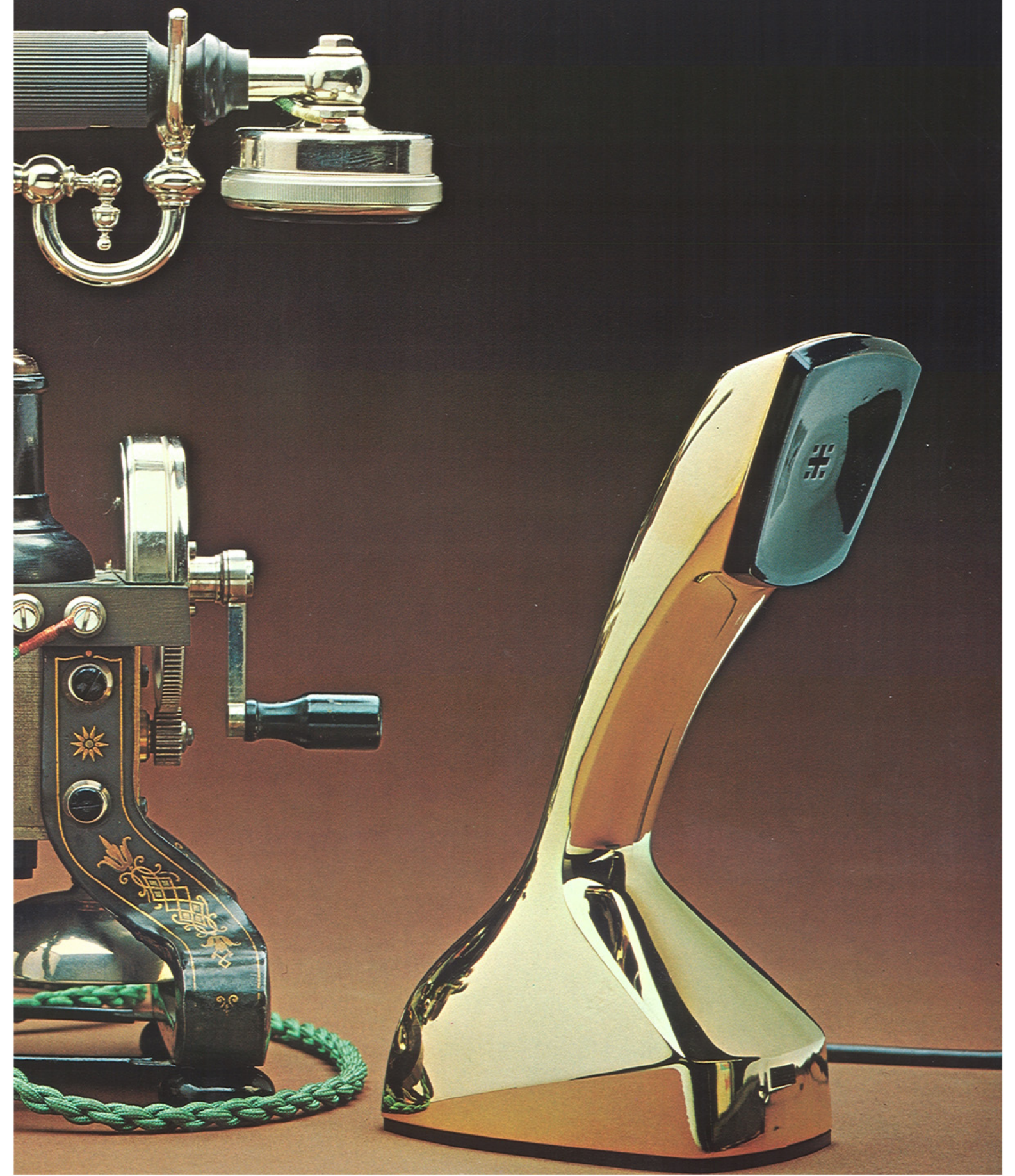


M ERICSSON TELEPHONE COMPANY

75 ANNUAL REPORT

ONE HUNDREDTH YEAR OF OPERATIONS





LM ERICSSON TELEPHONE COMPANY

Annual Report and Year's Review



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U.S. Subsidiaries

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Stock Listed on

Stockholm Exchange A and B shares
Amsterdam, Düsseldorf, Frankfurt B shares
am Main, Geneva, Hamburg,
London, Oslo and Paris
Exchanges

Registrar

LM Ericsson Telephone Company, Head Office,
S-126 25 Stockholm, Sweden

Paying Agents

U.S.A.:

First National City Bank

England:

S. G. Warburg & Co. Ltd.

Sweden:

Skandinaviska Enskilda Banken and
Svenska Handelsbanken

France:

Banque de Paris & des Pays-Bas, Banque Nationale
de Paris, Crédit Lyonnais and Banque de Neuflyze,
Schlumberger, Mallet

Switzerland:

Pictet & Cie, Swiss Bank Corporation and Union
Bank of Switzerland

West Germany:

Bayerische Vereinsbank, Berliner Disconto Bank
AG, Berliner Handels- und Frankfurter Bank,
Deutsche Bank AG, Deutsche Unionbank GmbH,
M. M. Warburg-Brinckmann, Wirtz & Co., Saar-
ländische Kreditbank AG, Sal. Oppenheim jr. & Cie.,
and Westdeutsche Landesbank Girozentrale

Annual General Meeting

The Annual General Meeting will be held at the St. Erik's Fair, Mässvägen 1, Älvsjö, at 4.00 p.m. Friday, June 4, 1976. Shareholders intending to participate in the Annual General Meeting shall give notice to the Headquarters of the Company between 10.00 a.m. and 2.00 p.m. daily, not later than Tuesday, June 1, 1976 at 2.00 p.m.

Dividend

The dividend, as approved by the Annual General Meeting, will be payable against presentation of coupon No. 49 as from Tuesday, June 8, 1976.

Computer-controlled telephone exchange system for updating older exchanges of the Ericsson crossbar type. The first equipment of this type was installed during the year in the local Århus exchange in Denmark, which in its original version went into service in 1953.

In commemoration of the Company's 100th anniversary the cover shows three telephone instruments which have all played an important role in the past century: LM Ericsson's first telephone (1878), the first desk instrument with handset (1892) and the 1976 model of the ERICOFON, here in jubilee styling.

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Installation of coaxial cable in Zambia, where LM Ericsson has received substantial orders for public telephone exchanges and cable.



The 100th anniversary of LM Ericsson will be celebrated on May 5th, 1976, a day which also marks the birth of Lars Magnus Ericsson 130 years ago.

The Board of Directors would like the observance of this centennial to underline the Company's worldwide activities and its notable history.

To commemorate this occasion, the history of the Company will be published. It will record, in three volumes, the company's economic growth and technological advance over the past one hundred years. The research that went into this historical work has brought to light some interesting facts which illuminate events that were very little known earlier, especially from the Twenties and Thirties. It is the Board's hope that the employees and others closely concerned with the Company's activities will benefit from the knowledge and experiences that the book communicates from earlier periods.

The newly established "LM Ericsson International Prize for Significant Contributions within Telecommunications Research or Engineering" is being awarded for the first time. At a ceremony to be held in the Technical Museum in Stockholm on May 5th, His Majesty the King of Sweden will present the prize to Dr. Harold A. Rosen of the Hughes Aircraft Company for his far-sightedness in proposing—against an originally contrary current opinion—the introduction of geostationary satellites and for his eminent scientific and technological contributions to their development, design and operation.

In order to emphasize the Company's importance on the international technical scene, a special symposium is being arranged on the 4th and 5th of May. Its theme is "Telecommunications in a Changing World". Lecturers from six continents will then present their viewpoints on the present and future significance of telecommunications technology.

A great many eminent representatives of the Company's customers the world over have been invited to attend the centennial festivities.

The Company's century of existence coincides with the 100th anniversary of the telephone as a means of communication. For this reason the National Museum of Art in Stockholm has decided to mount a memorial exhibition at which the Company's achievements will also be put on public display.

It is the conviction of the Board that these and many other steps which have been taken to celebrate the Company's one hundred years in business will inspire to the continued pursuit of successful achievements. It may be appropriate here to quote the concluding paragraph of the preface to the history of the Company that was referred to earlier:

"The history of LM Ericsson is an outstanding example of how a company in a small country can achieve international leadership in its field. That the Company's history is to a high degree the story of those who have served the enterprise is clearly apparent from the present work, published on the occasion of LM Ericsson's one hundredth anniversary. Many who have served the Company are identified by name, but the greatest number, understandably, must remain anonymous.

The present volumes are a tribute to all—executives, staff employees and factory personnel—who helped shape the Company's successful growth. LM Ericsson is entering its second century, and a new technological age, with a solid capital of human resources. With the same pioneering spirit, persistence, negotiating skill, inventiveness and splendid spirit of cooperation that have characterized its first one hundred years. Telefonaktiebolaget LM Ericsson can look to the future with assurance and confidence. Of this, I am convinced."

M. Wallenberg

Chairman of the Board of Directors
Telefonaktiebolaget LM Ericsson

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Vice Chairman

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HIGHLIGHTS OF 1975 OPERATIONS

Group sales aggregated \$1,645 million, an increase of 21 percent over 1974. Markets outside of Sweden accounted for 86 percent.

Income, before special adjustments and taxes, amounted to \$166 million, equal to 10.1 percent of sales.

The Board of Directors proposes an increased dividend of S.kr. 6.25 per share together with a bonus of S.kr. 1.00 per share in recognition of the Company's 100th anniversary.

The capital stock will be increased to \$248 million partly through a new issue comprising one new B share for six of the present A and/or B shares at a price of S.kr. 75.00 and partly through a stock dividend consisting of one new B share for four of the present A and/or B shares.

Orders received totaled \$1,974 million, an increase of 17 percent. The Swedish market accounted for 16 percent of orders booked. The order backlog at year-end aggregated \$2,082 million.

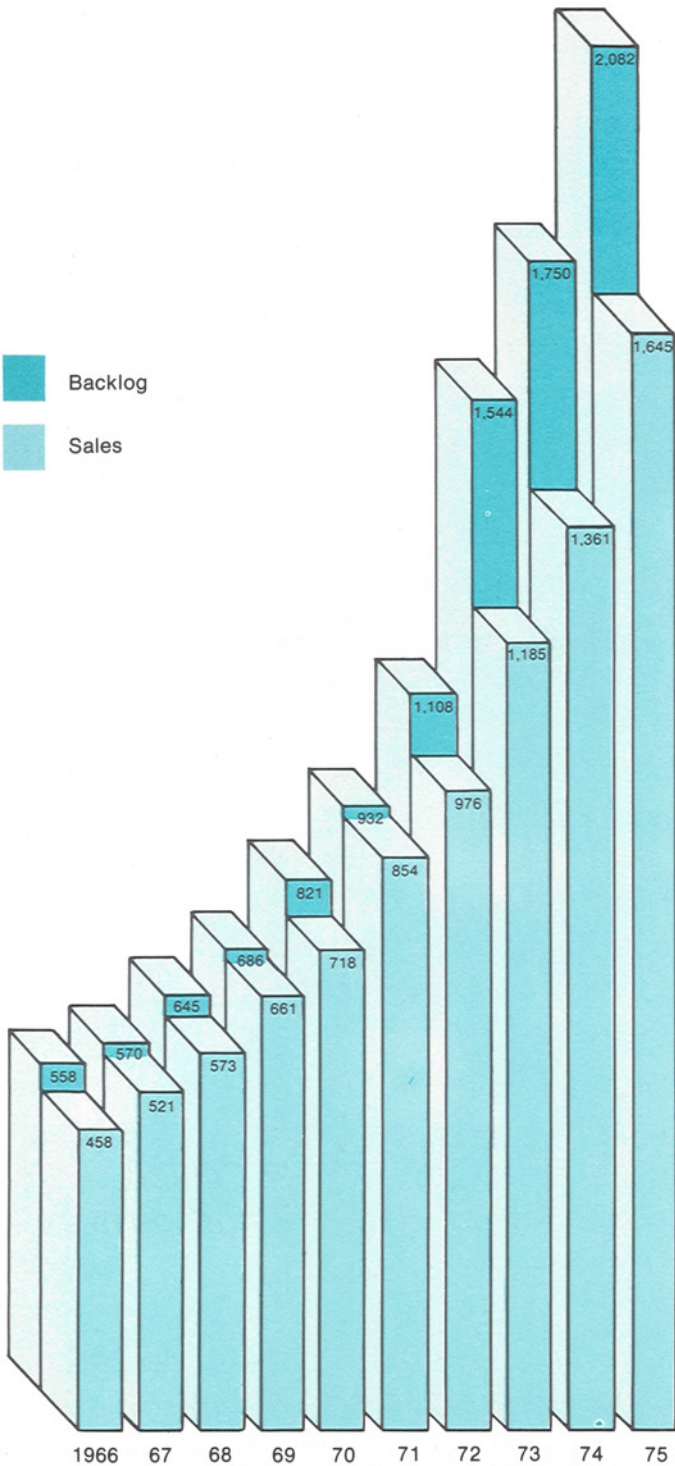
Investments in property, plant and equipment during the year increased to \$149 million. \$116 million was invested in research and development.

Group employees at year-end totaled 84,130 of whom 31,240 were employed in Sweden.

