 2022 corresponding to the period until he was appointed as Executive Vice President can be found in the Remuneration report 2022.
- The group "Other members of ET 2022" comprises of the following persons: MajBritt Arfert, Erik Ekudden, Niklas Heuveldop, Chris Houghton, Fredrik Jejdling, Stella Medlicott, Carl Mellander, Nunzio Mirtillo, Fadi Pharaon and Åsa Tamsons. In addition, Scott Dresser joined ET on March 21, 2022, George Mulhern, Moti Gyamlani and Per Narvingar joined ET on June 1, 2022 and Rory Read joined ET on July 21, 2022, Xavier Dedullen (left ET effective March 21, 2022 and Ericsson November 30, 2022), Jan Karlsson (left ET effective June 1, 2022), Peter Laurin (left ET effective June 1, 2022 and Ericsson August 14, 2022) and Arun Bansal (left ET effective June 1, 2022 and Ericsson December 31, 2022).
- The group "Other members of ET 2021" and "Other members of ET 2020" comprises of the following 14 persons: MajBritt Arfert, Arun Bansal, Xavier Dedullen, Erik Ekudden, Niklas Heuveldop, Chris Houghton, Fredrik Jejdling, Jan Karlsson, Peter Laurin, Stella Medlicott, Carl Mellander, Nunzio Mirtillo, Fadi Pharaon and Åsa Tamsons.
- The salary stated in the table for the President and CEO and other members of the ET includes vacation pay paid during 2022 as well as other contracted compensation expenses in 2022.
- "Long-term variable compensation provision" refers to the compensation costs for full year 2022 for all outstanding share-based plans.

Outstanding balances

The Company has recognized the following liabilities relating to unpaid remunerations in the balance sheet:

- Ericsson's commitments for defined benefit based pensions as of December 31, 2022, for other members of ET under IAS 19 amounted to 2022: SEK 37.6 million, 2021: SEK 47.4 million of which 2022: SEK 30.0 million, 2021: SEK 32.9 million refers to the ITP and early retirement, and the remaining 2022 SEK 7.7 million, 2021 SEK 14.5 million to disability and survivors' pensions. The President and CEO does not have a Swedish defined benefit based pension plan, hence, Ericsson bears no commitment.
- For previous Presidents and CEOs, the Company has made provisions for defined benefit pension plans in connection with their active service periods within the Company.

G3 Share-based compensation

Accounting treatment of Long-Term Variable Compensation Programs
In note A1" Significant accounting policies", the overall accounting policies for share-based payments within the Company are disclosed. In summary:
- Share-settled programs, the total compensation expense is calculated based on the fair value (FV) at grant date and recognized over the service period of three years.
- Cash-settled plans, the accounting principles are the same as for any other accruals or provisions. Prior to payout an accrual or provision is recognized every period based on the present period's best estimate of the total amount. Any difference between total payout and the sum of accruals of provisions is recognized in the income statement in the period of final payout.

Long-Term Variable Compensation
All long-term variable compensation programs have been designed to form a part of a well-balanced total remuneration package and in general to span over a minimum of three years (service period). As these are variable compensation programs, the outcomes cannot be predicted when the programs are introduced and rewards depend on long-term personal commitment, corporate performance and the share price performance.

Following discontinuation of the previous long-term variable compensation programs at the end of 2016, the shareholders approved the new Long-Term Variable Compensation Program (LTV) for the Executive Team (ET). The Company also introduced the new Executive Performance Plan (EPP) for senior managers and the Key Contributor Plan (KC Plan) for key employees as integral parts of its remuneration strategy starting from 2017.

All new programs are share-based payment programs as defined by IFRS 2 "Share-based Payment," either share- or cash-settled.

Share-Settled Programs
Long-Term Variable Compensation Program for the Executive Team
The Long-Term Variable Compensation Program for the ET as approved by the shareholders, is designed to provide long-term incentives for members of the ET and to incentivize the Company's performance creating long-term value.

Awards under LTV (Performance Share Awards) are granted to the participants, provided that certain performance conditions are met, to receive a number of shares, free of charge, following expiration of a three-year vesting period (vesting period). Allotment of shares pursuant to Performance Share Awards are subject to the achievement of performance criteria which are defined specific to each year's program when the program is introduced.

Which portion, if any, of the Performance Share Awards for LTV will vest is determined at the end of the relevant performance period based on the satisfaction of the predetermined performance criteria for that year's LTV program (performance period). The performance criteria for the currently running LTV and EPP are summarized in the below table along with the satisfaction and achieved vesting levels for the ones which the performance period have lapsed. It is generally required that the participant retains his or her employment over a period of three years from the date of grant of awards to be eligible for receiving the performance awards.

Provided that the performance criteria have been met during the performance period and that the participant has retained his or her employment (unless special circumstances are at hand) during the service period, allotment of vested shares will take place as soon as practicably possible following the expiration of the vesting period.

When determining the final vesting level of Performance Share Awards, the Board of Directors examines whether the vesting level is reasonable considering the Company's financial results and position, conditions on the stock

LTV and EPP performance criteria

Program Year	Target	Criteria	Weight	Performance Period	Vesting Opportunity (linear pro-rata)	Achievement	Achieved Vesting Level
2022	2022 Group operating income (EBIT)	Range (SEK billion): 24.1–34.1	45%	Jan 1, 2022–Dec 31, 2022	0%–200%	SEK 32.2 billion [2]	162.76%
2022	Absolute TSR	Range: 6%-14%	25%	Jan 1, 2022–Dec 31, 2024	0%–200%		
2022	Relative TSR	Ranking of Ericsson: 6–2	20%	Jan 1, 2022–Dec 31, 2024	0%–200% [1]		
2022	Group Environmental, Social and Governance ("ESG")	CO_2e emissions (ktonnes): 265–200	5%	Jan 1, 2022–Dec 31, 2024	0%–200%		
		Increasing the representation of women leaders in the Ericsson Group: Range 22%–24%	5%	Jan 1, 2022–Dec 31, 2024	0%–200%		
2022 Total			**100%**		**0%–200%**		
2021	2021 Group operating income (EBIT)	Range (SEK billion): 15.0–24.0	50%	Jan 1, 2021–Dec 31, 2021	0%–200%	SEK 27.4 billion [2]	200%
2021	Absolute TSR	Range: 6%–14%	30%	Jan 1, 2021–Dec 31, 2023	0%–200%		
2021	Relative TSR	Ranking of Ericsson: 6–2	20%	Jan 1, 2021–Dec 31, 2023	0%–200% [1]		
2021 Total			**100%**		**0%–200%**		
2020	2020 Group operating income (EBIT)	Range (SEK billion): 19.1–27.9	50%	Jan 1, 2020–Dec 31, 2020	0%–200%	SEK 29.1 billion [3]	200%
2020	Absolute TSR	Range: 6%–14%	30%	Jan 1, 2020–Dec 31, 2022	0%–200%	–6.65%	0.00%
2020	Relative TSR	Ranking of Ericsson: 6–2	20%	Jan 1, 2020–Dec 31, 2022	0%–200% [1]	12 out of 11	0.00%
2020 Total			**100%**		**0%–200%**		**100.00%**
2019	2019 Group operating income (EBIT)	Range (SEK billion): 10.0–20.0	50%	Jan 1, 2019–Dec 31, 2019	0%–200%	SEK 20.4 billion [4]	200%
2019	Absolute TSR	Range: 6%–14%	30%	Jan 1, 2019–Dec 31, 2021	0%–200%	9.00%	74.89%
2019	Relative TSR	Ranking of Ericsson: 7–2	20%	Jan 1, 2019–Dec 31, 2021	0%–200% [1]	6.52 out of 12	19.39%
2019 Total			**100%**		**0%–200%**		**126.35%**

1) The portion of the Performance Share Awards granted to a participant based on the relative TSR performance condition is subject to fulfilment of the related performance criteria over the performance period compared to Peer Groups consisting of 11 companies for the program year 2022, 2021 and 2020 and 12 companies for the program years 2019. The vesting of the Performance Share Awards under this performance condition will vary depending on the Company's TSR performance ranking versus the other companies in the peer group at the end of the performance period.

2) Excludes restructuring charges and items not included in target performance criterion.

3) Excludes restructuring charges.

4) Excludes fines and similar related to the United States Department of Justice (DOJ) / U.S. Securities and Exchange Commission (SEC) resolution, including payments required pursuant to the DOJ Plea Agreement announced by the Company on March 2, 2023.

Note G3, cont'd.

market and other circumstances, and if not, reserves the right to reduce the vesting level to a lower level deemed appropriate.

In the event delivery of shares to the participants cannot take place under applicable law or at a reasonable cost and employing reasonable administrative measures, the Board of Directors is entitled to decide that participants may, instead, be offered cash settlement.

All major decisions relating to outcome of LTV are taken by the Remuneration Committee, with approval by the full Board of Directors as required.

2022 Long-Term Variable Compensation Program for the Executive Team (LTV 2022)

LTV 2022 was approved at the Annual General Meeting (AGM) of shareholders held in 2022 and includes all members of the ET, a total of 15 ET members in 2022, including the President and CEO.

The participants were granted Performance Share Awards on May 18, 2022. The value of the underlying shares in respect of the Performance Share Awards made to the President and CEO was 190% of the annual base salary, and for other participants ranged between 30% and 70% of the participants' respective annual base salaries at the time of grant. The share price used to calculate the number of shares to which the Performance Share Awards entitles was calculated as the volume weighted average of the market price of Ericsson B shares on Nasdaq Stockholm during the five trading days immediately following the publication of the Company's interim report for the fourth quarter of 2021.

Having evaluated the ongoing long-term variable compensation programs and considering investor input obtained, the Remuneration Committee and the Board of Directors proposed to the Annual General Meeting of shareholders 2022 a long-term variable compensation program 2022 for the Executive Team similar to the long-term variable compensation program 2021 adding a Group Environmental, Social and Governance performance criterion ("ESG"). The purpose is to further strengthen Ericsson's commitment to long-term sustainability and responsible business. Hence again a one-year Group operating income (EBIT) target measured over the period January 1, 2022 to December 31, 2022 was included as a performance condition for LTV 2022 in addition to the standard three-year total shareholder return (TSR) performance conditions, which were also used for LTV 2021, LTV 2020 and LTV 2019 however with different weights.

The performance criteria relating to TSR are absolute TSR development and relative TSR development for the Ericsson B share over the period January 1, 2022 to December 31, 2024 (the performance period). The criteria related to ESG are split into two sub-components: reducing carbon dioxide equivalent ("CO_2e") emissions in the Ericsson Group's own activities and increasing the representation of women leaders in the Ericsson Group. The ESG performance criteria are being measured over the period January 1, 2022 to December 31, 2024 (the performance period).

The Remuneration Committee and the Board decided to propose a long-term variable remuneration program for 2023 with a similar structure as the long-term variable remuneration program for 2022 to the 2023 Annual General Meeting.

The performance criteria for LTV 2022 along with the details on how the performance criteria will be calculated and measured are explained in minutes from the AGM 2022 under Item 16.

The Board of Directors resolved on the achieved vesting level for the 2022 Group operating income (EBIT) performance criteria as 162.76% for this portion of the Performance Share Awards granted based on the 2022 Group operating income (EBIT) outcome.

2021 Long-Term Variable Compensation Program for the Executive Team (LTV 2021)

LTV 2021 was approved at the Annual General Meeting (AGM) of shareholders held in 2021 and includes all members of the ET, a total of 15 ET members in 2021, including the President and CEO.

The participants were granted Performance Share Awards on May 3, 2021. The value of the underlying shares in respect of the Performance Share Awards made to the President and CEO was 190% of the annual base salary, and for other participants ranged between 30% and 70% of the participants' respective annual base salaries at the time of grant. The share price used to calculate the number of shares to which the Performance Share Awards entitles was calculated as the volume weighted average of the market price of Ericsson B shares on Nasdaq Stockholm during the five trading days immediately following the publication of the Company's interim report for the fourth quarter of 2020.

Following evaluation of the previously introduced Long-term variable compensation programs, the Board of Directors decided to use the same performance criteria for LTV 2021 as the ones used for LTV 2020, LTV 2019 and LTV 2018 in order to secure continuity and consistency in supporting achievement of the Company's 2022 targets. Hence again a one-year Group operating income (EBIT) target measured over the period January 1, 2021 to December 31, 2021 was included as a performance condition for LTV 2021 in addition to the standard three-year total shareholder return (TSR) performance conditions, which were also used for LTV 2020, LTV 2019 and LTV 2018.

The performance criteria relating to TSR are absolute TSR development and relative TSR development for the Ericsson B share over the period January 1, 2021 to December 31, 2023 (the performance period).

The performance criteria for LTV 2021 along with the details on how the performance criteria will be calculated and measured are explained in minutes from the AGM 2021 under Item 16.

The Board of Directors resolved on the achieved vesting level for the 2021 Group operating income (EBIT) performance criteria as 200% for this portion of the Performance Share Awards granted based on the 2021 Group operating income (EBIT) outcome.

2020 Long-Term Variable Compensation Program for the Executive Team (LTV 2020)

LTV 2020 was approved at the Annual General Meeting (AGM) of shareholders held in 2020 and includes all members of the ET, a total of 15 ET members in 2020, including the President and CEO.

The participants were granted Performance Share Awards on April 1, 2020. The value of the underlying shares in respect of the Performance Share Awards made to the President and CEO was 180% of the annual base salary, and for other participants ranged between 30% and 70% of the participants' respective annual base salaries at the time of grant. The share price used to calculate the number of shares to which the Performance Share Awards entitles was calculated as the volume weighted average of the market price of Ericsson B shares on Nasdaq Stockholm during the five trading days immediately following the publication of the Company's interim report for the fourth quarter of 2019.

Following evaluation of the previously introduced Long-term variable compensation programs, the Board of Directors decided to use the same performance criteria for LTV 2020 as the ones used for LTV 2019 and LTV 2018 in order to secure continuity and consistency in supporting achievement of the Company's 2020 targets. Hence again a one-year Group operating income (EBIT) target measured over the period January 1, 2020 to December 31, 2020 was included as a performance condition for LTV 2020 in addition to the standard three-year total shareholder return (TSR) performance conditions, which were also used for LTV 2019, LTV 2018 and LTV 2017.

The performance criteria relating to TSR are absolute TSR development and relative TSR development for the Ericsson B share over the period January 1, 2020 to December 31, 2022 (the performance period).

The performance criteria for LTV 2020 along with the details on how the performance criteria will be calculated and measured are explained in minutes from the AGM 2020 under Item 17.

The Board of Directors resolved on the achieved vesting level for the 2020 Group operating income (EBIT) performance criteria as 200% for this portion of the Performance Share Awards granted based on the 2020 Group operating income (EBIT) outcome.

The Board of Directors also resolved on the achieved vesting levels for the absolute and relative TSR development performance criteria as 0.00% and 0.00% based on the achievement results of -6.65% absolute TSR and 12th ranking for relative TSR respectively, which resulted in an overall achieved vesting level of 100.00% for LTV 2020 as illustrated in the table LTV and EPP Performance Criteria on the prior page.

2019 Long-Term Variable Compensation Program for the Executive Team (LTV 2019)

LTV 2019 was approved at the AGM 2019 and includes a total of 14 ET members in 2019, including the President and CEO, but excluding Helena Norrman

Note G3, cont'd.

who was not granted LTV 2019 due to her resignation, and Stella Medlicott and Fadi Pharaon who carried over their EPP entitlements for 2019 after their appointments to the ET.

The participants were granted Performance Share Awards on May 18, 2019. The value of the underlying shares in respect of the Performance Share Awards made to the President and CEO was 180% of the annual base salary, and for other participants ranged between 30% and 70% of the participants' respective annual base salaries at the time of grant. The share price used to calculate the number of shares to which the Performance Share Awards entitles was calculated as the volume weighted average of the market price of Ericsson B shares on Nasdaq Stockholm during the five trading days immediately following the publication of the Company's interim report for the first quarter of 2019.

Following evaluation of the previously introduced Long-Term Variable Compensation Programs, the Board of Directors decided to use the same performance criteria for LTV 2019 as the ones used for LTV 2018 in order to secure continuity and consistency in supporting achievement of the Company's 2020 targets. Hence again a one-year Group operating income (EBIT) target measured over the period January 1, 2019 to December 31, 2019 was included as a performance condition for LTV 2019 in addition to the standard three-year total shareholder return (TSR) performance conditions, which were also used for LTV 2018 and LTV 2017.

The performance criteria relating to TSR are absolute TSR development and relative TSR development for the Ericsson B share over the period January 1, 2019 to December 31, 2021 (the performance period).

The performance criteria for LTV 2019 along with the details on how the performance criteria will be calculated and measured are explained in minutes from the AGM 2019 under Item 17.

The Board of Directors resolved on the achieved vesting level for the 2019 Group operating income (EBIT) performance criteria as 200% for this portion of the Performance Share Awards granted based on a 2019 Group operating income (EBIT) outcome excluding fines and similar related to the United States Department of Justice (DOJ) / U.S. Securities and Exchange Commission (SEC) resolutions.

The Board of Directors also resolved on the achieved vesting levels for the absolute and relative TSR development performance criteria as 74,89% and 19,39% based on the achievement results of 9.00% absolute TSR and 6.52th ranking for relative TSR respectively. Which resulted in an overall achieved vesting level of 126.35% for LTV 2019 as illustrated in the table LTV and EPP Performance Criteria on the prior page.

Delivery of shares under LTV 2019 to CEO and entitled ET members is still on hold given the enforcement actions. Given this position, the vesting (and delivery) of the shares is postponed to a later date; namely, until such time as the Chairman of the Board together with the CLO authorize the final vesting of shares under the LTV 2019. The LTV 2019 plan provides for delayed vesting.

Cash-Settled Plans

Executive Performance Plans (EPP)

The Executive Performance Plan (EPP) is a cash-settled plan which uses the same performance criteria as the ones under the respective year's long-term variable compensation program for the ET.

Senior managers, except for the members of the ET, are selected as participants to EPP annually through a nomination process that identifies individuals according to performance, potential, critical skills, and business critical roles.

There are two award levels, high and regular, which represent the potential award levels as a percentage of the participant's annual gross salary, which are determined separately by the Board of Directors for each year's plan before the plan is launched. Participants are assigned a potential award, 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. The three-year vesting period is the same as for the LTV. 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 vesting date, and this final amount is paid to the participant in cash gross before tax.

Executive Performance Plan 2022 (EPP 2022)

165 senior managers were selected to participate in EPP 2022. The regular award level is set at 15% and the high award level is set at 25% for all countries except for the USA/Canada. The regular and high award levels are set at 35% and 45% respectively in the USA/Canada.

Executive Performance Plan 2021 (EPP 2021)

159 senior managers were selected to participate in EPP 2021. The regular award level is set at 15% and the high award level is set at 25% for all countries except for the USA. The regular and high award levels are set at 25% and 35% respectively in the USA.

Executive Performance Plan 2020 (EPP 2020)

155 senior managers were selected to participate in EPP 2020. The regular award level is set at 15% and the high award level is set at 25% for all countries except for the USA. The regular and high award levels are set at 25% and 35% respectively in the USA.

Executive Performance Plan 2019 (EPP 2019)

161 senior managers were selected to participate in EPP 2019. The regular award level is set at 15% and the high award level is set at 22.5%.
The awards under EPP 2019 were paid in 2022 at the end of the vesting period and EPP 2019 was officially closed.

Key Contributor Plans (KC Plans)

The KC Plan is a cash-settled retention plan. Employees, except for senior managers and the members of the ET, are selected as participants to KC Plan annually through a nomination process that identifies individuals according to performance, potential, critical skills, and business critical roles. 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.

The KC 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. As of the KC 2019 plan the total service period is three years, however the payout is distributed over the entire service period with staggered payments according to the below schedule:

- 25% of the award to be paid at the end of the first year,
- 25% of the award to be paid at the end of the second year, and
- the remaining 50% of the award to be paid at the end of the third year.

Accounting wise, the plans with three staggered payments are seen as three separate tranches. The tranches are accounted for as separate awards and accrued in parallel with the same grant date but different vesting dates. The consequence of the staggered payments is a front-end loaded cost for these plans. The accounting model is referred to as staged vesting.

The value of each synthetic share is driven by the absolute share price performance of Ericsson B shares during the service period. At the end of the service period, the allotted synthetic shares are converted into a cash amount, based on the market price of Ericsson B shares Nasdaq Stockholm at the vesting date, and this final amount is paid to the participant in cash gross before tax.

Key Contributor Plan 2022 (KC Plan 2022)

7,704 employees were selected to participate in KC Plan 2022. There are at multiple levels between 10% - 40% of the participants' annual gross salary. The total service period is three years, however the payout is distributed over the entire service period with staggered payments as explained under Key Contributor Plans (KC Plans).

Key Contributor Plan 2021 (KC Plan 2021)

7,246 employees were selected to participate in KC Plan 2021. There are three award levels at 10%, 25% and 30% of the participants' annual gross salary. The total service period is three years, however the payout is distributed over the entire service period with staggered payments as explained under Key Contributor Plans (KC Plans).

Note G3, cont'd.

Key Contributor Plan 2020 (KC Plan 2020)
7,007 employees were selected to participate in KC Plan 2020. There are three award levels at 10%, 25% and 30% of the participants' annual gross salary. The total service period is three years, however the payout is distributed over the entire service period with staggered payments as explained under Key Contributor Plans (KC Plans).

Key Contributor Plan 2019 (KC Plan 2019)
6,941 employees were selected to participate in KC Plan 2019. There are three award levels at 10%, 25% and 30% of the participants' annual gross salary. The total service period is three years, however the payout is distributed over the entire service period with staggered payments as explained under Key Contributor Plans (KC Plans) and was officially closed in 2022.

Number of shares and synthetic shares
The awards granted to the participants of the LTV programs and the development of the granted shares over time, considering the fulfilment of performance conditions, are displayed in the below table, together with the number of synthetic shares for the EPP and KC plans.

Number of shares and synthetic shares

(million)	Executive team programs					Of which the President and CEO				
Share-settled programs	LTV 2022	LTV 2021	LTV 2020	LTV 2019	Total	LTV 2022	LTV 2021	LTV 2020	LTV 2019	Total
Maximum shares required	2.0	2.1	2.5	3.0	9.6	–	–	–	–	–
Granted shares	0.7	0.6	0.9	0.6	2.8	0.3	0.3	0.4	0.3	1.3
Outstanding number of shares beginning of 2022	–	0.9	1.3	0.8	3.0	–	0.5	0.6	0.3	1.4
Exercised during 2022	–	–	–	–	–	–	–	–	–	–
Forfeited during 2022	–	–	–	–	–	–	–	–	–	–
Increase/decrease due to performance condition 2022	0.2	–	–0.4	–	–0.2	0.1	–	–0.2	–	–0.1
Outstanding number of shares end of 2022	0.9	0.9	0.9	0.8	3.5	0.4	0.5	0.4	0.3	1.6

	Executive performance program					Key contributors plans				
Cash-settled plan	EPP 2022	EPP 2021	EPP 2020	EPP 2019	Total	KC 2022	KC 2021	KC 2020	KC 2019	Total
Synthetic shares	1.1	1.1	1.0	–	3.2	9.5	5.4	5.0	–	19.9

Compensation expense
The compensation expense is based on the FV and the number of shares or synthetic shares. The compensation expense for the share-settled long-term variable compensation programs for the President and CEO and the ET during 2022 was SEK 89 million.

The compensation expense for the EPP and the KC Plans during 2022, which are cash settled, was SEK 5 million and SEK 356 million respectively as shown in the table Compensation expense for LTV 2019-2022 below. The total compensation expense during 2022 amounted to SEK 450 (1,346) million. The total provision for the cash-settled plans amounted to SEK 985 (1,591) million, including social charges of SEK 120 (190) million, at the end of 2022.

Compensation expense for LTV 2019–2022

Share-settled programs	2022	2021	2020	2019	Total
LTV 2022	12	–	–	–	12
LTV 2021	36	24	–	–	60
LTV 2020	31	31	23	–	85
LTV 2019	10	28	28	17	83
Total executive team programs	**89**	**83**	**51**	**17**	**240**
Of which the President and CEO	*41*	*38*	*24*	*8*	*111*
Cash-settled plans					
EPP 2022	12	–	–	–	12
EPP 2021	15	17	–	–	32
EPP 2020	–19	56	34	–	71
EPP 2019	–3	14	50	11	72
Total executive performance plans	**5**	**87**	**84**	**11**	**187**
KC 2022	280	–	–	–	280
KC 2021	89	355	–	–	444
KC 2020	5	376	523	–	904
KC 2019	–18	194	335	248	759
Total key contributor plans	**356**	**925**	**858**	**248**	**2,387**
Total cash-settled plans	**361**	**1,012**	**942**	**259**	**2,574**
Total compensation expense	**450**	**1,095**	**993**	**276**	**2,814**

Note G3, cont'd.

Fair value

The compensation expense for the share-settled plans is based on FV and the number of shares. The FV for the LTV programs includes adjustments for absolute and relative TSR development performance criteria at the grant date, using a Monte Carlo model, which uses a number of inputs, including expected dividends, expected share price volatility and the expected period to exercise. The performance criteria of the LTV program are also based on the outcome of the Group operating income (EBIT) as per fiscal years 2022, 2021 and 2020. The FV for the Group operating income (EBIT) performance criteria is calculated as the share price at grant date, reduced by the net present value of the dividend expected during the three-year vesting period. For the performance criteria the number of shares is adjusted in relation to the achievement level of the performance criteria at the end of the performance period.

The compensation expense for the cash-settled plans is based on the FV and the number of synthetic shares allocated. The FV for the EPP includes the same criteria as the share-settled plans and calculated in a similar way, however reassessed quarterly with updated criteria. The FV for the KC Plans are the share price reduced by the net present value of the dividend expected during the service period. The KC Plans 2022, 2021 and 2020 have three FV based on the three different service periods. The FV per performance criteria and program is shown in the table Fair values below.

Fair values (SEK)

Executive team programs	LTV 2022	LTV 2021	LTV 2020	LTV 2019
Share price at grant	78.88	116.66	78.88	90.70
Fair value Absolute TSR	41.18	113.47	54.69	87.92
Fair value ESG – Environmental	71.45	–	–	–
Fair value ESG – Social	71.45	–	–	–
Fair value Relative TSR	54.48	108.61	98.06	94.63
Fair value Group operating income (EBIT)	71.45	110.70	74.22	86.94
Executive performance plans	**EPP 2022**	**EPP 2021**	**EPP 2020**	**EPP 2019**
Fair value Absolute TSR	10.53	3.63	–	78.88
Fair value ESG – Environmental	54.37	–	–	–
Fair value ESG – Social	54.37	–	–	–
Fair value Relative TSR	17.08	1.39	–	78.88
Fair value Group operating income (EBIT)	54.37	56.79	59.31	78.88
Key contributor plans	**KC 2022**	**KC 2021**	**KC 2020**	**KC 2019**
Fair value – Tranche 1	59.31	94.13	109.80	84.12
Fair value – Tranche 2	56.79	59.31	94.13	111.78
Fair value – Tranche 3	54.37	56.79	59.31	78.88

Payout of Cash-settled Plan

During 2022 four plans vested: EPP 2019 and KC Plan 2019 tranche 3 (vesting May 18) and KC Plan 2020 tranche 2 and KC Plan 2021 tranche 1 (vesting February 18). The share price for the plan that vested February 18 was SEK 94.13 and for the plans that vested May 18 SEK 78.88 and the accumulated payout to the participants amounted to SEK 784 million.

The Ericsson share purchase plan (ESPP)

Ericsson is committed to helping employees thrive and to recognizing them for the impact they create by providing opportunities to enrich their working experience. In order to encourage employees to play an active role in achieving the Company's purpose, further create sense of belonging and ownership, the new Ericsson share purchase plan was launched in November 2021. At the end of 2022 the plan is implemented in 79 countries to approximately 90,500 eligible employees. Further deployment will be pursued in additional countries where possible in line with local statutory legislation during 2023.

The ESPP is an all-employee share purchase plan that enables employees to purchase Ericsson B-shares up to a maximum value of SEK 50,000 per year via monthly payroll deduction. In recognition of the employees' commitment, Ericsson supports the participants with a net cash payment up to 15% of their elected contribution amounts and will cover the tax on the Company supported amount, which is payable via payroll. Under the ESPP participants will acquire Ericsson B shares at market price on the stock exchange and the ESPP does therefore not have any dilutive effect.

Ericsson share purchase plan

Eligible employees	Number of countries with ESPP	Number of participants	Take-up rate – percent of eligible employees
90,500	79	16,319	18.0%

Option agreements

Prior to taking office as President and CEO of Ericsson, Board member Börje Ekholm entered into an option agreement in 2016 with Investor AB and AB Industrivärden, shareholders of Ericsson. Each of these two shareholders has issued 1,000,000 call options to Börje Ekholm on market terms (valuation conducted, using the Black & Scholes model, by an independent third party). Under the agreements, Börje Ekholm has purchased in total 2,000,000 call options, issued by the shareholders, for a purchase price of SEK 0.49 per call option. Each call option entitles the purchase of one Ericsson Class B share from the shareholders at a strike price of SEK 80 per share (to be recalculated to neutralize the effects of dividend payments during the option period) during one year after a seven-year period. Due to the fact that the call options were purchased on market terms as described above, no compensation expense has been recognized by the Company and will not be recognized during the remaining part of the seven-year period.

In 2019 Investor AB, shareholder of Ericsson, made an offer to the Board Chairs of its listed core investment to purchase call options relating to shares in the respective core investment. Following this offer, Ronnie Leten, Chair of the Board of Directors, entered into such a call option agreement with Investor AB with respect to Ericsson Class B share. Under the agreement, Investor AB has issued 128,452 call options to Ronnie Leten on market terms (valuation conducted, using the Black & Scholes model, by an independent third party) and Ronnie Leten has purchased these call options for a purchase price of SEK 15.57 per call option. Each call option entitles the purchase of one Ericsson Class B share from Investor AB at a strike price of SEK 87.97 per share (to be recalculated to neutralize the effects of dividend payments during the option period) during one year after a four-year period starting February 5, 2019. Due to the fact that the call options were purchased on market terms as described above, no compensation expense has been recognized by the Company and will not be recognized during the remaining part of the period.

G4 Employee information

Employee numbers, wages and salaries

Average number of employees by gender and market area

	2022			2021		
	Women	Men	Total	Women	Men	Total
South East Asia, Oceania and India	5,700	20,902	26,602	5,470	20,828	26,298
North East Asia	4,376	8,711	13,087	4,579	9,323	13,902
North America	2,471	8,415	10,886	2,269	7,999	10,268
Europe and Latin America [1)]	12,017	34,637	46,654	11,581	34,336	45,917
Middle East and Africa	883	3,629	4,512	823	3,549	4,372
Total	**25,447**	**76,294**	**101,741**	**24,722**	**76,035**	**100,757**
[1)] Of which in EU	*9,006*	*26,259*	*35,265*	*8,728*	*25,971*	*34,699*
Of which in Sweden	*3,408*	*10,635*	*14,043*	*3,173*	*10,237*	*13,410*

Number of employees by market area at year-end

	2022	2021
South East Asia, Oceania and India	27,761	26,369
North East Asia	13,207	13,091
North America	11,993	10,344
Europe and Latin America [1)]	48,023	47,064
Middle East and Africa	4,545	4,454
Total	**105,529**	**101,322**
[1)] Of which in EU	*36,594*	*35,950*
Of which in Sweden	*14,481*	*14,183*

Number of employees by gender and age at year-end 2022

	Women	Men	Percent of total
Under 25 years old	1,543	2,435	4%
25–35 years old	9,848	21,790	30%
36–45 years old	8,051	27,595	34%
46–55 years old	5,261	18,646	22%
Over 55 years old	2,229	8,131	10%
Percent of total	**26%**	**74%**	**100%**

Employee movements

	2022	2021
Headcount at year-end	105,529	101,322
Employees who have left the Company	13,028	11,631
Employees who have joined the Company	17,235	12,129
Temporary employees	627	868

Wages and salaries and social security expenses

(SEK million)	2022	2021
Wages and salaries	73,526	62,823
Social security expenses	15,665	14,639
Of which pension costs	*6,316*	*5,601*

Amounts related to the President and CEO and the Executive Leadership Team are included in the table above.

Remuneration to Board members and Presidents in subsidiaries

(SEK million)	2022	2021
Salary and other remuneration	477	572
Of which annual variable remuneration	*90*	*80*
Pension costs [1)]	34	41

[1)] Pension costs are over and above any social security charges and taxes.

Board members, Presidents and Group management by gender at year end

	2022		2021	
	Women	Men	Women	Men
Parent Company				
Board members and President	36%	64%	23%	77%
Group Management	19%	81%	20%	80%
Subsidiaries				
Board members and Presidents	20%	80%	21%	79%

Section H – Other

H1 Taxes

The Company's tax expense for 2022 was SEK –5,497 (–6,270) million or 22.3% (21.4%) of income after financial items. The tax rate may vary between years depending on business and geographical mix. Items reported for income taxes include the impact of the Swedish tax rate reduction which was signed into law on June 14, 2018. The law enacts a corporate income tax of 21.4% from January 1, 2019 and then reduces it to 20.6% from January 1, 2021.

Income taxes recognized in the income statement

	2022	2021	2020
Current income taxes for the year	–7,353	–6,110	–5,470
Current income taxes related to prior years	253	–337	–175
Deferred tax income/expense (+/–)	1,617	188	–3,911
Share of taxes in joint ventures and associated companies	–14	–11	–33
Income tax expense	**–5,497**	**–6,270**	**–9,589**

A reconciliation between reported tax expense for the year and the theoretical tax expense that would arise when applying statutory tax rate in Sweden, 20.6% (20.6%), on the consolidated income before taxes, is shown in the table below.

Taxes were positively impacted by SEK 411 (969) million as a result of utilization of previously impaired withholding tax assets in Sweden and negatively impacted by the tax effect of the provision made in relation to a potential resolution with the United States Department of Justice (DOJ) of SEK 450 million [1].

The withholding tax expense 2020 includes an impairment of withholding tax of SEK –1,393 million.

Reconciliation of Swedish income tax rate with effective tax rate

	2022	2021	2020
Calculated tax expense at Swedish tax rate 20.6% (20.6%)	–5,070	–6,025	–5,823
Effect of foreign tax rates	–605	–324	–616
Current income taxes related to prior years	253	–337	–175
Remeasurement of tax loss carry-forwards	–49	–175	–258
Remeasurement of deductible temporary differences	15	220	369
Withholding tax expense	–	–	–1,393
Reversal of impaired withholding tax	411	969	–
Tax effect of non-deductible expenses	–760	–975	–2,079
Tax effect of non-taxable income	327	392	372
Tax effect of changes in tax rates	–19	–15	14
Income tax expense	**–5,497**	**–6,270**	**–9,589**
Effective tax rate	*22.3%*	*21.4%*	*35.2%*

[1] On March 2, 2023, the Company reached a resolution with the DOJ (the DOJ Plea Agreement) and agreed to pay a fine of approximately SEK 2.2 billion.

Deferred tax balances

Deferred tax assets and liabilities are derived from the balance sheet items as shown in the table below.

Tax effects of temporary differences and tax loss carry-forwards

	Deferred tax assets	Deferred tax liabilities	Net balance
2022			
Intangible assets and property, plant and equipment	1,161	8,135	
Current assets	3,605	1,055	
Post-employment benefits	5,558	571	
Provisions	5,234	–	
Deferred tax credits	2,081	–	
Other	1,837	295	
Loss carry-forwards	5,190	–	
Deferred tax assets/liabilities	**24,666**	**10,056**	**14,610**
Netting of assets/liabilities	–5,272	–5,272	
Deferred tax balances, net	**19,394**	**4, 784**	**14,610**
2021			
Intangible assets and property, plant and equipment	160	1,331	
Current assets	3,605	862	
Post-employment benefits	6,782	567	
Provisions	3,555	–	
Deferred tax credits	5,288	–	
Other	1,425	44	
Loss carry-forwards	4,214	–	
Deferred tax assets/liabilities	**25,029**	**2,804**	**22,225**
Netting of assets/liabilities	–1,920	–1,920	
Deferred tax balances, net	**23,109**	**884**	**22,225**

Changes in deferred taxes, net

	2022	2021
Opening balance, net	22,225	25,207
Recognized in net income	1,617	188
Recognized in other comprehensive income	–2,099	–556
Balances regarding acquired/divested businesses	–3,911	171
Deferred tax credits utilization	–3,586	–3,027
Translation difference	364	242
Closing balance, net	**14,610**	**22,225**

Total tax reported in other comprehensive income (OCI) amounted to SEK –2,980 (–556) million, of which actuarial gains and losses related to pensions constituted SEK –2,093 (–675) million, revaluation of borrowings SEK –212 (–6) million, cash flow hedges SEK –671 (126) million and non-controlling interests SEK –4 (–1) million. Of the total tax effect reported in OCI, SEK –2,099 (–556) million is deferred tax and SEK –881 (0) million is current tax.

Deferred tax assets are only recognized in countries where the Company expects to be able to generate corresponding taxable income in the future to benefit from tax reductions.

Tax loss carry-forwards

Significant tax assets regarding tax loss carry-forwards are reported to the extent that realization of the related tax benefit through future taxable profits is probable also when considering the period during which these can be utilized, as described below.

The majority of the recognized tax loss carry-forwards pertains to Sweden, US, UK and Germany. These countries have long or indefinite periods of utilization. Of the total SEK 5,190 (4,214) million recognized deferred tax assets related to tax loss carry-forwards, SEK 3,508 (3,512) million relates to Sweden.

Note H1, cont'd.

Future income projections considering 5G roll-out, technology leadership based on increased investments in R&D, strengthened competitive position and expansion of the product portfolio, support the conclusion that the deferred tax assets will be utilized in the foreseeable future.

As of December 31, 2022, the recognized tax loss carry-forwards amounted to SEK 23,438 (19,635) million. The increase is primarily attributable to Vonage acquisition.

The tax value of the tax loss carry-forward is reported as a tax asset based on the indefinite utilization period and the expectation that the group will realize a significant taxable income to offset these loss carry-forwards. The final years in which the recognized tax loss carry-forwards can be utilized are shown in the following table.

Tax loss carry-forwards

Year of expiration	Tax loss carry-forwards	Tax value
2023	17	3
2024	12	2
2025	19	6
2026	85	22
2027	1,236	317
2028 or later (also includes unlimited carry-forwards)	22,069	4,840
Total	**23,438**	**5,190**

In addition to the table above there are tax loss carry-forwards of SEK 8,490 (4,038) million at a tax value of SEK 1,777 (671) million (including SEK 2,394 million relating to the recent US acquisitions) that have not been recognized due to judgments that they are unlikely to be utilizable against future taxable profits in the respective jurisdictions. The majority of the tax loss carry-forwards have an expiration date in excess of five years.

Risk assessment on the business plans is carried out on a regular basis, and deferred tax asset recoverability analysis will be performed if conditions suggest that such assets may be impaired.

The adoption of the amendment to IAS 12 Income Taxes: "Deferred Tax related to Assets and Liabilities arising from a Single Transaction" from 1 January 2023, is not expected to have a material impact on the deferred tax balances, however it is expected to impact the disclosure of deferred tax balances which will be restated as appropriate in 2023.

H2 Earnings per share

Earnings per share

	2022	2021	2020
Basic			
Net income attributable to owners of the Parent Company (SEK million)	18,724	22,694	17,483
Average number of shares outstanding, basic (millions)	3,330	3,329	3,323
Earnings per share, basic (SEK)	**5.62**	**6.82**	**5.26**
Diluted			
Net income attributable to owners of the Parent Company (SEK million)	18,724	22,694	17,483
Average number of shares outstanding, basic (millions)	3,330	3,329	3,323
Dilutive effect for stock purchase (millions)	4	3	3
Average number of shares outstanding, diluted (millions)	3,334	3,332	3,326
Earnings per share, diluted (SEK)	**5.62**	**6.81**	**5.26**

H3 Statement of cash flows

Cash and cash equivalents include cash of SEK 19,746 (24,014) million and cash equivalents of SEK 18,603 (30,036) million. For more information regarding the disposition of cash and cash equivalents and unutilized credit commitments, see note F1 "Financial risk management."

Cash and cash equivalents as of December 31, 2022, include SEK 2,246 (2,616) million in countries where there exist significant cross-border conversion restrictions due to hard currency shortage or strict government controls. This amount is not directly available for distribution to the Parent Company, however it may be used to pay normal business expenditures in the local jurisdictions, thereby reducing group liabilities.

Adjustments to reconcile net income to cash

	2022	2021	2020
Property, plant and equipment			
Depreciations	4,114	3,674	3,602
Impairment losses	274	198	512
Total	**4,388**	**3,872**	**4,114**
Right-of-use assets			
Depreciations	2,451	2,277	2,387
Impairment losses	66	–	47
Total	**2,517**	**2,277**	**2,434**
Intangible assets			
Amortizations			
Capitalized development expenses	1,586	1,343	906
Customer relationships, IPRs and other intangible assets	1,991	1,164	1,083
Total amortizations	*3,577*	*2,507*	*1,989*
Impairments			
Customer relationships, IPRs and other intangible assets	61	201	137
Goodwill	–	112	–
Total impairments	*61*	*313*	*137*
Total	**3,638**	**2,820**	**2,126**
Total depreciation, amortization and impairment losses on property, plant and equipment and intangible assets	**10,543**	**8,969**	**8,674**
Taxes	5,383	6,576	10,436
Dividends from joint ventures/associated companies [1]	58	90	43
Undistributed earnings in joint ventures/associated companies [1]	−3	270	331
Gains/losses on investments and sale of operations, intangible assets and PP&E, net [2]	−287	−971	77
Other non-cash items [3]	1,944	2,209	370
Total adjustments to reconcile net income to cash	**17,638**	**17,143**	**19,931**

[1] See note E3 "Associated companies."
[2] Includes revaluation gains and losses on investments, see note B4 "Other operating income and expenses."
[3] Relates mainly to unrealized foreign exchange, gains/losses on financial instruments.

For information about reconciliation of liabilities arising from financing activities, see note F4 "Interest-bearing liabilities."

Note H3, cont'd.

Acquisitions/divestments of subsidiaries and other operations

	Acquisitions	Divestments
2022		
Cash flow from business combinations [1]	−51,734	20
Acquisitions/divestments of other investments	−261	287
Total	**−51,995**	**307**
2021		
Cash flow from business combinations [1]	−256	273
Acquisitions/divestments of other investments	−133	175
Total	**−389**	**448**
2020		
Cash flow from business combinations [1]	−9,534	4
Acquisitions/divestments of other investments	−123	55
Total	**−9,657**	**59**

[1] See also note E2 "Business combinations."

H4 Related party transactions

Related party transactions, SEK billion

	2022	2021	2020
Sales to Ericsson Nikola Tesla	0.3	0.4	0.4
Purchases from Ericsson Nikola Tesla	1.5	1.2	1.2
Loans to MediaKind (Leone Media Inc.)	0.6	0.5	0.5

IAS 24, "Related Party Disclosures" requires disclosure of related party relationships, transactions and outstanding balances.

During 2022, various minor related party transactions were executed pursuant to contracts based on terms customary in the industry and negotiated on an arm's length basis. The main related party transactions relate to Ericsson Nikola Tesla d.d located in Croatia, where Ericsson holds 49.07% of the shares and to MediaKind (Leone Media Inc.) located in US, where Ericsson holds 45.5% of the shares. For information regarding equity and Ericsson's share of assets, liabilities and income in joint ventures and associated companies, see note E3 "Associated companies."

For information regarding transactions with the Board of Directors and Group management, see note G2 "Information regarding members of the Board of Directors and Group management."

For information about the Company's pension trusts, see note G1 "Post-employment benefits."

H5 Fees to auditors

Fees to auditors

2022	Deloitte	Others	Total
Audit fees	163	7	170
Audit-related fees	7	2	9
Tax fees	2	11	13
Other fees	1	22	23
Total	**173**	**42**	**215**
2021	Deloitte	Others	Total
Audit fees	132	8	140
Audit-related fees	9	1	10
Tax fees	2	6	8
Other fees	1	2	3
Total	**144**	**17**	**161**
2020	Deloitte	Others	Total
Audit fees	97	9	106
Audit-related fees	8	–	8
Tax fees	4	6	10
Other fees	5	2	7
Total	**114**	**17**	**131**

At the 2022 Annual General Meeting Deloitte was appointed auditor for the period until the 2023 Annual General Meeting.

The audit-related services include quarterly reviews and assurance on Ericsson's Sustainability and Corporate Responsibility report. The tax services include corporate tax compliance work. Other services include work related to agreed-upon-procedures engagements.

H6 Events after the reporting period

Proposals from the Nomination Committee

On January 11, 2023, Ericsson announced the Nomination Committee's proposal that the shareholders elect at the Annual General Meeting 2023 ten ordinary board members with no deputy directors. The Nomination Committee proposed that the following persons be elected as board members:

- Jan Carlson, Chairman (re-election as director, new election as Chairman)
- Jon Fredrik Baksaas (re-election)
- Carolina Dybeck Happe (re-election)
- Börje Ekholm (re-election)
- Eric A. Elzvik (re-election)
- Kristin S. Rinne (re-election)
- Helena Stjernholm (re-election)
- Jacob Wallenberg (re-election)
- Jonas Synnergren (new election)
- Christy Wyatt (new election)

In addition, the Nomination Committee informed the Company that the current chairman, Ronnie Leten, and board members Kurt Jofs and Nora Denzel had informed the Nomination Committee that they will not stand for re-election at the Annual General Meeting 2023.

The Company expects to hold its Annual General Meeting on March 29, 2023, and the Nomination Committee's complete proposals and motivated statement are available on the Company's website www.ericsson.com.

Ericsson announces changes to the Executive Team

On January 25, 2023, Ericsson announced that Jenny Lindqvist has been appointed as Senior Vice President, Head of Market Area Europe and Latin America, as of February 1, 2023. Effective the same date she will become member of the Ericsson Executive Team, reporting to the President & CEO .

Jenny Lindqvist has a Master of Science in Business and Economics from Stockholm School of Economics. Previous management positions within Ericsson Business Area and Market Area organizations include Head of Global Customer Unit Telia Company, Head of Solution Line Intelligent Transport Systems, Key Account Manager Telenor, Managed Services Engagement Lead and Business Manager Multimedia. Previous positions outside Ericsson include roles in management consulting in France and Sweden, as well as in Pharmaceuticals in the Philippines.

As a member of Ericsson's Executive Leadership Team, Jenny Lindqvist succeeds Stefan Koetz who has been acting in this role as of June 1, 2022. Stefan will take on a new role as Head of Strategic Projects for Market Area Europe and Latin America.

Update on deferred prosecution agreement

In 2019, Ericsson entered into a deferred prosecution agreement (DPA) with the United States Department of Justice (DOJ) in order to resolve past (prior to 2017) Foreign Corrupt Practices Act (FCPA) violations relating to misconduct in certain countries. The DPA provided that, in the event of any breach of its ongoing DPA obligations, the Company could be prosecuted for the historical FCPA violations covered by the DPA.

As announced in October 2021 and March 2022, the DOJ notified Ericsson that it failed to provide certain documents and information to the DOJ in a timely manner and did not adequately report to the DOJ certain information relating to the 2019 internal Iraq investigation. The DOJ has not alleged or charged Ericsson with any new criminal misconduct since the start of the DPA.

The Company's internal investigation and its cooperation with authorities in relation to the matters discussed in a 2019 Iraq-related internal investigation report remain open and ongoing. The Company continues to thoroughly investigate the matters in full cooperation with the DOJ and the SEC. As previously disclosed, the Company's 2019 investigation did not conclude that Ericsson made or was responsible for any payments to any terrorist organization and significant further investigation over the course of 2022 has not altered this conclusion. Since 2019, Ericsson has taken substantial remedial measures, overseen by the Board of Directors. These include enhancing its group-wide approach to risk management and strengthening its compliance program and internal controls. The Company agreed in December 2022 to extend its independent compliance monitorship with one year, until June 2024, to further our efforts to embed best-in-class compliance, risk management and internal controls across the organization.

On March 2, 2023, the Company reached a resolution (DOJ Plea Agreement) with the DOJ regarding non-criminal breaches under its DPA. Under the DOJ Plea Agreement, Ericsson will plead guilty to previously deferred charges relating to conduct prior to 2017. In addition, Ericsson has agreed to pay a fine of USD 206,728,848. The entry of the DOJ Plea Agreement will bring the DPA to an end. In the fourth quarter of 2022, the Company made a provision of SEK 2.3 billion (approx. USD 220 million) in relation to the DOJ Plea Agreement, including estimated expenses (SEK 0.1 billion) for the extended compliance monitorship.

Parent Company financial statements with notes

Contents

Parent Company financial statements

Parent Company income statement

January–December, SEK million	Notes	2022	2021	2020
Selling expenses		–298	–470	–506
Administrative expenses		–1,194	–350	–872
Operating expenses		**–1,492**	**–820**	**–1,378**
Other operating income and expenses	P2	691	1,770	2,866
EBIT (loss)		**–801**	**950**	**1,488**
Financial income and expenses, net [1]	P3	19,213	8,399	6,944
Income after financial items		**18,412**	**9,349**	**8,432**
Contributions to subsidiaries, net	P13	–7,272	–1,526	–1,540
		11,140	**7,823**	**6,892**
Taxes [2]	P4	631	–167	–428
Net income		**11,771**	**7,656**	**6,464**

1) 2021 and 2020 restated as described in note P1 with an impact of SEK 31 million in 2021 and SEK 99 million in 2020.
2) 2021 and 2020 restated as described in note P1 with an impact of SEK –6 million in 2021 and SEK –20 million in 2020.

Parent Company statement of comprehensive income (loss)

January–December, SEK million	2022	2021	2020
Net income (loss)	**11,771**	**7,656**	**6,464**
Other comprehensive income (loss)			
Items that will not be reclassified to profit or loss			
Cash flow hedge reserve			
Gains/losses arising during the period	3,703	–26	–
Transfer to investments	–3,677	–	–
Tax on items that will not be reclassified to profit or loss	–758	–	–
Total other comprehensive loss, net of tax [1]	**–732**	**–26**	**–**
Total comprehensive income	**11,039**	**7,630**	**6,464**

1) 2021 and 2020 restated as described in note P1 with a net impact of SEK –25 million in 2021 and SEK –79 million in 2020.

Parent Company balance sheet

December 31, SEK million	Notes	2022	2021
Assets			
Fixed assets			
Intangible assets	P5	4	8
Tangible assets	P6	380	413
Financial assets			
Investments			
Subsidiaries	P7, P8	128,638	72,009
Joint ventures and associated companies	P7, P8	628	1,184
Other investments	P7	2,039	2,175
Receivables from subsidiaries	P7, P10	15,414	13,284
Customer finance, non-current	P9	222	287
Deferred tax assets	P4	586	507
Other financial assets, non-current	P7	36	544
Interest-bearing securities, non-current	P7	9,157	30,615
		157,104	**121,026**
Current assets			
Receivables			
Trade receivables	P9	11	1
Customer finance, current	P9	322	499
Receivables from subsidiaries	P10	24,180	25,035
Current income taxes		12	16
Other current receivables	P11	3,139	1,813
Interest-bearing securities, current	P17	8,540	12,722
Cash and cash equivalents	P17	23,731	37,128
		59,935	**77,214**
Total assets		**217,039**	**198,240**

Parent Company balance sheet, cont'd.

December 31, SEK million	Notes	2022	2021
Stockholders' equity, provisions and liabilities			
Stockholders' equity	P12		
Capital stock		16,672	16,672
Revaluation reserve		20	20
Statutory reserve		31,472	31,472
Restricted equity		**48,164**	**48,164**
Retained earnings		25,982	27,328
Net income		11,771	7,656
Non-restricted equity		**37,753**	**34,984**
		85,917	**83,148**
Provisions			
Post-employment benefits	P14	–	–
Other provisions	P15	2,435	293
		2,435	**293**
Non-current liabilities			
Notes and bond loans	P16	19,712	13,430
Other borrowings, non-current	P16	7,040	8,586
Liabilities to subsidiaries	P10	–	20
Other non-current liabilities		83	370
		26,835	**22,406**
Current liabilities			
Borrowings, current	P16	2,814	9,405
Trade payables	P19	542	419
Liabilities to subsidiaries	P10	94,401	80,668
Other current liabilities	P18	4,095	1,901
		101,852	**92,393**
Total stockholders' equity, provisions and liabilities		**217,039**	**198,240**

Parent Company statement of cash flows

January–December, SEK million	Notes	2022	2021	2020
Operating activities				
Net income (loss) [1]		11,771	7,656	6,464
Adjustments to reconcile net income to cash [2]	P22	8,382	2,202	5,485
		20,153	**9,858**	**11,949**
Changes in operating net assets				
Customer finance, current and non-current		242	135	712
Trade receivables		–5	94	–554
Trade payables		243	–124	–229
Provisions and post-employment benefits		2,142	–50	–325
Other operating assets and liabilities, net		–1,068	519	1,230
		1,554	**574**	**834**
Interest received		1,708	759	523
Interest paid		–1,542	–634	–840
Taxes paid/received		–259	–94	–246
Cash flow from operating activities		**21,614**	**10,463**	**12,220**
Investing activities				
Investments in property, plant and equipment		–81	–62	–253
Investments in intangible assets		–	–	–
Sales/disposals of property, plant and equipment		–	–	–
Investments in shares and other investments		–58,586	–6,657	–1,552
Divestments of shares and other investments		552	2,076	511
Other investing activities		–3,634	66	1,174
Purchase of investments		–13,583	–35,415	–13,637
Sale of investments		40,541	20,114	12,289
Cash flow from investing activities		**–34,791**	**–19,878**	**–1,468**
Cash flow before financing activities		**–13,177**	**–9,415**	**10,752**
Financing activities				
Borrowings from subsidiaries		57,291	144,574	131,538
Repayment of loans from subsidiaries		–53,716	–150,656	–135,585
Proceeds from issuance of borrowings		7,777	7,574	1,686
Repayment of borrowings		–9,993	–5,066	–7,517
Stock issue		–	–	–
Sale/repurchase of own shares		–	42	163
Dividends paid		–8,325	–6,658	–4,985
Settled contributions from/to (–) subsidiaries		–1,526	–1,540	–1,961
Other financing activities [3]		7,353	30,375	4,808
Cash flow from financing activities		**–1,139**	**18,645**	**–11,853**
Effect from remeasurement in cash		919	–877	76
Net change in cash		**–13,397**	**8,353**	**–1,025**
Cash and cash equivalents, beginning of period		**37,128**	**28,775**	**29,800**
Cash and cash equivalents, end of period	P17	**23,731**	**37,128**	**28,775**

[1] 2021 and 2020 restated as described in note P1 with an impact of SEK 25 million in 2021 and SEK 79 million in 2020.
[2] 2021 and 2020 restated as described in note P1 with an impact of SEK 6 million in 2021 and SEK 20 million in 2020.
[3] 2021 and 2020 restated as described in note P1 with an impact of SEK –31 million in 2021 and SEK –99 million in 2020.

Parent Company statement of changes in stockholders' equity

SEK million	Capital stock	Revaluation reserve	Statutory reserve	Total restricted equity	Disposition reserve	Cash flow hedge reserve	Other retained earnings	Non-restricted equity	Total
January 1, 2022	**16,672**	**20**	**31,472**	**48,164**	**100**	**–26**	**34,910**	**34,984**	**83,148**
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**–732**	**11,771**	**11,039**	**11,039**
Transfer to Other retained earnings	**–**	**–**	**–**	**–**	**–**	**758**	**–758**	**–**	**–**
Transactions with owners									
Stock issue	–	–	–	–	–	–	–	–	–
Sale of own shares	–	–	–	–	–	–	–	–	–
Long-term variable compensation	–	–	–	–	–	–	55	55	55
Repurchase of own shares	–	–	–	–	–	–	–	–	–
Dividends paid	–	–	–	–	–	–	–8,325	–8,325	–8,325
December 31, 2022	**16,672**	**20**	**31,472**	**48,164**	**100**	**–**	**37,653**	**37,753**	**85,917**
January 1, 2021	**16,672**	**20**	**31,472**	**48,164**	**100**	**–**	**33,815** [1]	**33,915**	**82,079**
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**-26**	**7,656**	**7,630**	**7,630**
Transactions with owners									
Stock issue	–	–	–	–	–	–	–	–	–
Sale of own shares	–	–	–	–	–	–	42	42	42
Long-term variable compensation	–	–	–	–	–	–	55	55	55
Repurchase of own shares	–	–	–	–	–	–	–	–	–
Dividends paid	–	–	–	–	–	–	**–6,658**	**–6,658**	**–6,658**
December 31, 2021	**16,672**	**20**	**31,472**	**48,164**	**100**	**–26**	**34,910**	**34,984**	**83,148**

[1] Restated as described in note P1 with an impact of SEK –366 million related to transfer of accumulated balance from Revaluation of borrowings.

Notes to the Parent Company financial statements

P1 Significant accounting policies

The financial statements of the Parent Company, Telefonaktiebolaget LM Ericsson, have been prepared in accordance with the Annual Accounts Act and RFR 2 "Reporting in separate financial statements." RFR 2 requires the Parent Company to use the same accounting principles as for the Group, i.e., IFRS, to the extent allowed by RFR 2.

The main deviations between accounting policies adopted for the Group and accounting policies for the Parent Company are:

Subsidiaries, associated companies and joint ventures
The investments are accounted for according to the acquisition cost method. Investments are carried at cost and only dividends are accounted for in the income statement. An annual impairment test for the investments in each subsidiary company is performed in the fourth quarter, or when there is an indication of impairment. An impairment loss is recognized if the carrying amount of an investment exceeds the sum of the subsidiary's equity and related goodwill, intangible liabilities and deferred tax liabilities or its estimated future cash flows after tax. Cash flows are discounted to present value using an after-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Contributions to/from subsidiaries and shareholders' contributions are accounted for according to RFR 2. Contributions from/to Swedish subsidiaries are reported net in the income statement. Shareholders' contributions increase the Parent Company's investments.

Classification and measurement of financial instruments
IFRS 9 "Financial instruments" is adopted, except regarding financial guarantees and revaluation of borrowings due to change in credit risk. Financial guarantees are included in Contingent liabilities according the exception allowed in RFR 2. Revaluation of borrowings due to change in credit risk are reported in the Income statement – see more under "Changes to the presentation in the financial statements".

Leases
Leases are reported according to the exception allowed in RFR 2. For leases where the Parent Company is lessee this means that the right-of-use assets and liabilities are not recognized on the balance sheet. Costs under the lease are recognized in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease. For leases where the Parent Company is lessor, the equipment is recorded as property, plant and equipment and revenue as well as depreciation is recognized on a straight-line basis over the lease term. Expenses related to the lease income are recognized when incurred. Direct expenses incurred when a lease agreement is entered are added to the carrying amount of the leased asset and expensed over the lease period on the same basis as the lease income.

Deferred taxes
The accounting of untaxed reserves in the balance sheet results in different accounting of deferred taxes as compared to the principles applied in the consolidated statements. Swedish GAAP and tax regulations require a company to report certain differences between the tax basis and book value as an untaxed reserve in the balance sheet of the standalone financial statements. Changes to these reserves are reported as an addition to, or withdrawal from, untaxed reserves in the income statement.

Pensions
Pensions are accounted for according to the simplification rule in RFR 2. The pension obligation is secured with transferring of funds to a pension trust. A net pension obligation is only accounted for to the extent that the fair value of the trust is lower than the pension obligation. According to RFR 2, disclosures from IAS 19 is adopted as applicable.

Business combinations
Transaction costs attributable to the acquisition are included in the cost of acquisition in the Parent Company statements compared to Group Statements where these costs are expensed as incurred.

Critical accounting estimates and judgments
See notes to the consolidated financial statements – note A2 "Critical accounting estimates and judgments." Major critical accounting estimates and judgments applicable to the Parent Company include "Trade and customer finance receivables" and "Acquired intellectual property rights and other intangible assets, excluding goodwill."

Changes to the presentation in the financial statements
Revaluation of borrowings due to change in credit risk, which historically has been reported under Other comprehensive income, has for 2022 been reported in the Income statement. Prior periods have been restated. The restatement is due to an exemption in the Swedish Annual Accounts Act (RFR 2; IFRS 9) which does not allow the items to be reported under Other comprehensive income. The restatement from Other comprehensive income to the Income statement resulted in changes of reported financial expenses and tax expense in the years 2021 and 2020. Revaluation of borrowings was restated to Other retained earnings in equity for the opening balance of year 2020. The restatements are specified in the Parent Company financial statements and in the relevant notes to the Parent Company financial statements.

Changes in accounting policies
On January 1, 2022, the following amendments issued by the IASB were adopted with no material impact on the results and financial position of the Parent Company.

– IAS 16: 'Property, Plant and Equipment (PP&E) – Proceeds before Intended Use
– IAS 37: 'Onerous Contracts – Cost of Fulfilling a Contract
– Annual Improvements to IFRS Standards 2018–2020
– IFRS 3: 'Reference to the Conceptual Framework

A number of issued new standards, amendments to standards and interpretations are not yet effective for the year ended December 31, 2022 and have not been applied in preparing the Parent Company financial statements. The IASB has issued the following new standard with effective date January 1, 2023 : "IFRS 17 Insurance contracts". The impact of IFRS 17 will be immaterial and the Swedish Financial Reporting Board has recommended voluntary application of IFRS 17 in RFR 2. The IASB has also issued amendments to the following standards with effective date January 1, 2023:"IAS 1, 'Presentation of financial statements' ","IAS 8 Accounting policies" and"IAS 12 Income Taxes".The amendements will not have a material impact on the results and financial position of the Parent Companyandthere are no additions or exceptions allowed in RFR 2. For the changes in IFRS standards, more details can be found in the Consolidated Financial Statements, note A1 "Significant accounting policies".

P2 Other operating income and expenses

Other operating income and expenses

	2022	2021	2020
License revenues and other operating revenues			
Subsidiary companies	2,956	2,573	2,588
Other operating income/expenses 1)	–2,265	–803	278
Total	**691**	**1,770**	**2,866**

1) Includes a provision of SEK –2,3 billion in 2022 in relation to a potential resolution with the United States Department of Justice (DOJ) related to potential breaches of the deferred prosecution agreement (DPA), including estimated expenses for the extended compliance monitorship, noting that the Company, on March 2, 2023, entered into the DOJ Plea Agreement with the DOJ and agreed to pay a fine of approx. SEK 2.2 billion. Includes cost of SEK –0,8 billion in 2021 as a result of the Nokia settlement related to the 2019 resolutions with the U.S. Securities and Exchange Commission (SEC) and DOJ.

P3 Financial income and expenses

Financial income and expenses

	2022	2021	2020
Financial income			
Result from participations in subsidiary companies			
Dividends	19,412	8,602	9,423
Net gains on participations	19	12	–
Result from participations in joint ventures and associated companies			
Dividends	59	72	43
Net gains on sales	–	–	38
Result from participations in other companies			
Net gains on participations	96	718	103
Interest income from subsidiary companies	1,465	886	1,038
Interest income from others	147	41	260
Total	**21,198**	**10,331**	**10,905**
Financial expenses			
Losses on sales of participations in subsidiary companies	–	–8	–3
Write-down of investments in subsidiary companies	–1,446	–1,300	–3,383
Net loss from joint ventures and associated companies	–557	–	–
Net loss from participations in other companies	–209	–	–62
Interest expense to subsidiary companies	–712	–30	–64
Interest expenses to others	–368	–304	–705
Other financial expenses 1)	948	–179	36
Total	**–2,344**	**–1,821**	**–4,181**
Net foreign exchange gain/(loss) on financial liabilities/assets	359	–111	220
Financial income and expenses, net	**19,213**	**8,399**	**6,944**
Net gains and losses on financial instruments below excluding effect of gains and losses from foreign exchange transactions:			
Net gains and losses on financial instruments at FVTPL	–2,563	–543	–251
Net gains and losses on financial liabilites designated at FVTPL	2,847	404	–121

1) Revaluation of borrowings due to change in credit risk in 2022: SEK 1,030 million. 2021 and 2020 restated as described in note P1 with revaluation impact of SEK 31 million in 2021 and SEK 99 million in 2020.

Interest expenses on pension liabilities are included in the interest expenses shown above.

P4 Taxes

Income taxes recognized in the income statement

	2022	2021	2020
Current income taxes for the year	758	–72	–100
Current income taxes related to prior years 1)	–294	–64	–214
Deferred tax income/expense (+/–)	167	–31	–114
Tax income/expense	**631**	**–167**	**–428**

1) 2021 and 2020 restated as described in note P1 with an impact of SEK –6 million in 2021 and SEK –20 million in 2020.

A reconciliation between reported tax expense for the year and the theoretical tax expense that would arise when applying the statutory tax rate in Sweden, 20.6% (20.6% in 2021, 21.4% in 2020), on the income before taxes, is shown in the table below.

Reconciliation of Swedish income tax rate with effective tax

	2022	2021	2020
Expected tax expense at Swedish tax rate	–2,295	–1,605	–1,454
Current income taxes related to prior years 1)	–294	–64	–214
Tax effect of non-deductible expenses	–668	–190	–107
Tax effect of non-taxable income	4,186	1,962	2,067
Tax effect related to write-downs of investments in subsidiary companies	–298	–270	–724
Tax effect of changes in tax rate	–	–	4
Tax income/expense	**631**	**–167**	**–428**

1) 2021 and 2020 restated as described in note P1 with an impact of SEK –6 million in 2021 and SEK –20 million in 2020.

Income taxes recognized in Other retained earnings

	2022	2021	2020
Current income taxes for the year	–758	0	0
Tax expense/income	**–758**	**0**	**0**

Deferred tax balances

Deferred tax assets are derived from the balance sheet items as shown in the table below.

Tax effects of temporary differences

	2022	2021
Current assets	348	290
Post-employment benefits	34	38
Provisions	48	40
Other	156	139
Deferred tax assets	**586**	**507**

Changes in deferred taxes

	2022	2021
Opening balance	507	544
Reclassification	–88	–6
Recognized in net income (loss)	167	–31
Closing balance	**586**	**507**

P5 Intangible assets

Patents, licenses, trademarks and similar rights

	2022	2021
Accumulated acquisition costs		
Opening balance	5,086	5,086
Acquisitions	–	–
Sales/disposals	–	–
Closing balance	**5,086**	**5,086**
Accumulated amortization		
Opening balance	–4,130	–4,115
Amortization	–4	–15
Sales/disposals	–	–
Closing balance	**–4,134**	**–4,130**
Accumulated impairment losses		
Opening balance	–948	–945
Impairment losses	–	–3
Closing balance	**–948**	**–948**
Net carrying value	**4**	**8**

The balances are mainly related to Radio Frequency technology.

P6 Property, plant and equipment

Property, plant and equipment

	Other equipment and installations	Construction in process and advance payments	Total
2022			
Accumulated acquisition costs			
Opening balance	**1,948**	**13**	**1,961**
Additions	26	59	85
Sales/disposals	–45	–3	–48
Reclassifications	43	–43	–
Closing balance	**1,972**	**26**	**1,998**
Accumulated depreciation			
Opening balance	**–1,548**	**–**	**–1,548**
Depreciation	–115	**–**	**–115**
Sales/disposals	45	**–**	45
Closing balance	**–1,618**	**–**	**–1,618**
Net carrying value	**354**	**26**	**380**
2021			
Accumulated acquisition costs			
Opening balance	**1,722**	**182**	**1,904**
Additions	14	50	64
Sales/disposals	–6	–1	–7
Reclassifications	218	–218	–
Closing balance	**1,948**	**13**	**1,961**
Accumulated depreciation			
Opening balance	**–1,444**	**–**	**–1,444**
Depreciation	–110	**–**	–110
Sales/disposals	6	**–**	6
Closing balance	**– 1,548**	**–**	**–1,548**
Net carrying value	**400**	**13**	**413**

P7 Financial assets

Investments in subsidiary companies, joint ventures and associated companies

	Subsidiary companies		Associated companies	
	2022	2021	2022	2021
Opening balance	72,009	68,798	1,184	1,184
Acquisitions and stock issues	2,244	127	298	–
Shareholders' contribution	55,835	6,396	–	–
Repayment of shareholders' contribution	–	–1,388	–	–
Write-downs [1]	–1,446	–1,300	–791	–
Disposals	–4	–624	–63	–
Closing balance	**128,638**	**72,009**	**628**	**1,184**

1) In 2022 write-downs of investments in subsidiary and associated companies were made by SEK 2.2 (1.3) billion. For impairment test in 2022 of investments in subsidiary and associated companies a discount rate of 9.0% (8.0%) has been applied. For high inflation countries individual discount rates (10.0-24.0%) were applied. The write-downs are mainly a result of devaluation of currency in several markets and lowered expectation on future profitability for a few entities. At the time of the write-downs the recognized amounts in the balance sheet related to each impacted subsidiary company are equal to value in use or equity value of the entity.

Other financial assets

	Other investments in shares and participations		Interest-bearing securities, non-current		Other financial assets, non-current		Receivables from subsidiaries, non-current	
	2022	2021	2022	2021	2022	2021	2022	2021
Accumulated acquisition costs								
Opening balance	2,175	1,382	30,615	21,597	544	458	13,284	10,631
Additions	168	134	13,583	30,305	–	754	5,963	2,215
Disposals/repayments/deductions	–96	–49	–29,666	–13,561	–	–775	–5,189	–714
Reclassifications	–1	–1	–5,632	–7,651	–588	–	–	–
Fair value remeasurement	–207	709	257	–75	80	107	–	–
Translation difference	–	–	–	–	–	–	1,356	1,152
Closing balance	**2,039**	**2,175**	**9,157**	**30,615**	**36**	**544**	**15,414**	**13,284**

P8 Investments

The following listing shows certain shareholdings owned directly and indirectly by the Parent Company as of December 31, 2022.

A complete listing of shareholdings, prepared in accordance with the Swedish Annual Accounts Act and filed with the Swedish Companies Registration Office (Bolagsverket), may be obtained upon request to: Telefonaktiebolaget LM Ericsson, External Reporting, SE-164 83 Stockholm, Sweden.

Shares owned directly by the Parent Company

Company	Reg. No.	Domicile	Percentage of ownership	Par value in local currency, million	Carrying value, SEK million
Subsidiary companies					
Ericsson AB	556056-6258	Sweden	100	50	20,731
Ericsson Shared Services AB	556251-3266	Sweden	100	361	2,216
Ericsson Software Technology Holding AB	559094-8963	Sweden	100	–	7
Datacenter i Rosersberg AB	556895-3748	Sweden	100	–	74
Datacenter i Mjärdevi Aktiebolag	556366-2302	Sweden	100	10	69
Aktiebolaget Aulis	556030-9899	Sweden	100	14	6
Ericsson Credit AB	556326-0552	Sweden	100	5	5
Other (Sweden)			–		1,257
Ericsson Austria GmbH		Austria	100	4	94
Ericsson Danmark A/S		Denmark	100	90	216
Oy L M Ericsson Ab		Finland	100	13	196
Ericsson France S.A.S		France	100	21	524
Ericsson Antenna Technology Germany GmbH		Germany	100	2	21
Ericsson Germany GmbH		Germany	100	1	2,844
Ericsson Hungary Ltd.		Hungary	100	1,301	120
L M Ericsson Limited		Ireland	100	4	34
Ericsson Telecomunicazioni S.p.A.		Italy	100	44	2,429
Ericsson Holding International B.V.		The Netherlands	100	222	2,983
Ericsson A/S		Norway	100	75	114
Ericsson Television AS		Norway	100	161	160
Ericsson Corporatia AO		Russia	100	5	5
Ericsson España S.A.		Spain	100	28	14
Ericsson AG		Switzerland	100	–	–
Ericsson Holdings Ltd.		United Kingdom	100	328	10
Ericsson Ltd.		United Kingdom	100	53	1,957
Other (Europe, excluding Sweden)			–		974
Ericsson Holding II Inc.		United States	100	–	34,295
Ericsson Smart Factory Inc.		United States	100	–	424
Ericsson Global Network Platform Holding Inc.		United States	100	–	51,298
Companía Ericsson S.A.C.I.		Argentina	95 [1)]	193	99
Ericsson Canada Inc.		Canada	100	–	221
Ericsson Del Paraguay S.A.		Paraguay	95 [1)]	42,647	53
Ericsson Telecom S.A. de C.V.		Mexico	100	1,439	576
Other (United States, Latin America)			–		389
Teleric Pty Ltd.		Australia	100	20	100
Ericsson Ltd.		China	100	2	2
Ericsson (China) Company Ltd.		China	100	65	475
P.T. Ericsson Indonesia		Indonesia	95	9,531	614
Ericsson India Global Services PVT. Ltd		India	100	291	51
Ericsson Kenya Limited		Kenya	100	–	46
Ericsson-LG CO Ltd.		Korea	75	285	2,279
Ericsson (Malaysia) Sdn. Bhd.		Malaysia	100	3	131
Ericsson Telecommunications Pte. Ltd.		Singapore	100	2	1
Ericsson South Africa PTY. Ltd		South Africa	70	–	135
Ericsson Taiwan Ltd.		Taiwan	90	270	36
Ericsson (Thailand) Ltd.		Thailand	49 [2)]	90	17
Other countries (the rest of the world)			–		336
Total					**128,638**
Joint ventures and associated companies					
Concealfab Inc.		USA	36	–	298
Leone Media Inc.		USA	46	134	–
Ericsson Nikola Tesla d.d.		Croatia	49	65	330
Total					**628**

1) Through subsidiary holdings, total holdings amount to 100% of Compania Ericsson S.A.C.I. and Ericsson Del Paraguay S.A.

2) Through subsidiary holdings, total holdings amount to 74% of Ericsson (Thailand) Ltd.

Note P8, cont'd.

Shares owned by subsidiary companies

Company	Reg. No.	Domicile	Percentage of ownership
Subsidiary companies			
Ericsson Cables Holding AB	556044-9489	Sweden	100
Emodo Inc.		United States	100
Ericsson Telekommunikation GmbH		Germany	100
Ericsson GmbH		Germany	100
Ericsson Telecommunicatie B.V.		The Netherlands	100
Ericsson Telekomunikasyon A.S.		Turkey	100
Ericsson Inc.		United States	100
Vonage Holdings Corp.		United States	100
Ericsson Wireless Office Inc.		United States	100
Cradlepoint Inc.		United States	100
Iconectiv, LLC.		United States	83
Ericsson Telecomunicações S.A.		Brazil	100
Ericsson Australia Pty. Ltd.		Australia	100
Ericsson (China) Communications Co. Ltd.		China	100
Nanjing Ericsson Panda Communication Co. Ltd.		China	51
Ericsson Japan K.K.		Japan	100

P9 Trade receivables and customer finance

Credit risk management is governed on a Group level.

For further information, see notes to the consolidated financial statements – Note B6, "Customer contract related balances" and note F1 "Financial risk management."

Trade receivables and customer finance

	2022	2021
Trade receivables excluding associated companies and joint ventures	29	17
Allowances for impairment	–19	–16
Trade receivables, net	**10**	**1**
Trade receivables related to associated companies and joint ventures	1	–
Trade receivables, total	**11**	**1**
Customer finance	544	786
Customer finance, net	**544**	**786**

Movements in allowances for impairment

	Trade receivables	
	2022	2021
Opening balance	16	15
Additions	–	–
Utilization	–	–
Reversal of excess amounts	–	–
Translation difference	3	1
Closing balance	**19**	**16**

Outstanding customer finance credit risk exposure [1)]

	2022	2021
Fair value of customer finance credits	544	786
Of which current	*322*	*499*
Financial guarantees for third-parties	6	6
Accrued interest	8	9
Maximum exposure to credit risk	**558**	**801**
Less third-party risk coverage	–	–
Parent Company's risk exposure, less third-party risk coverage	**558**	**801**
Credit commitments for customer finance	412	303

1) This table has been adjusted to show the maximum exposure to credit risk.

Customer Finance Fair Value Reconciliation

	2022	2021
Opening balance	786	920
Additions	53	243
Disposals/repayments	–288	–395
Revaluation	–7	18
Translation difference	–	–
Closing balance	**544**	**786**

P10 Receivables and liabilities – subsidiary companies

Receivables and liabilities – subsidiary companies

	Payment due by period				
	< 1 year	1–5 years	>5 years	Total 2022	Total 2021
Non-current receivables					
Financial receivables	–	15,414	–	15,414	13,284
Current receivables					
Trade receivables	1,662	–	–	1,662	820
Financial receivables	22,518	–	–	22,518	24,215
Total	**24,180**	**–**	**–**	**24,180**	**25,035**
Non-current liabilities					
Financial liabilities	–	–	–	–	20
Current liabilities					
Trade payables	230	–	–	230	101
Financial liabilities	94,171	–	–	94,171	80,567
Total	**94,401**	**–**	**–**	**94,401**	**80,688**

P11 Other current receivables

Other current receivables

	2022	2021
Prepaid expenses	353	391
Accrued revenues	105	222
Derivative assets	2,017	1,155
Other	664	45
Total	**3,139**	**1,813**

P12 Equity and other comprehensive income

Capital stock 2022

Capital stock at December 31, 2022, consisted of the following:

Capital stock

	Number of shares	Capital stock
Class A shares [1]	261,755,983	1,309
Class B shares [1]	3,072,395,752	15,363
Total	**3,334,151,735**	**16,672**

[1] Class A shares (quotient value SEK 5.00) and Class B shares (quotient value SEK 5.00).