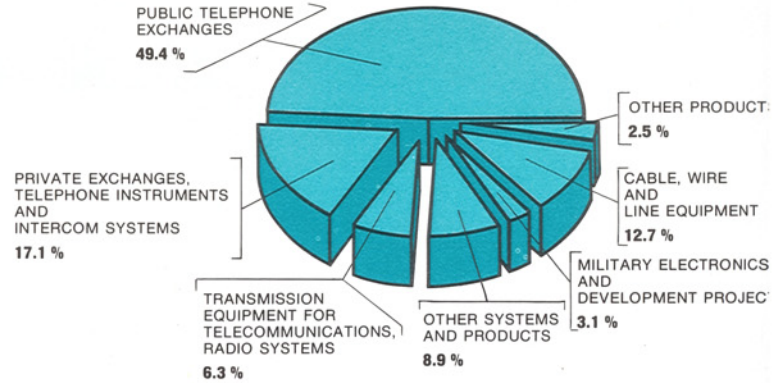
Ericsson Group

SALES AND BACKLOG

Million dollars

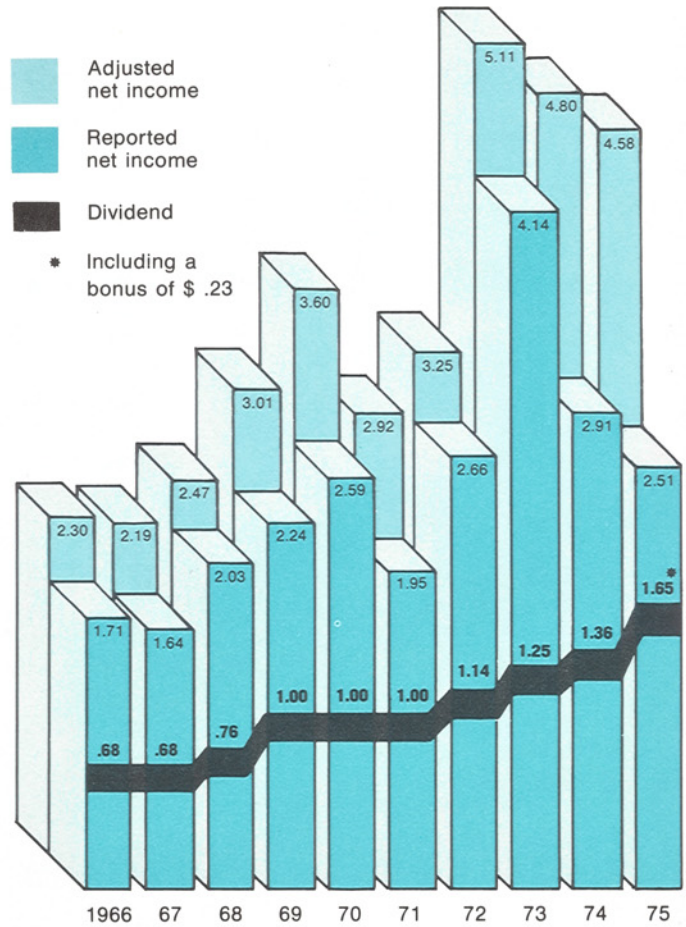


GROUP SALES BY PRODUCTS

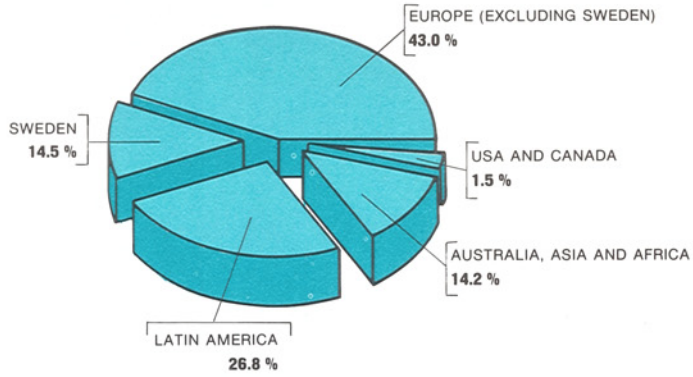


EARNINGS AND DIVIDENDS PER SHARE

Dollars

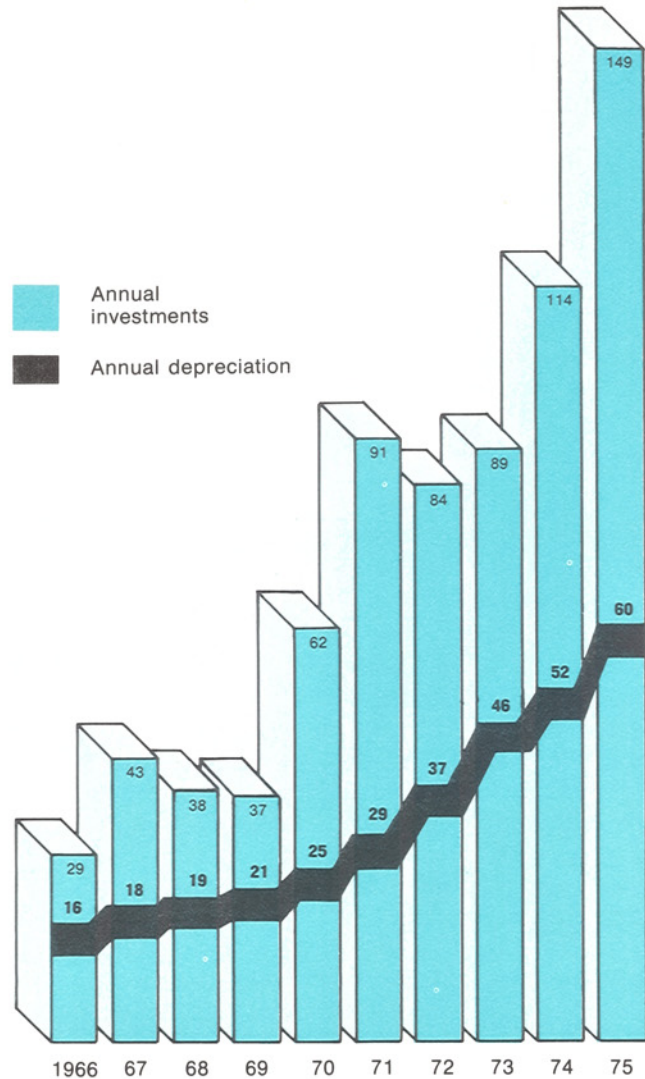


OVERALL GEOGRAPHIC DISTRIBUTION OF SALES



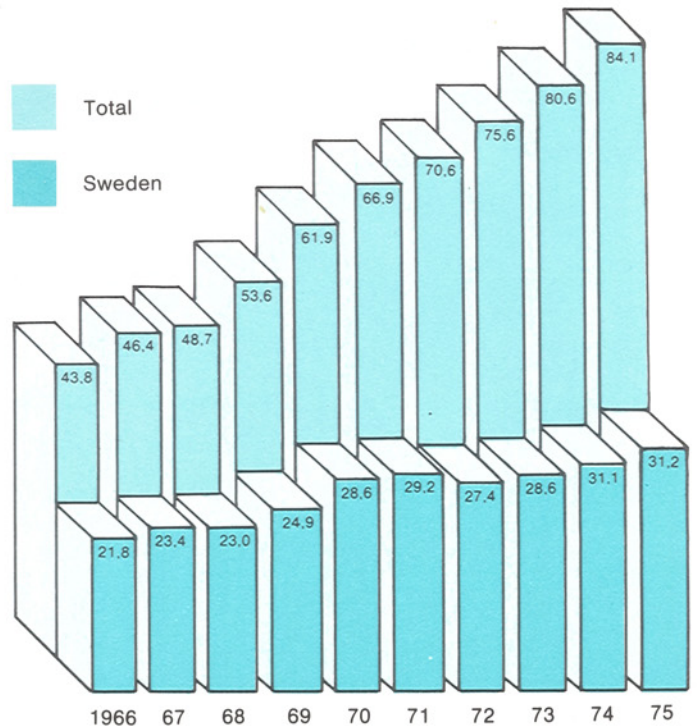
CAPITAL EXPENDITURES

Million dollars



NUMBER OF EMPLOYEES

Thousands





When the President of Finland, Urho Kekkonen, paid his State visit to Sweden in late October, he took the opportunity to tour through the main Ericsson plant in Stockholm.

GROUP

Operating results in brief

(\$ Millions except where otherwise indicated)

	1975	1974	Change
Order bookings	\$1,974.1	\$1,689.1	+16.9 %
Order backlog	\$2,082.2	\$1,750.2	+19.0 %
Sales	\$1,645.4	\$1,360.8	+20.9 %
Income before special adjustments and taxes	\$166.2	\$185.9	
Percent of sales	10.1 %	13.7 %	
Reported net income	\$38.6	\$44.8	
Per share	\$2.51	\$2.91	
Adjusted net income	\$70.5	\$73.9	
Per share	\$4.58	\$4.80	

The economic situation in many industrial countries during 1975 was marked by continued recession and high rates of inflation. Even though various measures were deployed to combat inflation, only a few countries managed to significantly reduce increases in prices and costs.

These factors interacted to put a heavy brake on the vigorous expansion of telephone networks in European industrial countries that was ushered in at the beginning of the 1970s. With very few exceptions telecommunications administrations reduced their capital expenditures foreseen in earlier investment plans. Cutbacks in investment programs became customary as part of efforts of governments to contain inflation. Profitability declined for many telecommunications administrations, with inevitably adverse effects on their ability to generate funds internally because the political authorities were reluctant to approve rate increases. Another consequence of the general

economic situation was a reduction in the demand for telecommunications services, which meant that planned expansion programs had to be postponed.

In many of the oil-producing countries plans were drawn up for substantial expansion of the telephone networks but the realization of these plans is being delayed in several instances owing to inadequate administrative or technical resources. In all likelihood, however, this group of countries will place large-scale orders for telecommunications equipment in the next few years.

Many developing countries outside the OPEC group sustained a severe deterioration in their balance of payments, which forced them to adopt various types of import restrictions. The changed situation led to reappraisals of the rates at which telephone networks should be expanded and to increasing insistence on long-term credits from suppliers.

The telecommunications industry had considerably expanded its manufacturing capacity in earlier years to meet the existing and expected increase in demand for equipment. As a result of changes in international markets, most manufacturers found themselves with excessive capacity which sparked off intensive competition in export markets. Pressure on prices increased, especially from Japanese manufacturers. A growing practice in competitive bidding for international contracts was that governments of those countries which have exporting manufacturing industries lent direct or indirect support to the efforts of these industries.

Personnel costs in Sweden increased more than in those countries were the Group's leading competitors produce for export.

Although the international foreign exchange market was somewhat more stable than in 1974, it has again tended to become more volatile.

The devaluation of the Brazilian cruzeiro continued at a high rate and disruptions in Argentina's economy led to a very sharp devaluation of the peso.

An ever growing interest among telecommunications administrations in the introduction of new technical solutions for the public telephone market could be observed. Events are now entering a phase where the computer-controlled systems will account for a gradually increasing proportion of deliveries. During the year Australia and France invited the first international tenders to select a system for computer-controlled exchanges.

Telephone exchange and other telecommunications equipment for telephony continues to be in strikingly short supply in large parts of the world and it is likely that the number of telephone instruments will more than double over the next 10-year period. The Group, which has long been committed to the development of computer-controlled exchanges, is well poised to meet this demand in both the short and long term.

Order bookings

The Group's order bookings in 1975 amounted to \$1,974.1 million, compared with \$1,689.1 million for 1974, an increase of 17 % over the preceding year (9 %).

The distribution of orders by major product groups was as follows:

(\$ Millions)			Percentage
	1975	1974	change
Public telephone exchanges	\$1,036.1	\$ 836.6	24
Subscriber exchanges, instruments and intercom systems	280.9	291.1	(4)
Transmission equipment and radio communications systems	91.8	125.0	(26)
Other systems and products	134.8	132.3	2
Electronic equipment and development projects for the military	138.9	36.8	277
Cable, wire and network equipment	245.2	223.7	10
Other products	46.4	43.6	6
Total	\$1,974.1	\$1,689.1	17

■ The postponement of plans to expand telephone networks referred to earlier stemmed the flow of orders received for *public telephone exchanges* in some of the Group's major markets. Even so, order bookings were up on the 1974 level by 24 % due amongst other things to substantial orders received from Great Britain and certain African countries.

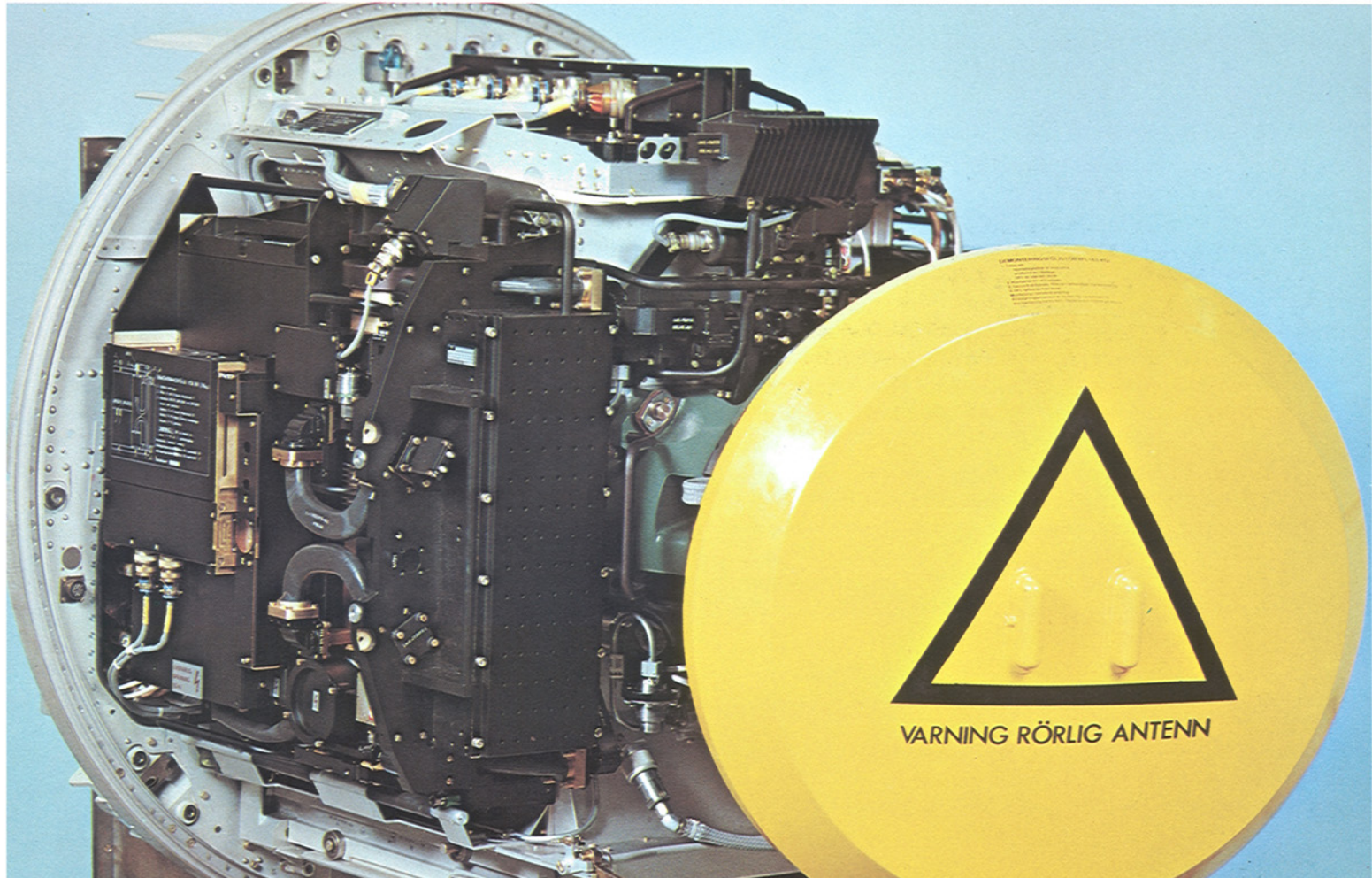
Most of the orders placed were for Ericsson's crossbar systems, which still enjoy a buoyant demand all over the world.

The computer-controlled crossbar systems (ARE) developed within the Group in recent years continued to meet with keen interest, which was reflected in a number of new orders. The central processing units for these systems can be used both in the installation of new facilities and in the modernization of existing crossbar exchanges.

For some years the Group has held a particularly strong position in the field of computer-controlled exchanges for national and international traffic switching (AKE) and has sold more exchanges of this kind than any other manufacturer. Since the system was introduced in 1971 orders have been received from ten or more countries for some 30 exchanges in all, of which 10 are in operation.

A brand new type of a computer-controlled telephone exchange (AXE), for use mainly as local exchange, is now being introduced in world markets. The first installation incorporating this system will be completed during the current year at Södertälje southwest of Stockholm. This new telephone exchange system ushers in a new technological era in that it represents the third generation of computer-controlled systems characterized by a highly sophisticated data processing technique.

■ Sales of *private automatic branch exchanges* (PABX), which rose sharply in 1974, remained at virtually the same level. The continuing recession led to reduced sales in the industrial countries, but the decline could be largely recouped through increased order bookings in Latin America and in certain markets in Africa and Asia.



At the same time as PABX's based on crossbar and code switch techniques have been further developed to improve their traffic-carrying properties and to cater for the special needs of major customers (e.g. for private wire networks), the Group is going ahead with its development of electronic exchanges. These units were first introduced in 1972, when the French subsidiary, Société Française des Téléphones Ericsson (STE), sold the first electronic exchange featuring very large capacity, the PE 1024. The experience of operation of the 1972 unit as well as of a number of similar exchanges delivered since then has been highly favorable. Among new electronic versions of other exchanges that were introduced during 1975 is a unit intended for customers who need equipment with fewer lines which is included in a product series called ERITRONIC. Orders received for *telephone instruments* were unchanged from the previous year. The Swedish Telecommunications Administration placed the first order for a new loud-speaking telephone, the ERICOVOX 200.

In the field of *intercom systems* the Group succeeded in posting somewhat higher sales despite depressed economic conditions.

■ Contracting domestic markets in many countries for *transmission equipment* to handle trunk traffic led to over-production and greatly intensified competition in export markets. Demand in these markets showed a weaker growth than earlier and as a result order bookings in 1975 were considerably below their 1974 level.

Exports of mobile radios and *radio communications equipment* fell. However, increased sales in Sweden made up for the export shortfall so that overall orders received held virtually unchanged.

■ Sales of *interlocking and control systems* for road and rail traffic took an upward turn in Sweden and the rest of Western Europe, while order bookings on other markets were lower than the previous year. A satisfactory flow of orders was achieved for fire-alarm and other security systems as well as for allied telecommunications products. Sales of electronic components were hard hit by the economic slump.

■ In connection with modernization of the Swedish Air Defences major contracts were placed for deliveries of *military electronic equipment* to the Air Force and Army. The recent years' concentration on export markets continued to yield good results.

■ The Swedish factories' domestic market for *power and telephone cable* declined but was compensated by higher exports. By and large the overseas cable factories achieved unchanged order bookings. Network equipment operations showed a continuing increase.

Manufacture of elements for reed switches, which are used in some of LM Ericsson's telephone exchange systems.

Reconnaissance and tracking radar for the fighter version of the Swedish Air Force plane, "Viggen".

The geographic distribution of order bookings in principal market areas was as follows:

(\$ Millions)	Percentage		
	1975	1974	change
Sweden	\$ 316.2	\$ 207.7	52
Europe (excluding Sweden)	849.0	693.8	22
Latin America	466.5	514.0	(9)
Other markets	342.4	273.6	25
Total	\$1,974.1	\$1,689.1	17

Further details of operations in the individual markets appear in the Year's Review.

Production and employment

New manufacturing facilities with a total of 1.3 million sq.ft. of space were completed during the year. Most of the capital expenditure was accounted for by the Parent Company and the subsidiaries in Brazil, France and Spain. By year-end the Group had production facilities (including space for materials handling) totalling 14.2 million sq.ft. of floor area, geographically distributed as follows:

(Thousands of square feet)	1975	1974
Sweden	8,100	7,600
Europe (excluding Sweden)	3,250	2,900
Latin America	2,200	1,800
Other countries	600	550
Total	14,150	12,850

The average level of employment was slightly higher than in 1974. Manpower could be recruited without appreciable difficulties and employee turnover showed a downward tendency.

Disturbances caused by strikes and other unrest in the labor market were negligible.

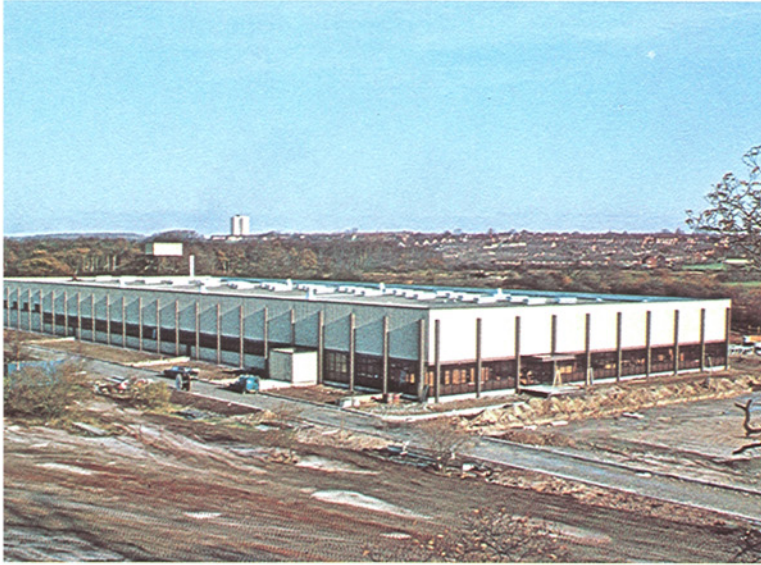
During second-half of 1975 it became necessary at certain plants to reduce the work force to a somewhat lower level which was accomplished by not replacing employees who left.