The Board of Directors proposes a dividend of SEK 2.70 (2.50) per share and that the Parent Company shall retain the remaining part of non-restricted equity. The dividend is proposed to be paid in two equal installments, SEK 1.35 per share with the record date March 31, 2023 (payment date April 5, 2023), and SEK 1.35 per share with the record date September 29, 2023 (payment date October 4, 2023). Holders of the Class B treasury shares are not entitled to receive a dividend. All Class B treasury shares are held by the Parent Company. Assuming that no treasury shares remain on the record date, the Board of Directors proposes that earnings be distributed as follows:

Proposed disposition of earnings

Proposed disposition of earnings

Amount to be paid to the shareholders	SEK 9,002,209,685
Amount to be retained by the Parent Company	SEK 28,750,998,521
Total non-restricted equity of the Parent Company	SEK 37,753,208,206

Equity and other comprehensive income 2022

	Capital stock	Revaluation reserve	Statutory reserve	Total restricted equity	Disposition reserve	Cash flow hedge reserve	Other retained earnings	Non-restricted equity	Total
January 1, 2022	**16,672**	**20**	**31,472**	**48,164**	**100**	**–26**	**34,910**	**34,984**	**83,148**
Net income	**–**	**–**	**–**	**–**	**–**	**–**	**11,771**	**11,771**	**11,771**
Other comprehensive income(loss)									
Items that will not be reclassified to profit or loss									
Cash flow hedge reserve									
Gains arising during the period	–	–	–	–	–	3,703	–	3,703	**3,703**
Transfer to investments	–	–	–	–	–	–3,677	–	–3,677	**–3,677**
Tax on items that will not be reclassified to profit or loss	–	–	–	–	–	–758	–	–758	**–758**
Total other comprehensive income, net of tax	**–**	**–**	**–**	**–**	–	**–732**	–	**–732**	**–732**
Total comprehensive income	**–**	**–**	**–**	**–**	–	**–732**	**11,771**	**11,039**	**11,039**
Transfer to Other retained earnings	**–**	**–**	**–**	**–**	**–**	**758**	**–758**	**–**	**–**
Transactions with owners									
Stock issue	–	–	–	–	–	–	–	–	**–**
Sale of own shares	–	–	–	–	–	–	–	–	**–**
Long-term variable compensation	–	–	–	–	–	–	55	55	55
Repurchase of own shares	–	–	–	–	–	–	–	–	**–**
Dividends paid	–	–	–	–	–	–	–8,325	–8,325	**–8,325**
December 31, 2022	**16,672**	**20**	**31,472**	**48,164**	**100**	**–**	**37,653**	**37,753**	**85,917**

Note P12, cont'd.

Equity and other comprehensive income 2021

	Capital stock	Revaluation reserve	Statutory reserve	Total restricted equity	Disposition reserve	Cash flow hedge reserve	Other retained earnings	Non-restricted equity	Total
January 1, 2021	**16,672**	**20**	**31,472**	**48,164**	**100**	**–**	**33,815** [1]	**33,915**	**82,079**
Net income	**–**	**–**	**–**	**–**	**–**	**–**	**7,656**	**7,656**	**7,656**
Other comprehensive income									
Items that have been or may be reclassified to profit or loss									
Cash flow hedge reserve									
Losses arising during the period	–	–	–	–	–	–26	–	–26	**–26**
Tax on items that will not be reclassified to profit or loss	–	–	–	–	–	–	–	–	**–**
Total other comprehensive income, net of tax	**–**	**–**	**–**	**–**	**–**	**–26**	**–**	**–26**	**–26**
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**–26**	**7,656**	**7,630**	**7,630**
Transactions with owners									
Stock issue	–	–	–	–	–	–	–	–	–
Sale of own shares	–	–	–	–	–	–	42	42	42
Long-term variable compensation	–	–	–	–	–	–	55	55	55
Repurchase of own shares	–	–	–	–	–	–	–	–	–
Dividends paid	–	–	–	–	–	–	–6,658	–6,658	–6,658
December 31, 2021	**16,672**	**20**	**31,472**	**48,164**	**100**	**–26**	**34,910**	**34,984**	**83,148**

[1] Restated as described in note P1 with an impact of SEK –366 million related to transfer of accumulated balance from Revaluation of borrowings.

P13 Contributions

Contributions to Swedish subsidiaries amount to SEK 7,272 (1,526) million. There were no contributions from Swedish subsidiaries in 2022 and 2021.

P14 Post-employment benefits

The Parent Company has two types of pension plans:

- Defined contribution plans: post-employment benefit plans where the Parent Company pays fixed contributions into separate entities and has no legal or constructive obligation to pay further contributions if the entities do not hold sufficient assets to pay all employee benefits relating to employee service. The expenses for defined contribution plans are recognized during the period when the employee provides service.
- Defined benefit plans: post-employment benefit plans where the Parent Company's undertaking is to provide predetermined benefits that the employee will receive on or after retirement.

Defined benefit obligation – amount recognized in the Balance sheet

	2022	2021
Present value of wholly or partially funded pension plans [1]	1,491	1,298
Fair value of plan assets	–1,753	–1,836
Net obligation/surplus(–) of funded pension plans	**–262**	**–538**
Excess from plan assets not accounted for	262	538
Closing balance provision for pensions	**0**	**0**

[1] The total defined benefit obligation is considered to be secured in the pension trust.

The defined benefit obligations are calculated based on the actual salary levels at year-end and based on a discount rate of 2.85% (3.84%) regarding ITP2 and 0.2% (–0.1%) for other pension liabilities.

Weighted average life expectancy after the age of 65 is 24.7 (24.7) years for women and 23.5 (23) years for men.

The Parent Company utilizes no assets held by the pension trust. Return on plan assets was –4.5% (10.8%).

Plan assets allocation

	2022	of which unquoted	2021	of which unquoted
Cash and cash equivalents	71	0%	68	0%
Equity securities	418	41%	468	35%
Debt securities	867	19%	887	16%
Real estate	343	100%	317	100%
Derivatives	–2	100%	–13	110%
Investment funds	56	100%	109	84%
Total	**1,753**		**1,836**	
Of which Ericsson securities	–		–	

Change in the net defined benefit obligation

	2022	2021
Opening balance	0	0
Pension costs, excluding taxes, related to defined benefit obligations accounted for in the income statement	266	103
Pension payments	–72	–71
Return on plan assets	–194	–179
Return on plan assets not accounted for	0	147
Closing balance provision for pensions	**0**	**0**

Estimated pension payments for 2023 related to defined benefit obligations are SEK 79 million.

Note P14, cont'd.

Total pension cost and income recognized in the Income statement

	2022	2021	2020
Defined benefit obligations			
Costs excluding interest and taxes	233	64	361
Interest cost	33	39	39
Return of plan assets	–194	–32	–17
Total cost defined benefit plans excluding taxes [1]	**72**	**71**	**383**
Defined contribution plans			
Pension insurance premium	67	70	60
Total cost defined contribution plans excluding taxes	**67**	**70**	**60**
Credit insurance premium	0	2	2
Total cost, net excluding taxes	**139**	**143**	**445**

1) The defined benefit obligation has increased by SEK 168 million in 2022 due to changed discount rate from 3.84% to 2.85%. This increase also impacts the value in plan assets due to previous years return, not accounted for, so that the net cost in defined benefit plans are not affected. The pension cost for 2020 includes a contribution to the pension trust with SEK 311 millions.

Of the total pension cost, SEK 300 (136 in 2021 and 423 in 2020) million is included in operating expenses and SEK –161 (7 in 2021 and 22 in 2020) million in the financial net.

P15 Other provisions

Other provisions

	2022	2021
Opening balance	293	343
Additions	2,338	88
Reversal of excess amounts	–60	–2
Cash out/utilization	–136	–136
Reclassifications	–	–
Closing balance [1]	**2,435**	**293**

1) Consists mainly of estimated expenses for the provision in relation to a potential resolution with the United States Department of Justice (DOJ) related to potential breaches of the deferred prosecution agreement (DPA), including the extended compliance monitorship, noting that the Company, on March 2, 2023, entered into the DOJ Plea Agreement with the DOJ and agreed to pay a fine of approx. SEK 2.2 billion, and costs for LTV expenses. SEK 2,372 (206) million is expected to be utilized within one year.

P16 Interest-bearing liabilities

As of December 31, 2022, the Parent Company's outstanding interest-bearing liabilities, excluding liabilities to subsidiaries, stood at SEK 29.6 (31.4) billion.

Interest-bearing liabilities

	2022	2021
Borrowings, current		
Current part of non-current borrowings	2,814	9,405
Other borrowings, current	–	–
Total borrowings, current	**2,814**	**9,405**
Borrowings, non-current		
Notes and bond loans	19,712	13,430
Other borrowings, non-current	7,040	8,586
Total borrowings, non-current	**26,752**	**22,016**
Total interest-bearing liabilities	**29,566**	**31,421**

Reconciliation of liabilities arising from financing activities

	2022	2021
Opening balance	31,421	28,414
Cash flows		
Proceeds from issuance of borrowings	7,777	7,574
Repayment of borrowings	–9,993	–5,066
Other financing activities	–	–1,181
Non-cash changes		
Effect of foreign exchange movement	4,041	2,118
Revaluation due to changes in credit risk	–1,030	–31
Other changes in fair value	–2,650	–407
Reclassification	–	–
Other non-cash movements	–	–
Closing balance	**29,566**	**31,421**

To secure long-term funding, the Company uses notes and bond programs together with bilateral research and development loans. All outstanding notes and bond loans are issued by the Parent Company under its Euro Medium-Term Note (EMTN) program or under its U.S. Securities and Exchange Commission (SEC) Registered program. Bonds issued at a fixed interest rate are normally swapped to a floating interest rate using interest rate swaps under the Asset and liability management mandate described in note F1, "Financial risk management." Total weighted average interest rate cost for the long-term funding during the year was 2.45% (1.75%).

The borrowings issued by the Parent Company are held at fair value with changes in value recognized in the Income statement. See note P1 Significant Accounting Policies.

For detailed information about Notes, bonds and bilateral loans, see notes to the Consolidated Financial Statements, note F4 "Interest-bearing liabilities".

P17 Financial risk management and financial instruments

Ericsson's financial risk management is governed on a Group level. For further information see notes to the Consolidated Financial Statements, note F1, "Financial risk management"

Outstanding derivatives

2022	Gross amount recognized	Offset	Net amount presented	Related amounts not offset – collaterals	Net
Currency derivatives [1]					
Assets	2,171	–165	2,006	–277	1,729
Liabilities	–2,727	165	–2,562	2,382	–180
Interest rate derivatives					
Assets	11	–	11	–	11
Liabilities	–8	–	–8	–	–8

2021	Gross amount recognized	Offset	Net amount presented	Related amounts not offset – collaterals	Net
Currency derivatives [1]					
Assets	83	–20	63	–	63
Liabilities	–111	20	–91	–	–91
Interest rate derivatives					
Assets	1,128	–36	1,092	–	1,092
Liabilities	–696	36	–660	467	–193

1) Currency derivatives designated as cash flow hedge of SEK 0 (9) million are included in Other current receivables and SEK 0 (25) million in Other current liabilities.

Cash collaterals paid or received under Credit Support Annex (CSA) to ISDA for cross-currency derivatives are recognized as Interest-bearing securities, current or Borrowings, current, respectively. See note P 12 "Equity and other comprehensive income" for movement in the cash flow hedge reserve. No hedge ineffectiveness was recognized in the income statement in 2022.

Cash, cash equivalents, interest bearing securities and derivative assets

2022	Rating or equivalent	< 3 M	3–12 M	1–5 Y	> 5 Y	Total
Bank deposits		24,252	–	–	–	24,252
Other financial institutions		604	–	–	–	604
Type of issuer:						
Governments	AAA	500	3,950	277	–	4,727
Corporates	A2/P2	1,283	–	–	–	1,283
Mortgage institutes	AAA	–	1,682	8,880	–	10,562
Derivative assets		951	93	837	136	2,017
Total		**27,590**	**5,725**	**9,994**	**136**	**43,445**

2021	Rating or equivalent	< 3 M	3–12 M	1–5 Y	> 5 Y	Total
Bank deposits		27,730	–	–	–	27,730
Other financial institutions		247	–	–	–	247
Type of issuer:						
Governments	AA/AAA	5,743	2,906	11,860	–	20,509
Corporates	A2/P2	4,226	–	–	–	4,226
Mortgage institutes	AAA	–	5,749	21,700	304	27,753
Derivative assets		202	641	312	–	1,155
Total		**38,148**	**9,296**	**33,872**	**304**	**81,620**

Debt financing is mainly carried out through borrowing in the Swedish and international debt capital markets. Bank financing is used for certain subsidiary funding and to obtain committed credit facilities, see note P16, "Interest-bearing liabilities."

Funding programs [1]

	Amount	Utilized	Unutilized
Euro Medium-Term Note program (USD million)	5,000	2,218	2,782
SEC Registered program (USD million) [2]	–	–	–
Commercial Paper Program (SEK million)	10,000	–	10,000

1) There are no financial covenants related to these programs.
2) Program amount indeterminate.

In February 2022, the Company issued new EUR 750 million notes under the Euro Medium Term Note program with maturity in 2027. In May 2022, the Company redeemed USD 1,000 million notes issued under the SEC Registered program. In December 2022, the Company established a Green Financing Framework to enable it to issue green bonds and other green financing instruments. The proceeds will be exclusively allocated to investments in energy efficiency and renewable energy. Bonds issued within the Green Financing Framework will be under the existing funding programs.

Committed credit facilities

	Amount	Utilized	Unutilized
Multi-currency revolving credit facility (USD million)	2,000	–	2,000

In September 2022, the Company exercised one (of two) one-year extension option on the USD 2 billion sustainability-linked revolving credit facility. The facility does not have interest rates linked to credit rating or financial covenants but is linked to two of Ericsson's sustainability KPIs. The Green Financing Framework and the revolving credit facility were both unutilized at year end, and as such there was no accounting impact. Financial instruments arising from the use of these facilities will be assessed for accounting in future periods.

The following table shows analysis of financial liabilities by contractual maturity:

2022	< 1 Y	1–3 Y	3–5 Y	> 5 Y	Total
Trade payables	542	–	–	–	542
Borrowings and loans	3,133	12,835	8,992	11,144	36,104
Derivative liabilities	868	1,091	611	–	2,570
Total	**4,543**	**13,926**	**9,603**	**11,144**	**39,216**

2021	< 1 Y	1–3 Y	3–5 Y	> 5 Y	Total
Trade payables	419	–	–	–	419
Borrowings and loans	9,405	10,221	2,796	8,999	31,421
Derivative liabilities	411	330	–	10	751
Total	**10,235**	**10,551**	**2,796**	**9,009**	**32,591**

The Company has a treasury and customer finance function with the principal role to ensure that appropriate financing is in place through loans and committed credit facilities, actively managing the Company's liquidity as well as financial assets and liabilities, and managing and controlling financial risk

Note P17, cont'd.

exposures in a manner consistent with underlying business risks and financial policies. The customer finance function may arrange suitable third-party financing solutions for customers to support their purchases from Ericsson. In some cases, and to the extent that customer loans are not provided directly by banks, the Parent Company may provide vendor finance credits to customers directly. The central function also monitors the exposure from outstanding vendor credits and credit commitments.

Fair valuation of the Company's financial instruments
For a description of the Company's valuation techniques and valuation hierarchies, see note F1 "Financial risk management".

Reconciliation of Level 3 fair value items

	Other investments in shares and participations
Opening balance	1,591
Additions	168
Disposals	–96
Gains or losses [1]	290
Reclassifications	–1
Closing balance	**1,952**

1) Table shows net gains or losses recognized in Financial income or expenses, of which SEK 287 million unrealized gains relate to Level 3 assets held at the end of the year.

Financial instruments

	2022					2021				
			Fair value hierarchy level					Fair value hierarchy level		
SEK billion	Amortized cost	Fair value	Level 1	Level 2	Level 3	Amortized cost	Fair value	Level 1	Level 2	Level 3
Assets at fair value through profit or loss										
Customer finance	–	0.5	–	–	0.5	–	0.8	–	–	0.8
Interest bearing securities	–	17.5	17.5	–	–	–	43.2	43.2	–	–
Cash equivalents [2]	–	15.3	–	15.3	–	–	26.0	–	26.0	–
Other financial assets [1]	–	2.0	0.1	–	1.9	–	2.2	0.6	–	1.6
Other current receivables	–	2.0	–	2.0	–	–	1.2	–	1.2	–
Assets at fair value through OCI										
Trade receivables	–	0.0	–	–	0.0	–	0.0	–	–	0.0
Assets at amortized cost										
Interest bearing securities	0.2	–	–	–	–	0.1	–	–	–	–
Cash equivalents	–	–	–	–	–	–	–	–	–	–
Other financial assets	0.6	–	–	–	–	0.5	–	–	–	–
Receivables subsidiaries	39.6	–	–	–	–	38.3	–	–	–	–
Financial assets	**40.4**	**37.3**	**–**	**–**	**–**	**38.9**	**73.4**	**–**	**–**	**–**
Financial liabilities at designated FVTPL										
Interest-bearing liabilities	–	–29.6	–16.7	–12.9	–	–	–31.4	–19.5	–11.9	–
Financial liabilities at FVTPL										
Other current liabilities	–	–2.6	–	–2.6	–	–	–0.8	–	–0.8	–
Liabilities at amortized cost										
Trade payables	–0.5	–	–	–	–	–0.4	–	–	–	–
Borrowings	–0.0	–	–	–	–	–0.0	–	–	–	–
Liabilities subsidiaries	–94.4	–	–	–	–	–80.7	–	–	–	–
Financial liabilities	**–94.9**	**–32.2**	**–**	**–**	**–**	**–81.1**	**–32.2**	**–**	**–**	**–**

1) Other financial assets relate to investment in equity interests which are included in 'Other investments in shares and participations' within note P7.
2) Total Cash and cash equivalent is SEK 23.7 (37.1) billion, of which SEK 15.3 (26.0) billion relating to Cash equivalents are presented in the table above.

P18 Other current liabilities

Other current liabilities

	2022	2021
Accrued interest	251	171
Accrued expenses, of which	965	665
Employee related	*388*	*461*
Other	*577*	*204*
Derivative liabilities	2,570	751
Other current liabilities	309	314
Total	**4,095**	**1,901**

P19 Trade payables

Trade payables

	2022	2021
Trade payables excluding associated companies and joint ventures	542	419
Associated companies and joint ventures	–	–
Total	**542**	**419**

P20 Assets pledged as collateral

Assets pledged as collateral

	2022	2021
Bank deposits	893	532
Other	234	242
Total	**1,127**	**774**

Other includes pledged capital insurances for pension agreements to employees.

P21 Contingent liabilities

Contingent liabilities

	2022	2021
Total contingent liabilities	**24,811**	**20,322**

Contingent liabilities include pension commitments of SEK 24,680 (20,102) million.

P22 Statement of cash flows

Adjustments to reconcile net income to cash

	2022	2021	2020
Property, plant and equipment			
Depreciation	115	110	97
Total	**115**	**110**	**97**
Intangible assets			
Amortization	4	18	32
Total	**4**	**18**	**32**
Total depreciation and amortization on tangible and intangible assets	**119**	**128**	**129**
Taxes [1)]	−631	160	572
Write-downs and capital gains (−)/losses on sale of fixed assets, excluding customer finance, net	2,097	578	3,304
Unsettled group contributions	7,272	1,526	1,540
Unsettled dividends	–	–	–
Other non-cash items	−475	−190	−60
Total adjustments to reconcile net income to cash	**8,382**	**2,202**	**5,485**

[1)] 2021 and 2020 restated as described in note P1 with an impact of SEK 6 million in 2021 and SEK 20 million in 2020

P23 Leases

Leases with the Parent Company as lessee

The Parent Company has the following types of lease contracts: lease of real estate and vehicles. 2022 costs for real estate amounted to SEK 633.4 (596.2) million and vehicles to SEK 4.9 (4.4) million. The Parent Company had variable lease expenses of SEK 51.6 (46.2) million in 2022 related to property taxes.

At December 31, 2022, future payment obligations for leases were distributed as follows:

Future payment obligations for leases

	Operating leases
2023	657
2024	589
2025	533
2026	428
2027	212
2028 and later	90
Total	**2,509**

Leases with the Parent Company as lessor

The operating lease income is mainly income from the subleasing of real estate.

At December 31, 2022, future minimum payment receivables were distributed as follows:

Future minimum payment receivables

	Operating leases
2023	15
2024	3
2025	–
2026	–
2027	–
2028 and later	–
Total	**18**

P24 Information regarding employees

Average number of employees

	2022			2021		
	Men	Women	Total	Men	Women	Total
Europe and Latin America [1)]	177	179	356	177	185	362
Total	**177**	**179**	**356**	**177**	**185**	**362**
[1)] of which in EU	*177*	*179*	*356*	*177*	*185*	*362*
of which in Sweden	*177*	*179*	*356*	*177*	*185*	*362*

Remuneration

Wages and salaries and social security expenses

	2022	2021
Wages and salaries	557	606
Social security expenses	327	397
of which pension costs	178	179

Wages and salaries per region

	2022	2021
Europe and Latin America [1)]	557	606
Total	**557**	**606**
[1)] of which in EU	557	606
of which in Sweden	557	606

Remuneration in foreign currency has been translated to SEK at average exchange rates for the year.

Remuneration to the Board of Directors and the President and CEO

See notes to the consolidated financial statements, note G2 "Information regarding members of the Board of Directors and Group management."

Long-term variable compensation

Compensation costs for employees of the Parent Company for the cash-based plan amounted to SEK 2.0 (24.3) million and the cost for share-based plan amounted to SEK 54.8 (56.8) million. See notes to the consolidated financial statements, note G3, "Share-based compensation".

P25 Related party transactions

IAS 24, "Related Party Disclosures" requires disclosure of related party relationships, transactions and outstanding balances.

During 2022, various transactions were executed pursuant to contracts based on terms customary in the industry and negotiated on an arm's length basis.

Ericsson Nikola Tesla d.d.

Ericsson Nikola Tesla d.d. is a company providing the design, sales and service of telecommunications systems and equipment and an associated member of the Ericsson Group. Ericsson Nikola Tesla d.d. is located in Zagreb, Croatia. The Parent Company holds 49.07% of the shares.

For the Parent Company, the major transactions are license revenues for Ericsson Nikola Tesla d.d.'s usage of trademarks and received dividends.

Ericsson Nikola Tesla d.d.

	2022	2021
Related party transactions		
License revenues	5	3
Dividends	59	72
Related party balances		
Receivables	5	3

The Parent Company does not have any contingent liabilities, assets pledged as collateral or guarantees toward Ericsson Nikola Tesla d.d.

Leone Media Inc.

Leone Media Inc., operating under the brand name MediaKind, includes platforms for compression video processing and storage. 51% of the MediaKind business was divested February 1, 2019. After the transaction, the Parent Company held 49% of the shares. During 2022, Leone Media Inc. launched a share-based incentive program for its employees, which reduced the Parent Company holding to 45.5% of the shares. The Parent Company has provided a loan to Leone Media Inc. of SEK 0.6 (0.5) billion.

Leone Media Inc.

	2022	2021
Related party transactions		
License revenues	–	–
Dividends	–	–
Related party balances		
Receivables	615	536

The Parent Company does not have any contingent liabilities, assets pledged as collateral or guarantees toward Leone Media Inc.

Other related parties

Total receivables from other related parties were SEK 3.8 (3.5) million.

For information regarding the remuneration of management, see notes to the consolidated financial statements, note G2, "Information regarding members of the Board of Directors and Group management.

P26 Fees to auditors

Fees to auditors

2022	Deloitte	Others	Total
Audit fees	94	–	94
Audit-related fees	2	–	2
Tax services fees	–	–	–
Other fees	–	7	7
Total	**96**	**7**	**103**

2021	Deloitte	Others	Total
Audit fees	90	3	93
Audit-related fees	–	–	–
Tax services fees	–	9	9
Other fees	–	1	1
Total	**90**	**13**	**103**

2020	Deloitte	Others	Total
Audit fees	56	28	84
Audit-related fees	8	5	13
Tax services fees	1	1	2
Other fees	–	1	1
Total	**65**	**35**	**100**

The allocation of fees to the auditors is based on the requirements in the Swedish Annual Accounts Act.

At the 2022 Annual General Meeting, Deloitte was appointed auditor for the period until the 2023 Annual General Meeting. PricewaterhouseCoopers (PwC) was appointed auditor for the period until the 2020 Annual General Meeting.

During the period 2020–2022, in addition to audit services, PwC and Deloitte provided certain audit-related services, tax and other services to the Parent Company. The audit-related services include quarterly reviews, SSAE 16 reviews and services in connection with the issuing of certificates and opinions and consultation on financial accounting. The tax services include corporate tax compliance work. Other services include services related to acquisitions.

P27 Events after the reporting period

The impact of inflation on the defined benefit obligation

Alecta decides on the indexation of ITP 2 every year, which simply means that pensions are increased to provide compensation for inflation. The level of the indexation as of January 1, 2023 was decided on November 11, 2022 and was 10,84%, which corresponds to the increase in the consumer price index from September 2021 to September 2022.

Risk factors

All the information in this Annual Report and in particular the risks and uncertainties outlined below should be carefully considered. Based on the information currently known to the Company, Ericsson believes that the following section identifies the most significant risks affecting our business. Any of the factors described below, or any other risk factors discussed elsewhere in this report, could have a material negative effect on strategic objectives, business, operations, future performance, revenues, operating and after-tax results, profit margins, financial condition, cash flow, liquidity, credit rating, market share, reputation, brand and/or our share price. Additional risks and uncertainties not presently known to the Company or that Ericsson currently believes to be immaterial may also materially adversely affect our business. Furthermore, our operating results may have a greater variability than in the past and Ericsson may have difficulties in accurately predicting future developments. See also "Forward-Looking Statements".

Contents

1 Risks related to business activities and industry

1.1 Ongoing geopolitical and trade uncertainty from a range of factors may have a material adverse impact on our business, operations, business prospects and consequently on operating results, financial conditions and our ability to meet our targets.

Geopolitical alliances are shifting as global tensions, including between US-China, drive growing economic, technological, military, and political competition across the world. At the same time, there are numerous ongoing local and regional conflicts, including the ongoing military conflict between the Ukraine and Russia and the tense Cross-Strait relations. It is not yet clear how these new dynamics will play out across the world, but we can expect more difficulty navigating through this variable geopolitical geometry. These tensions, including trade restrictions and export controls, enhanced sanctions measures and increased safeguards for national security purposes, can impact global market conditions and continue to be challenging for global supply chains in general and ICT supply chains in particular. These uncertainties include the effects of trade disputes and other political tensions involving, among others, the governments of the European Union, the US, China, India, South Korea and Japan.

There are also uncertainties for the future bilateral trading relationship between China and several countries as a result of the restrictions towards Chinese vendors or contents in 5G networks that have been adopted in many countries. Of special relevance for Ericsson in this context is the trade relationship between Sweden and China, since Ericsson, even though it is a global company with a global presence, has its headquarters in Sweden and therefore risks being affected by any deterioration of the Swedish-Chinese relationship.

The Company has business operations in China, and further changes in the economic and political policies in or relating to China could have a material adverse effect on the Company's business. During the last few years Ericsson has observed sustained challenges to the global free trade system, including towards the World Trade Organization (WTO) dispute settlement body. Any increased prospect of government policies and actions violating WTO agreements could negatively impact Ericsson's ability to benefit from open markets and free trade.

The mandated, or otherwise required, localization of manufacturing and R&D, or use of local suppliers or production – as well as their digital counterparts (including data localization of IT-infrastructure and restrictions on data flows) has been steadily growing and has been motivated by either protectionism, indigenous industrial policies or national security. There is a risk of moves away from global value chains and towards more regional or national alternatives. Governments may continue to impose conditions that require the use of local suppliers and local production or partnerships with local companies for R&D and IT-infrastructure, require the license or other transfer of intellectual property, or engage in other efforts to promote local businesses and local competitors, which could have a significant adverse impact on Ericsson's ability to pursue a business globally.

Additionally, political instability, strict requirements on localization of data, manufacturing and R&D, or use of local suppliers or production in the regions in which the Company operates may further increase the risk of possible legal or regulatory violations by Ericsson or its employees. Any violation by Ericsson or its employees could cause severe reputational harm to the Company and a material adverse effect on Ericsson's business operations and result in government actions and the imposition of significant financial penalties and restrictions on the Company's ability to do business, including with certain customers, such as government bodies or those in certain regulated sectors (e.g. telecommunications). See risk factor 3.3.

The geopolitical situation can have consequences on the entire industry, with the possibility of further industry splits, separation of global value chains and separation of global standards for mobile telecommunications. These developments have also led to several countries evaluating how to ensure uninterrupted access to telecommunication network infrastructure, for example through promoting disaggregation of the Radio Access Network and support of national communication network infrastructure champions as alternatives to the established global vendors such as Ericsson – although the timing and extent of this remains unclear.

All of the above may have a material and potentially lasting adverse impact on Ericsson's international product development and supply chains and necessitates a flexible and adaptive organizational setup,

therefore impacting its profitability and business as a whole. Such adverse impacts may include for example:
- Reduction or loss of sales and market share and weakened market position
- Reduced or lost market access
- Decreased ability for unrestricted use of Ericsson's global supply chain for all markets, e.g. as a result of import, export or security-related restrictions
- Increased trade restrictions, including economic sanctions and export controls, tariffs and increased costs which may not be recoverable
- Separation of global standards for mobile telecommunication
- Sourcing restrictions and constraints for access to hardware and software products and components
- Reduced efficiency in R&D and restrictions in use of R&D resources
- Deferrals of purchases, with lower revenues not fully compensated through reduced costs
- Excess and obsolete inventories and excess manufacturing capacity
- Financial difficulties or failures among Ericsson's suppliers
- Impairment losses related to Ericsson's intangible assets as a result of lower forecasted sales of certain products
- Increased difficulties in forecasting sales and financial results as well as increased volatility in Ericsson's reported results.

1.2 Challenging global economic conditions may adversely impact the demand, cost and pricing for Ericsson's products and services as well as limit the Company's ability to grow.
Challenging global economic conditions, e.g. due to the pandemic, downturn in the global economy, political unrest and uncertainty, labor and supply shortages, increasing inflation and rising interest rates, or geopolitical risks and trade frictions may have adverse, wide-ranging effects on demand for Ericsson's products and for the products of Ericsson's customers. This could cause operators and other customers to postpone investments or initiate other cost-cutting measures to maintain or improve their financial position. This could also result in significantly reduced expenditures for the Company's products and services, including network infrastructure, in which case Ericsson's operating results would suffer. If demand for the Company's products and services were to fall, Ericsson may experience material adverse effects on Ericsson's revenues, cash flow, capital employed and value of the Company's assets, and Ericsson could incur operating losses. Furthermore, if demand is significantly weaker or more volatile than expected, Ericsson's credit rating, borrowing opportunities and costs as well as the trading price of Ericsson's shares could be adversely impacted. Should global economic conditions fail to improve or should they worsen or should political unrest and uncertainty, labor and supply shortages, increasing inflation and rising interest rates, or geopolitical problems or trade frictions fail to improve or should they worsen, other business risks Ericsson face could intensify and could also negatively impact Ericsson's business prospects with operators and other customers. Some operators and other customers, in particular in markets with weak currencies, may incur funding difficulties and slower traffic development, which may negatively affect their investment plans and cause them to purchase fewer of the Company's products and services. Increased inflation may impact our cost base through increased costs of labor and supply of material, products and services. It may not be possible to fully compensate for such increased costs through increased sales prices to the Company's customers, leading to lower margins and decreased financial performance. The potential adverse effects of an economic downturn include:
- Reduced demand for products and services, resulting in increased price competition or deferrals of purchases, with lower revenues not fully compensated by reduced costs
- Excess and obsolete inventories and excess manufacturing capacity
- Financial difficulties or failures among Ericsson's suppliers
- Increased demand for customer finance, difficulties in collection of accounts receivable and increased risk of counter party failures
- Impairment losses related to Ericsson's intangible assets as a result of lower forecasted sales of certain products
- Increased difficulties in forecasting sales and financial results as well as increased volatility in Ericsson's reported results
- Changes in the value in the Company's pension plan assets resulting from, for example, adverse equity and credit market developments and/or increased pension liabilities resulting from, for example, lower discount rates. Such developments may trigger additional pension trust capitalization needs, negatively affecting the company's cash balance
- End user demand could also be adversely affected by reduced consumer spending on technology, changes to communications service provider pricing, security breaches and trust issues.

1.3 Ericsson's business depends upon the continued growth of mobile communications and the success of Ericsson's existing and targeted customer base. If growth slows or if the Company's customers do not manage to maintain or grow in relevance in the digital value chain, or if Ericsson's products and/or services are not successful, Ericsson's customers' investment in networks may slow or stop, harming the Company's business and operating results.
A substantial portion of Ericsson's business depends on the continued growth of mobile communications in terms of both the number of subscriptions and usage per subscriber, which in turn drives the continued deployment and expansion of network systems by Ericsson's customers. If communications service providers fail to increase the number of subscribers and/or usage does not increase, or if they fail to utilize opportunities from the technological evolution, Ericsson's business and operating results could be materially adversely affected. Also, if communications service providers fail to monetize services, fail to adapt their business models or experience a decline in their revenues or profitability, their willingness to further invest in their existing and new networks may decrease, which will reduce their demand for Ericsson's products and services and have an adverse effect on the Company's business, operating results, and financial condition.

Traffic development on cellular networks could be affected if more traffic is offloaded to WI-FI networks. Further alternative services provided over the internet have profound effects on operator voice/broadband/SMS revenues with possible reduced capital expenses consequences. Ericsson's strategy depends on the development and success of global standards. This could be affected adversely in the future by industry forces more interested in de-facto standards or geopolitical forces leading to standards fragmentation and increased difficulties of creating economies of scale.

Fixed and mobile networks converge and new technologies, such as IP and broadband, enable communications service providers to deliver services in both fixed and mobile networks. Ericsson is dependent on the uptake of such services and the outcome of regulatory and standardization activities such as spectrum allocation. If delays in uptake, standardization or regulation occur, this could adversely affect Ericsson's business, operating results, and financial condition.

Ericsson's future growth is partly dependent on that Enterprises in several industries digitalize and increasingly utilize cellular wireless solutions (including Private Cellular Networks), as well as increasingly utilize and offer automated services which are drivers for the Ericsson Global Network Platform opportunity. Competing technologies such as Wi-Fi, macro-economic headwinds, and customers' unwillingness to pay for services might slow down this development. Legal and regulatory restrictions such as Net neutrality can slow down or restrict global expansion of this business. Furthermore, access to devices, sensors, and spectrum might also impact the pace and ability for enterprises to adopt cellular wireless technology.

1.4 Pandemics, such as the one caused by COVID-19, could severely impact Ericsson's business and local and global operations.
Pandemics, such as the one caused by COVID-19, could severely impact Ericsson's local and global operations related to e.g. Service Delivery, Research & Development, Sales and Supply, as well as the Company's employees, customers and suppliers, which could result in significant financial and other consequences. For example, the COVID-19 pandemic has caused challenges and risks relating to travel and lockdowns limiting access to sites, transportation and logistics and impacting the flow of goods, as well as having major parts of the workforce working remotely. The infection rate in Ericsson markets can increase, giving further disturbances to the Company's operations, including in network deployments and impacting corresponding revenues. Moreover, extensive working from home may limit creativity and efficiency in parts of the Company's operations, as well as negatively impact the health and motivation for some of Ericsson's employees.

The extent to which the COVID-19 pandemic will continue to impact our business, operating results and financial condition, including our ability to execute our near-term and long-term business strategies and initiatives in the expected time frame, will depend on future developments, including the duration and severity of the pandemic, the emergence of new variants, changes in infection rates, the vaccine participation rate, the effectiveness of vaccines and the speed with which the vaccine can be distributed, as well as regulations and requirements impacting the return of employees to the offices and/or our ability to visit customer sites, none of which can be predicted. Any of the foregoing factors, or other cascading effects of the COVID-19 pandemic that are not currently foreseeable, could have a material adverse effect on our business, operating results, financial condition and/or cash flows. Additionally, as pandemic conditions wane, we cannot predict how quickly the marketplaces in which the Company operate will return to pre-pandemic levels.

1.5 Ericsson may not be successful in implementing its strategy, in achieving improvements in its profitability, in estimating addressable markets or market CAGR in the markets in which the Company operates.
There can be no assurance that Ericsson will be able to successfully implement its strategy to achieve future profitability, growth or create shareholder value. When deemed necessary, Ericsson has undertaken and expects to continue to 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 Ericsson's earnings. Furthermore, this Annual Report includes certain estimates with respect to addressable markets as well as with respect to growth rate in the market segments in which Ericsson operates, including Networks, Cloud Software and Services, Enterprise and Other. If the underlying assumptions on which the Company's estimates are based prove not to be accurate, the actual performance or addressable markets and CAGR may be materially different from the estimates presented in this Annual Report, which may have a materially adverse effect upon Ericsson's financial condition.

1.6 Ericsson may not be successful in executing its strategy to capture the 5G market opportunity in terms of e.g. scale, time and volume of business.
The 5G market opportunity will depend on availability of attractive spectrum for 5G, and time of spectrum allocations, amount of spectrum, type of frequency bands such as low bands (below 1 GHz), mid-bands (3–6 GHz) and high bands (above 24 GHz), as well as terms of spectrum licenses, such as cost and license period of time, may not be according to needs and plans, which could delay or reduce the 5G market. In addition, the operator usage of this spectrum could be restricted by regulatory authorities for shorter or longer time and in different geographical areas, due to unforeseen reasons such as interference with other electronic equipment at sensitive locations, e.g. airports, and the Group cannot guarantee that it will not become the subject of related liability claims (such as product liability or claims associated with the configuration or installation of equipment), all of which could have a material adverse impact on the Ericsson Group's business, operating results, financial condition, reputation and brand.

Operator speed and scale to adopt to 5G could also be changed due to market situations, including resolution of M&A transactions as well as government incentives to deploy 5G. Operator 5G deployment plans could also be delayed by operational aspects such as site access, permits, availability of installation crews. There is also a risk that the scale and time of 5G deployments will change due to the availability of 5G devices, not only for launch but also due to the speed with which device prices will decline to drive mass market adoption.

In addition to this, the timing, size and technology choices of market opportunities beyond enhanced mobile broadband, such as fixed wireline access, industrial IoT and private networks, may materialize differently than estimated, which could have a materially adverse effect on our business.

Finally, Ericsson or its suppliers may encounter unforeseen technical challenges that can affect Ericsson's ability to develop, supply or deploy 5G networks.

All of the above risks may have a negative impact on the ability of Ericsson to implement its strategy and its business as a whole.

1.7 Ericsson engages in acquisitions and divestments that may be disruptive and require the Company to incur significant expenses, and Ericsson may not be successful in consummating such transactions, protecting the value of acquisitions during integration following consummation, or creating the value anticipated with the acquisition.
In addition to in-house innovation efforts, Ericsson makes acquisitions in order to obtain various benefits such as reduced time-to-market, access to technology and competence, increased scale or to broaden Ericsson's product portfolio or customer base. Recent examples are the acquisitions of Vonage and Cradlepoint. Acquisitions could result in the incurrence of contingent liabilities and an increase in amortization expenses related to intangible assets or impairment of goodwill, which could have a material adverse effect upon Ericsson's business, operating results, financial condition and liquidity. Risks Ericsson could face with respect to acquisitions include:

- Insufficiencies of technologies and products acquired, such as unexpected quality problems
- Difficulties in the full or partial integration of the operations, technologies, products and personnel of the acquired company to materialize expected synergies or to maintain independent operations in these companies at a risk appropriate level.

- Risks of entering markets in which the Company has no or limited prior experience, or in creating such market or eco-system as envisioned in e.g. the Vonage and Cradlepoint examples
- Potential loss of key employees
- Diversion of management's attention away from other business concerns
- Risks and expenses of any disclosed, undisclosed or potential legal liabilities of the acquired company, including failure to comply with laws or regulations or other requirements or conditions, e.g. from foreign direct investment reviews and decisions such as the CFIUS review process.

From time-to-time Ericsson also divests parts of Ericsson's business to optimize the Company's product portfolio or operations. Any decision to dispose of or otherwise exit businesses may result in the recording of special charges, such as workforce reduction costs and industry- and technology-related write-offs. The risks associated with such acquisitions and divestments could have a material adverse effect upon Ericsson's business, operating results, financial condition and liquidity. Risks Ericsson could face with respect to divestments include:

- Difficulties in the separation of the operations, technologies, products and personnel of the business divested
- Potential loss of key employees
- Expenses of any undisclosed or potential legal liabilities of the business divested.

1.8 Ericsson is in, and may enter into new, Joint Ventures (JV) arrangements and has, and may have new, partnerships, which may not be successful and could expose the Company to future costs.
Ericsson's JV and partnership arrangements, may fail to perform as expected for various reasons, including an incorrect assessment of the Company's needs and synergies, Ericsson's inability to take action without the approval of Ericsson's partners, the Company's difficulties in implementing Ericsson's business plans, or the lack of capabilities or financial instability of the Company's strategic partners. Ericsson's ability to work with these partners or develop new products and solutions, e.g. as part of Ericsson's 5G portfolio, may become constrained, which could harm the Company's competitive position in the market. In addition, any adverse regulatory, governmental or authority decision towards a partner could negatively impact Ericsson or the JV, and Ericsson's brand could also be exposed and damaged if a partner does not adhere to Ericsson's Code of Conduct for Business Partners, including compliance rules.

Additionally, Ericsson's share of any losses from or commitments to contribute additional capital or borrowings to such JVs and partnerships may adversely affect Ericsson's business, operating results, financial condition and cash flow.

1.9 The telecommunications industry investment levels fluctuate and are affected by many factors, including the economic environment, and decisions made by operators and other customers regarding deployment of technology and their timing of purchases.
The telecommunications industry has historically experienced downturns in which operators substantially reduced their capital spending on new equipment. The uncertainty surrounding global economic growth and the geopolitical situation may materially harm actual market conditions, which could have a material adverse effect on Ericsson's business. Moreover, market conditions are subject to substantial fluctuation, and could vary geographically and across technologies. Uncertainties can have an impact on both the CAPEX driven market as well as the OPEX market, e.g., Managed Services. Ericsson's strategy is based on an expansion towards the Enterprise segment, which is a market that is more affected by the overall economic conditions than the operator markets. Even if global conditions improve, conditions in the specific industry segments in which the Company participates could be weaker than in other segments. In that case, the Company's revenue and operating results may be adversely affected. If capital expenditures by operators and other customers are weaker than Ericsson anticipates, the Company's revenues, operating results and profitability may be adversely affected. The level of demand from operators and other customers who buy Ericsson's products and services can vary over short periods of time, including from month to month. Due to the uncertainty and variations in the telecommunication industry, as well as in the ICT industry, accurately forecasting revenues, results, and cash flow remains difficult.

With 5G volume at scale shifting from early 5G markets into markets with higher volatility and as Ericsson is establishing business relationship with new customers, the levels of uncertainty and fluctuation can increase going forward. For example, both sales and profit can be impacted due to a significant variation in underlying market and/or product and services mix. Furthermore, Ericsson might fail to anticipate customer demand properly, leading to an over or under supply of components, production capacity and deployment capabilities.

1.10 Sales volumes and gross margin levels can be reduced by an unfavorable mix and order time of Ericsson's products and services.
Ericsson's sales to operators and other customers represent a mix of equipment, software and services, which normally generate different gross margins. The operators still represent the main part of Ericsson's business and are also the main focus for sales going forward. Ericsson provides all of the Company's customers with solutions based on Ericsson's own products as well as third-party products which normally have lower margins than Ericsson's own products. As a consequence, Ericsson's reported gross margin in a specific period will be affected by the overall mix of products and services as well as the relative content of third-party products. In the Company's Cloud Software and Services and Other segments, third-party products and services represent a larger portion of Ericsson's business than the Company's traditional sales, which impact Ericsson's business models. Further, network expansions and upgrades have much shorter lead times for delivery than initial network build outs. Orders for such network expansions and upgrades are normally placed on short notice by customers, often less than a month in advance, and consequently variations in demand are difficult to forecast. As a result, changes in Ericsson's product and service mix and the short order time for certain of Ericsson's products may affect Ericsson's ability to accurately forecast sales and margins or detect in advance whether actual results will deviate from market consensus and expectations. Product and delivery lead times of certain products may be prolonged due to possibly restricted market availability of certain components caused as a result of pandemics and subsequent supply chain delays. Short-term variation could have a material adverse effect on Ericsson's business, operating results, financial condition and cash flow.

1.11 Ericsson may not be able to properly respond to market trends in the industries in which it operates, including virtualization of network functions.
Ericsson is affected by market conditions and trends within the industries in which the Company operates, including the convergence of the IT and telecom industries. Technological developments largely drive convergences enabling digitalization and a move from dedicated

hardware to software and cloud-based services. This also includes a disaggregation of the Radio Access Network, although the timing and extent of this remains unclear. This is changing the competitive landscape of Ericsson's business as well as value chains and business models and affects Ericsson's objective-setting, risk assessment and strategies. The change makes access to market easier for new competitors including new competitors to Ericsson's business that have entered and may continue to enter the market, and negatively impact Ericsson's market share in selected areas. If Ericsson fails to understand or anticipate the market trends and development, or fails to acquire the necessary competencies to develop and sell products, services and solutions that are competitive in this changing business environment, the Company's business, operating results and financial condition will suffer.

1.12 Ericsson faces intense competition from the Company's existing competitors as well as new entrants, and this could materially adversely affect the Company's results.

The markets in which Ericsson operates are highly competitive in terms of price, functionality, service quality, customization, timing of development, and the introduction of new products and services. The Company faces intense competition from significant competitors, many of which are very large companies, with substantial technological and financial resources and established relationships with operators. Ericsson's operator customers, which represent the main part of Ericsson's business, are also large and highly sophisticated and exercise significant buying power through the common use of a competitive bidding process. Ericsson also encounters increased competition from new market entrants and alternative technologies as industry standards evolve. In addition, if Ericsson chooses to enter new market segments, it might underestimate the skills and practices of the competitors within these segments. The Company's competitors may implement new technologies before Ericsson does, offer more attractively priced or enhanced products, services or solutions, or they may offer other incentives that Ericsson does not provide. Some of the Company's competitors may also have greater resources in certain business segments or geographic areas than Ericsson does. Increased competition, and the crystallization of any of the risks above, could result in reduced profit margins, loss of market share, increased research and development costs as well as increased sales and marketing expenses, which could have a material adverse effect on Ericsson's business, operating results, financial condition and market share.

Additionally, Ericsson operates in markets characterized by rapidly changing technology and also the nature in which this technology is being brought to market is rapidly changing. This has resulted in, and may continue to result in continuous price pressure on Ericsson's products and services. If Ericsson's counter measures, including enhanced products and business models or end to end cost reductions, cannot be achieved or do not occur in a timely manner, there could be adverse impacts on Ericsson's business, operating results, financial condition and market share.

1.13 Vendor consolidation may lead to stronger competitors who are able to benefit from integration, scale and greater resources, which could increase competition in our market.

Industry convergence and consolidation among equipment and services suppliers could potentially result in stronger competitors that are competing as end-to-end suppliers as well as competitors more specialized in particular areas, which could for example impact certain of Ericsson's segments such as Cloud Software and Services and Other. If established actors in adjacent markets acquire players with new technologies in Ericsson's markets, new strong competitors could emerge. Consolidation may also result in competitors with greater resources than Ericsson has. Both of these events could have a materially adverse effect on Ericsson's business, operating results, financial condition and market share.

1.14 Ericsson relies on a limited number of suppliers of components, production capacity and R&D and IT services, which exposes the Company to supply disruptions and cost increases.

Ericsson's ability to deliver according to market demands and contractual commitments depends significantly on obtaining a timely and adequate supply of materials, components, production capacity and other vital services on competitive terms, including on occasion from single-source suppliers, or in the case of the development and supply of key ASIC and FPGA components, from very few suppliers, on which Ericsson depends. Some of these suppliers have in addition very limited geographical redundancy, making them vulnerable for natural disasters, conflicts or other potentially disruptive events. Accordingly, there is a risk that the Company will be unable to obtain key supplies it needs to produce Ericsson's products and provide Ericsson's services on commercially reasonable terms, in time, or at all. Failure by any of the Company's suppliers could delay or interrupt Ericsson's products or services supply or operations and significantly limit sales or increase Ericsson's costs. To find an alternative supplier or redesign products to replace components may take significant time, which could cause significant delays or interruptions in the delivery of Ericsson's products and services and result in a reduction in sales. Ericsson has from time to time experienced interruptions of supply and the Company may experience such interruptions in the future.

Furthermore, the Company's procurement of supplies requires Ericsson to predict future customer demands. If Ericsson fails to anticipate customer demand properly, an over or under supply of components and production capacity could occur. In many cases, some of Ericsson's competitors utilize the same manufacturers and if they have purchased capacity ahead of Ericsson, the Company could be blocked from acquiring the needed products. This factor could limit Ericsson's ability to supply its customers and increase costs. At the same time, Ericsson commits to certain capacity levels or component quantities, which, if unused, will result in charges for unused capacity, unrecoverable costs or the scrapping of costs used to procure such components. The Company is also exposed to financial counterpart risks to suppliers when Ericsson pays in advance for supplies. Such supply disruptions and cost increases may negatively affect the Company's business, operating results and financial condition.

1.15 A significant portion of Ericsson's revenue is currently generated from a limited number of key customers, and operator consolidation may increase Ericsson's dependence on key customers and key markets. The Company is also significantly dependent on the sales of certain of Ericsson's products and services.

Ericsson derives most of its business from large, multi-year agreements with a limited number of significant customers. Many of these agreements are reviewed on a yearly basis to renegotiate the price for Ericsson's products and services and do not contain committed purchase volumes. Ericsson's largest customer represented approximately 13% of the Company's sales in 2022, and Ericsson's ten largest customers accounted for 59% of Ericsson's sales in 2022. A loss of or a reduced role with a key customer could have a significant adverse impact on sales, profit and market share for an extended period. In addition, Ericsson's dependence on the sales of certain of Ericsson's products and services may have a significant adverse impact on sales, profit and market share.

During the past decade, communications service providers have undergone significant consolidation, resulting in fewer operators with activities in several countries. This trend is expected to continue as a result of competitive pressure. A market with fewer and larger operators will increase Ericsson's reliance on key customers and may negatively impact Ericsson's bargaining position and profit margins. Moreover, if the combined companies operate in the same geographic areas, networks may be shared and less network equipment and fewer associated services may be required. Network investments could be delayed by the consolidation process, which may include, among others, actions relating to merger or acquisition agreements, securing necessary regulatory approvals, or integration of businesses. Network operators also share parts of their network infrastructure through cooperation agreements rather than legal consolidations, which may adversely affect demand for network equipment. Accordingly, operator consolidation may have a material adverse effect on Ericsson's business, operating results, market share and financial condition.

In addition, some of the communications service providers may be becoming more willing to partner with hyperscalers to build and run the telecom's access networks. Ericsson risks having more complex relations wherein new relationships with our customers or competitors could appear, e.g., Ericsson's customers could also become our competitors by selling telecom cloud solutions to operators, or Ericsson's competitors could also become our partners when our software would potentially run on their hardware run-time environment.

Moreover, communications service providers including Ericsson's key customers may be adversely impacted by new competition, especially in rural mobile broadband growth affected by the emerging competition from the greenfield satellite broadband sector. Accordingly, Ericsson's business may experience a material adverse effect, including impacts on Ericsson's operating sales, operating results, market share and financial condition.

1.16 Certain long-term agreements with customers include commitments to future price reductions, requiring us to constantly manage and control Ericsson's cost base.

Long-term agreements with Ericsson's customers are typically awarded on a competitive bidding basis. In some cases, such agreements also include a commitment to future price reductions. In order to maintain Ericsson's gross margin with such price reductions, Ericsson continuously strives to reduce the costs of the Company's products through design improvements, negotiation of better purchase prices from Ericsson's suppliers, allocation of more production to low-cost countries and increased productivity in Ericsson's own production. However, there can be no assurance that Ericsson's actions to reduce costs, particularly with increasing inflation and interest rates, will be sufficient or quick enough to maintain the Company's gross margin in such contracts, which may have a material adverse effect on Ericsson's business, operating results and financial condition.

1.17 If the Company's customers' financial conditions deteriorate, Ericsson will be exposed to increased credit and commercial risks.

After completing sales to customers, the Company may encounter difficulty collecting accounts receivables and could be exposed to risks associated with uncollectable accounts receivable. Ericsson regularly assesses the creditworthiness of Ericsson's customers and based on that assessment Ericsson determines a credit limit for each customer. Challenging financial conditions have impacted some of Ericsson's customers' ability to pay their invoices. Ericsson may be unable to avoid future losses on the Company's trade receivables. Ericsson has also experienced demands for customer financing, and in adverse financial markets or more competitive environments for the customers, those demands may increase. Upon the financial failure of a customer, the Company may experience losses on credit extended and loans made to such customer, losses relating to Ericsson's commercial risk exposure, and the loss of the customer's ongoing business. If customers fail to meet their obligations to us, the Company may experience reduced cash flows and experience losses in excess of reserves, which could have a material adverse effect on its operating results and financial condition.

1.18 Product, solution or service quality issues could lead to reduced revenue and gross margins and declining sales to existing and new customers, as well as penalties, claims and liquidity damage.

Sales contracts normally include warranty undertakings for faulty products and often include provisions regarding penalties and/or termination rights in the event of a failure to deliver ordered products or services on time or with required quality, possibly also for damages incurred on customer businesses. Although Ericsson undertakes a number of quality assurance measures to reduce such risks, product and service quality, security, privacy or service performance issues may negatively affect Ericsson's reputation, business, operating results and financial condition. This could also include poor quality of AI-based solutions, or third-party products that are part of Ericsson's solutions. If significant warranty obligations arise due to reliability, security, privacy or quality issues with Ericsson's product, solutions or service, Ericsson's operating results and financial position could be negatively impacted by costs associated with fixing software or hardware defects including replacement, high service and warranty expenses, high inventory obsolescence expense, adapting or creating a replacement service, delays in collecting accounts receivable or declining sales to existing and new customers, and reputational damage.

1.19 Ericsson depends upon the development of new products and enhancements to the Company's existing products, and the success of Ericsson's substantial research and development investments is uncertain.

Rapid technology and market changes in Ericsson's industry require us to make significant investments in research and development to be innovative. Ericsson invests significantly in new technology, products and solutions, e.g. related to 5G. In order for us to be successful, those technologies, products and solutions must often be accepted by relevant standardization bodies and/or by the industries and markets as a whole. The failure of Ericsson's research and development efforts to be technically or commercially successful could have adverse effects on Ericsson's business, operating results and financial condition. If Ericsson invests in the development of technologies, products and solutions that do not function as expected, are not adopted by the industry, are not ready in time, or are not successful in the marketplace, the Company's sales and earnings may materially suffer. Additionally, it is common for research and development projects to encounter delays due to changing requirements and unforeseen problems. Delays in production and research and development may increase the cost of research and development efforts and put us at a disadvantage against Ericsson's competitors, and can also include delays of communicated product availability dates. This could have a material adverse effect upon the Company's business, customer relationships, operating results and financial condition.

1.20 Ericsson may not be successful in reaching the Cloud Software and Services business objectives.

Ericsson may be unable to meet its Cloud Software and Services business objectives and several risks related to market, technology and operations can impact the plan.

5G market development and subscriber growth, as well as the uptake of cloud native technologies and consequent adoption of Ericsson's new offerings, and automated delivery and life-cycle-management of the products can be slower than expected. Increased competition from both emerging and established competitors may impact Ericsson's market position.

The Company could be too slow to adapt and adopt new technologies like AI and Machine Learning to drive more automation in products, solutions and services. The transformation to the cloud native solutions that 5G core standards are built on could also include greater complexity and take longer than expected. In addition, the increasing influence of open source initiatives could drive a best of breed approach in Ericsson's customers, driving prices down and adversely impact the Company's full suite of offerings.

For managed services, most contracts span more than one year, with a long sales cycle for new contracts. Risk of termination and reduced scope or renegotiation of existing contracts may have a negative impact on sales and earnings.

In the operational dimension, Ericsson may be unable to successfully execute on continued end-to-end efficiency measures to simplify the operating model, as well as being unable to mitigate risks in the customer projects, which could have a material adverse effect on Ericsson's business.

1.21 Ericsson's ability to benefit from intellectual property rights (IPR), which are critical to the Company's business, may be limited by changes in regulation relating to patents, inability to prevent infringement, the loss of licenses to or from third parties, infringement claims brought against us by competitors and others and changes in the area of open standards when it comes to licensing of open standard essential patents.

Although the Company has a large number of patents, there can be no assurance that they will not be challenged, invalidated, or circumvented, or that any rights granted in relation to Ericsson's patents will in fact provide us with competitive advantages.

Ericsson utilizes a combination of trade secrets, confidentiality policies, nondisclosure and other contractual arrangements in addition to relying on patent, copyright and trademark laws to protect Ericsson's intellectual property rights. However, these measures may not be adequate to prevent or deter infringement or other misappropriation. In addition, Ericsson relies on many software patents, and limitations on the patentability of software may materially affect Ericsson's business.

Moreover, the Company may not be able to detect unauthorized use or take appropriate and timely steps to establish and enforce Ericsson's proprietary rights. In fact, existing legal systems of some countries in which Ericsson conducts business offer only limited protection of intellectual property rights, if at all. The Company's solutions may also require us to license technologies from third-parties. It may be necessary in the future to seek or renew licenses and there can be no assurance that they will be available on acceptable terms, or at all. Moreover, the inclusion in Ericsson's products of software or other intellectual property licensed from third-parties on a non-exclusive basis could limit the Company's ability to protect proprietary rights in Ericsson's products.

Many key aspects of telecommunications and data network technology are governed by industry-wide standards usable by all market participants. As the number of market entrants and the complexity of technology increases, the possibility of functional overlap and inadvertent infringement of intellectual property rights also increases, which has been the case with the introduction of 5G technology. In addition to industry-wide standards, other key industry-wide software solutions are currently developed by market participants as free and open source software. Contributing to the development and distribution of software developed as free and open source software may limit Ericsson's ability to enforce applicable patents in the future. Third parties have asserted, and may assert in the future, claims, directly against us or against Ericsson's customers, alleging infringement of their intellectual property rights. Defending such claims may be expensive, time-consuming and divert the efforts of Ericsson's management and/or technical personnel. As a result of litigation, Ericsson could be required to pay damages and other compensation directly or to indemnify Ericsson's customers for such damages and other compensation, develop non-infringing products/technology or enter into royalty or licensing agreements. However, the Company cannot be certain that such licenses will be available to us on commercially reasonable terms or at all, and such judgments could have a material adverse effect on Ericsson's business, reputation, operating results and financial condition. Using free and open source software may allow third parties to further investigate the Company's software due to the accessibility of source code. This may in turn make this software more prone to assertions from third parties.

Investigations held by antitrust authorities, court judgments and legislative change could potentially affect Ericsson's ability to benefit from its patent portfolio when licensing patents necessary to conduct an open standard (e.g. 4G and 5G technology), which could have a material adverse effect on Ericsson's business, reputation, operating results and financial condition. Ericsson holds a leading patent portfolio in open standards and possible changes regarding such a portfolio may materially affect Ericsson's reputation, business, operating results and financial condition.

Ericsson's ability to benefit from intellectual property rights (IPR), may be limited by the loss of patent licenses to or from third-parties. Patent licensing agreements are generally multi-year and term based and the process for renewal of these licenses normally requires negotiations, particularly in conjunction with technology shifts and the introduction of new standards, such as 5G. Such renewals and negotiations may take time to resolve, sometimes involve litigation and may have material adverse impact on Ericsson's business and financial position, including on the timing for and level of revenues from the IPR licensing contract portfolio.

Challenging global economic conditions and political unrest and uncertainty, geopolitical risks and trade frictions may increase the uncertainty around the direction of the global cellular eco-systems and standards, which could have adverse effects on Ericsson's IPR licensing revenues as well as on the ability to acquire licenses.

1.22 Ericsson may not be successful in continuing to attract and retain highly qualified employees to remain competitive.

Ericsson believes that the Company's future success largely depends on Ericsson's continued ability to hire, develop, motivate and retain engineers and other qualified employees who develop successful new products/solutions, support Ericsson's existing product range and provide services to the Company's customers and create great customer experience.

Competition for highly qualified people in the industries in which the Company operates remains intense. This competition is only further increased by the fact that other industries are looking for similar talent. The Company is continuously developing its corporate culture, and Ericsson's philosophies with the aim to create a positive work experience that makes it easy for us to focus on Ericsson's business and the Company's customers as well as inspiring Ericsson's people to grow and to find "their great". The Company's ability to succeed depends in part on maintaining a favorable corporate reputation that can be adversely impacted by many factors, including ongoing litigation, investigations, and adverse media reports. There are no guarantees that Ericsson will be successful in attracting and retaining employees with the right skills in the future, and failure in retaining and recruiting could have a material adverse effect on Ericsson's business and brand.

1.23 Ericsson's operations are complex, and several critical operations are centralized in a single location. Any disruption of Ericsson's operations, whether due to natural or man-made events, may be highly damaging to the operation of Ericsson's business.

The Company's business operations and those of our suppliers are vulnerable to interruption by fire, earthquake, hurricane, flood or other natural disasters, power loss, security incidents, systems failure, telecommunications failure, pandemics, quarantines, national catastrophe, terrorist activities, war and other events beyond our control. If any disaster were to occur, our or our suppliers ability to operate could be seriously impaired and we could experience material harm to our business, operating results and financial condition.

Having outsourced significant portions of Ericsson's operations, such as parts of IT, finance and HR operations, Ericsson depends on the performance of external companies, including their security and reliability measures. Regardless of protection measures, systems and communications networks are susceptible to disruption due to failure, vandalism, security incidents, natural disasters, power outages and other events. Ericsson also has a concentration of operations on certain sites, including R&D, production, network operation centers, ICT centers and logistic centers and shared services centers, where business interruptions could cause material damage and costs.

The delivery of goods from suppliers, and to customers, could also be hampered for the reasons stated above. Interruptions to Ericsson's systems and communications may have an adverse effect on the Company's operations and financial condition.

1.24 The Company may not achieve some or all of the expected benefits of Ericsson's restructuring activities, and the Company's restructuring may adversely affect Ericsson's business.

Restructuring activities may be costly and disruptive to Ericsson's business, and Ericsson may not be able to achieve and retain the cost savings and benefits that were initially anticipated. Additionally, as a result of Ericsson's restructuring, the Company may experience a loss of continuity, loss of accumulated knowledge and/or inefficiency during transitional periods. Reorganization and restructuring can require a significant amount of management and other employees' time and focus, which may divert attention from operating and growing Ericsson's business. Restructuring activities can create unanticipated consequences and negative impacts on the business such as Ericsson's ability to develop, sell and deliver, and Ericsson cannot be sure that any ongoing or future restructuring efforts will be successful or generate expected cost savings. Factors that may impede a successful implementation include the retention of key employees, the impact of regulatory matters, and adverse economic market conditions. If Ericsson fails to achieve some or all of the expected benefits of restructuring, it could have a material adverse effect on the Company's competitive position, business, financial condition, operating results, cash flows, reputation and share price.

2 Risks related to Ericsson's financial situation

2.1 Ericsson's debt increases the Company's vulnerability to general adverse economic and industry conditions, limits Ericsson's ability to borrow additional funds, and may limit the Company's flexibility in planning for, or reacting to, changes in Ericsson's business and industry.

As of December 31, 2022, Ericsson's outstanding debt was SEK 32,9 billion and the Company is rated investment grade by S&P Global (BBB-) and Fitch Ratings (BBB-) and one step below investment grade by Moody's (Ba1). This degree of debt and the credit ratings could have important adverse consequences, including:

- Increasing Ericsson's vulnerability to general economic and industry conditions
- Requiring a substantial portion of cash flow from operations to be dedicated to the payment of principal and interest on the Company's indebtedness, thereby reducing Ericsson's ability to use its cash flow to fund the Company's operations, capital expenditures and future business opportunities
- Restricting us from making strategic acquisitions or causing us to make non-strategic divestitures
- Limiting Ericsson's ability to obtain additional financing for adjusted working capital, capital expenditures, debt service requirements, acquisitions and general corporate or other purposes
- Limiting the Company's ability to adjust to changing market conditions and placing us at a competitive disadvantage compared to Ericsson's competitors.

Ericsson may choose to incur substantial additional indebtedness in the future. If new indebtedness is added to the Company's current debt levels, the related risks that Ericsson now faces could increase.

If Ericsson's financial performance were to deteriorate, the Company may not be able to generate sufficient cash to service all of its indebtedness and may be forced to take other actions to satisfy Ericsson's obligations under the Company's indebtedness, which may not be successful.

Ericsson's ability to make scheduled payments on or to refinance the Company's debt obligations depends on its financial condition and operating performance, which is subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond Ericsson's control. If Ericsson's financial performance were to deteriorate significantly, the Company might be unable to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on Ericsson's indebtedness.

If, due to such a deterioration in the Company's financial performance, Ericsson's cash flows and capital resources were to be insufficient to fund its debt service obligations, Ericsson may be forced to reduce or delay investments and capital expenditures, or to sell assets, seek additional capital or restructure or refinance Ericsson's indebtedness. These alternative measures may not be successful and may not permit us to meet Ericsson's scheduled debt service obligations. In addition, if the Company were required to raise additional capital in the current financial markets, the terms of such financing, if available, could result in higher costs and greater restrictions on its business.

In addition, if Ericsson were to refinance its existing indebtedness, the conditions in the financial markets at that time could make it difficult to refinance Ericsson's existing indebtedness on acceptable terms or at all. If such alternative measures proved unsuccessful, Ericsson could face substantial liquidity problems and might be required to dispose of material assets or operations to meet the Company's debt service and other obligations.

2.2 Due to having a significant portion of Ericsson's costs in SEK and revenues in other currencies, the Company's business is exposed to foreign exchange fluctuations that could negatively impact its revenues and operating results.
Ericsson incurs a significant portion of the Company's expenses in SEK. Please refer to the consolidated financial statement note F1, "Financial risk management". As a result of Ericsson's international operations, Ericsson generates, and expects to continue to generate, a significant portion of the Company's revenue in currencies other than SEK. To the extent Ericsson is unable to match revenue received in foreign currencies with costs paid in the same currency, exchange rate fluctuations could have a negative impact on Ericsson's consolidated income statement, balance sheet and cash flows when foreign currencies are exchanged or translated to SEK, which increases volatility in reported results.

As market prices are predominantly established in US dollars or Euros, Ericsson presently has a net revenue exposure in foreign currencies, which means that a stronger SEK exchange rate would generally have a negative effect on Ericsson's reported results. The Company's attempts to reduce the effects of exchange rate fluctuations through a variety of natural and financial hedging activities may not be sufficient or successful, resulting in an adverse impact on Ericsson's results and financial condition.

2.3 Ericsson relies on various sources for short-term and long-term capital for the funding of the Company's business. Should such capital become unavailable or available in insufficient amounts or on unreasonable terms, Ericsson's business, financial condition and cash flow may materially suffer.
Ericsson's business requires a significant amount of cash. If Ericsson does not generate sufficient amounts of capital to support the Company's operations, service its debt and continue Ericsson's research and development and customer finance programs, or if the Company cannot raise sufficient amounts of capital at the required times and on reasonable terms, Ericsson's business, financial condition and cash flow are likely to be adversely affected. Access to funding may decrease or become more expensive as a result of Ericsson's operational and financial condition, market conditions, or due to deterioration in Ericsson's credit rating. There can be no assurance that additional sources of funds that Ericsson may need from time to time will be available on reasonable terms or at all. If the Company cannot access capital on a commercially viable basis, Ericsson's business, financial condition and cash flow could materially suffer.

2.4 Impairment of goodwill, other intangible assets, property and equipment (PP&E) and right-of-use (RoU) assets leased by the Company have impacted and may continue to negatively impact Ericsson's financial condition and operating results. An impairment of goodwill, other intangible assets, PP&E and RoU could adversely affect the Company's financial condition or operating results.
Ericsson has a significant amount of these assets; for example, patents, customer relations, trademarks, software, PP&E and RoU.

Goodwill is the only intangible asset the Company has recognized to have an indefinite useful life. Other intangible assets are mainly amortized on a straight-line basis over their estimated useful lives, and the assets are reviewed for impairment whenever events such as product discontinuances, product dispositions or other changes in circumstances indicate that the carrying amount may not be fully recoverable. Those intangible assets not yet in use are tested for impairment annually.

Historically, the Company has recognized impairment charges mainly due to restructuring, which is usually limited, but occasionally significant. Additional impairment charges may be incurred in the future and could be significant due to various reasons, including strategy changes, restructuring actions or adverse market conditions that are either specific to us or the broader industries in which Ericsson operates or more general in nature and that could have an adverse effect on Ericsson's operating results and financial condition.

Negative deviations in actual cash flows compared to estimated cash flows as well as new estimates that indicate lower future cash flows might result in recognition of impairment charges. Estimates require management judgment as well as the definition of cash-generating units for impairment testing purposes. Other judgments might result in significantly different results and may differ from the actual financial condition in the future.

3 Legal and regulatory risks

3.1 Ericsson could experience penalties and adverse rulings in enforcement or other proceedings, breach of contract claims and/or loss of revenue for non-compliance with laws, rules and regulations governing its business. Compliance with existing or changed laws, rules or regulations may subject Ericsson to increased costs or reduced products and services demand, and may adversely affect Ericsson's development efforts.
Ericsson is subject to multiple laws, rules and regulations in several jurisdictions. The Company could experience penalties and adverse rulings in enforcement or other proceedings for non-compliance with applicable laws, rules or regulations governing its business, which could have a material adverse effect on Ericsson and its customers, including its reputation, business, financial condition, operating results, cash flows, prospects or its current or future customer relationships, including both private and government customers. While Ericsson strives for compliance, the Company has not been in compliance with all such laws, rules and regulations in the past and cannot assure that all past violations have been addressed or that additional violations will not occur in the future. Ericsson's non-compliance with laws, rules and regulations may also affect our customer's compliance requirements and/or lead to actual or perceived breach of our contractual obligations to our customers resulting in contract claims and loss of revenue. It may also impact our ability to gain new customers.

Further changes in laws, rules or regulations could subject us to liability, increased costs, or reduced products and services demand, market access restrictions, inability to deliver products of certain origin and have a material adverse effect on Ericsson, including its reputation, business, financial condition, operating results, cash flows or prospects.

Changes to laws, rules or regulations may adversely affect both Ericsson's customers' and the Company's own operations. For example, regulations imposing more stringent, time-consuming or costly planning and zoning requirements or building approvals for radio base stations and other network infrastructure could adversely affect the timing and costs of network construction or expansion, and ultimately the commercial launch and success of these networks. Similarly, tariff and roaming laws, regulations or rules on network neutrality could also affect communications service providers ability or willingness to invest in network infrastructure, which in turn could affect the sales of Ericsson's systems and services. Additionally, delay in radio frequency spectrum allocation, and allocation between different types of usage may adversely affect communications service provider spending or force us to develop new products to be able to compete.

Further, Ericsson develops many of the Company's products and services based on existing laws, rules, regulations and technical standards. Changes to existing laws, rules, regulations and technical standards, or the implementation of new laws, rules, regulations, restrictions and technical standards relating to products and services not previously regulated, could adversely affect Ericsson's development or supply efforts by increasing compliance costs and causing delay or disruptions. Demand for those products and services could also decline. Regulatory changes related to e.g. license fees, environment, health and safety, security, data localisation, privacy (including the cross-border transfer of personal data for example between the EU and the US), and other regulatory areas may increase costs and restrict Ericsson's operations or the operations of network operators. Also, indirect impacts of such changes and changes to laws, rules or regulations in other fields, such as pricing regulations, could have an adverse impact on Ericsson, even though the specific laws, rules or regulations may not apply directly to the Company's products or us.

3.2 Ericsson's substantial international operations are subject to uncertainties that could affect the Company, including its reputation, business, financial condition, operating results, cash flows or prospects.

Ericsson conducts business throughout the world and is subject to the effects of general global economic conditions as well as conditions unique to specific countries or regions. The Company has customers in more than 180 countries, with a significant proportion of Ericsson's sales to emerging markets in the Asia Pacific region, Latin America, Eastern Europe, the Middle East and Africa.

Ericsson's extensive operations are subject to additional risks, including civil disturbances, acts of terrorism, acts of war, economic and geopolitical instability and conflict, potential misuse of technology leading to human rights violations, pandemics, the imposition of exchange controls, economies that are subject to significant fluctuations, nationalization of private assets or other governmental actions affecting the flow of goods and currency, effects from changing climate and difficulty of enforcing agreements and collecting receivables through local legal systems.

Further, in certain markets in which Ericsson operates, there is a risk that national governments actively favor or establish local vendors or introduce requirements for local content in their respective markets at the expense of foreign competitors or introduce other requirements impacting how Ericsson can provide products and services to its customers. The implementation of such measures could adversely affect Ericsson's sales, Ericsson's market share and its ability to purchase or supply critical products or components.

Compliance with applicable export control regulations and sanctions or other trade embargoes in force is paramount for the Company. The political situation in parts of the world, particularly in Russia/Ukraine and parts of the Middle East and China, remains uncertain and the level of export controls and sanctions is still relatively high from a historical perspective. This level could even increase, thus significantly impacting our operations where such increase occurs, including in these markets. The most recent increase in export controls has particularly targeted Chinas ability to develop advanced super computers and artificial intelligence, including the semiconductors needed for those operations. A universal element of the sanctions is the financial restrictions with respect to individuals and legal entities, but sanctions can also restrict certain exports and ultimately lead to a complete trade embargo towards a country. During the last few years, the global free trade system has been under sustained attack, which has increased the risk of states adopting policies and actions that violate WTO agreements. Further, there is a risk in many countries of unexpected changes in regulatory requirements, tariffs and other trade barriers, price or exchange controls, restrictions of imports, or other governmental policies that could limit Ericsson's operations and decrease Ericsson's profitability. Furthermore, export control regulations, sanctions or other forms of trade restrictions targeting countries in which Ericsson is active may result in a reduction of commitment in those countries. As an example, an escalation of trade tensions between the US and China has resulted in additional trade restrictions including export controls, and increased tariffs, which if further negatively developed could harm the Company's ability to compete effectively in Chinese markets or with Chinese companies and negatively impact Ericsson's operations in the country. The need to terminate activities as a result of further trade restrictions may also expose us to customer claims and other inherent risks. Although the Company seeks to comply with all export control and sanctions rules or regulations, these laws, rules and regulations are complex, frequently changing and increasing in number and the Company has not been in compliance with all such export control and sanctions rules or regulations in the past and cannot assure that all past violations have been addressed or that additional violations will not occur in the future. Such violations could have material adverse effects on Ericsson, including its reputation, business, financial condition, operating results, cash flows, or prospects and could constitute a violation of the DOJ Plea Agreement or the consent judgment with the U.S. Securities and Exchange Commission (SEC).

The business operations are complex involving the development, production and delivery of telecom solutions to customers in a very large number of jurisdictions. Each jurisdiction has its own tax laws, rules and regulations and the Company has to comply with the relevant laws, rules and regulations in each of these countries. These laws, rules and regulations involve income taxes and indirect taxes such as VAT and sales taxes as well as withholding taxes on domestic and cross border payments and social security charges related to Ericsson's employees. Constant changes of the laws, rules or regulations and the interpretation thereof also create exposures regarding taxes. This results in complex tax issues and tax disputes that may lead to additional tax payment obligations. Being a global operation, Ericsson also faces the risk of being taxed for the same income in more than one jurisdiction (double taxation). This could have adverse effects on Ericsson, including its reputation, business, financial condition, operating results, cash flows, or prospects.

There has been a concern reported by some media and others, that certain countries may use features of their telecommunications systems in ways that could result in potential violation of human rights, among others. This may adversely affect the telecommunications business and may have a negative impact for people and Ericsson.

All of the above may have a material and potentially lasting adverse impact on Ericsson, including its reputation, business, including sales market share, market access, supply chain and R&D activities, financial condition, operating results, cash flows, or prospects.

3.3 Ericsson is subject to certain US and other anti-corruption (including anti-bribery, anti-money-laundering, sanctions, terror finance and anti-terrorism) laws, rules and regulations. Ericsson may be subject to further adverse consequences under the DOJ Plea Agreement with the United States Department of Justice (DOJ) and the injunction issued in connection with the settlement with the U.S. Securities and Exchange Commission (SEC), from 2019 and other investigations by governmental authorities.

The Company is required to comply with anti-corruption (including anti-bribery, anti-money-laundering, sanctions, terror finance and anti-terrorism) laws, rules and regulations in jurisdictions where Ericsson does business. In addition, some of the international locations in which we operate lack a developed legal system and have elevated levels of corruption affecting many aspects of conducting business. From time to time, the Company investigates potential instances of corruption, including potential violations of anti-bribery, anti-money-laundering, sanctions, terror finance and anti-terrorism laws, rules and regulations.

The Company cannot assure that its employees, subcontractors and agents have complied with these requirements in the past, and the Company faces exposure to possible past, present and future violations of these requirements by its employees, subcontractors and agents. Actions by Ericsson's employees, or by third-party intermediaries acting on the Company's behalf in violation of these laws, rules or regulations, whether carried out in the US or elsewhere in connection with the conduct of Ericsson's business, may expose the Company to significant civil or criminal liability that would materially harm the Company, including its reputation, business, financial condition, funding, operating results, cash flows, and prospects.

In December 2019, Ericsson entered into a resolution with the DOJ resolving the DOJ's investigations into Ericsson's business dealings in Djibouti, China, Vietnam, Indonesia and Kuwait. The resolution included a deferred prosecution agreement (DPA) and a guilty plea by Ericsson's Egyptian subsidiary to a criminal violation of the US Foreign Corrupt Practices Act's (FCPA) anti-bribery provisions.

Under the DPA, the Company admitted to the conduct described in the DPA's statement of facts, and the DOJ agreed to defer prosecution of Ericsson for the DPA's three-year term if Ericsson did not violate the terms of the DPA.

In October 2021, the DOJ notified Ericsson of its determination that we breached our obligations under the DPA by failing to provide required information to the DOJ.

In February 2022, the Company publicly disclosed that an internal investigation in 2019 included a review of the conduct of Ericsson employees, vendors and suppliers in Iraq during the period 2011–2019. The investigation found serious breaches of compliance rules and the Company's Code of Business Ethics and identified evidence of corruption-related misconduct and other serious violations, including payments to intermediaries and the potential use of alternate transport routes in connection with circumventing Iraqi Customs, at a time when terrorist organizations, including ISIS, controlled some transport routes. The investigation also identified payment schemes and cash transactions that potentially created the risk of money laundering. The investigators could not determine the ultimate recipients of any payments, nor identify that any Ericsson employee was directly involved in financing terrorist organizations.

As a result of the investigation, several employees were terminated from the Company and multiple other disciplinary and other remedial actions were taken.

In March 2022, the DOJ informed Ericsson it had determined that, before entering into the DPA, the Company provided insufficient information to the DOJ about the Company's 2019 internal investigation into conduct in Iraq. The DOJ also determined that the Company breached the DPA by failing to inform the DOJ about the investigation after entering into the DPA.

In June 2022, the SEC informed us that it opened an investigation concerning matters described in the Company's 2019 Iraq investigation report. Under Ericsson's consent judgment with the SEC, we are permanently enjoined from violating the FCPA's anti-bribery, books and records and internal controls provisions. Violations of the injunction or consent judgment could subject us to new civil and criminal penalties as well as new enforcement actions.

In December 2022, the Company agreed with the DOJ and SEC to extend the term of the Company's independent compliance monitor for one year, to June 2024.

On March 2, 2023, the Company reached a resolution (DOJ Plea Agreement) with the DOJ regarding non-criminal breaches under its DPA. Under the DOJ Plea Agreement, Ericsson will plead guilty to previously deferred charges relating to conduct prior to 2017. In addition, Ericsson agreed to pay a fine of USD 206,728,848. The entry of the DOJ Plea Agreement will bring the DPA to an end. As set forth in the DOJ Plea Agreement, Ericsson will have certain continuing obligations through June 2024, as set forth in the DOJ Plea Agreement, including cooperation, reporting evidence or allegations of potential FCPA violations, continuing to engage an independent compliance monitor and improving its compliance program.

On January 12, 2023, the Company made a provision in the fourth quarter of 2022 of SEK 2.3 billion (approx. USD 220 million) in relation to the DOJ Plea Agreement. The provision also included estimated expenses (SEK 0.1 billion) for the previously announced extended compliance monitorship. The Company's internal investigation and its cooperation with authorities in relation to the matters discussed in the 2019 internal Iraq investigation report remain open and ongoing. With respect to the matters described in the 2019 internal Iraq investigation report, the Company continues to thoroughly investigate the matters in full cooperation with the DOJ and the SEC. As previously disclosed, the Company's 2019 internal Iraq investigation did not conclude that Ericsson made or was responsible for any payments to any terrorist organization and significant further investigation over the course of 2022 has not altered this conclusion.

We are subject to potential material additional liability resulting from past conduct, including allegations of past conduct in Iraq or other locations that remains unresolved or unknown. These include risks related to internal control and governance, including the potential to incur material liability in connection with internal controls surrounding payments made to third parties in connection with historical conduct in Iraq or other locations.

We also face other negative consequences from these matters, including matters under review as part of our ongoing and future communications with governmental authorities to comply with our obligations under the DOJ Plea Agreement. Governmental authorities in the US and elsewhere are investigating us for possible violations of applicable anti-corruption (including anti-bribery, anti-money laundering, sanctions, terror finance and anti-terrorism) laws, rules or regulations, and we currently face litigation related to these matters. Any criminal prosecution or civil or criminal penalties imposed as a result of non-compliance for any reason with the DOJ Plea Agreement or consent judgment could have a material adverse effect on the Company, including its reputation, business, financial condition, funding, operating results, cash flows, or prospects.

In addition, the Company may face potential material additional costs and liability resulting from our ongoing future compliance with the terms of the DOJ Plea Agreement with the DOJ and extended compliance monitorship, including to become a target for public scrutiny as a result of entering into the DOJ Plea Agreement, incorrect misinterpretations of the resolution, complaints to regulatory agencies, negative media publicity, potential debarment from government contracting in the United States and elsewhere, reputational risk, as well as potential negative impact on commercial contracts, dealings with financial institutions and, contracts with suppliers, primarily due to counter-party reluctance to continue business relationships.

Ericsson may also face other potentially negative consequences relating to the investigations by, and settlements with, the DOJ and SEC, or to other potential investigations. Enforcement authorities in the US or elsewhere, including the SEC, the DOJ or The Office of Foreign Assets Control (OFAC), could investigate us for additional possible violations of applicable anti-corruption (including anti-bribery, anti-money laundering, sanctions, terror finance and anti-terrorism) laws, rules or regulations of which we are aware or unaware at any time. Such violations could result in severe reputational damage, and have a materially adverse effect on Ericsson, including its reputation, business, financial condition, operating results, cash flows, or prospects and could constitute a violation of the DOJ Plea Agreement or the consent judgment with the SEC. Neither the DOJ Plea Agreement nor the consent judgment prevents the DOJ, SEC or any other authorities from carrying out investigations with respect to facts not covered in the agreements or in other jurisdictions, or prevents other authorities from carrying out investigations related to these or other matters. Similarly, the resolutions with the DOJ and SEC do not foreclose third parties, such as competitors, customers, suppliers, or shareholders, from commencing litigation related to these or other matters.

There can be no assurance that the remedial measures described above and any others Ericsson may take in the future will be effective or that there will not be a finding of material weakness in Ericsson's internal controls. Any one or more of the foregoing could have a material adverse effect on the Company, including its reputation, business, financial condition, funding, operating results, cash flows, or prospects.

Additionally, any ongoing media or governmental interest in investigations and resolutions or additional company investigations that we are currently undertaking or may undertake in the future could result in the discovery of additional facts, impact the public perception of Ericsson and result in reputational harm and other negative consequences. For example, customers or suppliers may reconsider their relationships with the Company, or governmental and regulatory authorities in the relevant jurisdictions or elsewhere could seek to penalize the Company or place restrictions on its operations or ability to participate in public tenders. Harm to reputation, or any resulting disruption in customer or supplier relationships, could have a material adverse impact on Ericsson, including its reputation, business, financial condition, funding, operating results, cash flows, or prospects.

3.4 Ericsson is involved in lawsuits, legal proceedings and regulatory investigations, which, if determined unfavorably, could require the Company to pay substantial damages, fines and/or penalties.

In the normal course of Ericsson's business Ericsson is involved in legal proceedings. These proceedings include matters such as commercial disputes, claims regarding intellectual property, labor disputes and any government or authority inquiry or investigation, e.g. antitrust and tax, disputes. Legal proceedings can be expensive, lengthy and disruptive to normal business operations. Moreover, the results of complex legal proceedings are difficult to predict. An unfavorable resolution of a particular matter could have a material adverse effect on Ericsson's business, operating results , financial condition and reputation. As a publicly listed company, Ericsson may be exposed to lawsuits in which plaintiffs allege that the Company or its officers have failed to comply with securities laws, stock market regulations or other laws, regulations or requirements. Whether or not there is merit to such claims, the time and costs incurred to defend the Company and its officers and the potential settlement or compensation to the plaintiffs could have significant impact on Ericsson's reported results and reputation.

In addition, the Company is from time to time and may in the future be subject to additional inquiries, litigation or other proceedings or actions, regulatory or otherwise, arising in relation to the matters described above and related or other litigation and investigative matters. An unfavorable outcome of any such litigation or regulatory proceeding or action could have a material adverse effect on Ericsson's business, financial condition and operating results.

In April 2019, Ericsson was informed by China's State Administration for Market Regulations (SAMR) Anti-monopoly bureau that SAMR has initiated an investigation into Ericsson's patent licensing practices in China. Ericsson is cooperating with the investigation, which is still in a fact-finding phase. The next steps include continued fact-finding and meetings with SAMR in order to facilitate the authority's assessment and conclusions. In case of adverse findings, SAMR has the power to impose behavioral and financial remedies, which may have material adverse effects on Ericsson's business, financial condition and operating results.

On March 3, 2022, Telefonaktiebolaget LM Ericsson and certain officers of Ericsson were named as defendants in a putative class action filed on behalf of purchasers of Ericsson ADS in the United States, in the United States District Court for the Eastern District of New York. An amended complaint was filed on September 9, 2022, which added a former Ericsson officer as a defendant. The amended complaint alleges violations of United States securities laws, in connection with allegedly false and misleading statements principally concerning the Company's adherence with its compliance and anti-corruption policies and obligations and the conduct of its business in Iraq. In December 2022, Ericsson and the Individual Defendants filed a motion to dismiss the complaint. In February 2023, the plaintiff opposed the motion.

In August 2022, a civil lawsuit was filed in the United States District Court for the District of Columbia against Telefonaktiebolaget LM Ericsson and Ericsson Inc. The lawsuit was brought by US military service members and employees of US government contractors who were killed or injured in terrorist attacks in Iraq, Afghanistan and Syria from 2005 to 2021, as well as by their family members. The lawsuit asserts claims against Ericsson under the US Anti-Terrorism Act alleging that Ericsson made payments that ultimately aided the terrorist organizations that committed, planned or authorized the attacks. In November 2022, the Company filed a motion to dismiss the complaint. On December 20, 2022, plaintiffs filed an amended complaint, which added additional plaintiffs, named Ericsson AB, CEO Börje Ekholm and a former employee as additional defendants and also asserted additional allegations and claims.

An unfavorable outcome of any of the abovementioned proceedings may have material adverse effects on Ericsson's business, financial condition and operating results.

For additional information regarding certain of the inquiries and lawsuits in which Ericsson is involved, see "Legal proceedings" in the Board of Directors' Report.

3.5 Ericsson may be found non-compliant with privacy, security and data localisation regulations as well as corresponding contractual obligations and may be subject to regulatory penalties and/or breach of contract claims.

More stringent privacy, security and data localisation regulations are developed in a rapid pace in many countries and markets in which Ericsson operates, including the General Data Protection Regulation (EU), and national privacy regimes in India, China and some states of the United States. We are also subject to contractual obligations to our customers and third parties relating to privacy, security and our use of data generally, which, amongst other things, requires us to ensure appropriate security and limit our use of customer data. Whilst we strive to comply with applicable privacy, security and data localisation regulations and our contractual obligations, the complexity, uncertainty, pace of implementation of new laws and contradictions in local and regional privacy, security and data localisation regulations may mean that Ericsson is found to be non-compliant with these requirements or our contractual obligations, and subject to penalties levied against Ericsson, breach of contract claims, with the risk for associated damage to Ericsson's brand and reputation. We continue to review on a periodic basis our privacy compliance across our global operations to comply with these varied global and ever changing requirements. For example as part of this review cycle, we are reviewing data management in connection with our customer support function and are in the process of identifying and implementing certain changes, for example, changes to data access and amendments to customer contracts and policies and procedures. Due to the diverse nature of legislation worldwide of privacy, security and data localisation regulations, any single incidence of non-compliance by Ericsson may lead to regulatory agencies in various jurisdictions levelling separate penalties or judgments against Ericsson. Due to the nature of Ericsson's business and the amount of personally identifiable information of which Ericsson is the controller or processor, such an event could have far ranged consequences, such as orders to change our operations or cease processing personally identifiable information, even if it was accidental or caused by a third party outside of the control of Ericsson. This could include large fines, as well as significant damage claims and losing trust from customers, end-users and employees, which may have material adverse effects on Ericsson's business, reputation, financial condition and operating results and may require us to change our business practices and potentially the services, features, integrations and other capabilities of our offerings.

3.6 Ericsson may be found non-compliant with new and emerging human rights and environmental due diligence regulations and may be subject to administrative penalties and/or civil liability.

The regulatory landscape addressing corporate conduct in relation to human rights and environmental impacts is rapidly evolving. New legislation, imposing more stringent due diligence requirements (for example the US Uyghur Forced Labor Prevention Act (UFLPA), The Norwegian Transparency Act and the German Supply Chain Due Diligence Law), has already entered into force and requires Ericsson to assess risks from a full supply chain perspective, beyond first-tier suppliers. Additionally, emerging legislation from the European Union (The Corporate Sustainability Due Diligence Directive and the Forced Labor Ban Regulation) will put additional requirements on Ericsson to adopt and refine additional mechanisms to identify, address, prevent and mitigate certain human rights and environmental risks in its operations and business relationships. Because of this regulation, Ericsson may be expected to engage in increasingly more detailed due diligence with respect to its third parties, some of which may not have the controls and data necessary to assist Ericsson with its compliance. Due to the global reach of these legislations, impacts in any country of operation or where Ericsson engages with suppliers, customers or other third parties may lead to non-compliance thereby potential administrative penalties or civil liability. Moreover, the UFLPA and the upcoming EU Forced Labor Ban Regulation, enable customs authorities to seize and destroy shipments that include components produced with forced labor, unless the company in question provides credible evidence of full supply chain due diligence efforts that prove the absence of forced labor. Such actions by law enforcement would have significant financial and reputational impacts on Ericsson's operations and business relationships. In order to comply with the legislation, Ericsson needs to endeavor to increase supply chain transparency and knowledge of supplier base and material content. Ericsson might also need to shift its supply chains from high-risk countries, which could have adverse financial implications, including increasing the total costs associated with our businesses.

4 Internal control risks

4.1 Cybersecurity incidents may have a material adverse effect on Ericsson's business, operations, financial performance, customer and vendor relationships, reputation and brand, and may lead to significant penalties or litigation, or to regulatory investigations or actions.

Threat actors exploiting vulnerabilities in Ericsson's systems, processes or personnel due to insufficient or failing controls, e.g. lack of access management or use of more sophisticated attack techniques could result in security incidents that may impact the confidentiality, availability or integrity of information assets, IT assets, personnel, products, services, or solutions. These incidents may include data breaches, intrusions, espionage, disruptive attacks utilizing malware (such as ransomware or other extortion-based tactics), exploitation of hardware or software vulnerabilities or bugs, data privacy infringements, leakage of confidential or sensitive data, unauthorized or accidental usage or modification of data or accounts and general malfeasance.

Ericsson utilizes third parties to a large extent to whom the Company has outsourced significant aspects of Ericsson's IT infrastructure, product development, services, hardware, software, finance and other internal and external-facing operations. Events or incidents caused as a result of vulnerabilities in their operations or products could have a material adverse effect on Ericsson, Ericsson's business, financial performance, reputation and brand, potentially disrupting operations, leaking valuable or sensitive information, personal data or damaging Ericsson's products that have been installed in the Company's customers' networks.

A cybersecurity incident in Ericsson's operations or supply chain could have an adverse impact on the integrity of solutions or services provided by Ericsson as well as Ericsson's ability to comply with legal, regulatory or contractual requirements. These incidents may include tampering with components, the inclusion of backdoors or implants, the unintentional inclusion of vulnerabilities in components or software, and cybersecurity incidents which prevent a supplier from being able to fulfil commitments to Ericsson. In the past few years, widely publicized incidents involving third parties such as SolarWinds and Apache's Log4j software are examples of situations in which cyberattacks on supply chain players affected companies that utilized their products and services.

Any cybersecurity incident including unintended use, misconfiguration, or unintended actions, involving Ericsson's operations, supply chain, product development, services, third-party providers or installed product base, could cause severe harm to Ericsson and could have a material adverse effect on Ericsson's business, financial performance, customer and vendor relationships, reputation and brand, and may introduce the possibility of litigation or regulatory investigations or actions, increased costs for remediation and compliance, diminished reputation and brand in the marketplace, any or all of which could materially impact Ericsson's financial results.

Ericsson's network systems and storage and other business applications, and the systems, storage and other business applications maintained by the Company's third-party providers, have been in the past, and are expected to be in the future, subject to cybersecurity incidents. We expect continued attempts to gain unauthorized access to breach our systems and/or information, and other forms of malfeasance and disruptive attacks. In some cases, such incidents are difficult to anticipate or to detect immediately and the damage caused thereby. Threat actors are increasingly sophisticated in using attack techniques that are specifically engineered to avoid detection, circumvent security controls, and obfuscate forensic evidence, which means that we may be unable to identify, detect, respond or remediate in a timely manner.

If an actual or perceived breach of security occurs in Ericsson's network or any of its third-party providers' networks, Ericsson could incur significant costs and the Company's reputation could be harmed. While Ericsson works to safeguard Ericsson's internal network systems and assess and validate the security of the Company's third-party providers to mitigate these potential risks, including through security requirements and employee awareness and training, there is no assurance that such actions will be sufficient to prevent security incidents. Any insurance that we carry may be partially or wholly insufficient to cover losses or costs associated with responding to and remediating any or all cybersecurity incidents that we may experience.

4.2 The presence of vulnerabilities in Ericsson's products, services or operations, may not be detected during product development and operations, and may be leveraged by a threat actor to cause material harm to Ericsson or Ericsson's customers.
Vulnerabilities in Ericsson's products, solutions or services not detected and treated during product development or solution delivery may be exploited by a threat actor to cause harm to Ericsson's customers, end-users or Ericsson. Vulnerabilities could be brought in through different stages of the product life cycle. In some situations, it may be hard to detect these vulnerabilities due to their location, or due to the fact that they are unknown vulnerabilities, often referred to as "zero-day vulnerabilities". As almost any modern software can contain open source and third-party components, so does software in networks, unmitigated security exposures can put Ericsson customers at varying levels of risk and expose Ericsson to liabilities or loss of business. Cyberattacks and security incidents are expected to accelerate in both frequency and impact as attackers are increasingly sophisticated and utilize tools and techniques that are designed to circumvent controls, avoid detection, and remove or obfuscate forensic evidence, which means that Ericsson may be unable to detect, investigate, contain or recover from future attacks or incidents in a timely or effective manner.

4.3 Identities may be compromised, either from the misuse of Ericsson's identities or accounts, leading to material damage to Ericsson's products, services or brand.
If identities in Ericsson are misused or compromised, it can be difficult to differentiate authorized parties undertaking normal account activities from the threat actor's use of a compromised identity or credential. Ericsson's identity and access management routines are required to access Ericsson's customer's networks, and any limitation of this capability would impact Ericsson's ability to offer services and products to Ericsson's customers, which could have a material adverse effect upon Ericsson's reputation and its business as a whole.

4.4 Threat actors may target employees, or other members of Ericsson's workforce, through technological and non-technological means.
Recent trends have shown that there is a willingness to target end users, rather than the entire enterprises. This has manifested itself in the rise of threats such as ransomware, phishing, spear phishing, spoofing and other extortion methods. With a diverse workforce of approximately 105,000 employees, Ericsson is susceptible to risks of disruption or information loss resulting from large scale attacks towards Ericsson's employees, or society at large. This could have a material adverse effect on the Company's business, financial condition, reputation and brand.

4.5 Insiders may steal or monitor information or disrupt networks related to Ericsson or its customers, through technological or non-technological means.
To gain strategic access or to steal specific information competitors or governments may induce insiders or recruit employees who sell information or services for personal gain. Several organizations and institutes report an increase of insider threat over the last years. Any insider incident could cause severe harm to Ericsson and could have a material adverse effect on Ericsson's business, financial performance, customer and vendor relationships, reputation and brand, and may introduce litigation or other actions.

5 Environmental, social and business conduct risks

5.1 Failure to comply with environmental, social and business conduct regulations in many jurisdictions may expose Ericsson to significant penalties and other sanctions.
Ericsson is subject to environmental, social and business conduct applicable laws, rules and regulations as well as related requirements. Ericsson expects such laws, rules and regulations and other requirements to increase as governments impose new laws, rules, regulations and other requirements. These laws, rules, regulations and other requirements include anti-corruption laws (including anti-bribery, anti-money-laundering, sanctions, terror finance and anti-terrorism), as well as environmental, occupational health and safety laws and regulations that are applicable to Ericsson's operations, facilities, products and services in each of the jurisdictions in which the Company operates. Ericsson works actively to promote compliance with applicable laws, rules, regulations and customer requirements related to the environment, health, and safety (including without limitation occupational health and safety) that apply to the Company; however, if Ericsson has failed or fails to comply with these laws, rules or regulations, the Company could be subject to significant penalties and other sanctions that could have a material adverse effect on Ericsson's business, operating results, financial condition, reputation and brand. Additionally, there is a risk that Ericsson may have to incur expenditures to cover environmental, occupational health and safety-liabilities to maintain compliance with current or future applicable laws and regulations or to undertake any necessary remediation. It is difficult to reasonably estimate the future impact of environmental matters, such as climate change and extreme weather events, including potential liabilities. Future regulations or judgments could have a significant adverse effect on Ericsson's business, operating results , financial condition, reputation and brand.

5.2 Ericsson may fail to comply with environmental, social and business conduct standards, which could negatively affect the Company.
Ericsson's management system includes the Code of Business Ethics, the Code of Conduct for Business Partners and a Sustainability Policy, as well as other Group Policies and Directives to govern the Company's processes and operations, and to enable the Company's processes and operations to be conducted in accordance with applicable laws, rules, regulations and other requirements. Ericsson's Code of Business Ethics and Code of Conduct for Business Partners are based on the Company's commitment to the UN Global Compact ten principles and the UN Guiding Principles on Business and Human Rights.

Ericsson's compliance with the policies, directives, laws, rules and regulations, including anti-corruption (including anti-bribery, anti-money laundering, sanctions, terror finance and anti-terrorism) laws, rules and regulations, as well as the Company's suppliers' adherence to Ericsson's Code of Conduct for Business Partners and related laws is subject to risk, and Ericsson has not been in compliance with all such policies, directives, laws, rules and regulations in the past and cannot provide any assurances that future violations will not occur, which could have material adverse effects on Ericsson, including its reputation, business, financial condition, operating results, cash flows, or prospects. See risk factor 3.3 above.

There is also an increased demand from external stakeholders, for example non-governmental organizations and investors, on transparency about sustainability and corporate responsibility issues that might be difficult to fulfil, including expectations that the Company make commitments. If we fail to adequately meet these expectations, or fail to timely meet any related goals or commitments, our business may be adversely affected. In addition, the Company's disclosures regarding such matters may make us the target of activists, regulators and others who want the Company to take different approaches on such matters or provide additional disclosures or commitments, and such engagement could result in increased costs or reputational damage. Certain of our disclosures and commitments regarding such matters may be based in part or in whole on third-party information or third-party performance, and we cannot assure the quality of third-party information nor assure third-party performance.

Climate change and the potential environmental impact resulting therefrom 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, including costs associated with changes to manufacturing processes, or costs associated with the procurement of raw materials and components used in our products, as well as increased indirect costs resulting from our customers, suppliers or both incurring additional costs that are passed on to us. These costs may adversely impact the Company, including its reputation, business, financial condition, operating results, cash flows, or prospects. In addition, climate change could cause severe weather events, such as droughts, heat waves, wildfires, storms, and flooding, to occur more frequently or with greater intensity, as well as chronic changes in temperatures and rising sea levels, which could pose physical risks to our manufacturing facilities or our suppliers' facilities, cause disruptions in our upstream and downstream logistic flows, and consequently increase operating costs and/or cause business interruptions.

5.3 Potential health risks related to radiofrequency electromagnetic fields may subject us to various product liability claims and result in regulatory changes.

The mobile telecommunications industry is subject to claims that mobile devices and other equipment that generate radiofrequency electromagnetic fields may expose individuals to health risks. At present, a substantial number of scientific reviews conducted by various independent research bodies have concluded that radiofrequency electromagnetic fields, when used at levels within the limits prescribed by public health authority safety standards and recommendations, cause no adverse effects to human health. However, any perceived risk or new scientific findings of adverse health effects from mobile communication devices and equipment could adversely affect us through a reduction in sales or through liability claims. Although Ericsson's products are designed to comply with currently applicable safety standards and regulations regarding radio frequency electromagnetic fields, the Company cannot guarantee that Ericsson will not become the subject of product liability claims. We also cannot guarantee that the Company will not be held liable for such claims or be required to comply with future changed regulatory requirements. Ericsson may in addition be affected by regulatory or other restrictions imposed on the Company's customers use of radio equipment that may have a material adverse effect on our business, operating results, financial condition, reputation and brand.

5.4 Regulations related to "conflict minerals" may cause us to incur additional expenses, and may make our supply chain demands more complex.

In 2012, the U.S. Securities and Exchange Commission (SEC) adopted a rule requiring disclosures of specified minerals ("conflict minerals") that are necessary to the functionality or production of products manufactured or contracted to be manufactured by companies that file periodic reports with the SEC, whether or not these products or their components are manufactured by third parties. Ericsson can provide no assurance that there will not be material costs associated with complying with the disclosure requirements. These requirements could adversely affect the sourcing, availability and pricing of minerals used in the manufacture of certain of our products, which may have a material adverse effect on our business. In addition, since our supply chain is complex, the Company may not be able to sufficiently verify the origins for these minerals contained in our products through the due diligence procedures that Ericsson implements, which may harm our reputation and our business. Ericsson may also encounter challenges if customers put more emphasis on the idea that all of the Ericsson's product components be certified as "conflict-free". Ericsson acknowledges that similar challenges exist for other mineral and metals, outside the scope of the SEC disclosure rule.

5.5 Employees and sub-contractors may be put at risk in areas where Ericsson operates.

Ericsson's commitment to bring connectivity to the world involves operations in areas of high risk related to local conflicts, warfare, criminality, authoritarian rule, man-made accidents or naturally caused crises, such as flooding, earthquakes, tsunamis or other. Such situations may risk the lives or welfare of employees, subcontractors' employees, or their families, as well as trigger liabilities under International Humanitarian Law. Ericsson's internal frameworks, contractual agreements, protective measures, and emergency response plans, may not be enough to protect employees or subcontractors' employees from harm. If Ericsson is found to not have done enough to provide protection or support in such situations, it could have adverse material effects on our business and reputation and can lead to litigation and sanctions.

Auditor’s report

To the general meeting of the shareholders of Telefonaktiebolaget LM Ericsson (publ) corporate identity number 556016-0680

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Telefonaktiebolaget LM Ericsson (publ) for the financial year January 1, 2022–December 31, 2022. The annual accounts and consolidated accounts of the company are included on pages 14–122 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2022 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2022 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company’s audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities* section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Revenue recognition of significant contracts

Ericsson generates revenues from sales of hardware, software, and services to its customers. Total revenue for 2022 amounted to SEK 271.5 billion. The majority of these revenues are related to multi-year framework agreements with large customers which often include discounts and incentives arrangements. The customers issue purchase orders under these framework agreements that in combination constitute a commitment to purchases of products and services over the duration of the agreement with the customer. These arrangements may give rise to a risk of material misstatement due to the incorrect identification of performance obligations and timing of revenue recognition for each obligation, for significant contracts that could have a material impact on the financial statements.

Ericsson conducts an assessment at contract inception to determine which promised goods and services in a customer contract are distinct and accordingly identified as performance obligations. The Company considers there to be a distinct performance obligation if the customer can benefit from the goods or service either on its own or together with other resources readily available, and if the Company’s obligation to transfer the goods or service is separately identifiable from other obligations in the contract.

The amount and timing of revenue recognized is determined in relation to the individual elements of the contract. Transaction prices including variable considerations, discounts, concessions, and incentive agreements, are 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 and in allocating revenue to each performance obligation by reference to their standalone selling prices.

We identified revenue recognition of significant contracts as a key audit matter due to the complex application of revenue recognition accounting standards and that it requires management to make judgments and estimates in determining the amount and timing of revenue recognized in relation to individual elements of the contracts. Accounting principles and disclosures related to revenue recognition can be found in note B1 and B2.

Our audit procedures related to the amount and timing of revenue recognized in relation to significant contracts included, but were not limited to the following:

– We tested the effectiveness of the Company’s controls over revenue recognition with particular focus on the controls related to the identification of performance obligations within revenue contracts and determination of the timing of recognition for each revenue obligation including the reviews performed by the company’s central board for material and complex deals.
– We tested a sample of significant contracts to assess management’s judgments and estimates related to the identification of performance obligations and determination of the timing of recognition for each revenue obligation based on the contract.
– We tested a sample of revenue transactions recorded during the year by tracing them to supporting evidence of delivery and acceptance and assessed the judgments and estimates for revenue recorded in the period by comparing it to contractual terms such as, delivery terms, transaction prices including variable considerations, discounts, and incentive agreements.

– We tested a sample of ongoing negotiations with existing customers and analysed reversals of revenue subsequent to year-end for indicators of unrecorded discounts and concessions during the period.

Valuation of Goodwill

Goodwill is a significant asset in the consolidated balance sheet and amounts to SEK 84.6 billion as of December 31, 2022. The Company's evaluation of the carrying value of goodwill involves the comparison of the recoverable amount of each cash generating unit to their carrying values. The Company's assessment is based on a discounted cash flow model using a business plan covering five years followed by a steady or declining growth rate, which requires management to make significant estimates and assumptions regarding forecasts of future sales growth, operating income, working capital and capital expenditure requirements, as well as assumptions on discount rates. Changes in these assumptions could have a significant impact on either the recoverable amount, the amount of any impairment charge, or both. In 2022, the Company completed its acquisition of Vonage Holdings Corp. which added SEK 41.3 billion of goodwill.

We identified valuation of goodwill as a key audit matter because of the significant judgments made by management to estimate the recoverable amount. The assessment of management's assumptions regarding recoverable amount requires a high degree of auditor judgment, including an increased extent of complexity and the need to involve our fair value specialists. Accounting principles and disclosures related to goodwill and other intangible assets can be found in note C1.

Our audit procedures related to the assumptions regarding recoverable amount included, but were not limited to the following:

– We tested the effectiveness of the Company's controls over goodwill impairment evaluation and determination of the recoverable amount with particular focus on the controls over management's preparation and review of assumptions for future sales growth, operating income, working capital, capital expenditure requirements and method for determining the discount rate used.
– We evaluated management's ability to accurately forecast future sales growth and operating income by comparing actual results to management's historical forecasts, the Company's historical results, external analyst reports, industry research, peer companies and internal communications to management and the Board of Directors.
– With the assistance of our fair value specialists, we evaluated the discount rates, including testing the underlying source information and the mathematical accuracy of the calculations, and developing a range of independent estimates and comparing those to the discount rates selected by management.

Business combinations

The Company completed the acquisition of Vonage Holdings Corp. for a consideration equivalent of 53.3 BSEK on July 21, 2022. The Company accounted for the acquisition as a business combination in accordance with IFRS 3, 'Business Combinations'. Accordingly, the purchase price was allocated to the assets acquired and liabilities assumed, using the acquisition method, based on their respective fair values at the acquisition date, including Intangible assets of 23.6 BSEK. Management estimated the fair value of the identified intangible assets by applying different discounted cash flow methods, where the multi-period excess earnings method was applied for customer relationships and relief-from-royalty method for trade names and technology. The identification and fair value determination of the acquired intangible assets required management to make significant estimates and assumptions related to the calculation of fair value, future cash flows and the selection of the discount rate.

We identified the acquired intangible assets as a key audit matter because of the significant estimates and assumptions management makes to identify the intangible assets and calculate the fair values. This required a high degree of auditor judgment and an increased extent of effort, including the need to involve our fair value specialists, when performing audit procedures to evaluate the reasonableness of management's forecasts of future estimated cash flows and the selection of the discount rate to arrive at the present value for the intangible assets as of the date of acquisition.

Our audit procedures related to the identification and fair value determination of the acquired intangible assets included, but were not limited to the following:

– We tested the effectiveness of the Company's controls over the purchase price allocation and identification and valuation of the intangible assets, with particular focus on the controls over management's preparation and review of assumptions for the calculation of fair value, future cash flows and the selection of the discount rate used.
– We tested the purchase price allocation in order to assess the completeness in the identification of acquired intangible assets.
– We evaluated management's ability to accurately forecast future sales growth and operating income by comparing actual results to historical forecasts, historical results, external analyst reports and internal communications to management and the Board of Directors.
– With the assistance of our fair value specialists, we evaluated the discount rates, including testing the underlying source information and the mathematical accuracy of the calculations, and developing a range of independent estimates and comparing those to the discount rates selected by management.

Provision related to the alleged DPA breach with United States Department of Justice

In December 2019, Ericsson entered into a Deferred Prosecution Agreement ("DPA") with the US Department of Justice ("DOJ") to resolve the DOJ's investigations into Ericsson's business dealings in certain countries. Under the DPA, the Company admitted to the conduct described in the DPA's statement of facts, and the DOJ agreed to defer prosecution of Ericsson for the DPA's three-year term if Ericsson does not violate the terms of the DPA. In October 2021, the DOJ notified Ericsson of its determination that the Company breached certain obligations under the DPA by failing to provide required information to the DOJ. Further, in March 2022, Ericsson was informed that the DOJ had determined that the Company had breached the DPA by not providing sufficient information regarding its internal investigations into conduct in Iraq in the period from 2011 to 2019.

In the fourth quarter of 2022, the Company recorded a provision of SEK 2.3 billion in relation to a potential resolution with the DOJ regarding previously announced, non-criminal, alleged breaches under its 2019 DPA. The provision also includes estimated expenses for the extension of the monitorship by one year to June 2024. As of December 31, 2022, Ericsson had not reached a resolution with the DOJ regarding the alleged breaches.

We identified the provision for the alleged DPA breaches as a key audit matter due to the significant amount of judgement and assumptions required by management in determining whether, under IAS 37 Provisions, Contingent Liabilities and Contingent Assets ("IAS 37"), a reliable estimate can be made of the amount of the provision, and underlying significant estimation uncertainties are adequately disclosed relating to this matter. This also is due to the fact that no resolution had been reached regarding the alleged breaches and discussions were still ongoing at year-end. The assessment of management's assumptions regarding the related disclosures to the provision are complex and requires a high degree of auditor judgment and an increased extent of audit effort.

In March 2023 Ericsson reached a resolution with the DOJ regarding the alleged breaches bringing the 2019 DPA to an end.

Our audit procedures related to the assessment of management's assumptions regarding the related disclosures for the provision included, but were not limited to the following:

– We tested the effectiveness of the Company's controls over management's assessment and review of the assumptions related to the recorded provision and the related disclosures.
– We tested the provision in order to assess the adequacy of the related disclosures made around the uncertainties of the provision.
– We evaluated whether the disclosures made in the financial statements appropriately reflect the facts and key sources of estimation uncertainty.
– We evaluated the assessment of the provisions, associated probabilities, and potential outcomes in accordance with IAS 37 including events subsequent to year-end.
– We evaluated management's position related to the recorded provision by inspecting correspondence and independently validating these assumptions with internal and external legal counsel as it relates to the prior alleged breaches.
– We evaluated the allegations reporting provided to the Company's Corporate & Government Investigations team and that these reports have been considered when evaluating the completeness of the provision and the related disclosures.
– We obtained an understanding around the procedures performed by the Company's Anti-Bribery and Corruption team.

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–13 and 126–140 in the Financial report, 1–13 in the Remuneration report, 1–42 and 44–45 in the Sustainability and corporate responsibility report. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, 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 the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

The auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden 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 annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

– Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
– Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
– Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
– Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
– Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Telefonaktiebolaget LM Ericsson (publ) (publ) for the financial year January 1, 2022 – December 31, 2022 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit to be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our 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 opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size, and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity, and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

The auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

The auditor's examination of the Esef report

Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4 a of the Swedish Securities Market Act (2007:528) for Telefonaktiebolaget LM Ericsson (publ) for the financial year January 1, 2022 – December 31, 2022.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the Esef report has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the Esef report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of Telefonaktiebolaget LM Ericsson (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors and the Managing Director
The Board of Directors and the Managing Director are responsible for the preparation of the Esef report in accordance with the Chapter 16, Section 4 a of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

The auditor's responsibility
Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The firm applies International Standards on *Quality Management 1, which requires the firm to design implement and operate* a system of quality management, including policies or procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design audit procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a validation that the Esef report has been prepared in a valid XTHML format and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the consolidated statement of financial performance, financial position, changes in equity, cash flow and disclosures in the Esef report have been marked with iXBRL in accordance with what follows from the Esef regulation.

Deloitte AB, was appointed auditor of Telefonaktiebolaget LM Ericsson (publ) by the general meeting of the shareholders on March 29, 2022, and has been the company's auditor since March 31, 2020.

Stockholm March 7, 2023
Deloitte AB

Thomas Strömberg
Authorized public accountant

Forward-looking statements

This Annual Report includes forward-looking statements, including statements reflecting the Company's current views relating to the growth of the market, future market conditions, future events, financial condition, and expected operational and financial performance, including, in particular the following:

- Potential material additional costs and liability resulting from our ongoing future compliance with the terms of the DOJ Plea Agreement with the DOJ and extended monitorship
- Potential to become a target for public scrutiny as a result of entering into the DOJ Plea Agreement with the DOJ, including incorrect misinterpretations of the resolution, complaints to regulatory agencies, negative media publicity and, interference from our competitors, all of which could damage our reputation and materially and adversely affect our business and prospects
- Risks resulting from entering into the DOJ Plea Agreement including potential debarment from government contracting in the United States and elsewhere, reputational risk, as well as potential negative impact on commercial contracts, dealings with financial institutions, contracts with suppliers, primarily due to counter-party reluctance to continue business relationships
- Potential material additional liability resulting from past conduct, including allegations of past conduct in Iraq or other locations that remains unresolved or unknown
- Risks related to internal control and governance, including the potential to incur material liability in connection with internal controls surrounding payments made to third parties in connection with historical conduct in Iraq or other locations
- Our goals, strategies, planning assumptions and operational or financial performance expectations
- Ongoing geopolitical and trade uncertainty, including challenging global economic conditions, market trends and pandemics such as COVID-19
- Industry trends, future characteristics and development of the markets in which we operate
- Our ability to comply with legal and regulatory requirements internationally
- Our future liquidity, capital resources, capital expenditures, cost savings and profitability
- The expected demand for our existing and new products and services as well as plans to launch new products and services including research and development expenditures
- The ability to deliver on future plans and to realize potential for future growth
- The expected operational or financial performance of strategic cooperation activities and joint ventures
- The time until acquired entities and businesses will be integrated and accretive to income
- Technology and industry trends including the regulatory and standardization environment in which we operate, competition and our customer structure.

The words "believe", "expect", "foresee", "anticipate", "assume", "intend", "likely", "projects", "may", "could", "plan", "estimate", "forecast", "will", "should", "would", "predict", "aim", "ambition", "seek", "potential", "target", "might", "continue", or, in each case, their negative or variations, and similar words or expressions are used to identify forward-looking statements. Any statement that refers to the Company's strategy, future financial performance, expectations, projections or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. Such statements are based on management's expectations as of the date of this report, unless an earlier date is specified, including expectations based on third-party information and projections that management believes to be reputable.

We caution investors that these statements are subject to risks and uncertainties many of which are difficult to predict and generally beyond our control that could cause actual results to differ materially and adversely from those expressed in, or implied or projected by, the forward-looking information and statements. Important factors that could affect whether and to what extent any of our forward-looking statements materialize include but are not limited to the factors described throughout this Annual Report, including in the section Risk factors. These forward-looking statements also represent our estimates and assumptions only as of the date that they were made, and to the extent they represent third-party data, we have not undertaken to independently verify such third-party data and do not intend to do so. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. Readers are urged to carefully review and consider the various disclosures made in this Annual Report and in other documents we file from time to time with our regulators that disclose risks and uncertainties that may affect our business. Unless specifically indicated otherwise, the forward-looking statements in this Annual Report do not reflect the potential impact of any divestitures, mergers, acquisitions, or other business combinations that have not been completed as of the date of this report. We expressly disclaim a duty to provide updates to these forward-looking statements, and the estimates and assumptions associated with them, after the date of this Annual Report, to reflect events or changes in circumstances or changes in expectations or the occurrence of anticipated events, whether as a result of new information, future events or otherwise, except as required by applicable law or stock exchange regulation. We maintain website and external voluntary reports that may be referenced in this Annual Report. The information on our website and in our external voluntary reports is not incorporated by reference in, or otherwise to be regarded as part of, this Annual Report. We also report to more than one regulator, and our regulators have different definitions of what is or is not or may or may not be "material" for the purposes of our operations, financial statements and strategy. Given this, we may report certain matters to certain regulators and not to others. We may also use definitions of materiality in our voluntary reporting that are different from the definitions we use in our regulatory filings.

Five-year summary – Financial information

For definitions of certain financial terms used, see Alternative performance measures and Financial terminology.

Five-year summary

	2022	Change	2021	2020	2019	2018
Income statement and cash flow items, SEK million						
Net sales	271,546	17%	232,314	232,390	227,216	210,838
Operating expenses	–83,030	20%	–69,071	–66,280	–64,215	–66,848
EBIT	27,020	–15%	31,780	27,808	10,564	1,242
Net income (loss)	19,112	–17%	22,980	17,623	1,840	–6,276
Cash flow from operating activities	30,863	–21%	39,065	28,933	16,873	9,342
Year-end position, SEK million						
Total assets	349,537	14%	305,614	271,530	276,383	268,761
Property, plant and equipment	14,236	5%	13,580	13,383	13,850	12,849
Stockholders' equity	134,814	24%	108,775	86,674	82,559	86,978
Non-controlling interests	–1,510	–	–1,676	–1,497	–681	792
Per share indicators						
Earnings (loss) per share, basic, SEK	5.62	–18%	6.82	5.26	0.67	–1.98
Earnings (loss) per share, diluted, SEK	5.62	–17%	6.81	5.26	0.67	–1.98
Dividends per share, SEK [1]	2.70	8%	2.50	2.00	1.50	1.00
Dividends per share, USD [1]	0.25	9%	0.23	0.16	0.16	0.11
Number of shares outstanding (in millions)						
end of period, basic	3,330	0%	3,330	3,328	3,314	3,297
average, basic	3,330	0%	3,329	3,323	3,306	3,291
average, diluted	3,334	0%	3,332	3,326	3,320	3,318
Other information, SEK million						
Additions to property, plant and equipment	4,477	22%	3,663	4,493	5,118	3,975
Depreciations and write-downs/impairments of property, plant and equipment	4,388	13%	3,872	4,114	3,947	3,843
Acquisitions/capitalization/divestments of intangible assets	66,178	–	1,723	11,817	–13,692	2,315
Amortizations and write-downs/impairments of intangible assets	3,638	29%	2,820	2,126	2,593	4,475
Research and development expenses	47,298	12%	42,074	39,714	38,815	38,909
as percentage of net sales	17.4%	–	18.1%	17.1%	17.1%	18.5%
Inventory turnover days	93	6%	88	78	77	70
Alternative Performance Measures (APMs) [2]						
Sales growth adjusted for comparable units and currency	3%	–	4%	5%	4%	1%
Gross margin	41.7%	–	43.4%	40.3%	37.3%	32.3%
Gross margin excluding restructuring charges	41.8%	–	43.5%	40.6%	37.5%	35.2%
EBIT margin	10.0%	–	13.7%	12.0%	4.6%	0.6%
EBIT margin excluding restructuring charges	10.1%	–	13.9%	12.5%	5.0%	4.4%
EBITA margin	10.7%	–	14.3%	12.5%	5.1%	1.4%
EBITA margin excluding restructuring charges	10.9%	–	14.6%	13.1%	5.5%	5.2%
Restructuring charges, SEK million	399	–27%	549	1,306	798	8,015
Free cash flow before M&A, SEK million	22,196	–31%	32,056	22,261	7,633	4,253
Free cash flow after M&A, SEK million	–29,492	–	32,115	12,663	6,128	2,968
Capital employed, SEK million	202,899	10%	184,283	161,990	165,273	149,615
Return on equity	15.4%	–	23.2%	20.7%	2.6%	–7.1%
Return on capital employed	14.0%	–	18.4%	17.0%	6.7%	0.8%
Equity ratio	38.1%	–	35.0%	31.4%	29.6%	32.7%
Capital turnover	1.4	8%	1.3	1.4	1.4	1.4
Adjusted working capital, SEK million	36,653	–39%	59,667	45,613	48,821	52,508
Gross cash, SEK million	56,249	–42%	97,608	72,045	72,192	68,996
Net cash, SEK million	23,319	–65%	65,777	41,885	34,496	35,871
Adjusted earnings per share, SEK	6.16	–15%	7.26	5.83	1.07	0.27
Statistical data, year-end						
Number of employees	105,529	4%	101,322	100,824	99,417	95,359
of which in Sweden	14,481	2%	14,183	13,173	12,730	12,502
Export sales from Sweden, SEK million	153,833	9%	140,898	132,269	120,822	109,969

[1] For 2022, as proposed by the Board of Directors.
[2] A reconciliation to the most directly reconcilable line items in the financial statements for 2022 and four comparison years is available on pages 131–135.

Five-year summary – Non-financial information

For additional information and definitions, see the Consolidated sustainability notes, found on pages 10–42 of the Sustainability and Corporate Responsibility report [1].

Five-year summary [2]

	2022	Change	2021	2020	2019	2018
Employees						
Employee headcount at year-end	105,529	4%	101,322	100,824	99,417	95,359
Average number of employees	101,741	1%	100,757	98,589	94,503	97,843
Employees who have left the Company	14,381	24%	11,631	7,839	11,078	16,630
Employees who have joined the Company	17,235	42%	12,129	9,246	15,136	11,254
Employees by age group						
Under 25	4%	–	3%	3%	3%	3%
25–35	30%	–	31%	33%	35%	36%
36–45	34%	–	34%	34%	32%	32%
46–55	23%	–	23%	22%	22%	22%
Over 55	10%	–	9%	8%	8%	7%
Share of women						
All employees	26%	–	25%	25%	25%	23%
Line managers	22%	–	21%	21%	20%	20%
Executive population	35%	–	36%	32%	32%	31%
Executive Team	19%	–	20%	20%	20%	27%
Board of Directors	36%	–	23%	23%	23%	23%
Occupational health and safety						
Fatalities – Employees	0	–100%	1	0	0	0
Fatalities – Suppliers, subcontractors and third parties	8	–38%	13	7	11	14
Lost workday incidents – Employees	96	25%	77	90	180	143
Lost workday incident – Suppliers, subcontractors and third parties	35	–49%	68	53	87	61
Facility energy consumption						
Total energy consumption (GWh)	693	10%	631	628	664	716
Share of renewable energy	67%	–	62%	62%	50%	47%
Energy intensity (GWh/net sales SEK billion)	2.6	–4%	2.7	2.7	2.9	3.4
Waste, product take-back and water						
Waste generated at facilities (metric tons)	8,130	20%	6,777	6,916	11,013	10,217
of which recycled	47%	–	67%	49%	44%	34%
Product take-back (metric tons) [3]	4,825	–10%	5,389	6,079	–	–
of which recycled or re-used	97%	–	96%	95%	–	–
Total water consumption (Mm^3)	1.1	–8%	1.2	1.5	1.5	1.6
Green House Gas Emissions (kiloton CO_2e)						
Direct emissions – Scope 1	38	0%	38	40	49	54
Indirect emissions – Scope 2 (market based)	45	–22%	58	74	124	134
Other indirect emissions – Scope 3 [3] [4]	27,609	–1%	28,024	29,923	–	–
Emissions intensity (kiloton CO2e / net sales SEK million)						
Scope 1	0.14	–13%	0.16	0.17	0.22	0.26
Scope 2 (market based)	0.17	–32%	0.25	0.32	0.55	0.64

[1] The Sustainability and Corporate Responsibility report is not to be considered incorporated by reference due to being referenced here.

[2] Ericsson continously develops its methodologies for measuring and reporting environment, social and governance (ESG) performance data. As methodologies evolve it is not always possible to re-calculate performance data for previous periods. Where this is the case this is indicated with a "-" in the table above.

[3] Scope and/or measurement methodologies have been updated in 2022 wherefore data for previous periods have been restated. See note O3 in the Sustainability and Corporate Responsibility Report for more information.

[4] See note E2 in the Sustainability and Corporate Responsibility report for more information on the Scope 3 categories included and Ericsson's GHG accounting methodologies.

Alternative performance measures

In this section, the Company presents its Alternative Performance Measures (APMs), which are not recognized measures of financial performance under IFRS. This section includes a reconciliation of the APM's to the most directly reconcilable line items in the financial statements. The presentation of APMs has limitations as analytical tools and should not be considered in isolation or as a substitute for related financial measures prepared in accordance with IFRS.

APMs are presented to enhance an investor's evaluation of ongoing operating results, to aid in forecasting future periods and to facilitate meaningful comparison of results between periods.

Management uses these APMs to, among other things, evaluate ongoing operations in relation to historical results, for internal planning and forecasting purposes and in the calculation of certain performance-based compensation. APM's should not be viewed as substitutes for income statement or cash flow items computed in accordance with IFRS.

The APMs presented in this report may differ from similarly titled measures used by other companies.

Adjusted earnings per share

SEK	2022	2021	2020	2019	2018
Earnings (loss) per share, diluted	5.62	6.81	5.26	0.67	–1.98
Restructuring charges	0.09	0.13	0.30	0.18	1.88
Amortizations and write-downs of acquired intangibles	0.45	0.32	0.27	0.22	0.37
Adjusted earnings per share	6.16	7.26	5.83	1.07	0.27

Definition
Earnings (loss) per share (EPS), diluted, excluding amortizations and write-downs of acquired intangible assets and excluding restructuring charges.

Reason to use
Restructuring charges vary between years. This measurement gives an indication of the performance without restructuring and without the impact of amortizations and write-downs of acquired intangible assets from acquired companies.

Adjusted working capital

SEK million	2022	2021	2020	2019	2018
Current assets	173,803	174,805	149,795	153,914	161,167
Current non-interest-bearing provisions and liabilities					
Provisions, current	–7,629	–5,782	–7,580	–8,244	–10,537
Contract liabilities	–42,251	–32,834	–26,440	–29,041	–29,348
Trade payables	–38,437	–35,684	–31,988	–30,403	–29,883
Current tax liabilities [1]	–2,640	–2,917	–4,486	–	–
Other current liabilities [1]	–46,193	–37,921	–33,688	–37,405	–38,891
Adjusted working capital	36,653	59,667	45,613	48,821	52,508

[1] As from 2021 current tax liabilities is presented as a separate line item in the balance sheet and the comparison year 2020 has been updated accordingly. For 2018– 2019 the current tax liabilities is included in other current liabilities.

Definition
Current assets less current non-interest-bearing provisions and liabilities (which include: current provisions, contract liabilities, trade payables, current tax liabilities and other current liabilities).

Reason to use
Due to the need to optimize cash generation to create value for Ericsson's shareholders, management focuses on working capital and reducing lead times between orders booked and cash received.

Capital employed

SEK million	2022	2021	2020	2019	2018
Total assets	349,537	305,614	271,530	276,383	268,761
Non-interest-bearing provisions and liabilities					
Provisions, non-current	3,959	3,722	2,886	2,679	5,471
Deferred tax liabilities	4,784	884	1,089	1,224	670
Other non-current liabilities	745	1,587	1,383	2,114	4,346
Provisions, current	7,629	5,782	7,580	8,244	10,537
Contract liabilities	42,251	32,834	26,440	29,041	29,348
Trade payables	38,437	35,684	31,988	30,403	29,883
Current tax liabilities [1]	2,640	2,917	4,486	–	–
Other current liabilities [1]	46,193	37,921	33,688	37,405	38,891
Capital employed	202,899	184,283	161,990	165,273	149,615

[1] As from 2021 current tax liabilities is presented as a separate line item in the balance sheet and the comparison year 2020 has been updated accordingly. For 2018–2019 the current tax liabilities is included in other current liabilities.

Definition
Total assets less non-interest-bearing provisions and liabilities (which includes non-current provisions, deferred tax liabilities, contract liabilities, other non-current liabilities, current provisions, trade payables, current tax liabilities and other current liabilities).

Reason to use
Capital employed represents the value of the balance sheet assets that contributes to revenue and profit generation. It is also used in the calculation of return on capital employed.

Capital turnover

SEK million	2022	2021	2020	2019	2018
Net sales	271,546	232,314	232,390	227,216	210,838
Average capital employed					
Capital employed at beginning of period	184,283	161,990	165,273	149,615	155,625
Capital employed at end of period	202,899	184,283	161,990	165,273	149,615
Average capital employed	193,591	173,137	163,632	157,444	152,620
Capital turnover (times)	1.4	1.3	1.4	1.4	1.4

Definition
Net sales divided by average capital employed (based on the amounts at January 1 and December 31).

Reason to use
Capital turnover indicates how effectively investment capital is used to generate revenues.

EBIT and EBIT margin / EBIT and EBIT margin excluding restructuring charges

SEK million	2022	2021	2020	2019	2018
EBIT	27,020	31,780	27,808	10,564	1,242
Net sales	271,546	232,314	232,390	227,216	210,838
EBIT margin (%)	10.0%	13.7%	12.0%	4.6%	0.6%
Restructuring charges	399	549	1,306	798	8,015
EBIT excluding restructuring charges	27,419	32,329	29,114	11,362	9,257
EBIT margin excluding restructuring charges (%)	10.1%	13.9%	12.5%	5.0%	4.4%

Definition
Earnings before financial items and income tax.
EBIT as a percentage of net sales.
Earnings before financial items and income tax excluding restructuring charges.
EBIT excluding restructuring charges as a percentage of net sales.

Reason to use
EBIT margin shows the EBIT in percentage of net sales. EBIT margin is a key internal measure as the Company believes that it provides users of the financial statements with a better understanding of the Group's financial performance both short and long term. The Company's view is that EBIT margin excluding restructuring charges gives a fair view of the profitability of the ongoing business.

To ensure comparability to the 2022 Group target for EBIT margin excluding restructuring charges, set in 2018, the result for 2022 has been adjusted for the result from the acquired company Vonage as well as for the following items: SEK −2.3 billion due to a provision in relation to a potential DPA breach resolution with the United States Department of Justice (including estimated expenses for the previously announced extended monitorship), noting that the Company, on March 2, 2023, entered into the DOJ Plea Agreement with the DOJ and agreed to pay a fine of approx. SEK 2.2 billion, charges of SEK −1.0 billion related to the divestment of IoT and other portfolio adjustments, SEK −0.9 billion related to market exits including Russia, and SEK −0.8 billion related to exit of subscale agreements and product offerings in Cloud Software and Services, as well as acquisition related costs of SEK −0.4 billion related to Vonage.

EBITA and EBITA margin / EBITA and EBITA margin excluding restructuring charges

SEK million	2022	2021	2020	2019	2018
Net income (loss)	19,112	22,980	17,623	1,840	–6,276
Income tax	5,497	6,270	9,589	6,922	4,813
Financial income and expenses, net	2,411	2,530	596	1,802	2,705
Amortizations and write-downs of acquired intangible assets	2,051	1,477	1,220	1,038	1,662
EBITA	29,071	33,257	29,028	11,602	2,904
Net sales	271,546	232,314	232,390	227,216	210,838
EBITA margin (%)	10.7%	14.3%	12.5%	5.1%	1.4%
Restructuring charges	399	549	1,306	798	8,015
EBITA excluding restructuring charges	29,470	33,806	30,334	12,400	10,919
EBITA margin excluding restructuring charges (%)	10.9%	14.6%	13.1%	5.5%	5.2%

Definition
Earnings (loss) before interest, taxes, amortizations and write-downs of acquired intangible assets.
Earnings (loss) before interest, taxes, amortizations and write-downs of acquired intangible assets, as a percentage of net sales.
EBITA excluding restructuring charges.
EBITA excluding restructuring charges as a percentage of net sales.

Reason to use
Amortizations and write-downs of intangible assets are normally non-cash items in the annual income statement, EBITA margin % gives an indication of the financial performance without the impact from acquired companies. The Company's view is that EBITA margin excluding restructuring charges gives a fair view of the profitability of the ongoing business.

Additionally, Ericsson provides forward-looking targets for EBITA margin excluding restructuring charges and free cash flow before M&A, which are non-IFRS financial measures. Ericsson has not provided quantitative reconciliation of these targets to the most directly comparable IFRS measures because certain information needed to reconcile these non-IFRS financial measures to the most comparable IFRS financial measures are dependent on specific items or impacts that are not yet determined, are subject to incarcerating and variability in timing and amount due to their nature, are outside of Ericsson's control or cannot be predicted, including items and impacts such as currency exchange rate changes, acquisitions and disposals, and charges such as impairments or acquisition related charges. Accordingly, reconciliation of these non-IFRS forward-looking financial measures to the most directly comparable IFRS financial measures are not available without unreasonable efforts. Such unavailable reconciling items could significantly impact our results of operations and financial condition.

Equity ratio

SEK million	2022	2021	2020	2019	2018
Total equity	133,304	107,099	85,177	81,878	87,770
Total assets	349,537	305,614	271,530	276,383	268,761
Equity ratio (%)	38.1%	35.0%	31.4%	29.6%	32.7%

Definition
Equity expressed as a percentage of total assets.

Reason to use
This supports financial flexibility and independence to operate and manage variations in working capital needs as well as to capitalize on business opportunities.

Free cash flow before M&A / Free cash flow after M&A

SEK million	2022	2021	2020	2019	2018
Cash flow from operating activities	30,863	39.065	28,933	16,873	9,342
Net capital expenditures and other investments (excluding M&A)					
Investments in property, plant and equipment	–4,477	–3,663	–4,493	–5,118	–3,975
Sales of property, plant and equipment	249	115	254	744	334
Product development	–1,720	–962	–817	–1,545	–925
Other investments [1]	–126	–131	801	–331	–523
Repayment of lease liabilities	–2,593	–2,368	–2,417	–2,990	–
Free cash flow before M&A	22,196	32,056	22,261	7,633	4,253
Acquisitions of subsidiaries and other operations	–51,995	–389	–9,657	–1,753	–1,618
Divestments of subsidiaries and other operations	307	448	59	248	333
Free cash flow after M&A	–29,492	32,115	12,663	6,128	2,968
Net sales	271,546	232,314	232,390	227,216	210,838
Free cash flow before M&A as percentage of net sales (%)	8.2%	13.8%	9.6%	3.4%	2.0%

[1] Other investments is part of the line item Other investing activities in the Consolidated cash flow statement. The difference is movements in other interest-bearing assets which is not part of the definition of Free cash flow.

Definition
Free cash flow before M&A: Cash flow from operating activities less net capital expenditures, other investments and repayment of lease liabilities (excluding M&A).
Free cash flow after M&A: Cash flow from operating activities less net capital expenditures, other investments and repayment of lease liabilities.
Free cash flow before M&A as a percentage of net sales.

Reason to use
Free cash flow before M&A represents the cash that the Company generates after capital expenditures, other investments and repayment of lease liabilities. The Company believes that free cash flow before M&A is a good way of reflecting the cash flows generated by the Company that can be used to expand the business, invest in subsidiaries, pay dividends and reduce debt.

Free cash flow after M&A represents the cash that the Company generates after capital expenditures, other investments, repayment of lease liabilities and acquisitions/divestments of subsidiaries. The Company believes that free cash flow after M&A is a good way of reflecting the cash flows generated by the Company that can be used to expand the business, pay dividends and reduce debt.

Gross cash

SEK million	2022	2021	2020	2019	2018
Cash and cash equivalents	38,349	54,050	43,612	45,079	38,389
Interest-bearing securities, current	8,736	12,932	6,820	6,759	6,625
Interest-bearing securities, non-current	9,164	30,626	21,613	20,354	23,982
Gross cash	56,249	97,608	72,045	72,192	68,996

Definition
Cash and cash equivalents plus interest-bearing securities (current and non-current).

Reason to use
Gross cash is showing total available cash and interest-bearing securities and is a parameter for calculating the net cash position.

Gross margin and Gross margin excluding restructuring charges

SEK million	2022	2021	2020	2019	2018
Gross income	113,295	100,749	93,724	84,824	68,200
Net sales	271,546	232,314	232,390	227,216	210,838
Gross margin (%)	41.7%	43.4%	40.3%	37.3%	32.3%
Restructuring charges included in cost of sales	195	273	725	337	5,938
Gross income excluding restructuring charges	113,490	101,022	94,449	85,161	74,138
Gross margin excluding restructuring charges (%)	41.8%	43.5%	40.6%	37.5%	35.2%

Definition
Gross income as a percentage of net sales.
Gross income excluding restructuring charges as a percentage of net sales.

Reason to use
Gross margin shows the difference between net sales and cost of sales, in percentage of net sales. Gross margin is impacted by several factors such as business mix, service share, price development and cost reductions. Gross margin is an important internal measure and this number is also provided in the income statement as the Company believes that it provides users of the financial statements with a better understanding of the Group's business development. The Company's view is that gross margin excluding restructuring charges gives a fair view of the profitability of the ongoing business.

Net cash

SEK million	2022	2021	2020	2019	2018
Cash and cash equivalents	38,349	54,050	43,612	45,079	38,389
+ Interest-bearing securities, current	8,736	12,932	6,820	6,759	6,625
+ Interest-bearing securities, non-current	9,164	30,626	21,613	20,354	23,982
– Borrowings, current	5,984	9,590	7,942	9,439	2,255
– Borrowings, non-current	26,946	22,241	22,218	28,257	30,870
Net cash	23,319	65,777	41,885	34,496	35,871

Definition
Cash and cash equivalents plus interest-bearing securities (current and non-current) less borrowings (current and non-current).

Reason to use
A positive net cash position is one of the company's capital targets.
This creates financial flexibility and independence to operate and manage variations in working capital needs.

Operating expenses, excluding restructuring charges

SEK million	2022	2021	2020	2019	2018
Operating expenses	–83,030	–69,071	–66,280	–64,215	–66,848
Restructuring charges included in R&D expenses	54	137	411	344	1,293
Restructuring charges included in selling and administrative expenses	150	139	170	117	784
Operating expenses, excluding restructuring charges	–82,826	–68,795	–65,699	–63,754	–64,771

Definition
Operating expenses, excluding restructuring charges.

Reason to use
Restructuring charges vary between years and in order to analyse trends in reported expenses overtime, restructuring charges are excluded.

Return on capital employed

SEK million	2022	2021	2020	2019	2018
EBIT	27,020	31,780	27,808	10,564	1,242
Average capital employed					
Capital employed at beginning of period	184,283	161,990	165,273	149,615	155,625
Capital employed at end of period	202,899	184,283	161,990	165,273	149,615
Average capital employed	193,591	173,137	163,632	157,444	152,620
Return on capital employed (%)	14.0%	18.4%	17.0%	6.7%	0.8%

Definition
EBIT as a percentage of average capital employed (based on the amounts at January 1 and December 31).

Reason to use
Return on capital employed is a measure of the profitability after taking into account the amount of capital used. A higher return on capital employed indicates a more efficient use of capital.

Return on equity

SEK million	2022	2021	2020	2019	2018
Net income (loss) attributable to owners of the Parent Company	18,724	22,694	17,483	2,223	–6,530
Average stockholders' equity					
Stockholders' equity, beginning of period [1]	108,775	86,674	82,559	86,729	95,952
Stockholders' equity, end of period	134,814	108,775	86,674	82,559	86,978
Average stockholders' equity	121,795	97,725	84,617	84,644	91,465
Return on equity (%)	15.4%	23.2%	20.7%	2.6%	–7.1%

[1] For 2019, adjusted opening balance due to implementation of IFRS 16 "Leases," and for 2018, adjusted opening balance due to implementation of IFRS 9 "Financial instruments."

Definition
Net income (loss) attributable to owners of the Parent Company as a percentage of average stockholders' equity (based on the amounts at January 1 and December 31).

Reason to use
Return on equity is a measure of the profitability in relation to the book value of shareholder equity. Return on equity is a measure of how investments are used to generate earnings growth.

Sales growth adjusted for comparable units and currency

SEK million	2022	2021	2020	2019	2018
Net sales	271,546	232,314	232,390	227,216	210,838
Acquired/divested business	–7,015	–1,201	–1,362	–96	–
Net FX impact	–25,968	11,607	7,796	–10,675	–4,232
Comparable net sales, excluding FX impact	238,563	242,720	238,824	216,445	206,606
Comparable net sales adjusted for acquired/divested business	232,314	232,390	227,132	208,130	–
Sales growth adjusted for comparable units and currency (%)	3%	4%	5%	4%	1%

Definition
Sales growth adjusted for the impact of acquisitions and divestments as well as the effects of foreign currency fluctuations. Also named organic sales.

Reason to use
Ericsson's presentation currency is SEK while the total revenues are mainly in other currencies. Reported sales growth is dependent on fluctuations in SEK versus other currencies and in addition acquired or divested business can have an impact on reported net sales. Sales growth adjusted for comparable units and currency shows the underlying sales development without these parameters.

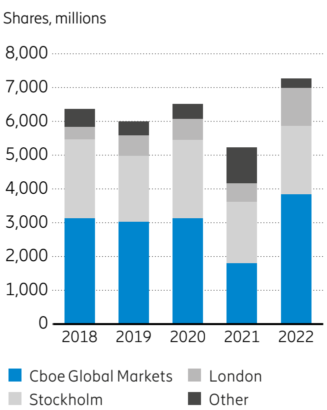
The Ericsson share

Share trading

The Telefonaktiebolaget LM Ericsson (the Parent Company) Class A and Class B shares (Ericsson shares) are listed on Nasdaq Stockholm. In the United States, the Class B shares are listed on Nasdaq New York in the form of American Depositary Shares (ADS) evidenced by American Depositary Receipts (ADR) under the symbol ERIC. Each ADS represents one Class B share.

In 2022, approximately 2.0 (1.8) billion Class B shares were traded on Nasdaq Stockholm and approximately 2.3 (1.6) billion ADS were traded in the United States (incl. Nasdaq New York). A total of 4.4 (3.5) billion Ericsson Class B shares were thus traded on the exchanges in Stockholm and in the United States. According to Nasdaq, trading volume in Ericsson shares increased by approximately 11% on Nasdaq Stockholm and increased by approximately 43% in the United States when compared to 2021.

Share trading on different market places (class B shares)



With the implementation of the Mifid directive in the EU, share trading became heavily fragmented across a large number of venues and trading categories. Trading on MTFs (multilateral trading facilities) and other venues gained market shares from stock exchanges such as Nasdaq Stockholm. In the last few years however, following a series of merger and acquisitions among trading venues, trading has become more concentrated.

Total trading in Ericsson B shares on all venues combined has increased over the past five years from 6.4 billion shares in 2018 to 7.3 billion shares in 2022. Over the same period, trading of Ericsson ADS in the US has increased from 1.4 billion shares in 2018 to 2.3 billion shares in 2022.

The Ericsson share

Share/ADS listings
Nasdaq Stockholm
Nasdaq New York

Share data	
Total number of shares in issue	3,334,151,735
of which Class A shares, each carrying one vote [1)]	*261,755,983*
of which Class B shares, each carrying one tenth of one vote [1)]	*3,072,395,752*
Ericsson treasury shares, Class B	4,009,306
Quotient value	SEK 5.00
Market capitalization, December 31, 2022	SEK 204 billion
ICB (Industry Classification Benchmark)	9,500

1) Both classes of shares have the same rights of participation in the net assets and earnings.

Ticker codes	
Nasdaq Stockholm	ERIC A/ERIC B
Nasdaq New York	ERIC
Bloomberg Nasdaq Stockholm	ERICA SS/ERICB SS
Bloomberg Nasdaq	ERIC US
Reuters Nasdaq Stockholm	ERICa.ST/ERICb.ST
Reuters Nasdaq	ERIC.O

Changes in number of shares and capital stock 2018–2022

		Number of shares	Share capital (SEK)
2018	December 31	3,334,151,735	16,670,758,678
2019	December 31	3,334,151,735	16,670,758,678
2020	December 31	3,334,151,735	16,670,758,678
2021	December 31	3,334,151,735	16,670,758,678
2022	December 31	3,334,151,735	16,670,758,678

Share performance indicators

	2022	2021	2020	2019	2018
Earnings (loss) per share, diluted (SEK) [1)]	5.62	6.81	5.26	0.67	–1.98
Adjusted earnings per share (SEK) [2)]	6.16	7.26	5.83	1.07	0.27
Dividend per share (SEK) [3)]	2.70	2.50	2.00	1.50	1.00
Total shareholder return (%)	–36	4	22	6	47
P/E ratio	11	15	19	122	n/a

1) Calculated on average number of shares outstanding, diluted.
2) EPS, diluted, excluding amortizations and write-downs of acquired intangible assets, and excluding restructuring charges, SEK. A reconciliation of Alternative performance measures is available on pages 131–135.
3) For 2022 as proposed by the Board of Directors.

For definitions of the financial terms used including a description of alternative performance measure, see Glossary and Financial Terminology.

Share and ADS prices

Principal trading market – Nasdaq Stockholm – share prices
The tables state the high and low share prices for the Class A and Class B shares as reported by Nasdaq Stockholm for the periods indicated. Trading on the exchange generally continues until 5:30 p.m. (CET) each business day. In addition to trading on the exchange, there is trading off the exchange and on alternative venues during trading hours and also after 5:30 p.m. (CET).

Nasdaq Stockholm publishes a daily Official Price List of Shares which includes the volume of recorded transactions in each listed stock, together with the prices of the highest and lowest recorded trades of the day. The Official Price List of Shares reflects price and volume information for trades completed by the members.

Host market – Nasdaq New York – ADS prices
The tables state the high and low share prices quoted for the ADSs on Nasdaq New York for the periods indicated. The Nasdaq New York quotations represent prices between dealers, not including retail markups, markdowns or commissions, and do not necessarily represent actual transactions.

Share prices on Nasdaq Stockholm

(SEK)	2022	2021	2020	2019	2018
Class A at last day of trading	66.00	100.20	105.40	85.40	77.40
Class A high (Feb 11, 2022)	118.40	128.80	119.00	96.80	85.20
Class A low (Nov 3, 2022)	63.50	91.90	64.10	74.70	49.05
Class B at last day of trading	60.90	99.79	99.98	81.56	77.92
Class B high (Feb 11, 2022)	117.32	121.80	110.15	96.74	85.66
Class B low (Nov 24, 2022)	58.81	91.00	59.54	74.02	49.04

Source: Nasdaq Stockholm

Share prices on Nasdaq New York

(USD)	2022	2021	2020	2019	2018
ADS at last day of trading	5.84	10.87	11.95	8.78	8.88
ADS high (Jan 22, 2022)	12.78	15.32	12.20	10.46	9.45
ADS low (Oct 20, 2022)	5.16	9.93	6.15	7.58	6.00

Source: Nasdaq New York

Share prices on Nasdaq Stockholm and Nasdaq New York

	Nasdaq Stockholm				Nasdaq New York	
	SEK per Class A share		SEK per Class B share		USD per ADS [1]	
Period	High	Low	High	Low	High	Low
Annual high and low						
2018	85.20	49.05	85.66	49.04	9.45	6.00
2019	96.80	74.70	96.74	74.02	10.45	7.58
2020	119.00	64.10	110.15	59.54	12.61	6.15
2021	128.80	91.90	121.80	91.00	15.32	9.93
2022	118.40	63.50	117.32	58.81	12.78	5.16
Quarterly high and low						
2021 First Quarter	128.80	105.40	118.05	96.90	15.32	11.55
2021 Second Quarter	122.60	104.40	121.80	104.90	14.39	12.40
2021 Third Quarter	116.00	95.40	116.16	95.58	13.40	10.88
2021 Fourth Quarter	107.00	91.90	107.04	91.00	12.24	9.93
2022 First Quarter	118.40	78.50	117.32	72.56	12.78	5.16
2022 Second Quarter	97.00	76.00	94.77	72.60	9.80	7.26
2022 Third Quarter	88.30	66.30	81.32	64.12	7.81	5.65
2022 Fourth Quarter	77.00	63.50	73.56	58.81	6.82	5.16
Monthly high and low						
August 2022	85.30	80.40	81.32	76.15	7.81	7.12
September 2022	83.50	66.30	80.46	64.12	7.53	5.65
October 2022	77.00	63.70	73.54	58.81	6.54	5.16
November 2022	72.50	63.50	67.55	59.51	6.55	5.32
December 2022	76.00	65.00	70.67	59.62	6.82	5.67
January 2023	73.00	63.00	68.50	56.48	6.43	5.50

[1] One ADS = 1 Class B share.

Source: Nasdaq Stockholm and Nasdaq New York.

Shareholders

As of December 31, 2022, the Parent Company had 425,636 shareholders registered at Euroclear Sweden AB (the Central Securities Depository – CSD), of which 747 holders had a US address. According to information provided by the Company's depositary bank, Deutsche Bank, there were 315,301,878 ADSs outstanding as of December 31, 2022, and 2,884 registered holders of such ADSs. A significant number of Ericsson ADSs are held by banks, brokers and/or nominees for the accounts of their customers. As of January 18, 2023, the total number of bank, broker and/or nominee accounts holding Ericsson ADSs was 181,994.

According to information known at year-end 2022, approximately 86% of the Class A and Class B shares were owned by institutions, Swedish and international. The major shareholders do not have different voting rights than other shareholders holding the same classes of shares. As far as Ericsson knows, the Company is not directly or indirectly owned or controlled by another corporation, by any foreign government or by any other natural or legal person(s) separately or jointly.

The table below shows the total number of shares in the Parent Company owned by the Executive Team and Board members (including Deputy employee representatives) as a group as of December 31, 2022.

The Executive Team and Board members, ownership

	Number of Class A shares	Number of Class B shares	Voting rights, percent
The Executive Team and Board members as a group (33 persons)	1,708	2,963,353	0.05%

For individual holdings, see Corporate Governance report.

Geographical ownership breakdown of share capital including retail shareholders and treasury shares

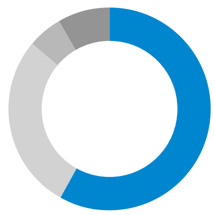
Percent of capital

	2022	2021
Sweden	40.53%	39.83%
United States	26.96%	26.67%
United Kingdom	9.21%	6.47%
Norway	4.68%	4.10%
Denmark	1.55%	1.90%
Other countries	17.07%	21.03%

Source: Nasdaq

Ownership breakdown by type of owner

Percentage of voting rights



	2022	2021
Swedish institutions	58.07%	58.66%
Of which:		
– Investor AB	*23.79%*	*23.79%*
– AB Industrivärden	*15.14%*	*15,45%*
– AMF Tjänstepension and AMF Fonder	*4.87%*	*4.36%*
Foreign institutions	28.28%	28.23%
Swedish retail investors	5.41%	5.02%
Other	8.24%	8.09%

Source: Nasdaq

Number of shares [1)]

Holding	No. of shareholders	No. of A shares	No. of B shares	Percentage of share capital	Percentage of voting rights	Market value (MSEK)
1 - 500	338,026	1,471,646	42,378,039	1.32%	1.00%	2,677,951
501 - 1,000	39,076	972,986	28,689,593	0.89%	0.68%	1,811,413
1,001 - 5,000	39,572	2,862,155	83,603,065	2.59%	1.97%	5,280,329
5,001 - 10,000	5,108	1,067,025	35,605,102	1.10%	0.81%	2,238,774
10,001 - 15,000	1,407	428,979	16,962,784	0.52%	0.37%	1,061,346
15,001 - 20,000	661	314,370	11,532,196	0.36%	0.26%	723,059
20,001 -	1,785	254,638,822	2,853,004,496	93.21%	94.89%	190,554,136
Total, December 31, 2022 [2)]	425,636	261,755,983	3,072,395,752	100.00%	100.00%	204,384,796

1) Source: Euroclear.
2) Includes a nominee reporting discrepancy of 620,477 shares.

The following table shows share information as of December 31, 2022 with respect to the 15 largest shareholders ranked by voting rights as well as their percentage of voting rights as of December 31, 2022, 2021 and 2020.

Largest shareholders December 31, 2022 and percentage of voting rights December 31, 2022, 2021 and 2020

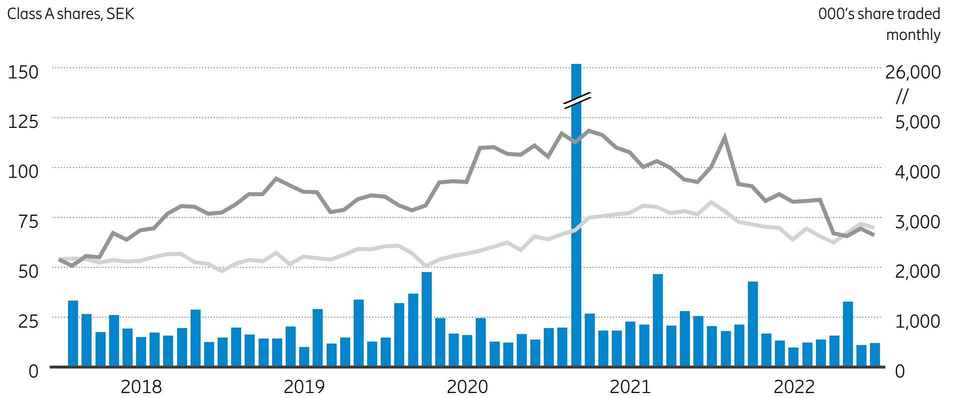
Identity of person or group [1)]	Number of Class A shares	Of total Class A shares percent	Number of Class B shares	Of total Class B shares percent	Of total Class A+B shares percent	2022 Voting rights percent	2021 Voting rights percent	2020 Voting rights percent
Investor AB	120,762,803	46.14	145,982,932	4.75	8.00	23.79	23.79	22.81
AB Industrivärden	86,052 615	32.88	1,000,000	0.03	2.61	15.14	15.14	15.14
AMF Tjänstepension and AMF Fonder	20,650,000	7.89	70,713,302	2.30	2.74	4.87	4.36	2.56
Cevian Capital	339,228	0.13	151,386,082	4.93	4.55	2.72	2.72	3.25
BlackRock Institutional Trust Company, N.A.	522	0.00	137,111,236	4.46	4.11	2.41	2.41	2.35
Fidelity International	0	0.00	122,905,644	4.00	3.69	2.16	2.24	2.31
AFA Försäkring AB	11,484,600	4.39	7,180,817	0.23	0.56	2.14	2.05	1.99
Swedbank Robur Fonder AB	8,277	0.00	111,928,200	3.64	3.36	1.97	1.86	2.18
The Vanguard Group, Inc.	1,161,057	0.44	94,519,989	3.08	2.87	1.87	1.56	1.42
PRIMECAP Management Company	0	0.00	82,414,721	2.68	2.47	1.45	1.20	1.17
Norges Bank Investment Management (NBIM)	1	0.00	70,964,273	2.31	2.13	1.25	1.05	0.79
Livförsäkringsbolaget Skandia, ömsesidigt	4,240,604	1.62	25,530,500	0.83	0.89	1.19	1.02	0.44
Tredje AP Fonden	4 250,736	1.62	18,765,383	0.61	0.69	1.08	0.95	0.97
Handelsbanken Asset Management	16,581	0.01	60,074,265	1.96	1.80	1.06	0.93	0.89
State Street Global Advisors (US)	1,583	0.00	54,001,003	1.76	1.62	0.95	0.89	1.03
Others	12,787,376	4.89	1,917,917,405	62.42	57.91	35.95	37.83	40.71
Total	**261,755,983**	**100**	**3,072,395,752**	**100**	**100**	**100**	**100**	**100**

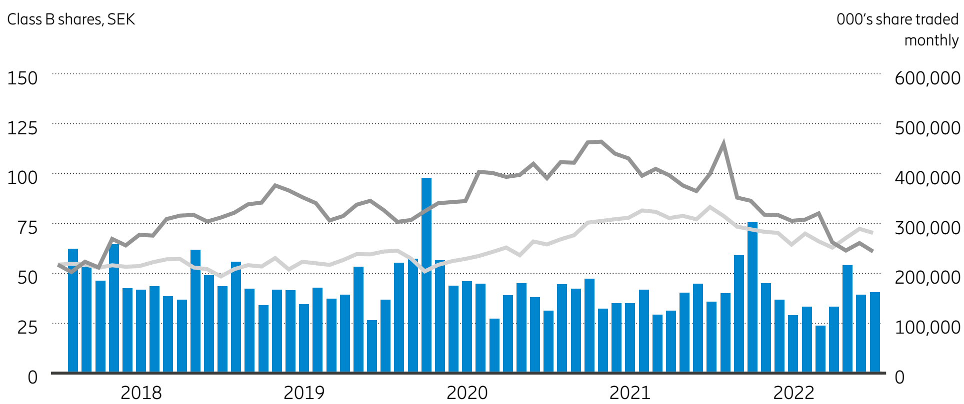
1) Source: Nasdaq

Share trend

In 2022, Ericsson's total market capitalization decreased by 39.0% to SEK 204 billion, from SEK 333 billion in 2021 (which represented an increase by 2.2% against 2020). In 2022, the index, OMX Stockholm, on Nasdaq Stockholm decreased by 15.6%, the Nasdaq composite index decreased by 33.0% and the S&P 500 Index decreased by 19.4%.