The average number of factory personnel employed during the year increased by around 6%. The increase occurred to a large extent in the Parent Company and the subsidiaries in Brazil and France. The geographic distribution of factory personnel was as follows:

	1975	1974
Sweden	17,890	17,000
Europe (excluding Sweden)	10,200	9,560
Latin America	5,610	5,080
Other countries	2,300	2,260
Total	36,000	33,900

The increased manufacture of computer-controlled telephone exchange systems has brought with it a need for new production methods. This is especially relevant as regards the complicated testing that is needed in different phases of the manufacturing process to diminish the risk of defects and to reduce the high costs incurred in the installation of these systems. Parallel with development of the systems, therefore, a great deal of effort has gone into the design of

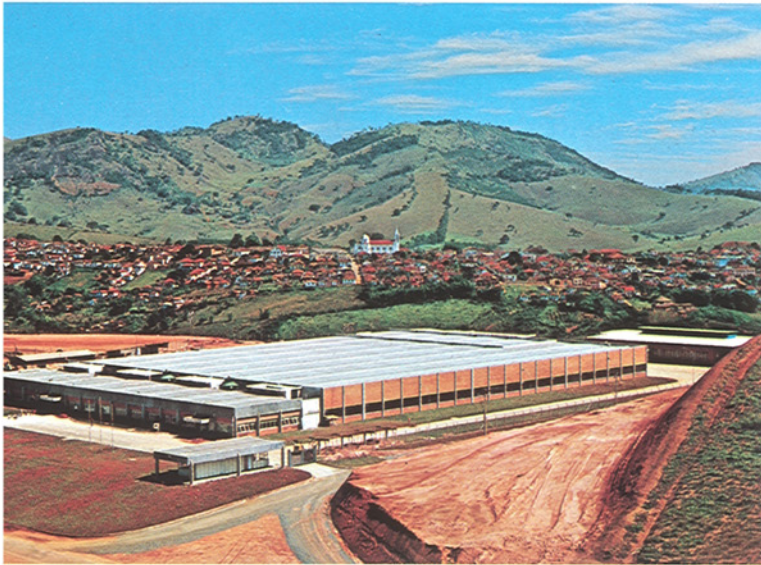
New plants



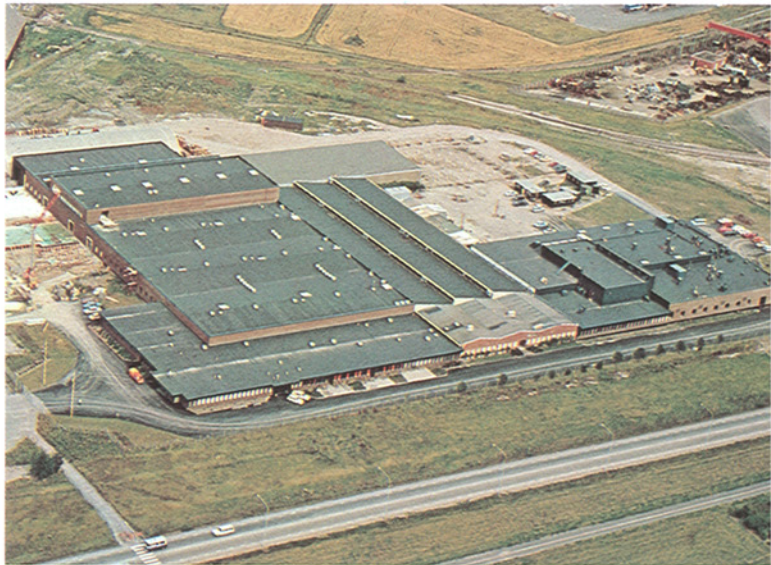
England: Thorn-Ericsson Telecommunications (Mfg) Ltd, Scunthorpe.



Finland: Oy LM Ericsson Ab, Brahestad.



Brazil: Ericsson do Brasil, Paraisopolis.



Sweden: Printed circuit board factory at Ingelsta, Norrköping.

sophisticated, automated manufacturing and testing equipment.

Methods devised by the Parent Company to measure efficiency of cable forming, wiring and testing of telephone systems have been gradually introduced in the factories abroad. These methods, which after exhaustive studies of the work cycle have resulted in standard times for each of the separate operations, have greatly contributed to improving the efficiency of labor-intensive elements in the production process.

Technical development

Once again the main emphasis in Ericsson's research and development was on telephone exchanges. Considerable resources are required to design the massive volumes of programs that are used in the stored program controlled systems. Special efforts were made in 1975 to achieve

optimized organization of these programs as seen by the users. The hardware portion of the equipment is being designed to employ advanced electronic components in the form of integrated circuits in monolithic or hybrid thin-film versions. AB Rifa (RIF), the Group's component-manufacturing affiliate, is making a significant contribution here with its production of custom-designed circuits, as these involve substantial technical or economic benefits.

In 1975 a total of \$116 million was spent on R & D, equivalent to 7 % of the consolidated net sales.

The development work on the new stored program controlled local exchange system, AXE, continued at ELLEMTTEL. The work on the related software was essentially completed. The first pilot exchange at Södertälje, Sweden, is installed and is expected to become operational in autumn 1976. A prototype of the digital group selector which AXE will carry as optional equipment was produced by LM Ericsson Pty in Australia (EPA).

Parallel with the product development an intense effort went into the production of management aids to assist in design, documentation, planning, installation and testing. The object here is to make it much cheaper to carry out the work connected with ordering, installing and using the system.

The new stored program controlled crossbar system for local exchanges (ARE), which has more than amply proved its worth both in new installations and in modernizations and extensions of existing crossbar exchanges was introduced at 25 places in six countries. Similar computer-controlled systems for trunk exchanges are being developed.

Prototype tests on a new computer for the large international, type AKE trunk exchanges were performed and batch production was started during the year.

A new electronic, computer-controlled rate-fixing and billing system is being developed. This system, which also includes sophisticated electronic equipment for operators is intended for national and international trunk exchanges of crossbar type. It permits efficient and uniform handling of both subscriber- and operator-controlled traffic. The development project was pursued in partnership with FATME in Italy.

The French company, Société Française des Téléphones Ericsson (STE), put in service the first crossbar exchanges for large traffic volumes, specially designed for the inner metropolitan area of Paris.

ELLEMTEL made further progress as planned in developing a new stored program controlled, combined local and transit exchange system for telex traffic. The switching equipment is based upon time-division-multiplex technique and is wholly electronic, which will permit substantial reduction of both volume and manufacturing expense. This system is designed for a maximum capacity of 30,000 lines. A 2,000-lines exchange will become operational in Malmö in 1977.

Special equipment is required to supply stored program controlled telephone and telex exchanges with power. The engineering design of such equipment proceeded in parallel with development of the superordinate systems.

In the transmission field the first stage of developing a new generation of multiplex equipment for frequency division systems was concluded. The project encompassed the design of supergroup equipment, making use of new electronic components, and reached an even higher degree of miniaturization, including refined methods of mechanical design. At the same time a new version of terminal equipment for 30-channel PCM systems was completed, this too by drawing upon the latest advances in component technology.

Future transmission systems will use thin glass fibers that let modulated light act as the information carrier. Insignificant material usage and very high information capacity offer promise that these systems will be economically attractive. A broad study of the new technique's potentials was initiated, also involving research groups at the Swedish Institutes of Technology.

Electronic circuits utilizing monolithic and hybrid techniques for transmission and impulsing in the standard tele-

phone instrument, DIALOG, were introduced in 1975. Further, ERICOFON was redesigned and restyled. The new ERICOFON 700 is the Group's first telephone instrument exclusively engineered to embody the most recent electronic advances. It will offer greatly improved transmission characteristics, most notably provided by the use of electret microphones. The electret microphone not only improves transmission characteristics and imparts greater stability to the transmission data but also—which is even more important—is in itself more resistant to physical wear and tear. ERICOFON 700 exclusively comes in a pushbutton version for pulse signalling or voice-frequency code signalling.

In Norway, the national telecommunications administration commissioned Elektrisk Bureau (EBN) to develop a new standard telephone instrument.

In 1975 more and more units within the Parent Company made use of the picture telephone as a practical aid in the day-to-day work. Many of the Group's systems recommendations were accepted in the international standardization work that is going ahead under the auspices of CCITT (International Telegraph and Telephone Consultative Committee).

In the field of private branch exchanges, development work continued at the Parent Company, ELLEMTEL, STE (France) and EPA (Australia) with concentration on electronically engineered exchanges. EPA worked on versions with application of digital techniques.

In the radar field, the newly developed radar for the fighter version of the Viggen military aircraft was put to flight testing. The Viggen incorporates a brand new display panel developed by the subsidiary, Svenska Radio AB (SRA), in which the use of new digital technique has greatly enhanced the operative potentials. The work of developing military optronic systems was intensified in partnership with the Swedish National Defense Research Institute.

In the field of railway signalling, work went ahead on designing a system for automatic train control as part of a program dedicated to improving the safety of rail traffic. In Denmark, Dansk Signal Industri (DSI) was engaged in several projects, among them a device to control train speeds and to stop trains automatically.

A wholly electronic burglar alarm system and a plant alarm system were brought onto market as part of the Group's business concerned with security systems. Also developed was a new two-wire relay system, which captured widespread attention and was installed during the year in the Swedish county alarm system, etc.

Orders were received in 1975 from ESA (European Space Agency, formerly ESRO) to develop the prototype of a multibeam, electronically controlled phase array, which would be chiefly intended for communication between a fixed station on land and a mobile terminal, say on board a ship, via satellite. The development work will cover a complete antenna system.

Within ESA's telesatellite program, OTS, the telecommunications administrations in Denmark, Finland and Sweden ordered earth stations for wave propagation and transmission tests between satellite and earth station within the 12 GHz frequency band.



Sieverts Kabelverk (SKV) successfully developed new types of power cables and ancillary equipment. XLPE-insulated single core cables (i.e. cables insulated with cross-linked polyethylene) with screen of longitudinally laid-on aluminum strip were introduced on the market with a complete line of accessories.

The use of SINIPAL type nickel-plated aluminum wire as street lighting feeder was evaluated in comparison with unplated aluminum, with and without alloying additives, in an extensive investigation carried out by experts from several electric power utilities. The investigation resulted in SINIPAL's favor.

Group results

■ *Net sales* in 1975 amounted to \$1,645.4 million, exceeding 1974 sales of \$1,360.8 million by 21 (21) percent. Deliveries to Swedish customers rose insignificantly and the Swedish share of total sales continued to drop, this time from 17.0 % to 14.5 %. In other markets, there was a slight shift toward a higher proportion of sales in Latin America. The following table shows the distribution of sales by geographic areas.

(\$ Millions)	Increase		
	1975	1974	%
Sweden	\$ 238.4	\$ 230.9	3
Europe (excluding Sweden)	706.9	602.4	17
Latin America	441.4	326.3	35
Other markets	258.7	201.2	28
Total	\$1,645.4	\$1,360.8	21

The distribution of sales by markets as well as by product categories is shown in greater detail on page 32.

■ *Costs of goods and services sold* rose from \$763.3 million in 1974 to \$945.5 million in 1975 and the margin (difference between sales revenue and production costs) was 1.4 percentage points lower than in 1974. The deterioration is attributable to the Brazilian subsidiary (EDB), where margins fell substantially, mainly because the landed cost of materials imported from the Swedish factories to complement local manufacture was significantly increased by unforeseen, sharply higher customs duties which could not be recovered through existing price adjustment clauses. For the rest of the Group the margin improved by 2.3 percentage points.

The year's round of collective bargaining as regards factory personnel led to very steep increases in labor costs, which for the Group as a whole, including social benefits, went up by over 20 %. Pay increases were higher in Sweden than that at some of the major overseas subsidiaries.

Costs for major raw materials did not move very much during 1975, but are showing an upward tendency in the current year. Through all of last year the copper prices

One of the work stations in a new graphic data system, used to produce microelectronic layout patterns at AB Rifa in Stockholm.

The new telephone exchange system, AXE, represents the third generation of stored program control technique. The first AXE exchanges will come on stream in Södertälje, Sweden, and Turku, Finland.

held at a low level while the prices of steel fell sharply during the second quarter. Although the prices of plastic raw materials showed a declining tendency, they began to recover somewhat towards year-end. The international market for electronic components was marked by abundant supply and falling prices.

Good results were achieved in the continuing rationalization of the Parent Company's production, especially from the changeover to more automated production. The growing production volumes at overseas factories opened up prospects for the introduction of Parent Company developed and produced items of equipment for manufacturing and testing to a greater extent.

Only part of the price increases put into effect during the year are reflected in net sales because of long lead times between receipt of order and delivery for the major lines included in the Group's product range.

■ *Overheads* increased from \$372.5 million to \$457.9 million or by 23 (23) %.

The number of persons employed in selling, engineering and administration increased by about 5 %. Nearly half of this increase took place in Sweden, mainly because the Parent Company's technical departments required increased resources.

New pay agreements reached for employees not covered by collective wage agreements resulted in percentage increases that were of the same magnitude as those for factory personnel, i.e. more than 20 %. Since around half the Group's white-collar force works in Sweden, this development had a material effect on overheads, by far the greater part of which comprises salaries. The ratio of overheads to sales increased negligibly.

The foreign exchange losses included in overheads amounted to \$17.6 million (\$29 million). Reference should be made to note 5 to the financial statements.

■ *Depreciation* of property, plant and equipment amounted to \$59.8 million (\$51.6 million). In addition, nonrecurring write-downs in the amount of \$10.1 million (\$5.7 million) in respect of fixed assets acquired during the year were charged against investment reserves.

Depreciation for costing purposes, based on estimated replacement values and the economic life of the assets, corresponded closely to depreciation charged during the year.

■ *Interest expense* amounted to \$87.7 million (\$51.2 million). The excess of interest expense over interest income increased by \$35.4 million.

■ *Income before special adjustments and taxes* amounted to \$166.2 million (\$185.9 million).

As indicated above the Brazilian subsidiary EDB accounted for the impaired margin, mainly because higher customs duties were levied on imported materials. The results were also affected by increased financing costs resulting from government measures to curb imports. To illustrate the point, import licenses cannot be obtained unless the import currency is deposited for a considerable length of time in an account which bears no interest or which is not protected against inflation. The Group's share of EDB's loss for the year amounted to \$16.1 million (1974: profit of \$6.1 million).

Special adjustments and net income

In accordance with tax regulations in Sweden and to some extent in other Nordic countries, appropriations to inventory, investment and other special reserves are deductible for income tax purposes. Further details as to the Swedish requirements in these respects are given in the notes to the financial statements. Appropriations of this type, which are not operating expenses, amounted to \$71.3 million (\$80.5 million).

After deduction of \$49 million (\$57.1 million) for income taxes and \$7.4 million (\$3.4 million) for minority interest net income for the year amounted to \$38.6 million, as compared with \$44.8 million in 1974.

If the Group's reported net income of \$38.6 million (\$44.8 million) is increased on the one hand by the appropriations mentioned above and reduced on the other hand by the income taxes that would have been paid if the special adjustments had not been made, adjusted net income of the Group in 1975 would have amounted to \$70.5 million (\$73.9 million), equivalent to \$4.58 (\$4.80) per share on the 15,380,117 shares outstanding. In the computation of adjusted net income per share the result for the year has been adjusted for the effect of exchange differences aggregating \$116,000 (\$16.4 million) that were taken directly against the reserve for receivables.

Capital expenditure and financing

In 1975 the Group invested \$149.3 million (\$114 million) in fixed assets (property, plant and equipment). Investments in Sweden totaled \$60.3 million (\$47.4 million) largely for extensions to the Parent Company's regional plants and for the erection of new factories and offices for Svenska Radio AB and AB Rifa. Within the foreign segment of the Group, where fixed investment amounted to \$89 million (\$66.6 million), major investments were made in the subsidiaries in Brazil, France, Italy and Spain.

Inventories (after deduction of advance and progress payments) rose by \$157 million. The increase, which was lower than in 1974, should be seen in the light of continuing inflation and the growing volumes of deliveries, but it imposes a strain on the Group's working capital.

Internally generated cash flow, i.e. reported net income after adding back depreciation and special adjustments (including provision for pensions and similar purposes), less the dividend distributed during the year, was somewhat higher than the year before.

During the year the Parent Company floated an issue of Swedish bonds amounting to S.kr. 100 million (\$22.7 million) and raised two loans on the Swiss capital market, one amounting to Sfcs 40 million (\$15.3 million) and the other to Sfcs 50 million (\$19.1 million).

Computerized testing of printed circuits at the Ericsson plant in Östersund, Sweden.



Changes within the Group

With acquisition of the minority interest in LM Ericsson Pty. Ltd. (EPA) in Australia, EPA became a wholly owned subsidiary.

A further 10 % of the shares in Teleindustria Ericsson S. A. in Mexico was sold to Mexican interests, which increased the minority's holding to 40 %.

In Iran, Simco Ericsson Ltd. was formed in partnership with local interests. The new company, in which the Group owns 40 % of the shares, is erecting a cable factory for the manufacture of power cable and installation wire.

The capital stocks of other subsidiary companies were increased during the year through stock dividends and new issues, as indicated in the following table, without affecting the Group's percentage holdings in the respective companies.