Share turnover and price trend, Nasdaq Stockholm

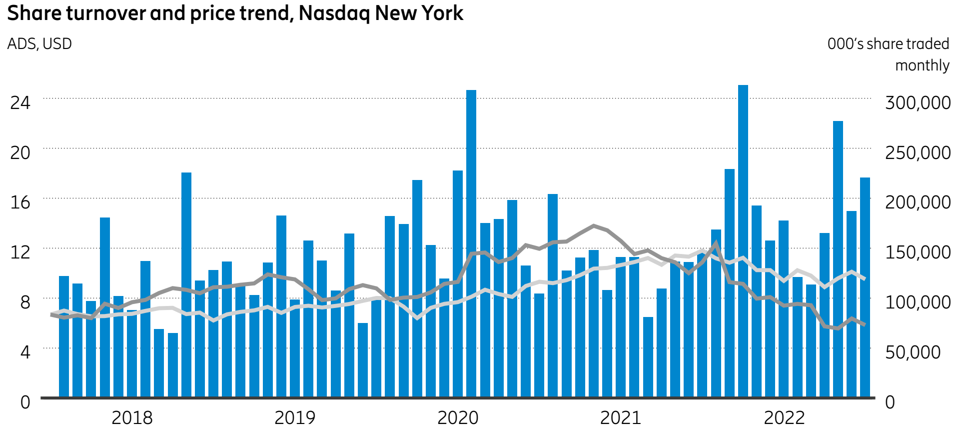




Volume traded, 000's monthly   Ericsson share   Nasdaq Stockholm Index OMXS30

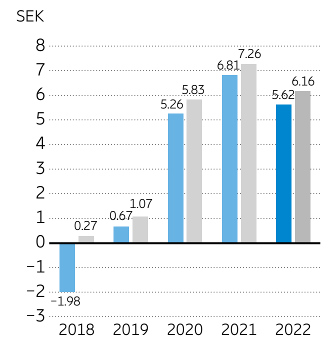
Volumes reflect trading on Nasdaq Stockholm only.

Share turnover and price trend, Nasdaq New York



Volume traded, 000's monthly   Ericsson ADS   S&P 500

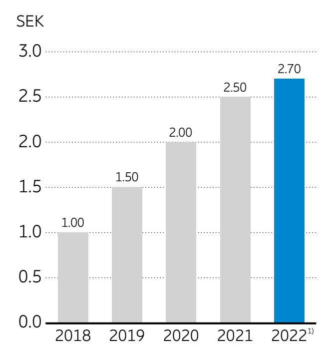
Earnings (loss) per share, diluted



Earnings (loss) per share, diluted
Adjusted earnings per share [1]

[1] EPS, diluted, excl. restructuring charges, amortizations and write-downs of acquired intangible assets, SEK. A reconciliation of Alternative performance measures is available on pages 131–135.

Dividend per share



[1] For 2022 as proposed by the Board of Directors.

Shareholder information

Telefonaktiebolaget LM Ericsson's Annual General Meeting of shareholders 2023 is expected to be held on Wednesday, March 29, 2023 at 3 p.m. at Kistamässan, Arne Beurlings Torg 5, Kista/Stockholm, Sweden.

Shareholders are also able to exercise their voting rights by post before the meeting.

Information on registration and notice of participation, on how shareholders will be able to exercise their voting rights, and on proxies and assistants is found in the notice of the Annual General Meeting. Information is also available on the Company's website www.ericsson.com.

Dividend proposal

The board of Directors proposes to the Annual General Meeting a dividend to the shareholders of SEK 2.70 (2.50) per share for the financial year 2022, representing a total dividend of approximately SEK 9.0 (8.3) billion. The dividend is proposed to be paid in two installments, SEK 1.35 per share with the record date March 31, 2023, and SEK 1.35 per share with the record date September 29, 2023. Should the Annual General Meeting decide in favor of the proposal, payment of the dividend is expected to be made on April 5, 2023 and on October 4, 2023.

Financial information from Ericsson

2022 Form 20-F for the US market:
- March 15, 2023

Interim reports 2023:
- Q1, April 18, 2023
- Q2, July 14, 2023
- Q3, October 17, 2023
- Q4, January 23, 2024

Annual Report 2023:
- March, 2024

Financial terminology [1)]

Adjusted earnings per share
Earnings (loss) per share (EPS), diluted, excluding amortizations and write-downs of acquired intangible assets and excluding restructuring charges.

Adjusted working capital
Current assets less current non-interest-bearing provisions and liabilities (which include current provisions, contract liabilities, trade payables, current tax liabilities and other current liabilities).

CAPEX
Capital expenditures.

Capital employed
Total assets less non-interest-bearing provisions and liabilities (which includes non-current provisions, deferred tax liabilities, contract liabilities, other non-current liabilities, current provisions, trade payables, current tax liabilities and other current liabilities).

Capital turnover
Net sales divided by average capital employed (based on the amounts at January 1 and December 31).

Compound annual growth rate (CAGR)
The year-over-year growth rate over a specified period of time.

Days sales outstanding (DSO)
Trade receivables balance at quarter end divided by net sales in the quarter and multiplied by 90 days. If the amount of trade receivables is larger than last quarter's sales, the excess amount is divided by net sales in the previous quarter and multiplied by 90 days, and total DSO are the 90 days of the most current quarter plus the additional days from the previous quarter.

Earnings (loss) per share (EPS)
Basic earnings (loss) per share: profit or loss attributable to stockholders of the Parent Company divided by the weighted average number of ordinary shares outstanding during the period.

Earnings (loss) per share diluted (EPS diluted)
Earnings (loss) per share, using the weighted average number of shares outstanding adjusted for the effects of dilutive potential ordinary shares.

EBIT
Earnings before financial items and income tax.

EBIT margin
EBIT as a percentage of net sales.

EBITA
Earnings (loss) before interest, taxes, amortizations and write-downs of acquired intangible assets.

EBITA margin
Earnings (loss) before interest, taxes, amortizations and write-downs of acquired intangible assets as a percentage of net sales.

Equity ratio
Equity expressed as a percentage of total assets.

Free cash flow after M&A
Cash flow from operating activities less net capital expenditures, other investments and repayment of lease liabilities.

Free cash flow before M&A
Cash flow from operating activities less net capital expenditures, other investments and repayment of lease liabilities (excluding M&A).

Gross cash
Cash and cash equivalents plus interest-bearing securities (current and non-current).

Gross margin
Gross income as a percentage of net sales.

Inventory turnover days (ITO days)
365 divided by inventory turnover, calculated as total cost of sales divided by the average inventories for the year (net of advances from customers).

M&A
Mergers and Acquisitions.

Net cash
Cash and cash equivalents plus interest-bearing securities (current and non-current) less borrowings (current and non-current).

OCI
Other comprehensive income.

OPEX
Operating expenses.

P/E ratio
The P/E ratio is calculated as the price of a Class B share at last day of trading divided by earnings per basic share.

Payable days
The average balance of trade payables at the beginning and at the end of the year divided by cost of sales for the year, and multiplied by 365 days.

Return on capital employed
EBIT as a percentage of average capital employed (based on the amounts at January 1 and December 31).

Return on equity
Net income (loss) attributable to owners of the Parent Company as a percentage of average stockholders' equity (based on the amounts at January 1 and December 31).

Sales growth adjusted for comparable units and currency
Sales growth adjusted for the impact of acquisitions and divestments as well as the effects of foreign currency fluctuations. Also named as organic sales.

SG&A
Selling, General & Adminstrative operating expenses.

Total shareholder return (TSR)
The increase or decrease in Class B share price during the period, including dividend, expressed as a percentage of the share price at the start of the period.

Value at Risk (VaR)
A statistical method for calculating the maximum potential loss that may occur with a given confidence level over a given time period.

Exchange rates

Exchange rates in consolidation

	January–December	
	2022	2021
SEK/EUR		
Average rate [1)]	10.61	10.15
Closing rate	11.08	10.24
SEK/USD		
Average rate [1)]	10.04	8.56
Closing rate	10.38	9.05

[1)] Average for the year for disclosure purpose only. Period income and expenses for each income statement are translated at period average exchange rates.

[1)] For additional information of certain financial terms, see Alternative performance measures on pages 131–135.

Glossary

4G
Forth generation mobile systems, also known as LTE.

5G
The fifth generation of mobile systems. An evolution of 4G/LTE.

5GC
5G Core Network is responsible for managing the flow of data in a 5G network and ensures that the network can meet the demands of the 5G services and applications.

6G
Sixth generation mobile system. An evolution of 5G.

AI
Artificial Intelligence. The ability of a machine to perform tasks commonly associated with intelligent beings.

API
Applications Programming Interface. An API is a set of protocols and routines for building software applications, enabling communication and access to services or data of other software programs.

BSS
Business Support Systems, the IT-systems that a communications service provider uses to run its business operations towards customers. Together with operations support systems (OSS), they are used to support various services for both business processes and the network end-to-end.

CCaaS
Contact Center as a Service. A cloud-based solution for managing customer interactions, providing businesses with a virtual call center environment.

Cloud
When data and applications reside in accessible data centers.

Cloud native
Cloud native is the software approach of building, deploying, and managing modern applications in cloud computing environments.

CO_2e
The amount of a particular greenhouse gas, expressed as the amount of carbon dioxide that gives the same greenhouse effect.

Core network
The mobile network's core part, which offers numerous services to the end users who are interconnected by the access network. Its key function is to direct voice calls and route data traffic.

COVID-19
The disease caused by the coronavirus (SARS-CoV-2).

COVID-19 pandemic
The global spread of the disease caused by the coronavirus (SARS-CoV-2).

CPaaS
Communications Platform as a Service. A cloud-based solution that provides businesses with tools and APIs for integrating real-time communication capabilities, such as voice, video, and messaging, into their applications.

FWA
Fixed Wireless Access is a high-speed internet technology using wireless communication instead of cables.

ICT
Information and Communication Technology.

IoT
Internet of things, interconnection of computing things enabling them to send and receive data.

IP
Internet Protocol. Defines how information travels between network elements across the internet.

IPR
Intellectual Property Rights, or specifically patents.

Managed services
Management of operator networks and/or hosting of their services.

Mobile broadband
Wireless high-speed internet access using the HSPA, LTE, CDMA2000EV-DO and 5G technologies.

Network slicing
A network slice is a logically separated, self-contained, independent and secured part of the network, targeting different services with different requirements on speed, latency and reliability.

OSS
Operations Support Systems, IT-systems used by communications service providers to manage their networks. They support management functions such as network inventory, service provisioning, network configuration and fault management. Together with Business Support Systems (BSS), they are used to support various services for both business processes and the network end-to-end.

RAN
Radio Access Network, consists of a large number radio base stations that handsets and devices can connect to.

Time-bound latency
Time-bound latency refers to the time delay between when a device sends a request and when it receives a response from the network.

UCaaS
Unified Communications as a Service. A cloud-based solution that integrates various communication tools, such as voice, video, messaging, and collaboration, into a single platform.

WAN
Wide Area Network. A WAN connects remote networks for communication and resource sharing.

XR
Extended Reality. A technology that includes virtual reality (VR), augmented reality (AR), and mixed reality (MR), enabling users to experience and interact with computer-generated simulations.

The terms "Ericsson", "the Company", "the Group", "us", "we", and "our" all refer to Telefonaktiebolaget LM Ericsson and its subsidiaries.

Corporate Governance report

Part of Ericsson Annual Report 2022

Annual Report 2022

Financial report	Corporate Governance report	Remuneration report	Sustainability and Corporate Responsibility report

ericsson.com

Contents

This Corporate Governance report is rendered as a separate report added to the Financial Report in accordance with the Annual Accounts Act ((SFS 1995:1554) Chapter 6, Sections 6 and 8) and the Swedish Corporate Governance Code.

The report has been reviewed by Ericsson's auditor in accordance with the Annual Accounts Act.

A report from the auditor is appended hereto.

Forward-looking statements

This report may include forward-looking statements, including statements reflecting the Company's current views relating to the growth of the market, future market conditions, future events, financial condition, and expected operational and financial performance.

The words "believe", "expect", "foresee", "anticipate", "assume", "intend", "likely", "projects", "may", "could", "plan", "estimate", "forecast", "will", "should", "would", "predict", "aim", "ambition", "seek", "potential", "target", "might", "continue", or, in each case, their negative or variations, and similar words or expressions are used to identify forward-looking statements. Any statement that refers to the Company's strategy, future financial performance, expectations, projections or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. Such statements are based on the Company's expectations as of the date of this report, unless an earlier date is specified, including expectations based on third-party information and projections that the Company believes to be reputable.

We caution investors that these statements are subject to risks and uncertainties many of which are difficult to predict and generally beyond our control that could cause actual results to differ materially and adversely from those expressed in, or implied or projected by, the forward-looking information and statements. Important factors that could affect whether and to what extent any of our forward-looking statements materialize include but are not limited to the factors described throughout the Company's Annual Report for the financial year 2022, including in the section Risk Factors of the Company's Annual Report for the financial year 2022. These forward-looking statements also represent our estimates and assumptions only as of the date that they were made, and to the extent they represent third-party data, we have not undertaken to independently verify such third-party data and do not intend to do so. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. We expressly disclaim a duty to provide updates to these forward-looking statements, and the estimates and assumptions associated with them, after the date of this report, to reflect events or changes in circumstances or changes in expectations or the occurrence of anticipated events, whether as a result of new information, future events or otherwise, except as required by applicable law or stock exchange regulation. We maintain website and external voluntary reports that may be referenced in this report. The information on our website and in our external voluntary reports is not incorporated by reference in, or otherwise to be regarded as part of, this report.

Corporate Governance report 2022

Ericsson is committed to maintaining the highest standards of corporate governance; this ensures effective decision-making, robust risk management, accountability, ownership, transparency and social responsibility at all levels of the organization. Strong oversight across the organization (by the Board, the CEO, the Executive Team and at all other levels) underpins our governance.

"For the Board, best-in-class governance and building a culture of compliance, ethics and integrity remain a top priority. The Board has continued to oversee and accelerate our cultural transformation, further embedding our sustainable program of compliance and controls, and revamping our global risk management approach. The Company and the Board are committed to continuously developing and improving its internal governance, risk management and oversight and controls.

The Board acknowledges the feedback from the shareholders and the vote against discharge from liability at the 2022 Annual General Meeting; and taking this into account, best-in-class governance and building a culture of compliance, ethics and integrity continue to be a top priority for the Board. Over the course of 2022, the Board worked closely with management to make enhancements to the Company's governance framework. Also, importantly, on March 2, 2023, we announced our resolution with the U.S. Department of Justice regarding non-criminal breaches under our 2019 Deferred Prosecution Agreement, and this allows us to focus more fully on our strategic opportunities.

In 2022, the Board witnessed with satisfaction Ericsson's strong commitment to further developing and streamlining and clarifying internal processes, oversight and controls, as well as setting even higher expectations of performance and adherence to its integrity mandate for all personnel. Integrity and ethics will remain at the center of everything we do."

Ronnie Leten
Chair of the Board

Regulation and compliance

Ericsson's Corporate Governance

Ericsson is committed to ensuring the highest standards of corporate governance: effective oversight across the organization (by the Board, the President and CEO and the Executive Team); effective decision making with clear accountabilities at all levels; a robust approach to risk management to effectively identify and control risks; compliance with law in everything we do; and an integrity-led culture.

The Company has adopted corporate governance practices and procedures that establish clear rules of governance, ranging from matters requiring approval of the Company's shareholders and members of its Board to conflict of interest policies, and director and management duties and obligations. More information can be found on our website at https://www.ericsson.com/en/about-us/corporate-governance.

Key Corporate Governance Developments in 2022

In the first quarter of 2022, the Board and Ericsson's President and CEO requested that the Executive Team, led by the Chief Legal Officer and working with the Audit and Compliance Committee, review the Company's corporate governance practices with a view to extending them beyond the standard and mandatory levels of compliance and introducing enhancements. The Company is pleased to report that good progress has been made and our governance enhancements will continue to be made throughout 2023. The priorities that were implemented in 2022 are as follows:

- introduction of an enhanced approach to risk management and establishment of a Group Business Risk Committee (BRC) comprising executives and co-chaired by the Chief Financial Officer and the Chief Legal Officer;
- enhancing disclosures on our corporate governance practices;
- formally introducing compliance and integrity performance indicators into executive remuneration;
- formally expanding the remit of the Audit and Compliance Committee to ensure enhanced oversight of the compliance program, high-risk investigations, and risk management;
- increasing the number of Audit and Compliance Committee meetings and enhancing the Audit and Compliance Committee's oversight of ongoing implementation of the Company's compliance and internal controls program; and
- substantially increasing the resources in the Compliance office and Corporate & Government Investigations team, and continuing to invest in transactional controls and analytics; and
- making enhancements to risk assessments, including expanded risk assessments to address country specific compliance risks, and continuing to tighten our vetting and oversight of third parties with whom we work, to choose parties who will meet our ethics and compliance expectations.

The Company has strengthened its executive oversight of risk management with the recruitment of highly-experienced executives, including a new Chief Legal Officer, and a new Head of Corporate & Government Investigations.

External rules

As a Swedish public limited liability company with securities traded on Nasdaq Stockholm as well as on Nasdaq New York, Ericsson is subject to a variety of rules that affect its governance. Relevant external rules applicable to Ericsson's governance include:

- The Swedish Companies Act
- Applicable EU regulations
- Swedish Corporate Governance Code (the Code)
- The Nasdaq Stock Market Rules, including The Nasdaq Nordic Main Market Rules for Issuers of Shares and applicable Nasdaq New York corporate governance requirements (subject to certain exemptions principally reflecting mandatory Swedish legal requirements)
- Applicable requirements of the U.S. Securities and Exchange Commission (SEC).

Internal rules and policies

The articles of association and the work procedure for the Board of Directors (and its respective Committees) establish the foundation for our internal corporate governance.

In addition, to ensure compliance with legal and regulatory requirements and the high standards that Ericsson has set, Ericsson has adopted a range of policies and procedures that include:

- The Code of Business Ethics
- Group Steering Documents, including Group policies and directives, instructions and business processes for approval, control and risk management
- The Code of Conduct for Business Partners
- Group Risk Protocol.

Sustainability and corporate responsibility governance

Sustainability and corporate responsibility are integral parts of Ericsson's strategy and culture. This embodies our values, and we have embedded this across our operations to create a more resilient business, to have a positive impact on our people and the communities in which we work, and to create long-term value for the Company's stakeholders. Within the Company, a dedicated Sustainability and Corporate Responsibility unit is responsible for developing and implementing relevant strategies, policies, steering documents, targets, and processes. Environmental, social, and economic performance is continuously measured and monitored, and is regularly subject to external assurance to ensure accuracy and reliability.

The Board of Directors oversees the Company's sustainability and corporate responsibility strategy, and the Executive Team provides strategic guidance through various steering boards and committees. The Board receives reports on risks and performance annually, or more often as needed. In accordance with the Swedish Annual Accounts Act, Ericsson has prepared a separate sustainability report titled "Sustainability and Corporate Responsibility Report 2022."

Ericsson interactions with U.S. authorities and other governmental authorities

On March 2, 2023, the Company reached a resolution (DOJ Plea Agreement) with the

Compliance with securities market regulations

Compliance with the Swedish Corporate Governance Code
The Code is based on the principle of "comply or explain" and is published on the website of the Swedish Corporate Governance Board, which administers the Code: www.corporategovernanceboard.se. Ericsson is committed to complying with best-practice corporate governance standards on a global level. Ericsson does not report any deviations from the rules of the Code in 2022.

Compliance with applicable stock exchange rules
There has been no infringement by Ericsson of applicable stock exchange rules and no breach of good practice on the securities market reported by the disciplinary committee of Nasdaq Stockholm or the Swedish Securities Council in 2022.

United States Department of Justice (DOJ) regarding non-criminal breaches under its deferred prosecution agreement (DPA). Under the DOJ Plea Agreement, Ericsson will plead guilty to previously deferred charges relating to conduct prior to 2017, as described below. In addition, Ericsson has agreed to pay a fine of USD 206,728,848. The entry of the DOJ Plea Agreement will bring the DPA to an end. As set forth in the DOJ Plea Agreement, Ericsson will have certain continuing obligations through June 2024, including cooperation, reporting evidence or allegations of potential FCPA violations, continuing to engage an independent compliance monitor and improving its compliance program.

Previously, on January 12, 2023, the Company announced that a provision in the fourth quarter of 2022 of SEK 2.3 billion (approx. USD 220 million) in relation to the DOJ Plea Agreement was made. The provision also included estimated expenses (SEK 0.1 billion) for the previously announced extended compliance monitorship.

Ericsson originally entered into a resolution with the DOJ resolving the DOJ's investigations into Ericsson's business dealings in Djibouti, China, Vietnam, Indonesia and Kuwait. The resolution included a DPA and a guilty plea by our Egyptian subsidiary to a criminal violation of the antibribery provisions of the US Foreign Corrupt Practices Act (FCPA). Under the DPA, the Company admitted to the conduct described in the DPA's statement of facts, and the DOJ agreed to defer prosecution of Ericsson for the DPA's three-year term if Ericsson did not violate the terms of the DPA. As part of the DPA with the DOJ and consent judgment with the U.S. Securities and Exchange Commission (SEC), Ericsson agreed to engage an independent compliance monitor for three years while the Company continues to undertake significant reforms to strengthen its Ethics and Compliance Program. The monitor's primary responsibilities include reviewing and evaluating the Company's progress in implementing and operating its enhanced compliance program and accompanying controls, pursuant to the terms of the DPA, as well as providing recommendations for improvements.

In October 2021, the DOJ notified Ericsson of its determination that the Company breached its obligations under the DPA by failing to provide required information to the DOJ.

In February 2022, the Company publicly disclosed that an internal investigation in 2019 included a review of the conduct of Ericsson employees, vendors and suppliers in Iraq during the period 2011–2019. The investigation found serious breaches of compliance rules and the Company's Code of Business Ethics and identified evidence of corruption-related misconduct and other serious violations, including payments to intermediaries and the potential use of alternate transport routes in connection with circumventing Iraqi Customs, at a time when terrorist organizations, including ISIS, controlled some transport routes. The investigation also identified payment schemes and cash transactions that potentially created the risk of money laundering. The investigators could not determine the ultimate recipients of any payments, nor identify that any Ericsson employee was directly involved in financing terrorist organizations.

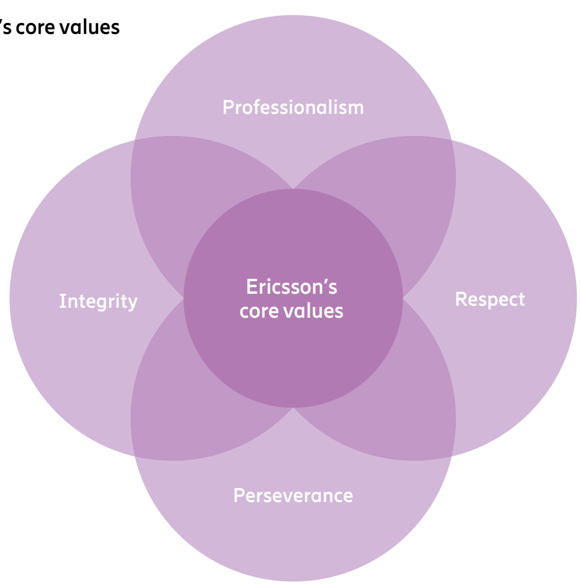
In March 2022, the DOJ informed Ericsson it had determined that, before entering into the DPA, the Company provided insufficient information to the DOJ about the Company's internal investigation into conduct in Iraq. The DOJ also determined the Company breached the DPA by failing to inform the DOJ about the investigation until after entering into the DPA.

In June 2022, the SEC informed Ericsson that it opened an investigation concerning matters described in the Company's 2019 Iraq investigation report. Under Ericsson's consent judgment with the SEC, we are permanently enjoined from violating the FCPA's antibribery, books and records and internal controls provisions. Violations of the injunction or consent judgment could subject us to new civil and criminal penalties as well as new enforcement actions.

In December 2022, prior to entering the DOJ Plea Agreement, the Company agreed with the DOJ and SEC to extend the term of the Company's independent compliance monitor for one year, to June 2024. The Company continues to face other negative consequences from these matters, including matters under review as part of our ongoing and future communications with governmental authorities to comply with our obligations under the DOJ Plea Agreement.

With respect to the matters described in the 2019 Iraq investigation report, the Company continues to thoroughly investigate the matters in full cooperation with the DOJ and the SEC. As previously disclosed, the Company's 2019 investigation did not conclude that Ericsson made or was responsible for any payments to any terrorist organization, and the Company's significant further investigation over the course of 2022 has not altered this conclusion. The Company's internal investigation and its cooperation with authorities in relation to the matters discussed in a 2019 Iraq-related internal investigation report remain open and ongoing and are not covered by the DOJ Plea Agreement.

Ericsson's core values



The Company's core values are the foundation of its culture. They guide employees' daily work, in how they relate to each other and the world around them and in the way the Company does business.

The Code of Business Ethics and the Code of Conduct for Business Partners can be found on Ericsson's website.

Ethics and Compliance Program

For several years, we have invested significant resources to strengthen our ethics and compliance (E&C) program. This is a continuous effort and has, importantly, been underpinned by work across the organization to embed a culture of integrity and ethics. This is bolstered by the continuous strengthening of the compliance function, together with the implementation and maintenance of strong systems, controls and policies to effectively prevent and detect wrongdoings.

During 2022, we advanced the company-wide and E&C-led program focused on prioritizing integrity as part of Ericsson's culture and way of working. This program serves to foster accountability and effective decision-making, while also furthering trust with our customers, business partners, and regulators.

The Company also promotes transparency through the maintenance of a dedicated communication channel for employees and other external stakeholders to report any compliance concerns – the Ericsson Compliance Line.

Progress in the speak-up culture is evidenced by the continuous and increasing engagement of our employees over the recent years in raising compliance questions as well as potential concerns to ensure we conduct business with integrity. The Company noted a modest increase in number of reported potential compliance concerns by 33 (approx. 3.12%). We treat this as an indicator of growing confidence by employees and third parties in the integrity of our allegation management and investigation processes and we take serious measures when we learn of any potential misconduct.

Also, in 2022 we revised and enhanced our Code of Business Ethics (CoBE), which outlines the Company's expectations for all employees and our fundamental ethical principles. CoBE is designed to ensure that the Company pursues business with a strong sense of integrity and reflects the Company's commitment to conducting business responsibly, consistent with all internationally recognized human rights principles and the applicable laws and regulations where the Company operates. All employees and our Board of Directors are subject to CoBE, as are our consultants and contractors. CoBE is available in 43 languages used across our global operations, and all employees are required to confirm their understanding of CoBE on a regular basis. In addition, all employees shall participate in a mandatory Foundational Anti-Bribery and Corruption (ABC) training. Managers and employees exposed to increased risk are also required to participate in an expanded version of the ABC training.

In 2022, the Company also increased the number of employees within the compliance function, further strengthening the organization in this area. We continue to embed compliance employees throughout the organization, to partner with the business and advise on decisions. Moreover, the Company continued to invest in transactional controls and data analytics, a Compliance Help desk and additional compliance officers in-country, to help employees make integrity-driven decisions. In addition, the Company has embedded Ethics and Compliance guidance into its M&A processes.

We continue to make considerable investments in improving our E&C Program in accordance with our strategy and objectives, to remediate historical issues, including gaps in our compliance processes and internal controls, and to strengthen our internal investigations team.

On February 28, 2023, we announced that the Head of our Ethics and Compliance function was departing after almost four years in her role, and was being replaced on an interim basis by Jan Sprafke, who reports to the Chief Legal Officer and the Audit and Compliance Committee. He will continue to lead the further embedding of our E&C Program into the organization.

Governance structure

Shareholders may exercise their decision-making rights in Telefonaktiebolaget LM Ericsson (the "Parent Company") at General Meetings of shareholders.

A Nomination Committee is appointed each year by the major shareholders in accordance with the Instruction for the Nomination Committee adopted by the Annual General Meeting of shareholders. The tasks of the Nomination Committee include the proposal of Board members and external auditor for election by the Annual General Meeting of shareholders and proposal of Board member and auditor remuneration.

In addition to the Board members elected by shareholders, the Board of Directors consists of employee representatives and their deputies, who the unions have the right to appoint under Swedish law. The Board of Directors is ultimately responsible for overseeing the strategy of Ericsson and the management of its operations.

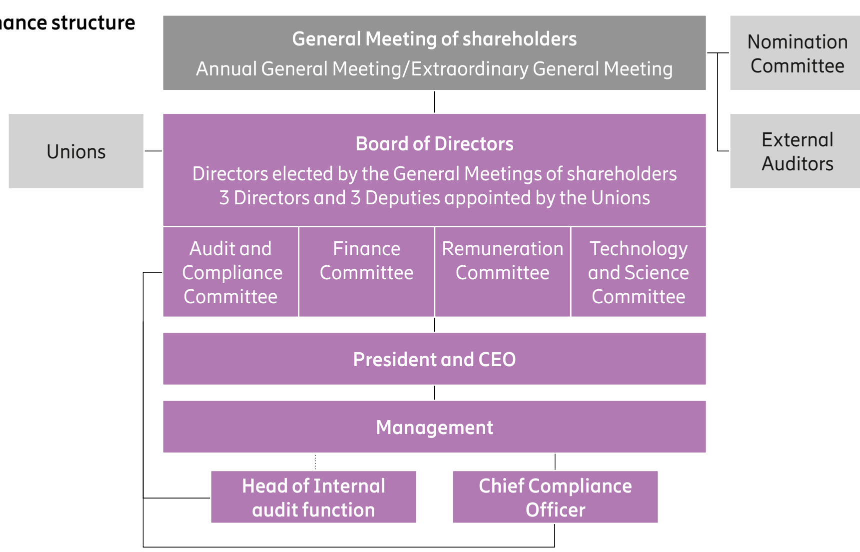
The President and CEO, appointed by the Board of Directors, is responsible for developing and executing the strategy and handling the day-to-day management of Ericsson in accordance with guidelines issued by the Board. The President and CEO is supported by the Executive Team.

The external auditor of Ericsson is appointed by the shareholders at the General Meeting of shareholders.

Ownership structure

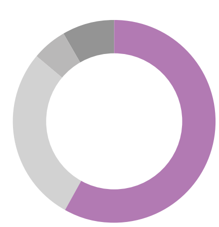
As of December 31, 2022, the Parent Company had 425,636 registered shareholders, of which 412,763 were resident or located in Sweden (according to the share register

Governance structure



Shareholders

Ownership percentage (voting rights)



Swedish institutions:	58.07%
Of which:	
– Investor AB	23.79%
– AB Industrivärden	15.14%
– AMF Tjänstepension and AMF Fonder	4.87%
Foreign institutions	28.28%
Swedish retail investors	5.41%
Others	8.24%

Source: Nasdaq

kept by Euroclear Sweden AB). Swedish institutions held approximately 58% of the votes. The largest shareholders as of December 31, 2022 were Investor AB with approximately 23.79% of the votes (8.00% of the shares) and AB Industrivärden with approximately 15.14% of the votes (2.61% of the shares) and AMF Tjänstepension and AMF Fonder with approximately 4.87% of the votes (2.74% of the shares).

A significant number of the shares held by foreign investors are nominee-registered, i.e., held of record by banks, brokers and/or nominees. This means that the actual shareholder is not displayed in the share register kept by Euroclear Sweden AB or included in the shareholding statistics.

More information on Ericsson's shareholders can be found in the chapter "The Ericsson share" in the Financial Report.

Shares and voting rights

The share capital of the Parent Company consists of two classes of shares listed on Nasdaq Stockholm: A and B shares. Each Class A share carries one vote, and each Class B share carries one tenth of one vote. Class A and B shares entitle the holder to the same proportion of assets and earnings and carry equal rights to dividends.

The Parent Company may also issue Class C shares, which are converted into Class B shares to create treasury stock to finance and hedge long-term variable compensation programs resolved by the General Meeting of shareholders.

In the US, the Ericsson Class B shares are listed on Nasdaq New York in the form of American Depositary Shares (ADS) evidenced by American Depositary Receipts (ADR). Each ADS represents one Class B share.

The members of the Board of Directors and the Executive Team have the same voting rights on shares as other shareholders holding the same class of shares.

General Meetings of shareholders

Decision-making at General Meetings

The decision-making rights of Ericsson's shareholders are exercised at General Meetings of shareholders. Most resolutions at General Meetings are passed by a simple majority. However, the Swedish Companies Act requires qualified majorities in certain cases, for example in case of: amendment of the articles of association; and resolution to transfer treasury stock to employees participating in long-term variable compensation programs.

The Annual General Meeting of shareholders

The Annual General Meeting of shareholders (AGM) is held in Kista/Stockholm. The date and venue for the meeting are announced on the Ericsson website no later than at the time of release of the third-quarter interim financial report in the preceding year.

Shareholders who cannot participate in person may be represented by proxy. The Board of Directors may decide, in accordance with the articles of association, that the shareholders also shall be able to exercise their voting rights by post before the AGM pursuant to the procedure stated in the Swedish Companies Act. Only shareholders registered in the share register have voting rights. Nominee-registered shareholders who wish to vote must request to be entered into the share register by the record date for the AGM.

The AGM is held in Swedish and is simultaneously translated into English. Documentation provided by the Company is available in both Swedish and English.

The AGM gives attending shareholders the opportunity to raise questions relating to the operations of the Group. Normally, the majority of the members of the Board of Directors and the Executive Team is present to answer such questions.

The external auditor is present at the AGM.

Ericsson's AGM 2022

Including shareholders represented by proxy, 2,163 shareholders were represented at the AGM held on March 29, 2022 representing approximately 68% of the votes.

Due to the COVID-19 pandemic, the AGM 2022 was conducted without the physical presence of shareholders, representatives and third parties and the meeting was conducted as digital meeting with online participation. In addition, the shareholders were able to exercise their voting rights by post before the meeting. This was in line with section 22 of the Act (2020:198) on temporary exceptions to facilitate the execution of general meetings in companies and other associations, in force until December 31, 2022. Shareholders who did not wish to vote or ask questions online and others who wanted to follow the discussions were able to follow the AGM via Lumi Global's website.

Decisions of the AGM 2022 included:

- Shareholders representing at least one tenth of all shares in the Company voted against discharge from liability of the Board members and the President and CEO for the financial year 2021
- Payment of a dividend of SEK 2.50 per share to be paid in two installments
- Re-election of Ronnie Leten as Chair of the Board of Directors
- Re-election of the following members of the Board of Directors: Jon Fredrik Baksaas, Jan Carlson, Eric A. Elzvik, Nora Denzel, Börje Ekholm, Kurt Jofs, Kristin S. Rinne, Helena Stjernholm and Jacob Wallenberg
- New election of the following member of the Board of Directors: Carolina Dybeck Happe
- Approval of Board of Directors' fees, in accordance with the Nomination Committee's proposal:
  - Chair: SEK 4,375,000 (previously SEK 4,225,000)
  - Other non-employee Board members: SEK 1,100,000 each (previously SEK 1,060,000)
  - Chair of the Audit and Compliance Committee: SEK 475,000 (previously SEK 420,000)
  - Other non-employee members of the Audit and Compliance Committee: SEK 275,000 each (previously SEK 270,000)
  - Chairs of the Finance Committee, the Remuneration Committee and the Technology and Science Committee: SEK 205,000 each (previously SEK 205,000)
  - Other non-employee members of the Finance Committee, the Remuneration Committee and the Technology and Science Committee: SEK 180,000 each (previously SEK 180,000)
- Approval for part of the Board members' fees to be paid in the form of synthetic shares
- Re-appointment of Deloitte AB as auditor for the period up until the end of the AGM 2023
- Implementation of a Long-Term Variable Compensation Program 2022 for the Executive Team. However, due to technical

Contact the Board of Directors
Telefonaktiebolaget LM Ericsson
The Board of Directors Secretariat
SE-164 83 Stockholm, Sweden
boardsecretariat@ericsson.com

Annual General Meeting 2023
Ericsson's AGM 2023 is expected to be held on March 29, 2023. Further information is available on Ericsson's website.

issues, the Company was unable to properly register and count all submitted votes, the Board of Directors therefore resolved to withdraw resolution item 16.2 (Transfer of treasury stock to employees and on an exchange, directed share issue and acquisition offer for the Long-Term Variable Compensation Program 2022) and item 17 (The Board of Directors' proposal for resolution on transfer of treasury stock to employees and on an exchange, directed share issue and acquisition offer in relation to the earlier resolution on the Long-Term Variable Compensation Program 2021).

The minutes from the AGM 2022 is available on Ericsson's website.

Nomination Committee

The AGM has adopted an Instruction for the Nomination Committee that includes the tasks of the Nomination Committee and the procedures for appointing its members. The Instruction applies until the General Meeting of shareholders resolves otherwise. Under the Instruction, the Nomination Committee shall consist of:

– representatives of the four largest shareholders by voting power by the end of the month in which the AGM was held, and
– the Chair of the Board of Directors.

The Committee may also include additional members following a request by a shareholder. The request must be justified by changes in the shareholder's ownership of shares and be received by the Nomination Committee no later than December 31 of each year. No fees are paid to the members of the Nomination Committee. However, the Company shall bear reasonable expenses related to the assignment of the Nomination Committee.

Members of the Nomination Committee

The current Nomination Committee members are:

– Johan Forssell (appointed by Investor AB), Chair of the Nomination Committee
– Karl Åberg (appointed by AB Industrivärden)
– Anders Oscarsson (appointed by AMF Tjänstepension and AMF Fonder)
– Niko Pakalén (replaced Jonas Synnergren on December 9, 2022) (appointed by Cevian Capital Partners Limited)
– Ronnie Leten (the Chair of the Board of Directors).

The tasks of the Nomination Committee

The main task of the Nomination Committee is to propose Board members for election by the AGM. As member of the Nomination Committee, the Chair of the Board of Directors fulfils an important role to inform the Committee of the Company's strategy and future challenges. Such insights are necessary for the Committee to be able to assess the competence and experience that is required by the Board. In addition, the Committee must consider independence rules applicable to the Board of Directors and its committees.

The Nomination Committee also makes the following proposals, for resolution by the AGM:

– Remuneration to non-employee Board members elected by the AGM and remuneration to the auditor
– Appointment of auditor, whereby candidates are selected in cooperation with the Audit and Compliance Committee of the Board
– Election of Chair at the AGM
– Changes to the Instruction for the Nomination Committee (if any).

Work of the Nomination Committee for the AGM 2023

The Nomination Committee started its work by going through a checklist of its duties under the Code and the Instruction for the Nomination Committee and by setting a timeline for its work ahead. The complete proposals of the Nomination Committee were presented in connection with the notice convening the AGM 2023.

A good understanding of Ericsson's business and strategy is important for the Nomination Committee. Therefore, the Chair of the Board presented his views to the Committee on the Company's strategy and challenges. The Committee also met with Ericsson's President and CEO, Börje Ekholm, who presented his views in this respect.

The Committee has analysed the needs of competencies in the Board and has been informed of the results of the Board work evaluation led by the Chair of the Board. On this basis the Nomination Committee has assessed the competence and experience required by Ericsson's Board members and the need for improvement of the composition of the Board in terms of diversity in age, gender and cultural/geographic background. The Nomination Committee has applied the Swedish Corporate Governance Code, section 4.1, as diversity policy. The Nomination Committee aims to propose a composition of Board members with complementing experiences and competencies to make it possible for the Board to contribute to a positive development of Ericsson. The Nomination Committee searches for potential Board member candidates both with a long-term and a short-term perspective and always focuses on diversity to ensure that the Board is provided with different perspectives into the Board work and considerations. The Nomination Committee also considers the need for renewal and carefully assesses whether the proposed Board members have the capability to devote necessary time and care to the Board's work.

In 2022, the Committee met with the Chair of the Audit and Compliance Committee to acquaint itself with the assessments made by the Company and the Audit and Compliance Committee of the quality and efficiency of external auditor work. The Audit and Compliance Committee also provided its recommendations on external auditor and audit fees.

As of February 22, 2023, the Nomination Committee has held nine meetings.

Board of Directors

The Board of Directors is ultimately responsible for the organization of Ericsson and the management of Ericsson's operations. The Board appoints the President and CEO who

Contact the Nomination Committee
Telefonaktiebolaget LM Ericsson
The Nomination Committee
c/o The Board of Directors Secretariat
SE-164 83 Stockholm
Sweden
nomination.committee@ericsson.com

Proposals to the Nomination Committee
Shareholders may submit proposals to the Nomination Committee at any time but should do so in due time before the AGM to ensure that the proposals can be considered by the Committee. Further information is available on Ericsson's website.

is responsible for managing the day-to-day operations in accordance with guidelines from the Board. The President and CEO ensures that the Board is updated regularly on issues of importance to Ericsson, including matters of business development, results, financial position and liquidity.

Board members serve from the close of one AGM to the close of the next, but can serve any number of consecutive terms.

The President and CEO may be elected a Director of the Board (and Börje Ekholm is currently a Director) but may not be elected Chair of the Board under the Swedish Companies Act.

Conflicts of interest

Ericsson maintains rules and regulations regarding conflicts of interest. Board members are disqualified from participating in any decision regarding agreements between themselves and Ericsson. The same applies to agreements between Ericsson and any third party or legal entity in which the Board member has an interest that may be contrary to the interests of Ericsson.

The Audit and Compliance Committee oversees the procedures for related-party transactions. The Committee has also implemented a pre-approval process for non-audit services carried out by the external auditor.

Composition of the Board of Directors and diversity

The current Board of Directors consists of eleven Board members elected by the shareholders at the AGM 2022 for the period until the close of the AGM 2023. The Board of Directors also consists of three employee representatives and three deputies, appointed by the trade unions for the same period of time.

The Nomination Committee advised before the AGM 2022 that the Nomination Committee had applied the Swedish Corporate Governance Code, section 4.1, as diversity policy with the aim to propose a composition of Board members with complementing experiences and competencies that is also diverse in terms of age, gender and cultural/geographical background. The current Board composition is the result of the work of the Nomination Committee prior to the AGM 2022. The Board consists of Board members with experiences from different cultural/geographic areas, competencies from different industry sectors and, excluding the President and CEO, 40% of the shareholder-elected Board members are women.

Work procedure

In accordance with the Swedish Companies Act, the Board of Directors has adopted a work procedure for the Board and its Committees outlining rules for the distribution of tasks among the Board, its Committees and the President and CEO. This complements the rules in the Swedish Companies Act and in the articles of association of the Company. The work procedure is reviewed, evaluated and amended by the Board as required or appropriate, and is adopted by the Board at least once a year.

Independence

The Board of Directors and its Committees are subject to a variety of independence rules under applicable Swedish law, the Code and applicable U.S. securities laws, U.S. Securities and Exchange Commission (SEC) rules and the Nasdaq Stock Market Rules as a foreign private issuer. Ericsson can rely on exemptions from certain U.S. and SEC requirements and may decide to follow Swedish practices in lieu of some Nasdaq Stock Market independence rules.

The composition of the Board of Directors meets all applicable independence criteria. The Nomination Committee concluded before the AGM 2022 that, for purposes of the Code, at least seven of the nominated Board members were independent from Ericsson, its senior management and its major shareholders. These were Jon Fredrik Baksaas, Jan Carlson, Nora Denzel, Carolina Dybeck Happe, Eric A. Elzvik, Kurt Jofs and Kristin S. Rinne.

At Board meetings where the Board members meet in person, a non-executive session is normally held without Ericsson management present.

Ahead of the AGM 2023, the Nomination Committee has proposed that current Board member Jan Carlson be elected as Chair of the Board (replacing Ronnie Leten) and that Jonas Synnergren and Christy Wyatt be elected as new Board members (replacing Kurt Jofs and Nora Denzel), all three are deemed independent from Ericsson, its Executive Management and its major shareholders.

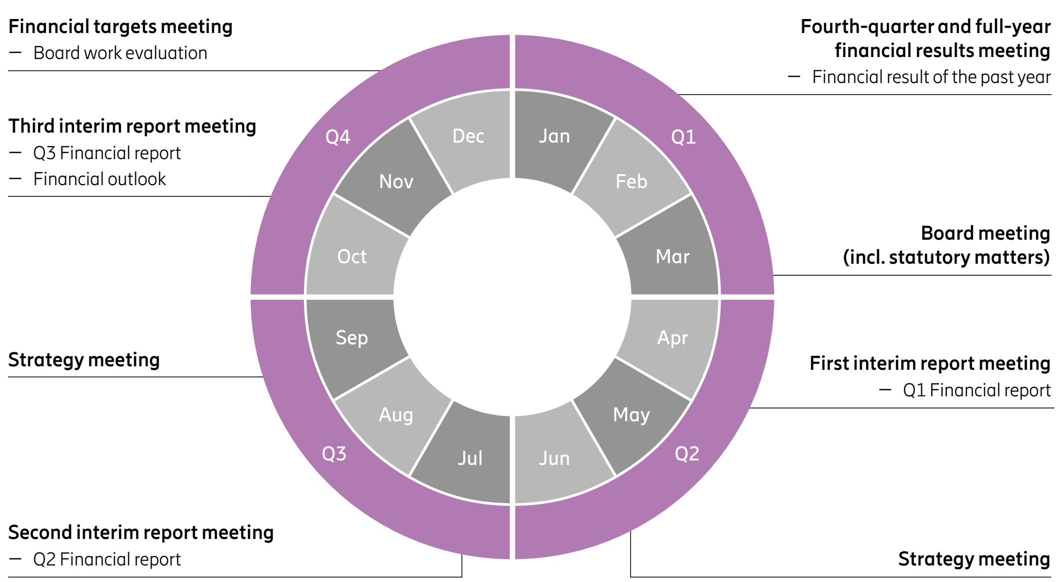
Structure of the work of the Board of Directors

The work of the Board follows a yearly cycle. This enables the Board to appropriately address each of its duties and to keep strategy, risk assessment and value creation high on the agenda.

As the Board is responsible for financial oversight, financial information is presented and evaluated at Board meetings.

The Board's annual work cycle 2022

The annual cycle applied to the Board's work allows the Board to appropriately address its duties during the year. It also facilitates the organization in aligning its global processes to allow appropriate Board involvement.



Furthermore, the Chair of each Committee reports on Committee work at Board meetings and minutes from the Committee meetings are made available to all Board members.

At Board meetings, the President and CEO reports on business and market developments as well as on the financial performance of the Group. Strategic issues and risks are also addressed at most Board meetings. The Board is regularly informed of developments in legal and regulatory matters of importance. Board and Committee meetings may, as appropriate, be held by way of telephone or video conference, and resolutions may be taken per capsulam (unanimous written consent). Such resolutions are accounted for as Board/Committee meetings.

The 2022 annual work cycle of the Board

- **Fourth-quarter and full-year financial results meeting**
  Following the end of the calendar year, the Board held a meeting which focused on the financial results of the entire year 2021 and handled the fourth-quarter financial report.
- **Board meeting (incl. statutory matters)**
  A Board meeting was held in connection with the AGM 2022. Members of each of the Board Committees were appointed and the Board resolved on signatory powers.
- **First interim report meeting**
  At the first interim report meeting, the Board addressed the interim financial report for the first quarter of the year.
- **Strategy meeting**
  A Board meeting was held to address particular strategic matters in further detail.
- **Second interim report meeting**
  At the second interim report meeting, the Board addressed the interim financial report for the second quarter of the year.
- **Strategy meeting**
  A Board meeting was held, in essence dedicated to short-term and long-term strategies of the Group, with particular focus on merger and acquisitions.
- **Third interim report meeting**
  At the third interim report meeting, the Board addressed the interim financial report for the third quarter of the year and the financial outlook.
- **Financial targets meeting**
  A Board meeting was held for the Board to address the financial targets. At this meeting, the results of the Board evaluation were presented to and discussed by the Board.

Training

New Board members receive training tailored to their individual needs. Introductory training typically includes meetings with heads of business areas and Group functions, as well as training required by Nasdaq Stockholm on listing issues and insider rules.

The Board's strategy discussions are usually combined with deep-dive sessions into issues of importance for the Ericsson Group, including business area and market area deep dives. Board members' knowledge in these fields is crucial to allow well-founded Board resolutions, and to ensure that the Company takes due advantage of the different competencies of the Board members.

Auditor involvement

At the AGM 2022, Deloitte AB was reappointed external auditor.

The Board meets with Ericsson's external auditor in closed sessions at least once a year to receive and consider the auditor's observations. The auditor provides reports to management on the accounting and financial reporting of the Group.

The Audit and Compliance Committee also meets regularly with the auditor to receive and consider observations on the interim reports and the Annual Report. The auditor reports on whether the accounts, the management of funds and the general financial position of the Group are presented fairly in all material respects.

In addition, the Board reviews and assesses the process for financial reporting, as described on page 26 under Internal control over financial reporting. Combined with other steps taken internally, the Board's and the auditor's review of the interim and annual reports are deemed to give reasonable assurance of the effectiveness of the internal controls over financial reporting.

Work of the Board of Directors in 2022

In 2022, 29 Board meetings were held. For attendance at Board meetings, see the table on page 11. In addition to the Board meetings held as a part of the annual work cycle of the Board, the Board receives information updates, in writing or in telephone meetings, as deemed appropriate.

Business strategy, ethics and compliance, geopolitics and M&A, are among the matters that have been in focus within the Board during the year. Compliance, strategy and risk management are always high on the Board's agenda as well as sustainability and corporate responsibility, which are integrated into the business strategy. The Board continuously monitors international developments and their possible impact on Ericsson.

Board work evaluation

A key objective of the Board work evaluation is to ensure that the Board is functioning effectively. This includes gaining an understanding of the issues that the Board thinks warrant greater focus, as well as determining areas where additional competence is needed within the Board and whether the Board composition is appropriate. The evaluation also serves as guidance for the work of the Nomination Committee.

Each year, the Chair of the Board initiates and leads the evaluation of the Board and Committee work and procedures. Evaluation tools include detailed questionnaires and discussions. The services of an external corporate advisory firm have been retained by the Company to assist in developing questionnaires, carrying out surveys and summarizing responses.

In 2022, Board members responded to a written questionnaire covering the Board work in general as well as the work of the Chair of the Board, the Audit and Compliance

Organization of the Board work
Number of Committee members as of December 31, 2022

Board of Directors 14 Board members			
Audit and Compliance Committee (4 Board members) Oversight of financial reporting Oversight of internal control Oversight of auditing Oversight of the Group's Ethics and Compliance program	**Finance Committee** (4 Board members) Finance strategy	**Remuneration Committee** (4 Board members) Guidelines for remuneration to Group management Long-Term Variable Remuneration Executive remuneration	**Technology and Science Committee** (5 Board members) Technology strategy and planning Technology ecosystem and partnerships Science direction

Committee, the Finance Committee, the Remuneration Committee and the Technology and Science Committee. In addition, each Director responded to a questionnaire on the Director's individual performance. As part of the evaluation process, the Chair of the Board also had individual discussions with each of the Board members. The results from the evaluations were presented to the Board and were thoroughly discussed. The Nomination Committee was informed of the results of the Board work evaluation.

Committees of the Board of Directors

The Board of Directors has currently established four Committees: the Audit and Compliance Committee, the Finance Committee, the Remuneration Committee and the Technology and Science Committee. Members of each Committee are appointed for one year from among the Board members.

The main task of the Committees is, and the Board has authorized each Committee, to provide focused Board oversight on their relevant subject matters, and to review such matters prior to any resolution by the Board. The Board may also on occasion resolve on an extended authorization for one or several Committee(s) to resolve on additional specific matters outside of the ordinary authorization. If deemed appropriate, the Board of Directors and each Committee have the right to engage independent external expertise, either in general or with respect to specific matters.

The minutes from the Committee meetings are made available to all Board members and the Chair of the Committee reports on the work of the Committee at Board meetings.

Audit and Compliance Committee

On behalf of the Board, the Audit and Compliance Committee monitors the following:

- The scope and correctness of the financial statements
- Compliance with legal and regulatory requirements
- Internal control over financial reporting
- Risk management
- The effectiveness, appropriateness and implementation of the Group's compliance programs including the Ethics and Compliance (E&C) Program.

The Audit and Compliance Committee also reviews the annual and interim financial reports and oversees the external audit process. In order to ensure the auditor's independence, there are pre-approval policies and procedures in place for audit and non-audit related services to be performed by the external auditor. Pre-approval authority may not be delegated to management.

The Audit and Compliance Committee itself does not perform audit work. The Head of Ericsson's internal audit function reports directly to the Audit and Compliance Committee. The Head of Ericsson´s internal audit function has in camera sessions with the Audit and Compliance Committee without the presence of anyone from the management and unrestricted access to the Audit and Compliance Committee in her discretion and at least quarterly.

Ericsson's external auditor is appointed by the shareholders at the Annual General Meeting (AGM). The Committee is involved in the preparatory work for the Nomination Committee to propose external auditor and auditor fees for resolution by the AGM. It also monitors the ongoing performance and independence of the auditor with the aim to avoid conflicts of interest.

The Audit and Compliance Committee oversees matters relating to compliance risk, and regularly receives reporting on compliance related matters from the Chief Legal Officer, the Chief Compliance Officer and the Head of Corporate and Government Investigations. The Chief Legal Officer has a direct reporting line to the Audit and Compliance Committee on compliance matters that fall outside the scope of the E&C Program, and on the holistic management of legal, compliance, ethical and associated reputational risks arising in the Company's operations. In addition to reporting to the Chief Legal Officer, the Chief Compliance Officer has a further independent reporting line to the Audit and Compliance Committee on the areas of the Ethics and Compliance Program (defined as the areas of ethics, anti-bribery and -corruption, conflicts of interests, anti-money laundering and competition law). The Chief Compliance Officer regularly reports to the Committee on the effective operation of the E&C Program, including information of actual or suspected serious Code of Business Ethics (CoBE) violations, insights from investigations outcomes and remediation activities, the identification of patterns of failures, and emerging risks and changes in the legal and regulatory environment. Such reports enable proper oversight over the identification of emerging risks or risk patterns and the adequacy of corresponding activities to prevent, detect and remediate such risks in a risk appropriate manner. In addition to the above, the Chief Compliance Officer has in camera sessions with the Audit and Compliance Committee without the presence of anyone from the management and unrestricted access to the CEO as well as to the Audit and Compliance Committee in the Chief Compliance Officer's discretion and at least quarterly. However, in 2022 the frequency of meetings was increased. The Head of Corporate and Government Investigations has an extraordinary reporting line to the Committee in the event he/she is impeded or obstructed in fulfilling his/her duties.

The Audit and Compliance Committee also oversees Ericsson's process for reviewing transactions with related parties and Ericsson's whistleblower procedures. Further, the Audit and Compliance Committee reviews the Group's handling of information and cyber security as well as data privacy, and the Group's environmental, social and governance (ESG) reporting and performance.

On an annual basis, the Audit and Compliance Committee receives training on topics of special relevance to the Committee, within areas such as finance, legal, compliance and security. During 2022, the Committee received training on several topics including accounting principles, ESG reporting and anti-corruption and accurate books and records.

Members of the Committees as of December 31, 2022

Members of the Committees of the Board of Directors			
Audit and Compliance Committee	**Finance Committee**	**Remuneration Committee**	**Technology and Science Committee**
Eric A. Elzvik (Chair)	Ronnie Leten (Chair)	Jon Fredrik Baksaas (Chair)	Kristin S. Rinne (Chair)
Jan Carlson	Anders Ripa	Kurt Jofs	Jan Carlson
Kurt Jofs	Helena Stjernholm	Ronnie Leten	Nora Denzel
Torbjörn Nyman	Jacob Wallenberg	Kjell-Åke Soting	Kurt Jofs
			Anders Ripa

Reporting Compliance Concerns

Ericsson provides employees and other external stakeholders a dedicated communication channel for reporting compliance concerns – the Ericsson Compliance Line. The Ericsson Compliance Line is operated by a third party and is available 24/7, 365 days per year, enabling people to report from multiple countries and in many languages. Employees and external stakeholders are encouraged to report conduct that could violate the law, Ericsson's policies including CoBE and related steering documents or the Ericsson Code of Conduct for Business Partners. Such conduct may relate to corruption, fraud, questionable accounting, deficiencies in the internal controls, auditing, human right matters, workplace respect and fairness or other matters that could constitute a breach of law, or that could harm the sustainability or reputation of Ericsson, its employees and shareholders.

Ericsson's Allegation Management Office is responsible for the overall management process from the time an allegation of a potential compliance violation is reported to the remediation of any such substantiated violation. Corporate and Government Investigations (CGI) team is responsible for ensuring that all plausible allegations of potential compliance violations assigned to CGI are appropriately investigated, and that investigations of higher risk are reported to the Audit and Compliance Committee as appropriate.

To respond to the coming into force of the European Union Directive on Whistleblower Protection, and its transposition into Swedish and other EU national laws, Ericsson has enhanced its internal processes and is further analyzing the impact on its current allegation management process to meet further requirements entering into force during 2022 particularly in relation to the implementation of local channels as a new option to reporters, in addition to the Compliance Line.

More information on reporting compliance concerns can be found on page 33–34 of the Sustainability and Corporate Responsibility report.

Members of the Audit and Compliance Committee

The Audit and Compliance Committee consists of four Board members appointed by the Board in connection with the AGM 2022: Eric A. Elzvik (Chair), Jan Carlson, Kurt Jofs, and Torbjörn Nyman (employee representative). The Board has appointed shareholder elected Board members with CFO or CEO experience to the Committee.

The composition of the Audit and Compliance Committee meets all applicable independence requirements, including the conditions for reliance on an exemption for employee representatives. The Board of Directors has determined that each of Eric A. Elzvik, Jan Carlson and Kurt Jofs is an "audit committee financial expert", as defined under the U.S. Securities and Exchange Commission rules and regulations, and that each of them qualifies as financially sophisticated under the applicable Nasdaq listing rules and are familiar with the accounting practices of an international company, such as Ericsson.

Work of the Audit and Compliance Committee in 2022

The Audit and Compliance Committee held 15 meetings in 2022. Board members' attendance is reflected in the table on page 11. During the year, the Audit and Compliance Committee reviewed the scope and results of external financial audits and the independence of the external auditor. Prior to publishing, the Committee also reviewed and discussed each interim report and the annual report with the external auditor. The Committee also monitored the external audit fees and approved non-audit services performed by the external auditor in accordance with such policies and procedures.

The Committee approved the audit plan for the internal audit function based on among other things the annual risk assessment, and reviewed the reports of the internal audit function. The Committee also received and reviewed updates and reports to the Ericsson Compliance Line and from other internal reporting channels including updates on on-going investigations within the Group.

The Committee monitored the continued compliance with the Sarbanes-Oxley Act as well as the internal control and risk management process and monitored and evaluated the effectiveness and appropriateness of Ericsson's E&C Program.

Finance Committee

The Finance Committee is responsible for preparing for resolution by the Board, matters related to the finance strategy such as capital structure, capital targets, rating strategy and treasury operations.

Members of the Finance Committee

The Finance Committee consists of four Board members appointed by the Board in connection with the AGM 2022: Ronnie Leten (Chair), Anders Ripa (employee representative), Helena Stjernholm and Jacob Wallenberg. The Board has appointed shareholder elected Board members with extensive industrial and financial experience to the Committee.

Work of the Finance Committee in 2022

The Finance Committee held four meetings in 2022. Board members' attendance is reflected in the table on page 11. During 2022, the Finance Committee assessed the Company's financial strength and balance-sheet as well as reviewed the finance strategy including capital structure, capital targets, rating strategy and treasury operations.

Remuneration Committee

The Remuneration Committee's responsibilities include:

- Reviewing and preparing, for resolution by the Board, proposals on salary and other remuneration, including retirement compensation, for the President and CEO
- Reviewing and preparing, for resolution by the Board, proposals to the AGM on Guidelines for remuneration to the Executive Team
- Reviewing and preparing, for resolution by the Board, proposals to the AGM on the Long-Term Variable Compensation Program (LTV) and similar equity arrangements
- Approving proposals on salary and other remuneration, including retirement compensation, for the members of the Executive Team (other than the President and CEO)
- Approving proposals on target levels for the short-term variable compensation (STV) for the members of the Executive Team (other than the President and CEO)
- Approving pay-out of the STV for the members of the Executive Team members (other than the President and CEO), based on achievements and performance.

In its work, the Remuneration Committee considers trends in remuneration, legislative changes, disclosure rules and the general global executive remuneration environment. It reviews salary survey data before preparing salary adjustment recommendations for the President and CEO for resolution by the Board and before approving any salary adjustments for the other members of the Executive Team.

Members of the Remuneration Committee

The Remuneration Committee appointed by the Board in connection with the AGM 2022 consists of four Board members: Jon Fredrik Baksaas (Chair), Kurt Jofs, Ronnie Leten and Kjell-Åke Soting (employee representative). The Board has appointed shareholder elected Board members to the Committee with experiences from different markets of relevance to the Group.

During the year 2022, Peter Boreham from Mercer advised and assisted the Remuneration Committee as an independent expert.

Work of the Remuneration Committee in 2022

The Remuneration Committee held ten meetings in 2022. Director's attendance is reflected in the table on page 11.

The Remuneration Committee reviewed and prepared a proposal for LTV 2022 for the Executive Team, for resolution by the Board and further approval by the AGM 2022. It further resolved on salaries and STV 2022 for the members of the Executive Team (other than the President and CEO), reviewed the vesting results for LTV 2019 and result of the 2021 EBIT (Group operating income) performance condition for LTV 2021, and prepared proposals regarding remuneration to the President and CEO for resolution by the Board. It reviewed the implementation of Guidelines for remuneration to Group management in 2022 and proposed changes for resolution by the Board. It also proposed the Remuneration Report 2021 to be approved by the Board and subsequently referred to the AGM 2022 for adoption.

For further information on fixed and variable remuneration, please see Notes to the consolidated financial statements – note G2 Information regarding members of the Board of Directors and Group management and note G3 "Share-based compensation" in the Financial report and the Remuneration report.

Technology and Science Committee

The responsibilities of the Technology and Science Committee include:

- Reviewing and preparing for consideration and/or resolution by the Board, matters related to technology strategy and planning for the Group, monitoring the Group's technology ecosystem, relationships and partnerships
- Reviewing and preparing for consideration and/or resolution by the Board, matters related to science direction and influence on a geopolitical level.

Members of the Technology and Science Committee

The Technology and Science Committee consists of five Board members appointed by the Board in connection with the AGM 2022: Kristin S. Rinne (Chair), Jan Carlson, Nora Denzel, Kurt Jofs and Anders Ripa (employee representative). The Board has appointed Board members to the Committee with extensive experience within technology.

Work of the Technology and Science Committee in 2022

The Technology and Science Committee held four meetings in 2022. Board members' attendance is reflected in the table below. The Technology and Science Committee has during the year reviewed selected focus areas:

- Radio network evolution
- Network management and orchestration
- Enterprise network technologies
- Product security
- Virtual and augmented reality technology evolution
- Industry development in hardware and software.

Remuneration to Board members

Remuneration to Board members not employed by the Company is proposed by the Nomination Committee for resolution by the AGM.

The AGM 2022 approved the Nomination Committee's proposal for fees to non-employee Board members for Board and Committee work. For further information on Board of Directors' fees 2022, please refer to Notes to the consolidated financial statements – note G2 "Information regarding members of the Board of Directors and Group management" in the Financial Report.

The shareholders at the AGM 2022 also approved the Nomination Committee's proposal that Board members may be paid part of their Board fee in the form of synthetic shares. A synthetic share gives the right to receive a future cash payment of an amount which corresponds to the market value of a Class B share in Ericsson at the time of payment. The Board members' right to receive payment with regard to allocated synthetic shares occurs, as a general rule, after the publication of the Company's year-end financial statement during the fifth year following the General Meeting that resolved on the allocation of the synthetic shares. The purpose of paying part of the Board of Directors' fee in the form of synthetic shares is to further align the Board members' interests with shareholder interests. For more information on the terms and conditions of the synthetic shares, please refer to the notice convening the AGM 2022 and to the minutes from the AGM 2022, which are available at Ericsson's website.

Board members' attendance and fees 2022

	Fees resolved by the AGM 2022		Number of Board/Committee meetings attended in 2022				
Board member	Board fees, SEK [1]	Committee fees, SEK	Board	Audit and Compliance-Committee	Finance Committee	Remun. Committee	Tech. and Science Committee
Ronnie Leten	4,375,000	385,000	29		4	10	
Helena Stjernholm	1,100,000	180,000	29		4		
Jacob Wallenberg	1,100,000	180,000	29		4		
Jon Fredrik Baksaas	1,100,000	205,000	28			10	
Jan Carlson	1,100,000	455,000	29	15			4
Nora Denzel	1,100,000	180,000	28				4
Carolina Dybeck Happe [4]	1,100,000	–	19				
Börje Ekholm	– [2]	–	29				
Eric A. Elzvik	1,100,000	475,000	29	15			
Kurt Jofs	1,100,000	635,000	29	15		10	4
Kristin S. Rinne	1,100,000	205,000	27				4
Torbjörn Nyman	43,500 [3]	22,500 [3]	29	15			
Anders Ripa [4]	43,500 [3]	12,000 [3]	29		4		4
Kjell-Åke Soting	43,500 [3]	15,000 [3]	29			10	
Ulf Rosberg	43,500 [3]	–	29				
Loredana Roslund	43,500 [3]	–	29				
Annika Salomonsson [5]	28,500 [3]	–	19				
Total number of meetings			**29**	**15**	**4**	**10**	**4**

[1] Non-employee Directors can choose to receive part of their Board fee (exclusive of Committee fees) in the form of synthetic shares.
[2] Board member remuneration resolved by the AGM is only for non-employee Directors elected by the shareholders.
[3] Employee representative Board members and their deputies are not entitled to a Board fee, but instead get paid compensation in the amount of SEK 1,500 per attended Board and Committee meeting.
[4] Elected member of the Board at the AGM held on March 29, 2022.
[5] Appointed deputy employee representative Board member as of March 29, 2022.

Members of the Board of Directors

Board members elected by the AGM 2022

Ronnie Leten

Chair of the Board of Directors, Chair of the Finance Committee, Member of the Remuneration Committee

First elected
2018

Born
1956

Education
Master of Science in Applied Economics, University of Hasselt, Belgium.

Nationality
Belgium

Board Chair
Epiroc AB and Ellimetal N.V.

Board Member
–

Holdings in Ericsson
100,000 Class B shares [1], 128,452 call options [2] and 94,954 synthetic shares [3].

Principal work experience and other information
President and CEO of Atlas Copco AB (2009–2017) and various leadership positions within the Atlas Copco Group (1997–2009) and (1985–1995). Previous positions include plant manager of Tenneco Automotive Inc., Belgium, (1995–1997) and various positions within General Biscuits (1979–1985).

Helena Stjernholm

Deputy Chair of the Board of Directors, Member of the Finance Committee

First elected
2016

Born
1970

Education
Master of Business Administration, Stockholm School of Economics, Sweden.

Nationality
Sweden

Board Chair
–

Board Member
AB Industrivärden, AB Volvo and Sandvik AB

Holdings in Ericsson
20,060 Class B shares [1] and 30,216 synthetic shares [3].

Principal work experience and other information
President and CEO of AB Industrivärden since 2015. Partner in the private equity firm IK Investment Partners (2008–2015). Investment Manager at IK Investment Partners (1998–2008). Previous experience as consultant for Bain & Company (1997–1998).

Jacob Wallenberg

Deputy Chair of the Board of Directors, Member of the Finance Committee

First elected
2011

Born
1956

Education
Bachelor of Science in Economics and Master of Business Administration, Wharton School, University of Pennsylvania, USA. Officer of the Reserve, Swedish Navy.

Nationality
Sweden

Board Chair
Investor AB and the Confederation of Swedish Enterprise

Deputy Board Chair
ABB Ltd., FAM, Patricia Industries and Wallenberg Investments AB

Board Member
The Knut and Alice Wallenberg Foundation

Holdings in Ericsson
427,703 Class B shares [1] and 45,326 synthetic shares [3].

Principal work experience and other information
Chair of the Board of Investor AB since 2005. President and CEO of SEB in 1997 and Chair of SEB's Board of Directors (1998–2005). Executive Vice President and CFO of Investor AB (1990–1993). Honorary Chair of IBLAC (Mayor of Shanghai's International Business Leaders Advisory Council) and member of the steering committee of the European Round Table of Industrialists, Deputy Chair of the Swedish-American Chamber of Commerce US, member of the International Advisory Board of the Atlantic Council, Washington DC, member of the International Business Council of the World Economic Forum, Trilateral Commission and the Advisory Board of Tsinghua Management School.

Jon Fredrik Baksaas

Chair of the Remuneration Committee

First elected
2017

Born
1954

Education
Master of Science in Economics, NHH Norwegian School of Economics and Business Administration, Norway.

Nationality
Norway

Board Chair
DNV GL Group AS

Board Member
Svenska Handelsbanken AB.

Holdings in Ericsson
36,676 synthetic shares [3].

Principal work experience and other information
President and CEO of Telenor Group (2002–2015). Previous positions within the Telenor Group since 1989, including Deputy CEO, CFO and CEO of TBK AS. Positions before Telenor include CFO of Aker AS, finance director of Stolt Nielsen Seaway AS and controller at Det Norske Veritas, Norway and Japan. Member of the GSMA Board (2008–2016) and Chair of the GSMA Board (2014–2016).

The Board memberships and holdings in Ericsson reported above are as of December 31, 2022.

1) The number of shares and ADS includes holdings by related persons, if applicable.

2) Call options issued by Investor AB entitling to purchase Ericsson Class B shares.

3) Since 2008, the AGM has each year resolved that part of the Board fee may be received in the form of synthetic shares. A synthetic share is a right to receive in the future a payment corresponding to the value of the Class B share in Ericsson at the time of payment. Please see page 11 for further information.

Jan Carlson
Member of the Audit and Compliance Committee and the Technology and Science Committee

First elected
2017

Born
1960

Education
Master of Science degree in Engineering Physics and Electrical Engineering, Linköping University, Sweden.

Nationality
Sweden

Board Chair
Autoliv Inc.

Board Member
AB Volvo

Holdings in Ericsson
7,900 Class B shares [1] and 45,326 synthetic shares [2].

Principal work experience and other information
Chair and President and CEO of Veoneer Inc. (2018-2022). President and CEO of Autoliv Inc. (2007–2018) and Chair of Autoliv Inc. since 2014. Previous positions within the Autoliv Group since 1999, including President Autoliv Europe, Vice President Engineering of Autoliv and President Autoliv Electronics. Previous positions include President of Saab Combitech and of Swedish Gate Array. Honorary Doctor at the Technical faculty of Linköping University.

Nora Denzel
Member of the Technology and Science Committee

First elected
2013

Born
1962

Education
Master of Business Administration, Santa Clara University, USA. Bachelor of Science in Computer Science, State University of New York, USA.

Nationality
USA and Ireland

Board Chair
–

Board Member
Advanced Micro Devices Inc., NortonLifeLock Inc. and SUSE

Holdings in Ericsson
3,850 ADS [1] and 15,106 synthetic shares [2]

Principal work experience and other information
CEO (interim) of Outerwall Inc. (January 2015–August 2015). Senior Vice President Big Data, Marketing and Social Product Design and General Manager QuickBooks Payroll Division (2008–2012). Previous positions include Senior Vice President and General Manager of HP's Global Software, Storage and Consulting Divisions (2000–2006), Senior Vice President Product Operations Legato Systems (bought by Dell EMC) and various engineering, marketing and executive positions at IBM. Non-Profit board member of the National Association of Corporate Directors.

Carolina Dybeck Happe
Member of the Board

First elected
2022

Born
1972

Education
Master of Science in Business and Economics, Uppsala University, Sweden.

Nationality
Sweden

Board Chair
–

Board Member
–

Holdings in Ericsson
36,100 Class B shares [1] and 10,003 synthetic shares [2].

Principal work experience and other information
CFO of GE since 2020. Group CFO of A.P. Moller - Maersk A/S (2019–2020). Group CFO of ASSA ABLOY (2012–2018) as well as CFO for Europe, the Middle East and Africa (2007–2011) and CFO for Central Europe (2002–2006). Group CFO of Trelleborg Group (2011–2012). CFO of Establish (2000–2002). Various positions at EF Education First (1996–1999).

Börje Ekholm
President, CEO and Member of the Board

First elected
2006

Born
1963

Education
Master of Science in Electrical Engineering, KTH Royal Institute of Technology, Stockholm, Sweden. Master of Business Administration, INSEAD, France.

Nationality
Sweden and USA

Board Chair
–

Board Member
Trimble Inc.

Holdings in Ericsson
260,351 Class B shares, 1,009,000 ADS [1] and 2,000,000 call options [3].

Principal work experience and other information
President and CEO of Telefonaktiebolaget LM Ericsson since 2017. CEO of Patricia Industries, a division within Investor AB (2015–2017). President and CEO of Investor AB (2005–2015). Formerly Head of Investor Growth Capital Inc. and New Investments. Previous positions at Novare Kapital AB and McKinsey & Co Inc. Holds honorary Doctorate at KTH Royal Institute of Technology, Sweden. Since 2017, member of the Steering Committee of the World Economic Forum Digital Communication Governors. Member of the Board of the Swedish-American Chamber of Commerce New York.

The Board memberships and holdings in Ericsson reported above are as of December 31, 2022.
1) The number of shares and ADS includes holdings by related persons, if applicable.
2) Since 2008, the AGM has each year resolved that part of the Board fee may be received in the form of synthetic shares. A synthetic share is a right to receive in the future a payment corresponding to the value of the Class B share in Ericsson at the time of payment. Please see page 11 for further information.
3) Call options issued by AB Industrivärden (1,000,000 call options) and Investor AB (1,000,000 call options), each entitling the purchase of one Ericsson B share from AB Industrivärden/Investor AB respectively (further information is available in the Notes to the consolidated financial statements – note G2 "Information regarding members of the Board of Directors and Group management" in the Financial Report).

Board members elected by the AGM 2022, cont'd.

Eric A. Elzvik
Chair of the Audit and Compliance Committee

First elected
2017

Born
1960

Education
Master of Business Administration, Stockholm School of Economics, Sweden.

Nationality
Sweden and Switzerland

Board Chair
Global Connect Group

Board Member
Landis+Gyr Group AG and AB Volvo

Holdings in Ericsson
10,000 Class B shares [1] and 15,106 synthetic shares [2]

Principal work experience and other information
CFO and member of the Group Executive Committee of ABB Ltd (2013–2017). Division CFO ABB Discrete Automation & Motion (2010–2012) and division CFO Automation Products Division (2006–2010). Previous positions within the ABB Group since 1984, including senior management positions within finance, M&A and new ventures. Currently, senior industrial advisor to EQT.

Kurt Jofs
Member of the Remuneration Committee, the Audit and Compliance Committee and the Technology and Science Committee

First elected
2018

Born
1958

Education
Master of Science in Engineering, Royal Institute of Technology, Stockholm, Sweden.

Nationality
Sweden

Board Chair
–

Board Member
AB Volvo, Feal AB and Arjeplog Hotel Silverhatten AB

Holdings in Ericsson
50,450 Class B shares [1] and 22,712 synthetic shares [2].

Principal work experience and other information
Entrepreneur and investor with extensive experience in various industries. Previous positions include Executive Vice President and responsible for Ericsson's Networks business (2003–2008), CEO of Segerström & Svensson (1999–2001). CEO of Linjebuss (1996–1999), and various positions within ABB and Ericsson.

Kristin S. Rinne
Chair of the Technology and Science Committee

First elected
2016

Born
1954

Education
Bachelor of Arts, Washburn University, USA.

Nationality
USA

Board Chair
–

Board Member
Synchronoss

Holdings in Ericsson
20,674 synthetic shares [2].

Principal work experience and other information
Previously Senior Vice President, Network Technology, Network Architecture and Planning, at AT&T (2007–2014). CTO of Cingular Wireless (2005–2007) and VP Technology and New Product Development of Cingular Wireless (2000–2005). Previous positions within Southwestern Bell and SBC (1976–2000). Trustee of Washburn University Foundation. Member of the Advisory Board of Link Labs. Honorary Doctorate of Science, Washburn University, USA.

The Board memberships and holdings in Ericsson reported above are as of December 31, 2022.
1) The number of shares and ADS includes holdings by related person, if applicable.
2) Since 2008, the AGM has each year resolved that part of the Board fee may be received in the form of synthetic shares. A synthetic share is a right to receive in the future a payment corresponding to the value of the Class B share in Ericsson at the time of payment. Please see page 11 for further information.

Board members and deputies appointed by the trade unions

Torbjörn Nyman
Employee representative, Member of the Audit and Compliance Committee

First appointed
2017

Born
1961

Appointed by
LO, the Swedish Trade Union Confederation

Nationality
Sweden

Holdings in Ericsson
34,675 Class B shares [1].

Employed since
1996
Working as ICT Strategic Product Manager within Business Area Networks.

Anders Ripa
Employee representative, Member of the Finance Committee and of the Technology and Science Committee

First appointed
2017

Born
1962

Appointed by
PTK

Nationality
Sweden

Holdings in Ericsson
2,560 Class B shares and 1,708 Class A shares [1].