		Par value of holding 31/12/74	Increase during 1975	Par value of holding 31/12/75
(in thousands)				
Sweden				
AB Rifa	S. Kr.	35,000	15,000	50,000
Sievverts Kabelverk AB	S. Kr.	108,000	32,000	140,000
Europe (excluding Sweden)				
Oy LM Ericsson Ab	Fmk	18,375	6,625	25,000
Rifa S. A.	FF	7,000	4,000	11,000
LM Ericsson Ltd.	£	180	100	280
Latin America				
Cía Ericsson S. A. C. I.	Arg. Pes.	6,463	3,537	10,000
Industrias Eléctricas de Quilmes S. A.	Arg. Pes.	29,046	8,714	37,760
Ericsson do Brasil Comércio e Indústria S. A.	Cruz.	149,440	99,626	249,066
Telefones Ericsson S. A.	Sucr.	2,730	4,270	7,000
Latinoamericana de Cables S. A. de C. V.	Mex. Pes.	31,625	3,795	35,420
Teleindustria Ericsson S. A.	Mex. Pes.	79,380	11,907	78,246*
Inmobiliaria Securitas S. A. de C. V.	Mex. Pes.	2,100	22,400	21,000*
Australia				
LM Ericsson Pty. Ltd.	A\$	4,360	1,000	7,000**

* after sale of par value 16,541 Mex. Pes.

** after acquisition of par value 1,640 A\$.

Outlook for 1976

Because of the continuing recession and restraints on capital expenditure, the rate of investment in telecommunications in a significant number of countries is not expected to increase during 1976. The same can be said as regards investment in telecommunications equipment by the private sector.

Despite this situation, order bookings are expected to be around 10 percent higher than the level that was achieved in 1975.

The current order backlog together with the anticipated level of orders to be forthcoming should result in increased sales of some 20 percent.

The likely development in raw materials and component costs in 1976 is difficult to determine because of the different economic trends in different countries. The costs of production at Group factories will be variously affected by

the extent to which capacity is utilized, which may vary considerably from country to country and for different products.

In view of these uncertainties and the general conditions which characterize the present business outlook, it is not meaningful at the present time to attempt to predict the results for 1976.

The special difficulties referred to earlier that affected Ericsson do Brasil's operations are expected to be successfully resolved during the year through steps already taken. An important part of these measures is aimed at raising the volume of deliveries from the Brazilian factories so as to reduce the need for imports.

PARENT COMPANY

Total Parent Company revenues in 1975 amounted to \$778.8 million, compared with \$663.1 million in 1974. Revenues from sales of goods and services amounted to \$736.1 million (\$615.2 million), of which \$615.1 million (\$494.1 million) or 84 (80) percent represented shipments to export markets. Revenues from other sources amounted to \$42.7 million (\$47.9 million) as shown below:

(\$ Millions)	1975	1974
Dividends	\$12.4	\$11.4
Interest income	26.8	31.3
Other revenue	3.5	5.2
Total	\$42.7	\$47.9

During the year \$1.1 million (\$1.1 million) was capitalized as "Investment in Technical Development Projects", which covers part of the development costs for long-term projects.

Depreciation of property, plant and equipment amounted to \$18.9 million (\$15.3 million). In addition, acquisitions made during the year of \$5.9 million (\$5.4 million) were wholly written off by charges against the investment reserve. \$5.9 million (\$27.5 million) was appropriated to the reserve for receivables and investments outside Sweden.

An amount of \$37.3 million (\$19.2 million) has been transferred to the general inventory reserve.

An appropriation of \$29.5 million (\$6.8 million) has been made to the reserve for future investments. Allocations to the special reserve for future investments and to environmental improvements reserve, which were mandatory for 1974 and were then made in amounts totaling \$26.1 million, were not required to be made in 1975.

The remaining amount of \$11.4 million (\$10.2 million) has been released from prior years' appropriations to the reserve for investment in inventory.

After the above special adjustments and provision for income taxes totaling \$19.1 million (\$21.1 million), the Parent Company reported a net income of \$27.8 million for 1975 compared with \$28.9 million for 1974.

Reference should be made to the accompanying income statements and balance sheets of the Group and the Parent Company which, together with the notes and supplementary information on pages 28-30, constitute an integral part of the Annual Report.

Proposed stock dividend, new issue and disposition of the unappropriated earnings of the Parent Company

In the opinion of the Board of Directors, it is desirable to strengthen and consolidate the Company's net worth in order to finance the expansion of operations and to achieve a better relationship between stockholders' equity, total assets and total liabilities. The Board therefore proposes that the present capital stock of the Company, \$174,774,000, represented by shares registered as fully paid, be increased partly through the issuance of a stock dividend and partly through a new issue.

It is proposed that the capital stock be increased through a stock dividend of \$43,694,000 through the issuance of 3,845,029 Series B shares whereby stockholders will receive one new share for every four of the Series A and/or Series B shares presently held. This increase of the capital stock will be accomplished by the revaluation of fixed assets and investments and by appropriating retained earnings as follows:

a) Revaluation of land and buildings to tax assessment values	\$31,364,000
b) Revaluing the shares held in the Swedish subsidiaries AB Aulis, Fastighets AB Rådmannen, Sieverts Kabelverk AB and Svenska Radio AB to par value	11,158,000
c) Transfer from unappropriated earnings	1,172,000
	<u>\$43,694,000</u>

It is proposed to effect the new issue of shares so that the capital stock, in addition to the stock dividend referred to above, be further increased by \$29,129,000 through the issuance of 2,563,352 Series B shares at S.Kr. 75.00 per share, whereby stockholders will receive first option to subscribe for the new shares in the ratio of one new share for every six of the Series A and/or Series B shares presently held. The premium of S.Kr. 25.00 per share will be taken to the legal reserve.

The new shares carry dividend rights as from the 1976 financial year. The stamp tax on the new shares will be paid by the Company.

The Board further proposes that it is appropriate for the Company to adopt simplified sharehandling procedures as recommended by law.

After the transfer of unappropriated earnings to capital stock as proposed above, the sum available for disposition by the stockholders at the Annual General Meeting totals \$59,746,000, which includes a general reserve of \$22,125,000.

The Board proposes that the above amount be appropriated as follows:

To the stockholders, a dividend of S.Kr. 6.25 per share (against coupon No. 49) together with a bonus of S.Kr. 1.00 per share in recognition of the Company's 100th anniversary	\$25,342,000
To be transferred to the legal reserve	12,273,000
To be carried forward	22,131,000
	<u>\$59,746,000</u>

If the above proposals relating to stock dividend, new issue and disposition of unappropriated earnings are accepted, the stockholders' equity as shown in the balance sheet will be as follows:

Capital stock	\$247,597,000
Legal reserve	61,905,000
Special legal reserve	47,341,000
Unappropriated earnings including general reserve ...	22,131,000
	<u>\$378,974,000</u>

The Director responsible for the Transmission Division, Sten Engström, left us after an illness that he bore with indomitable courage.

He devoted his whole career to the Company and to the work of the division of which he became its most eminent representative. Under his leadership the division's products won a prominent position in world markets and the division gained international renown through technical achievements of a high order.

Sten Engström was a genuine person who through his sound judgment, warmth and sense of humor won many friends at home and abroad.

The Board of Directors expresses its gratitude for his achievements.

Stockholm in March, 1976

HENNING AUGUSTSSON
WILHELM SÖDERMAN

MARCUS WALLENBERG
ERIK BOHEMAN
LARS-OLOF EKEBERG
JAN WALLANDER
BJÖRN LUNDEVALL
President

WERNER SUNDELL
RAGNAR WOXÉN

Consolidated Income Statement

TELEFONAKTIEBOLAGET LM ERICSSON
AND SUBSIDIARY COMPANIES

	1975	1974
Net sales	\$1,645,375,000	\$1,360,815,000
Share in earnings less losses of unconsolidated subsidiaries and associated companies	13,304,000	14,642,000
Interest income	42,024,000	40,979,000
Other revenue	16,410,000	8,067,000
	<u>1,717,113,000</u>	<u>1,424,503,000</u>
Cost of products and services sold	945,543,000	763,328,000
Selling, administrative, research and development expenses	457,881,000	372,520,000
Depreciation (Note 3)	59,773,000	51,575,000
Interest expense	87,693,000	51,215,000
Income before special adjustments and taxes	<u>166,223,000</u>	<u>185,865,000</u>
Special adjustments (Note 4)		
Transfer to special reserve for accounts receivable and investments outside Sweden, net	7,133,000	30,208,000
Transfer to special inventory reserve	38,173,000	20,914,000
Transfer to reserve for future investments	38,255,000	8,111,000
Transfer to reserve for environmental improvements	—	18,009,000
Transfer to special reserve for future investments	—	13,472,000
Transfer from reserve for investment in inventory	(11,995,000)	(10,227,000)
Environmental improvements expense charged against the reserve	(257,000)	—
	<u>71,309,000</u>	<u>80,487,000</u>
Income before taxes	94,914,000	105,378,000
Taxes on income	48,970,000	57,091,000
	<u>45,944,000</u>	<u>48,287,000</u>
Minority interest	7,352,000	3,449,000
Net income	<u>\$ 38,592,000</u>	<u>\$ 44,838,000</u>

The notes on pages 28 and 29 are an integral part of the Consolidated Income Statement.

The United States dollar amounts shown in the above statement represent translations from Swedish kronor at the parity exchange rate at December 31, 1975 of S.Kr. 4.40 to \$1.00.

Consolidated Balance Sheet

TELEFONAKTIEBOLAGET LM ERICSSON
AND SUBSIDIARY COMPANIES

ASSETS	December 31	
	1975	1974
CURRENT ASSETS		
Cash	\$ 246,784,000	\$ 219,800,000
Notes and accounts receivable—trade (<i>less provision for doubtful accounts, 1975: \$4,693,000; 1974: \$5,120,000</i>)	669,622,000	527,545,000
Inventories (<i>less advance and progress payments, 1975: \$167,452,000; 1974: \$137,157,000</i>) (Note 2)	824,425,000	667,435,000
Other current assets	130,669,000	113,652,000
	<u>1,871,500,000</u>	<u>1,528,432,000</u>
LONG-TERM ASSETS		
Cash on time deposit (Note 4)	30,991,000	17,364,000
Notes and accounts receivable—trade	155,208,000	145,040,000
Other long-term assets	20,774,000	18,573,000
	<u>206,973,000</u>	<u>180,977,000</u>
INVESTMENTS IN SUBSIDIARY AND ASSOCIATED COMPANIES		
Investments	94,796,000	81,151,000
Accounts receivable	16,790,000	20,356,000
	<u>111,586,000</u>	<u>101,507,000</u>
INVESTMENT IN TECHNICAL DEVELOPMENT PROJECTS	3,273,000	3,091,000
PROPERTY, PLANT AND EQUIPMENT (Note 3)		
Cost	767,886,000	644,006,000
Less—Accumulated depreciation	390,447,000	336,859,000
	<u>377,439,000</u>	<u>307,147,000</u>
Revaluation, net	36,566,000	43,250,000
	<u>414,005,000</u>	<u>350,397,000</u>
ASSETS PLEDGED TO SECURE INDEBTEDNESS	1975 \$400,408,000	1974 \$260,988,000
	TOTAL ASSETS	
	<u>\$2,607,337,000</u>	<u>\$2,164,404,000</u>

The notes on pages 28 and 29 are an integral part of the Consolidated Balance Sheet.

The United States dollar amounts shown in the above statement represent translations from Swedish kronor at the parity exchange rate at December 31, 1975 of S.Kr. 4.40 to \$1.00.

LIABILITIES AND STOCKHOLDERS' EQUITY	December 31	
	1975	1974
CURRENT LIABILITIES		
Bank loans	\$ 206,963,000	\$ 123,969,000
Accounts payable—trade	106,222,000	109,401,000
Advances from customers	249,854,000	247,658,000
Accrued income and other taxes	59,933,000	66,008,000
Other current liabilities	254,968,000	202,300,000
	<u>877,940,000</u>	<u>749,336,000</u>
LONG-TERM DEBT		
Debentures (<i>net of unrealized exchange differences, 1975: \$12,302,000; 1974: \$9,268,000</i>) (Notes 5 and 6)	285,811,000	207,198,000
Other long-term liabilities	338,332,000	207,767,000
	<u>624,143,000</u>	<u>414,965,000</u>
PENSION AND SIMILAR PROVISIONS	149,942,000	125,231,000
SPECIAL RESERVES (Note 4)		
Special reserve for accounts receivable and investments outside Sweden	120,674,000	113,642,000
Special inventory reserves	168,503,000	130,317,000
Reserve for future investments	59,974,000	31,386,000
Reserve for environmental improvements	17,626,000	18,009,000
Special reserve for future investments	13,160,000	13,472,000
Reserve for investment in inventory	—	11,995,000
	<u>379,937,000</u>	<u>318,821,000</u>
MINORITY INTEREST IN STOCKHOLDERS' EQUITY	93,253,000	91,548,000
STOCKHOLDERS' EQUITY		
Capital stock (Note 7)	174,774,000	174,774,000
Reserves not available for distribution	159,731,000	143,757,000
Unappropriated earnings (see page 22)	147,617,000	145,972,000
	<u>482,122,000</u>	<u>464,503,000</u>
CONTINGENT LIABILITIES	\$48,380,000	\$49,012,000
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$2,607,337,000	\$2,164,404,000

The United States dollar amounts shown in the above statement represent translations from Swedish kronor at the parity exchange rate at December 31, 1975 of S.Kr. 4.40 to \$1.00.

Changes in Stockholders' Equity

CONSOLIDATED	Capital stock	Reserves not available for distribution	Unappropri- ated earnings	Total
Balance at January 1, 1975	\$174,774,000	\$143,757,000	\$145,972,000	\$464,503,000
Transfer to reserves not available for distribution and stock dividends ...		15,974,000	(15,974,000)	
Cash dividend declared by the Par- ent Company			(20,973,000)	(20,973,000)
Net income for 1975			38,592,000	38,592,000
Balance at December 31, 1975	<u>\$174,774,000</u>	<u>\$159,731,000</u>	<u>\$147,617,000</u>	<u>\$482,122,000</u>

The Boards of Directors of the respective companies have proposed that \$20.5 million of the above balance be appropriated in 1976 to reserves not available for distribution.

In evaluating the consolidated financial position, it should be noted that:

- (1) Unappropriated earnings in certain foreign subsidiaries will become subject to Swedish taxes if and when such earnings are transferred to the Parent Company, and,
- (2) In certain countries currency restrictions apply to transfer of dividends.

PARENT COMPANY	Capital stock	Reserves not available for distribution	Unappropri- ated earnings*	Total
Balance at January 1, 1975	\$174,774,000	\$74,091,000	\$62,432,000	\$311,297,000
Transfer to the special legal reserve .		8,318,000	(8,318,000)	
Cash dividend			(20,973,000)	(20,973,000)
Net income for 1975			27,777,000	27,777,000
Balance at December 31, 1975	<u>\$174,774,000</u>	<u>\$82,409,000</u>	<u>\$60,918,000</u>	<u>\$318,101,000</u>

* including a general reserve of \$22,125,000

Source and Application of Funds—Consolidated

SOURCE OF FUNDS	1975	1974
Net income (including minority interest)	\$ 45,944,000	\$ 48,287,000
Depreciation	59,773,000	51,575,000
Special adjustments, less exchange differences charged to reserve for accounts receivable. (The adjustments include pension and similar provisions, 1975: \$24,711,000; 1974: \$14,501,000)	95,904,000	78,581,000
	<u>201,621,000</u>	<u>178,443,000</u>
Sale of stock and minority subscription of new shares	1,641,000	807,000
Long-term borrowings, net of amortization	209,178,000	19,463,000
Other items (net)	10,001,000	(833,000)
	<u>\$422,441,000</u>	<u>\$197,880,000</u>
APPLICATION OF FUNDS		
Property, plant and equipment additions	\$149,263,000	\$114,046,000
Dividend paid (including Parent Company dividend, 1975: \$20,973,000; 1974: \$19,225,000)	24,839,000	22,728,000
Increase in cash on time deposit	13,627,000	11,109,000
Increase in investments and receivables in unconsolidated subsidiaries and associated companies	10,080,000	19,217,000
Increase in working capital (in 1975 including increase \$10,168,000 and in 1974, decrease \$25,946,000 in long-term receivables)	224,632,000	30,780,000
	<u>\$422,441,000</u>	<u>\$197,880,000</u>

The United States dollar amounts shown in the above statements represent translations from Swedish kronor at the parity exchange rate at December 31, 1975 of S.Kr. 4.40 to \$1.00.

Parent Company Income Statement

TELEFONAKTIEBOLAGET LM ERICSSON

	1975	1974
Net sales	\$736,126,000	\$615,160,000
Dividends	12,372,000	11,452,000
Interest income	26,839,000	31,258,000
Other revenue	3,534,000	5,229,000
	<u>778,871,000</u>	<u>663,099,000</u>
Cost of products and services sold	419,257,000	341,530,000
Selling, administrative, research and development expenses	202,792,000	163,001,000
Depreciation (Note 3)	18,923,000	15,338,000
Interest expense	29,874,000	23,726,000
	<u>108,025,000</u>	<u>119,504,000</u>
Income before special adjustments and taxes		
Special adjustments (Note 4)		
Transfer to special reserve for accounts receivable, net	5,908,000	27,542,000
Transfer to special inventory reserve	37,273,000	19,205,000
Transfer to reserve for future investments	29,545,000	6,818,000
Transfer to reserve for environmental improvements	—	14,932,000
Transfer to special reserve for future investments	—	11,205,000
Transfer from reserve for investment in inventory	(11,364,000)	(10,227,000)
Environmental improvements expense charged against the reserve	(205,000)	—
	<u>61,157,000</u>	<u>69,475,000</u>
Income before taxes	46,868,000	50,029,000
Taxes on income	19,091,000	21,136,000
	<u>\$ 27,777,000</u>	<u>\$ 28,893,000</u>
Net income		

The notes on pages 28–30 are an integral part of the Income Statement.

The United States dollar amounts shown in the above statement represent translations from Swedish kronor at the parity exchange rate at December 31, 1975 of S.Kr. 4.40 to \$1.00.

Parent Company Balance Sheet

TELEFONAKTIEBOLAGET LM ERICSSON

ASSETS	December 31	
	1975	1974
CURRENT ASSETS		
Cash	\$ 138,152,000	\$ 148,989,000
Notes and accounts receivable—trade		
Subsidiary companies	231,072,000	152,397,000
Other (<i>less provision for doubtful accounts, 1975: \$ 719,000; 1974: \$ 390,000</i>)	177,085,000	135,702,000
Inventories (<i>less advance and progress payments, 1975: \$13,078,000; 1974: \$11,028,000</i>)	328,943,000	266,589,000
Other current assets	32,648,000	27,789,000
	<u>907,900,000</u>	<u>731,466,000</u>
LONG-TERM ASSETS		
Cash on time deposit	20,420,000	11,239,000
Notes and accounts receivable—trade		
Subsidiary companies	15,994,000	28,361,000
Other	108,910,000	113,840,000
Other long-term assets	1,683,000	2,150,000
	<u>147,007,000</u>	<u>155,590,000</u>
INVESTMENTS IN SUBSIDIARY AND ASSOCIATED COMPANIES		
Subsidiary companies		
Investments (see pages 26 and 27)	135,192,000	130,957,000
Accounts receivable	23,243,000	28,047,000
Associated companies		
Investments (see page 27)	12,019,000	9,938,000
Accounts receivable	439,000	897,000
	<u>170,893,000</u>	<u>169,839,000</u>
INVESTMENT IN TECHNICAL DEVELOPMENT PROJECTS	3,273,000	3,091,000
PROPERTY, PLANT AND EQUIPMENT		
Cost	254,128,000	223,125,000
Less—Accumulated depreciation	172,954,000	153,450,000
	<u>81,174,000</u>	<u>69,675,000</u>
Revaluation—net	30,012,000	31,789,000
	<u>111,186,000</u>	<u>101,464,000</u>
ASSETS PLEDGED TO SECURE INDEBTEDNESS	1975 \$225,058,000	1974 \$168,546,000
	TOTAL ASSETS	\$1,340,259,000
		\$1,161,450,000

The notes on pages 28–30 are an integral part of the Balance Sheet.

The United States dollar amounts shown in the above statement represent translations from Swedish kronor at the parity exchange rate at December 31, 1975 of S.Kr. 4.40 to \$1.00.

LIABILITIES AND STOCKHOLDERS' EQUITY	December 31	
	1975	1974
CURRENT LIABILITIES		
Bank loans	\$ 13,061,000	\$ 1,616,000
Accounts payable—trade	27,891,000	30,958,000
Advances from customers	56,717,000	51,683,000
Accounts payable to consolidated subsidiary companies	23,491,000	23,090,000
Other current liabilities	134,305,000	122,828,000
	<u>255,465,000</u>	<u>230,175,000</u>
LONG-TERM DEBT		
Debentures (<i>net of unrealized exchange differences, 1975: \$12,302,000; 1974: \$9,268,000</i>) (Notes 5 and 6)	247,386,000	196,769,000
Other long-term liabilities	106,386,000	71,686,000
	<u>353,772,000</u>	<u>268,455,000</u>
PROVISION FOR PENSIONS	81,180,000	69,811,000
SPECIAL RESERVES (Note 4)		
Special reserve for accounts receivable	104,595,000	98,802,000
Special inventory reserve	171,309,000	134,036,000
Reserve for future investments	30,208,000	11,373,000
Reserve for environmental improvements	14,727,000	14,932,000
Special reserve for future investments	10,902,000	11,205,000
Reserve for investment in inventory	—	11,364,000
	<u>331,741,000</u>	<u>281,712,000</u>
STOCKHOLDERS' EQUITY		
Capital stock (Note 7)	174,774,000	174,774,000
Legal reserve	35,068,000	35,068,000
Special legal reserve	47,341,000	39,023,000
General reserve	22,125,000	22,125,000
Unappropriated earnings (see page 22)	38,793,000	40,307,000
	<u>318,101,000</u>	<u>311,297,000</u>
CONTINGENT LIABILITIES	1975 \$124,761,000	1974 \$115,485,000
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$1,340,259,000</u>	<u>\$1,161,450,000</u>

The United States dollar amounts shown in the above statement represent translations from Swedish kronor at the parity exchange rate at December 31, 1975 of S.Kr. 4.40 to \$1.00.

Investments

Stocks directly owned by Parent Company

Consolidated Subsidiary Companies		Percentage of ownership (decimals omitted)		Par value of holding (in thousands)	Carrying value of holding	
Sweden						
I	Ericsson Telephone Sales Corp. AB (ESS)	100	S.Kr.	50	\$ —	
I	LM Ericsson Telemateriel AB (LMS)	100		30,000	6,795	
I	AB Rifa (RIF)	100		50,000	11,114	
I	Sieverts Kabelverk AB (SKV)	100		140,000	24,545	
I	Svenska Radio AB (SRA)	71		15,040	2,010	
III	Fastighets AB Rådmanen nr 1 (FAR)	100		7,400	114	
III	KA-fabrikens Fastighets AB (KFA)	100		200	115	
IV	AB Aulis (AUL)	100		6,000	454	
IV	Casa Konsult AB (CAS)	100		500	113	
IV	LM Ericsson Instruktionsteknik AB (ITA)	100		200	23	
IV	LM Ericssons Signal AB (SIB)	100		150	—	
IV	Mexikanska Telefon AB Ericsson (MTE)	100		32,400	7,803	
V	ELLEMTEL Utvecklings AB (EUA)	50		5,000	1,364	
Europe excluding Sweden						
I	Oy LM Ericsson Ab (LMF)	100	Finland	Fmk	25,000	6,609
I	LM Ericsson A/S (LMD)	100	Denmark	D.Kr.	40,000	6,105
I	Dansk Signal Industri A/S (DSI)	100	Denmark	D.Kr.	10,000	1,685
I	Ericsson Centrum GmbH (CEH)	100	Germany	DM	4,000	1,376
I	Swedish Ericsson Rentals Ltd. (CRL)	100	United Kingdom	£	20	51
I	LM Ericsson Ltd. (LMI)	100	Ireland	£	280	288
I	Ericsson Telefoonmaatschappij bv (ETM)	100	The Netherlands	Fl.	10,000	2,912
I	Société Française des Téléphones Ericsson (STE)	51	France	FF	32,994	17,185
I	RIFA S.A. (RFF)	100	France	FF	11,000	2,358
I	Ericsson AG (EAS)	100	Switzerland	S.Fcs	1,500	428
I	Industrias de Telecomunicación S.A. (Intelsa) (ITS)	50*	Spain	Ptas	400,000	6,517
I	LM Ericsson S.A. (LES)	100	Spain	Ptas	75,000	1,438
I	Soc. Ericsson de Portugal, Lda. (SEP)	100	Portugal	Esc.	15,000	284
IV	Production Control (Ericsson) Ltd. (PCE)	100	United Kingdom	£	1	—
IV	Swedish Ericsson Co. Ltd. (SEL)	100	United Kingdom	£	792	2,598
IV	SETEMER Soc. per Az. (STM)	51	Italy	It.L	4,400,056	6,402
IV	Elmé, S.A. (LML)	100	Luxembourg	B.Fcs.	50	—
IV	Deutsche Ericsson GmbH Telemateriel (EVG)	100	Germany	DM	20	—
U.S.A. and Canada						
I	LM Ericsson Telecommunications Inc. (LMU)	100	United States	US\$	400	310
I	LM Ericsson Limited – LM Ericsson Limitée (LMC)	100	Canada	Can.\$	No par value	560
IV	The Ericsson Corporation (TEC)	100	United States	US\$	No par value	6
Latin America						
I	Latinoamericana de Cables S.A. de C.V. (LCM)	58	Mexico	Mex.P.	35,419	2,880
I	Teléfonos Ericsson S.A. (TEM)	100	Mexico	Mex.P.	8,000	581
I	Teleindustria Ericsson, S.A. (TIM)	60	Mexico	Mex.P.	78,246	5,938
I	Telequipos S.A. (TEP)	100	Panama	US\$	10	12
I	Cía Anónima Ericsson (CEV)	100	Venezuela	Bol.	10,000	2,302
I	Ericsson de Colombia S.A. (EDC)	74*	Colombia	Col.P.	6,869	634
I	Fábricas Colombianas de Materiales Eléctricos Facomec S.A. (FAC)	5*	Colombia	Col.P.	1,621	99
I	Teléfonos Ericsson C.A. (TEE)	100	Ecuador	Sucres	7,000	195
I	Cía Ericsson S.A. (CEP)	100	Peru	Soles	2,178	86
I	Ericsson do Brasil Comércio e Indústria S.A. (EDB)	74	Brazil	Cruz.	249,066	1,538
I	Cía Ericsson de Chile S.A. (CEC)	100	Chile	Chil.P.	1	111
I	Cía Ericsson S.A. (CEU)	100	Uruguay	Ur.P.	50	257
I	Cía Ericsson S.A.C.I. (CEA)	100	Argentina	Arg.P.	10,000	588
I	Industrias Eléctricas de Quilmes S.A. (IEQ)	100	Argentina	Arg.P.	37,760	1,533
III	Inmobiliaria Parque Vía S.A. (IPM)	100	Mexico	Mex.P.	2,500	235
IV	Inmobiliaria Coapa S.A. (ICM)	100	Mexico	Mex.P.	1,000	142
IV	Empresa Sul Americana de Telefones S.A. (EST)	100	Brazil	Cruz.	2	—
IV	Mextron S.A. de C.V. (MSM)	100	Mexico	Mex.P.	1,000	330
IV	Teleric Sales Corporation (TSP)	100	Panama	US\$	No par value	1
IV	Teléfonos Ericsson C.A. (TEV)	100	Venezuela	Bol.	700	176

* Through holdings in subsidiaries, the Group owns 51% of ITS, 43% of EBN, 42% of SEB, 80% of STA, 40% of SME and 100% of EDC and FAC.

		Percentage of ownership (decimals omitted)		Par value of holding (in thousands)	Carrying value of holding
Other Countries					
I	Société Algérienne des Téléphones Ericsson (STA)	60*	Alg.Din.	12	\$ —
I	Ericsson (Zambia), Ltd. (EZZ)	100	Kwacha	150	235
I	Ericsson India Ltd. (EII)	60	Rup.	740	114
I	Telecommunication Manufacturers (Malaysia) SDN BHD (TMK)	100	M\$	3,000	1,240
IV	Ericsson Talipon SDN BHD (ETK)	100	M\$	150	58
Total consolidated subsidiary companies					<u>\$130,847</u>

Unconsolidated Subsidiary Companies

II	Cía Argentina de Teléfonos S.A. (CAT)	78	Arg.P.	26,333	\$ 2,418
II	Cía Entrerriana de Teléfonos S.A. (CET)	86	Arg.P.	8,586	1,927
Total unconsolidated subsidiary companies					<u>\$ 4,345</u>
Total subsidiary companies					<u>\$135,192</u>

Associated Companies

I	GNT AUTOMATIC A/S (GNT)	49	D.Kr.	20,090	\$ 476
I	Fios e Cabos Plásticos do Brasil S.A. (Ficap) (FCB)	45	Cruz.	54,521	5,524
I	Sielte S.A. Instalações Elétricas e Telefônicas (SEB)	7*	Cruz.	175	31
I	A/S Elektrisk Bureau (EBN)	35*	N.Kr.	13,206	2,930
I	Société Marocaine des Téléphones et Télécommunications "SOTELEC" (SME)	29*	Dirham	88	30
I	Simco Ericsson Ltd. (SET)	40	Rial	56,000	808
IV	Thorn-Ericsson Telecommunications Ltd. (TEL)	49	£	980	2,220
Total associated companies					<u>\$ 12,019</u>

Other Companies

See specification on page 30	Total other companies	<u>\$1,249</u>
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Stocks indirectly owned by Parent Company

(Minor items omitted)

Consolidated Subsidiary Companies

I	Kabmatik AB (KAB)	100	S.Kr.	3,000
I	Thorsman & Co AB (TCN)	100	S.Kr.	9,500
I	AB Transvertex (TRX)	100	S.Kr.	105
I	Établissements Ferrer-Auran S.A. (FAF)	49	FF	3,732
I	FATME Soc. per Az. (FAT)	51	It.L	5,128,270
I	SIELTE Soc. per Az. (SEI)	51	It.L	2,564,135
I	Société Libanaise des Téléphones Ericsson (STL)	100	L£	50
I	LM Ericsson Pty. Ltd. (EPA)	100	A\$	7,000
I	A.E.E. Capacitors Pty. Ltd. (AEE)	100	A\$	1,800
I	Telemontaje S.A. de C.V. (TMM)	60	Mex.P	3,900
III	Inmobiliaria Securitas S.A. de C.V. (ISM)	60	Mex.P	21,000
IV	Teleric Pty. Ltd. (TLA)	100	A\$	1,996

Associated Companies

I	Bjurhagens Fabriker AB (BFA)	50	S.Kr.	7,500
I	Bofa Kabel AB (BOF)	50	S.Kr.	5,000
I	Kabeldon AB (KDA)	50	S.Kr.	2,500
I	AB Norrköpings Kabelfabrik (NKF)	50	S.Kr.	750
I	AB Elektrokoppar (EKS)	25	S.Kr.	3,750
I	Svenska Elgrossist AB, SELGA (SEG)	34	S.Kr.	12,818
I	A/S Norsk Kabelfabrik (NKD)	43	N.Kr.	6,919
I	A/S Telesystemer (ATN)	43	N.Kr.	2,594
I	Thorn-Ericsson Telecommunications (Sales) Ltd. (SEE)	49	£	294
I	Thorn-Ericsson Telecommunications (Mfg.) Ltd. (TME)	49	£	245
I	Conqueror Cables Pty. Ltd. (CCA)	40	A\$	3,000
V	Société Lannionnaise d'Électronique SLE-CITEREL (SLE)	17	FF	2,021

KEY TO FUNCTIONS OF COMPANIES

- I Manufacturing and distributing companies
- II Telephone operating companies
- III Real estate companies

- IV Holding and other non-operating companies
- V Development companies

Notes to the financial statements

Note 1

The consolidated financial statements include the accounts of the Parent Company and all subsidiaries with the exception of the telephone operating companies in Argentina. Because of the nature of their operations, these companies are included in the accounts in accordance with the principles applied in reporting the equity in earnings of associated companies.

In the translation of the accounts of foreign subsidiaries, property, plant and equipment—and depreciation thereon—have been recorded at exchange rates at date of acquisition. Other assets and liabilities have been translated at year-end exchange rates, except for the inventories of the Brazilian subsidiary and that company's advances from customers, which have been translated at historical rates. Because of the heavy devaluation of the Argentine peso, the inventories held by cable and sales companies in Argentina have also been translated at historical rates.

Note 2

Inventories are generally valued at standard cost, which approximates cost on a "first-in, first-out" basis, not in excess of market.

Profits from intra-Group sales which have not been realized at year-end through sales to customers outside the Group have been eliminated in their entirety in valuing inventories, even in the case of those companies with minority interests.

Profits on large contracts are recorded in accordance with the "percentage of completion" method. If costs remaining on such contracts are estimated to exceed remaining revenues, provisions for estimated losses are established.

Note 3

The Parent Company and its Swedish subsidiaries generally depreciate buildings at a rate of 2 to 4 percent on historical cost and machinery and equipment at 20 % on historical cost or 30 % of book value. In addition, nonrecurring write-downs are made against investment reserves. Subsidiary companies outside Sweden follow depreciation methods adapted to local practices.

Revaluations of property, plant and equipment occurred in connection with stock dividends declared by the Parent Company and Sieverts Kabelverk AB. To the extent that they relate to buildings, the revaluations—which do not exceed the tax assessment values—are depreciated at a rate of 5 % per annum.

Property, plant and equipment at December 31, 1975 comprised:

	Cost	Revaluation
Land	\$ 30,774,000	\$ 8,467,000
Buildings	248,471,000	44,348,000
Machinery and equipment	435,561,000	—
	714,806,000	52,815,000
Construction in process	53,080,000	—
	767,886,000	52,815,000
Less accumulated depreciation ..	390,447,000	16,249,000
Net book value	\$377,439,000	\$36,566,000

Note 4

The following provides additional information about the "Special reserves" shown in the financial statements.

The reserve for accounts receivable and investments outside Sweden consists mainly of write-downs of Parent Company receivables which are tax-deductible in Sweden. Amounts recovered are subject to tax at the rate prevailing when collection is made. The 1976 rate is estimated at 55 %.

In accordance with Swedish tax regulations, appropriations to inventory reserves are deductible for tax purposes within specified limits. In principle, the inventory reserve may amount to 60 % of the inventory value based on the "first-in, first-out" method. That portion of the inventory reserve which is liquidated, as in the case of an inventory reduction, will become taxable.

In accordance with a special regulation Swedish companies are permitted to set aside a certain portion of their pre-tax earnings to a fund—more familiarly known as the future investments reserve—for the purpose of equalizing fluctuations in business conditions. The appropriations to this reserve is deductible for tax purposes and 46 % of the amount set aside must be deposited on a non-interest-bearing account with the Bank of Sweden. On obtaining permission from the authorities to utilize the investment fund the proportionate amount placed on deposit may be withdrawn. When the approved investments in fixed assets (buildings, machinery etc.) have been completed, the cost of such assets, to the extent that this may be covered by the approved use of the reserve for future investments, is written down completely by transferring a similar amount from the reserve to accumulated depreciation. As a result, taxable income is increased by a similar amount during the normal depreciation period because no further depreciation is required in respect of such assets.