Employed since
1998
Working as Security Advisor for Mission Critical Networks within Business Area Networks.

Kjell-Åke Soting
Employee representative, Member of the Remuneration Committee

First appointed
2016

Born
1963

Appointed by
PTK

Nationality
Sweden

Holdings in Ericsson
9,793 Class B shares [1].

Employed since
1996
Working as Global SQA Manager within Business Area Networks.

Ulf Rosberg
Employee representative – Deputy

First appointed
2021

Born
1964

Appointed by
PTK

Nationality
Sweden

Holdings in Ericsson
110 Class B shares [1].

Employed since
1985
Working as System Developer within R&D, Business Area Networks.

Loredana Roslund
Employee representative – Deputy

First appointed
2017

Born
1967

Appointed by
PTK

Nationality
Sweden

Holdings in Ericsson
2,271 Class B shares [1].

Employed since
1994
Working as Project Manager within R&D, Business Area Networks.

Annika Salomonsson
Employee representative – Deputy

First appointed
2022

Born
1972

Appointed by
LO

Nationality
Sweden

Holdings in Ericsson
1,832 Class B shares [1].

Employed since
1997–2003 and since 2005.
Working as Verification Engineer.

Börje Ekholm was the only Director who held an operational management position at Ericsson in 2022.

1) The number of shares and ADS reflects ownership as of December 31, 2022 and includes holdings by related persons, if applicable.

Management

The President and CEO and the Executive Team

The Board of Directors appoints the President and CEO and the Executive Vice President(s). The President and CEO is responsible for the management of day-to-day operations and is supported by the other members of the Executive Team.

The Executive Team members as of December 31, 2022, are presented on pages 20–25 together with the new Senior Vice President, Head of Market Area Europe and Latin America, appointed as of February 1, 2023.

The role of the Executive Team is to:

– Define Group strategies and policies, drive corporate agenda and establish a strong corporate culture
– Determine targets for operational units, allocate resources and monitor unit performance
– Secure operational excellence and realize global synergies through efficient organization of the Group.

Organizational Structure

The organizational structure is comprised of: central corporate/group functions, five business areas, and five geographical market areas.

Central corporate/group functions are responsible for managing all corporate and group aspects of the organization, including corporate governance, financial reporting and capital markets, necessary corporate and risk management/controls, and for providing relevant expertise through the group (including on legal, finance, compliance, technology, communications, security and people matters).

Business areas are responsible for developing competitive product-led business solutions, including both products and services and for investing in research and development for technology and cost leadership.

Segments have been defined for financial reporting purposes based on the business areas. See further information in Note B1, "Segment Information" in the Financial Report.

Market areas are responsible for selling and delivering customer solutions. Resources are moved closer to the customers in order to establish leading positions in critical markets.

The Ericsson group is comprised of more than 200 legal entities, and 79 branch offices, with representation in approximately 150 countries.

Remuneration to the Executive Team

Guidelines for remuneration to Group management were approved by the AGM 2020. The Board of Directors proposes that new amended Guidelines for remuneration to Group management is resolved by the Annual General Meeting 2023, which are intended to remain in place for four years until the Annual General Meeting 2027. The proposed Guidelines are included on pages 25–27 of the Financial Report. For further information on fixed and variable remuneration, see the Remuneration Report and note G2, "Information regarding members of the Board of Directors and the Group management" in the Financial Report.

The Ericsson Group Management System

To provide employees with information associated with our corporate governance and other associated operational expectations and requirements (including in relation to decision-making and risk management), Ericsson maintains a "management system", referred to as the Ericsson Group Management System (EGMS). EGMS also allows us to ensure that selected ISO standards and certifications are effectively maintained and that the operations are evaluated and improved continually.

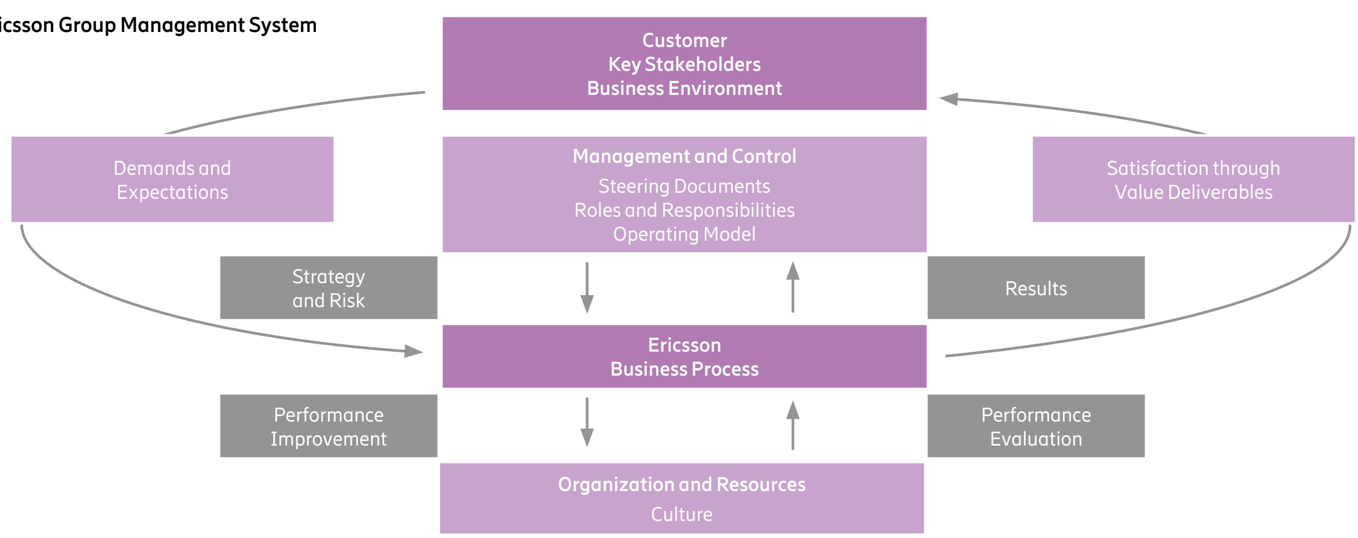
EGMS is founded on ISO 9001 (international standard for quality management systems) and is designed as a dynamic system to enable Ericsson to adapt to evolving demands and expectations, including new legislation as well as customers' and other stakeholders' requirements. Ericsson implements external requirements only after thorough analysis and after putting them into the Ericsson context.

Management and control

Our governance framework, as set out above, ensures effective management and control of our operations. As noted, group-wide policies, directives and instructions govern how the organization works, and our approach to risk management is summarized below in the section titled "Risk Management". Further, we maintain specific accounting and reporting procedures to fulfill external reporting requirements.

To ensure that our governance policies are aligned and reflective of changing requirements and expectations, Ericsson maintains a Group Steering Documents Committee that regularly reviews our policies and directives against our Group strategies and values. Ericsson's strategy process includes the whole chain from business intelligence and strategic forecasting to deployment of developed strategies into targets and programs in coor-

Ericsson Group Management System



dinated cycles; capturing the overall strategic direction, market development and progress of strategy execution.

Ericsson business processes
Ericsson business processes are a set of defined Group-wide processes integrated in EGMS. They describe how Ericsson delivers value to customers, proactively and on-demand. Ericsson business processes offer capabilities to translate customer requirements into defined hardware, software, solutions, and services offered by Ericsson.

Insider Committee
Ericsson has established an Insider Committee to make assessments relating to the disclosure of inside information. The Insider Committee comprises the Chief Legal Officer, the Chief Financial Officer and the Chief Marketing and Communications Officer.

Audits, assessments, and certification
The purpose of assurance activities such as audits and assessments, is to determine the level of compliance and to provide valuable information for understanding, analyzing, and continually improving performance, to ensure that the EGMS is adequate and effective in managing Ericsson´s operations. Management monitors compliance with policies, directives, instructions, and processes through internal self-assessment activities within the respective units. This is complemented by internal and external audits and assessments.

To ensure fulfilment of demands and requirements from customers and other stakeholders, Ericsson takes conscious decisions on certification. Certification means that Ericsson's interpretation of standards or requirements are confirmed by a third party via an assessment activity.

ISO certificates are issued by a third-party certification body proving that the system is efficient throughout the operations as well as compliant to the ISO standards in scope. Ericsson's operations are currently certified to ISO 9001 (Quality), ISO 14001 (Environment), ISO 45001 (Health and Safety) and ISO 27001 (Information Security). Selected Ericsson units are also certified to TL 9000 (telecom-specific standard). EGMS is also assessed within the scope of the audit plan of Ericsson's internal audit function (Corporate Audit).

ISO/management system assessments were performed up to 2022 by BSI (British Standards Institution), and will in 2023 be done by DNV (Det Norske Veritas). Internal audits are performed by the Company's internal audit function which reports to the Audit and Compliance Committee.

With a risk-based approach, Ericsson conducts audits of suppliers to secure compliance with Ericsson's Code of Conduct for Business Partners, which includes rules that suppliers to the Ericsson Group must comply with. Ericsson's external financial audits are performed by Deloitte AB.

Different types of assurance as described above have differing scope and rationale. All assurance providers have defined and established accountabilities and responsibilities.

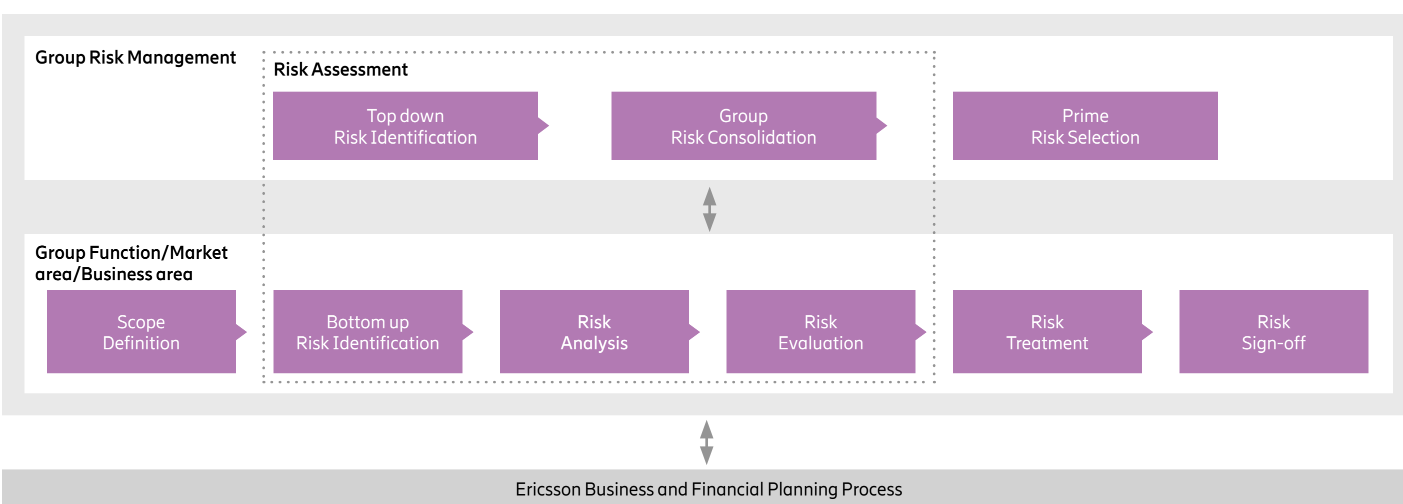
Risk management
Ericsson is committed to a robust approach to risk management to effectively identify and control risks. A key initiative during 2022 is the introduction of an enhanced approach to risk management and establishment of a Group Business Risk Committee (BRC) comprising executives and co-chaired by the Chief Financial Officer and the Chief Legal Officer. The purpose of these changes is to ensure that risks are identified, duly assessed, escalated as appropriate, and effectively addressed to ensure accountability of risk by executives at all levels of the organization. The BRC helps to consider Ericsson's overall risk profile, review potential risk matters with high impact, and also serves as a forum to monitor and assess enterprise risk management on a regular basis.

Financial risk management is overseen by the Finance function and governed by a Group policy. For further information on financial risk management, please see Notes to the consolidated financial statements – note F1 "Financial risk management" in the Financial Report.

The existing Ericsson Enterprise Risk Management (ERM) framework aims to ensure that the Board and management team at all times have a consolidated view of Group risk and that

ERM Process

Read more about Risk management on next page.



overall Group risk appetite is regularly assessed. The above described enhanced approach to risk management and the BRC are intended to complement the ERM framework.

The ERM framework is designed to establish an adequate and effective management of risk, i.e. the uncertainty in achieving the strategic objectives of the Company. The framework provides methods to assess and treat the risks, and to agree on and stay within the Company's risk appetite. The ERM framework is based on five elements (illustrated above and described in the following text). It is applied across Ericsson's operations and covers business areas, market areas and group functions. The framework comprises the minimum requirements that the units must meet to have a common basis for ERM to enable transparency and risk oversight.

Governance and Culture

Risk Governance

Each manager is responsible for effectively handling risk that emerges from their respective area of responsibility. The Group Risk Management function is responsible for driving the ERM strategy execution and the ERM operations at the Group level. The head of each group function, market area and business area, is accountable for appointing one or several enterprise risk manager(s) to drive risk management within the unit's area of responsibility, and for overseeing risk management of the respective unit; including ensuring that proper processes are in place to identify, duly assess and escalate risks as appropriate. The CFO and CLO are jointly accountable for performing oversight of ERM and they co-chair the BRC. The Board of Directors and the Audit and Compliance Committee are responsible for overseeing and reviewing the effectiveness of the Company's approach to risk management and the ERM.

Risk culture

Ericsson management continuously communicates to, and embeds within, the organization the importance of identification and attention to risk; ensuring that risk is properly assessed and transparently considered in decision making, and where appropriate, escalated within the organization for further consideration. The BRC provides an appropriate forum for, and support to accountable executives in, assessing management of material risks.

Strategy

Risk management is an important element of strategic decision making and value creation since it captures the opportunities and threats that are related to achieving our strategic objectives. Ericsson's risk management activities are interconnected with the development and deployment of Ericsson's business plans and functional strategies.

Assessment and Treatment

Assessment and treatment of risks are done in accordance with the ERM process (illustrated on page 17) that applies to the Group and to all roles with responsibilities with regards to risk management activities. It focuses on ensuring that group functions, market areas and business areas consider risk in relation to strategic objectives and decision making. In 2022, the Company has continued investing in transactional controls and data analytics, as well as increased monitoring of third-party relationships following enhanced initial due-diligence. In addition, the Company has expanded anti-corruption risk assessments to address country-specific compliance risks, developed a State-Owned Entities (SOE) Map to identify public officials and state-owned customers, expanded on-the-ground, in-country compliance officers and increased personnel in compliance and other gate-keeper functions.

Risk Assessment

The Risk Assessment approach includes the maintenance of a risk register for each business unit where the risks in each units' risk registers are assessed on regular base by the Group Risk Management function; in turn, the Group Risk Management function ensures that identified risks are escalated to the BRC as required. The Group Risk Management function maintains a consolidated Ericsson risk register which summaries Group risk.

Current risks within the scope of accountability for the group function, market area and business area are identified in a bottom-up risk identification process. The appropriate enterprise risk manager, together with the relevant business leadership team and other personnel in the unit, identify and consider risks. These may then be subject to escalation to the BRC according to our Group Risk Protocol. In the top-down risk identification, the Group Risk Management function collaborate with the Strategy Unit and conduct interviews with senior management, and external experts, to identify and refine the risks Ericsson faces.

The Risk Universe (illustrated below) is used to identify emerging risks and secure that all applicable risk categories are covered. Risk Descriptions cover event, cause and impact (illustrated below). For further information on risks related to Ericsson's business, see the chapter "Risk factors" in the Financial Report.

In the Risk Analysis process step, the impact of an identified risk is estimated considering four dimensions – financial impact, strategic impact, occupational health and safety impact, and reputational impact. The key risks in a unit are presented in a heat map (see example to the right). The heat map shows the impact and probability for each key risk and enables comparison for all kinds of risks supporting prioritization.

Risk Universe

Intellectual Property Rights	Competition	M&A	Cyber and information security	Security, safety and continuity	People
Governance, risk and control	Laws and regulations	Communication and marketing	Geopolitical	Customer	Accounting
Treasury	Technology	Supply and sourcing	Product and service	Project execution	Environment and climate

Risk Evaluation is done to define the risk appetite for each risk i.e., the accepted probability and impact rating. The risk appetite for an individual risk indicates the ambition with treatment plans, hence driving operational decisions.

The Group Risk Management function analyses the risks in Ericsson's risk register to identify possibilities for consolidating risks cross units based on commonalities: e.g. similar treatment plans or root causes. Further, the Group Risk Management function confirms the consolidation with Enterprise Risk Managers for applicable units, who are responsible for further analysis and treatment.

Risk Treatment

For each risk in the units' risk register, management options are considered, i.e. avoid or accept the risk, mitigate the probability or impact of the risk, transfer the risk management and part of the impact to a third party, or increase the risk in order to pursue an opportunity. Based on the selected option(s), a management plan for getting the probability and impact within the risk appetite is defined and described, including references to current or planned internal controls (illustrated below). Once the risk management plan is implemented, its effectiveness shall be assessed on an ongoing basis, and decisions shall be made where corrective actions are needed.

Prime Risk Selection

Ericsson's prime risks are defined as the identified material risks in the Group. The responsibility for each prime risk is allocated to a member of the Executive Team and these risks are given additional attention in terms of analysis and reporting. The Group Risk Management function identifies potential prime risks in Ericsson's risk register in collaboration with the responsible units and the Executive Team.

Communication and Reporting

Risk Communication

Effective communication is important to enable employees to share information, collaborate, and support each other in managing risks in the business. The enterprise risk management community has the mission to create awareness and, improve knowledge with respect to risk management issues and requirements. Ericsson has established a Group Risk Council to facilitate cross-Group alignment and improvements of the ERM framework as well as of the management of actual risks, chaired by the Head of Group Risk Management and in which all enterprise risk managers participate.

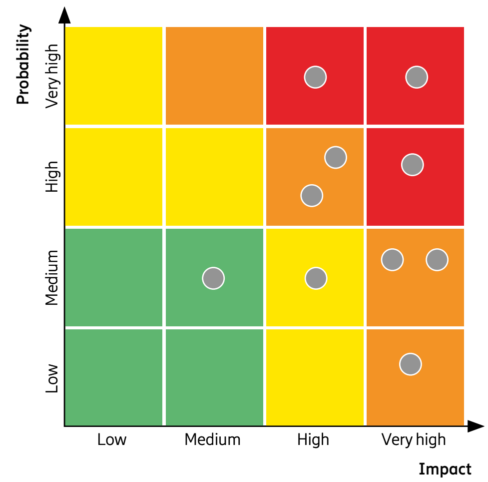
Risk Reporting

The enterprise risk managers coordinate the reporting of key risk status to the leadership teams within the respective unit on a regular basis. Each unit's risk register is also reported to the Group Risk Management function.

The Heads of market areas and business areas are reporting on the material risks to their business on a quarterly basis to the BRC. Head of Group Risk Management function reports on the status of Ericsson's risk register, and the efficiency and effectiveness of ERM, to the BRC twice per year.

The Head of the Group Risk Management function reports, in collaboration with the Prime Risk Owners, the status of the prime risks to the Executive Team and the Audit and Compliance Committee on a regular basis. These reports include a heat map overview and a more detailed reporting of prime risks and relevant treatment.

Risk Heat Map

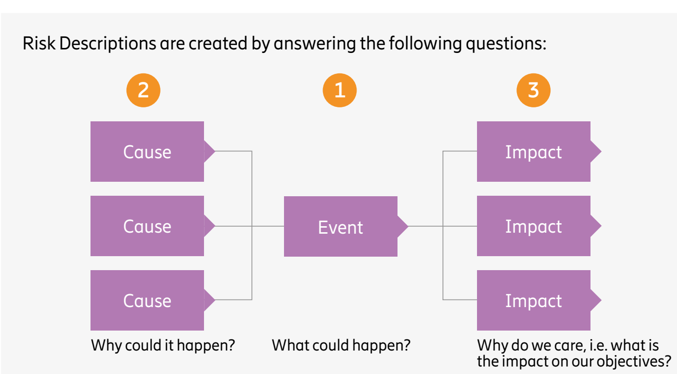


The illustration shows an example of the heat map used for presenting the key risks in a unit.

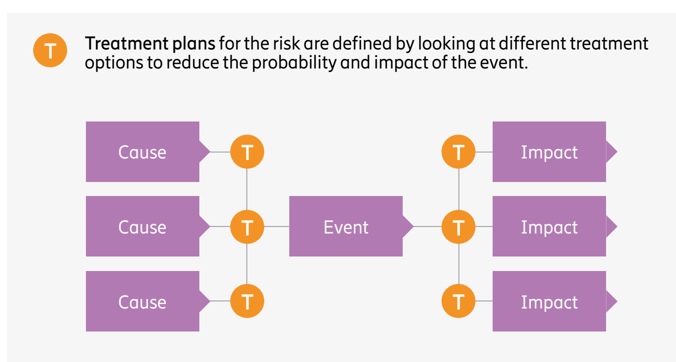
Monitoring

The Group Risk Management function monitors the efficiency and effectiveness of the ERM Framework. This is done through self-assessments but also by providing assessment requirements regarding risk management to the ISO 9001 internal assessment process and follow up on the internal assessment results. The Group Risk Management function also reviews internal and external audit results to address identified weaknesses as part of the continuous improvements of the ERM framework.

Risk Description



Treatment plan



Members of the Executive Team

Börje Ekholm
President and Chief Executive Officer (CEO) (since 2017)

Functions
President and CEO and Head of Segment Enterprise

Born
1963

Education
Master of Science in Electrical Engineering, KTH Royal Institute of Technology, Stockholm, Sweden. Master of Business Administration, INSEAD, France.

Nationality
Sweden and USA

Board Member:
Telefonaktiebolaget LM Ericsson and Trimble Inc.

Holdings in Ericsson [1]
260,351 Class B shares, 1,009,000 ADS and 2,000,000 call options [2].

Background
CEO of Patricia Industries, a division within Investor AB (2015–2017). President and CEO of Investor AB (2005–2015). Formerly Head of Investor Growth Capital Inc. and New Investments. Previous positions at Novare Kapital AB and McKinsey & Co Inc. Since 2017, member of the Steering Committee of the World Economic Forum Digital Communication Governors. Member of the Board of the Swedish-American Chamber of Commerce New York.

Fredrik Jejdling
Executive Vice President, Business Area Networks (since 2017)

Functions
Head of Business Area Networks and Head of Segment Networks

Born
1969

Education
Master of Science in Economics and Business Administration, Stockholm School of Economics, Sweden.

Nationality
Sweden

Board Member
Teknikföretagen and the Confederation of Swedish Enterprise

Holdings in Ericsson [1]
73,318 Class B shares.

Background
Senior Vice President and Head of Business Unit Network Services (2016–2017). Has held a variety of positions in commercial operations and financials, including Head of Region Sub-Saharan Africa, Head of Region India, and Head of Sales and Finance for Business Unit Global Services. Previous positions include senior positions with LUX Asia Pacific and Tele2 Group.

MajBritt Arfert
Senior Vice President, Chief People Officer (CPO) (since 2017)

Functions
Head of Group Function People

Born
1963

Education
Bachelor of Human Resources, University of Gothenburg, Sweden.

Nationality
Sweden

Board Member
–

Holdings in Ericsson [1]
51,912 Class B shares.

Background
Acting Head of Group Function Human Resources (November 2016–March 2017). Previously Head of Human Resources Ericsson Sweden (2015–2016) and Vice President and Head of Human Resources Business Unit Support Solutions (2007–2015). Has held various senior global positions in Ericsson including Head of Human Resources Business Unit Broadband Networks, Head of Human Resources Microwave Systems as well as a position as Head of Human Resources and Internal Communications at Sony Ericsson Germany.

Changes in the Executive Team

Effective February 1, 2023, Jenny Lindqvist was appointed new Senior Vice President and Head of Northern and Central Europe within Ericsson's Market Area Europe and Latin America and replacing Stefan Koetz, who assumed the role as acting on June 1, 2022, after Arun Bansal left his position on May 31, 2022. **Effective July 21, 2022,** Rory Read was appointed new Senior Vice President and Head of Business Area Global Communications Platform after the acquisition of Vonage Holdings Corp. (Vonage) and due to that Vonage formed the separate business area Business Area Global Communications Platform of Ericsson. **On May 18, 2022,** Ericsson announced changes to the Group structure and Executive Team introducing the new Business Areas; Cloud Software and Services, Enterprise Wireless Solutions, Group Function Global Operations. **Effective June 1, 2022,** Per Narvinger was appointed Senior Vice President and Head of Business Area Cloud Software and Services, Moti Gyamlani was appointed Senior Vice President and Head of Group Function Global Operations and George Mulhern was appointed Senior Vice President and Head of Business Area Enterprise Wireless Solutions and replaced Jan Karlsson, former Head of Business Area Digital Services, and Peter Laurin, former Head of Business Area Managed Services (Peter Laurin announced his resignation on April 7, 2022). **Effective March 21, 2022,** Scott Dresser was appointed new Chief Legal Officer and Head of Group Function Legal Affairs and Compliance replacing Xavier Dedullen, who assumed the role on April 1, 2018.

The Board memberships and Ericsson holdings reported above are as of December 31, 2022.

1) The number of shares and ADS includes holdings by related persons, if applicable.

2) Call options issued by AB Industrivärden (1,000,000 call options) and Investor AB (1,000,000 call options), each entitling the purchase of one Ericsson B share from AB Industrivärden/Investor AB respectively (further information is available in the Notes to the consolidated financial statements – note G2 "Information regarding members of the Board of Directors and the Group management" in the Financial Report).

Scott Dresser
Senior Vice President, Chief Legal Officer, and secretary of the Board of Directors of Telefonaktiebolaget LM Ericsson (since 2022)

Functions
Head of Group Function Legal Affairs and Compliance

Born
1967

Education
Juris Doctorate, Vanderbilt University Law School, Bachelor of Science Business Administration and Finance, University of Hampshire.

Nationality
USA

Board Member
Birdlife International, Cambridge UK; member of Advisory Board.

Holdings in Ericsson [1)]
–

Background
Previously Group General Counsel at VEON and General Counsel of Virgin Media. Has held senior leadership positions with BirdLife International, White Mountains Re and Conservation International. Started his career in New York in private practice with law firms Lord Day & Lord and Morgan Lewis, where he specialized in corporate law, governance, and M&A.

Erik Ekudden
Senior Vice President, Chief Technology Officer (CTO) (since 2018)

Functions
Head of Group Function Technology

Born
1968

Education
Master of Science in Electrical Engineering, KTH Royal Institute of Technology, Stockholm, Sweden.

Nationality
Sweden

Board Member
ASSA ABLOY AB.

Holdings in Ericsson [1)]
31,888 Class B shares and 9,417 ADS.

Background
Group Chief Technology Officer and Head of Technology and Architecture within Group Function Technology and Emerging Business (July 2017–March 2018). Joined Ericsson in 1993 and has held various management positions in the company, including Head of Technology Strategy, Chief Technology Officer Americas in Santa Clara US, and Head of Standardization and Industry. Member of the Royal Swedish Academy of Engineering Sciences (IVA). Since 2020, member of the Broadband Commission for Sustainable Development and vice chairman of IVA's Näringslivsråd.

Moti Gyamlani
Senior Vice President, Group Function Global Operations (since 2022)

Functions
Head of Group Function Global Operations

Born
1973

Education
Master of Business Administration, Arizona State University, USA, and Bachelor of Mechanical engineering, MIT, India.

Nationality
USA

Board Member
–

Holdings in Ericsson [1)]
4,873 Class B Shares

Background
Most recently, Head of Group Sourcing (2019–2022). Previous position as Chief Procurement and Supply Chain Officer and a Chief Cost Transformation Officer of Airtel (2012–2019). Leadership positions include Group Vice President Global Supply Chain and Sourcing at General Electric Power Conversion, Vice President Global Sourcing at Honeywell, and Executive Director at General Motors. Lived and worked in across multiple countries and markets, including US, France, Mexico, and India.

The Board memberships and Ericsson holdings reported above are as of December 31, 2022.
1) The number of shares and ADS includes holdings by related persons, if applicable.

Members of the Executive Team, cont'd.

Niklas Heuveldop
Senior Vice President, Market Area North America (since 2017)

Functions
Head of Market Area North America

Born
1968

Education
Master of Science in Industrial Engineering and Management, the Linköping Institute of Technology, Sweden.

Nationality
Sweden

Board Member
The Swedish-American Chamber of Commerce New York and CTIA – US wireless industry trade association.

Holdings in Ericsson [1)]
82,435 Class B shares and 14,249 ADS.

Background
Senior Vice President, Chief Strategy Officer and Head of Group Function Technology and Emerging Business (April 2017–March 2018). Previous positions include Chief Customer Officer and Head of Group Function Sales (2016–2017) and senior leadership positions across Europe and the Americas, including Head of Global Customer Unit AT&T and Head of Market Unit Central America and Caribbean. Previous positions outside Ericsson include CEO of ServiceFactory and COO of WaterCove Networks.

Chris Houghton
Senior Vice President, Market Area North East Asia (since 2017)

Functions
Head of Market Area North East Asia

Born
1966

Education
Bachelor of Law, Huddersfield Polytechnic, United Kingdom.

Nationality
United Kingdom and Sweden

Board Member
–

Holdings in Ericsson [1)]
96,963 Class B shares.

Background
Head of Region North East Asia (2015–2017). Has also previously held management positions within Ericsson, including Head of Region India, Head of Customer Unit UK and Ireland and various management positions within Ericsson in China, Hungary, India, Ireland, Japan, Sweden and the UK.

Stefan Koetz
Acting Head of Market Area Europe and Latin America (since June 1, 2022 until February 1, 2023)
(Not a member of Executive Team)

Functions
Acting Head of Market Area Europe and Latin America

Born
1962

Education
Master of Science in Telecommunications, University Kaiserslautern, Germany.

Nationality
Germany

Board Member
–

Holdings in Ericsson [1)]
–

Background
Head of Customer Unit Western Europe, within Market Area Europe and Latin America. In this role Koetz is responsible for business in Germany, Netherlands, Switzerland and Liechtenstein. Koetz has been working in the information and communications industry for more than 20 years. He held various management positions, among others at Robert Bosch GmbH and Marconi Communications GmbH.

The Board memberships and Ericsson holdings reported above are as of December 31, 2022.
1) The number of shares and ADS includes holdings by related persons, if applicable.

Jenny Lindqvist
Senior Vice President, Market Area Europe and Latin America (since February 1, 2023)

Functions
Head of Market Area Europe and Latin America

Born
1982

Education
Master of Science in Business and Economics from Stockholm School of Economics (SSE).

Nationality
Sweden

Board Member
TechSverige

Holdings in Ericsson [1)]
772 Class B shares.

Background
Head of Northern and Central Europe within Market Area Europe and Latin America. Previous management positions within Ericsson Business Area and Market Area organizations include Head of Global Customer Unit Telia Company, Head of Solution Line Intelligent Transport Systems, Key Account Manager Telenor, Managed Services Engagement Lead and Business Manager Multimedia. Previous positions outside Ericsson include roles in management consulting in France and Sweden, as well as in Pharmaceuticals in the Philippines.

Stella Medlicott
Senior Vice President, Chief Marketing and Communications Officer (CMO and CCO) (since 2019)

Functions
Head of Group Function Marketing and Corporate Relations

Born
1969

Education
Bachelors of Arts (Hons) degree in Social Science, University of Lincoln (known at that time as University of Humberside), United Kingdom and Postgraduate Diploma in Marketing, Chartered Institute of Marketing, United Kingdom.

Nationality
United Kingdom

Board Member
–

Holdings in Ericsson [1)]
7,842 Class B shares.

Background
Vice President of Marketing, Communications and Government Relations for Ericsson Market Area Europe and Latin America (July 2017–June 2019). Prior to joining Ericsson, Stella Medlicott was Chief Marketing Officer at Red Bee Media, which was acquired by Ericsson in May 2014. She has over 25 years of marketing experience in major IT, telecoms and media companies including two years at Technicolor as VP Marketing and ten years at Siemens Communications as Global VP Marketing.

Carl Mellander
Senior Vice President, Chief Financial Officer (CFO) (since 2017)

Functions
Head of Group Function Finance and Common Functions

Born
1964

Education
Bachelor of Arts in Business Administration and Economics, Stockholm University, Sweden; and East- and South East Asia Program, Lund University, Sweden.

Nationality
Sweden

Board Member
International Chamber of Commerce (ICC) Sweden

Holdings in Ericsson [1)]
92,837 Class B shares.

Background
Acting Chief Financial Officer and Head of Group Function Finance and Common Functions (July 2016–March 2017). Previous positions within Ericsson include Vice President and Group Treasurer, and Head of Finance in Region Western and Central Europe. Also held Head of Finance/CFO positions within the telecom operator space and defence industry.

The Board memberships and Ericsson holdings reported above are as of December 31, 2022.
1) The number of shares and ADS includes holdings by related persons, if applicable.

Members of the Executive Team, cont'd.

Nunzio Mirtillo
Senior Vice President, Market Area South East Asia, Oceania and India (since 2017)

Functions
Head of Market Area South East Asia, Oceania and India

Born
1961

Education
Master in Electronic Engineering, Sapienza University, Italy.

Nationality
Italy

Board Member
–

Holdings in Ericsson [1)]
81,389 Class B shares.

Background
Previously Head of Region Mediterranean. Previous management positions within Ericsson include Head of Sales Networks for Western Europe within Business Unit Networks, Head of Business Operations in Market Unit South East Europe and Key Account Manager for Wind Italy, Vodafone Italy and other customers.

George Mulhern
Senior Vice President, Business Area Enterprise Wireless Solutions (since 2022)

Functions
Head of Business Area Enterprise Wireless Solutions and CEO of Cradlepoint

Born
1956

Education
Bachelor of Science and Master of Business Administration, San Jose State University (USA).

Nationality
USA

Board Member
Regence Blue Shield of Idaho, Cambia Health Solutions and Focus IP, Inc. dba Tracer.

Holdings in Ericsson [1)]
–

Background
CEO at Cradlepoint when it was acquired by Ericsson in 2020. Previously general partner at Highway 12 Ventures, a venture capital firm making investments in early-stage technology companies. Held various leading positions during a long tenure at Hewlett Packard Company, including senior vice president, leading the LaserJet Global Business Unit.

Per Narvinger
Senior Vice President, Business Area Cloud Software and Services (since 2022)

Functions
Head of Business Area Cloud Software and Services and Head of Segment Cloud Software and Services

Born
1974

Education
Master of Science in Electrical Engineering, Royal Institute of Technology (KTH), Sweden.

Nationality
Sweden

Board Member
–

Holdings in Ericsson [1)]
8,271 Class B shares.

Background
Head of Product Area Networks, Business Unit Networks (2018– 2022). Head of Customer Unit Northern and Central Europe, Market Area Europe and Latin America (2017–2018). Has held a variety of senior management positions in Ericsson since 1997, spanning R&D line management, Head of Customer Solutions (Australia and Spain) and Product Management.

The Board memberships and Ericsson holdings reported above are as of December 31, 2022.
1) The number of shares and ADS includes holdings by related persons, if applicable.

Fadi Pharaon
Senior Vice President, Market Area Middle East and Africa (since 2019)

Functions
Head of Market Area Middle East and Africa

Born
1972

Education
Master of Science in Computer Science, KTH Royal Institute of Technology, Sweden and a Master of Business Administration, Heriot Watt University, Edinburgh Business School, Scotland.

Nationality
Sweden and Lebanon

Board Member
–

Holdings in Ericsson [1)]
342 Class B shares and 1,166 ADS.

Background
Vice President of Networks and Managed Services (presales and commercial management) within Market Area Europe and Latin America. Previous management positions within Ericsson include Head of Presales and Strategy for Ericsson Region South East Asia and Oceania, and Country Manager for Ericsson Singapore and Brunei.

Rory Read
Senior Vice President, Business Area Global Communications Platform (since 2022)

Functions
Head of Business Area Global Communications Platform and CEO of Vonage

Born
1961

Education
Bachelor of Information Sciences, Hartwick College, New York.

Nationality
USA

Board Member
–

Holdings in Ericsson [1)]
57,390 Class B shares.

Background
Read has more than three decades of global technology industry experience and has been CEO of Vonage since July 2020. Vonage was acquired by Ericsson in July 2022. Previously, Read was Chief Operating Executive of Dell Technologies, CEO and President of Dell's Virtustream, and EVP of Dell Boomi. Read also served as Chief Integration Officer of the USD 67 billion merger of Dell and EMC – the largest tech merger in history. Earlier, he was CEO, President and Board member of Advanced Micro Devices and Chief Operating Officer and President at Lenovo following 23 years at IBM.

Åsa Tamsons
Senior Vice President, Business Area Technologies and New Businesses (since 2018)

Functions
Head of Business Area Technologies and New Businesses and Head of Segment Other

Born
1981

Education
Master of Business Administration, Stockholm School of Economics, Sweden.

Nationality
Sweden

Board Member
CNH Industrial

Holdings in Ericsson [1)]
35,311 Class B shares.

Background
Head of Business Area Technology and Emerging Business (April–September 2018) and Group Strategy and M&A. Previously Partner at McKinsey & Company, serving high-tech and telecommunications companies worldwide on growth strategies, digital and commercial transformations. Before joining Ericsson lived and work in the US, Brazil, France, Sweden and Singapore.

The Board memberships and Ericsson holdings reported above are as of December 31, 2022.
1) The number of shares and ADS includes holdings by related persons, if applicable.

Auditor

According to the articles of association, the Parent Company shall have no less than one and no more than three registered public accounting firms as external independent auditor. Ericsson's auditor is currently appointed each year at the AGM for a one-year mandate period. The auditor reports to the shareholders at General Meetings.

The duties of the auditor include:

- Updating the Board of Directors regarding the planning, scope and content of the annual audit work
- Reviewing the interim reports to assess that the financial statements are presented fairly in all material respects and providing review opinions over the interim reports for the third and fourth quarters and the year-end financial statements
- Providing an audit opinion over the Annual Report
- Advising the Board of Directors of non-audit services performed, the consideration paid and other issues that determine the auditor's independence.

Auditing work is carried out by the auditor continuously throughout the year. For further information on the contacts between the Board and the auditor, please see "Work of the Board of Directors" earlier in this Corporate Governance report.

Current auditor

Deloitte AB was reappointed auditor at the AGM 2022 for a period of one year, i.e. until the close of the AGM 2023. Deloitte AB has appointed Thomas Strömberg, Authorized Public Accountant, to serve as auditor in charge.

Fees to the auditor

Ericsson paid the fees (including expenses) for audit-related and other services listed in the table in note H5, "Fees to auditors" in the Financial Report.

Internal control over financial reporting

This section has been prepared in accordance with the Annual Accounts Act and the Swedish Corporate Governance Code and is limited to internal control over financial reporting.

Since Ericsson is listed in the US, the requirements outlined in the Sarbanes-Oxley Act (SOX) apply, subject to certain exceptions. These regulate the establishment and maintenance of internal control over financial reporting as well as management's assessment of the effectiveness of the controls.

In order to support high-quality reporting and to meet the requirements of SOX, the Company has implemented detailed documented controls and testing, and reporting procedures based on the internationally established 2013 COSO framework for internal control. The COSO framework is issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Management's internal control report, according to SOX, will be included in Ericsson's Annual Report on Form 20-F and filed with the SEC in the US.

Disclosure policies

Ericsson's financial reporting and disclosure policies follow the International Financial Reporting Standards (IFRS) and aim to ensure transparent, relevant and consistent communication with equity and debt investors on a timely, fair and equal basis. This will support a fair market value for Ericsson securities. Ericsson wants current and potential investors to have a good understanding of how the Company works, including operational performance, prospects and potential risks.

To achieve these objectives, financial reporting and disclosure must be:

- **Transparent** – enhancing understanding of the economic drivers and operational performance of the business, building trust and credibility
- **Consistent** – comparable in scope and level of detail to facilitate comparison between reporting periods
- **Simple** – to support the understanding of the business operations and performance, and to avoid misinterpretations
- **Relevant** – with focus on what is relevant to Ericsson's stakeholders or required by regulation or listing agreements, to avoid information overload
- **Timely** – with regularly scheduled disclosures as well as ad-hoc information, such as press releases on important events, performed in a timely manner
- **Fair and equal** – where all material information is published via press releases to ensure that the whole investor community receives the information at the same time
- **Complete** – free from material errors and a reflection of best practice – disclosures compliant with applicable financial reporting standards and listing requirements and in line with industry norms.

Ericsson's website comprises comprehensive information about the Group, including:

- An archive of annual and interim reports
- Access to recent news.

Disclosure controls and procedures

Ericsson has controls and procedures in place to allow for timely disclosure in accordance with applicable laws and regulations, including the (EU) Market Abuse Regulation, the U.S. Securities Exchange Act of 1934, and under agreements with Nasdaq Stockholm and Nasdaq New York. These procedures also require that such information is provided to management, including the President and CEO and the CFO, so timely decisions can be made regarding the required disclosures.

The Disclosure Committee assists management in fulfilling their responsibility regarding disclosures made to the shareholders and the investment community. One of the main tasks of the committee is to monitor the integrity and effectiveness of the disclosure controls and procedures. The Disclosure Committee comprises members with various expertise including representation from the segments.

Ericsson has investments in certain entities that the Company does not control or manage. With respect to such entities, disclosure controls and procedures are substantially more limited than those maintained with respect to subsidiaries.

Controls and procedures, no matter how well designed and operated, can only provide reasonable assurance of achieving the desired control objectives. Ericsson's President and CEO and the CFO evaluated the Company's disclosure controls and procedures and concluded that they were effective at a reasonable assurance level as of December 31, 2022.

Internal control over financial reporting

Ericsson has integrated risk management and internal control over financial reporting into its business processes. As defined in the COSO framework, internal control is an aggregation of components such as a control environment, risk assessment, control activities, information and communication and monitoring.

The control framework is updated regularly to reflect relevant changes in processes, tools usage, outcome of risk assessments, changes in legislations, etc. Continuous enhancements are initiated to strengthen and risk-adapt the design of the controls and the efficiency of the internal control over financial reporting. The scope of the enhancements covers both business process controls and IT controls. The Company completed the acquisition of Vonage on July 21, 2022. As permitted by the SEC rules and regulations management's assessment did not include the internal control of the acquired operations of Vonage which are included in our consolidated financial statements as of December 31, 2022 and for the period from the acquisition date through December 31, 2022. In accordance with our integration activities, we plan to assess the Vonage's internal control over financial reporting control framework within the time period provided by applicable SEC rules and regulations.

The Company continued to adapt its workplace practices globally due to the COVID-19 pandemic, resulting in a hybrid work environment; this has not significantly affected the Company's internal control over financial reporting.

Control environment

The Company's internal control structure is based on the division of tasks between the Board of Directors and its Committees and the President and CEO. The Company has implemented a management system that is based on:

- Steering documents, such as policies and directives, and the Code of Business Ethics
- A strong corporate culture
- The Company's organization and mode of operations, with well-defined roles and responsibilities and delegations of authority
- Several well-defined Group-wide processes for planning, operations and support.

The most essential parts of the control environment relative to financial reporting are included in steering documents and processes for accounting and financial reporting. These steering documents are updated regularly to include, among other things:

- Changes to laws
- Financial reporting standards and listing requirements, such as IFRS and SOX.

The processes include specific controls to be performed to ensure high-quality financial reports. The management of each reporting legal entity, region and business unit is supported by finance functions in the execution of controls related to transactions and reporting. The finance functions are organized in Company Control and Business Shared Services Hubs/Centers, each supporting a number of legal entities within a geographical area. A financial controller function is also established on Group level, reporting to the CFO. For larger acquisitions, the main finance functions and the control execution of the acquired entity remain at the entity and enter into close collaboration with the Group finance functions.

Risk assessment

Risks of material misstatements in the financial reporting may exist in relation to recognition and measurement of assets, liabilities, revenue and cost or insufficient disclosure. Other risks related to financial reporting include fraud, loss or embezzlement of assets and undue favorable treatment of counterparties at the expense of the Company.

Policies and directives regarding accounting and financial reporting cover areas of particular significance to support correct, complete and timely accounting, reporting and disclosure.

Identified types of risks are mitigated through well-defined business processes with integrated risk management activities, segregation of duties and appropriate delegation of authority. This requires specific approval of material transactions and ensures adequate asset management.

Control activities

The Company's business processes include financial controls regarding the approval and accounting of business transactions. The financial closing and reporting process has controls regarding recognition, measurement, and disclosure. These include the application of critical accounting policies and estimates, in individual subsidiaries as well as in the consolidated accounts.

Regular analyses of the financial results for each subsidiary, region and business unit cover the significant elements of assets, liabilities, revenues, costs and cash flow. Together with further analysis of the consolidated financial statements performed at Group level, these procedures are designed to produce financial reports without material errors.

For external financial reporting purposes, the Disclosure Committee performs additional control procedures to review whether the disclosure requirements are fulfilled.

The Company has implemented controls to ensure that financial reports are prepared in accordance with its internal accounting and reporting policies, and IFRS as well as with the relevant listing regulations. It maintains detailed documentation on internal controls related to the accounting and financial reporting. It also keeps records on the monitoring of the execution and results of such controls. This allows the President and CEO and the CFO to assess the effectiveness of the controls in a way that is compliant with SOX.

Entity-wide controls, focusing on the control environment and compliance with financial reporting policies and directives, are implemented in the subsidiaries. Detailed process controls and documentation of controls performed are also implemented in the significant subsidiaries or operational units covering these subsidiaries, covering the items with significant materiality and risk.

In order to secure compliance, governance and risk management in the areas of legal entity accounting and taxation, as well as securing funding and equity levels, the Company operates through Company Control and Business Shared Services Hubs/Centers, covering subsidiaries in each geographical area.

Based on a common IT platform, a common chart of accounts and common master data, the Company Control and Business Shared Services Hubs/Centers perform accounting and financial reporting services for most subsidiaries.

Information and communication

The Company's information and communication channels support complete, correct and timely financial reporting by making all relevant internal process instructions and policies accessible to all the employees concerned. Regular updates and briefing documents regarding changes in accounting policies, reporting and disclosure requirements are also supplied.

Subsidiaries and operating units prepare regular financial and management reports for internal steering groups and Company management. These include analysis and comments on financial performance and risks. The Board of Directors receives financial reports monthly. Ericsson has established a whistleblower tool, the Ericsson Compliance Line, that can be used for the reporting of alleged violations that:

- Are conducted by Group or local management, and
- Relate to corruption, questionable accounting, deficiencies in the internal control of accounting or auditing matters, or otherwise seriously affect vital interests of the Group or personal health and safety.

Monitoring

The Company's process for financial reporting is reviewed annually by management. This forms a basis for evaluating the internal management system and internal steering documents to ensure that they cover all significant areas and risks related to financial reporting. The management of the Company Control and Business Shared Services Hubs/Centers (and of the companies handled outside Company Control and Business Shared Services Hubs/Centers) continuously monitor accounting quality through a set of performance indicators. Compliance with policies and directives is monitored through annual self-assessments and representation letters from company heads and company controllers in subsidiaries as well as in business areas and market areas.

The Company's financial performance is also reviewed at Board meetings. The Committees of the Board fulfill important monitoring functions regarding remuneration, loans, investments, customer finance, cash management, financial reporting and internal control. The Audit and Compliance Committee and the Board of Directors review all interim and annual financial reports before they are released to the market. The Company's internal audit function reports directly to the Audit and Compliance Committee. The Audit and Compliance Committee also receives regular reports from the external auditor. The Audit and Compliance Committee follows up on any actions taken to improve or modify controls.

Board of Directors

Stockholm, March 7, 2023

Telefonaktiebolaget LM Ericsson (publ)
Org. no. 556016-0680

Auditor's report on the Corporate Governance report

To the general meeting of the shareholders in Telefonaktiebolaget LM Ericsson (publ) corporate identity number 556016-0680

Engagement and responsibility
It is the board of directors who is responsible for the corporate governance report for the financial year January 1, 2022–December 31, 2022 on pages 1–28 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit
Our examination has been conducted in accordance with FAR's standard RevR 16 *The auditor's examination of the corporate governance report*. This means that our examination of the corporate governance report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Opinions
A corporate governance report has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm, March 7th, 2023

Deloitte AB

Thomas Strömberg
Authorized public accountant

Remuneration report

Part of Ericsson Annual Report 2022

Annual Report 2022

Financial report

Corporate Governance report

Remuneration report

Sustainability and Corporate Responsibility report

ericsson.com

Contents

Remuneration report 2022

The report has been prepared in accordance with Chapter 8, Sections 53a and 53b of the Swedish Companies Act (2005:551) and the Rules on Executive Remuneration and Incentive Schemes (1 December 2020) issued by the Swedish Corporate Governance Board.

Information required by Chapter 5, Sections 40–44 of the Annual Accounts Act (1995:1554) is included in note G1–G4 in the Financial report.

Information on the work of the Remuneration Committee in 2022 can be found on pages 10–11 in the Corporate Governance report.

Forward-looking statements

This report may include forward-looking statements, including statements reflecting the Company's current views relating to the growth of the market, future market conditions, future events, financial condition, and expected operational and financial performance.

The words "believe", "expect", "foresee", "anticipate", "assume", "intend", "likely", "projects", "may", "could", "plan", "estimate", "forecast", "will", "should", "would", "predict", "aim", "ambition", "seek", "potential", "target", "might", "continue", or, in each case, their negative or variations, and similar words or expressions are used to identify forward-looking statements. Any statement that refers to the Company's strategy, future financial performance, expectations, projections or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. Such statements are based on the Company's expectations as of the date of this report, unless an earlier date is specified, including expectations based on third-party information and projections that the Company believes to be reputable.

We caution investors that these statements are subject to risks and uncertainties many of which are difficult to predict and generally beyond our control that could cause actual results to differ materially and adversely from those expressed in, or implied or projected by, the forward-looking information and statements. Important factors that could affect whether and to what extent any of our forward-looking statements materialize include but are not limited to the factors described throughout the Company's Annual Report for the financial year 2022, including in the section Risk Factors of the Company's Annual Report for the financial year 2022. These forward-looking statements also represent our estimates and assumptions only as of the date that they were made, and to the extent they represent third-party data, we have not undertaken to independently verify such third-party data and do not intend to do so. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. We expressly disclaim a duty to provide updates to these forward-looking statements, and the estimates and assumptions associated with them, after the date of this report, to reflect events or changes in circumstances or changes in expectations or the occurrence of anticipated events, whether as a result of new information, future events or otherwise, except as required by applicable law or stock exchange regulation. We maintain website and external voluntary reports that may be referenced in this report. The information on our website and in our external voluntary reports is not incorporated by reference in, or otherwise to be regarded as part of, this report.

Remuneration report 2022

Statement from the Chair of the Remuneration Committee

On behalf of the Board, I am pleased to present Ericsson's Remuneration report for the financial year 2022. The Remuneration report describes how the Guidelines for Remuneration to Group Managament, adopted at the 2020 Annual General Meeting, have been complied with in 2022. The Remuneration report also contains information on the long-term variable remuneration programs for 2022.

In 2022, Ericsson continued to execute on its strategy to leverage its leadership position in mobile networks and drive focused expansion in enterprise. The Company continues to pursue sustainable growth to build a stronger Ericsson for the long-term, and remains committed to reach the EBITA target of 15–18% (excluding restructuring costs).

Ericsson can only achieve its long-term targets under strong leadership, consisting of individuals with a wide range of backgrounds, skills, and abilities. This requires that the Company attracts, retains and motivates the right people and offer them globally competitive remuneration. That is why Ericsson's remuneration philosophy and practices are based on the principles of competitiveness, fairness, transparency and impact with the overall aim of creating long-term value for shareholders in order to realize the Company's strategy and sustainable long-term interests.

The Guidelines for Remuneration to Group Management (approved by the shareholders in March 2020) have been a guide for the committees work. Remuneration during the year was paid in accordance with the Guidelines.

It is currently recommended that no trading in Ericsson shares be conducted by board members, the Executive Team or the Company. In light of this, the Chairman of the Board, the CEO and CLO have recommended to the Board that the vesting date of the LTV 2019 be postponed until the Chairman and CLO jointly agree that the shares can be vested.

Decisions on deviations from the Guidelines, made in order to complete the acquisition of Vonage, are set out in the Remuneration report under the section "Deviations from adopted Guidelines for remuneration to Group Management". In the annual review of total remuneration, each remuneration element (at target level) of the total remuneration mix has been compared with the external local and global markets where Ericsson competes for employees.

The Remuneration Committee and the Board continue to evaluate the effectiveness of the long-term variable remuneration programs for the Executive Team in achieving the objective of supporting the Company in its strategic goals and sustainable long-term interests. In addition, the Committee has evaluated the potential to increase the long-term focus of the Executive Team and to ensure it is in line with the long-term expectations and interests of shareholders. The long-term variable remuneration programs which were introduced in 2017 for the Executive Team, along with the use of the one-year performance condition regarding the Group's operating income (EBIT) in the long-term variable remuneration programs as of the 2018 program, have been effective in playing a key role in achieving Ericsson's Group financial targets. After evaluating the current long-term variable remuneration programs and taking into account feedback from investors, the Remuneration Committee and the Board will propose a long-term variable remuneration program for the Executive Team to the 2023 Annual General Meeting. The proposed 2023 program is similar to the 2022 long-term variable remuneration program. The aim is to further strengthen Ericsson's commitment to long-term sustainability and responsible business practices.

Finally, I would like to extend the Remuneration Committee's appreciation to the Executive Team and all our employees worldwide for Ericsson's performance during the year.

Thank you, everyone!

Jon Fredrik Baksaas
Chair of the Remuneration Committee

Introduction

This Remuneration report provides a summary of how the Guidelines for Remuneration to Group Management (the "guidelines") of Telefonaktiebolaget LM Ericsson ("Ericsson" or the "Company"), adopted by the Annual General Meeting 2020, have been complied with during the financial year 2022. The report also contains information on the total remuneration, including fixed and variable remuneration, of Ericsson's President and CEO and Executive Vice Presidents. In addition, the report contains a summary of the Company's current short-term and long-term variable remuneration programs for Executive Team.

The Board of directors proposes that new amended Guidelines for Remuneration to Group Management is resolved by the Annual General Meeting 2023. Amended Guidelines are intended to remain in place for four years until the Annual General Meeting 2027.

The remuneration of the President and CEO and the Executive Vice Presidents disclosed in the report represents their total remuneration, regardless of whether it is paid through the Company or by another group company.

The guidelines, adopted by the 2020 Annual General Meeting, can be found on pages 28–31 of the Financial report. The Board of Directors proposes that new amended Guidelines for remuneration to Group management is resolved by the Annual General Meeting 2023, which are intended to remain in place for four years until the Annual General Meeting 2027. The proposed guidelines are included on pages 25–27 of the Financial report. The Auditors' report on the Company's compliance with the guidelines is available on Ericsson's website, www.ericsson.com.

This report does not include remuneration of the Board. Board remuneration is decided annually by the Annual General Meeting and is disclosed in Note G2 on pages 77–78 of the Financial report for 2022.

Summary

Information on Ericsson's performance during the financial year can be found in the Financial report 2022.

As part of the Company implementing its business strategy and safeguarding the sustainable long-term interests of the Company, the Company must attract, retain, and motivate employees with the right skills and offer them competitive remuneration. Long-term shareholder value creation and performance-based remuneration are the basis for remuneration at Ericsson. The guidelines aim to ensure that remuneration is consistent with Ericsson's current remuneration philosophy and practices for the Company's employees based on the principles of competitiveness, fairness, transparency, and performance. The main objectives of the guidelines are to:

- Attract and retain competent, performance-oriented, and motivated employees who have the skills, experience and competencies required to implement Ericsson's business strategy
- Encourage behaviors consistent with Ericsson's corporate culture, values and ethics and compliance programs
- Ensure fair remuneration by ensuring that the total remuneration is of an appropriate level without being excessive, and that the basis for the remuneration is clearly explained
- Offer total remuneration, consisting of fixed and variable remuneration and benefits, that is competitive in the markets in which Ericsson competes for employees
- Promote forms of variable remuneration that unite employees in working towards clear and relevant objectives and reinforce their performance and allow for flexible remuneration costs.

The guidelines also aim to enable the Company to offer attractive and globally competitive total remuneration to the Executive Team.

According to the guidelines, the remuneration of the Executive Team must be in line with market conditions and can be made up of the following components: fixed salary, variable remuneration, pension and other benefits. In addition to remuneration covered by the guidelines, the shareholders have decided to implement long-term variable remuneration ("LTV") programs. The LTV 2020, LTV 2021 and LTV 2022 programs are still ongoing.

In 2022, there have been deviations from the guidelines in conjunction with the acquisition of Vonage but not from the decision-making procedures as described in the guidelines for determining the remuneration of the Executive Team. There has been no claw-back of remuneration in 2022.

In 2022, the following key decisions were respectively made by the Remuneration Committee and the Board regarding remuneration:

- It is currently recommended that no trading in Ericsson shares be conducted by board members, the Executive Team or the Company. In light of this, the Chairman of the Board, the President & CEO and Chief Legal Officer (CLO) have recommended to the Board that the vesting date of the LTV 2019 be postponed until the Chairman of the Board and CLO jointly agree that the shares can be vested
- The achievement for LTV 2020 was set at 100% of target, based on predetermined performance conditions: group operating income and relative and absolute total shareholder return (TSR)
- The level of achievement of the performance condition for the Group's operating income for LTV 2022 was set at 162,76%
- To drive Ericsson's values, culture and leadership practices related to ethics, compliance and integrity, underperformance against pre-defined criteria reduces the 2022 STV pay-out and overperformance justifies an additional incentive. The pre-defined criteria and metrics used for this assessment is related to compliance training, third party management, allegation management and other factors driving company Ethics and Integrity transformation. This review establishes a clear connection between our integrity transformation and rewards for senior executive.

The Remuneration Committee supports the Board in reviewing and evaluating the guidelines and Ericsson's application of the guidelines. The intention was that the guidelines adopted by the 2020 AGM remain in force until the 2024 AGM. The Remuneration Committee and the Board have concluded that the guidelines need to be revised in 2023, to inter alia, align with new rules for supplementary pensions under the Industry and Trade Pension Plan Title 1 (ITP1) and to clarify the mandate for the Board of Directors and Remuneration Committee to define meaningful short-term variable compensation ("STV") targets linked to the business plan. New guidelines (including these amendments) are proposed by the board of directors to be adopted by the 2023 AGM.

The Remuneration Committee and the Board continuously evaluate the effectiveness of the LTV programs for the Executive Team in achieving the objective of supporting the Company's achievement of its strategic goals and sustainable long-term interests. In addition, their potential to increase the long-term focus of the Executive Team and to link their interests with the long-term expectations and interests of shareholders is evaluated.

After evaluating the ongoing LTV programs for the Executive Team, the Remuneration Committee and the Board concluded that the ongoing LTV programs for 2020 and 2021, as well as the completed programs for 2018 and 2019, enabled the Company to achieve the long-term objectives set in 2017, in particular with the introduction of the one-year performance condition regarding the Group's operating result (EBIT). Although the one-year performance condition relating to the Group's operating income (EBIT) has a one-year performance period, it has a three-year vesting period which is the same as the vesting period of the performance conditions relating to the development of absolute and relative TSR, which is in line with the objectives of the LTV programs. This means that participants cannot redeem any of the Performance Share rights granted before the end of the three-year vesting period and that participants are fully exposed to share price movements during the three-year period.

As the 2018, 2019, 2020 and 2021 LTV programs have fulfilled their purpose to support the Company in achieving its long-term financial targets, the 2022 AGM decided on the introduction of a 2022 LTV program to the Executive Team with the same structure as the previous LTV program and with the addition of targets to further strengthen Ericsson's and the Executive Team's commitment to long-term sustainability and responsible business practices ("ESG"). The Remuneration Committee and the Board decided to propose a long-term variable remuneration program for 2023 with a similar structure as the long-term variable remuneration program for 2022 to be resolved by the 2023 Annual General Meeting.In addition, the Remuneration Committee and the Board propose to change the delivery of the Executive Performance Plan from cash to shares. This is to further reinforce the alignment between shareholders and Group Management.

Remuneration 2022 at a glance

Total remuneration

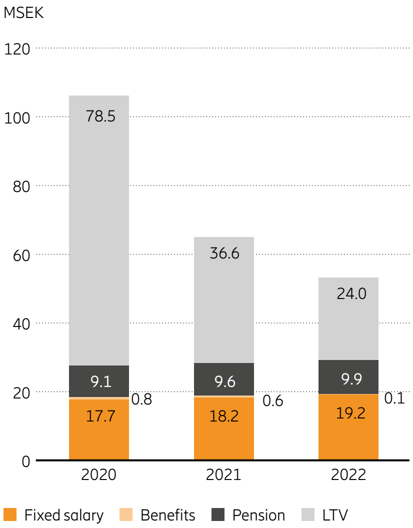
The table below summarizes how the remuneration elements set out in the guidelines have been applied in relation to the President and CEO and the Executive Vice Presidents. The table also summarizes information on the Long-Term Variable Pay (LTV) as approved by the shareholders.

	Purpose and link to strategy	Arrangement in brief	Implementation during the financial year ending December 31, 2022
Fixed salary	Attract and retain the leadership required to implement Ericsson's business strategy.	Pay a portion of the annual remuneration in a predictable manner. Salaries are normally reviewed in January, taking into account: – Ericsson's overall business performance – The business performance of the unit that the employee manages – Employee performance over time – External economic conditions – The scope and complexity of the position, – External market data – Pay and conditions of other employees in countries considered relevant to the role. When determining fixed salaries, the impact on total remuneration must also be taken into account.	President and CEO: fixed annual salary of SEK 18,252,074 corresponding to an increase of 3% since 2021. EVP and Head of Business Area Networks: fixed annual salary of SEK 8,673,074, corresponding to an increase of 4% since 2021. EVP and Head of Market Area Europe and Latin America: fixed salary of INR 31,330,687 (from January 1 to May 31), corresponding to an increase of 9% compared to 2021 (on pro-rata basis).[1)]
Other benefits	Provide competitive benefits to attract and retain the leadership required to implement Ericsson's strategy.	Benefits are aligned with competitive market practices in the individual's country of employment. The level of benefits may vary from year-to-year depending on the cost of the benefits to the Company. The benefits amount to a maximum of 10% of the annual fixed salary for members the Executive Team in Sweden. Benefits for members of Executive Team on international long-term assignment ("LTA") in a country other than the country of original employment are determined in line with the Company's global policy on international mobility. Such benefits may include, but are not limited to, commuting or moving expenses, increased cost of living, housing costs, travel home, educational allowances, and tax and social security benefits.	President and CEO: other benefits to the value of SEK 135,743. EVP and Head of Business Area Networks: other benefits to the value of SEK 151,452. EVP and Head of Market Area Europe and Latin America: other benefits to the value of SEK 2,037,140 (from January 1 to May 31).[1)]
Pension	Provide long-term financial security and planning for retirement by offering competitive pension solutions that are in line with local market practice.	The pension plans follow competitive practices in the individual's home country. The pension plans for the President and CEO and the Executive Vice Presidents are defined contribution plans.	Company pension contributions: – President and CEO: SEK 9,856,121 – EVP and Head of the Networks Business Area: SEK 5,061,846. – EVP and Head of Market Area Europe and Latin America: SEK 510,164 (from January 1 to May 31).[1)]
Short-term variable compensation (STV)	Setting clear and relevant objectives for the Executive Team that are in line with Ericsson's strategy and sustainable long-term interest. Offer an individual earning opportunity linked to performance at a flexible cost to the Company.	The President and CEO is not entitled to any STV. The target level is 40% of the fixed salary and the maximum is 80% of the fixed salary for the Executive Vice Presidents. Performance conditions, weightings and target levels are set annually. Subject to malus and clawback.	Outcome for STV 2022: – EVP and Head of the Networks Business Area: 90,1% of the maximum level – EVP and Head d of Market Area Europe and Latin America: 90,1% of the maximum level (from January 1 to May 31).[1)]
Long-term variable compensation (LTV)	Creating a common ownership interest between Executive Team and shareholders Remuneration based on long-term performance in line with Ericsson's business strategy. Provide individuals with long-term remuneration for long-term commitment and value creation in accordance with the interests of shareholders.	Remuneration is awarded after approval by the Annual General Meeting. Remuneration levels are determined as a percentage of the fixed salary. – For the President and CEO, 190% of the fixed salary – For the Executive Vice Presidents, 50% of the fixed salary. Performance conditions, weightings and target levels are taken to the AGM for approval. Three-year vesting period. Subject to malus and clawback.	LTV 2020 target achievement level of 100%.

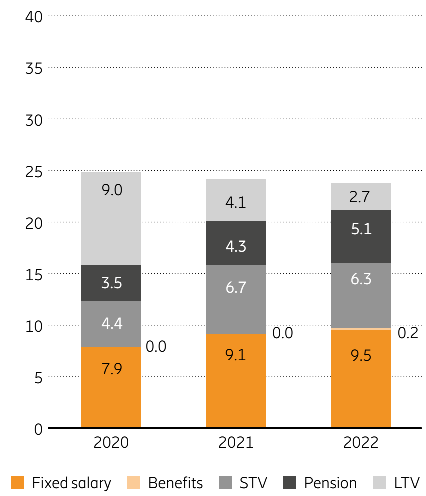
1) Arun Bansal left the position as EVP May 31, 2022.

Remuneration earned in 2022

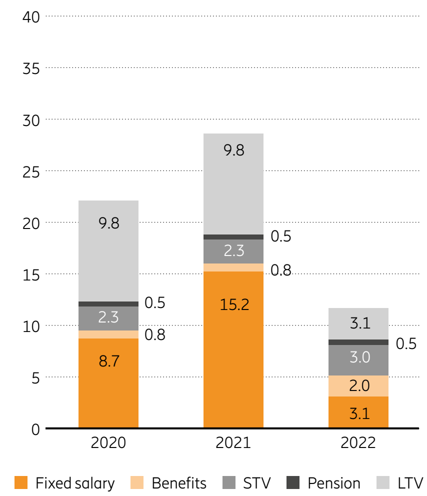
Börje Ekholm
President and CEO



Fredrik Jejdling
EVP and Head of Business Area Networks and Head of Segment Networks



Arun Bansal [1)]
EVP and Head of Market Area Europe and Latin America



1) Arun Bansal was appointed Executive Vice President in June 1, 2020 and left the same position May 31, 2022. All values for 2020, except LTV, are calculated pro-rata for the period of June 1, 2020 to December 31, 2020. LTV for 2020 is calculated for full year 2020. All values for 2022, except LTV, are calculated pro-rata for the period of January 1, 2022 to May 31, 2022. LTV for 2022 covers full year 2022.

STV

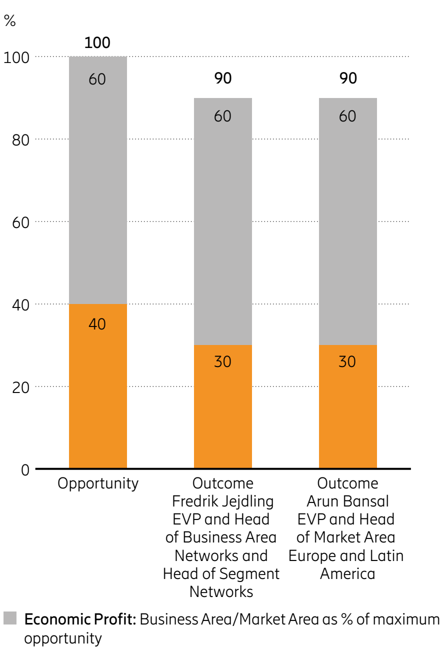
The information presented for 2022 covers the financial year 2022 and the information for 2021 and 2020 covers the financial years 2021 and 2020, respectively.

LTV

The information presented for 2022 includes information on the LTV 2020 which expires in 2023. Information presented for 2021 and 2020 includes information on LTV 2019 and LTV 2018 that expired in 2022 and 2021, respectively. LTV 2019 values are provisional since payment is pending after recommendation by the Chairman of Board, CEO and CLO (Chief Legal Officer).

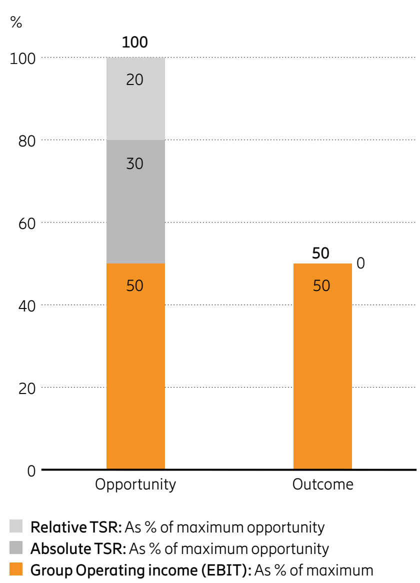
Performance outcome in 2022

STV 2022 outcome

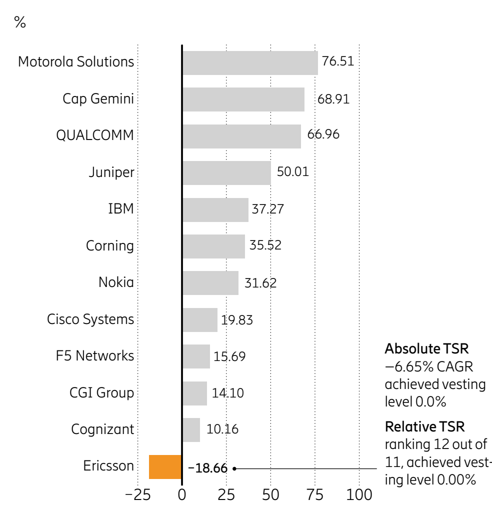


Economic Profit means operating income less cost of capital.

LTV 2020 outcome



LTV 2020 TSR development (2020–2022)



To support the execution of Ericsson's business strategy and the achievement of the Group's financial targets, the Company's variable remuneration program focuses on targets related to financial profitability, the Group's operating income (EBIT) and total shareholder return. The variable remuneration is thus designed to create incentives to contribute to Ericsson's short- and long-term strategic plan and business objectives.

Total remuneration to the President and CEO and Executive Vice Presidents

The table below sets out the total remuneration in SEK for Ericsson's President and CEO and Executive Vice Presidents between 2020 and 2022.

Total remuneration to the President and CEO and to the Executive Vice Presidents

		Fixed remuneration		Variable remuneration						
Name and position	Financial year	Fixed salary (including holiday pay)	Other benefits 1)	One-year variable remuneration 2)	Multiannual variable remuneration 3)	Additional agreements 4)	Pension 5)	Total remuneration 6)	Share of fixed remuneration 7)	Share of variable remuneration 8)
Börje Ekholm President and CEO	2022	19,154,852	135,743	-	24,034,229	-	9,856,121	53,180,945	55%	45%
	2021	18,208,859	555,688	-	36,630,457	-	9,569,049	64,964,053	44%	56%
	2020	17,727,726	770,276	-	78,475,833	-	9,113,376	106,087,211	26%	74%
Fredrik Jejdling Executive Vice President and Head of Business Area Networks	2022	9,515,305	151,452	6,251,115	2,746,240	-	5,061,846	23,725,958	62%	38%
	2021	9,129,087	14,980	6,671,595	4,092,344	-	4,314,186	24,222,193	56%	44%
	2020	7,925,971	22,110	4,415,425	9,025,678	-	3,457,409	24,846,592	46%	54%
Arun Bansal Executive Vice President and Head of Market Area Europe and Latin America 9) 10,11)	2022	3,053 034	2,037,140	3,038,067	3,102,134	-	510,164	11,740,538	48%	52%
	2021	15,158,407	1,345,055	6,727,226	4,741,209	-	985,340	28,957,237	60%	40%
	2020	8,673,843	840,273	2,253,084	9,844,590	-	516,344	22,128,134	45%	55%

1) For further information about other benefits, see table regarding the Execution of fixed remuneration and pension to the President and CEO and the Executive Vice Presidents.

2) The amounts represent STV earned during the financial year and paid in the following year, i.e., for 2022 the amounts represent STV 2022, for 2021 the amounts represent 2021 and for 2020 the amounts represent STV 2020.

3) Amounts represent LTVs for which all performance periods expired during the fiscal year and the Executive Performance Share Plan ("EPSP") share matching that took place during the fiscal year. For 2022, the amounts represent LTV 2020, for 2021, the amounts represent LTV 2019 and for 2020, the amounts represent LTV 2018. LTV 2019 is not paid, the values are provisional pending decision by the Chairman of the Board and CLO (Chief Legal Officer). The amounts are calculated based on the number of Performance Shares that will vest at the end of the vesting period multiplied by the volume weighted average of the last five trading days of each financial year. The EPSP for 2016 was reconciled and terminated with the final delivery of the remaining Performance Match Shares to participants on August 17, 2020. The EPSP performance period for 2016 expired on 31 December 2018, and since 2016 no EPSP has been launched for the Executive Team. The details of the EPSP are explained in the notes to the income statement and balance sheet – note G3, share-based payment, page 69 of the Financial report 2020.

4) Amounts represent additional discretionary arrangements approved by the Remuneration Committee or the Board and entered into during the financial year.

5) Amounts represent cash payment in lieu of pension (for the President and CEO) or pension premium (for the Executive Vice Presidents) paid during the financial year.

6) The amounts represent the sum of fixed remuneration, variable remuneration, additional agreements and pension.

7) Amounts represent the sum of fixed remuneration and pension divided by total remuneration.

8) Amounts represent the sum of variable remuneration and additional agreements divided by total remuneration.

9) Any remuneration in foreign currency has been translated to SEK at average exchange rate.

10) Arun Bansal was appointed EVP in June 2020. Values related to 2020 are calculated on a pro-rata basis based on the time period June 1 – December 31, 2020. Multiannual variable represent LTV 2018 and EPSP share matching for the time period June 1 to December 31, 2020.

11) Arun Bansal left the postion as EVP May 31, 2022. All values for 2022, except LTV, is calculated pro-rata for the period of January 1, 2022 to May 31, 2022. LTV for 2022 covers full year 2022.

Implementation of fixed remuneration and pension for the President and CEO and the Executive Vice Presidents

The table below shows the implementation of fixed remuneration and pension for the President and CEO and the Executive Vice Presidents.

	Fixed salary	Other benefits	Pension
Börje Ekholm President and CEO	During the annual review of the total remuneration, the Board decided on a salary increase of 3% of the fixed salary as of January 1, 2022 for the President and CEO. The increase reflects the performance of the President and CEO until the end of 2021. The fixed salary level for 2022 is considered appropriate in relation to the responsibility of being the President and CEO of a leading global provider of ICT solutions, compared to the remuneration packages for the position of President and CEO of comparable international companies.	According to the Company's Swedish benefits policy, Börje Ekholm is entitled to a company car or equivalent cash remuneration and other benefits as other employees in Sweden. Since Börje Ekholm is a resident of the United States, he is also eligible for health insurance in the United States and tax advice regarding his tax return.	Börje Ekholm receives a cash payment instead of a defined contribution pension, as it is not possible to enroll him in the Swedish defined contribution pension plan (ITP1) as he is resident in the US. The cash payment is treated as salary for tax and social security purposes and is made in a way that is cost neutral for Ericsson. According to his employment contract, the pension supplement shall include an additional premium on top of the fixed annual salary to take into account an assumed achieved target level of STV.
Fredrik Jejdling Executive Vice President and Head of Business Area Networks	The salary level reflects Fredrik Jejdling's responsibility as head of Ericsson's largest business area, Networks. The salary level is considered competitive in the external market for both other VPs on leading ICT solution providers and for the position of President and CEO of smaller companies.	According to the Company's Swedish benefits policy, Fredrik Jejdling is entitled to a company car or equivalent cash remuneration and other benefits as other employees in Sweden.	In accordance with Ericsson's pension guidelines, Fredrik Jejdling participates in the ITP1 defined contribution plan. He is not entitled to any other pension benefit outside the rules applicable to the ITP.
Arun Bansal Executive Vice President and Head of Market Area Europe and Latin America (from January 1 until May 31, 2022)	The fixed salary reflects Arun Bansal's responsibility as head of two major geographies, both Europe and Latin America. His salary level was deemed competitive to reflect his responsibility. Arun Bansal was on LTA in the United Kingdom from his original employment in India. In accordance with best practice for international assignments, his compensation was set with a "home base approach".	As Arun Bansal was on LTA, he was entitled to benefits in line with Ericsson's international mobility policy such as housing allowance, transportation allowance, home travel, tax and social security equalization assistance and medical insurance.	In accordance with Ericsson's pension guidelines and according to his employment contract, Arun Bansal was eligible for Ericsson's LTA pension plan, International Pension Plan (IPP) and annual pension contribution was paid into Interben Trustees Limited in 2022.

Variable remuneration

Ericsson believes that, where possible, variable remuneration should be encouraged as an integral part of total remuneration. The aim is first and foremost to reconcile employees' interests with Ericsson's strategic business objectives, sustainable long-term and relevant unit performance. At the same time, this allows for flexible wage costs and underlines the link between performance and pay.

All variable remuneration programs have defined maximum grant and vesting levels.

The short-term variable remuneration depends to a greater extent on the Company's performance and the unit concerned, while the long-term variable remuneration depends on Ericsson's performance at Group level.

Short-term variable compensation (STV)

Annual short-term variable remuneration is paid through cash-based programs that depend only on financial performance targets. The concrete business objectives are calculated on the basis of the annual business plan approved by the Board, which in turn is based on the Company's long-term strategy. Ericsson strives for industry-leading operating margins and return on investment as well as good cash generation, and therefore the starting point is to have a financial profitability target, which is a measure of operating profitability net of capital costs.

The financial profitability targets are defined for the Executive Team:

- at group level for heads of group functions
- as a combination of group level and business area level for business area managers
- as a combination of group level and market area level for market area managers.

The President and CEO is not entitled to any STV. The Remuneration Committee decides on and approves all objectives set for the other members of the Executive Team. These objectives are spread downwards through the organization and broken down into unit-related objectives across the Group, where applicable. The Remuneration Committee monitors the appropriateness and fairness of the target levels for the Group, Business Areas and Market Areas throughout the performance year and has the power to revise them if they are no longer relevant, or if they no longer contribute to shareholder value. The current weighting for the Executive Vice Presidents is made up of 40% Economic Profit for the Group and 60% Economic Profit for each Business/Market Area.