In 1974, regulations requiring compulsory appropriations to a reserve for environmental improvements and a special reserve for future investments were adopted in Sweden. The appropriations were based on a certain percentage of income before tax. Amounts equal to the total appropriations were deposited on non-interest-bearing accounts with the Bank of Sweden. Conditions relating to the utilization of these reserves and withdrawals of funds deposited with the Bank are largely the same as those applying to the older voluntary reserves described above. However, employee approval must be obtained for the use of the reserve for environmental improvements. In the case of the special investment reserve, the opinions of the employees must be obtained.

Under a special regulation which permits deductions for income tax purposes of amounts corresponding to capital gains from the disposal of operating properties, SKV allocated \$3.2 million to a replacement reserve, which may be used in the future to cover nonrecurring write-downs of newly-acquired property. This appropriation is included in the financial statements together with the investment reserves.

During the year \$10 million was withdrawn from the reserve for future investments and the special investment reserve to effect nonrecurring write-downs of fixed assets acquired in 1975. A withdrawal of \$125,000 was made from the reserves for environmental improvements for similar purposes; in addition \$257,000 was utilized to cover the cost of environmental improvements of a non-capital nature.

Note 5

(\$ thousands)	1975	1974
Realized exchange (gains) and losses	\$ (428)	\$ 7,866
Unrealized exchange losses of subsidiaries (a)	17,490	9,126
Translation differences (b)	577	12,019
Total exchange losses charged to operations	\$17,639	\$29,011

(a) As in previous years accounts receivable and payable in currencies other than the local currency of subsidiaries at year-end irrespective of when they fall due, have been translated at year-end exchange rates.

(b) Exchange differences which arise on translating the balance sheets of foreign subsidiaries from local currency into Swedish kronor. These differences, which have the character of unrealized profits or losses, were lower than in 1974, one reason being a favorable movement of the local currency in relation to the krona in some of the major foreign subsidiaries. Because of their nature, unrealized losses of this type are not deductible for tax purposes.

The Parent Company's foreign currency receivables, the greater part of which is in US dollars, which fall due for payment in 1976 have been translated at year-end exchange rates while those falling due for payment in 1977 and later years have been translated at historical rates as in earlier years. The US dollar receivables and cash balances of the Parent Company included in the consolidated accounts with due dates ranging from 1976 to 1984, amounted to \$208.4 million and are stated at S.Kr. 926.6 million.

The loans of the Parent Company in foreign currencies which fall due for payment in 1976 have been valued at year-end exchange rates. As regards those loans which fall due in 1977 and later years, an amortization plan has been drawn up for the preparation of the financial statements to account for unrealized exchange differences based on year-end exchange rates and maturities of the various loans. The loans are stated at year-end exchange rates less the unamortized portion of the exchange differences as computed under the plan. The plan will be revised in the preparation of accounts in the future for the effects of subsequent movements in exchange rates in the currencies in which the loans have been raised.

The net unrealized exchange difference of the Parent Company computed as above, \$116,000, has been charged to the special reserve for accounts receivable.

Note 6

Debentures

PARENT COMPANY

4 ¹ / ₂ % Debentures of 1944, due 1977 to 1978, S.Kr. 2,500,000	\$ 568,000
3 ¹ / ₂ % Debentures of 1950, due July 1, 1980, S.Kr. 13,347,000	3,033,000
4 ¹ / ₂ % Debentures of 1959, due in 1977, Swiss Francs 5,000,000	1,909,000
6 ¹ / ₂ % Debentures of 1966, due 1977 to 1986, US\$ 12,000,000	12,000,000
6 ¹ / ₂ % Debentures of 1968, due 1977 to 1988, S.Kr. 55,550,000	12,625,000
5 ¹ / ₂ % Debentures of 1968, due 1977 to 1983, Swiss Francs 35,000,000	13,364,000
9 ¹ / ₄ % Debentures of 1970, due 1977 to 1985, US\$ 23,700,000	23,700,000
7 ¹ / ₂ % Debentures of 1971, due 1977 to 1991, S.Kr. 64,950,000	14,761,000
7 ¹ / ₄ % Debentures of 1972, due 1977 to 1992, S.Kr. 67,050,000	15,239,000
6 % Debentures of 1972, due March 15, 1977, Swiss Francs 100,000,000	38,182,000
6 ³ / ₄ % Debentures of 1972, due 1978 to 1987, DM 100,000,000	38,182,000
6 % Debentures of 1973, due 1984 to 1988, Swiss Francs 80,000,000	30,545,000
9 ¹ / ₄ % Debentures of 1975, due 1977 to 1990, S.Kr. 93,350,000	21,216,000
8 ¹ / ₂ % Debentures of 1975, due 1977 to 1990, Swiss Francs 40,000,000	15,273,000
8 ¹ / ₈ % Debentures of 1975, due May 28, 1980, Swiss Francs 50,000,000	19,091,000
	259,688,000
Less: Unrealized exchange differences to be amortized in future years	12,302,000
	\$247,386,000

SUBSIDIARY COMPANY

Société Française des Téléphones Ericsson	
Debentures in French Francs with due dates from 1977 to 1991 and with interest rates of between 7 % and 11 ⁴ / ₁₀ %	38,425,000
Total	\$285,811,000

Instalments due in 1976 on the above debentures are included under current liabilities, net of debentures held in the treasury.

Note 7

Capital stock of the Parent Company	
2,485,677 Class A shares	\$ 28,246,000
12,894,440 Class B shares	146,528,000
15,380,117	\$174,774,000

All shares have a par value of Swedish kronor 50 and carry equal rights to participation in the net assets and profits of the Company. Class A shares are entitled to cast one vote and Class B shares are entitled to cast one 1/1000th of a vote at stockholders' meetings.

Supplementary information to the Parent Company's financial statements as required by the Swedish Companies Act

Number of employees and remuneration

	1975	1974
Average number of:		
Office employees	8,835	8,412
Factory employees	16,014	14,857
	<u>24,849</u>	<u>23,269</u>
Fees, salaries and wages:		
Board of Directors and Management	\$ 3,468,000	\$ 3,034,000
Other office employees	113,659,000	93,475,000
Factory employees	121,053,000	97,908,000
	<u>\$238,180,000</u>	<u>\$194,417,000</u>

Expenses for fringe benefits, including vacation salaries, pension costs, sickness and accident insurance premiums and other personnel expenses, amounted to approximately 43 (38) % of total salaries and wages paid in 1975 for time worked.

Income statement data

	1975	1974
Dividends, interest and other income:		
Dividends:		
Subsidiaries	\$11,575,000	\$10,882,000
Others	797,000	570,000
Interest:		
Subsidiaries	5,345,000	7,349,000
Others	21,494,000	23,909,000
Other income:		
Subsidiaries	3,612,000	3,786,000
Others, including capital gains from sales of stock in subsidiary and associated companies; 1975: \$50,000; 1974: \$1,300,000	(78,000)	1,443,000
	<u>\$42,745,000</u>	<u>\$47,939,000</u>
Interest expense:		
Subsidiaries	\$ 895,000	\$ 507,000
Others	28,979,000	23,219,000
	<u>\$29,874,000</u>	<u>\$23,726,000</u>
Administrative expenses (approximately)	<u>\$9,300,000</u>	<u>\$7,300,000</u>
Depreciation		
Buildings		
Cost	\$ 1,326,000	\$ 1,319,000
Revaluation	1,777,000	1,777,000
Machinery and equipment ..	15,820,000	12,242,000
	<u>\$18,923,000</u>	<u>\$15,338,000</u>

In addition, \$5,888,000 (\$5,409,000) of buildings, machinery and equipment acquired in 1975 was written down completely through charges against the reserve for future investments. Moreover, \$5,125,000 of the reserve for future investments was transferred to AB Rifa.

Special loans and commitments

The Company has loans receivable and is committed in connection with the acquisition by employees of houses, automobiles and stock in the Company as follows:

Four loans totaling \$18,412 to board members and managing directors of Group companies.

Five pledges on assets totaling \$60,739 and seven guarantees

Balance sheet data

(in thousands of dollars)

Notes and accounts receivable—trade include notes in the amount of \$50 million (subsidiaries: none)

Other long-term assets include stocks in the following companies:

		Par value of holding	Carrying value of holding
(in thousands)			
Adela Investment Co. S.A.			
Luxembourg	US\$	175	\$ 88
Sifida Investment Co. S.A.			
Luxembourg	US\$	125	142
Compagnie Industrielle des Télécommunications CIT-ALCATEL			
France	FF	720	982
EUROSAT S. A. Switzerland	S.Fcs	128	37
			<u>\$1,249</u>

	Cost	Revaluation	Book value
Property, plant and equipment:			
Land	\$ 6,948	\$ 6,652	\$ 13,600
Property improvements	1,214	—	989
Buildings	83,559	35,546	42,208
Machinery and equipment ..	145,032	—	37,014
	<u>236,753</u>	<u>42,198</u>	<u>93,811</u>
Construction in progress	17,375	—	17,375
	<u>254,128</u>	<u>42,198</u>	<u>111,186</u>
Less—Accumulated depreciation	172,954	12,186	—
Net book value	<u>\$ 81,174</u>	<u>\$30,012</u>	<u>\$111,186</u>
Tax assessment value of land and buildings			\$95,585
Fire insurance value of:			
Buildings			\$198,636
Machinery and equipment			340,682
			<u>\$539,318</u>

The provision for pensions includes \$71.6 million for supplementary service pensions to office employees.

Assets pledged to secure indebtedness:	
Mortgages on land and buildings	\$ 27,899
Floating charges on other assets	104,546
Shares	37,670
Accounts receivable	54,769
Blocked cash on time deposit	174
	<u>\$225,058</u>
Contingent liabilities	<u>\$124,761</u>

totaling \$200,382 as security for loans obtained by board members and managing directors of Group companies.

Pledges on assets in the amount of \$113,636 as security for bank loans obtained by 2,239 Group employees for the purchase of stock in the Company, and loans totaling \$244,540 to these employees, representing part of the interest on said bank loans, in accordance with the Company's "stock loan" offer of 1973.

To the Stockholders of Telefonaktiebolaget LM Ericsson

We the undersigned auditors, appointed at the Annual General Meeting of Stockholders, present herewith our report for the year 1975.

We have examined the Annual Report of the Board of Directors and the President, the Consolidated Statements, the minutes and other documents which provide information about the financial position and results of operations and the administration of the Company and of the Group, and have carried out such other auditing procedures as we considered necessary.

The requirements of the law regarding consolidated statements and information in respect of investments have been complied with. The regulations covering disclosure of loans to, and contingent liabilities in respect of, certain persons closely related to the Company have also been complied with.

Our examination has revealed no reason for criticism, either with respect to the accounts and documents presented to us, the Company's accounting procedures, the inventory taken of the Company's assets, or the administration of the Company.

We have no objection to the revaluation of fixed assets and investments by \$42,522,000 in connection with the proposed stock dividend.

The proposed appropriation of unappropriated earnings includes a transfer to the legal reserve in the amount prescribed by law and the proposed dividend is not contrary to sound business practice considering the financial position of the Group and the results of its operations.

As a result of our examination we recommend:

that the Balance Sheet at December 31, 1975, included in the Annual Report, be approved,

that unappropriated earnings in the amount of \$60,918,000, including the General reserve of \$22,125,000, be dealt with in accordance with the proposal of the Board of Directors and

that the Board of Directors and the President be released from responsibility for their administration for the period covered by the Annual Report.

Stockholm, March 31, 1976

Jörgen Eskilson
Swedish Authorized Public Accountant
(Partner in Price Waterhouse & Co.)

N.-A. Frisk

John M. Boyd
Chartered Accountant
(Partner in Price Waterhouse & Co.)

Consolidated net sales By product groups and markets

		1975	%	1974	%
GROUP SALES BY PRODUCTS	Public telephone exchanges	\$ 812,200,000	49.4	\$ 633,600,000	46.6
	Subscriber exchanges, instruments and intercom systems	280,700,000	17.1	239,800,000	17.6
	Transmission equipment and radio communications systems	104,100,000	6.3	90,000,000	6.6
	Other systems and products	147,200,000	8.9	109,300,000	8.0
	Electronic equipment and development projects for the military	50,600,000	3.1	42,100,000	3.1
	Cable, wire and network equipment	209,200,000	12.7	205,300,000	15.1
	Other products	41,400,000	2.5	40,700,000	3.0
	Total	\$1,645,400,000	100.0	\$1,360,800,000	100.0
<hr/>					
OVERALL GEOGRAPHIC DISTRIBUTION OF SALES	Sweden	\$ 238,400,000	14.5	\$ 230,900,000	17.0
	Europe (excluding Sweden)	706,900,000	43.0	602,400,000	44.2
	Latin America	441,400,000	26.8	326,300,000	24.0
	Australia, Asia and Africa	233,400,000	14.2	178,100,000	13.1
	U.S.A. and Canada	25,300,000	1.5	23,100,000	1.7
Total	\$1,645,400,000	100.0	\$1,360,800,000	100.0	
<hr/>					
DISTRIBUTION OF SALES IN EUROPE (EXCLUDING SWEDEN)	France	\$186,100,000		\$136,000,000	
	Italy	169,800,000		137,600,000	
	Spain	80,000,000		78,300,000	
	Denmark	70,800,000		65,000,000	
	Finland	55,900,000		55,600,000	
	The Netherlands	29,700,000		22,200,000	
	Norway	27,600,000		17,100,000	
	Ireland	23,100,000		22,300,000	
	Great Britain	22,000,000		30,900,000	
	Other countries	41,900,000		37,400,000	
	\$706,900,000		\$602,400,000		
<hr/>					
DISTRIBUTION OF SALES IN LATIN AMERICA	Brazil	\$258,700,000		\$162,400,000	
	Mexico	81,700,000		77,600,000	
	Colombia	25,400,000		29,100,000	
	Argentina	21,000,000		16,500,000	
	Venezuela	17,900,000		14,100,000	
	Other countries	36,700,000		26,600,000	
	\$441,400,000		\$326,300,000		
<hr/>					
DISTRIBUTION OF SALES IN AUSTRALIA ASIA AND AFRICA	Near East	\$ 65,300,000		\$ 48,000,000	
	Asia (excluding Near East)	49,200,000		30,100,000	
	Australia	59,900,000		62,900,000	
	Africa	59,000,000		37,100,000	
	\$233,400,000		\$178,100,000		

All amounts translated at the rate of S.Kr. 4.40 to U.S. \$1.00.

The Ericsson Group 10-year financial summary

As reported in the annual reports for the respective years

INCOME DATA	Dollar amounts in thousands except per share figures									
	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966
Net sales	1,645,375	1,360,815	1,184,618	975,942	854,347	718,074	660,628	572,973	520,592	457,725
Income before special adjustments and taxes	166,223	185,865	200,815	122,914	108,365	113,384	105,242	83,165	72,634	69,248
Percent of sales	10.1	13.7	17.0	12.6	12.7	15.8	15.9	14.5	14.0	15.1
Depreciation	59,773	51,575	45,674	36,909	29,135	24,859	20,780	19,415	18,359	16,285
Special adjustments	71,309	80,487	38,982	21,657	36,521	32,259	24,540	14,610	17,739	18,738
Swedish and foreign income taxes	48,970	57,091	79,296	47,091	32,870	37,340	42,668	34,856	26,830	21,130
Reported net income	38,592	44,838	63,648	40,906	30,069	39,791	34,505	31,160	25,162	26,290
Per share	2.51	2.91	4.14	2.66	1.95	2.59	2.24	2.03	1.64	1.71
Adjusted net income per share	4.58	4.80	5.11	3.25	2.92	3.60	3.01	2.47	2.19	2.30
Dividend	25,342	20,973	19,225	17,478	15,380	15,380	15,380	11,652	10,486	10,486
Per share	1.65	1.36	1.25	1.14	1.00	1.00	1.00	.76	.68	.68
(for 1975 as proposed by the Board of Directors which includes a bonus of \$.23)										

BALANCE SHEET DATA (year-end)	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966
Net working capital	993,560	779,096	747,884	645,551	489,353	417,270	358,135	326,263	268,296	276,521
Ratio of current assets to current liabilities	2.1:1	2.0:1	2.1:1	2.3:1	2.3:1	2.2:1	2.4:1	2.3:1	2.2:1	2.4:1
Net property, plant and equipment	414,005	350,397	306,713	245,259	225,619	178,093	149,853	135,843	132,466	112,485
Long-term debt	624,143	414,965	404,689	371,683	250,762	172,814	117,544	108,711	68,683	70,863
Minority interest	93,253	91,548	100,437	81,891	55,249	36,663	29,940	26,872	23,239	20,202
Stockholders' equity	482,122	464,503	436,331	356,828	329,193	314,498	285,378	262,051	228,544	210,017

OTHER DATA (year-end)	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966
Capital expenditure for property, plant and equipment	149,263	114,047	88,882	84,264	91,423	61,964	37,045	38,173	42,995	29,057
Number of employees	84,100	80,600	75,600	70,600	66,900	61,900	53,600	48,700	46,400	43,800
Number of shares outstanding	15,380,117	15,380,117	15,380,117	12,304,094	12,304,094	12,304,094	12,304,094	10,253,412	10,253,412	8,544,510
Backlog of orders	2,082,200	1,750,200	1,544,300	1,108,000	931,600	820,700	685,900	644,500	570,200	558,400

All per share figures are based on the number of shares after stock dividends 1967 (one for five), 1969 (one for five) and 1973 (one for four).

Adjusted net income per share reflects net income after adding back special adjustments, less amounts equivalent to reduction in current income taxes resulting from such adjustments.

The United States dollar amounts shown in the above summary represent translations from Swedish kronor at the parity exchange rate at December 31, 1975, of S.Kr. 4.40 to \$1.00.



Year's Review

SWEDEN

Order bookings in Sweden for 1975 amounted to \$316.2 million as against \$207.7 million for 1974, an increase of 52 percent.

Government agencies accounted for virtually the whole of the increase. Order bookings from other customers went up by slightly more than 2 %.

Sales rose from \$230.9 million to \$238.4 million or by 3 (10) %. At year-end the order backlog totaled \$244.2 million (\$166.5 million).

Contracts placed by the Swedish Telecommunications Administration for exchange equipment, transmission equipment and cable attained a volume that slightly exceeded the previous year's low level, while contracts for subscriber equipment fell off. During the year the Telecommunications Administration placed its first order for pushbutton telephone instruments.

In 1975 Sieverts Kabelverk received a Canadian order for a 145 kV submarine cable nearly 27 miles long. The picture shows the cable laid up for shipment from Hammarby Harbour, Stockholm.

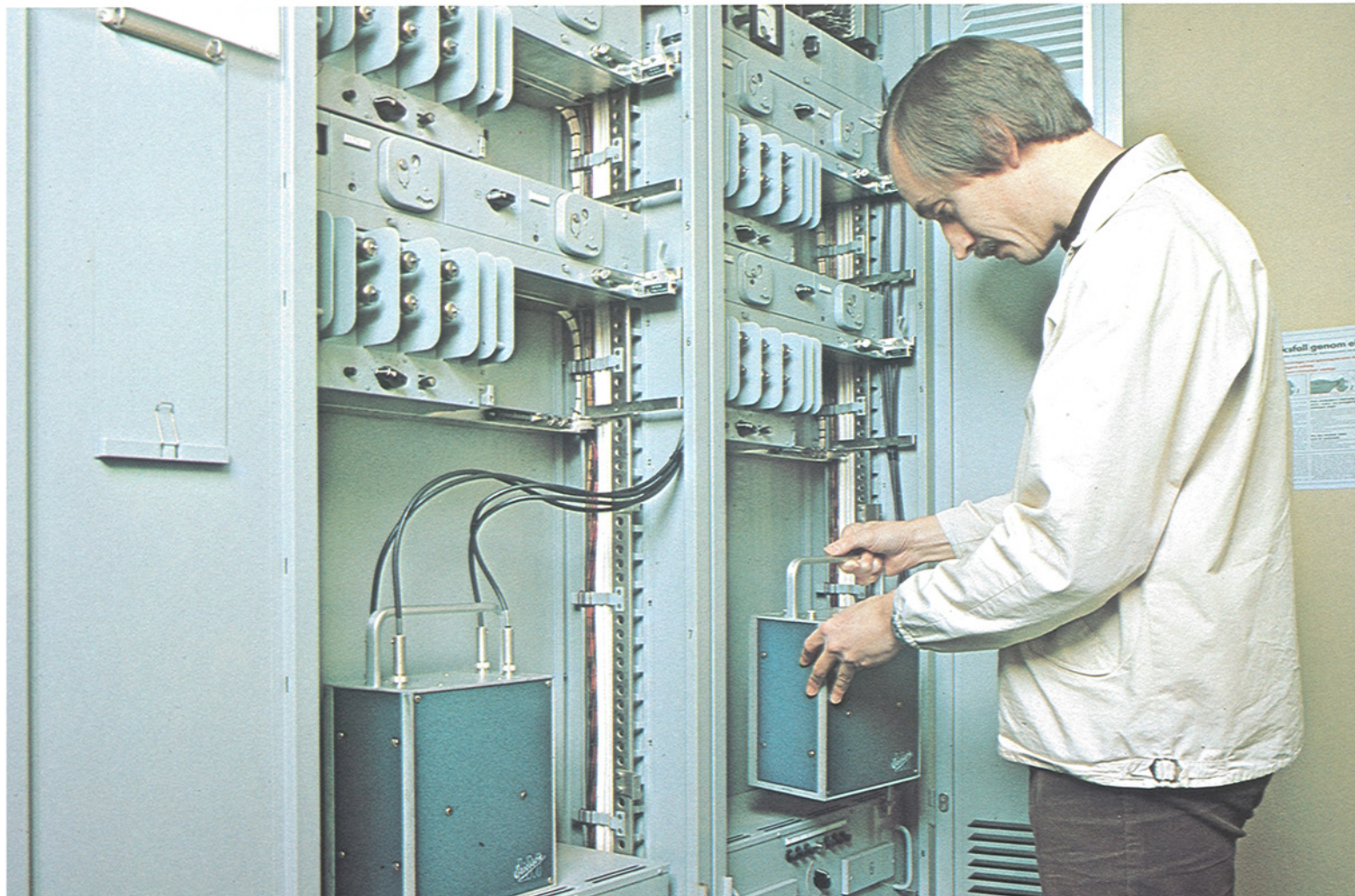
LM Ericsson received an order from the Swedish Telecommunications Administration for coaxial line equipment covering 1,100 transistorized 12 MHz amplifiers, which are meant to replace the older valve units. Shown here are two new amplifiers being connected.

The Swedish Air Force ordered the final development stage of the radar system for the fighter version of the Viggen aircraft as well as the first deliveries of the same equipment. A major contract calling for the delivery of surveillance radar for a new air defense system was placed by the Swedish Army.

Svenska Radio AB (SRA) posted sharply increased orders on the Swedish market, most of these coming from the Armed Forces, for display equipment for Viggen's radar system and for portable radio stations. Work progressed on the new facilities at Kista north of Stockholm, which SRA expects to occupy in mid-1976.

Despite slack economic conditions LM Ericsson Tele-materiel AB succeeded in achieving larger order bookings in 1975 than in the previous year. The Swedish market went up sharply though tending to taper off towards year-end, while export orders were down on the previous year. The biggest single order received in Sweden to date for internal telecommunications systems came from the National Civil Aviation Administration, intended for installation in the new international airport terminal at Arlanda north of Stockholm.

Demand for components, which started to decline in late 1974, continued to taper off in 1975. As a result AB Rifa, which is Scandinavia's leading maker of electronic components, did not achieve the same order volume as the



year before. Work commenced during the year on the erection of a new office-factory complex at Kista.

Compared with 1974, Sieverts Kabelverk AB doubled its order intake abroad. Its most important order was for the supply and laying of a submarine cable for high-voltage power from New Brunswick to Prince Edward Island in Canada. The increase in overseas business compensated for the lower order bookings from the Swedish market, which was caused by a decline in housing construction and cutbacks in local authority investment programs.

Thorsman & Co AB, which has specialized in fasteners and electrical skirting systems, obtained orders that were substantially up on the previous year, both in Sweden and abroad.

Extensions were completed during the year to the Parent Company's plants at Söderhamn (manufacture of telephone exchange equipment), Östersund (electronic production) and Piteå (telephone cable). In addition, preparations got under way to build a new industrial complex comprising offices, laboratories and workshops at Kungens Kurva, south of Stockholm.

EUROPE (excluding Sweden)

Despite the restraint on capital expenditure that several national telephone administrations announced during the year, the Group achieved order bookings in European markets (excluding Sweden) which amounted to \$849 million compared with \$693.8 million in 1974, an increase of 22 (9) percent.

Sales totaled \$706.9 million (\$602.4 million), an increase of 17 (9) %.

The order backlog at year-end rose to \$759.8 million (\$608.4 million).

Sales by country are as follows:

(\$ Millions)	1975	1974
France	\$186.1	\$136.0
Italy	169.8	137.6
Spain.....	80.0	78.3
Denmark	70.8	65.0
Finland	55.9	55.6
The Netherlands	29.7	22.2
Norway	27.6	17.1
Ireland	23.1	22.3
Great Britain	22.0	30.9
Rest of Western Europe	30.1	27.2
Eastern Europe.....	11.8	10.2
	\$706.9	\$602.4

France

Société Française des Téléphones Ericsson (STE) received orders from the national telephone administration (PTT) that were higher than in 1974. The first crossbar exchanges capable of handling especially high traffic volumes were placed in service in the Paris metropolitan area. The PTT ordered ten more exchanges of the same type, nine of which for the Paris area.

The market for private branch exchanges declined due to the private sector's greater reluctance to invest, and order bookings did not reach the 1974 level.

Italy

Due to the difficulty of raising capital, partly as a result of the economic crisis in Italy, the administrations cut back their investment outlays in 1975. Even so, FATME received orders for public telephone exchanges that were somewhat higher than in the previous year. Sharply increased orders for transmission equipment also contributed to making the total order bookings higher than the year before.

A computer-controlled trunk exchange (AKE) was placed in operation in Palermo. Contracts were placed for two more exchanges of this kind.

Work commenced on the construction of new factories at Sulmona and Avezzano. In contrast to 1974 production was sustained throughout the year without conflicts on the labor market. Ruling collective agreements expired on December 31, 1975, and negotiations for a new contract were opened.

Order bookings at the line construction company, SIELTE, continued to be satisfactory, and despite lower orders coming from customers other than the telephone administrations, orders received remained at the previous year's level.

Spain

Investment in the Spanish telephone network continued at a high rate, resulting in increased order bookings from Compañía Telefónica Nacional de España (CTNE).

Since the Group gained a definite foothold in the Spanish market under the 1970 agreement with CTNE, Ericsson has supplied from 1973, when INTELSA's new factories commenced production, up to and including 1975, local exchanges serving 270,000 subscriber lines and trunk exchanges with a capacity equivalent to 230,000 subscriber lines. INTELSA's factory has successively been enlarged and in 1975 comprised some 350,000 square feet of floor space. As of December 31 the company employed around 3,600 persons.

LM Ericsson, S.A. recorded order bookings that greatly exceeded those of the previous year, mainly because of increased orders coming from the company's leading customer, the state-owned railways.

During fourth quarter 1975 formidable conflicts of partly political origin erupted on the labor market in Spain, causing production to drop at both the Spanish subsidiaries. New collective agreements were signed at the beginning of 1976 that will increase wages by 15–20 %.

Denmark

LM Ericsson A/S received an order for yet another AKE exchange—the seventh in Denmark—to be installed at Hillerød north of Copenhagen. More orders were obtained

Wiring of racks for crossbar exchanges at the Ericsson subsidiary in Spain, Industrias de Telecomunicación S.A. (Intelsa).

Use of the wrapped-wiring technique to make electric interconnections at the French subsidiary's factory in Cergy-Pontoise.



for computer-controlled crossbar exchanges (ARE) to handle both local and trunk traffic. The company's order bookings surpassed the high level of 1974.

The second stage of expansion of the large computer-controlled trunk exchange in central Copenhagen became operational, and final delivery of a similar exchange was effected in Ålborg. From a technical point of view the Copenhagen exchange is the most intricate AKE exchange that the Group has engineered so far.

A contract for transmission equipment signed with state-owned P & T and one of the regional administrations includes 30 channel PCM multiplex of the new generation (M5).

The national railway administration, which for some years has held back on orders because of restrictions on investment, placed major orders for Copenhagen's suburban lines with Dansk Signal Industri A/S, and also ordered a complete signalling and centralized traffic control unit for one section of line.

The coin box telephones developed by GNT AUTOMATIC A/S, the telephone factory jointly owned with Det Store Nordiske Telegraf-Selskab A/S, met with a very favourable reception on the international market.

Finland

Order placed with Oy LM Ericsson Ab continued to climb from an already high level in earlier years. The national telephone administration, PLH, contracted for an extension to the AKE exchange in Helsinki ordered in 1974 for national and international traffic. With manufacturers bidding in keen international competition, the local administrations chose the Group as supplier notably of computer-controlled crossbar exchanges (ARE), and the administration in Turku ordered an extension to a computer-controlled zone center.

The first crossbar exchange to be updated with computer control went into service in the area administrated by the Helsinki Telephone Association.

Orders for private branch exchanges continued at a high level. Among the more notable orders received was one from the Finnish banking group, Föreningsbanken, for a private wire network for interoffice communication.

The new factory at Brahestad was officially opened during the year by President Kekkonen.

Great Britain

In November 1975, twelve months ahead of promised target date, final delivery was made of the large international crossbar exchange at Mollison House in northern London. The Post Office Corporation placed a new order for an even larger international exchange with the associated company, Thorn-Ericsson Telecommunications (Sales) Ltd (SEE). The new exchange is to be erected in Mondial House in central London and will be delivered in two stages, the first covering crossbar equipment and the second an AKE system. Part of the equipment will be manufactured by Thorn-Ericsson Telecommunications

(Mfg) Ltd (TME), which moved into a new factory building at Scunthorpe towards the year-end.

In spite of the economic recession and keen competition, SEE well maintained its position as a leading supplier of private branch exchanges.

Other markets

Ericsson Telefoonmaatschappij bv in The Netherlands largely concentrates on the production of telephone instruments, for which, in 1975, the national administration, PTT, placed its largest annual order to date.

The associated company in Norway, A/S Elektrisk Bureau (EBN), was negotiating during 1975 with the Norwegian telecommunications administration for a new contract. The administration was restrictive in its placing of orders while the negotiations were going on, but as soon as an agreement in principle was reached in January 1976, a large part of the postponed orders began to flow in. The Norwegian defense establishment chose EBN as supplier of a new field telephone set.

A/S Norsk Kabelfabrik received sizable orders for high-grade fireproof cable for oil rigs.

The troubled situation in Portugal led to a reduced volume of business.

As in the past the volume of orders received from Eastern Europe was fairly modest.

LATIN AMERICA

Order bookings in Latin America fell from \$514 million to \$466.5 million or by 9 % (1974: an increase of 4 %).

At year-end the order backlog amounted to \$752.4 million (\$733.6 million), an increase of 3 (30) %.

The distribution of sales in the major markets was as follows:

(\$ Millions)	1975	1974
Brazil	\$258.7	\$162.4
Mexico	81.7	77.6
Colombia	25.4	29.1
Argentina	21.0	16.5
Venezuela	17.9	14.1
Other countries	36.7	26.6
	\$441.4	\$326.3

Brazil

The recession imposed serious strains on the Brazilian economy with continuing inflation and a worsening in the balance of payments. Several measures were taken to curb imports and cutbacks were announced in public investments, including the telephone network.

The administration in São Paulo placed with Ericsson do Brasil (EDB) large orders for crossbar exchanges to handle local and trunk traffic, as well as for computer-controlled switching equipment to handle traffic between different exchanges in the urban network. From Borda do Campo came Brazil's first order for a computer-controlled crossbar exchange for local traffic.

Towards year-end EDB received a much-publicized export order from Bolivia for trunk exchanges to serve that country's four largest cities.

Sales greatly exceeded the 1974 level, as exemplified by the fact that in 1975 the company installed exchange equipment equivalent to 750,000 subscriber lines.

Employment in EDB's factories rose steeply, but owing to difficulties with imports and local procurement of materials the production capacity could not be fully utilized. The total number of employees went up by 35 % to nearly 11,000.

New construction and plant extensions resulted in a near doubling of production capacity during 1975.

Mexico

The annual contract calling for delivery of exchange and transmission equipment was not signed until December 1975 between the national administration, Teléfonos de México, S.A., and Teleindustria Ericsson S.A. (TIM), after which the first suborders were specified. As a result TIM's order bookings were much lower than in 1974.

Substantial orders were received for computer-controlled group selector equipment for inter-exchange traffic.

Electronic master controller for street traffic signals in Brasilia, part of a major project that LM Ericsson completed in 1975.

During the year delivery was made of a computer-controlled trunk exchange for international traffic in Monterrey and one for national traffic in Guadalajara. An extension which doubled the capacity of the AKE exchange in San Juan, Mexico D.F., provides for subscriber trunk dialling to the United States, Europe and other parts of the world.

Orders placed with the cable manufacturing company, LATINCASA, were on a satisfactory level. Since further factory extensions are not possible at the present location, investigations began with a view to siting a new cable plant in another area.

Colombia

In Colombia, too, the economic situation caused the national and local administrations to defer their orders, which were therefore lower than the year before.

Argentina

The situation in Argentina was marked by political unrest and low economic activity.

The Group's telephone operating companies were compelled to grant very heavy increases in wages and salaries—in the order of 350 %—which could not be recovered by raising tariffs.

At year-end the number of telephone subscribers totaled 202,000.



The local sales company had higher order bookings than the year before and is basing more and more of its business on its own production.

Although the cable factory at Quilmes was adversely affected by stock shortages because of difficulties in importing raw materials, it still managed to achieve substantially higher orders for both telephone cable and power cable.

Venezuela

Domestic economic activity was buoyant throughout the year and order bookings went up sharply for Compañía Anónima Ericsson. Large orders received for local and trunk exchanges enabled the company very well to uphold its position on the market. Plans were put in hand for the building of a new factory at Valencia.

Other countries

Orders from other countries in Latin America have been satisfactory, especially from Ecuador, Costa Rica, Haiti and Panama. The first Ericsson local exchange in Haiti was put into operation.

AUSTRALIA, ASIA AND AFRICA

Combined orders for these three continents rose from \$249.7 million to \$298.4 million or by 20 (35) %.

At year-end the order backlog amounted to \$300.4 million (\$236.4 million), an increase of 27 (34) %.