The tables below describe the STV 2022 outcome for each of the Executive Vice Presidents, which is determined by evaluating performance against the applicable financial metrics.

Executive Vice President and Head of Business Area Networks – Fredrik Jejdling (STV 2022)

Performance measures	Weighing	Threshold level (in % of target) SEK outcome at threshold performance	Target level SEK outcome at target performance	Maximum level (in % of target) SEK outcome at maximum performance	Outcome (% of target) SEK actual performance outcome
Group Economic Profit [1]	40 %	70%	100%	130%	150.5%
		0	1,387,692	2,775,384	2,088,040
Economic Profit Business Area Networks [1]	60 %	85%	100%	114%	200%
			2,081,537	4,163,075	4,163,075
Total	**100 %**	**0**	**3,469,229**	**6,938,459**	**6,251,115**

[1] Economic profit means operating income minus cost of capital.

Executive Vice President and Head of Market Area Europe and Latin America (from January 1 until May 31, 2022) – Arun Bansal (STV 2022)

Performance measures	Weighing	Threshold level (in % of target) SEK outcome at threshold performance	Target level SEK outcome at target performance [2, 3]	Maximum level (in % of target) SEK outcome at maximum performance [2, 3]	Outcome (% of target) SEK actual performance outcome [2, 3]
Group Economic Profit [1]	40 %	70%	100%	130%	150.5%
		0	674,424	1,348,848	1,014,796
Economic Profit Market Area Europe and Latin America [1]	60 %	85%	100%	113%	200%
			1,011,636	2,023,271	2,023,271
Total	**100 %**	**0**	**1,686,059**	**3,372,119**	**3,038,067**

[1] Economic profit means operating income minus cost of capital. Any remuneration in foreign currency has been translated to SEK at average exchange rate.
[2] Any remuneration in foreign currency has been translated to SEK at average exchange rate.
[3] Arun Bansal left the position as EVP May 31, 2022. All SEK values related to 2022 are calculated on pro-rata basis based on the period from January 1 to May 31, 2022.

Long-term variable compensation (LTV)

The current LTV programs have been designed to encourage long-term commitment and value creation in line with Ericsson's long-term strategic goals and shareholders' interests. They form part of an overall remuneration package and normally extend over at least three years. As these are variable remuneration programs, it is not possible to predict the outcome when they are launched, and the remuneration depends on long-term personal commitment, the Company's performance, the share price performance and the Company's approach to sustainability and social issues.

The LTV programs launched at Ericsson consist of share-based remuneration for members of Executive Team. The objective of the LTV programs is to attract, retain and motivate senior executives in a competitive market through performance-based and share-based incentives, and to encourage the building of a significant shareholding, in order to create a common ownership interest between the Executive Team and shareholders. Awards under LTV 2018, 2019, 2020, 2021 and 2022 (Performance Share Rights) are made free of charge and entitle participants, subject to the achievement of certain performance targets, to receive a number of shares free of charge after the expiry of a three-year vesting period for each program. Awards of shares under the Performance Share Rights are made upon the achievement of challenging performance conditions, which are defined for each year's program at the time of its launch. The portion of the LTV Performance Share Rights that will potentially vest will be determined at the end of the relevant performance period based on whether the predefined criteria for this year's LTV program have been met, with the performance period being one to three years. It is a general requirement that the participant remain employed for three years from the date of grant of the Performance Share Rights in order to be eligible to receive the outcome. Provided that the performance conditions have been met during the performance period, and that the participant has continued to be employed (except in exceptional circumstances) during the vesting period, shares will be awarded as soon as possible after the vesting period has expired.

When deciding on the final exercise level of the Performance Share Rights, the Board considers whether the exercise level is reasonable in light of the Company's financial performance and position, stock market conditions and other circumstances. Otherwise, the Board reserves the right to reduce the level of outputs to a lower level deemed appropriate.

The Board may at any time up to the last day of the vesting period reduce (including cancel) the number of shares to which the Performance Share Rights are entitled, to the extent deemed appropriate in view of:

– the Company's financial performance and position
– stock market conditions and/or
– such other circumstances and reasons as the Board considers relevant.

In addition, the Company has the right to unilaterally decide to withhold all or part of such awards for a participant in respect of years in which the participant has violated Ericsson's Code of Business Conduct. The Company also has the right to unilaterally decide to demand repayment, in whole or in part, of awards relating to years in which a participant has violated Ericsson's Code of Business Conduct.

The details of each of the ongoing long-term variable remuneration programs at Ericsson, including the programs for other employees, are described in the notes to the consolidated financial statements – note G3, "Share-based remuneration", on pages 79–83 of the Financial report.

Long-Term Variable Compensation Program 2022 (LTV 2022)

LTV 2022 was approved at the 2022 AGM and covers all members of the Executive Team, a total of 16 members of the Executive Team 2022, including the President and CEO. Participants were awarded Performance Shares on May 18, 2022. The Performance Share Awards granted to the President and CEO and the Executive Vice Presidents are summarized in the table below.

Award information, Long-Term Variable Compensation 2022 (LTV 2022) program

Participants	Allocation value [1]	Allocation value as a percentage of annual basic salary [2]	Number of Performance Shares granted [3]	Percentage of the award to which performance conditions apply [4]	Maximum number of Performance Shares that can be earned [5]
Börje Ekholm	SEK 34,678,941	190%	306,649	100%	613,298
Fredrik Jejdling	SEK 4,336,537	50%	38,346	100%	76,692
Arun Bansal [6]	SEK 0	0%	–	–	–

1) The amount represents the basic amount in SEK.
2) The figures represent basic amounts as a percentage of annual basic salary at the date of award.
3) Calculated as the respective grant value divided by the volume weighted average price of Ericsson's B-shares on Nasdaq Stockholm during the five trading days immediately following the publication of the Company's fourth quarter report for 2021.
4) All Performance Shares are subject to challenging performance conditions. These are measured over pre-defined performance periods spanning one to three years. Performance conditions for LTV 2022 are: (1) Group operating income target (weighted at 45%) measured over the period January 1, 2022 to December 31, 2022, (2) absolute TSR performance (weighted 25%) in the range 6%-14% annual growth rate, (3) relative TSR performance (weighted 20%) of Ericsson's B-share, ranked 6-2 against 11 peers, measured over the period January 1, 2022 to December 31, 2024, (4) reduction of CO2 emissions (weighted 5%) in the Company's own facilities and (5) increased proportion of female executives (weighted 5%) within the Company. Performance conditions for LTV 2022 and details of how performance conditions will be calculated and measured are set out in the minutes of the 2022 AGM under item 16.
5) The maximum number of shares that can be allotted will result in a dilution of approximately 0.1% of the total number of outstanding shares. The effect on key ratios is marginal.
6) Arun Bansal left the position as EVP May 31, 2022.

LTV 2020 performance outcome and LTV 2022 Group operating income target

LTV 2020 and LTV 2022 had targets with performance periods ending on December 31, 2022, which are summarized in the tables below. LTV 2020 will expire in 2023 as all performance periods under the program have now expired. LTV 2022 will not expire until 2025, but the performance period for the one-year Group operating income (EBIT) target for LTV 2022 expired on December 31, 2022.

Performance conditions for LTV 2022

Program	Target	Conditions	Weight	Performance period	Possible outcome (Linear distribution)	Outcome	Target achievement level [1]
LTV 2022	Group Operating income (EBIT) 2022	Range (billion SEK) 24.1–34.1	45%	Jan 1, 2022–Dec 31, 2022	0%–200%	SEK 32,238 billion [2]	162.76%
LTV 2022	Absolute TSR	Range 6%–14%	25%	Jan 1, 2022–Dec 31, 2024	0%–200%	–	–
LTV 2022	Relative TSR	Ericsson's ranking 6–2	20%	Jan 1, 2022–Dec 31, 2024	0%–200%	–	–
LTV 2022	Reduction of CO_2	Range CO_2 emissions (tonnes in thousands) 265–200	5%	Jan 1, 2022–Dec 31, 2024	0%–200%	–	–
LTV 2022	Female managers	Percentage of female managers Range 22%–24%	5%	Jan 1, 2022–Dec 31, 2024	0%–200%	–	–
Total			**100%**		**0%–200%**		

1) The Board decided that the target achievement level for the performance condition for the Group's operating income 2022 was 162,76% for the part of the Performance Share Rights that are granted based on the outcome of the Group's operating result 2022. Further information regarding the number of Performance Share Units earned by each of the President and CEO and the Executive Vice Presidents is provided in the table Long-Term Variable Compensation (LTV) to the President and CEO and to the Executive Vice President. The performance share rights vest at the end of the vesting period in 2025.

2) Excluding restructuring costs and other items not included in the performance condition.

Performance conditions for LTV 2020

Program	Target [1]	Conditions	Weight	Performance period	Possible outcome (Linear distribution)	Outcome	Target achievement level [2]
LTV 2020	Group Operating income (EBIT) 2020	Range (billion SEK) 19.1– 27.9	50%	Jan 1, 2020–Dec 31, 2020	0%–200%	SEK 29.1 billion	200.00% [1]
LTV 2020	Absolute TSR	Range 6%–14%	30%	Jan 1, 2020–Dec 31, 2022	0%–200%	−6,65%	0% [2]
LTV 2020	Relative TSR	Ericsson's ranking 6–2	20%	Jan 1, 2020–Dec 31, 2022	0%–200%	12 out of 11	0% [2]
Total			**100%**		**0%–200%**		**100%**

1) As announced in the 2020 Annual Report, the Board decided that the target achievement level for the performance condition for the Group's 2020 operating income was 200% for the part of the Performance Share Rights based on an outcome of the Group's 2020 operating income.

2) The Board decided that the target achievement level for the performance conditions development of absolute TSR and relative TSR amounted to 0% and 0% respectively, based on the achievements of −6,65% absolute TSR and ranking 12 for relative TSR, resulting in an overall achieved target achievement level of 100% for LTV 2020. Performance shares vest at the end of the vesting period in 2023. For further information on the number of Performance Share Units earned by each of the President and CEO and the Executive Vice Presidents, please refer to the table Long-Term Variable Compensation (LTV) of the President and CEO and the Executive Vice Presidents.

Long term variable compensation (LTV) to the President and CEO and the Executive Vice Presidents

The table below sets out relevant information of LTV 2018, 2019, 2020 and 2021 with regards to the President and CEO and the EVPs.

Long-term variable remuneration (LTV) to the President and CEO and to the Executive Vice Presidents

Main conditions for share-based plans									Information concerning the reported financial year				
Name and position	Program	Target (weight)[1]	Date of award[2]	Perfor-mance period[3]	End date of the perfor-mance period[4]	End date of vesting period[5]	Performance share rights granted (value in SEK)[6]	Maximum number of Performance Shares that can be Awarded (value in SEK)[7]	Incoming balance (value in SEK)[8]	Performance share rights earned during the year (value in SEK)[9]	Performance share rights still subject to performance conditions (value in SEK)[10]	Performance share rights forfeited and paid out in shares during the year (value in SEK)[11]	Balance at year-end, Performance shares earned but not forfeited (value in SEK)[12]
Börje Ekholm CEO and President	LTV 2022	Group Operating income (EBIT) (45%)	18/5/ 2022	1 year	31/12/ 2022	18/5/ 2025	137,994 (15,605,741)	275,988 (31,211,483)		224,594 (13,852,958)			224,594 (13,852,958)
		TSR performance conditions (45%)	18/5/ 2022	3 years	31/12/ 2024	18/5/ 2025	137,991 (15,605,402)	275,982 (31,210,804)			275,982 (17,022,570)		
		ESG targets (10%)	18/5/ 2022	3 years	31/12/ 2024	18/5/ 2025	30,664 (3,467,792)	61,328 (6,935,584)			61,328 (3,782,711)		
	LTV 2021	Group Operating income (EBIT) (50%)	3/5/ 2021	1 year	31/12/ 2021	3/5/ 2024	154,161 (16,834,381)	308,322 (33,668,762)	308,322 (19,017,301)				308,322 (19,017,301)
		TSR performance conditions (50%)	3/5 2021	3 years	31/12/ 2023	3/5/ 2024	154,162 (16 834 490)	308,324 (33,668,981)			308,324 (19,017,424)		
	LTV 2020	Group Operating income (EBIT) (50%)	1/4/ 2020	1 year	31/12/ 2020	1/4/ 2023	194,830 (15,188,947)	389,660 (30,377,894)	389,660 (24,034,229)				389,660 (24,034,229)
		TSR performance conditions (50%)	1/4/ 2020	3 years	31/12/ 2022	1/4/ 2023	194,830 (15,188,947)	389,660 (30,377,894)					
	LTV 2019[13]	Group Operating income (EBIT) (50%)	18/5/ 2019	1 year	31/12/ 2019	18/5/ 2022	146,087 (13,808,143)	292,174 (27,616,286)	292,174 (18,021,292)				292,174 (18,021,292)
		TSR performance conditions (50%)	18/5/ 2019	3 years	31/12/ 2021	18/5/ 2022	146,087 (13,808,143)	292,174 (27,616,286)	76,973 (4,747,695)				76,973 (4,747,695)
	Total						**1,296,806 (126,341,987)**	**2,593,612 (252,683,974)**	**1,067,129 (65,820,517)**	**224 594 (13,852,958)**	**645,634 (39,822,705)**		**1,291,723 (79,673,475)**

1) TSR performance conditions include both absolute and relative performance conditions for each program.
2) The date of allocation represents the date on which the original allocation was made.
3) Performance period represents the period over which the performance conditions are measured.
4) The end date of the performance period represents the date on which the performance period ends.
5) The Vesting Period End Date represents the date on which any Performance Shares will vest and entitle participants to receive shares.
6) The figures represent the original number of Performance Share Rights granted on the grant date. Values in SEK represent the corresponding value on the date of award.
7) The figures represent the maximum number of Performance Share Units that can be earned for each performance condition. Values in SEK represent the corresponding value on the date of award.
8) Figures represent the balance at the beginning of the year, which includes Performance Share Units earned for prior years that have not yet been awarded. Values in SEK are calculated as the number of vested Performance Share rights multiplied by the volume weighted average share price for the last five trading days of the previous financial year.
9) The figures represent the number of Performance Share Units earned that had a performance period that expired during the financial year. Values in SEK are calculated as the number of Performance Share Units earned multiplied by the volume weighted average share price for the last five trading days of the financial year.
10) The figures represent the maximum number of outstanding Performance Shares that are still subject to an ongoing performance period. Values in SEK are calculated as the number of outstanding Performance Shares still subject to a performance period multiplied by the volume weighted average share price for the last five trading days of the financial year.
11) The figures represent the number of Performance Share Units that had a vesting period expiring during the financial year and that entitled the participant to receive shares free of charge. Values in SEK represent the fair value of shares granted to the participant at the end of the vesting period.
12) The figures represent the balance at the end of the year, which includes Performance Share Units earned during the financial year as well as previous Performance Share Units earned but not forfeited. Values in SEK are calculated as the number of Performance Share Units earned multiplied by the volume weighted average share price for the last five trading days of the financial year.
13) LTV 2019 payment pending after recommendation by the Chairman of the Board, CEO and CLO (Chief Legal Officer).

Long-term variable remuneration (LTV) to the President and CEO and to the Executive Vice Presidents, cont'd.

Main conditions for share-based plans									Information concerning the reported financial year				
Name and position	Program	Target (weight) 1)	Date of award 2)	Performance period 3)	End date of the performance period 4)	End date of vesting period 5)	Performance share rights granted (value in SEK) 6)	Maximum number of Performance Shares that can be Awarded (value in SEK) 7)	Incoming balance (value in SEK) 8)	Performance share rights earned during the year (value in SEK) 9)	Performance share rights still subject to performance conditions (value in SEK) 10)	Performance share rights forfeited and paid out in shares during the year (value in SEK) 11)	Balance at year-end, Performance shares earned but not forfeited (value in SEK) 12)
Fredrik Jejdling Executive Vice President and Head of Business Area Networks	LTV 2022	Group Operating income (EBIT) (45%)	18/5/ 2022	1 year	31/12/ 2022	18/5/ 2025	17,257 (1,951,594)	34,514 (3,903,188)		28 086 (1,732,344)			28 086 (1,732,344)
		TSR performance conditions (45%)	18/5/ 2022	3 years	31/12/ 2024	18/5/ 2025	17,255 (1,951,368)	34,510 (3,902,736)			34 510 (2,128,577)		
		ESG targets (10%)	18/5/ 2022	3 years	31/12/ 2024	18/5/ 2025	3,834 (433,587)	7,668 (867,174)			7 668 (472,962)		
	LTV 2021	Group Operating income (EBIT) (50%)	3/5 2021	1 year	31/12/ 2023	3/5/ 2024	19,092 (2,084,846)	38,184 (4,169,693)	38,184 (2,355,189)				38 184 (2,355,189)
		TSR performance criteria (50%)	3/5 2021	3 years	12/31/ 2023	3/5/ 2024	19,092 (2,084,846)	38,184 (4,169,693)			38,184 (2,355,189)		
	LTV 2020	Group Operating income (EBIT) (50%)	1/4/ 2020	1 year	12/31/ 2020	1/4/ 2023	22,262 (1,735,546)	44,524 (3,471,091)	44 524 (2,746,240)				44 524 (2,746,240)
		TSR performance criteria (50%)	1/4/ 2020	3 years	12/31/ 2022	1/4/ 2023	22,263 (1,735,623)	44,526 (3,471,247)					
	LTV 2019 13)	Group Operating income (EBIT) (50%)	18/5/ 2019	1 year	31/12/ 2019	18/5/ 2022	16,321 (1,542,661)	32,642 (3,085,322)	32,642 (2,013,359)				32,642 (2,013,359)
		TSR performance criteria (50%)	18/5/ 2019	3 years	31/12/ 2021	18/5/ 2022	16,322 (1,542,755)	32,644 (3,085,511)	8,599 (530,386)				8,599 (530,386)
	Total						**153,698 (15,062,827)**	**307,396 (30,125,655)**	**123,949 (7,645,174)**	**28,086 (1,732,344)**	**80,362 (4,956,728)**		**152,035 (9,377,519)**

1) TSR performance conditions include both absolute and relative performance conditions for each program.
2) The date of allocation represents the date on which the original allocation was made.
3) Performance period represents the period over which the performance conditions are measured.
4) The end date of the performance period represents the date on which the performance period ends.
5) The Vesting Period End Date represents the date on which any Performance Shares will vest and entitle participants to receive shares.
6) The figures represent the original number of Performance Share Rights granted on the grant date. Values in SEK represent the corresponding value on the date of award.
7) The figures represent the maximum number of Performance Share Units that can be earned for each performance condition. Values in SEK represent the corresponding value on the date of award.
8) Figures represent the balance at the beginning of the year, which includes Performance Share Units earned for prior years that have not yet been awarded. Values in SEK are calculated as the number of vested Performance Share rights multiplied by the volume weighted average share price for the last five trading days of the previous financial year.
9) The figures represent the number of Performance Share Units earned that had a performance period that expired during the financial year. Values in SEK are calculated as the number of Performance Share Units earned multiplied by the volume weighted average share price for the last five trading days of the financial year.
10) The figures represent the maximum number of outstanding Performance Shares that are still subject to an ongoing performance period. Values in SEK are calculated as the number of outstanding Performance Shares still subject to a performance period multiplied by the volume weighted average share price for the last five trading days of the financial year.
11) The figures represent the number of Performance Share Units that had a vesting period expiring during the financial year and that entitled the participant to receive shares free of charge. Values in SEK represent the fair value of shares granted to the participant at the end of the vesting period.
12) The figures represent the balance at the end of the year, which includes Performance Share Units earned during the financial year as well as previous Performance Share Units earned but not forfeited. Values in SEK are calculated as the number of Performance Share Units earned multiplied by the volume weighted average share price for the last five trading days of the financial year.
13) LTV 2019 payment pending after recommendation by the Chairman of Board, CEO and CLO (Chief Legal Officer).

Long-term variable remuneration (LTV) to the President and CEO and to the Executive Vice Presidents, cont'd.

Name and position	Program	Target (weight) [1]	Date of award [2]	Perfor-mance period [3]	End date of the perfor-mance period [4]	End date of vesting period [5]	Performance share rights granted (value in SEK) [6]	Maximum number of Performance Shares that can be Awarded (value in SEK) [7]	Incoming balance (value in SEK) [8]	Performance share rights earned during the year (value in SEK) [9]	Performance share rights still subject to performance conditions (value in SEK) [10]	Performance share rights forfeited and paid out in shares during the year (value in SEK) [11]	Balance at year-end, Performance shares earned but not forfeited (value in SEK) [12]
	Main conditions for share-based plans								Information concerning the reported financial year				
Arun Bansal Executive Vice President and Head of Market Area Europe and Latin America [14]	LTV 2022	Group Operating income (EBIT) (45%)		1 year	31/12/ 2022		0	-					
		TSR performance conditions (45%)		3 years	31/12/ 2024		0	-					
		ESG targets (10%)		3 years	31/12/ 2024		0	-					
	LTV 2021	Group Operating income (EBIT) (50%)	3/5 2021	1 year	31/12/ 2021	3/5/ 2024	18,062 (1,972,370)	36,124 (3,944,741)	36,124 (2,228,128)				20,057 [15] (1,237,116)
		TSR performance criteria (50%)	3/5 2021	3 years	31/12/ 2023	3/5/ 2024	18,063 (1,972,480)	36,126 (3,944,959)			20,059 [15] (1,237,239)		
	LTV 2020	Group Operating income (EBIT) (50%)	1/4/ 2020	1 year	31/12/ 2020	1/4/ 2023	27,399 (2,136,026)	54,798 (4,272,052)	54,798 (3,379,941)				50,294 (3,102,134)
		TSR performance criteria (50%)	1/4/ 2020	3 years	31/12/ 2022	1/4/ 2023	27,398 (2,135,948)	54,796 (4,271,896)					
	LTV 2019 [13]	Group Operating income (EBIT) (50%)	18/5/ 2019	1 year	31/12/ 2019	18/5/ 2022	18 909 (1,787,279)	37,818 (3,574,557)	37 818 (2 332 614)				37,818 (2,332,614)
		TSR performance criteria (50%)	18/5/ 2019	3 years	31/12/ 2021	18/5/ 2022	18,909 (1,787,279)	37,818 (3,574,557)	9,962 (614,456)				9,962 (614,456)
	Total						**128,740 (11,791,381)**	**257,480 (23,582,763)**	**138,702 (8,555,139)**		**20,059 (1,237,239)**		**118,131 (7,286,320)**

1) TSR performance conditions include both absolute and relative performance conditions for each program.
2) The date of allocation represents the date on which the original allocation was made.
3) Performance period represents the period over which the performance conditions are measured.
4) The end date of the performance period represents the date on which the performance period ends.
5) The Vesting Period End Date represents the date on which any Performance Shares will vest and entitle participants to receive shares.
6) The figures represent the original number of Performance Share Rights granted on the grant date. Values in SEK represent the corresponding value on the date of award.
7) The figures represent the maximum number of Performance Share Units that can be earned for each performance condition. Values in SEK represent the corresponding value on the date of award.
8) Figures represent the balance at the beginning of the year, which includes Performance Share Units earned for prior years that have not yet been awarded. Values in SEK are calculated as the number of vested Performance Share rights multiplied by the volume weighted average share price for the last five trading days of the previous financial year.
9) The figures represent the number of Performance Share Units earned that had a performance period that expired during the financial year. Values in SEK are calculated as the number of Performance Share Units earned multiplied by the volume weighted average share price for the last five trading days of the financial year.
10) The figures represent the maximum number of outstanding Performance Shares that are still subject to an ongoing performance period. Values in SEK are calculated as the number of outstanding Performance Shares still subject to a performance period multiplied by the volume weighted average share price for the last five trading days of the financial year.
11) The figures represent the number of Performance Share Units that had a vesting period expiring during the financial year and that entitled the participant to receive shares free of charge. Values in SEK represent the fair value of shares granted to the participant at the end of the vesting period.
12) The figures represent the balance at the end of the year, which includes Performance Share Units earned during the financial year as well as previous Performance Share Units earned but not forfeited. Values in SEK are calculated as the number of Performance Share Units earned multiplied by the volume weighted average share price for the last five trading days of the financial year.
13) LTV 2019 payment pending after recommendation by the Chairman of Board, CEO and CLO (Chief Legal Officer).
14) Arun Bansal left the position as EVP May 31, 2022.
15) Holdings in LTV 2020 and 2021 prorated based on last day for employment as December 31, 2022.

Information on guidelines for shareholdings by Executive Team

The Board has adopted the following shareholding guidelines to apply to current and future members of the Executive Team as of 1 January 2019, to encourage management to build and maintain a shareholding to create a common ownership interest between the Company's shareholders and the members of the Executive Team:

- The President and CEO must build and maintain a shareholding equivalent to at least 200% of the annual fixed salary
- Other members of the Executive Team must build up and maintain a shareholding equivalent to at least 75% of their respective annual fixed salary.

The current members of the Executive Team shall have the opportunity to build up the required shareholding over a period of five years starting from January 1, 2019. In the event that new members of the Executive Team are appointed, they are expected to meet the shareholding requirement on the anniversary date five years after they are granted their first Performance Shares under the LTV Plans. The Board considers the following for the purpose of meeting the shareholding requirement:

- Holdings of Ericsson Class B-shares held or acquired by the Executive Team member
- Vested but unexercised options (value calculated after tax and after utilization costs)
- Share rights held by the member of the Executive Team, for which performance and/or employment conditions have been met, but which must be held for a certain period of time (value calculated after tax).

Shares, synthetic shares, or options that are subject to performance conditions and continued employment, but which have not vested, should not be counted under the shareholding guidelines.

The Remuneration Committee shall monitor compliance with the shareholding guidelines and regularly report to the Board and inform the members of the Executive Team on the extent to which the shareholding guidelines have been complied with.

The holdings of each of the members of the Executive Team are disclosed on pages 20–25 of the Corporate Governance report.

Deviations from adopted Guidelines for remuneration to Group Management

Upon recommendation from the Remuneration Committee, the Board of Directors may, in extraordinary circumstances, decide to temporarily deviate in whole or in part from the remuneration guidelines to promote the Company's long-term interests and sustainability or to ensure the Company's financial viability. If a member of the Executive Team is appointed following a merger with or acquisition of another company, legacy terms and conditions may also be honored for a maximum period of 36 months.

As part of the acquisition of Vonage Holdings Corp. (Vonage) in July 2022 and to retain Rory Read (below RR), Senior Vice President and Head of Business Area Global Communications Platform, the Board of Directors has resolved of a deviation from the guidelines.

The deviation consists in the resolution to enter into an employment agreement with RR on the following terms:

- An acceleration of RR's existing long-term share based variable incentive program of restricted and performance stock units (RSU and PSU) in Vonage in return of cash compensation to be paid in four incremental payments of in total USD 43,400,028, whereof USD 32,760,000 has been paid during 2022.
- An indemnification by the Company to compensate RR (on a fully tax grossed up basis) for any excise tax and interest or other penalties that may become due in connection with the acceleration of RSU and PSU under RR's long-term share based variable incentive program in Vonage, corresponding to a maximum gross up amount of USD 4,000,000.
- A two-year (2022 until and including 2023) cash-based incentive program of a variable remuneration on target level of USD 12,000,000 and a maximum of USD 36,000,000 at 300% target achievement, to ensure the fulfillment of the Vonage management business plan for Vonage. Payout under the program only takes place under conditions that set targets for sales growth and results are achieved according to the current business plan. For 2022, the maximum earning opportunity amounted to USD 18,000,000. The actual achievement for 2022 was approximately 4,1% of the maximum earning opportunity, which corresponds to USD 738,750 payable in 2024 conditional upon RR's continued employment.
- In the event of termination of RR's employment by the Company, RR is obliged to receive severance pay equal to 12 months' fixed salary, an amount corresponding to annual short-term variable compensation calculated at the target level, the current year's bonus outcome calculated prorated in relation to the time worked during the year and other benefits amounting under the notice period.

Comparative information on changes in remuneration and the Company's performance

Comparison table of the change in remuneration and the Company's performance over the last three financial years reported

Remuneration to the President and CEO and to the Executive Vice President		Börje Ekholm President and CEO	Fredrik Jejdling Executive Vice President and Head of Business Area Networks	Arun Bansal Executive Vice President and Head of Market Area Europe and Latin America [4]	Average remuneration of employees converted to full-time equivalents [3]	Ericsson's performance: Group operating income (EBIT) SEK million	Ericsson's performance: Group Net Sales SEK million	Ericsson's performance: Share price at December 31 for the financial year
2022 (% change)	Fixed remuneration [1]	19,290,595 (3%)	9,666,757 (6%)	5,090,173 (–69%)	966,031 (8,5%)	27,020 (10%)	271,546 (17%)	60.9 (–38,97%)
	Variable remuneration [2]	0 (–100%)	6,671,595 (–54%)	3,986,292 (–73%)	230,928 (–27%)			
2021 (% change)	Fixed remuneration [1]	18,764,547 (1%)	9,144,067 (15%)	16,503,462 (73%)	889,538 (13%)	31,780 (14%)	232,314 (–0.03%)	99.79 (2.20%)
	Variable remuneration [2]	88,782,271 (22%)	14,626,469 (122%)	14,763,028 (11,248%)	295,193 (–1%)			
2020 (% change)	Fixed remuneration [1]	18,498,002 (13%)	7,948,081 (15%)	9,514,116	790,295 (–23%)	27,808 (163%)	232,390 (2.28%)	97.64 (19.72%)
	Variable remuneration [2]	72,507,054	6,595,909 (103%)	130,096	299,589 (25%)			
	Comments	LTV 2018 expired and shares were transferred in May 2021.	LTV 2018 expired and shares were transferred in May 2021.	LTV 2018 vested and shares were transferred in may 2021. Information disclosed and compared during dates of being EVP.	In 2021, the delayed salary revision for 2020 took place with a company-sponsored retroactive effect, which increased the remuneration of other employees. A majority of employees do not have variable remuneration.			

1) Fixed remuneration includes fixed salary and other benefits.

2) Variable remuneration for the CEO and President and to the Executive Vice Presidents includes applicable STV and LTV. For the Company's employees, variable remuneration includes short-term and long-term variable remuneration. For the sake of comparison, variable remuneration represents figures accrued and paid during the financial year. This is because performance reviews and long-term variable remuneration programs for other employees with performance periods expiring in fiscal year 2022 have not yet been completed.

3) Employees of Telefonaktiebolaget LM Ericsson, excluding the CEO and President and other members of Executive Team employed by the Company.

4) Arun Bansal left the position as EVP on May 31, 2022. All values related to 2022 are calculated on pro-rata basis based on the period from January 1 to May 31, 2022.

Board of Directors

Stockholm, March 7, 2023

Telefonaktiebolaget LM Ericsson (publ)
Org. no. 556016-0680

Sustainability and Corporate Responsibility report

Part of Ericsson Annual Report 2022

Annual Report 2022

Financial report

Corporate Governance report

Remuneration report

Sustainability and Corporate Responsibility report

ericsson.com

Contents

Sustainability and Corporate Responsibility report 2022

This Sustainability and Corporate Responsibility report is rendered as a separate report added to the Financial Report in accordance with the Annual Accounts Act (SFS 1995:1554, chapter 6, section 10 and 11). An assurance report from the Company's auditor is appended hereto.

Forward-looking statements

This report may include forward-looking statements, including statements reflecting the Company's current views relating to the growth of the market, future market conditions, future events, financial condition, and expected operational and financial performance.

The words "believe", "expect", "foresee", "anticipate", "assume", "intend", "likely", "projects", "may", "could", "plan", "estimate", "forecast", "will", "should", "would", "predict", "aim", "ambition", "seek", "potential", "target", "might", "continue", or, in each case, their negative or variations, and similar words or expressions are used to identify forward-looking statements. Any statement that refers to the Company's strategy, future financial performance, expectations, projections or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. Such statements are based on the Company's expectations as of the date of this report, unless an earlier date is specified, including expectations based on third-party information and projections that the Company believes to be reputable.

We caution investors that these statements are subject to risks and uncertainties many of which are difficult to predict and generally beyond our control that could cause actual results to differ materially and adversely from those expressed in, or implied or projected by, the forward-looking information and statements. Important factors that could affect whether and to what extent any of our forward-looking statements materialize include but are not limited to the factors described throughout the Company's Annual Report for the financial year 2022, including in the section Risk Factors of the Company's Annual Report for the financial year 2022. These forward-looking statements also represent our estimates and assumptions only as of the date that they were made, and to the extent they represent third-party data, we have not undertaken to independently verify such third-party data and do not intend to do so. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. We expressly disclaim a duty to provide updates to these forward-looking statements, and the estimates and assumptions associated with them, after the date of this report, to reflect events or changes in circumstances or changes in expectations or the occurrence of anticipated events, whether as a result of new information, future events or otherwise, except as required by applicable law or stock exchange regulation. We maintain website and external voluntary reports that may be referenced in this report. The information on our website and in our external voluntary reports is not incorporated by reference in, or otherwise to be regarded as part of, this report.

Improving lives, redefining business and pioneering a sustainable future

Ericsson's vision to improve lives, redefine business and pioneer a sustainable future is built on the power of mobile connectivity to deliver positive impact. Just as electrification transformed the world in the 20th century, digitalization is transforming the 21st century. With 5G, the network becomes a platform for innovation and APIs put the capabilities of the network at the fingertips of a global developer community that will create new innovative use cases. 5G technology will be transformational not just for the mobile ecosystem but any ecosystem that depends on connectivity, whether consumer or enterprise. This new platform will be a global engine for economic growth, a fundamental lever for fighting climate change and a powerful enabler of social inclusion.

Integrity is a foundation for Ericsson's value creating capabilities. With a presence in around 180 countries, Ericsson is operating in markets with varying degrees of complexity in terms of business culture, geopolitical stability and maturity of institutions, and holds the same high standards of ethical business – from equal opportunity for all and respect for human rights, to anti-corruption – across all its operations. Further, the health, safety and well-being of everyone working for Ericsson is of the highest priority. The Company takes a holistic approach to risk management and is firmly committed to acting with integrity across its value chain.

Driving digital inclusion

About 2.7 billion people still lack access to the internet [1]. The unconnected disproportionately live in low- and middle-income countries and are more likely to be poorer, less educated, older, rural and women. While increasing coverage remains an important issue to address, and solutions like fixed wireless access can be a powerful tool for delivering broadband, reducing the usage gap with relevant tools and digital skills development is also key to closing the digital divide.

Financial inclusion is also an important driver for attaining social inclusion. Nearly one quarter of the world's adult population lacks access to formal banking and financial services according to World Bank Findex. However, a majority of unbanked people own a mobile phone that can help them access formal financial services. Today more than 80 million consumers use mobile financial services powered by Ericsson Wallet Platform every month, many of whom were previously unbanked.

Beyond its portfolio, Ericsson is working on the ground to ensure that meaningful connectivity is available and usable by everyone.

The Company was the first private sector partner of UNICEF and ITU's Giga initiative to make a multimillion-dollar commitment, and over the past two years it has supported Giga in connecting more than 5,500 schools and 2 million children and youth to the internet. Ericsson aims to take the learnings of the last decade and work in public-private partnerships to support Giga in connecting every school across the globe to the internet by 2030. Through Ericsson's flagship program Connect To Learn, 400,000 children and young adults in 36 countries have been provided with access to digital learning and skills development programs.

Catalyzing Net Zero

The digital transformation of society and industry is also a low-carbon one. The telecom industry is leading the race to zero emissions both in terms of Net Zero commitments and through an industry-wide commitment to source renewable energy [2].

Ericsson has set an ambition to be Net Zero across its value chain by 2040 and its most important contribution to climate change mitigation is delivering an energy efficient portfolio that will help break the energy curve of mobile networks, reducing customers' energy use, energy cost and carbon emissions. The Company also works with suppliers to provide relevant tools and frameworks for business partners to set their own 1.5 C-aligned targets.

Enabling industry transformation

While the ICT sector is responsible for only 1.4% of the global carbon footprint [3] it has the potential of enabling a 15% reduction of emissions across industries by 2030 through connectivity solutions such as smart building management systems and connected electric vehicle charging infrastructure [4].

These are just two examples of the possibilities of the Fourth Industrial Revolution. Exponential technologies such as 5G, artificial intelligence (AI) and IoT have the potential to significantly increase productivity and efficiency and as an open innovation platform, 5G will have a direct impact on a range of societal infrastructure and industry sectors including transport, manufacturing, energy utilities and public safety, to name a few.

Connectivity is the backbone of sustainable development

Ericsson's technology is critical to the digital transformation of society and forms the backbone of sustainable development, but to meet global challenges and realize opportunities, technology needs to be scaled and Ericsson's experience in driving eco-systems within and across industries, and in society is critical to achieve this.

Ericsson was founded on the belief that communication is a basic human need – and the Company has been a part of societal development for over 145 years. Today Ericsson is delivering technology, solutions and a platform for innovation that support social connection, economic growth and a sustainable future.

[1] The State of Broadband 2022: Accelerating broadband for new realities (2022) *ITU/UNESCO Broadband Commission for Sustainable Development, p. 26,* 978-92-61-36751-0.
[2] Mobile Net Zero: State of the Industry on Climate Action 2022 (2022), *GSMA.*
[3] Malmodin, Jens & Lundén, Dag. (2018).The Energy and Carbon Footprint of the Global ICT and E&M Sectors 2010–2015. Sustainability, 10.3390/su10093027.
[4] Malmodin, Jens & Bergmark, Pernilla. (2015). Exploring the effect of ICT solutions on GHG emissions in 2030. 10.2991/ict4s-env-15.2015.5.

Strategy and targets

Over the coming decades, the world will face unprecedented challenges such as mitigating and adapting to climate change and making sure everyone on the planet can partake in the digital economy and society. In order to meet these challenges, more action is required from both the public and private sector to transition to a low-carbon and circular economy while at the same time addressing social inclusion.

Information communications technology (ICT) already plays an important role in this transition, both as an enabler of decarbonization and by creating and distributing the knowledge and innovation needed for sustainable economic development. Ericsson's Sustainability and Corporate Responsibility (S&CR) strategy is built on the potential of its technology deployed and used in the most responsible way. Ericsson regularly conducts a materiality analysis[1] to identify the environmental, social and economic aspects most relevant to the Company and its stakeholders. The materiality analysis also serves as a tool to provide input to the S&CR strategy.

Turning the strategy into reality is made possible by the people working for Ericsson around the world. They are the driving force behind realizing the Company's vision: A world where limitless connectivity improves lives, redefines business and pioneers a sustainable future.

Sustainability and Corporate Responsibility strategy

Environmental sustainability

- Continuously improve energy performance of the portfolio
- Take climate action in own activities and in the supply chain
- Transition to a circular economy model
- Provide ICT solutions that can enable decarbonization across industry sectors.

Digital inclusion

- Explore and develop affordable internet access solutions
- Scale meaningful connectivity and usability through partnerships
- Offer scalable technologies for financial inclusion
- Support digital literacy and skills development.

Responsible business

- Conduct business with integrity to mitigate risks and build trust
- Embed robust risk management practices across the Company
- Safeguard that the Company's technology is a force for good and not misused
- Provide transparent reporting and disclosures on par with global best practice.

Enabled by our people

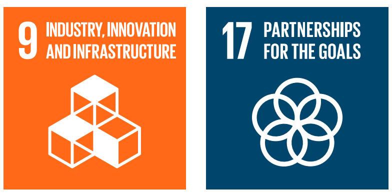
- Work to ensure the health, safety and well-being of everyone working for Ericsson
- Build an inclusive and innovative culture that drives business performance through ethical decision-making
- Create a great place to work, where everyone feels included and proud to belong to a caring, flexible and world-class tech company
- Develop people with the right skillsets and mindsets in the right places, at the right time, to win business with integrity
- Enable fact-based and courageous decision-making through people analytics to drive people performance.

Ericsson's technology – an enabler of sustainable development

Ericsson's technology can contribute to the achievement of many of the United Nations Sustainable Development Goals (SDGs). Examples include alleviating poverty through mobile financial services, better access to education through digital learning and reduced GHG emissions through digital data-driven solutions. However, Ericsson's core contribution to the SDGs is through SDG 9 – Industry, innovation and infrastructure, and SDG 17 – Partnerships for the goals. These two goals are central to Ericsson's business as a technology leader. The Company creates and orchestrates ecosystems and works across trusted partnerships to create positive impact at scale and to meet the global challenges of today and tomorrow.

Connectivity drives sustainable industrialization and innovation
From smart grids and building energy management systems, to autonomous vehicles and connected factories, connectivity is the backbone of the digitalized economy. It is also an enabler of many of the transformations necessary to ensure sustainable economic growth and decarbonization of the economy. Ericsson provides the connectivity infrastructure and its customers provide the communication services that industries require to digitalize.

Partnerships are key to bridge digital divides
To help bridge the digital divide, Ericsson engages and collaborates with its customers and business partners, as well as international institutions and civil society, in a connected ecosystem. Through these partnerships, Ericsson supports people getting access to connectivity and the skills needed to fully participate in the digital economy and society.



[1] See note O1 on page 40 for more information about the materiality analysis and how materiality should be interpreted in the context of the S&CR report.

Performance on goals and targets

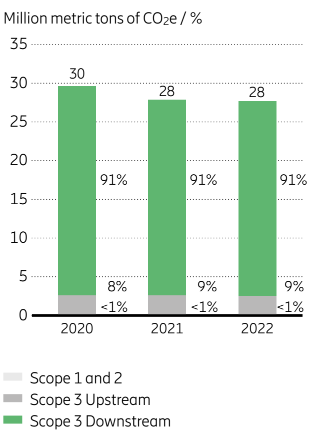
Below is a summary of the performance and current status of Ericsson's Sustainability and Corporate Responsibility goals and targets. Commentary on performance highlights is presented on pages 4–9, and target specifics and detailed performance data can be found in the notes to this report on pages 11–42.

	Goals and performance targets	Base year[1]	Target year	2022 performance	Status
Environment	**Climate change mitigation** Net Zero GHG emissions across the value chain, covering scope 1, 2 and 3 (to be submitted to SBTi[2])	2020	2040		
Environment	*Emissions reductions* – Reduce scope 1, 2 and 3 emissions by 50% (to be submitted to SBTi)	2020	2030	8% reduction	More effort needed
Environment	– Reduce scope 1, 2 and scope 3 categories Business travel and Downstream transportation emissions by 35% (SBTi verified)	2016	2022	60% reduction	Achieved
Environment	*Portfolio energy performance* – Achieve a 5G portfolio that is 10 times more energy efficient per transferred data compared to 4G	2017	2022	10 times more energy efficient	Achieved
Environment	– Achieve 35% energy savings in Ericsson Radio Systems compared to the legacy portfolio (SBTi verified)	2016	2022	39% savings	Achieved
Environment	*Supply chain engagement* Have 350 high-emitting and strategic suppliers set their own Paris Agreement-aligned emissions reduction targets	2019	2025	225 suppliers with accepted targets	On track
Social	**Health and safety** Zero fatalities and lost workday incidents (LWI)	2020	2025	8 fatalities and 131 LWIs	More effort needed
Social	**Diversity and inclusion** 30% share of women among all employees, line managers and executive population	2021	2030	25, 22 and 35% respectively	More effort needed
Governance	**Ethics and Compliance** Strengthen and enhance the Ethics and Compliance program to ensure an effective and sustainable anti-bribery and corruption program	2019	2022	Extended to 2024	Implementation in progress

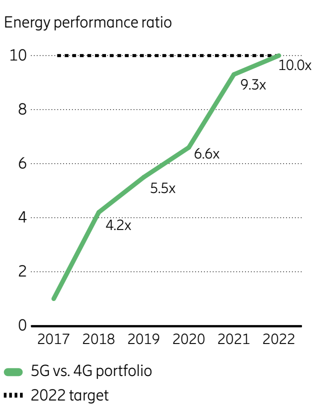
[1] For targets tracked using a relative performance metric compared to a set baseline the base year is shown. For targets not tracked through a relative metric, the year the target was set (start year) is shown.
[2] The Science Based Target initiative (SBTi) is a partnership between CDP, the United Nations Global Compact, World Resources Institute (WRI) and the World Wide Fund for Nature (WWF) that defines and promotes best practice in emissions reductions and net-zero targets in line with climate science, including providing a second opinion on the ambition level of targets set by corporates and other entities.

2022 highlights – Environment

Value chain carbon footprint



5G portfolio energy efficiency



Net Zero by 2040

Ericsson's long-term ambition is Net Zero greenhouse gas (GHG) emissions across its value chain by 2040. By 2030 the Company has a target to halve value chain emissions compared to a 2020 baseline, and aims to achieve Net Zero emissions from its Own Activities [1]. Ericsson's ambition is science based and the Company is preparing to submit its new targets for verification by the Science Based Targets initiative (SBTi).

In 2022, total value chain GHG emissions were approximately 28 (28) million tonnes. 91 (91)% of the footprint occurred downstream primarily from energy consumption of sold network equipment to customers, and 9 (9)% occurred upstream in the supply chain. Scope 1 and 2 emissions accounted for less than 1 (<1)% of total emissions. Ericsson addresses emissions in all stages of the value chain but the largest emission reduction potential is connected with continuously making the portfolio more energy efficient, and decarbonizing the supply chain through supplier engagement, product design and material choices.

Ericsson has continued to implement its Net Zero strategy during 2022, setting milestones for areas and activities with larger impact, such as product design and radio site energy consumption. A carbon footprint calculation and tracking project was launched to improve the accuracy of emissions accounting both for individual products and for the organization as a whole. The ambition is to have a fully digitalized system to track emissions and empower business leaders to make the fact-based decisions necessary to deliver on the Company's climate targets.

To strengthen the link between sustainability efforts and its strategic priority of technology leadership, Ericsson launched a green bond framework verified by an independent third-party. This enables the Company to access the growing market for green financing when raising capital, primarily for R&D-related capital expenditures.

Enabling effect of ICT

Ericsson's research [2] shows that the potential for ICT solutions to support other industries to decarbonize is substantial and much more significant than the sector's own carbon footprint. Technologies such as electric charging infrastructure, smart grids and building management systems all depend on connectivity solutions to reach their full potential. Further, through the development of new technologies such as the Global Network Platform and 5G, the decarbonization potential could be further enhanced. Ericsson has throughout the year continued to explore and demonstrate the enabling effect of ICT through use cases where cellular IoT is used for digital energy management in the property sector and higher efficiency in electric vehicle charging infrastructure, to name a few. In parallel, Ericsson has contributed to a new standard from the International Telecommunications Union for assessing how ICT solutions impact GHG emissions of other sectors [3].

Portfolio energy performance

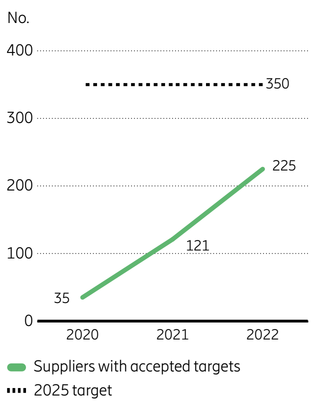
Downstream emissions, mainly from products in use, represented 91 (91)% of total value chain emissions. This makes continuously improving energy performance of the portfolio key to reaching the Company's medium- and long-term emissions reduction targets. Higher efficiency also creates financial value for customers as it supports reducing energy-related operational expenditures. In 2022 Ericsson achieved both of its portfolio targets, showing significantly higher energy efficiency in its Ericsson Radio System (ERS) radio portfolio.

Ericsson reached its target to make the 5G portfolio 10 times more efficient for the same amount of transferred data compared to 4G. By 2022, the Company's third and fourth generation massive MIMO 5G radios were 10.0 (9.3) times more energy efficient compared to 4G radios. If looked at in isolation, fourth generation 5G radios were 10.6 times more efficient. Ericsson achieved this by using, among other things, highly efficient radio unit power amplifiers and through improvements in Ericsson Silicon (ASICs), a dedicated, purpose-built system on a chip design solution that makes it possible to create smaller and lighter radios that consume less energy.

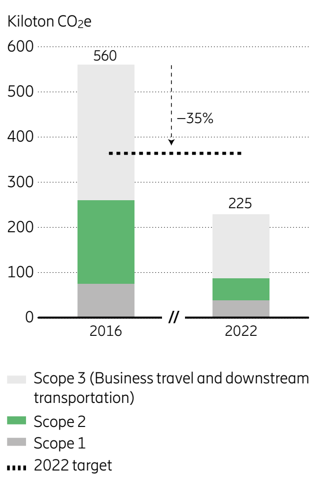
Ericsson also had a SBTi-verified 2022 target of 35% energy savings in its ERS remote radio units compared to the legacy portfolio. The savings achieved in delivered ERS radios by the end of 2022 were 39 (36)%. If savings from the Micro Sleep Tx energy savings function, which switches off components when no transmission is required, are included, the savings increase to 44%. This was made possible by a combination of factors, including improvements in radio unit design, multi-band technology and hardware components such

[1] Own Activities cover emissions in Scope 1, 2, and Scope 3 categories Business Travel and Employee Commuting.
[2] Malmodin, Jens & Bergmark, Pernilla. (2015). Exploring the effect of ICT solutions on GHG emissions in 2030. 10.2991/ict4s-env-15.2015.5.
[3] ITU Standardization L.1480: Enabling the Net Zero transition: Assessing how the use of ICT solutions impacts GHG emissions of other sectors.

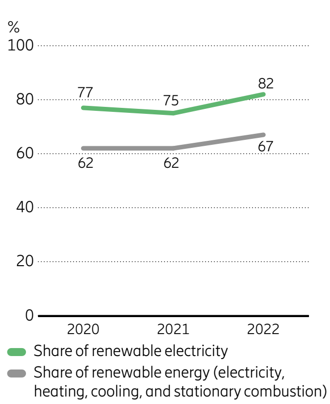
Supplier climate engagement



Performance on SBTi target



Share of renewable electricity and energy at facilities



as Ericsson Silicon. With multi-band technology, the Company can efficiently combine several radio units for two or more frequency bands into a single physical unit. This significantly improves energy efficiency as well as reduces size and weight.

Going forward, Ericsson will increasingly leverage artificial intelligence and machine learning, operating networks intelligently to meet traffic demand and deliver the best user experience with the lowest energy use.

Supply chain climate action

Supply chain emissions represented 9 (9)% of the total value chain carbon footprint. As part of its Net Zero ambition, Ericsson is working to reduce these through design improvements, transport efficiency and supplier engagement. During the year, efforts to reduce the weight and size of products have continued, and initiatives that target carbon intense materials and processes, such as aluminum, were launched. The Company has also explored ways to capture supply chain emissions data more efficiently and accurately.

Ericsson has a target to by 2025 have 350 high emitting and strategic direct suppliers set their own emission reduction targets aligned with the 1.5 C ambition. These suppliers, together with their supply chains, represent a majority of Ericsson's supply chain related carbon footprint. For a supplier's target to be accepted, it must include a halving of emissions in relevant scopes by 2030 compared to the target baseline, be made public and be accompanied by public reporting on progress. By year end, 225 (121) suppliers had set targets that meet these criteria, putting the Company on track to achieve its engagement target within the set timeframe [1]. Ericsson continues to engage with those suppliers who have not yet set aligned targets.

Taking a collaborative approach to further supply chain climate action, Ericsson hosted an online webinar together with the Exponential Roadmap Initiative and co-created the 1.5 C Business Playbook and Supplier Engagement Guide with the aim to support companies to set 1.5 C-ambition aligned targets and to help them engage with their own supply chains.

Climate action in Own Activities

Scope 1 emissions were 38 (38) thousand tonnes and were primarily related to the service vehicle fleet. Scope 2 emissions decreased to 45 (58) thousand tonnes, which was primarily driven by larger volumes of purchased renewable electricity. The share of purchased renewable electricity increased to 82 (75)%, which represented 67 (62)% of total facility energy consumption.

While emissions from business travel increased to 25 (9) thousand tonnes, they were still substantially lower than their pre-pandemic levels. Ericsson has set a cap on business travel to limit related emissions to no more than 50% of pre-pandemic 2019 levels. Emissions from downstream transportation were 116 (119) thousand tonnes.

Combined, this meant the Company surpassed its SBTi-verified target to reduce emissions from Own Activities by 35% by 2022, with achieved emissions reductions being 60% from the 2016 target baseline.

During the year Ericsson has continued its efforts to improve data quality including more regular reviews of climate KPIs, continued rollout of telematics in fleet vehicles and a more granular analysis of employees' commuting habits. Priorities for the coming year include further improvements in data quality with a focus on automation, assessing Power Purchase Agreement projects as a source for renewable energy and continuing the transition towards fossil free fleet vehicles. Energy saving features at the USA 5G factory will be rolled out to other manufacturing sites and installation of on-site solar panels will be evaluated.

Transition to circular economy

Ericsson undertook two initiatives aimed at improving performance in product take-back and the sale of refurbished equipment. The Company also developed a targeted training course to raise internal knowledge on take-back and re-use. In addition, the Company analyzed emerging legislation and trends related to product take-back with the help of a third-party advisor. Ericsson also analyzed how to increase relatively low take-back volumes and piloted the product reuse services that were launched in 2021.

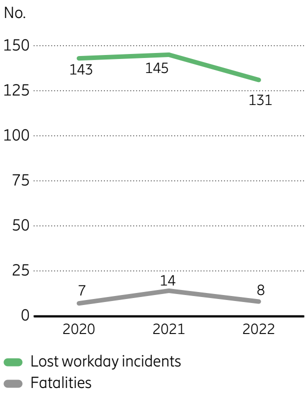
More information available in the notes to the S&CR report

p. 11	E1 – Environmental management
p. 12	E2 – Climate change mitigation
p. 16	E3 – Climate related scenario analysis, risks and opportunities
p. 17	E4 – Transition to circular economy
p. 18	E5 – Reporting according to article 8 of the EU Taxonomy regulation

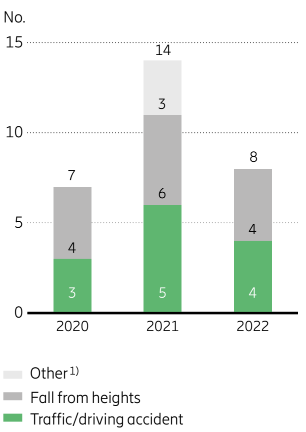
[1] See note O2 on page 41 for an explanation on limitations regarding value chain reporting and disclosures.

2022 highlights – Social

Lost workday incidents and fatalities

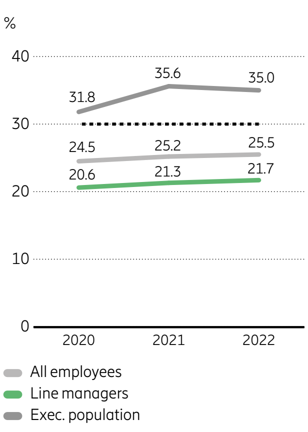


Breakdown of fatalities by cause



1) Detailed information in note S2 on page 24.

Share of women per employee category



Health, safety and well-being

Ericsson has a target to have zero fatalities and lost workday incidents by 2025 and the Company continuously monitors a combination of leading and lagging indicators on the progression on this target.

The number of fatalities decreased to 8 (14) and involved site service suppliers and third parties. Causes of fatalities were driving accidents and climbing or working at heights. Lost workday incidents decreased to 131 (145) and involved both suppliers and employees. Reported incidents primarily involved slips, trips and falls, site installations, climbing and working at heights and manual lifting and handling. There was a 45% increase in reported near-misses as a result of increased awareness and enhanced reporting capabilities. Ericsson also continued strengthening its supplier consequence management practices to drive further improvement in supplier safety performance and health and safety risk management.

A new mandatory health, safety and well-being induction course for employees and contingent workers was launched with a 92% completion rate.

A mental health training program was introduced and campaigns on musculoskeletal health were carried out in order to reduce health risks and increase understanding of self-care. Future priorities include increasing understanding about mental health and financial literacy, raising awareness on psychologically safe working environments and on non-communicable diseases such as cancer and cardiovascular illnesses, and reviewing benefit coverage.

Diversity and inclusion

Ericsson has a target to achieve at least 30% representation of women at all levels of the Company by 2030. To support this target, the shareholders at the 2022 annual general meeting approved linking part of the variable compensation to executives to a performance criteria where the share of women in line manager positions is to increase to 23% by 2024. During the year, the share of women line managers increased to 21.7 (21.3)%. Among all employees, the share increased to 25.5 (25.2)% while decreasing to 35.0 (35.6)% within the executive population. Ericsson worked with its recruitment partners to have a fifty-fifty gender balance for early career and graduate hires as part of the strategy to attract more diverse candidates. The Company also progressed on gender balance through its ALTitude career accelerator program for women, with a third of program graduates progressing to more senior positions within a year.

Work to reinforce an inclusive culture continued with the addition of Inclusive Leadership as one of Ericsson's critical skills, supported by bespoke training that combines the latest academic insight with online simulations. Ericsson supports a network of employee resource groups and provides career accelerator programs to remove barriers to progression for underrepresented groups.

Talent attraction, retention and development

Ericsson's Talent Acquisition strategy is built on three key focus areas: demand planning and capacity; identifying key talent markets; and attracting and retaining talent with critical skills – including cloud native (applications development, architecture, design, and more on cloud infrastructure). To enable this strategy, the Company has enhanced its sourcing capacity, improved recruiter capability and invested in new technology to reduce complexity and provide a better hiring experience.

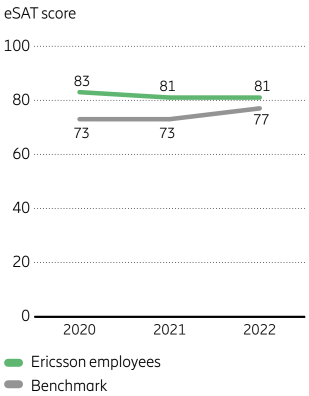
A global recognition program available to more than 85,000 employees at year end was launched to drive engagement and recognize impact. From 2023 onwards, the program will be available to more than 100,000 employees globally. Since 2021 the Company has an employee share purchase plan in place with the aim to encourage employees to take an individual stake in achieving the Company's goals, and through this reinforce a sense of ownership. At the end of 2022 the plan was implemented in 78 countries and available to about 89,000 employees, with a participation rate of 18.9 (15.8)%. Deployment in additional countries is planned for 2023.

Ericsson has continued to work towards pay equity and put additional efforts into finding ways to measure and better understand the reasons behind gender pay gaps across the Company.

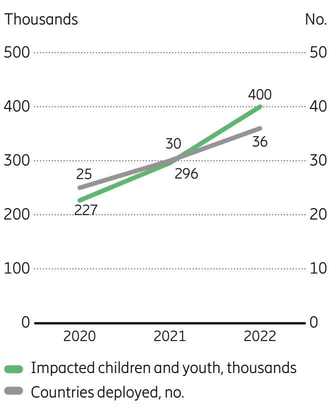
Employee satisfaction scores remained high at 81 (81) points and continued to be above the benchmark value for comparable companies in the industry which was 77 (73).

Over 19,000 employees were trained in the critical skills of artificial intelligence (AI) and automation, with plans to double this number in 2023. Two new pathways for upskilling the workforce in power skills (collaboration, communication and stakeholder management) and cloud native were launched during the year. This was enabled through the learning platform Degreed, which covers more than 20,000 skills and was used by 97% of the workforce who completed 3.0 (3.1) million online learning sessions during the year. The volume of completions on Degreed more

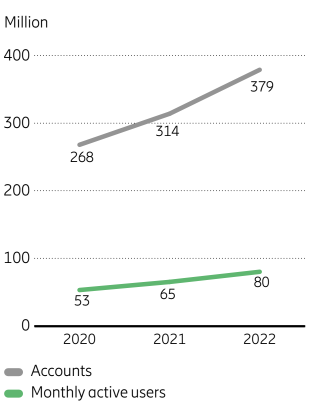
Employee satisfaction



Digital education – Connect to Learn



Ericsson Mobile Wallet accounts and active users



than doubled during the COVID-19 pandemic as people were working remotely. In 2022, the volume decreased slightly as employees transitioned into a hybrid working model and were able to participate in more onsite learnings, interacting with teams and colleagues. Employees are encouraged to gain experience through internal job moves supported by an open talent market and targeted succession planning.

Human rights

During the year, Ericsson underwent its first assessment as a member of the Global Network Initiative. The third-party assessor concluded that Ericsson overall has adequate processes and policies in place related to human rights. Key areas of improvement highlighted included more comprehensive human rights training and clearer policies when acting on government requests on behalf of customers, as well as better understanding of how equipment is used post-sale. Ericsson is committed to implementing these recommendations and to further strengthening its due diligence processes for a more proactive approach to human rights-related risk management.

A new Human Rights strategy was adopted which included identification of key transformations needed to align with international best-practice and standards. This covers improving due diligence frameworks across the value chain, as well as preparing for new legal requirements on human rights, in particular related to supply chain traceability.

Ericsson has engaged in the Action Coalition on Responsible Technology, part of the Tech for Democracy initiative. One of the main contributions is a project to map the ICT ecosystem to better understand the responsibilities related to human rights of different actors.

Corporate citizenship

Ericsson launched a global volunteering portal during the year to facilitate opportunities for employees to use their time and skills for volunteering.

The Company continued to invest in connected reforestation projects by entering a new project in India, complementing the existing ones in Malaysia and the Philippines, with the aim to plant 100,000 mangroves and 20,000 fruit bearing plants.

A record-breaking company-matched employee donation drive was carried out during the early stages of the war in Ukraine, and Ericsson has continued to support relief efforts with monetary and in-kind donations, technical support, and volunteer hours. As the Ukraine emergency situation unfolded UNHCR RETS [1] called upon partners, and Ericsson Response mobilized to support refugees in neighboring countries by deploying communication equipment in Moldova which increased the country's capacity to receive and assist refugees.

Support to UN operations in Columbia for Venezuelan refugees initiated in 2021 continued in 2022 and Ericsson Response deployed a team to the La Guajira region to provide and improve connectivity for refugee service centers. The WFP-led ETC [2] and Ericsson Response also deployed after Typhoon Odette hit the Philippines, providing connectivity to humanitarians in affected areas.

Digital inclusion

Mobile broadband is one of the most cost efficient technology options to connect society and fixed Wireless Access (FWA) is an efficient and scalable alternative to wired connections and a portfolio solution that can benefit institutional coverage. Almost 40% of the new 5G FWA launches in the past 12 months have been in emerging markets.

The Ericsson Wallet Platform supported 379 (314) million registered mobile wallet accounts and over 80 (65) million active consumers in 24 countries use mobile financial services powered by the Platform every month, many of which were previously unbanked. The Platform has enabled many businesses and organizations to accept digital payments accelerating the growth of cash-light digital economies.

To date Ericsson has positively impacted 400,000 children and young adults in 36 countries by providing access to digital learning and skills development programs through its Connect To Learn initiative.

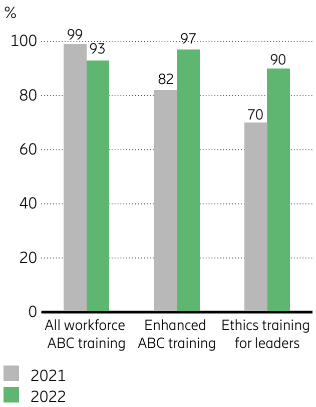
More information available in the notes to the S&CR report

p. 21	S1 – Human Capital
p. 24	S2 – Health, safety and well-being
p. 25	S3 – Human rights
p. 27	S4 – Corporate citizenship
p. 29	S5 – Digital inclusion

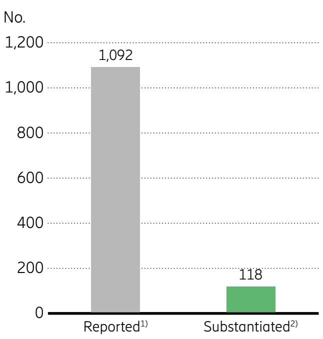
[1] United Nations High Commissioner for Refugees – Refugee Emergency Telecommunications Sector.
[2] World Food Programme – Emergency Telecommunications Cluster.

2022 highlights – Governance

Compliance and anti-bribery and corruption training completion rates



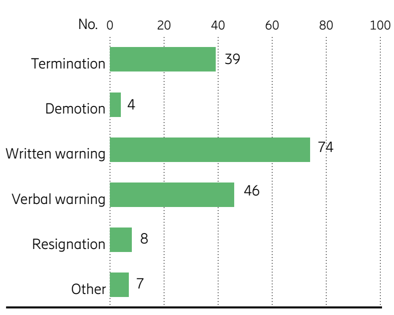
Reported and substantiated compliance concerns



1) All reported cases received in 2022.

2) All cases concluded and deemed as substantiated during 2022, some of which were received in previous years.

Corrective and disciplinary actions taken1)



1) Actions taken as a result of substantiated breaches of Ericsson's Code of Business Ethics. Each corrective action represents a unique individual meaning the total of actions shown here cannot be directly compared to the number of substantiated cases shown above, as each case may involve several individuals. An individual can be subject to several corrective actions but is only counted once in these statistics, with the most severe consequent determining classification in the above presentation.

Compliance and business ethics

Ericsson has continued to strengthen and develop its Ethics and Compliance (E&C) Program, now with a renewed focus on integrity as part of the Company's culture. Specifically, Ericsson launched a company-wide strategy that focuses on prioritizing integrity as part of its culture and ways of working to foster accountability, build trust and respect with customers, business partners, and regulators, and drive sustainable success. The Company continues to support and encourage its employees and business partners to take part in the transformation by providing them with tools and information to make fact-based, integrity-driven decisions.

To help employees identify and appropriately interact with public officials and customers who are state-owned, an interactive State Owned Entities (SOE) Map was made available during the year. To help treat officials of SOEs with greater sensitivity and care from an E&C perspective, global customer designations were also made available to employees.

During the year, gift, entertainment and hospitality, and conflict of interest functionalities have been migrated into Ericsson's Ethics & Compliance Portal, a single platform for front-end recording and tracking, and back-end monitoring and testing to ensure full visibility and control of relevant processes.

Ericsson has continued to provide trainings to increase awareness around ethics and integrity among its workforce. All employees are required to take foundational anti-bribery and corruption (ABC) training courses, and enhanced ABC training is mandatory for line managers and people in exposed roles. Completion rate among the target audiences was 93 (99) and 97 (82)% respectively. The ethics training for leaders continued during the year in the form of online instructor-led workshops around ethical and integrity-related dilemmas. It had reached 90 (70)% of the target audience by year end.

Reported compliance concerns

In 2022, the number of reported compliance concerns was 1,092 (1,059). Out of these, 215 cases were referred for further investigation. 877 cases were not referred for investigation as they were inquiries of a general nature or not deemed to be related to misconduct or breaches of the Code of Business Ethics. When applicable, these cases were referred directly to the relevant units for attention or remediation. During the year, 118 (237) cases were concluded and found to be substantiated. At year end, 209 cases were still under investigation; this figure includes cases reported both in 2022 and in 2021. More details, including reported cases broken down by category, are available in note G2 on pages 32–33.

During the year, 178 (233) corrective and disciplinary actions involving individuals found to be in breach of the company's Code of Business Ethics were taken. 39 of these actions resulted in terminations, and 74 in written warnings. 8 individuals resigned as a result of confirmed misconduct.

Anti-bribery and corruption

In December 2019, Ericsson entered into a resolution with the United States Department of Justice (DOJ). The resolution included a deferred prosecution agreement (DPA), and a guilty plea by Ericsson's Egyptian subsidiary to a criminal violation of the US Foreign Corrupt Practices Act's (FCPA) antibribery provisions. As part of the DPA with the DOJ and consent judgment with the U.S. Securities and Exchange Commission (SEC), Ericsson agreed to engage an independent compliance monitor for three years while the Company continues to undertake significant reforms to strengthen its E&C Program.

In October 2021, the DOJ notified Ericsson of its determination that the Company breached its obligations under the DPA by failing to provide required information to the DOJ.

In March 2022, the DOJ informed Ericsson that, before entering into the DPA, the Company provided insufficient information to the DOJ about the Company's internal investigation into conduct in Iraq. The DOJ also determined the Company breached the DPA by failing to inform the DOJ about the investigation post-DPA, and in June 2022, the SEC informed the Company that it had opened an investigation concerning matters described in the Company's 2019 Iraq investigation report.

In December 2022, the Company agreed with the DOJ and SEC to extend the term of the Company's independent compliance monitor for one year, until June 2024. In addition, on March 2, 2023, the Company reached a resolution with the DOJ regarding non-criminal breaches under its DPA (DOJ Plea Agreement). Under the DOJ Plea Agreement, Ericsson will plead guilty to previously deferred charges relating to conduct prior to 2017. In addition, Ericsson agreed to pay a fine of USD 206,728,848. The entry of the DOJ Plea Agreement will bring the DPA to an end. With respect to the matters described in the 2019 internal Iraq investigation report, the Company continues to thoroughly investigate the matters in full cooperation with the DOJ and the SEC. As previously disclosed, the Company's 2019 internal Iraq investigation did not conclude that

Ericsson made or was responsible for any payments to any terrorist organization and the Company's significant further investigation over the course of 2022 has not altered this conclusion.

On January 12, 2023, the Company announced that a provision in the fourth quarter of SEK 2.3 billion (approx. USD 220 million) in relation to the DOJ Plea Agreement had been made. The provision also included estimated expenses (SEK 0.1 billion) for the previously announced extended compliance monitorship.

The Company has and continues to strengthen its approach to governance and risk management, including through the implementation of enhanced internal policies and practices and continued, active oversight by the Board and Executive Team. There is more information on this on pages 22–23 of the Financial report and in note G2 on pages 32–33 of this report.

The E&C Program has continued to evolve over the last several years. Today, Ericsson is better positioned to prevent a recurrence and to uncover and respond to misconduct when it occurs.

The process for vetting and oversight of the third parties has continued to develop in order to enable Ericsson to choose parties that meet the Company's expectation of zero tolerance for bribery and corruption. Through the global Third-Party Management (TPM) Program, Ericsson identifies and mitigates corruption and integrity-related risks in the context of third-party relationships. Ericsson further embedded E&C guidance into the M&A process to increase oversight of strategic transactions and the Company's portfolio of non-wholly owned companies.

Responsible sourcing

As part of the Responsible Sourcing Program, audits of suppliers continued during the year. In China, some audits were delayed or postponed due to lockdowns related to the COVID-19 pandemic. When on-site audits were not possible due to travel restrictions, the Company carried out initial audits remotely with follow-up audits performed on site.

The Company conducted 114 (124) Code of Conduct (CoC) audits. Critical non-conformities were identified at 6% of the suppliers audited in the past 24 months. Most of these concerned working hours, wages and benefits. As for other non-conformities, most were related to health and safety.

Ericsson also conducted 15 (24) Contract Compliance audits. Most of the critical non-conformities identified concerned occupational health and safety and quality management systems, while most of the minor non-conformities concerned suppliers' processes for assessing intellectual property rights limitations, as well as processes for handling claims.

Ericsson views each audit as an opportunity for improvement and establishes corrective action plans with suppliers to address non-conformities. The closure rate of all non-conformities identified at CoC audits was 73%. Ericsson has strengthened its human rights competencies in the sourcing organization during the year to meet increasingly higher stakeholder expectations in the area [1].

Security and privacy

Ericsson has continued to strengthen operational and portfolio resilience by executing on its security and privacy strategies. Key efforts and initiatives included:

- enhancement of Security & Privacy by Design in Ericsson's product and solutions value chain through assessment of customer needs and local requirements.
- updating Ericsson's Binding Corporate Rules and implementing a data mapping program covering data flows within the Group.
- expansion of security monitoring and threat detection capabilities throughout the Company.
- setting new architecture principles to enable gradual implementation of Zero Trust throughout the IT-environment.
- optimization of security measures in high-risk areas, including implementation of stricter requirements for suppliers working in such areas and quicker access to exhaustive intelligence analysis support to mitigate operational risks for Ericsson and supplier personnel.

Every year Ericsson identifies and manages numerous attack attempts, vulnerabilities and security events and incidents. For example the Company experienced a breach that was reported to the applicable supervisory authority and for which the supervisory authority closed the file with no further action. All-in-all the Company detected and resolved security events and incidents in an efficient manner and stopped smaller incidents from expanding in severity or scale. During the year there were no significant [2] security incidents.

Advocacy and policy influence

Ericsson has continued to promote sound business conditions for the telecommunication industry with a focus on topics such as net neutrality, security, privacy, artificial intelligence, data policy, intellectual property rights and spectrum management and allocation, as well as climate change mitigation and human rights.

The Company's aim is to show technology leadership and act as a trusted advisor, basing its advice on scientific and fact-based information. Ericsson is an active member of several industry organizations and partnerships that jointly develop policies and show thought leadership by developing digitalization use cases. Examples include active engagement in the CEO Alliance for Europe, where the Company contributes to projects focused on digitalization and energy supply, and Digital Europe, where it drives climate and environmental topics. Ericsson has also contributed to an international training program called ICT Regulation – Policy and Practice, commissioned by the Swedish International Development Cooperation Agency.

Ericsson has hosted frequent government visits to the Ericsson Imagine Studio in Stockholm, which have served as an opportunity to showcase, for example, 5G use cases. During the year the Company also conducted a thorough review of its binding framework for government and policy advocacy and adopted new mandatory requirements that meet the highest standards on ethics and compliance for engaging with public officials.

More information available in the notes to the S&CR report

p. 31	G1 – S&CR Governance
p. 32	G2 – Compliance and business ethics
p. 35	G3 – Supply chain and responsible sourcing
p. 37	G4 – Security and privacy
p. 38	G5 – Advocacy and policy influence

Board of Directors

Stockholm, March 7, 2023

Telefonaktiebolaget LM Ericsson (publ)
Org. no. 556016-0280

[1] See note O3 on page 42 for an explanation on limitations regarding value chain reporting and disclosures.
[2] A significant security incident is cross-functional, complex/severe, or high impact in nature, potentially affecting multiple organizations, markets, business areas and/or customers.

Notes to the Sustainability and Corporate Responsibility report

Contents

Environment

Social

Governance

Other – Basis for preparation

Section E – Environment

E1 Environmental management

Impacts, risks and opportunities

Ericsson's environmental aspect and impact assessments are based on a Life-Cycle Assessment (LCA) approach and show that the direct environmental impacts of the Company's operations are relatively limited in comparison with the indirect impacts that occur upstream and downstream in the value chain. There are, however, environmental regulations with which Ericsson needs to comply, in particular in relation to products and production sites.

Governance and policies

The Company's Environmental Management System (EMS) is part of the Ericsson Group Management System (EGMS) with group responsibility delegated to the Sustainability and Corporate Responsibility unit. Operational responsibility is delegated to relevant business and market areas, supported by Environmental Health and Safety subject matter experts.

The Company's Sustainability Policy sets out the foundation for Ericsson's approach to environmental management. A group directive on the EMS is in place to ensure a systematic approach within the Group and to clarify responsibilities of units and individuals in relation to the Sustainability Policy.

Management approach

Environmental Management System

Ericsson continuously strives to minimize the negative impacts of its own operations. The EMS is certified to the ISO 14001:2015 standard, covering management, research, product management, development and supply, sales and installation, and maintenance of hardware, software, services and solutions for information and communications technology.

The EMS, as an integrated part of the EGMS, builds on group-wide processes such as audits and assessments and management reviews. Environmental aspects are assessed to identify significant ones which forms the basis for setting targets. Environmental compliance obligations are monitored on a country level to ensure that Ericsson meets environmental requirements. In addition to Ericsson´s Enterprise Risk Management (ERM) framework, a specific Environmental Risk Management framework, which is aligned to EMR, is in place.

The Company has an incident reporting system through which employees and suppliers to report environmental incidents. Incident reporting is part of the environmental requirements for suppliers included in the Ericsson Code of Conduct for Business Partners.

Energy usage

Ericsson's facilities primarily use purchased electricity as the source of energy and, to a lesser extent, externally sourced cooling and heating. Direct combustion of fossil fuels is limited to service vehicles, backup generators and local heating at a limited number of sites. For more information on energy usage see note E2 on page 12.

Waste generation and disposal

The waste generated in Ericsson's operations is primarily office waste, which is handled locally. Waste generated at production sites is managed according to local legislation by local waste management companies. Ericsson also offers a global program through which customers' end-of-life products can be collected and recycled. For more information on the Take-Back program see note E4 on page 17.

Water usage

Water used at facilities is mainly consumed for sanitary purposes and comes from municipal water supplies. Fresh water is not directly drawn from ground or surface water sources.

Land use and biodiversity

Ericsson's facilities, including offices, data centers, test labs and production sites, are located in urban or semi-urban areas with limited impact on land use and surrounding ecosystems.

In some instances, Ericsson supports customers when building telecommunication sites. In such cases Ericsson's standard procedures include considering location selection as part of minimizing the environmental impact from land use.

Performance metrics

Environmental incidents reported

(No.)	2022	2021	2020
Significant incidents [1]	–	–	–

[1] A significant environmental incident is defined as an unplanned event that has resulted in, or may result i, severe long-term negative environmental impact, including impact on air, water, land, natural resources, flora and/or fauna.

Waste generated in operations by disposal method [1]

(metric tons)	2022	2021	2020
Recycling	3,782	4,573	3,370
Reuse	335	–	–
Energy recovery (incineration)	2,003	1,429	1,465
Landfilling	1,922	740	2,065
Hazardous waste	88	35	16
Total	**8,130**	**6,777**	**6,916**

[1] Reported volumes of waste from production sites are based on measured data. Waste from other facilities are estimates based on extrapolations of waste generated at the Company's headquarters. Other facilities include offices, warehouses, data centers and labs.

Water consumption [1]

(Mm^3)	2022	2021	2020
All facilities	1.05	1.15	1.55

[1] Out of total reported water consumption, approximately 57% of the Group's headcount is covered by measured data, with the remaining being estimated based on extrapolations of the measured volumes.

E2 Climate change mitigation

Impacts, risks and opportunities

The Information and Communications Technology (ICT) sector represents a small share [1] of global greenhouse gas (GHG) emissions, with emissions primarily derived from the sector's energy consumption. According to Life-Cycle Assessments (LCAs) conducted by Ericsson, the vast majority of the emissions, approximately 91%, occur downstream in the value chain. Upstream emissions represent around 9% of total value chain emissions, while emissions from Ericsson's direct operations (Scope 1 and 2) represent less than 1% of the total carbon footprint.

Downstream emissions primarily stem from electricity consumption in the use phase of sold products [2]. The rollout of mobile communication generations (such as 2G, 3G and 4G) has historically increased the total mobile network energy consumption. The increase has been about the same for each mobile generation. However, Ericsson's research shows that it is not primarily increased data traffic that has led to increased energy consumption. Instead, it is the surface coverage and the installation of new equipment when deploying new generations of mobile networks that has driven increased energy usage.

The ICT sector must address its own carbon footprint, but it can also play an important role in enabling other sectors in their decarbonization efforts. Many of the solutions needed in other sectors to reduce emissions, such as management systems and smart meters in buildings, smart electrical grids, telematics, and storage and inventory management solutions in enterprises, are all dependent on ICT solutions and infrastructure to function. Ericsson's own peer reviewed research [3] suggests that ICT solutions have the potential to enable decarbonization of up to 15% in other sectors by 2030, not considering the enabling potential of 5G and the Internet of Things. If these technologies are also considered, the enabling potential is assumed to be even higher.

For more information about climate-related risks and opportunities, based on Ericsson's climate scenario analysis, see note E3 on page 16.

Governance and policies

The Executive Team governs Ericsson's Sustainable Business Program, of which climate action and network energy performance are two workstreams. Ericsson's Sustainability Policy sets out the Company's foundational principles with regard to environmental sustainability, including climate change mitigation.

Group climate strategy and targets are coordinated and driven by the central Sustainability and Corporate Responsibility unit. On an operational level, climate action strategies and policies are integrated across business and market areas, and Group functions, with each organization being responsible for executing on its respective strategies and targets.

Executive variable remuneration

A portion of the variable remuneration to executives is determined by performance on selected elements of the Company's emissions reduction targets. See page 8 of the Remuneration report for further information.

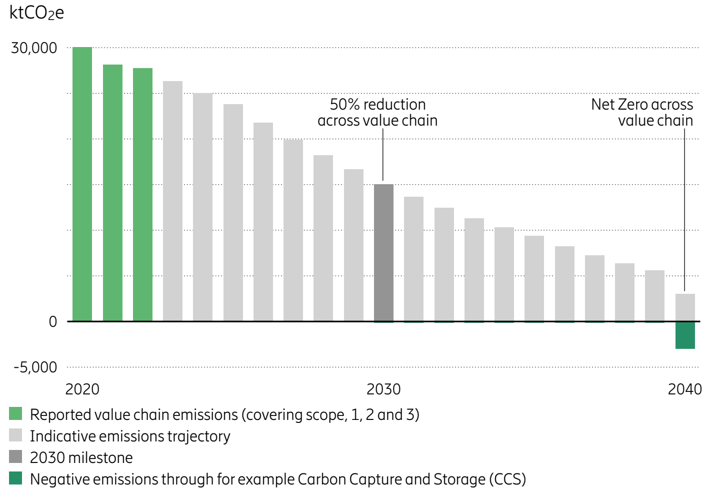
Management approach

Ericsson takes a value chain approach to climate change mitigation, based on the Company's LCAs of the carbon footprint of its products and services. The strategy is to reduce both direct and indirect emissions in line with the Paris Agreement's ambitions of limiting global warming to 1.5 C compared to preindustrial times.

Net Zero transition plan

Ericsson has an ambition to achieve Net Zero [4] value chain emissions by 2040, with a medium-term target to achieve a reduction of 50% across the value chain by 2030. Described here are the most significant actions that the Company plans to take to reach this target.

Ericsson's 2040 Net Zero ambition



Total value chain emissions shown in the graph above should be considered illustrative of Ericsson's Net Zero transition plan, as they include forward-looking estimates of future emissions. Ericsson is continuously working to increase the accuracy of emissions data for different stages of the value chain, especially emissions occurring upstream and downstream in the value chain. More details on emissions per scope and information about the Company's GHG accounting methodologies can be found below.

Scope 1 direct emissions

Ericsson is working to replace its fleet of combustion engine service vehicles with a low-emission fleet. The transformation will take place gradually, with some countries and market areas expected to transition faster than others due to differences in availability of low- or zero tailpipe emissions vehicles and market conditions. In addition, the Company plans to increase the coverage and use of fleet management systems and telematics where feasible to optimize fleet utilization and reduce unnecessary trips. Backup generators and local heating using fossil fuels at facilities will be phased out or replaced with low-emitting alternatives wherever possible. Technical building requirements specify limits on the maximum global warming potential for refrigerants used at facilities.

Scope 2 indirect emissions

Ericsson aims to source 100% renewable energy at its facilities by 2030. In addition, Ericsson works together with facility management companies to improve the energy efficiency of its facilities. The majority of facilities Ericsson occupies are leased.

Scope 3 upstream emissions [5]

Ericsson engages with its high-emitting and strategic tier 1 suppliers to encourage them to set their own 1.5 C aligned emissions reduction targets, in line with the Paris Agreement. For targets to be accepted by Ericsson, they need include a commitment to halving emissions in relevant scopes by 2030, be made public and the supplier must commit to publicly and at least annually report on progress toward their targets. Ericsson continues to engage with those suppliers who have not yet set aligned targets.

To reduce the emissions embodied in hardware products, Ericsson applies other measures such as product design and material choice/substitution and recycling. There is more information on this in note E4 on page 17 of this report.

To prevent emissions from business travel from returning to their pre-pandemic levels, Ericsson has decided to cap business travel emissions at 50% of their 2019 levels, with each business and market area, Group function and sub-units being allocated yearly emission budgets for business travel.

1) Malmodin, Jens & Lundén, Dag. (2018).The Energy and Carbon Footprint of the Global ICT and E&M Sectors 2010–2015. *Sustainability*, 10.3390/su10093027.
2) Use phase emissions reported in one year include the total assumed lifetime emissions of products sold in that same year. See more information on accounting methodologies on page 15.
3) Malmodin, Jens & Bergmark Pernilla. (2015). Exploring the effect of ICT solutions on GHG emissions in 2030. *Atlantis Press*, 10.2991/ict4s-env-15.2015.5.
4) Implying emissions reductions of at least 90% within the set timeframe in the selected scopes.
5) See note O2 on page 41 for an explanation on limitations regarding value chain reporting and disclosures.

Note E2, cont'd.

Scope 3 downstream emissions [1)]
Ericsson's approach for reducing indirect downstream emissions from the use of products and services is through improved energy efficiency of the Company's solutions, which includes both hardware and software. A focal point is ensuring the rollout of 5G does not result in an increase in the energy consumption of customers' mobile networks, as has been the case with rollouts of previous generations of mobile communication networks. This involves:
– Investments in R&D to increase the energy efficiency of the portfolio.
– Planning networks both from a performance and an energy usage perspective.
– Modernizing equipment and operating the networks intelligently.
– Using artificial intelligence, machine learning and other features to reduce energy use during times of low network load.

In addition to the Group's targets presented on the next page, the Company has an ambition to reduce the energy consumption of a typical new radio base station site by approximately 40% by 2025, compared to a 2021 baseline. To further reduce Scope 3 downstream emission, customers also need to transition to low-carbon and renewable energy sources. Reducing energy demand, and subsequent consumption, are important steps in making the transition to renewable energy sources easier and more financially viable.

Besides improved energy efficiency, Ericsson can support customers with integration of on-site renewable energy generation such as solar and wind energy at base station sites. By using the same management system to control the radio-access network and the renewable energy sources, the energy supply and demand can be optimized for the site conditions. More details on how Ericsson is aiming to reduce energy consumption of mobile networks are available in the Breaking the Energy Curve report on the Company's website [2)].

For emissions related to product transport, Ericsson is utilizing increased data visibility and an internal shadow price on carbon to optimize transport planning and thereby reduce emissions.

Carbon removals
Ericsson may consider using carbon removal technologies, such as Carbon Capture and Storage, to neutralize the unavoidable part of value chain emissions. If such technologies are employed, they will not represent more than around 10% of the base year carbon footprint and must adhere to high standards to ensure effectiveness and trustworthiness of Net Zero claims.

Internal price on carbon
Ericsson has introduced an internal shadow carbon price of USD 100 per metric ton of carbon dioxide equivalent (CO_2e) as a pilot project within the process for sourcing outbound transportation of products such as radios and antennas. The shadow price is included in the landed cost model used to calculate the total price of outgoing deliveries of certain hardware product categories. The aim is to visualize the cost of carbon related to downstream transportation when calculating and deciding on transport routes for outgoing shipments sourced by Ericsson.

Product energy certifications
The majority of the product portfolio, made up of communication network hardware such as radios and antennas, is currently not covered by any third-party managed certification scheme for energy efficiency. Products eligible for certification, such as servers, constitute a smaller part of the product portfolio. These are currently not certified according to any such scheme.

Enablement strategy
For many sectors, cellular technology has accelerated the digitalization process and proven to create value through improved productivity, safer workplaces and more environmentally sustainable operations. As an example, cellular connectivity helps accelerate the transformation of utility companies in an environment where energy costs as well as demand for electricity is increasing. Cellular technology has the potential to further provide companies in this sector with real-time data exchange, automatic grid fault detection, distribution automation, connected electric vehicle charging and building energy management and optimization.

Ericsson will continue to assess the use of ICT solutions in reducing GHG emissions of other sectors following the International Telecommunication Union's (ITU) standards and methodologies for making such assessments and quantifications. This requires companies to assess all types of effects, including the rebound effect [3)].

Research and contributions to standardization
Ericsson conducts research into the direct and indirect environmental impacts of the ICT sector and has for several years used LCAs to understand its portfolio's carbon and environmental footprint. In addition, the Company contributes to the development of methodologies for assessing these impacts. One example is the ITU's Net Zero standard, which guides companies in the sector on setting Net Zero targets, to which Ericsson contributed.

Training and awareness raising
Climate action is one of nine critical skills identified for Ericsson's workforce. A framework has been developed to upskill all employees based on the level of needs in their respective roles, ranging from introductory to advanced training, with the lower levels already available to all employees.

Collaborations and partnerships
Ericsson leverages its efforts through collaborations and partnerships with other organizations. As a general principle, any commitment or collaboration must be based on a scientific approach for Ericsson to consider endorsement. In the table below, the most significant external collaborations related to climate change mitigation are listed.

Organization	Engagement objective
1.5 °C Supply Chain Leaders	Member of the 1.5 °C Supply Chain Leaders work together to drive climate action through global supply chains and support small and medium-sized enterprises (SMEs) through the SME Climate Hub. The partnership aims to support suppliers in halving emissions before 2030 and achieving Net Zero emissions before 2050.
CEO alliance for Europe	The CEO Alliance for Europe is a cross-sector collaboration between 13 companies, with over 1.5 million employees and 500 BEUR in annual revenue working for a more sustainable and resilient Europe, with a focus on digitalization and decarbonization.
European Green Digital Coalition	The European Green Digital Coalition is an initiative by a group of ICT companies, supported by the European Commission and the European Parliament, that aims to promote and harness the enabling emission-reducing potential that digital solutions can have in other sectors.
Exponential Roadmap Initiative	The Exponential Roadmap Initiative brings together innovative and transformative businesses taking action in line with limiting global warming to 1.5 C. The purpose is to accelerate exponential climate action and solutions, integrate climate in business strategies and influence climate action in society, with the mission to halve emissions before 2030. The initiative is an accredited partner of the United Nations' Race To Zero.
Pathways Coalition	The Pathways Coalition aims to accelerate decarbonization of heavy transport with member companies committing to the vision of the Coalition: to reach zero CO_2 emissions no later than 2050.
We Don't Have Time	We Don't Have Time provides a platform for the dissemination of knowledge, discussion and rating of businesses and public individuals from a climate perspective. Together with Ericsson the partnership broadcasts Exponential Climate Action Summits to increase awareness of the need for climate action. We Don't Have Time is a member of the UN-backed Race To Zero campaign and the Exponential Roadmap Initiative.
World Economic Forum – Alliance of CEO Climate Leaders	The Alliance of CEO Climate Leaders is a global community of Chief Executive Officers who work towards climate action across all sectors and engage with policymakers to help deliver the transition to a Net Zero economy.

[1)] See note O2 on page 41 for an explanation on limitations regarding value chain reporting and disclosures.
[2)] Report available on the Sustainability and Corporate Responsibility pages on ericsson.com, under the heading Network Energy Performance.
[3)] The reduction in expected gains from new technologies that increase the efficiency of resource use, because of behavioral or other systemic responses.

Note E2, cont'd.

Targets

Emission reductions

Long-term

Net Zero value chain emissions by 2040. This implies at least a 90% reduction of emissions in scope 1, 2 and relevant scope 3 categories from a 2020 baseline, and the potential use of carbon removal and storage technology for the remaining unavoidable 10% of emissions.

Medium-term

Emissions in scope	Base year emissions (kiloton CO_2e)	Reduction target (%)	Base year	Target year	Scope	Use of carbon removal technology	SBTi status
Scope 1	40						
Scope 2 (market-based)	74	50 (all scopes)	2020	2030	Company-wide	Potentially	To be verified
Scope 3 (all relevant categories)	29,923						
Total	**30,036**						

Short-term

Emissions in scope	Base year emissions (kiloton CO_2e)	Reduction target (%)	Base year	Target year	Scope	Use of offsets or removals	SBTi status
Scope 1	75						
Scope 2 (market-based)	185						
Scope 3:		35 (all scopes)	2016	2022	Company-wide	None	Verified (2017)
Business travel	154						
Downstream transportation	146						
Total	**560**						

Portfolio energy performance

5G	Base year	Target year	Scope	SBTi status
Achieve a 5G portfolio that is 10 times more efficient compared with the 4G portfolio for the same amount of transferred data in an enhanced mobile broadband use case,	2017	2022	5G portfolio	Not verified

Ericsson Radio Systems	Base year	Target year	Scope	SBTi status
Achieve 35% energy savings compared with the legacy portfolio.	2016	2022	ERS portfolio	Verified (2017)

Value chain engagement

Supplier emissions reduction targets	Start year	Target year	Scope	SBTi status
Have 350 high-emitting and strategic direct suppliers set their own 1.5 C aligned emissions reduction targets, including a commitment to halve emissions in relevant scopes to 2030. Targets must be made public, and suppliers must commit to publicly report at least annually on the progress for the targets to be accepted.	2017	2022	350 high-emitting and strategic direct suppliers	Not verified

Performance metrics

Energy consumption and mix [1]

(MWh)	2022	2021	2020
Non-renewable sources			
Fuel consumption from coal and coal products	–	–	–
Fuel consumption from oil and petroleum products [2]	103,692	123,445	128,375
Fuel consumption from natural gas	44,772	23,720	31,369
Fuel consumption from other non-renewable sources	–	–	–
Consumption from nuclear products	–	–	–
Purchased or acquired electricity	102,989	133,186	118,900
Purchased or acquired heat	24,188	25,693	23,360
Purchased or acquired steam	–	–	–
Purchased or acquired cooling	51,453	55,996	62,970
A. Total non-renewable energy consumption	**327,094**	**362,040**	**364,974**
Non-renewable share of total energy consumption (%)	*41.2*	*48.1*	*48.4*
Non-renewable share of electricity consumption (%)	*18.1*	*25.4*	*23.4*

(MWh)	2022	2021	2020
Renewable sources			
Fuel consumption from renewable sources	–	–	–
Purchased or acquired electricity	466,208	389,553	388,723
Purchased or acquired heat	–	–	–
Purchased or acquired steam	–	–	–
Purchased or acquired cooling	–	–	–
Consumption of self-generated non-fuel renewable energy	1,001	1,000	1,100
B. Total renewable energy consumption	**467,209**	**390,553**	**389,823**
Renewable share of total energy consumption (%)	*58.8*	*51.9*	*51.6*
Renewable share of electricity consumption (%)	*81.9*	*74.6*	*76.6*
C. Total energy consumption (A+B)	**794,303**	**752,593**	**754,797**

[1] Measured energy consumption at facilities (offices, production sites, warehouses, data centers and labs) represents approximately 85% of reported energy consumption. For locations were measured data is not available, extrapolation of consumption at similar locations have been used to estimate the consumption.

[2] Fuel consumption is primarily related to the service vehicle fleet and is partially estimated based on number of vehicles in fleet and contracted distances in leasing agreements.

Note E2, cont'd.

Energy intensity

(MWh/net sales MSEK)	2022	2021	2020
Facility energy	2.55	2.71	2.70
Fuel for service vehicles	0.37	0.53	0.55
Total	**2.93**	**3.24**	**3.25**

Product transportation by mode [1]

(Ktonnekm)	2022	2021	2020
Air	136,027	153,956	116,566
Road	155,086	179,790	162,556
Sea	119,725	152,230	261,108
Rail	5,865	2,877	6,547
Total	**416,703**	**488,853**	**546,777**

1) Data for 2022 and 2021 is primarily based on information about transported volumes derived from Ericsson's ERP system, while data for 2020 is primarily based on reported information from logistic service providers. Transported distances have been estimated based on linear routes between locations. For a smaller share (approximately 11%) of distances transported by truck and some additional air transport, data is derived from purchase orders using a spend-based method.

Greenhouse gas (GHG) emissions

(metric tons of CO_2e)	2022	2021	2020
Scope 1 direct GHG emissions			
Fuel for service vehicle fleet	27,689	32,176	32,967
Facility stationary combustion and refrigerants	10,713	6,066	6,673
Total gross scope 1 emissions	**38,402**	**38,242**	**39,640**
Scope 1 emissions under regulated ETSs (%)	*0*	*0*	*0*
Scope 2 indirect GHG emissions			
Purchased energy (gross location-based)	141,636	138,985	155,934
Purchased energy (gross market-based)	45,258	57,685	73,700
Scope 3 other indirect GHG emissions			
Upstream			
Purchased goods and services	2,199,900	2,313,000	2,272,000
Capital goods	39,200	42,000	43,000
Fuel- and energy-related activities	36,600	49,000	52,000
Upstream transportation	77,700	79,000	79,000
Business travel [1)2)]	25,469	9,255	14,122
Employee commuting (incl. teleworking) [2)]	34,500	26,800	36,900
Downstream			
Downstream transportation [1)]	116,176	119,169	111,700
Use of sold products and services [2)]	25,048,000	25,352,500	27,281,100
End-of-life treatment of sold products	31,800	33,000	33,000
Total gross Scope 3 emissions	**27,609,345**	**28,023,724**	**29,922,822**
Total gross GHG emissions (location-based)	**27,789,383**	**28,200,951**	**30,118,396**
Total gross GHG emissions (market-based)	**27,693,005**	**28,119,651**	**30,036,162**

1) Figures reported do not include the so-called high-altitude effect of emissions from air travel and air transport. The high-altitude effect is estimated to correspond to emissions of 119 kilotons of CO_2e in 2022.

2) Emission data for previous reporting periods have been restated due to changes in GHG accoutning methodologies. See note O3 on page 42 for more information.

Carbon footprint per scope

(%)	2022	2021	2020
Scope 1	0.1	0.1	0.1
Scope 2 (market-based)	0.2	0.2	0.2
Scope 3 upstream	8.7	9.0	8.3
Scope 3 downstream	91.0	90.7	91.3

Emissions intensity

(metric tons of CO_2e/net sales MSEK)	2022	2021	2020
Scope 1	0.14	0.16	0.17
Scope 2 (location-based)	0.52	0.60	0.67
Scope 2 (market-based)	0.17	0.25	0.32
Scope 3 upstream categories	8.89	10.84	10.74
Scope 3 downstream categories	92.79	109.79	118.02
All scopes (market-based)	**101.99**	**121.04**	**129.25**

Other emissions to air

(metric tons)	2022	2021	2020
NOx	682	645	670
SOx	657	694	770
Particle matters	71	77	80

Suppliers with 1.5 C aligned emissions reduction targets

(No.)	2022	2021	2020
Aggregated since target start year	225	121	35

GHG accounting methodology

Ericsson reports GHG emissions according to the GHG protocol using financial control as the basis for consolidation. GHG emissions are calculated and reported as carbon dioxide equivalents (CO_2e) and include the following gases and chemicals: carbon dioxide (CO_2), methane (CH4), nitrous oxide (N2O), hydrofluorocarbons (HFCs) and perfluorochemicals (PFCs). For practical and timing reasons, data to calculate energy consumption and emissions in scope 1, 2 and scope 3 category downstream transportation is collected and reported for the period December to November.

Scope 1: Consumed volumes of fuels and refrigerants are multiplied by applicable emission factors to derive emissions. For parts of the service vehicle fleet, distances and related fuel consumption are estimated based on contracted distances in leasing contracts.

Scope 2: Energy (electricity, heating and cooling) at facilities is multiplied by country average emission factors for location-based emissions. For market-based emissions, supplier-specific factors and purchased renewable energy instruments are reflected in the emission factors used in the calculation. Part of the underlying energy consumption at facilities is estimated. See the footnote to the energy table on the previous page for details.

Scope 3: Emissions in the categories Purchased goods and services, Capital goods, Fuel- and energy-related activities, Upstream transportation, and End-of-life treatment of sold products are estimated based on Ericsson's LCA of the carbon footprint of its products.

For the purpose of calculating emissions in the category Use of sold products and services, the average useful life of products sold is assumed to be 10 years, and emission factors relevant to the use phase have been estimated using the current energy mix of the grids in markets served, and customer-specific energy mix data where available, not considering future changes in grid factors occurring over the useful life of products. Use-phase emissions are reported in their entirety in the year a product was sold and not accrued over its estimated useful life.

The majority of emissions in the category Downstream transportation are calculated using the weight of transported products and distances, with a smaller part being extrapolated based on spend data, and cover all forms of transport sourced by Ericsson. The majority of emissions in the category Business travel are based on data reported by travel agencies, with a smaller part being estimated based on travel spend. Emissions in the category Employee commuting are estimated based on a survey of employees' commuting and teleworking habits. Emissions in the remaining Scope 3 categories have been assessed as not material and are therefore not reported on.

Estimating Scope 3 emissions is associated with inherent uncertainties due to limitations in availability and accuracy of primary data, which is why the reported figures should not be regarded as exact measurements. The table on the next page summarizes Ericsson's Scope 3 accounting methodologies and the estimated levels of uncertainty of reported figures by category.

Note E2, cont'd.

Scope 3 category	Accounting method	Level of uncertainty (±%)
Purchased goods and services	Average data	30
Capital goods	Average data	30
Fuel- and energy-related	Average data	30
Upstream transportation	Average data	30
Business travel	Distance- and spend-based	10
Employee commuting	Average data and distance-based	30
Downstream transportation	Distance- and spend-based	10
Use of sold products and services	Direct use-phase emissions through a hybrid method	10
End-of-life treatment of sold products	Average data	30

Emission factors used in consolidation

Source	GWP (kg CO_2e)	Measured by	Source
Purchased energy			
Non-renewable electricity	0.00 – 1.35	kWh	IEA/US EIA/AIB/Supplier specific
Renewable electricity	0.00	kWh	Supplier specific
District cooling	0.00 – 0.41	kWh	IEA
District heating, Sweden	0.04	kWh	Supplier specific
District heating, other	0.04 – 0.26	kWh	Country averages
Fuels and refrigerants			
Natural gas (local heating)	0.20	kWh	DEFRA
Diesel	0.26	kWh	DEFRA
Gasoline	0.25	kWh	DEFRA
Refrigerants	466 – 14,800	kg	IPCC 4th assessment report
Travel			
Air	0.08 – 0.52	pkm	DEFRA
Road	0.00 – 0.43	pkm	Country averages
Transport			
Air	0.65	tonnekm	Logistic providers
Road	0.08	tonnekm	Logistic providers
Sea	0.02	tonnekm	Logistic providers
Rail	0.03	tonnekm	Logistic providers

E3 Climate related scenario analysis, risks and opportunities

As part of the Company's overall climate strategy and its commitment to align to the reporting recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), Ericsson has analyzed potential climate-related risks and opportunities using two different scenarios, "Net Zero 2050" and "Current Policies." The main conclusions from this analysis are presented below, together with a summary of the assessment methodology. For further details, please refer to Ericsson's response to the CDP Climate Change questionnaire, available on the Company's website.

Scenarios used in analysis

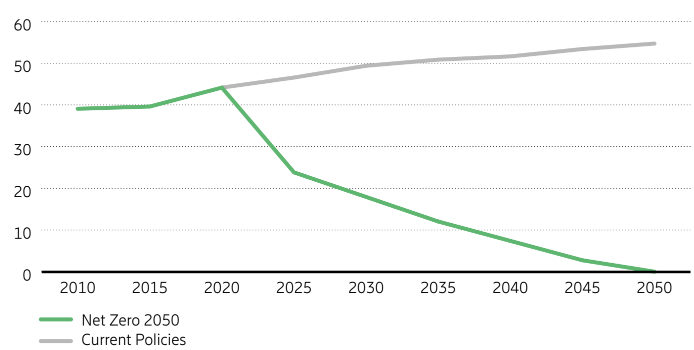
Net Zero 2050

– Ambitious mitigating actions introduced imminently
– Net-zero global greenhouse gas emissions around 2050
– 50% chance of limiting global warming to below 1.5 C by the end of the century
– Relatively low physical risks but high transitional impacts.

Current Policies

– Mitigating actions limited to currently adopted or announced policies
– Emissions grow until 2080
– Global warming of around 3 C by end of century
– High physical risks but lower transitional impacts.

Assumed annual global GHG emissions
(Billion metric tons of CO_2e)



Note E3, cont'd.

Most relevant risks and opportunities under scenarios analyzed

Expansion of network energy efficiency offering
(opportunity - products and services)
Under the Net Zero 2050 scenario, higher energy prices drive further efforts by communications service providers to increase energy efficiency in mobile communication networks, while at the same time striving to reduce emissions, with many setting Net Zero targets across value chains. The combination of these two factors creates opportunities for Ericsson to expand its offering of network energy efficiency solutions. Ericsson's strategy and targets within this area are described on pages 2–3.

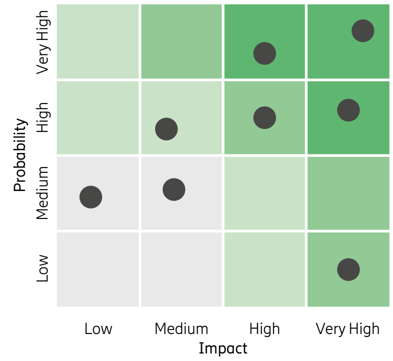
Enabling emissions reductions in enterprise sectors
(opportunity - markets)
As other more emission-intense sectors – such as power, transport and manufacturing rapidly increase efforts to decarbonize under the Net Zero 2050 scenario, significant investments are made to achieve decarbonization goals. These investments, such as deployment of smart grids and private networks, all depend on Information and Communications Technology solutions, which provides significant opportunity for Ericsson to expand its connectivity offering to these sectors.

Increased costs due to carbon emissions pricing *(transition risk - policy)*
The price of carbon emissions is expected to increase substantially in the Net Zero 2050 scenario leading to increased costs. While direct impacts are limited, indirect impact upstream in the value chain is more significant, assuming emissions stay the same and costs are passed through to Ericsson from affected suppliers. How Ericsson is working to decarbonize both its own operations and its supply chain is described on pages 12–16.

Input shortages due to water stress *(chronic physical risk)*
Water is a key input upstream in Ericsson's value chain, as it is utilized when extracting minerals used in hardware as well as in semiconductor manufacturing. Under the Current Policies scenario, several regions where Ericsson suppliers are located, including manufacturers of semiconductors in Southeast Asia, are at risk of high water stress, which could cause shortages of manufacturing inputs for Ericsson. How Ericsson works with supply chain resilience is described on pages 35–36.

Disruptions caused by severe weather events *(acute physical risk)*
Under the Current Policies scenario, the frequency and intensity of severe weather events, as well as coastal and riverine flooding, increases. This leads to heightened risks for long-term business interruptions as well as damage to stock and fixed assets in the supply chain, at outsourced manufacturing sites and at Ericsson's own sites, such as production facilities and IT centers. Ericsson buys insurance policies for its own operations, covering both damage to inventory and fixed assets, as well as potential business interruptions. How Ericsson works with supply chain resilience is described on pages 35–36.

Risk and Opportunity Heat Map



The illustration shows an example of the heatmaps used in the scenario analysis.

Assessment methodology

Initially, more than 30 potential climate-related risks and opportunities were considered. The items on this longlist were identified through consultations with internal subject matter experts covering several company functions, and through external benchmarking. The probability and impact of all items were analyzed qualitatively through the usage of heatmaps. This was followed by a more granular analysis of a shortlist of risks and opportunities considered to be of highest relevance to Ericsson. Risks and opportunities upstream and downstream in the value chain, as well as in own operations were considered. Physical risks were mainly assessed using the assumptions under the Current Policies scenario, whereas transitional factors were primarily analyzed using the Net Zero 2050 scenario. Both scenarios are published by the NGFS (the Network of Central Banks and Supervisors for Greening the Financial System). Regarding time horizons [1], the quantitative analysis of opportunities focused on the period up to 2025, and the quantitative analysis of risks on the period between 2025 and 2030. The more long-term impacts of risks and opportunities, stretching beyond 2030, were primarily assessed in a qualitative fashion. Under the Current Policies scenario, the impacts of the physical risks described above are expected to become more severe after 2030.

[1] For the purpose of this analysis, Ericsson defined short-, medium-, and long-term time horizons as up to 2025, 2025-30, and beyond 2030 respectively.

E4 Transition to circular economy

Impacts, risks and opportunities

The transition to a low-carbon economy is expected to increase the global demand for metals and minerals and increase scarcity of certain materials. Ericsson's products contain metals and minerals that are likely to be affected by these changes in supply and demand. This puts pressure to minimize the usage of new materials and increase the use of recycled ones. In parallel to this development, waste from electrical and electronic equipment (e-waste) is one of the fastest growing waste streams globally, and regulation in the area is expected to continue to evolve. In Ericsson's context, the generation of e-waste is most relevant in the end-of-life phase of hardware sold to customers.

Regulators, especially within the EU, are responding to these developments through the introduction of more stringent regulation on the presence of certain substances in products, producer end-of-life responsibility, as well as the reuse and recyclability of products put on the market.

To respond to these macrotrends, changes in stakeholder expectations and regulatory developments, as well as to optimize resource usage and reduce environmental impact, companies such as Ericsson need to transition to more circular models. Failure to do so may result in loss of competitiveness and difficulties in meeting regulatory requirements.

Governance and policies

Circular economy is one workstream of Ericsson's Sustainable Business Program, which is governed by the Executive Team. Operational responsibility is delegated to relevant business and market areas, primarily Business Area Networks, in collaboration with the Group Sustainability and Corporate Responsibility unit.

The Company's Sustainability Policy is the foundation for Ericsson's approach to environmental sustainability. In addition, a group Take-back Directive is in place to ensure that Ericsson complies with the Sustainability Policy and is meeting or exceeding its legal obligations as a producer with respect to waste practices for decommissioned products. Environmentally conscious design has been an integrated part of the Ericsson product development process for many years via a group directive on generic product requirements.

Ericsson also sets requirements on product design and on suppliers through a list of banned and restricted substances. Such substances shall not be intentionally added in products supplied to or manufactured by Ericsson. The list is based on IEC 62 474 declarable substances but has a wider scope and includes additional substances.

Note E4, cont'd.

Management approach

Ericsson's work with circularity is based on 20 years of life-cycle assessments, covering all value chain stages of the Company's portfolio including raw material extraction, manufacturing, transport, use and end-of-life. The life-cycle assessments identify environmental hotspots and form the basis for the Company's strategy in the area. Ericsson strives to minimize the environmental impact of its products throughout all life-cycle stages.

Product design principles

Ericsson utilizes the Design for the Environment principles and has generic product requirements in this area. These include specific requirements on ease of dismantling and disassembly of products to facilitate recycling. In addition, products are designed to be durable and have a high longevity, which is part of the quality process. The aforementioned list of banned and restricted substances and the material declarations (see below) are also important tools to design products that have a high grade of recyclability. The recyclability of products taken back has historically been high, averaging above 90% in recent years.

Material declarations

Ericsson collects material declarations from its suppliers. Upon request, suppliers are expected to declare the full material content of products delivered to Ericsson. This includes substances on the REACH [1)] candidate list and declarations of the use of certain critical raw materials (as defined in the EU Critical Raw Materials List). In addition, there is a SCIP (Substances of Concern In articles, as such or in complex objects (Products)) reporting process in place to fulfill requirements in the EU Waste Framework Directive 2008/98/EC.

All electronic products may contain small traces of declarable substances through impurities that are virtually impossible to eliminate, and which fall below the threshold for what needs to be declared. Ericsson continously works to avoid inclusion of harmful substances in products and components.

Product take-back program

Ericsson offers a global program, through collaboration with third-party vendors, where end-of-life products can be collected from customers and subsequently dismantled and recycled in a way that minimizes environmental impact. As the equipment is the property of the customer, take-back volumes are dependent on the customers' utilization of the program.

Other measures

Ericsson works to reduce the weight and size of products and is looking at more sustainable material choices. This is part of the Net Zero initiative but will also contribute to more efficient resource use and circularity.

The Support Services portfolio includes a structured approach to refurbish, reuse and recycle used equipment. Shared warehouses and spare parts reduce the need to produce and store spare parts. Automatic hardware fault analysis is conducted to avoid unnecessary hardware replacements.

Ericsson offers repair services, and as a complement to new sales also offers reuse of old equipment.

Performance metrics

Product take-back (incl. batteries) by disposal method

(metric tons)	2022	2021	2020
Reuse	25	2	135
Recycling	4,636	5,211	5,690
Energy recovery (incineration)	146	164	179
Landfill	18	12	74
Total	**4,825**	**5,389**	**6,079**

1) REACH (Registration, Evaluation, Authorization, and Registration of Chemicals) is the regulation and system governing the manufacture and import of chemicals in the EU.

E5 Reporting according to article 8 of the EU Taxonomy regulation

Information and Communications Technology in the Taxonomy

Ericsson's research [1)] shows that the adoption of Information and Communications Technology solutions has the potential to enable significant emissions reductions in other sectors of the economy, such as power, transport, manufacturing and construction and real-estate. The sector itself must also continue to work toward higher energy efficiency to contribute to the progress on internationally agreed greenhouse gas (GHG) emissions reduction targets. Both these aspects are recognized in the Delegated Regulation (EU) 2021/2139 on Climate Change Mitigation and Adaptation Activities ("the Delegated Regulation") but technical screening criteria for all relevant activities in the sector have not yet been developed. The European Commission states that it may consider developing additional technical screening criteria in the future. However, at present, the vast majority of Ericsson's commercial offerings to its customers, including mobile communication networks, is not currently covered by the EU Taxonomy Regulation ("the Taxonomy").

Accounting policies

For the purpose of reporting according to article 8 of the Taxonomy, turnover, capital expenditure (capex) and operational expenditure (opex) are defined as follows. These definitions differ from how capex and opex are defined in Ericsson's mainstream financial reporting.

Turnover

Total turnover corresponds to net sales in the consolidated income statement in the Financial report.

Capex

Total capex corresponds to additions, including capitalized research and development costs, to balance sheet items property, plant and equipment, intangible assets, before any remeasurement, depreciation, amortization or impairment and excluding any changes in fair value, as specified in note C1 and C2 to the consolidated balance sheet, complemented by additions/changes in IFRS16 classified right of use assets as specified in note C3 to the consolidated balance sheet.

Opex

Total opex corresponds to non-capitalized research and development costs, building renovation costs, short-term leases, maintenance and repair costs, as well as other indirect costs for the day-to-day servicing of assets of property, plant and equipment.

Eligible turnover, capex and opex

Turnover in accordance with the above definition and that is associated with eligible activities (see next page) constitutes the basis for calculating the share of eligible turnover. Capex and opex in accordance with the above definitions and that is associated with eligible activities (see next page) constitute the basis for calculating the share of eligible capex and opex. Moreover, individual eligible capex and opex (see next page) can also be added to the share of eligible capex and opex.

1) Malmodin, Jens & Bergmark Pernilla. (2015). Exploring the effect of ICT solutions on GHG emissions in 2030. *Atlantis Press*, 10.2991/ict4s-env-15.2015.5.

Note E5, cont'd.

Changes in accounting policies or disclosures compared with the previous reporting period
Individually eligible capex and opex are included in the share of eligible, and where applicable, aligned capex and opex for the financial year 2022 but were not reported in the previous year.

Eligible and aligned economic activities

Identifying economic activities relevant for the Company has required interpretations of the Taxonomy Regulation as well as the Delegated Regulation. Ericsson's interpretation is that for an economic activity, to be considered Taxonomy eligible, the activity must:

– be, or be aimed at, generating external turnover,
– meet the description of an activity included in Annex I or II of the Delegated Regulation, and
– have practically applicable technical screening criteria associated with it

Based on this interpretation, the activities stated below are the ones that have been identified as relevant for Ericsson. Certain capex and opex can also be individually eligible (see further below). However, there remains some uncertainty around how the Taxonomy should be applied, and interpretations, as well as reporting practices, are expected to evolve over time.

Data-driven solutions for GHG emissions reductions
(Annex I, 8.2)
Ericsson offers artificial intelligence-powered and data-driven operations solutions, focusing on managing energy assets efficiently through intelligent site measurements and control, enabling customers to improve network energy efficiency, and consequently reducing energy-related GHG emissions. Turnover, opex and capex associated with this activity have been included as taxonomy eligible in the key performance indicators presented below. Turnover derived from this activity is based on an analysis of customer contracts, where the delivery stated matches the activity in Annex I to the Delegated Regulation.

This activity does not currently meet the associated technical screening criteria, and related turnover, capex and opex are therefore not reported as aligned.

Computer programming and related activities
(Annex II, 8.2)
Within all business areas, software development is part of Ericsson's commercial offering to its customers. Should expenditures associated with making this activity more resilient to the effects of climate change be incurred, these will be accounted for as either eligible capex or opex. Related turnover is not included in the share of eligible turnover, as this activity is not classified as an enabling activity, as defined in the Taxonomy.

Ericsson has not incurred any expenditures of this nature during the reporting year.

Individually eligible capex and opex
It is permitted to include expenditures for products and services related to other economic activities than the ones stated above as eligible and aligned capex and opex, if these contribute to emission reductions for the reporting entity, and if the economic activity of the supplier in question is Taxonomy eligible and aligned. Ericsson includes expenditures for electric or hybrid vehicles, vehicle charging infrastructure and energy efficiency measures in buildings as eligible and, where applicable, aligned capex and opex.

Key performance indicators

Turnover				Meeting substantial contribution criteria						Meeting do no significant harm criteria									
	Activity code	2022 SEK million	%	Climate Change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate Change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum social safeguards	Taxonomy aligned (%) 2022	Taxonomy aligned (%) 2021	Enabling (E) or transitional (T) activity
				%						Yes / No									
A. Taxonomy eligible activities																			
Aligned activities																			
–		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total aligned activities		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Not aligned activities																			
Data-driven solutions for GHG emission reductions	8.2	53	0																
Total not aligned activities		**53**	**0**																
Total eligible activities		**53**	**0**																
B. Taxonomy non-eligible activities																			
Non-eligible activities		271,493	100																
Total turnover (A+B)		**271,546**	**100**																

Note E5, cont'd.

Capex				Meeting substantial contribution criteria						Meeting do no significant harm criteria									
	Activity code	2022 SEK million	%	Climate Change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate Change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum social safeguards	Taxonomy aligned (%) 2022	Taxonomy aligned (%) 2021	Enabling (E) or transitional (T) activity
				%						Yes / No									
A. Taxonomy eligible activities																			
Aligned activities																			
–		-	-	-	-					-	-	-	-	-	-	-	-	-	-
Total aligned activities		**-**	**-**	**-**	**-**					**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Not aligned activities																			
Primary activities																			
Data-driven solutions for GHG emission reductions	8.2	-	-																
Individually eligible activities																			
Low-carbon vehicles[1)]	6.5	81	0																
Total not aligned activities		**81**	**0**																
Total eligible activities		**81**	**0**																
B. Taxonomy non-eligible activities																			
Non-eligible activities		30,631	100																
Total Capex (A+B)		**30,712**	**100**																

1) Full name: Transport by motorbikes, passenger cars and light commercial vehicles.

Opex				Meeting substantial contribution criteria						Meeting do no significant harm criteria									
	Activity code	2022 SEK million	%	Climate Change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate Change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum social safeguards	Taxonomy aligned (%) 2022	Taxonomy aligned (%) 2021	Enabling (E) or transitional (T) activity
				%						Yes / No									
A. Taxonomy eligible activities																			
Aligned activities																			
–		-	-	-	-					-	-	-	-	-	-	-	-	-	-
Total aligned activities		**-**	**-**	**-**	**-**					**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Not aligned activities																			
Data-driven solutions for GHG emission reductions	8.2	4	0																
Total not aligned activities		**4**	**0**																
Total eligible activities		**4**	**0**																
B. Taxonomy non-eligible activities																			
Non-eligible activities		38,355	100																
Total Opex (A+B)		**38,359**	**100**																

Section S– Social

S1 Human capital

Impacts, risks and opportunities

Human capital is one of the most important assets for companies, particularly those involved in high technology businesses which on a global level are experiencing skills shortages and high turnover. Employees with the right skills, as well as a diverse workforce are critical for driving innovation and serving the needs of a global and varied customer base.

Companies that can attract, develop, and retain diverse talent have a competitive advantage and key factors to achieve this include building a corporate culture that values integrity, empathy, career growth, and inclusion. Successful strategies in these areas have become increasingly important in the context of greater expectations of flexibility and hybrid work.

Governance and policies

Ericsson's People Strategy is governed by Ericsson's People department, headed by the Chief People Officer, with the Global People Leadership Team having responsibility for strategy formulation and execution. Subject matter experts develop Group-wide core processes that are embedded throughout business areas and market areas, and other Group functions by unit people leaders.

A global People Services unit supports delivery, ensuring consistent practices across the business. The people strategy is anchored in Ericsson's Code of Business Ethics and the People Group Policy states that all activity relating to the workforce, including employment, development, compensation, and benefits, will be carried out without discrimination and with equal opportunity for all.

Executive variable remuneration

A portion of the variable remuneration to executives is determined by performance on the Company's target to increase the share of women in line manager positions. See page 8 of the Remuneration report for further information.

Management approach

Ericsson's ability to attract, develop and retain talent is largely determined by the experience it provides for its people. Ericsson strives to enable employees to realize their full potential, and in doing so, create long term value for the business. Focal points of the strategy are culture and leadership, diversity and inclusion, fair and competitive rewards, career development, and well-being.

Culture and leadership

A shared set of values and a strong company culture are prerequisites for both a positive people experience and for successfully executing on business strategies. Ericsson's core values, which are expected to be lived by all employees and leaders are:

- Professionalism
- Perseverance
- Respect
- Integrity.

Ericsson's cultural transformation program is aimed at strengthening the behaviors needed for the Company to execute on its strategies and create a work environment where employees can reach their full potential. This includes emphasizing ethical and compliant decision-making, and driving behaviors along five focus areas:

Creating a speak-up environment	Create an environment where it is safe to share ideas, ask questions, and speak up if observing compromises on ethics.
Empathy and humanness	Foster empathy for different perspectives and approaches, enabling people to bring their unique perspectives.
Executing speedily	Move quickly when needed to seize opportunities.
Fact-based and courageous decisions	Always base decisions on the right data and be brave to take tough decisions.
Cooperation and collaboration	Encourage cross-company cooperation as one Ericsson, with the customer in focus.

Surveys are carried out regularly to understand how employees are experiencing work and their perceptions of the Company, its leadership, and strategies. Results are summarized on both group-, department-, and unit-level for managers and leaders to be able to act when and where appropriate.

Diversity and inclusion

Ericsson fosters a work environment based on respect. Treating colleagues with respect, dignity and inclusion brings out the best in everyone and is the right thing to do. At Ericsson there is no room for harassment, threats, bullying or violence against anyone regardless of their position or seniority and all forms of harassment, threats, and acts of violence are prohibited.

Ericsson is committed to creating a diverse and inclusive organization as this helps ensure that it attracts the best global talent, fosters innovation, and brings greater value to customers. Accountability for diversity and inclusion sits at CEO and Executive Team level, with strategy led by the Global People function. Each business area, market area and Group function has a dedicated diversity and inclusion lead responsible for driving strategy execution and driving performance.

Ericsson aims at achieving greater gender balance alongside increasing representation of currently underrepresented groups. To achieve this, Ericsson focuses on creating unbiased people processes, for example ensuring that job advertisements use gender neutral language, and on upskilling employees in inclusive leadership through training programs.

Ericsson supports a network of more than 26 employee resource groups throughout the organization including but not limited to sexual orientation, gender, age, families, health, and wellbeing; and provides career accelerator programs focused on removing barriers to progression for underrepresented groups.

Compensation and rewards

At Ericsson, the guiding principle is that people should be paid in a fair way and be recognized and rewarded for the impact that they create. Consequently, pay and benefits offered are market competitive and relevant to the individual with the aim to offer a broad reward offering to attract and retain talent and to keep employees feeling engaged, supported, and rewarded.

Ericsson is consistent in what it rewards for and works to ensure that pay decisions are non-discriminatory, based on the Company's pay philosophy and always applied using the same criteria. There is a defined and globally consistent job levelling and job architecture in place to ensure that pay is competitive and fair. To drive fairness and consistency and promote a culture of appreciation, the Company has put in place a global recognition program and platform.

The global job levelling and job architecture enable Ericsson to make meaningful comparisons on pay and the Company continues to refine its review of pay equity to identify where unexplained pay differences may exist.

Career and development

Ericsson enables its people to develop skills and experience through on the job training and a focus on internal mobility. A set of critical skills areas necessary to execute on the 2025 growth strategy of extending leadership in mobile networks, and focused expansion into enterprise have been identified. Learning and development opportunities connected to these critical skills, range from introductory and elementary, to experienced and advanced training, and are offered to upskill and reskill employees as needed in their job roles. The critical skills areas are:

- Automation and AI
- Climate Action
- Cloud Native
- Enterprise go-to-market
- Enterprise network infrastructure
- Ethics and integrity; and health, safety and well-being
- Power skills, such as communication, collaboration and stakeholder management
- Security.

Up- and re-skilling is facilitated by a digital learning platform, which gives employees easy access to material and courses, and gives the Company a tool for tracking and analyzing progress and completions.

Note S1, cont'd.

Besides training and development programs in scope of the critical skills areas, employees have access to a broad range of upskilling assets such as online internal and external courses and articles through the digital learning platform.

Employees together with their managers set individual yearly and long-term career goals and learning plans. Employees also receive yearly individual performance evaluations.

Future of work

Ericsson offers possibilities of remote working in a hybrid model to employees where job role and responsibilities allow for it. When possible, employees are also offered flexible working hours to help them balance work and personal commitments. The Company offers internal job rotation opportunities, and often first looks internally for candidates to fill open positions.

For more information on approaches to well-being, see note S2 on page 24.

Strategic workforce management

Ericsson uses workforce planning and analytics to plan the workforce size and capabilities required to match current and future business needs and ensure that the right resources are in the right place at the right time and for the right cost. A People Analytics and Digital Solutions team provides analytics and insight to support leaders, both on Group- as well as unit-level in making informed workforce and business decisions.

Collective bargaining

Ericsson respects the right of all employees to form or join independent trade unions as well as the right to collective bargaining. In places where local laws restrict these rights, Ericsson seeks other ways of having a meaningful dialogue with employees. This includes alternative, independent and freely elected forms of employee representation such as employee committees or councils.

As for the rights of employees of suppliers, Ericsson's requirements in this area are set out in its Code of Conduct for Business Partners. These requirements are on par with the rights of Ericsson's own employees.

External workforce

Besides employees, Ericsson also has an external workforce that does not have a direct employment relationship with the Company. This workforce is primarily made up of consultants working in the fields of service delivery, product development and supply. Every year Ericsson also offers internships to students and new graduates in various parts of the Company.

Targets

Gender diversity

Objective	Base year	Target year	Scope	Share of women in the base year (%)
Increase the percentage of women among all employees, line managers and the executive population to equal to or greater than 30%.	2021	2030	Company-wide	All employees: 25 Line managers: 21 Exec. population: 36

Performance metrics

Employees and external workforce

(No.)	2022	2021	2020
Executive Team	17	15	15
Executive population 1)	177	163	170
Line managers	7,602	7,241	7,121
Technical employees 2)	78,789	75,859	75,952
Non-technical employees	18,944	18,044	17,566
Total	**105,529**	**101,322**	**100,824**
External workforce 3)	18,088	12,308	11,398

Share of women per employee category

(%)	2022	2021	2020
Executive Team	18	20	20
Executive population 1)	35	36	32
Line managers	22	21	21
Technical employees 2)	21	20	20
Non-technical employees	46	47	46
All employees 4)	**25**	**25**	**25**

Share of employees by age and employee category

(%)	2022	2021	2020
Executive population 1)			
<25	0	0	0
25–35	2	1	2
36–45	15	18	22
46–55	59	58	54
>55	24	23	23
Line managers			
<25	0	0	0
25–35	6	7	8
36–45	39	40	42
46–55	42	41	40
>55	13	12	10
Technical employees 2)			
<25	5	3	3
25–35	34	35	37
36–45	34	34	33
46–55	20	20	20
>55	9	8	7
Non–technical employees			
<25	2	2	2
25–35	25	26	27
36–45	33	33	33
46–55	26	26	26
>55	13	12	11

Share of employees by nationality and employee category 5)

2022 (%)	All employees	Line mgrs.	Tech. employees 2)
Indian	25	20	29
Chinese	11	10	12
Swedish	10	16	9
American	6	6	5
Romanian	4	3	3
Other	44	45	42

2021 (%)	All employees	Line mgrs.	Tech. employees 2)
Indian	24	20	29
Chinese	12	10	12
Swedish	10	16	10
American	6	6	5
Romanian	4	3	3
Other	44	45	42

1) Employees reporting to members of the Executive Team.
2) Non-managerial employees in job roles within the fields of science, technology, engineering and mathematics (STEM).
3) Includes consultants, contractors, interns and other workforce not directly employed by Ericsson.
4) 2022 share presented here differs from the share presented in note G4 in the Financial report (26%) due to nominal differences when rounding to the nearest whole percentage point.
5) Nationalities shown are the top five nationalities among all employees.

Note S1, cont'd.

Turnover

(%)	2022	2021	2020
Turnover rate	14	12	8
Leavers by gender			
Men	74	76	75
Women	26	24	25
Leavers by age			
<25	8	6	7
25–35	49	49	43
36–45	27	24	25
46–55	9	13	15
>55	7	8	9

Hiring

(%)	2022	2021	2020
Hiring rate	17	12	9
New joiners by gender			
Men	72	70	74
Women	27	30	26
New joiners by age			
<25	21	19	14
25–35	49	54	51
36–45	20	19	23
46–55	7	6	10
>55	2	2	2
Positions filled by internal candidates 1)	37	40	41

1) Derived by dividing the number of positions filled in a year by people already employed by Ericsson by the total number of positions filled in the same year.

Ratio of compensation of women to men 1)

(%)	2022	2021	2020
Base salary	84	86	83
Total compensation	82	82	80

CEO to employee pay ratio

(ratio)	2022	2021	2020
Base salary – Sweden 2)	25	25	25
Base salary – Global 2)	32	38	38
Total compensation – Sweden 3)	68	67	63
Total compensation – Global 3)	84	98	93

1) The figures presented here reflect the average unadjusted pay ratio of women to men for Ericsson's global workforce. This metric does not take into consideration other factors affecting compensation levels, such as location, job role and responsibilities, experience, age, education level etc. For timing and practical reasons, the calculations are based on compensation levels as of the end of the third quarter of each respective year and covers full time annual base salary, short term variable pay / sales incentive plan (STV/SIP) target entitlement, and long-term variable pay (LTV) grants given in the current year. Data excludes employees who are in exit programs. In addition, the figures for total compensation ratios excludes Field Service Organization (FSO) employees in certain companies that follow local STV plans making it difficult to make relevant comparisons (for 2020 and 2021 approximately 7,000 individuals and for 2022 approximately 1,600 individuals). The figure for total compensation ratio in 2022 also excludes employees of Vonage due to limitations in the comparability of variable compensation plans.

2) For comparison reasons, base salary in this context excludes holiday pay in Sweden (including for the CEO) and therefore differs from the data presented in the table "Total Remuneration to the President and CEO and Executive Vice Presidents" on page 5 in the Remuneration report, which includes holiday pay.

3) For comparison reasons, Total Compensation in this context is based on STV/SIP target level entitlement and LTV granted for each respective year (including for the CEO) and therefore differs from the information presented in the "Total Remuneration to the President and CEO and Executive Vice Presidents", on page 5 in the Remuneration report, which shows actual earned STV and vested LTV. Total compensation ratio for 2022 excludes employees of Vonage due to limitations in the comparability of variable compensation plans. Employees of Cradlepoint are included in the total compensation ratio for 2022 but not for the previous years.

Average recorded training hours per employee and by gender 1)

(hrs.)	2022	2021	2020
Men	18.9	19.7	25.9
Women	17.8	17.0	22.0
All employees	**18.6**	**19.0**	**24.9**

Completed learning opportunities by gender 1) 2)

(Thousands)	2022	2021	2020
Men	2,283	2,321	1,428
Women	757	823	493
All employees	**3,040**	**3,144**	**1,921**

Spend on learning and development

(SEK thousands)	2022	2021	2020
Average per employee	4.0	3.8	3.6

Performance and career development reviews 1)

(%)	2022	2021	2020
Employees receiving evaluations 3)	93	91	95

Employee satisfaction by gender

(eSAT score) 4)	2022	2021	2020
Men	81	81	83
Women	81	81	83
All employees	**81**	**81**	**83**

1) Excludes employees of Vonage and Cradlepoint.

2) Refers to learning contents (courses, articles, webinars etc.) consumed and completed through Ericsson's learning platform and includes both external and Ericsson-internal content.

3) Performance evaluations recorded as of January 31 the following year. Field service personnel excluded.

4) Measuring scale: 0–100 with 100 being the most favorable score. Employees of Vonage are excluded from these statistics and employees of Cradlepoint are excluded from the 2021 and 2020 data.

Collective bargaining agreements

(%)	2022
Employees covered 1)	29

1) In 2022 Ericsson mapped out the existence and coverage of collective bargaining agreements in the 20 countries with the largest employee headcount. These countries cover approximately 86% of the Group's total headcount. The share of employees covered stated above is based on this mapping, assuming the remaining unsurveyed 14% of the total headcount is not covered. Comparative figures are not available.

S2 Health, safety and wellbeing

Impacts, risks and opportunities

By creating a safety culture, a company can protect its workers' health, safety and well-being, in addition to preventing injuries and illnesses. This can decrease absenteeism, strengthen the employee experience and increase productivity.

The primary safety risks identified in Ericsson's operations are related to suppliers, especially within field operations, and are linked to manual handling and lifting, driving, climbing, working at heights and with electricity. Incidents related to these risks account for all fatalities and a significant portion of major incidents.

The main health and well-being risks within the workforce concern mental health (including stress) and musculoskeletal illnesses. Contributing to these risks are the COVID-19 pandemic and lifestyle factors.

Governance and policies

Health, safety and well-being is governed globally by two forums. The Global Occupational Health and Safety (OHS) Board, chaired by the Chief Marketing Officer, takes decisions and provides guidance on the OHS strategy and global programs. The Major Incidents and Performance Review Board, co-chaired by Head of Service Area Managed Services Networks [1] and Head of Service Area Networks[2], reviews fatal and major incidents, causes and actions taken, and follows up on performance and compliance. Both forums are mirrored in the market areas to promote consistency, alignment and accountability across the Group. Ericsson's approach and commitments are set out in a Health, Safety, and Well-being policy and is further detailed in a group directive.

Management approach

Ericsson drives a proactive agenda that goes beyond legal compliance, international standards and customer requirements to prevent work-related injuries and illnesses.

The Ericsson Care program is the company's overarching approach for its health, safety and well-being and efforts to reach Target Zero. See below for more information about this target.

Annual health, safety and well-being risk and opportunity assessments are conducted to identify strategic risks as well as the recurring risks and opportunities. These assessments are aligned to the Enterprise Risk Management framework.

Occupational Health and Safety Management System

Ericsson's Occupational Health and Safety Management System (OHS MS) is a part of the Ericsson Group Management System (EGMS) that aims to mitigate health, safety and well-being risks, as well as capture and implement opportunities for improvement in these areas across Ericsson's business and processes.

Ericsson's OHS MS is certified to ISO/IEC 45001, the international standard for OHS management.

Incident reporting and investigation

Ericsson provides a global incident reporting tool for reporting hazards, near-misses and incidents involving employees, suppliers and anyone who is affected by its operations. Concerns related to remote working can also be reported through this tool.

Reported incidents are investigated, including performing root-cause analysis, to remedy any damage and prevent recurrence.

Supplier management

Ericsson has specific OHS requirements for suppliers that are part of contracts.

Site service suppliers failing to adhere to Ericsson's health and safety requirements are handled through a consequence management process. To mitigate the risk of repeated failure of suppliers to follow rules and procedures, Ericsson imposes consequences such as financial penalties, reduction of business volumes, more quality inspections and audits and written warnings. In severe cases, supplier relationships can be terminated.

Well-being

Ericsson's well-being approach comprises four main areas:
- Physical: maintaining healthy habits in fitness, nutrition and rest
- Emotional: good mental health and work-life balance and building resilience through awareness of emotions and behaviors
- Financial: control of personal finances and informed financial decision-making
- Social: sense of belonging, respect and feeling of purpose in career and life.

Ericsson has a hybrid and flexible working approach, which facilitates greater autonomy for employees on where and when they perform their work. A home furniture package is provided to improve ergonomics for hybrid working employees, aimed at preventing musculoskeletal ill-health caused by poor posture.

Digital solutions are central to Ericsson's well-being approach. Three primary solutions are provided to all employees:
- Free access to a mindfulness application aimed at providing support for stress reduction and better sleep, among other benefits
- An integrated software solution that provides employees with insights on their use of business software tools, such as e-mail, to improve understanding of work patterns, and how better usage can benefit well-being
- A health, safety and well-being portal on the Company's intranet that provides access to training material and other resources.

Employee consultation and participation

Ericsson has established OHS committees that include managers and employees, or employee representatives where they exist. The committees meet on a regular basis, follow up on OHS performance and discuss and decide on actions for improvement of the OHS MS and its processes.

Communication around health, safety and well-being targets, performance, programs and training is available for all employees through internal channels such as the intranet and newsletters. Employees are asked twice a year about health, safety and well-being through an employee survey, which includes questions about their perceptions of the Company's efforts within health, safety and well-being, as well as their perceived work-life balance.

Leadership, training and awareness raising

All Ericsson employees and employees of site services suppliers are required to take health, safety and well-being induction training. Additional training is required based on a person's role and risk exposure to ensure adequate competence needs are met. Further, targeted web-based training that covers safe driving awareness and Lifesaving Rules [3] are available to all employees and suppliers.

Ericsson has a Safety Leadership Training Program for leaders within three levels of the CEO including Executive Team members and selected key roles that have a direct impact on field safety. The Safety Leadership Training Program for leaders is delivered to approximately 2,000 people, including Executive Team members. The Safety Leadership Training Program for people in key roles targets approximately 4,700 employees.

Ericsson has also launched the Walk the Talk guide, encouraging all leaders to conduct regular safety and well-being walks by personally visiting a site and having a conversation exclusively about health, safety and well-being.

Targets

Target Zero

Objective and measurement	Start year	Target year	Scope
Zero fatalities and lost workday incidents, covering both physical injuries and work-related illness.	2020	2025	Ericsson workforce and field service suppliers

1) Part of Business Area Cloud Software and Services.
2) Part of Business Area Networks.
3) Eight basic lifesaving rules that apply to the entire workforce, covering driving, seatbelts, wearing helmets, alcohol and drug use, personal protective equipment, working in drop zones and at heights, and electricity.

Note S2, cont'd.

Performance metrics

Fatalities by involved party

(No.)	2022	2021	2020
Ericsson employees	0	1	0
Suppliers and subcontractors [1]	6	11	5
Third parties [2]	2	2	2
Total	**8**	**14**	**7**

Fatalities by cause

(No.)	2022	2021	2020
Fall from heights	4	6	4
Driving/traffic accident	4	5	3
Electric accident	–	1	–
Slip and fall	–	1	–
Hit by falling object	–	1	–
Total	**8**	**14**	**7**

Lost workday incidents (LWIs) by involved party [3]

(No.)	2022	2021	2020
Ericsson employees	96	77	90
Suppliers and subcontractors [1]	30	66	44
Third parties [2]	5	2	9
Total	**131**	**145**	**143**

Employee fatality and LWI rate

(per 100 FTEs) [4]	2022	2021	2020
Fatality rate	–	0.001	–
LWI rate	0.087	0.074	n/a

Lost workdays and near misses

(No.)	2022	2021	2020
Lost workdays [5]	3,040	2,390	2,315
Near misses reported	9,716	6,699	4,773

1) Primarily site service suppliers and subcontractors.
2) Third parties refer to any person not working for Ericsson either as an employee or as a supplier or subcontractor, such as a member of the public, who is affected by an incident assessed to be within the Company's control.
3) Incidents resulting in one or more lost workdays.
4) Indicates the rate of fatalities/ lost workday incidents occurring in a year per 100 full-time equivalents (FTEs), using 200,000 hours as the standardized average number of hours worked by 100 FTEs in one year. Total hours worked is estimated based on standard annual working hours for active employees and sums to 220 (217) million hours. Due to limitations in data availability, comparative figures for LWI rate for 2020 cannot be disclosed and data for suppliers and subcontractors is not available.
5) Ericsson is currently only able to collect information with satisfactory accuracy on the number of lost workdays for its own employees.

Supplier consequence management per finding and type of warning [1]

	2022		2021		2020	
(No).	Red card	Yellow card	Red card	Yellow card	Red card	Yellow card
Working at heights	47	16	24	18	22	14
Incorrect use of PPE [2]	40	32	20	29	21	43
Insufficient incident and resource management	8	17	3	26	3	2
Lack of adherence to driving/vehicle standards	3	4	2	0	2	2
Lack of required and certified competence	15	17	11	18	7	13
Lack of risk assessment/ Safe working conditions	83	86	22	74	10	23
Total	**196**	**172**	**82**	**165**	**65**	**97**

1) Red card and yellow card indicate the severity of the consequence issued to a supplier after a violation of our Health and Safety Standards. Red cards are used for serious breaches and carry significant consequences.
2) Personal Protective Equipment.

Work-life balance and well-being – employee responses

(Survey results)	2022	2021	2020
Balance [1]	77	76	75
Well-being commitment [2]	85	87	85

1) Scoring of aggregated employee responses to question "I am able to successfully balance my work and personal life", measured on a scale of 0–100 with 100 being the most favorable result. Cradlepoint employees not included in 2021 and 2020 statistics. Vonage employees not included.
2) Scoring of aggregated employee responses to question "Ericsson takes a genuine interest in employees well-being", measured on a scale of 0–100 with 100 being the most favorable result. Cradlepoint employees not included in 2021 and 2020 statistics. Vonage employees not included.

S3 Human rights

Impacts, risks and opportunities

Based on internal and external expertise and stakeholder consultations, due diligence and analysis of business relationships, Ericsson has identified its salient human rights issues across the value chain. While Ericsson acknowledges that its responsibility covers all internationally recognized human rights, the salient risks described below are the ones that need the most attention and are therefore prioritized through the Company's due diligence processes.

In relation to the sales and end use of its technology and solutions, Ericsson has concluded that its salient human rights risks are the right to privacy, the right to freedom of expression and conflict-related risks, meaning human rights risks arising from operating in conflict-affected areas, including international humanitarian law risks. While mobile networks provide essential needs in order to communicate and access information, certain functionalities can be misused to adversely impact human rights. Conflict-related impacts refer to risks that materialize in conflict-affected and high-risk contexts, such as the right to security of the person, right to life, right to health, land-related rights and international humanitarian law risks.

With regard to the supply chain, Ericsson has identified trade union rights, forced labor, occupational health and safety, living wages, excessive working hours, discrimination and conflict-related impacts as the most salient risks.

Being a global company, the salient human rights risks for Ericsson's own operations will depend on factors such as country of operations and type of business activities. Some of the main risks identified include occupational health and safety, trade union rights, living wages, discrimination and conflict-related impacts.

More details on human rights risks and considerations in Ericsson's value chain can be found in the 5G Human Rights Assessment, available on the Company's website.

Note S3, cont'd.

The introduction of new legal requirements on companies to ensure respect for human rights across their value chains, in particular mandatory due diligence provisions, will require many companies to strengthen their measures in the area. Failure to comply can have both legal and financial consequences, as well as impact Ericsson's ability to operate in certain markets. Taking a proactive approach to addressing human rights risks and impacts, and ensuring human rights are integrated into other relevant due diligence frameworks, prepares Ericsson for changes in its operating environment and helps to build trust with its stakeholders over time.

Governance and policies

Ericsson is committed to the UN Guiding Principles (UNGPs) on Business and Human Rights and the OECD (Organization for Economic Co-operation and Development) Guidelines for Multinational Enterprises. As a member of the Global Network Initiative (GNI), Ericsson commits to its Principles on Freedom of Expression and Privacy. These commitments are reflected in both the Code of Business Ethics and the Code of Conduct for Business Partners, and other steering documents. For more information, see Ericsson's Business and Human Rights Statement, available on the Company's website.

The area of business and human rights is managed by the Sustainability and Corporate Responsibility (S&CR) unit, reporting to the Chief Marketing Officer. Within the S&CR unit sits human rights subject matter experts, responsible for developing the Company's human rights strategy and for supporting the business and market areas and Group functions in the implementation of the strategy and commitments.

The Sensitive Business Framework (further described below) is managed on an operational level by the Sensitive Business Council and Core Team (cross-functional forum consisting of representatives from the Group Functions and Business Areas), chaired by the Head of Sensitive Business and the Head of Government and Policy Advocacy respectively. Escalations made in accordance with this framework are made through the marketing and corporate relations department and market area management.

Management approach

To operationalize its commitments to respecting human rights, the Company has integrated human rights due diligence across its business operations. The aim is to ultimately provide better outcomes for people across the value chain and ensure the Company's technology is a force for good, by preventing and mitigating intended and unintended misuse. Ericsson's S&CR strategy, part of its wider business strategy, incorporates its commitment to the UNGPs and compliance to existing and emerging regulation in the area of human rights. Human rights risks are also included in Ericsson's Enterprise Risk Management Framework.

Enhanced human rights due diligence

When conducting business in conflict affected areas or when human rights risks are otherwise considered elevated, enhanced due diligence is conducted. Measures taken in such situations involve engaging with external stakeholders, including potentially affected stakeholders or their intermediaries and representatives.

In conflict-affected or high-risk contexts, it may be difficult to reach out directly to impacted stakeholders. In such circumstances, Ericsson tries to leverage its engagement in forums such as the GNI and the Business Network on Civic Freedoms and Human Rights Defenders to identify ways of engaging with external stakeholders that ensure their personal security and safety. This can involve sharing information about current and future business activities and practices, potential human rights risks and mitigating measures, and how to establish purposeful communication channels with concerned stakeholders.

A full human rights impact assessment can also be triggered by factors such as reentry into a market, reports about deteriorating human rights situations in a specific country, new product developments or identified actual adverse impacts. The methodology used for conducting human rights impact assessments is aligned with the UNGPs.

Due diligence of sales opportunities – Sensitive Business Framework

In order to assess, prevent and mitigate potential misuse of Ericsson's echnology, human rights due diligence is integrated into the sales process through the Sensitive Business Framework. The framework aims to ensure that Ericsson's solutions are used in accordance with international human rights standards. Four main factors are considered when assessing the potential human rights risks in a given sales opportunity.

Portfolio Whether the sale includes technology that stores or processes personally identifiable information.	**Purpose** The purpose and context in which the customer intends to use the product, service or solution.
Customer The type and ownership structure of the customer.	**Country** The country-specific risk with regards to human rights. A third-party risk analytics firm is used to assess countries based on risks related to the right to privacy and freedom of opinion and expression.

When risks are identified in a sales opportunity that is to be pursued, the market area shall submit an approval request, which is evaluated according to the Sensitive Business risk methodology and may be approved, approved with conditions or rejected. Conditional approvals include technical and/or contractual mitigations, and implementation of these is monitored to ensure adherence. See the next page for examples of cases reviewed in this process during the reporting year. The Sensitive Business process can also trigger further due diligence measures (for example a review of legal frameworks in a country, heightened human rights due diligence concerning the customer or country) before a decision is taken on the opportunity.

Due diligence in the supply chain

See note G3 on page 35 for a description of how ESG factors, including human rights, are considered in Ericsson's supply chain management strategy.

Due diligence in M&A

Human rights issues are included as one aspect in Ericsson's due diligence process for M&A. The focus is on evaluating main human rights risks of the target company, as well as to what extent the target company has sufficient due diligence frameworks in place to identify and address such human rights risks. In case red flags or gaps are identified, mitigating measures are introduced either as preconditions or as part of the integration post closure.

Grievance mechanism

All internal and external stakeholders can report suspected violations of laws, regulations or company policies, including human rights violations, through the Ericsson Compliance Line. Reporting through this channel can be done anonymously.

Ericsson does not require persons that report compliance concerns to waive their rights to bring claims through a judicial process as a condition to participating in the grievance process. As part of reporting a compliance concern, either via a manager or through the Ericsson Compliance Line, Ericsson does not require the reporter to sign a non-disclosure agreement. The reporter is however asked not to share any communication relating to an ongoing matter, in order to protect the integrity of the process. More information in note G2 on page 32.

Note S3, cont'd.

Collaborations and partnerships

Ericsson leverages its efforts through collaborations and partnerships with other organizations. Listed below are the most significant external collaborations, partnerships and commitments related to human rights.

Organization	Engagement objective
Business Network on Civic Freedoms and Human Rights Defenders	A group of companies committed to identifying ways that businesses and society can benefit from increased support from the private sector for the protection of civic freedoms and human rights defenders.
Global Network Initiative	An initiative addressing Freedom of Expression and Right to Privacy in the Information and Communications Technology (ICT) sector. Participants are internet and telecommunica-tions companies, human rights and press freedom groups, investors and academic institutions.
Shift Business Learning Program	An independent, non-profit center for business and human rights practice, supporting companies in the implementation of the UNGPs.
Tech for Democracy Initiative of the Danish Government	Multi-stakeholder initiative for protecting and promoting democracy and human rights in an era of rapid technological development.
UN B-tech Project	A project led by UN Human Rights to provide an authoritative and broadly accepted roadmap for applying the UNGPs in the ICT sector.

Training and awareness raising

Ericsson provides human rights training accessible to all employees. Targeted training and capacity building for key job roles and functions is also offered.

All market areas have an appointed single point of contact responsible for preparing cases for Sensitive Business evaluation. Each such person is trained by the Sensitive Business Unit at Group level and is responsible for informing the relevant functions, such as account managers within their respective market areas of recent developments and decisions.

More senior members of the Sensitive Business Core Team and Board receive onboarding as well as continuous updates by the Sensitive Business Unit.

Performance metrics

During 2022, Ericsson has not, through its reporting channels, been made aware of any adverse human rights impacts in which the Company has been involved. Consequently, no remediation actions have been undertaken.

Cases reviewed in the sensitive business process by outcome [1)]

(No.)	2022	2021	2020
Approved	235	286	321
Approved with conditions	435	432	480
Rejected	13	4	27
Total	**683**	**722**	**828**

1) Ericsson has for several years observed full adherence to the Sensitive Business Process and has therefore discontinued reporting on process adherence as a key performance indicator.

Sensitive Business case examples

Decision	Customer	Description	Rationale
Approved	Local communications service provider	A communications service provider in a high-risk country requested that Ericsson manage and optimize its internal non-Ericsson inventory application.	The non-Ericsson solutions were assessed through the Sensitive Business third-party risk evaluation. The solutions did not process any personal identifiable data and based on the assessment, there was a low risk of misuse and potential adverse human rights impacts. The engagement was therefore approved.
Approved with conditions	Global communica-tions service provider	A global communications service provider with operations in a high-risk country requested Ericsson to modernize and upgrade its core network software.	The communications service provider's network contained and processed sensitive personal information such as user location and call logs. Contractual mitigations limiting the approved use of such functionalities in line with the Sensitive Business Framework were therefore agreed with the communications service provider.
Approved with conditions	Local reseller	A local partner agreement with a reseller was due for renewal. While the reseller operates in a low-risk country, it supports government entities, which is why an assessment through the Sensitive Business Frame-work was required.	Contractual mitigations limiting the usage of the Ericsson solutions for the end customer were agreed with the local partner.
Rejected	Local communications service provider	A local communications service provider requested Ericsson to provide a solution that would give authorities unrestricted direct access to subscribers' data traffic. The authority entity that would receive this data was not disclosed.	The communications service provider did not disclose the authority entity nor the purpose of the functionality. Therefore, it was not possible to identify the risk of misuse and potential adverse human rights impacts, nor was it possible to propose any mitigating measures. The engagement was therefore rejected.
Not pursued	Local communications service provider	A local communications service provider requested functionality that could potentially pose a risk of misuse in a high-risk country.	As the risk was identified by the market area organization, the decision not to pursue the opportunity was taken without the need to involve the central Sensitive Business Core Team.

S4 Corporate citizenship

Impacts, risks and opportunities

Ericsson and its technology have the potential to positively impact stakeholders, communities and societies in a multitude of ways, from facilitating access to education for children and young people, to providing necessary communications infrastructure to support humanitarian response in crisis situations. In addition to the benefits to the receiving parties, meaningful community engagement also contributes to enhancing the employee experience for the people working for Ericsson and can positively impact the Company's brand and reputation. However, as with any form of contribution, there are risks of potential misuse of resources provided by Ericsson that must be carefully evaluated and appropriately managed.

Governance and policies

Group level operational responsibility over the initiatives and programs described on the next page is delegated to Ericsson's Sustainability and Corporate Responsibility unit, often in collaboration with the market areas. Volunteering activities are managed together with the People department and the heads of Marketing and Communication in the market areas through the Volunteer Program Board, chaired by the Head of Sustainability and Corporate Responsibility.

A Sponsorship and Donation Committee, on which the Chief Marketing Officer, the Chief Compliance Officer, and the Head of Sustainability and Corporate Responsibility sit, governs matters related to donations and

Note S4, cont'd.

sponsorships. All group-wide sponsorships and donations must be approved by the Committee. Approval of local sponsorships can be delegated to the respective market or business area head. In certain situations, donations must also be approved by the President and CEO or the Board of Directors.

A Group Policy on Sponsorships and Donations sets out foundational rules applicable to the Group, which are further detailed in a group directive on the same topic.

Management approach

Ericsson leverages its core competencies in connectivity technology to support, develop and create positive impact for stakeholders in the communities in which it operates. Described below are group-wide programs and initiatives through which Ericsson engages with local communities and stakeholders on a non-commercial basis. In addition to these group-wide initiatives, there are local initiatives driven by the market areas not described here. Initiatives related to digital education are described in note S5 on page 29.

To prevent potential misuse of its resources the Company is strengthening processes, including assessments, approvals and documentation for all forms of contributions. Further, the work with third-party contributions is being revised to make sure that the Company focuses on contributions with the highest impact.

Due diligence of partner organizations

To ensure Ericsson only partners with organizations that share similar values and ethical standards, systematic evaluations of partners for sponsorship and donations are applied. The Compliance function is responsible for evaluating all sponsorships and donations, with regard to potential missuses, ensuring appropriate due diligence of receiving parties and recommending necessary mitigation measures to be adhered to when necessary. More information on third-party management can be found in note G2 on page 32.

Donations and sponsorships

Ericsson makes donations, both directly by the Company, as well as in the form of company-matched employee donations, to selected causes. Donations can be in the form of both cash and in-kind. Ericsson also engages in sponsorships of activities that are aligned with Ericsson's values and brand strategy.

In certain markets, most notably in India and South Africa, Ericsson is subject to mandatory profit-sharing rules, where a portion of the local entity's profits are to be spent on community investments and other charitable causes.

Ericsson Volunteers

Ericsson Volunteers is one way through which the Company delivers a meaningful employee experience and contributes to positive impacts on communities and broader society. Every employee is given one paid day per year when they can apply their skills and time to volunteering. A volunteering framework sets the direction for activities applicable for volunteering, including both general cause categories as well as activities for extended volunteering, such as Ericsson Innovation Awards, Connect To Learn and Ericsson Response.

Ericsson Response

Ericsson Response is a global volunteer program founded by employees in 2000. Together with partners, Ericsson Response utilizes the Company's technology and the skills of its employees to provide connectivity where local services are not sufficient, for example after natural disasters or in refugee situations.

It is a partner of the World Food Program led UN Emergency Telecommunications Cluster, a global network of partners to fill connectivity gaps for humanitarians and populations affected by disasters. Ericsson is a partner to the UNHCR (the United Nations High Commissioner for Refugees) to strengthen the Refugee Emergency Telecommunications Sector, to provide vital communications to the humanitarian response community, supporting their life-saving work.

Ericsson Innovation Awards

The Ericsson Innovation Awards is a yearly competition open to university students of all ages, regardless of location, aimed at recognizing innovative concepts that utilize technology to solve global challenges. Regional winners and top-three finalists are given mentoring from Ericsson employees and awarded cash prizes.

Collaborations and partnerships

Ericsson leverages its impacts through collaborations and partnerships with other organizations. In the table below, a selection of significant external collaborations are listed.

Organization	Engagement objective
1t.org	Ericsson contributes to 1t.org, part of the World Economic Forum's work to accelerate nature-based solutions through our pledge on Connected Mangroves, which is a reforestation project in Malaysia, the Philippines and India that leverages connected technologies such as solar-powered sensors and real-time camera footage to collect and analyze critical data on mangrove wetlands. The project offers the local community a platform to check on water, soil and humidity conditions, and remotely monitor any intrusion on the site.
International Red Cross and Red Crescent Movement	Ericsson contributes with donations during emergencies to the Red Cross Red Crescent humanitarian work.
UNHCR	UNHCR, the UN Refugee Agency, is a global organization dedicated to saving lives, protecting rights and building a better future for refugees, forcibly displaced communities and stateless people. Ericsson Response is a partner to the UNHCR.
UNICEF	UNICEF works in over 190 countries and territories to protect the rights of children. Ericsson supports UNICEF-led efforts through donations, employee volunteering and through humanitarian response action in disaster-stricken areas. In addition, Ericsson is a partner to UNICEF on the Giga initiative for school connectivity, see more information in note S5 on page 29.
World Food Programme (WFP)	The WFP is the leading humanitarian organization saving and changing lives, delivering food assistance in emergencies and working with communities to improve nutrition and build resilience. Ericsson contributes through the Ericsson Response and WFP partnership.

Performance metrics

Economic value generated and distributed

(SEK million)	2022	2021	2020
Value generated			
Revenues	274,432	234,521	234,347
Value distributed			
Operating costs	-158,674	-127,253	-121,462
Wages and benefits	-89,191	-77,462	-74,645
Payment to providers of capital	-9,966	-8,496	-8,103
Payments to governments	-7,113	-6,226	-5,678
Community investments [1)]	-115	-113	n/a
Value retained	**9,373**	**14,971**	**24,459**

1) Includes donations and mandatory profit distributions made by Ericsson Group companies during the reporting year. Sponsorships included are those with activity start date January 1 to December 31, or multi-year contracts that were active during the reporting year. Sponsorships related to recreation and sports have been excluded. Due to limitations in data availability, comparative figures for 2020 cannot be disclosed.

S5 Digital inclusion

Impacts, risks and opportunities

The number of Internet users has increased from a few million to almost five billion within thirty years. This growth has enabled a digital transformation that is reshaping societies and economies. Research shows that, on average, a 10% increase in the mobile broadband adoption can increase economic growth by up to 0.8% [1], with the effect being significantly larger in low-income countries. Moreover, a 2022 study [2] commissioned by Ericsson in 15 countries in Asia, Africa and Latin America also showed that 5G rollout can generate overall economic benefits (in terms of GDP growth) three-to-seven times higher than the incremental cost of extending coverage. Similarly, increases in school connectivity can have significant effects of economic growth, with potential double-digit additions to GDP if low-income countries achieve the same levels of connectivity as the most connected economies [3]. Yet the potential of the Internet for social and economic growth remains largely untapped, as roughly one third of the world's population remains offline and many among the two thirds of the people online lack meaningful connectivity.

The connectivity gap is twofold and consists of both a gap in overall coverage, meaning access to any type of mobile broadband connection, and a gap in terms of lacking a mobile broadband connection that is good enough to allow full participation in the digital economy, such as access to at least 4G coverage. The challenge in bridging both these gaps is primarily a financial, rather than a technological one, with a need for new business models to evolve to enable meaningful connectivity at lower cost.

Nearly one quarter of the world's adult population lacks access to formal banking and financial services according to World Bank Findex. However, the majority of the unbanked population own a mobile phone that can help them access formal financial services. Mobile financial services offer the possibility to bring millions of financially underserved people into the formal economy, boosting individual livelihoods and transforming economies.

In addition, without sufficient digital literacy people cannot fully partake in the digital economy regardless of whether they have a meaningful connection or not, which is why digital education is another key enabler to achieve broad digital inclusion in society.

Governance and policies

The Executive Team governs Ericsson's Sustainable Business Program. The aim of the program is to accelerate and fully integrate sustainability-related aspects of Ericsson's portfolio and programs. The program is cross-functional and includes eight work streams of which digital inclusion is one.

Management approach

Ericsson's approach is based on the belief that technology developed and deployed responsibly can help bridge the digital divide and ensure the benefits of the digital economy and society are enjoyed by all. The Company works toward this goal through digital inclusion initiatives which cover the portfolio, business cases, advocacy and on-the-ground efforts.

Business models for affordable connectivity

Ericsson continues to explore how its portfolio and offerings can be used to develop cost efficient and profitable business offerings targeting regions with no or low internet penetration. The scope of these efforts includes radio and power management solutions as well as business cases and use case scenarios.

Financial inclusion

Ericsson Wallet Platform enables leading communications service providers and financial institutions to provide easy to use, affordable and secure mobile financial services to financially underserved people worldwide, helping them lead a financially empowered life. It allows unbanked people to save and transfer money, receive financial-aid and salary, pay bills and merchants, top-up mobile services, get instant loans, access insurance and other financial services, helping to meet their financial goals and aspirations

Digital education

Ericsson's commitment to bridging the digital divide includes a focus on access to education and digital skills development. To reinforce this effort, the Company set the ambition to empower 1 million children and young people with access to digital tools, learning content and skills development programs by 2025. This is carried out through Ericsson's global flagship education program, Connect To Learn, a non-profit program delivered in collaboration with governments, communications service providers, non-governmental organizations (NGOs), and international/UN agencies, with the ambition to:

- Accelerate access to digital connectivity for schools and community learning centres and, ultimately, all learners around the globe and their communities.
- Empower the next generation with digital skills, essential for their socio-economic development and enhance industry-ready education to make students employment ready.

Key non-profit education offerings that Ericsson deploys globally in collaboration with partners are:

- Ericsson Educate: A digital skills development program designed for university students covering key topics related to emerging technologies such as: Telecommunications and 5G, artificial intelligence, data science, automation and internet of things. Since 2020, the program has been deployed to students at universities across Asia, Africa and the Middle East.
- Ericsson Digital Lab: An education program designed to inspire children aged 11–16 to explore new technologies and develop their problem-solving skills. The Digital Lab is a place where instructors from Ericsson and partnering organizations can share their interest in technology with students, and includes courses on robotics, game development, electronics, and artificial intelligence.

In 2020, Ericsson became the first private sector partner to make a multi million dollar commitment to support the joint UNICEF-ITU [4] Giga initiative for global school connectivity with the aim to connect every school to the Internet and every young person to information, opportunity and choice. With support from Ericsson, Giga maps schools and their connectivity levels and their connectivity levels to help target investment to where it is most needed and to measure progress toward increasing Internet access. Ericsson's financial and in-kind support have contributed towards Giga's achievements to date in connecting over 5,500 schools and over 2 million students.

[1] Edquist, Harald et. al. (2018). How important are mobile broadband networks for the global economic development?, *Information Economics and Policy,* 10.1016/j.infoecopol.2018.10.001.
[2] Stewart, Janette et. al. (2022). Future Value of mobile in emerging markets. *Analysys Mason*, 698248491-273.
[3] Birdwell, Jonathan et. al. (2021). Connecting learners: Narrowing the educational divide. *The Economist Intelligence Unit.*
[4] International Telecommunication Union

Note S5, cont'd.

Collaborations and partnerships

Ericsson leverages its efforts through collaborations and partnerships with other organizations. Below are some of the more significant collaborations related to digital inclusion the Company is engaged in.

Organization	Engagement objective
ITU/UNESCO Broadband Commission for Sustainable Development	Ericsson's CTO is a Commissioner on the Broadband Commission, a multi-stakeholder high-level platform for developing policy recommendations and thought leadership on bridging the digital divide, dedicated to raising awareness of the importance of broadband on the global sustainable development agenda. The Commission envisions and works towards realizing a fully connected world that harnesses the power of broadband to achieve the UN Sustainable Development Goals by 2030.
The World Economic Forum Edison Alliance	The World Economic Forum-aligned EDISON Alliance 1 Billion Lives Challenge brings together digital inclusion commitments from governments, companies and other organizations globally. The members, including Ericsson, are committed to prioritizing digital inclusion as foundational to the achievement of the United Nations' Sustainable Development Goals so that every person can fully participate in the digital economy and society.
Whitaker Peace and Development Initiative	Ericsson is a long-standing partner to the Whitaker Peace and Development Initiative aimed at supporting youth to develop their skills as leaders, as peace builders, and community builders. The partner organizations recognize the important role of ICT in education and pursue joint efforts to develop peacebuilding and conflict resolution programs using ICT as a tool for the advancement of peace in post-conflict situations.
Technovation	Ericsson is partnering with NGO Technovation in a global mentorship program with the objective to inspire girls to be leaders and tech entrepreneurs. With the support of volunteer mentors and parents, girls work in teams to code mobile apps that address real-world problems. Ericsson employees support as mentors to enrolled participants.

Performance metrics

Connect To Learn

(No. aggregated)	2022	2021	2020
Impacted children and youth	400,163	296,079	226,612
Countries covered	36	30	25

Ericsson Mobile Wallet

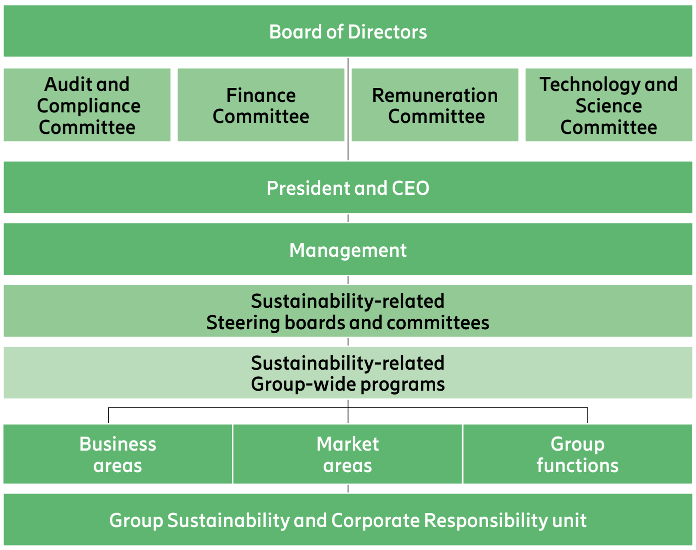
(Millions)	2022	2021	2020
Registered accounts	379	314	268
Active users [1]	80	65	53

[1] Active users are defined as those having used the service in the past 30 days from the reporting cut-off date.

Section G – Governance

G1 Sustainability and corporate responsibility governance

Governance of Sustainability and Corporate Responsibility (S&CR) follows the Company's overall governance structure. The Board of Directors, Executive Team and management's respective roles and responsibilities with regards to S&CR are described below.



Board of Directors
The Board of Directors oversees Ericsson's S&CR strategy and receives reports on developments and performance annually, or more often as needed. The Board approves the annual S&CR report as part of the Company's statutory Annual Report.

Board committees
The Audit and Compliance Committee (ACC) of the Board of Directors oversees Ericsson's Ethics and Compliance Program and whistleblower procedures. Further, the ACC reviews the Group's handling of information and cybersecurity, data privacy, and its environmental, social and governance (ESG) reporting practices. As part of its role to prepare and propose rewards and compensation policies that attract and motivates the Company's executives to achieve the long-term interest of the Company and its stakeholders, the Remuneration Committee considers inclusion of ESG criteria in variable compensation plans. More information on pages 2 and 8–10 of the Remuneration report. Part of the Technology and Science Committee's role of monitoring the Company's technology ecosystem, relationships and partnerships involves reviewing matters related to energy and sustainability.

President and CEO and the Executive Team
The Executive Team, led by the President and CEO, is responsible for approving S&CR strategies and related Group targets, and regularly receives reports on the implementation of strategies and progress made on targets and milestones. Its members are also part of dedicated steering boards and committees that provide more frequent strategic guidance and oversight of S&CR-related matters (see table below). The responsibilities of these boards and committees are further detailed in the topic-specific notes to this report.

Steering boards and committees	Chaired by
Business Risk Committee	Chief Financial Officer and Chief Legal Officer
Group Compliance Committee	Chief Legal Officer
Sustainable Business Reference Group	Chief Financial Officer
Group Enterprise Security Privacy Board	Chief Financial Officer
Product and Technology Security Board	Chief Technology Officer
Global People Leadership Team	Chief People Officer
Global Occupational Health and Safety Board	Chief Marketing Officer

In 2022, Ericsson established a Group Business Risk Committee (BRC) comprised of executives and co-chaired by the CFO and the CLO. The role of the BRC is to consider the overall risk profile of the Group and ensure risk-informed and ethical decision-making, as well as serve as a forum to monitor and assess enterprise risk management on a regular basis.

Executive remuneration
Part of variable remuneration to executives is determined by a number of environmental and social criteria. See page 8 of the Remuneration report for further details.

Operational management
A dedicated S&CR unit, reporting to the Head of Group Function Marketing and Corporate Relations, is accountable for developing and implementing strategies, policies, steering documents, targets and processes related to S&CR.

Responsibility for executing on S&CR strategies and progressing on targets lies with the group functions, business and market areas, often in collaboration with each other and through cross-functional Group-wide programs. See the table below for a list of such programs.

Group-wide programs
Ethics and Compliance Program
Sustainable Business Program
Ericsson Care Program

Integration of sustainability into the business lines is done through a company-wide Sustainable Business Program, with the Executive Team as the governing body of the program. The objective of the program is to accelerate and fully integrate sustainability aspects into Ericsson's customer portfolio and operations. The program is cross-functional and includes the workstreams Climate action, Energy performance, Circular economy, Material and substances, Responsible sourcing, Position and standards, ESG reporting and Digital inclusion.

Group policies
Group-wide policies are approved by the President and CEO. A list of foundational S&CR-related policies and steering documents can be found in the table below.

Foundational policies and steering documents
Code of Business Ethics
Sustainability Policy
Security Policy
Privacy Policy
Health, Safety and Well-being Policy
Business and Human Rights Statement
Code of Conduct for Business Partners

The Code of Business Ethics (Our Compass) is the foundation for employees and other people working for Ericsson for how to conduct business responsibly. It serves as a guide to Ericsson's ethical principles and expectations.

The Code of Conduct for Business Partners outlines expectations on suppliers and other business partners in key areas such as business ethics and anti-corruption, labor and human rights, occupational health and safety, environment and climate change. It is a binding requirement for all business partners.

Ericsson encourages employees and external stakeholders to report concerns of violations of either of the Codes through the Ericsson Compliance Line, see more information in note G2 on pages 32–33.

Group management system and risk management
Ericsson has a global management system, the Ericsson Group Management System (EGMS). The EGMS aims to ensure that Ericsson's business is well managed and has the ability to fulfill the objectives of major stakeholders

Note G1, cont'd.

within established risk limits and with reliable internal control. The EGMS also aims to ensure compliance with applicable laws, listing requirements, governance codes and corporate responsibilities.

EGMS is founded on ISO 9001 (international standard for quality management systems) but is designed as a dynamic governance system to enable Ericsson to adapt the system to evolving demands and expectations, including new legislation as well as customers' and other stakeholders' requirements.

ISO certificates are issued by a third-party certification body proving that the system is efficient throughout the operations as well as compliant to the ISO standards in scope. Ericsson's operations are currently certified to ISO 9001 (Quality), ISO 14001 (Environment), ISO 45001 (Health and Safety) and ISO 27001 (Information Security). Selected Ericsson units are also certified to TL 9000 (telecom-specific standard). EGMS is also assessed within the scope of the audit plan of Ericsson's internal audit function.

Identification and treatment of ESG-related risks is an integrated part of the Enterprise Risk Management (ERM) framework, which is a part of the EGMS. There are also dedicated risk management frameworks aligned with the ERM framework that cover specific areas of risks such as anti-corruption, environment, health and safety and information security. More information on the EGMS and ERM framework can be found on page 21 in the Financial report and on page 18 in the Corporate Governance report.

The S&CR report includes information on ESG-related impacts, risks and opportunities that are not considered significant on a Group level but which are relevant to disclose from a sustainability perspective.

External commitments and endorsements

In addition to topic-specific commitments and endorsements described in this report, Ericsson is a founding member of the UN Global Compact and continues to support its 10 principles. Ericsson's President and CEO is a member of the Alliance of CEO Climate Leaders, a global community of chief executive officers who work toward climate action across industry sectors and engage with policymakers to help deliver the transition to a Net Zero economy. Ericsson's Chief Technology Officer is a commissioner on the ITU/UNESCO [1] Broadband Commission for Sustainable Development which develops policy recommendations to advance broadband connectivity and digital inclusion.

[1] International Telecommunication Union / United Nations Educational, Scientific and Cultural Organization

G2 Compliance and business ethics

Impacts, risks, and opportunities

Corruption and unethical business practices are an obstacle to economic and social development and often disproportionally affect fragile communities and undermine democratic institutions. There are increasing demands, both regulatory and from stakeholders, for more transparency around business practices and for companies to have zero-tolerance policies for corruption and ethics and implement robust compliance programs to ensure a culture of compliance.

With operations in more than 150 countries, Ericsson is present in markets and geographies with varying levels of exposure to corruption and unethical business risks, and therefore needs to have a comprehensive approach to mitigate such risks.

Ericsson interactions with U.S. authorities and other governmental authorities

In December 2019, Ericsson entered into a resolution with the United States Department of Justice (DOJ). The resolution included a deferred prosecution agreement and a guilty plea by the Company's Egyptian subsidiary to a criminal violation of the US Foreign Corrupt Practices Act's (FCPA) antibribery provisions. Under the DPA, the Company admitted to the conduct described in the DPA's statement of facts, and the DOJ agreed to defer prosecution of Ericsson for the DPA's three-year term if Ericsson did not violate the terms of the DPA. As part of the DPA with the DOJ and consent judgment with the SEC, Ericsson agreed to engage an independent compliance monitor for three years while the Company continues to undertake significant reforms to strengthen its Ethics & Compliance Program.

In June 2020, the three-year period for the monitorship commenced with the appointment of its monitor. The monitor's primary responsibilities include reviewing and evaluating Ericsson's compliance with the terms of the DPA and evaluating the Company's progress in implementing and operating its enhanced compliance program and accompanying controls, as well as providing recommendations for improvements.

In October 2021, the DOJ notified Ericsson of its determination that the Company breached its obligations under the DPA by failing to provide required information to the DOJ.

In February 2022, the Company publicly disclosed that an internal investigation in 2019 included a review of the conduct of Ericsson employees, vendors, and suppliers in Iraq during the period 2011–2019. The investigation found serious breaches of compliance rules and the Company's Code of Business Ethics and identified evidence of corruption-related misconduct and other serious violations, including payments to intermediaries and the potential use of alternate transport routes in connection with circumventing Iraqi Customs, at a time when terrorist organizations, including ISIS, controlled some transport routes. The investigation also identified payment schemes and cash transactions that potentially created the risk of money laundering. The investigators could not determine the ultimate recipients of any payments, nor identify that any Ericsson employee was directly involved in financing terrorist organizations.

In March 2022, the DOJ informed Ericsson that it had determined that, before entering into the DPA, the Company provided insufficient information to the DOJ about the Company's 2019 internal investigation into conduct in Iraq. The DOJ also determined that the Company breached the DPA by failing to inform the DOJ about the investigation after entering the DPA.

In June 2022, the SEC informed Ericsson that it opened an investigation concerning matters described in the Company's 2019 Iraq investigation report. Under Ericsson's consent judgment with the SEC, the Company is permanently enjoined from violating the FCPA's antibribery, books and records and internal controls provisions. Violations of the injunction or consent judgment could subject Ericsson to new civil and criminal penalties as well as a new enforcement action.

In December 2022, the Company agreed with the DOJ and SEC to extend the term of the Company's independent compliance monitor for one year, until June 2024.

On March 2, 2023 the Company reached a resolution (DOJ Plea Agreement) with the DOJ regarding non-criminal breaches under its DPA. Under the DOJ Plea Agreement, Ericsson will plead guilty to previously-deferred FCPA charges. In addition, Ericsson agreed to pay a fine of USD 206,728,848. The entry of the DOJ Plea Agreement will bring the DPA to an end. With respect to matters described in the 2019 internal Iraq investigation report, the Company continues to thoroughly investigate the matters in full cooperation with the DOJ and the SEC. As previously disclosed, the Company's 2019 internal Iraq investigation did not conclude that Ericsson made or was responsible for any payments to any terrorist organization and the Company's significant further investigation over the course of 2022 has not altered this conclusion.

The Company has and continues to strengthen its approach to governance and risk management, including through the implementation of enhanced internal policies and practices and continued, active oversight by the Board and Executive Team.

On January 12, 2023, the Company announced that a provision in the fourth quarter of 2022 of SEK 2.3 billion (approx. USD 220 million) in relation to the DOJ Plea Agreement had been made. The provision also included estimated expenses (SEK 0.1 billion) for the previously announced extended compliance monitorship. Ericsson also faces other negative consequences from these matters, including matters under review as part of its ongoing and future communications with governmental authorities to comply with its obligations under the DOJ Plea Agreement. More information related to this matter can be found in the Financial report on pages 22–23 and in the Corporate Governance report on pages 2–3.

Governance and policies

The Compliance function at Ericsson is led by the Chief Compliance Officer (CCO), who reports to the Chief Legal Officer (CLO). In addition, the CCO

Note G2, cont'd.

has a direct reporting line to the Audit and Compliance Committee (ACC) on the Board of Directors on matters falling within the scope of the Ethics and Compliance (E&C) Program (see further below) and regularly briefs the ACC on the implementation of the program as well as suspected and substantiated cases of violations of the Code of Business Ethics or laws and regulations.The ACC oversees matters relating to compliance risk, and regularly receives reporting on other compliance related matters from the CCO and CLO.

The compliance organization consists of legal counsels and compliance officers at group-level working with general compliance and competition law. Further, the market areas have local compliance officers supporting the line organization.

The Company's foundational values and principles are set out in the Code of Business Ethics (Our Compass), available in 43 languages. Specific policies on Gifts, Entertainment and Hospitality, Third-party Management, Conflict of Interest, Anti-trust law, and Insider Rules, among others, are also in place. These policies are supported by relevant financial and procurement controls to ensure end-to-end oversight. Ericsson also has a Code of Conduct for Business partners, which is a part of its standard supplier contracts.

Executive variable remuneration

Short-term variable compensation to executives is affected by criteria related to integrity. Breaches of the Code of Business Ethics can also result in denial of reclaiming of variable compensation. See further information on pages 8 and 9 of the Remuneration report.

Management approach

As Ericsson continues to evolve, a core and constant objective is to ensure that the organization is optimally positioned to execute on its approach: delivering value and growth while operating ethically, managing risks, and having a positive impact on the communities in which it operates.

Effective governance, risk management, and compliance are supported by a strong corporate culture, where all Ericsson's employees exercise solid judgment and act with integrity and in compliance with the Code of Business Ethics.

Transparency and appropriate escalation of matters form a cornerstone of the Company's governance model; this allows for appropriate decision making and ensures that the Executive Team, the President and CEO, and the Board of Directors are properly informed and able to exercise the necessary oversight across the Group. Ericsson recognizes that reputation and trust are hard won and easily lost and strives to win business with integrity. The Company takes a value chain approach with a zero tolerance for bribery and corruption in any of its business dealings. Integrity is one of Ericsson's core values and fostering a compliance-aware and speak-up culture are cornerstones is a cornerstone of its strategy. The strategy is executed through the Company's (E&C) program which is designed to raise awareness and prevent mistakes and breaches of the Code of Business Ethics, detect mistakes and breaches when they do happen, and respond and remediate quickly when needed.

Risk assessments, monitoring and controls

Ericsson conducts bribery and corruption risk assessments using a risk-based, multi-tiered approach across multiple regions to identify areas of heightened risks. This typically includes document collection, onsite or remote interviews of key personnel, and financial transaction testing for select markets and units. Focus areas include, but are not limited to leadership and culture, sales, third party management, gifts and hospitality, conflicts of interest, government relations, policies and procedures, sponsorship and donations, and joint ventures and partnership.

Further, a Central Monitoring Center within the Finance department and a Monitoring and Testing unit within the Legal and Compliance department cooperate in end-to-end monitoring of the E&C program.

Digitalization and operational efficiency

The core compliance processes are integrated in an E&C Portal (facilitating controls by the Compliance Office around high-risk transactions, including benefits provided to third parties, particularly public officials) and combined with an integrated reporting and analytics E&C Application (hosting E&C compliance data and insights) to support overall program deployment, monitoring and testing.

An interactive State-Owned Entities (SOE) Map is available for employees to identify Ericsson's top state-owned customers. Global customer designations enable Company employees to treat public officials of SOEs with greater sensitivity and care from an E&C perspective.

Third-party management

Ericsson maintains a global, risk-based and integrated Third Party Management (TPM) program to prevent, detect, and manage bribery and corruption risks in the Company's relationships with its third parties.

The program is managed by a central team of due diligence experts and data specialists that reports to the CCO and works in close coordination with other functions including sourcing, sourcing compliance, sales, and internal controls. The program includes a risk-based due diligence process to assess bribery and corruption risk exposure and potential liability that may result from relationships with third parties. A risk mitigation toolbox includes a broad range of measures that can be used to mitigate identified risks such as training, certifications, financial transaction pre-approvals, or, in extreme cases payment blocks and rejections.

TPM increasingly utilizes advanced data analytics and transaction analysis and focuses on monitoring risks throughout the lifecycle of business relationships. Business Partner Review Boards monitor the third-party risk landscape and provide approvals and mitigating actions on high risk third parties on both a market area and global level. The effectiveness of underlying processes in each geography is continuously measured and strengthened, when necessary.

Training and awareness raising

Ericsson's communications and training on E&C are designed and intended to promote integrity-driven behaviors by employees and third parties. Trainings include instructor-led workshops for senior executives and middle management (around 1,500 individuals) on leading with integrity and solving ethical dilemmas and a targeted anti-bribery and corruption (ABC) e-learning for line managers and employees in highly exposed roles (around 15,000 individuals). In addition to these specific training programs, all employees must take a mandatory online ABC training which is refreshed every second year. Additional training programs are also available for employees in more exposed positions to help better equip them to face compliance risks inherent to their positions.

Employees are regularly asked about the Company's work with Compliance, Business Ethics and ABC through the bi-annual employee survey, which includes questions about their perception of the Company's commitment to ethical and responsible business practices and if they feel free to speak their mind without fear of negative consequences.

Employee performance evaluations

All employees have a goal related to acting with integrity, which encompasses acting in accordance with laws and internal rules and instructions, followed up on as part of their annual performance evaluation.

Prevention of anticompetitive behavior

As part of the commitment to a compliance culture, employees are asked to recognize competition (antitrust) laws and comply with them. Given the complexity of competition laws, employees are encouraged to consult with the competition law attorneys in the Company's Legal department in case of any questions.

Reporting compliance concerns

Employees are encouraged to report suspected non-compliance with the Code of Business Ethics or laws and regulations directly to their manager, the superior of a manager or to the People or Legal and Compliance departments.

In addition, both employees and third-party individuals can report concerns related to the Code of Business Ethics or the Code of Conduct for Business Partners via the Ericsson Compliance Line either by a secure website or by phone at any time. Reporting can be done anonymously, as permitted under applicable legislation. The process for receiving and handling compliance concerns is designed to help maintain an appropriate degree of independent assessment. Ericsson does not accept any discrimination of, or retaliation against, individuals who report compliance concerns in good faith.

Ericsson's Allegation Management Office is responsible for the overall management process from the time an allegation of a potential compliance violation is reported to the remediation of any such substantiated violation. The Corporate and Government Investigations (CGI) team is responsible for ensuring that all allegations of potential compliance violations recommended to CGI are appropriately investigated, and that investigations of higher risk are reported to the Audit and Compliance Committee as appropriate. Findings and remediation plans for cases are presented to Ericsson's Market Area Remediation Committees.

Note G2, cont'd.

Targets

Strengthen Ericsson's Ethics and Compliance program to ensure an effective and sustainable anti-bribery and corruption program by 2024.

Performance metrics

Compliance training and awareness – completion rates [1]

(%)	Target audience	2022	2021
CoBE acknowledgement [2]	Total workforce	99	99
Mandatory ABC training [3]	Total workforce	93	99
Enhanced ABC training [3]	Line mgrs. & exposed roles	97	82
Ethics training for leaders [4]	Exec. & middle mgmt.	90	70

1) Ericsson's compliance training and awareness program has undergone a significant transformation from recent years wherefore relevant comparative figures for 2020 are not available. The scope of reporting is limited to the active workforce, meaning people on long-term leave or in exit programs are excluded from the statistics.
2) Acknowledging understanding of the Code of Business Ethics is initially required when an individual starts working for the Company, and subsequently once every year. The numbers shown above represent the share of the workforce in scope which had completed acknowledgement during the 12-month period ending January 31, 2023.
3) Mandatory and enhanced ABC training is mandatory to take once every two years. The numbers shown above represent the share of target audience which had completed assigned training during the preceding 24-month period.
4) Training is held in batches for the target audience. The numbers shown above represent the share of the target audience which had completed assigned training during the preceding 24-month period.

Ethics and compliance - employee responses

(Survey results)	2022	2021	2020
Ethical and responsible business practices [1]	88	87	88

1) Scoring of aggregated employee responses to question "Ericsson shows a commitment to ethical and responsible business practices", measured on a scale of 0–100 with 100 being the most favorable result. Cradlepoint employees not included in 2021 and 2020 statistics. Vonage employees not included.

Compliance concerns reporting

The table below shows the number of compliance concerns received, the number investigated, the numberconcluded in the reporting year which were found to be substantiated, as well as the number of open investigations at year end. As the length of an investigation varies depending on case complexity, not all cases are concluded in the same year as they are reported. Hence, the number of substantiated cases and cases under investigation also includes cases received in prior reporting periods but which were concluded during the reporting year. Many matters reported are not referred for investigation. These are often inquiries of a general nature or other matters which are not deemed to be related to misconduct or breaches of the Code of Business Ethics. When applicable, these cases were referred directly to the relevant units for attention or remediation.

Reported, investigated and substantiated compliance concerns [1]

(No.)	2022
Concern intake and investigation	
Reported	1,092
Not referred for investigation [2]	877
Referred for investigation	215
Status at year end	
Substantiated [3]	118
Under investigation	209

Reported concerns by category

(No.)	2022
Fraud, corruption and regulatory breach	177
Conflicts of interest	69
Human resources	429
Discrimination	20
Human rights	–
Operations	125
Other [4]	272
Total	**1,092**

1) The process for categorizing compliance concerns underwent significant transformation in 2022 such that comparative figures are not available.
2) Cases received but not investigated as they pertained to inquiries of a general nature or other matters not deemed to be related to misconduct or breaches of the Code of Business Ethics.
3) Cases closed and concluded to be substantiated during the reporting year, some of which were reported in previous reporting years.
4) Includes reported concerns related to environmental sustainability, health and safety as well as concerns which were assessed as not constituting compliance concerns, such as product quality issues, employees testing the Compliance Line, or comments of a general nature. To the extent relevant these are referred to the relevant unit or function for attention.

Corrective and disciplinary actions by type [1]

(No.)	2022	2021	2020
Termination	39	97	87
Demotion	4	2	2
Written warning	74	89	87
Verbal warning	46	22	32
Resignation	8	19	28
Other	7	4	0
Total	**178**	**233**	**236**

1) Actions taken as a result of substantiated breaches of Ericsson's CoBE. Each action represents a unique individual meaning the sum of actions shown in this table cannot be directly compared to the number of substantiated cases shown above, as each case may involve several individuals. An individual is counted once in these statistics with the most severe action determining category classification.

G3 Supply chain and responsible sourcing

Ericsson's supply chain

Ericsson has a global supply chain with around 20,000 tier 1 suppliers and several thousand additional tier 2 and higher suppliers. However, only about 2,000 tier 1 suppliers make up more than 90% of the supplier spend. Of the total supplier base, around 200 suppliers are providers of hardware to Ericsson's production. Most of the supplier spend is related to purchases of electronics and mechanical components, outsourced electronics manufacturing, and Information and Communications Technology consulting and engineering.

Share of supplier spend

(%)	2022
Network products – hardware	22
Network services and managed services	18
Production services and test	19
Site products and logistics	12
IT	12
External workforce	7
Business Support Services	10
Total	**100**

Manufacturing supply chain

Manufacturing and assembly of Ericsson's electronic hardware is done both at Ericsson's own sites and at third-party electronic manufacturing services sites (EMS). In addition, a limited number of modules are manufactured by original/joint design manufacturing (ODM/JDM) suppliers supporting specific market and business requirements.

Ericsson supply hubs are regional distribution centers for logistics operations to serve customer orders and customer projects efficiently with activities like collection of deliveries from production units and suppliers, warehousing, co-packing, order configuration and transport optimization.

Regional inbound (component) hubs consolidate material from component suppliers and are a central point of component supply to the production sites, creating resilience and flexibility in inbound supply chains.

Manufacturing sites and hubs

(No.)	2022
Manufacturing sites	
Own sites	6
EMS	9
Hubs	
Supply	9
Component	2

Share of production (%) [1]	2022
Own sites	17
EMS	83

[1] Calculated based on the number of modules for radios and base bands delivered in the reporting year. Shares fluctuate over time due to factors such as demand forecasts and type of hardware that is produced.

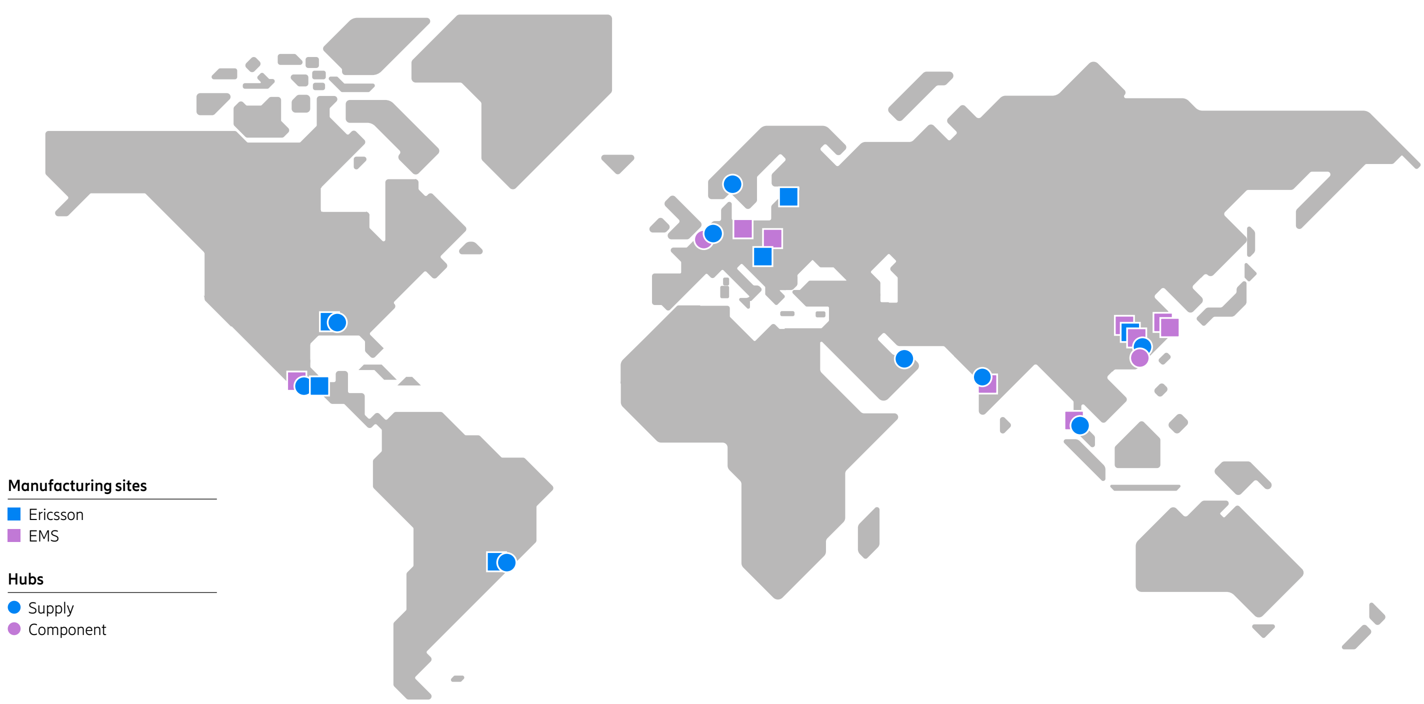
Impacts, risks and opportunities

Ericsson is involved in several indirect impacts through its business and supplier relationships. In the environmental area, greenhouse gas emissions and waste generation have been assessed as the most relevant ones. For human rights, labor-related rights such as risk of forced labor, living wages and working hours, have been identified as salient issues in the supply chain. As for health and safety-related impacts, the supplier category with the highest risk is site services and in particular field operations, where most fatalities and accidents in the supply chain occur. Additionally, with a complex and global supply chain come risks of business conduct by partners that are not aligned to a company's own values, principles and standards.

Regulation on supply chain visibility and traceability, particularly in regard to forced labor, is being introduced or considered in several of Ericsson's key markets. Companies must have robust processes for supply chain due diligence in place, or risk losing access to these markets.

Working together with suppliers not only helps them improve on their environmental, social and governance performance, it is also one way for Ericsson to create strong supplier relationships, and thereby help build supply chain resilience.

Ericsson's manufacturing supply chain



Note G3, cont'd.

Governance and policies

Within Ericsson's sourcing organization, a dedicated Responsible Sourcing unit is responsible for driving sustainability-related initiatives as part of the overall sourcing strategy.

The Code of Conduct (CoC) for Business Partners is the foundation for the Company's work with Responsible Sourcing and is part of standard supplier contracts. The CoC covers four main areas: anti-corruption and business ethics, human and labor rights, safe and healthy working conditions, and environmental management. In addition, and covering all these areas, there is a requirement on suppliers to have an established management system. Business partners must also ensure and monitor that their suppliers and subcontractors comply with the CoC, or other agreed equivalent standards.

Alongside the CoC, specific requirements on business partners and suppliers with regards to environment and occupational health and safety (OHS) are available and can be accessed through the Company's website.

The Ericsson Compliance Line, available to internal as well external stakeholders, including suppliers, can be used to report concerns about violations of policies or laws and regulations. See further information in note G2 on page 32.

Management approach

In line with Ericsson's vision and strategy, Supply Chain of the Future is one of the strategic focus areas within the sourcing organization. The objective is to build resilient, compliant and responsible supply chains. Within the Responsible Sourcing program, focus is on supplier alignment with environmental and OHS expectations, as well as adherence to the CoC in the supply chain.

Supplier segmentation

Ericsson segments its supplier base to efficiently manage and prioritize supplier relationship management activities, optimize value from the supplier base as well as manage risks. Suppliers are segmented into one of four categories based on a combination of the following four aspects; spend, risk, dependency and value. Suppliers in the top two categories are considered business critical.

Supply chain resilience and business continuity

Ericsson strives to have dual supply sources to strengthen the supply chain resilience wherever possible. The company also invests in strategic buffers to further reduce the risk of disruptions.

In addition, the Company has a process to monitor disruptive events in real time and offers suppliers to be visualized in the monitoring process. In case such an event occurs, Ericsson will be notified of which suppliers might be impacted. Based on supplier input about the event's impact, in combination with internal insights into the supply chain, the risk is assessed, and the perceived severity will guide mitigation activities for the specific event. The real-time monitoring can be extended to integrate a supplier's business continuity plans, enabling additional granularity in the analysis of the supplier's vulnerability.

Responsible sourcing

The scope of the Responsible Sourcing program mirrors the topics covered in the CoC. Appointed program managers drive and implement initiatives through networking within the line organizations. This work is aligned with the Sustainability and Corporate Responsibility strategy and is an integrated part of the supply chain strategy.

Supplier adherence to standards and requirements is verified through two audit programs, one based on the CoC and the other on Contract Compliance.

Code of Conduct audits

The purpose of the CoC Audit program is to assess suppliers' adherence to Ericsson's CoC. Suppliers in focus of this program are tier 1 suppliers and primarily those making up the top 90% of Ericsson's supplier spend. The inherent risk of these suppliers – based on factors such as purchase volume, country, type of service or product supplied and time since the last audit – is assessed and forms the basis for audit selection.

The audits are performed by a contracted third-party audit firm and are done primarily on-site, with remote audits being an option for high-risk countries. The overall audit criterion is adherence to the CoC, with specific criteria including, but not being limited to, employment conditions such as working hours, wages and management dialogue, OHS – such as accident and incident prevention, chemical handling as well as communication of requirements to sub-suppliers and contractors.

Non-conformities are required to be addressed through time-specific corrective action plans. Since the CoC is part of standard supplier contracts, suppliers failing to adhere to it may have their contracts terminated.

Because of travel restrictions during the pandemic, remote audits have increased in number, but always with the intention to perform on-site audits once restrictions have been eased and conditions allow for it. Ericsson does not conduct unannounced audits.

Contract compliance audits

Ericsson also conducts audits to verify compliance to agreements between suppliers and Ericsson. These are performed by Ericsson's internal auditors and follow the principles of ISO 9011 Guidelines for Auditing Management Systems. Besides the CoC, other criteria such as trade compliance, business continuity management and security are in the scope of these audits. Non-conformities are required to be addressed through time-specific corrective action plans.

Responsible Business Alliance

Ericsson is a member of the Responsible Business Alliance and is working to increase the share of participating suppliers, and to make further use of its audit programs and other assets.

Training and awareness raising

Ericsson offers free training through its website to its suppliers and business partners. Besides general training on the CoC, targeted content covering anti-corruption, conflict minerals, OHS and climate action is also available.

An internal online training covering modern slavery is available to all Ericsson employees and is mandatory for anyone that has supplier responsibility or a significant supplier contract. A set of trainings has been created for all Sourcing employees focusing on environmental requirements and how to guide suppliers to drive climate action. Direct access to the United Nation Global Compact and Sustainable Development Goals training academies is available to employees in the sourcing organization.

Conflict minerals due diligence

Ericsson bases its approach on sourcing of minerals and metals on the OECD Due Diligence Guidance for responsible Supply Chains of Minerals from Conflict-affected and High-Risk Areas. This process covers the metals tin, tantalum, tungsten, and gold (3TGs) as well as cobalt. As there are often several tiers of suppliers between Ericsson and smelters or refineries, the Company does not normally have a direct purchasing relationship with them. More information on this topic can be found in Ericsson's annual Conflict Minerals report, available on the Company's website.

Other measures

Anti-bribery and -corruption: More information on Ericsson's work with third-party management in relation to business ethics, and anti-bribery and corruption is available in note G2 on page 32.

Human rights: Ericsson assesses its supplier categories for risks for human rights risks, in particular risks for forced labor, and whether the risk is more relevant further back in the supply chain or with direct suppliers. More information on Ericsson's approach to human rights is available in note S3 on page 25.

Occupational health and safety: More information on Ericsson's work with OHS in its operations and in the supply chain is available in note S2 on page 24.

Climate action: To address emissions in the supply chain, Ericsson is engaging with select high-emitting and strategic suppliers. More information is available in note E2 on page 12.

Note G3, cont'd.

Performance metrics [1]

Supplier audits

(No.)	2022	2021	2020
Code of Conduct audits	114	124	83
Contract Compliance audits	15	24	23

Code of Conduct audit program

(%)	2022
Audit findings [2]	
Suppliers with non-conformities	97
Suppliers with critical non-conformities	6
Corrective action rate [3]	
All non-conformities	73
Critical non-conformities	63

[1] See note O2 on page 41 for an explanation on limitations regarding value chain reporting and disclosures.
[2] Calculated as the number of audited suppliers with identified non-conformities /critical non-conformities divided by the total number of audited suppliers in the preceding 24-month period
[3] Calculated as the number of non-conformities/critical non-conformities addressed and closed within 24 months from the time of identification, divided by the total number of identified non-conformities/critical non-conformities in the same period.

Smelter RMAP participation and conformity by minerals in scope[1]

2022

(No.)	Identified smelters	Participating smelters	Conformant smelters	Conformity rate (%) [2]
Cobalt	85	64	35	55
Gold	181	148	95	64
Tantalum	39	34	34	100
Tin	104	77	62	81
Tungsten	52	38	37	97
Total	**461**	**361**	**263**	**73**

2021

(No.)	Identified smelters	Participating smelters	Conformant smelters	Conformity rate (%) [2]
Cobalt	83	45	23	51
Gold	185	130	107	82
Tantalum	52	39	39	100
Tin	120	72	56	78
Tungsten	68	48	43	90
Total	**508**	**334**	**268**	**80**

[1] Responsible Minerals Assurance Process. Data is based on supplier responses as of January 31, 2023 and January 18, 2022 respectively and cover smelters identified in the supply chain.
[2] Out of RMAP participating smelters.

G4 Security and privacy

Impacts, risks, and opportunities

The increased sophistication of security threats poses a growing risk of incidents that can have significant adverse impact on companies, society and individuals. With around 50% of the world's 5G traffic, outside of Mainland China, carried over Ericsson's networks, the Company plays an important role in securing networks and user data. The increasing prevalence of cybersecurity threats creates both risks and opportunities, as effective security can be a source of competitive advantage, while a lack of such measures may risk damaging customer trust.

Additionally, Ericsson, faces increasing cybersecurity threats to its own operations, where supply-chain compromise, insider threats and ransomware attacks are some of the risks that potentially could have significant impact on the Company and its customers. Further, as stringent security, privacy and data localisation regulations have, and continue to be adopted, in many countries in which Ericsson operates, Ericsson faces challenges in ensuring that its business operations comply with these regulations. While Ericsson welcomes clear regulation in the area, the high implementation pace, complexity in the law, and contradictions between different legislation pose compliance challenges to the Company. This could have a material adverse effect upon the Company's business, customer relationships, reputation, operating results and financial condition an lead to potential regulatory action. For further information on Security and Privacy and risks relating thereto see the chapter Risk factors in the Financial report.

Governance and policies

At Ericsson, security and privacy are driven in three main pillars: enterprise security, product security, and privacy, as mandated by the Security Policy and the Privacy Policy.

Ericsson's Group Enterprise Security and Privacy Board, chaired by the Chief Finance Officer, is the central authority for the oversight of enterprise security and privacy. The Product and Technology Security Board, chaired by the Chief Technology Officer, is the central authority for oversight of Ericsson's product security and product privacy. The Audit and Compliance Committee and Technology and Science Committee of the Board of Directors regularly receive updates on security and privacy.

The Chief Security Officer is accountable for enterprise security, the Chief Product Security Officer for product security, and the Chief Privacy Compliance and Group Data Protection Officer for privacy.

Directives, frameworks and assurance

Security and privacy frameworks set requirements across the Company. These cover product security, information security, privacy, IT security, risk management, sourcing and third parties, incident management, insider threat prevention, business continuity, physical security, security in high-risk areas, and travel and event security. The purpose is to ensure all areas of Ericsson's business processes are covered and ensure the delivery of resilient products. Frameworks are developed in accordance with applicable regulations, international standards (ISO/IEC 27001 based on NIST CSF 2, GSM NESAS, ISO 22301) and best practices.

Adherence to frameworks and processes is achieved through quantitative and qualitative measurements and regularly recurring training including in-depth training and security awareness.

Management approach

Ericsson's security strategy is to strengthen the security posture of the Company and its portfolio through more integrated, proactive, and customized security and privacy controls. Ericsson's strategic objectives for 2025 include, but are not limited to, enhanced capabilities in cyber defense, for example, advanced threat hunting, artificial intelligence detection, and behavioral analysis to quicker detect and eliminate any threat actor activities. Ericsson will also continue to invest in rapid vulnerability management capabilities across the value chain to close any potential entry point for threats.

Identifying and managing security and privacy risks is embedded in the Company's business processes. Security or privacy risks are handled directly or escalated to the regional or global level for mitigation in accordance with frameworks and processes. Key risks are fed into the security and privacy strategy processes as the basis for strategic direction and prioritization.

Handling of security incidents

An incident management process is activated if a security risk materializes, or severe vulnerabilities are detected. Incidents are detected through technical

Note G4, cont'd.

controls or can be reported by employees or business partners through Ericsson's Security Incident Management System.

Escalation, management, and communication follow a defined global process. Confirmed security incidents are reported in accordance with applicable legal, regulatory, and contractual requirements. Incidents that result in employee security investigations are handled by a dedicated team. The People and Legal departments are notified in the event of disciplinary actions, and law enforcement is notified in the suspicion of criminal offence.

Resilience testing and business continuity

Response and recovery plans and processes are implemented throughout the Company to limit the scale and impact of an incident. The efficiency and robustness of response and recovery plans are continuously tested. Business continuity planning is in line with ISO 22301 and ISO/IEC 27001. For severe incidents, a root cause analysis with lessons learned and recommendations for improvement or mitigating actions is conducted and communicated.

Ericsson continuously tests its internal resilience against a variety of attacks by utilizing internal and third-party simulation and tests. Similar tailored security tests and simulations are integrated and automated throughout Ericsson's product development process.

Data privacy compliance

Ericsson's strategy for privacy compliance is executed through a company-wide privacy program. Ericsson works with the General Data Protection Regulation (GDPR) as the global baseline but focuses also on local deviations and adaptations where necessary. Ericsson's Binding Corporate Rules (BCRs) approved by the European data protection authorities define the binding privacy framework for the Ericsson Group entities.

Ericsson has designated persons and departments responsible for privacy issues across the Group. There are also appointed data protection officers with specific regulatory tasks where required under applicable laws.

The Company's privacy compliance is regularly assessed in internal audits. In addition, the Ericsson BCRs set out a framework for monitoring and auditing Ericsson Group's privacy compliance.

Performance metrics

Security incidents [1)]

(No.)	2022
Significant security incidents	–

[1)] A significant security incident is cross-functional, complex/severe, or high impact in nature, potentially affecting multiple organizations, markets, business areas and/or customers and include, but are not limited to, those that require reporting/notification to authorities. The definition was updated in 2022 wherefore comparative figures are not available.

G5 Advocacy and policy influence

Impacts, risks, and opportunities

A company's business can be significantly impacted by changes in public policy and regulation in the market where it operates. Engaging in discourse with policy makers, either directly or through intermediary organizations to influence public policy, is a legitimate and often important means to create favorable business conditions, but companies must do so in a way that does not risk damage to their reputation or create risks of corruption. Companies must also ensure that their own positions on important policy matters are consistent with those of any organizations they participate in to maintain credibility and trust.

Governance and policies

The Ericsson Group Directive on Policy Advocacy and Interaction sets forth the binding requirements applicable to managing advocacy activities with public officials and industry representatives. These rules of engagement are mandatory for all government and policy advocacy personnel within the Company and apply to all interactions which involve an active advocacy and policy element on behalf of Ericsson.

Positions on various policy and regulatory topics are agreed and approved within established governing bodies consisting of senior representatives from different parts of the Company. These positions serve as a basis for any policy-related advocacy efforts, within industry organizations or directly with public officials.

Ericsson is a member of several organizations that provide policy recommendations and advice to public officials. The Company is mainly involved in organizations with a direct focus on Ericsson's business within electronics manufacturing and telecommunications, but also in organizations with a generic industrial and business focus.

Ericsson does not make any direct or indirect contributions to political parties or individuals running for political office, or in relation to ballot measures or political referendums of any kind, as stipulated by the Company's Code of Business Ethics. Exempt from this policy is support of voluntary employee contributions permitted under local law and supported by public reporting regulations.

Management approach

The objective of Ericsson's advocacy activities is to achieve positive and sustainable long-term conditions for the Company and the Information and Communications Technology sector in general. The Company aims to act as a trusted advisor, offering policy advice and recommendations when a legislative or regulatory action could impact its business and investment conditions. Ericsson sets out to do so in a way that does not risk damaging its reputation or create risks of corruption.

Only employees trained and individually authorized may engage in advocacy activities. An annual vetting process is set up to ensure that employees have obtained prior approval and authorization to speak to public officials. All external engagements with public officials to articulate a public position or Ericsson's view on a regulatory matter shall be registered and employees shall keep a record of contacts, dates of interactions as well as a summary of outcomes of discussions, action points and decisions. These records are analyzed quantitatively, as well as qualitatively through random checks on inputs.

Due diligence

The Company only participates in trade and industry associations that share the Company's ethical values, and it does not engage in any advocacy efforts that would undermine Ericsson's commitment to ethical business practices and its overall advocacy positions.

Any new or existing memberships due for renewal are subject to specific compliance review requirements and conditions. The same general principles, as described above, apply when any employee participates in advocacy activities under the umbrella of any one of these associations.

Climate policy alignment

The Company's memberships and involvement in multilateral industry organizations also cover climate-related advocacy efforts. It is central to Ericsson to only engage in partnerships that share the Company's position on a science-based climate perspective, not conflicting with the Paris Agreement, and partnerships are evaluated on a case-by-case basis.

Note G5, cont'd.

Significant policy topics

Below is a summary of the most significant topics on which Ericsson is engaging with industry and policy makers, and the Company's position on those topics.

Topic	Position
Data and artificial intelligence	The Company's ability to innovate by using data and transferring data across borders is crucial. Artificial intelligence is a necessity for 5G capabilities and Ericsson is committed to building trustworthiness into the systems by design.
Digital inclusion	Ericsson advocates universal internet coverage and digital inclusion, such as affordability and digital literacy efforts. The focus is on low-income countries and countries with low internet penetration. This is done through organizations such as The Broadband Commission for Sustainable Development and the International Telecommunication Union.
Environment and climate change	Ericsson contributes to consultations and hearings on strategies and legislative proposals in the area of environment and climate. The Company's approach is to advocate clear environmental legal requirements that are effective, based on science and that promote the environmental performance of the sector. Ericsson is also advocating for the benefits of digitaliza-tion and 5G in the transition to a Net Zero future.
Human rights	Ericsson is engaged in consultations for legislative proposals and policy developments, and it supports legislation in line with international human rights standards that ensure companies across value chains are covered by the same responsibilities, in particular in relation to the right to freedom of expression and privacy.
Industrial policy	Ericsson advocates a new EU industrial policy, where 5G is recognized as a requirement for Europe's digital transformation by prioritizing a build-out of national 5G coverage, and a regulatory environment that recognizes the B2B aspect of connectivity for industries. Actors who contribute to the creation of the standards should be reasonably compensated for their R&D investments through standard essential patent licensing, while at the same time access is provided to standardized technology.
Network regulation	Ericsson has consistently supported a framework for net neutrality that gives people access to the content, applications and services they want, while at the same time promoting continued investments, experi-mentation, differentiation and innovation.
Network security	Ericsson supports a comprehensive approach to net-work security in mobile telecom networks to ensure that consumers are effectively protected. Such an approach builds on mitigating measures that are implemented with consideration to security relevant interdependencies between layers (standards, products and related development processes, network deployments and network operation that define the security experience), as well as a risk-based approach to mitigation measures within specific layers.
Spectrum allocation and deployment	Timely availability of sufficient amounts of harmonized licensed spectrum is the most efficient way to use spectrum to address both public and private sectors. Ericsson engages on discussions related to availability of spectrum in the short (5G), medium (5G-Advanced) and long term (6G) and advocates harmonization of both spectrum allocations and technical conditions.

Memberships

Ericsson is a member of several international, national and local organizations, which to varying degrees advocate and/or exercise influence over public policy development. Below are the most significant memberships maintained on a Group level. Memberships maintained by subsidiaries and local entities are not included, which is why the list should not be considered exhaustive.

Industry and trade organizations

– African Telecommunications Union
– American Chamber of Commerce
– Asia-Pacific Telecommunity (APT)
– Association of Swedish Engineering Industries (Teknikföretagen)
– Digital Europe
– European Forum for Manufacturing
– European Internet Forum
– European Telecommunications Network Operators' Association (ETNO)
– Global System for Mobile Communications Association (GSMA)
– Hong Kong Chamber of Commerce in Sweden
– International Chamber of Commerce
– International Council of Swedish Industry (NIR)
– Stockholm Chamber of Commerce
– Sweden – China Trade Council
– Sweden – Finnish Chamber of Commerce
– Sweden – German Chamber of Commerce
– Sweden – India Business Council, Round Table
– Sweden – Saudi Business Council
– Sweden Eurasia Chamber of Commerce
– Sweden's General Association for Trade
– Sweden-Bangladesh Business Council
– Swedish – Thai Chamber of Commerce
– Swedish International Chamber of Commerce (ICC)
– Swedish South African Chamber of Commerce
– Tech Sweden
– The International Institute of Communications (IIC)
– The Swedish Institute of International Affairs.

Advocacy organizations

– Business Europe
– European Round Table of Industrialists (ERT)
– World Economic Forum (WEF).

Section O – Other – Basis for preparation

O1 Stakeholder engagement and materiality

Ericsson continuously engages with its stakeholders through different channels to understand their expectations, requirements and concerns around current and emerging environmental, social and governance (ESG) topics. The table below contains highlights of stakeholder engagements taking place over the past year, and the main topics raised by the different stakeholder groups.

Stakeholder group	Examples of ESG-related stakeholder engagements	Main topics and concerns raised
Employees	– Employee surveys – Volunteering and donations campaignes – Cultural transformation workshops – Training and awareness-raising initiatives.	– Business ethics and anti-corruption – Health, safety and well-being of workforce, including transition to hybrid working models – Learning and development – Climate action.
Customers	– Individual customer meetings and dialogues – Customer ESG assessments – Joint research and development.	– Business ethics and anti-corruption – Portfolio sustainability, including energy performance and cir-cularity – Product security and quality features – Role of industry and digitalization in society – Industry-wide supply chain requirements.
Shareholders	– Investor dialogues and Capital Markets Day – Analyst inquiries and meetings – ESG ratings and rankings.	– Business ethics and anti-corruption – Corporate governance – Portfolio sustainability – Transparent and comparable ESG reporting.
Society		
Suppliers	– Responsible Business Alliance – 1.5 C Supply Chain Leaders – Supplier assessments and audits – Supplier training, seminars and workshops.	– Business ethics and anti-corruption – Health, safety and well-being of workforce – Labor rights and working conditions – Environmental and climate requirements – Conflict minerals and material traceability.
Regulators and international institutions	– Policy advocacy toward regulators – Partnerships with: UNICEF/UNHCR/UN World Food Programme UN B-tech Project World Health Organization ITU/UNESCO Broadband Commission for Sustainable Development.	– Environmental and human rights impacts of ICT sector – Digital inclusion and connectivity – Digital education – Humanitarian relief efforts – Radio waves and health.
Academia and business	– Joint research and research funding – Development of technology curriculum – Participation in standardization bodies – Membership of industry associations – European CEO Alliance.	– Environmental impacts of ICT sector – Enablement effect of ICT in mitigating climate change – Radio waves and health.
Civil society, NGOs and other	Participation in/partnerships with: – COP27 – World-Wide Fund for Nature – Exponential Roadmap Initiative – Global Network Initiative.	– Collective climate action – Protection of right to privacy and freedom of expression – Digital inclusion and education.

Materiality analysis

Ericsson has been assessing its business' impacts on people and the environment for many years. Much of this work has been done through peer-reviewed research, particularly on products' environmental impacts through life-cycle analyses. In addition, Ericsson conducts due diligence on human rights to identify salient human rights relevant to its business. Non-financial factors, such as security and privacy, and people matters are also integrated into the Company's Enterprise Risk Management Framework. Topic-specific impacts, risks and opportunities are described in connection to each specific topic on pages 11 to 39 in this report.

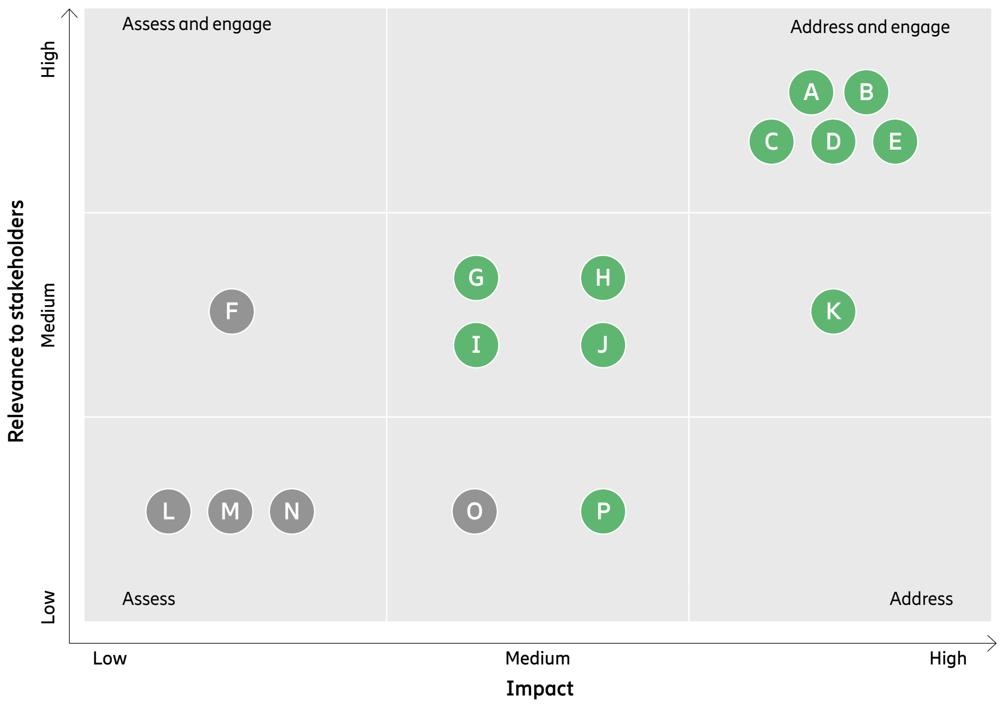
These inputs form the foundation for Ericsson's materiality analysis. Informing the analysis are also stakeholder engagements and dialogues as described above, as well as external benchmarks.

The matrix on the next page summarizes the outcome of the materiality analysis. The Board of Directors and Executive team reviews the outcome of the materiality analysis as part of their review and approval of the Sustainability and Corporate Responsibility report as a whole.

Ericsson acknowledges the increasing expectations on companies to conduct due diligence and the factors to consider when identifying material environmental, social and economic impacts, risks and opportunities. Ericsson plans to develop its process for identifying material ESG topics in the coming years to further inform its strategies, as well as define the scope of its external disclosures, in alignment with emerging regulation.

Materiality as referred to in the Sustainability and Corporate Responsibility report refers to the level of direct and indirect impact Ericsson, through its operations and its value chain, has or may have on the environment, people and society. This definition of materiality is different from, and should not be interpreted as, the definition of materiality used in the context of mainstream and regulatory financial reporting.

Note O1, cont'd.



A Business ethics and anti-corruption
B Climate action – portfolio energy performance
C Human capital [1)]
D Health, safety and well-being
E Security and privacy
F Radio waves and health
G Climate action – own activities
H Human rights
I Resource circularity
J Responsible management of suppliers
K Digital inclusion
L Biodiversity
M Non-GHG emissions to air
N Water [2)]
O Waste [3)]
P Corporate citizenship

1) Human capital covers several people-related aspects such as talent attraction and retention, diversity and inclusion and learning and development.
2) Water in this context refers to process and sanitary water use at Ericsson's own facilities.
3) Waste in this context refers to waste generated in Ericsson's day-to-day operations. Waste in the form of end-of-life products is included under the topic "Resource circularity".

● Topics considered significant and covered in this report ● Topics not considered significant and therefore not covered in this report

O2 Reporting principles, scope and external assurance

This Sustainability and Corporate Responsibility report ("the report"), published on March 7, 2023, constitutes Ericsson's annual statutory sustainability report and contains information about impacts, risks and opportunities, governance and policies, management approaches, targets and performance metrics relevant to material environmental, social and corporate governance (ESG) related aspects of the Company and its value chain. A description of Ericsson's business model can be found on pages, 1 and 5–11, and a description of financial and non-financial risk factors on pages 108–122 of the Financial Report, which is also part of Ericsson's Annual Report.

Reporting principles and frameworks

The report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards. Ericsson has in the preparation of the report applied reporting principles as prescribed in the standard GRI 1: Foundation (2021). The report has also been prepared in accordance with the UN Guiding Principles on Business and Human Rights reporting framework.

In addition, the report includes climate-related disclosures included in the recommendations of the Taskforce on Climate related Financial Disclosures (TCFD) as well as relevant disclosures in applicable Sustainability Accounting Standards Board (SASB) standards. Ericsson is also reporting on the core disclosures of the Stakeholder Capitalism Metrics developed and endorsed by the International Business Council and the World Economic Forum.

As a supplement to the report, an ESG reporting reference index is published on the ESG section of the Investor Relations pages on Ericsson's website. The index contains detailed references to applied reporting frameworks and standards and includes the GRI content index.

Scope and boundaries

Unless otherwise stated, the information and data provided pertain to the period January 1 to December 31. The report covers the Ericsson Group, that is the parent company Telefonaktiebolaget LM Ericsson and its subsidiaries as presented in note P8 to the parent company's financial statements in the Financial Report. The report does not include environmental and social data related to associated companies or joint ventures. These constitute a limited share of the Group's headcount and operations.

As a general principle, baselines for Group ESG targets are recalculated when the effect of a merger, acquisition or divestment on the performance of a target key performance indicator is assessed as significant. In other cases, baselines or data pertaining to previous reporting periods are not restated. Information on restatements made in the reporting year can be found in note O3 on page 42.

In 2022 Ericsson acquired Vonage, now part of Businness Area Global Communications Platform and in 2020, Cradlepoint, now part of Business Area Enterprise Wireless Solutions. For a number of disclosures, primarily people-related, these entities have not yet been fully consolidated into the Group's ESG reporting. At year end 2022, these entities had a headcount of about 2,300 and 1,300 employees respectivly, equal to 3.4% of the Group's total headcount. Where the scope of a disclosure point excludes one or both of these entities, this is indicated in a footnote.

This report contains disclosures related to the Company's up- and downstream value chain including suppliers, vendors, customers and other business partners. There are inherent uncertainties to the completeness, accuracy and verifiability of this information as it relates to performance and activities which are beyond the Company's direct influence and oversight.

External assurance

The report has been subject to assurance procedures by the Company's statutory auditors in accordance with the assurance standard ISAE 3000. The report as a whole has been subject to limited assurance procedures. Additionally, information on greenhouse gas emissions in Scope 1, 2 and Scope 3 categories Business Travel and Downstream Transportation, presented in note E2, as well as information on the share of women per employee category, presented in note S1, have been subject to reasonable assurance procedures. The assurance statement can be found on page 43.

Related reporting and disclosures

Ericsson publishes other ESG-related statements and reports on its website, such as the annual CDP Climate Change questionnaire response, a Modern Slavery and Human Trafficking Statement, and a Conflict Minerals Report.

Contact information

Inquiries related to this report can be made to:
corporate.responsibility@ericsson.com

03 Restatements of information

- The following information in note E2 has been restated:
  - Emissions in scope 3 category Business travel has been restated as Ericsson has refined its methodology for estimating these emissions. Figures reported for 2021 and 2020 have been restated from 12 and 17 to 9 and 14 thousand tonnes of CO_2e respectively to make them comparable to data reported for 2022
  - Emissions in scope 3 category Employee commuting has been restated as Ericsson has refined its methodology for estimating these emissions. Figures reported for 2021 and 2020 have been restated from 23 and 30 to 27 and 37 thousand tonnes of CO_2e respectively to make them comparable to data reported for 2022
  - Emissions in scope 3 category Use of sold products and services has been restated as Ericsson has refined its methodology for estimating these emissions in 2022. Figures reported for 2021 and 2020 have been restated from 32 and 34 to 25 and 27 million tonnes of CO_2e respectively to make them comparable to data reported for 2022. The resulting reduction in emissions is due to a combination of using more granular methods for estimating sold products' energy consumption, updated average grid emission factors, and consideration of individual customers' purchases of renewable energy, where such data is available. Consequently, related information in note E2 on the share of the value carbon footprint and emissions intensity broken down per scope has also been restated
- Information in note E3 on product take-back volumes has been restated as Ericsson has redefined the scope of this disclosure. Previously this included all products received through the take-back program, regardless of if they had been put on the market or not. From 2022 and onwards the scope is limited to the weight of products taken back from customers, and not from internal sources, such as redundant stock. Total weights reported for 2021 and 2020 have been restated from 8,850 and 10,203 to 5,389 and 6,079 tonnes respectively, as has data broken down by disposal method, to make figures comparable to those reported for 2022
- Information in note S2 on employee to CEO total compensation ratio reported for 2021 has been restated from 97 to 98. This is due to Cradlepoint employees being excluded from the restated 2021 figures because of limitations in accessing comparable data for total compensation.

Assurance report

Auditor's Assurance Report on Ericsson's Sustainability and Corporate Responsibility Report and statement regarding the Statutory Sustainability Report

To Telefonaktiebolaget LM Ericsson, corporate identity number 556016-0680

Introduction
We have been engaged by the Board of Directors and Executive Management of Telefonaktiebolaget LM Ericsson ("Ericsson") to undertake an assurance engagement of the Ericsson Sustainability and Corporate Responsibility Report ("the Sustainability Report") for the year 2022. The Company has defined the scope of the Sustainability Report on page 41 in the Sustainability Report, which also constitutes the Statutory Sustainability Report.

Responsibilities of the Board of Directors and the Executive Management
The Board of Directors and the Executive Management are responsible for the preparation of the Sustainability Report including the Statutory Sustainability Report in accordance with the applicable criteria and the Annual Accounts Act respectively. The criteria are defined on page 41 in the Sustainability Report, and are part of the Sustainability Reporting Standards published by GRI (Global Reporting Initiative), which are applicable to the Sustainability Report, as well as the accounting and calculation principles that the Company has developed. This responsibility also includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or error.

Responsibilities of the auditor
Our responsibility is to express a conclusion on the Sustainability Report based on the assurance procedures we have performed and to express an opinion regarding the Statutory Sustainability Report. Our engagement is limited to historical information presented and does therefore not cover future-oriented information.

We conducted our engagement in accordance with ISAE 3000 (revised) *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*. The engagement includes limited assurance on the complete Sustainability Report, and an audit of selected information consisting of GHG emissions in Scope 1, 2, and Scope 3 categories Business travel and Downstream transportation disclosed on page 15, as well as information on the share of women per employee category, disclosed on page 22 in the Sustainability Report.

The objective of an audit is to obtain reasonable assurance that the information is free of material misstatements. A reasonable assurance engagement includes examining, on a test basis, evidence supporting the selected information in the Sustainability Report. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. Our examination regarding the Statutory Sustainability Report has been conducted in accordance with FAR's accounting standard RevR 12 *The auditor's opinion regarding the Statutory Sustainability Report.* A limited assurance engagement and an examination according to RevR 12 is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

The firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent of Ericsson in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

The limited assurance procedures performed and the examination according to RevR 12 do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. The conclusion based on a limited assurance engagement and an examination according to RevR 12 does not provide the same level of assurance as a conclusion based on an audit. Since this engagement is combined, our conclusions regarding the limited assurance, the reasonable assurance, and the examination according to RevR 12 will be presented separately below.

Our procedures are based on the criteria defined by the Board of Directors and the Executive Management as described above. We consider these criteria suitable for the preparation of the Sustainability Report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion below.

Conclusion
Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Sustainability Report, is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Executive Management.

In our opinion, the selected information in the Sustainability Report which has been subject to our reasonable assurance procedures has, in all material respects, been prepared in accordance with the criteria defined by the Board of Directors and Executive Management

A Statutory Sustainability Report has been prepared.

Stockholm 7 March 2023

Deloitte AB

Thomas Strömberg
Authorized Public Accountant

Lennart Nordqvist
Expert Member of FAR

Glossary

2G
Second generation of mobile systems (the first digital generation). Includes GSM, TDMA, PDC and cdmaOne.

3G
Third generation mobile systems. Includes WCDMA/HSPA, CDMA2000 and TD-SCDMA.

4G
Fourth generation mobile systems, also known as LTE.

5G
The fifth generation of mobile systems. An evolution of 4G/LTE.

ABC
Anti-bribery and corruption.

AI
Artificial intelligence. The ability of a machine to perform a task commonly associated with intelligent beings.

API
Application programming interface. A software intermediary for two or more computer programs to communicate with each other.

Cloud native
Software approach of building, deploying, and managing modern applications in cloud computing environments.

CO_2e
Carbon dioxide equivalents. The amount of a particular greenhouse gas, expressed as the amount of carbon dioxide that gives the same greenhouse effect.

COVID-19
The disease caused by the coronavirus (SARS-CoV-2).

COVID-19 pandemic
The global spread of the disease caused by the coronavirus (SARS-CoV-2).

Downstream in value chain / Downstream emissions
Activities (and related greenhouse gas emissions) occurring post manufacturing/productions, primarily associated with a product or service's distribution, use and end-of-life phases.

ESG
Environment, Social, and Governance. Refers to the three overarching themes for assessing non-financial factors which can impact a company's value-creating abilities and enterprise value.

GHG
Greenhouse gases. Naturally occurring and man-made gases that trap heat in the atmosphere, contributing to the greenhouse effect warming the earth.

GHG (Greenhouse gas) protocol
A global standardized framework for measuring, accounting and managing greenhouse gas emissions.

Global Reporting Initiative (GRI) Standards
The first and most widely adopted global standards for sustainability reporting. GRI is an independent international organization that has pioneered sustainability reporting since 1997.

GSM
Global System for Mobile Communications. Second generation mobile system.

ICT
Information and Communication Technology.

IoT
Internet of things, interconnection of computing things enabling them to send and receive data.

ITU
International Telecommunication Union.

LCA
Life-Cycle Assessment. An approach for calculating the environmental impact of a product or service across all its lifecycle phases, ranging from extraction of raw materials and manufacturing to usage and end-of-life management.

LTE
Long-Term Evolution. 4G; the evolutionary step of mobile technology beyond 3G HSPA, allowing data rate above 100 Mbps.

LWI
Lost workday incidents. An incident resulting in one or more lost workdays.

Mobile broadband
Wireless high-speed internet access using the HSPA, LTE, CDMA2000EV-DO and 5G technologies.

Net Zero
A state in which no net additions of greenhouse gases are released into the atmosphere. Organizations can achieve this primarily by reducing their emissions as well as using certain accepted carbon capture, removal and storage technologies to neutralize any unavoidable remaining emissions.

Own Activities
Cover GHG emissions in Scope 1, 2, and Scope 3 categories Business Travel and Employee Commuting.

SASB
Sustainability Accounting Standards Board.

SBTi
The Science Based Target initiative, A partnership between CDP, the United Nations Global Compact, World Resources Institute (WRI) and the World Wide Fund for Nature (WWF) that defines and promotes best practice in emissions reductions and net-zero targets in line with climate science, including providing a second opinion on the ambition level of targets set by corporates and other entities.

Scope 1
Direct GHG emissions derived from sources that are owned or controlled by an organization, typically through combustion of fossil fuels.

Scope 2
Indirect GHG emissions derived from the energy purchased and consumed, but not generated by, an organization, typically from acquired electricity, heating and cooling.

Scope 3
Other indirect GHG emissions which are a consequence of the activities of the company but are derived from sources not owned or controlled by the company. These include emissions occurring in the supply chain as well those occurring when customers use a company's products and services.

SDGs
Sustainable Development Goals. The 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015, provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. At its heart are the 17 Sustainable Development Goals (SDGs), which are an urgent call for action by all countries – developed and developing – in a global partnership.

TCFD
Task force on Climate related Financial Disclosures.

The Paris Agreement
A legally binding international treaty on climate change, adopted by 196 Parties at the UN Climate Change Conference (COP21) in Paris 2015. The Paris Agreement sets out a global framework to avoid dangerous climate change by limiting global warming to well below 2 C and pursuing efforts to limit it to 1.5 C.

UNGC
United Nations Global Compact. Is a voluntary initiative adopted in 2005 by the UN Secretary-General, based on CEO commitments to Implement universal sustainability principles and to take steps to support the UN Sustainable Development Goals.

UNGP
The UN Guiding Principles Reporting Framework was launched in February 2015 and is the first comprehensive guidance for companies to report on human rights issues in line with their responsibility to respect human rights. This responsibility is set out in the UN Guiding Principles on Business and Human Rights, which constitute the authoritative global standard in this field.

UNHCR RETS
United Nations High Commissioner for Refugees – Refugee Emergency Telecommunications Sector. RETS is the mechanism through which UNHCR coordinates the communications technology response in emergencies.

UNICEF
United Nations children's fund, established in 1946, and responsible for providing humanitarian and developmental aid to children worldwide.

Upstream in value chain / upstream emissions
Activities (and related greenhouse gas emissions) occurring in an organization's supply chain, including extraction of raw materials, manufacturing, assembly and distribution of purchased products and components, and other acquired services.

WEF
World Economic Forum.

WFP-led ETC
Emergency Telecommunications Cluster led by World Food Programme (WFP).

The terms "Ericsson", "the Company", "the Group", "us", "we", and "our" all refer to Telefonaktiebolaget LM Ericsson and its subsidiaries.

More information

Information about Ericsson and its development is available on the website: www.ericsson.com. Annual and interim reports and other relevant shareholder information can be found at: www.ericsson.com/investors

Every care has been taken in the translation of this annual report to English. However, in the event of discrepancies, the Swedish original will supersede the English translation.

Contact details

Ericsson headquarters
Torshamnsgatan 21, Kista
SE-164 83 Stockholm
Sweden

Registered office
Telefonaktiebolaget LM Ericsson
Torshamnsgatan 21, Kista
SE-164 83 Stockholm
Sweden

Investor relations
For questions on the Company, please contact Investor Relations:
Phone: +46 10 719 0000
Email: investor.relations@ericsson.com

Contact details for ADR program

For ADR institutional investors and brokers
Deutsche Bank ADR broker services desk
New York: Tel +1 212 250 9100
London: Tel +44 207 547 6500

For registered ADR Holders
Deutsche Bank Shareholder Services
American Stock Transfer & Trust Company
Email: DB@amstock.com
Toll-free number: +1 800 937 5449
Direct Dial: +1 718 921 8124

Ericsson Annual Report 2022

Project management
Ericsson Investor Relations

Design and production
SAFIR Communication

Photos of Board of Directors and Executive Team
Glenn Røkeberg

Printing
Larssons Offset 2023
Printed on Amber Graphic

For printed publications

Order a hard copy of the Annual Report – online:
https://www.ericsson.com/en/investors/financial-reports/order-annual-report

Order a hard copy of the Annual Report – phone:
Strömberg Distribution
Phone: +46 8 449 88 16

NORDIC SWAN ECOLABEL
Printed matter
3041 0298

MIX
Paper from responsible sources
FSC® C104421
www.fsc.org

About Ericsson
We are one of the leading providers of Information and Communications Technology (ICT). We enable the full value of connectivity by creating game-changing technology and services that are easy to use, adopt, and scale, making our customers successful in a fully connected world. Our portfolio spans Networks, Cloud Software and Services, Enterprise Wireless Solutions, Global Communications Platform, Technologies and New Businesses, and IPR licensing.

The Company has approximately 105,000 employees, and customers in around 180 countries. Ericsson is headquartered in Stockholm, Sweden. Our shares are listed on Nasdaq Stockholm and our American Depositary Shares (ADS) are listed on Nasdaq New York. Ericsson's vision is a world where limitless connectivity improves lives, redefines business and pioneers a sustainable future.

Telefonaktiebolaget LM Ericsson
SE-164 83 Stockholm, Sweden
Telephone +46 10 719 00 00
www.ericsson.com

EN/LZT 138 2360 R1A