The distribution of sales in the respective areas was as follows:

(\$ Millions)	1975	1974
Australia	\$ 59.9	\$ 62.9
Asia (excluding Near East)	49.2	30.1
Near East	65.3	48.0
Africa	59.0	37.1
	\$233.4	\$178.1

Australia

Contracting demand, unemployment and inflation combined to make 1975 another year of low economic activity in Australia. The telecommunications services in Australia were transferred from the Postmaster-General's Department to form a separate organization, the Australian Telecommunications Commission (ATC). In order to permit a higher degree of investment financing out of current operating revenues the tariffs were increased which resulted in reduced demand for telecommunications services.

ATC postponed some of its orders for telephone exchange equipment, which resulted in lower order bookings for LM Ericsson Pty Ltd (EPA). Order bookings for private branch exchanges exceeded the previous year's high level. EPA received two interesting orders, one for electronic master controllers for road traffic signals, which will be manufactured at EPA, and the other for carrier systems on high-voltage cable.

In 1975 Australia's manufacturing industry was less beset by labor market disturbances than in the previous year.

Order bookings held by the components manufacturing company, AEE Capacitors Pty Ltd, fell far short of their 1974 level, and steps will be taken to rationalize the product range.

Asia

Iran placed contracts for line construction projects and cables. A domestic company was formed to administer these projects.

In an international competition, the Group received from Kuwait the first order to install the newly designed computer-controlled crossbar system for trunk traffic.

Orders received from the administration in Malaysia came close to the 1974 level despite stiffened competition. The first locally manufactured electronic private manual branch exchanges were delivered during the year from the Group's company in Malaysia.

Thailand was the source of major orders for local exchanges in 35 cities, with option for extensive additional deliveries and for a trunk exchange for international traffic.

Orders for private branch exchanges were received from Indonesia.

Orders received from other countries in Asia were at a satisfactory level.

Africa

Yet another major contract was signed during the year with the national telephone administration in Algeria, for local telephone exchanges serving about 120,000 subscriber lines and trunk exchanges. Thus orders equivalent to a total of 330,000 subscriber lines for three main regions of Algeria have been received in the past three years.

A fifth contract was signed with the telephone administration in Tunisia for new telephone exchanges and enlargements of exchanges installed earlier.

A new market on the African continent was opened to the Group's telephone exchange systems through orders from Nigeria for local and trunk exchanges, including an international exchange to be situated in Lagos. The Group's telephone system was adopted as standard in one of the regions, Enugu.

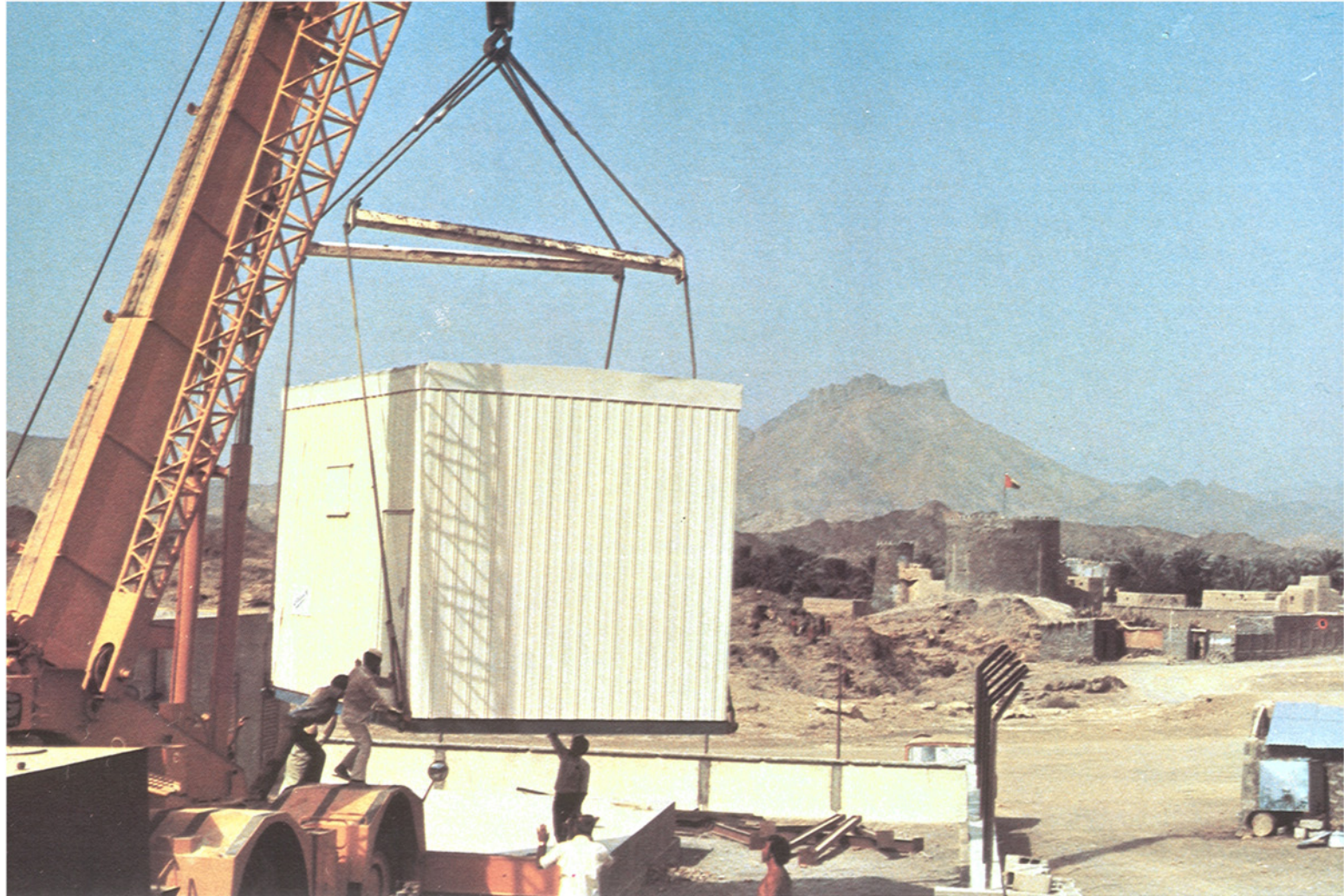
Orders from Egypt held at the same level as in 1974, comprising both switching equipment and components and semi-manufactured products for the state-owned telephone factory.

High-volume orders for private branch exchanges were obtained from Libya.

The Group's manufacturing subsidiary in France, STE, received orders for different types of equipment, including a large electronic private branch exchange, from several countries, especially Cameroun, Morocco, Gabon and Dahomey.

A mobile telephone exchange manufactured by LM Ericsson Pty. Ltd., Australia, and intended for Oman's new telephone network, is placed in position.

Cable jointing in Riyadh, Saudi Arabia.



U.S.A. AND CANADA

LM Ericsson Telecommunications, Inc. (formerly Ericsson Centrum, Inc.) received orders in 1975 of much greater scope than earlier for carrier equipment, primarily from companies which run private telephone networks for voice and data communication.

Business in private branch exchanges and intercom systems in Canada were exposed to tough competition and orders were lower than the year before.

PERSONNEL

During 1975 the number of Group employees increased by 3,230.

The total number of employees within the Group is shown in the following table.

	December, 31	
	1975	1974
Sweden	31,240	31,070
Europe (excluding Sweden)	28,390	28,010
Latin America	17,190	13,995
Other countries	3,730	4,245
	80,550	77,320

Including the telephone operating companies in Argentina, the totals were 84,130 in 1975 and 80,620 in 1974.

As has been the case for a number of years the rate of increase in number of employees was greater for the Group's foreign sector than for its Swedish sector. This tendency, which stems from the obvious need for subsidiaries to step up their output, is likely to persist, all the more so in view of the fact that the expanding electronic production in Sweden is less labor-intensive than the earlier technology.

Employee participation

The arrangements governing consultative decision-making and participatory management at workplaces are largely determined by national laws, agreements and traditions. In the European industrialized countries, but also elsewhere, 1975 bore witness to intensified activity in the industrial relations field generated by employers and trade unions, the community at large and international organizations. Methods of tackling the problems involved will differ in those countries in which Ericsson operates. A goal that the employer and employees must share in common, within the framework provided by agreements and laws, is to put cooperation and participation on a footing that will be conducive not only to increase the company's competitiveness but also enhance the personal job satisfaction and material rewards for the employees.

During the year a Group labor-management council was formed for the Group's Swedish sector to deal with matters of mutual interest to the Swedish entities. Attached to the council is an economic committee, formed under the agreement that was reached in 1975 between the labor market parties to furnish financial information in greater depth to labor-management councils and to the represen-

tatives of the employees on the Board of Directors. Other labor-management councils have also formed subcommittees to deal with these matters.

In Sweden the so-called Labor Legislation Committee submitted the draft of a bill regulating the right to negotiate and make collective agreements, which will enable the employees and their unions to exercise greater influence over decision-making at different management levels.

International enterprises

To build up a body of factual evidence on which to base the debate concerned with the operations of "multinationals", the International Labor Organisation (ILO) completed a study in 1975 in which some of the larger European enterprises participated. The Ericsson Group, represented by the Parent Company in Sweden and the subsidiaries in Brazil, Colombia, Mexico, Australia and Malaysia, rendered contributions to this study. Among the participants were top managers and trade union officials, employer and employee organisations, and governments in the respective countries. ILO published a report entitled "Social and labour policies and practices of some European-based multinational enterprises in the metal trades".

During the year, trade union representatives paid a number of visits of study to leading Group companies, with financial support from funds that the Group has set aside for this purpose, so as to impart greater knowledge of working conditions in different countries.

Industrial health services

Industrial health services with provision for both technical and medical aspects were expanded at several Group companies to help shape the working environment and working practices so as to prevent accidents and ill health to the utmost extent.

To take an example, an enlarged occupational safety program in the Brazilian subsidiary conspicuously cut down the number of accidents in 1975 as compared with earlier years. In the Finnish company a committee was formed under the plant physician to deal with job transfers warranted on medical grounds.

The Group's medical function was strengthened, especially so as to permit the exchange of a broader based body of knowledge within the Group concerning the industrial health services.

Education and training

During the year most of the Group's entities intensified their in-house training programs. In addition to job-oriented courses, more and more employees are participating in voluntary courses which seek to raise the general educational level. Much of this voluntary activity is supported through scholarships and study grants. In the Colombian company, for instance, study grants were awarded to more than 10 percent of the employees. Substantial study grants were also paid out by other subsidiaries, as in Denmark and Spain.

The changes described above as regards consultative decision-making and employee participation at workplaces were spotlighted in the training courses not only in Sweden but also at other Group entities, for instance in Australia and Brazil.

The quality and volume of technical training were further upgraded. A premium was placed on language training in response to the Group's increased internationalization.

In order to furnish the Group's member companies and their customers with resources to help them hold product-oriented training under their own auspices, a number of courses were given to prospective training directors and instructors.

Both the International Training Center in Stockholm and the regional center in Mexico, CELE, reported increased enrolments of trainees from customers as well as Group companies.

Funds

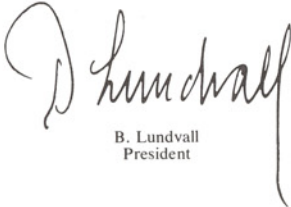
The assistance funds and scholarship funds provided for customary contributions to the Group's employees. Much appreciated support was forthcoming from the "Dr. Marcus Wallenberg Fund" to retired employees with long length of service who needed different kinds of assistance.

Training of new employees at the Ericsson factory in Athlone, Ireland.

The Group's operations were affected by unexpected events during 1975 which subjected individuals and groups to severe strains. Through a willingness to accept increased responsibility and additional duties, together with a ready acceptance of the need for changes to adapt operations to new conditions which arose in many sectors, the difficulties were overcome and new initiatives taken.

The dynamics of advances in technology and of political and economic changes in the markets, combined with toughening international competition, poses great challenges to the persons employed with the various companies. The resolve to work towards joint goals that is to be found within the Ericsson Group proved its strength during the past year. This is noted with gratitude and satisfaction.

Stockholm in March, 1976


B. Lundvall
President



THE ERICSSON GROUP with associated companies* and representatives

	SWEDEN	EUROPE (excluding Sweden)	
SALES COMPANIES WITH MANUFACTURING	<p>Stockholm Telefonaktiebolaget LM Ericsson AB Rifa Sieverts Kabelverk AB Svenska Radio AB AB Transvertex Kabmatik AB</p> <p>Nyköping Thorsman & Co AB</p> <p>Kungsbacka *Bofa Kabel AB</p> <p>Alingsås *Kabeldon AB</p> <p>Malmö *Bjurhagens Fabrikers AB</p> <p>Norrköping *AB Norrköpings Kabelfabrik</p>	<p>DENMARK Copenhagen Dansk Signal Industri A/S *GNT AUTOMATIC A/S</p> <p>FINLAND Jorvas Oy LM Ericsson Ab</p> <p>FRANCE Boulogne sur Mer RIFA S.A. Colombes Société Française des Téléphones Ericsson</p> <p>IRELAND Dublin LM Ericsson Ltd.</p> <p>ITALY Rome FATME Soc. per Az.</p>	<p>THE NETHERLANDS Rijen Ericsson Telefoonmaatschappij bv</p> <p>NORWAY Drammen *A/S Norsk Kabelfabrik</p> <p>Nesbru *A/S Elektrisk Bureau</p> <p>SPAIN Madrid Industrias de Telecomunicación S.A. (Intelsa) LM Ericsson S.A.</p> <p>UNITED KINGDOM Horsham *Thorn-Ericsson Telecommunications (Mfg) Ltd.</p>
SALES AND INSTALLATION COMPANIES	<p>Stockholm LM Ericsson Telemateriel AB *Svenska Elgrossist AB SELGA *Holm & Ericsons Elektriska AB *Mellansvenska Elektriska AB *SELGA Mellansverige AB</p> <p>Gothenburg *SELGA Västsverige AB</p> <p>Malmö *SELGA Sydsverige AB</p> <p>Norrköping *SELGA Östsverige AB</p> <p>Sundsvall *SELGA Norrland AB</p>	<p>DENMARK Copenhagen LM Ericsson A/S</p> <p>Tåstrup LM Ericsson Radio ApS</p> <p>FRANCE Paris Thorsmans S.A.R.L. Marseille Établissements Ferrer-Auran S.A.</p> <p>IRELAND Drogheda Thorsman Ireland Ltd.</p> <p>ITALY Rome SIELTE Soc. per Az.</p> <p>NORWAY Oslo SRA Radio A/S *A/S Telesystemer *A/S Installer</p> <p>Nesbru *United Marine Electronics A/S</p>	<p>PORTUGAL Lisbon Sociedade Ericsson de Portugal Lda</p> <p>SWITZERLAND Zurich Ericsson AG</p> <p>UNITED KINGDOM Horsham *Thorn-Ericsson Telecommunications (Sales) Ltd. Swedish Ericsson Rentals Ltd.</p> <p>London *United Marine Leasing Ltd. *United Marine Electronics (UK) Ltd.</p> <p>WEST GERMANY Frankfurt-am-Main Rifa GmbH</p> <p>Hamburg *UME Marine Nachrichtentechnik GmbH</p> <p>Hanover Ericsson Centrum GmbH</p> <p>Lüdenscheid-Piepersloh Thorsman & Co GmbH</p>
REPRESENTATIVES		Austria, Belgium, Greece, Iceland, Luxembourg, Yugoslavia	
OTHER COMPANIES	<p>Stockholm ELLEMTTEL Utvecklings AB</p>	<p>FRANCE Lannion *Société Lannionnaise d'Électronique SLE-CITEREL</p> <p>ITALY Rome SETEMER Soc. per Az.</p>	<p>UNITED KINGDOM Horsham Swedish Ericsson Company Ltd.</p> <p>London *Thorn-Ericsson Telecommunications Ltd.</p>
TECHNICAL OFFICES		<p>POLAND Warsaw Telefonaktiebolaget LM Ericsson</p>	

LATIN AMERICA	AFRICA AUSTRALIA ASIA OCEANIA	USA CANADA
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ARGENTINA
Buenos Aires
Ericsson S.A.C.I.
Industrias Eléctricas de Quilmes

BRAZIL
Paulo
Ericsson do Brasil Comércio e Indústria S.A.
Rio de Janeiro
Indústrias Cabos Plásticos do Brasil

José dos Campos
Componentes Comércio e Indústria S.A.

COLOMBIA
Bogotá
Ericsson de Colombia S.A.
Cali
Fábricas Colombianas de Materiales Eléctricos Facomec S.A.

MEXICO
Mexico D.F.
Teleindustria Ericsson S.A.
Latinoamericana de Cables S.A. de C.V.

VENEZUELA
Caracas
Cía Anónima Ericsson

AUSTRALIA
Melbourne
LM Ericsson Pty. Ltd.
A.E.E. Capacitors Pty. Ltd.

Sydney
*Conqueror Cables Ltd.

IRAN
Teheran
*Simco Ericsson Ltd.

MALAYSIA
Shah Alam
Telecommunication Manufacturers (Malaysia)
SDN BHD

UNITED STATES
Woodbury N.Y.
LM Ericsson
Telecommunications Inc.

CANADA
Montreal
LM Ericsson Limited –
LM Ericsson Limitée

BRAZIL
Paulo
S.A., Instalações Eléctricas Fónicas
PLAN, Projetos e Planejamento de Telecomunicações S.A.

CHILE
Santiago
Ericsson de Chile S.A.

COSTA RICA
San José
Ericsson C.A.

CUBA
Havana
Ericsson S.A.
Montaje, S.A. de C.V.

PANAMA
Panama City
Telequipos S.A.

PERU
Lima
Cía Ericsson S.A.

URUGUAY
Montevideo
Cía Ericsson S.A.

INDIA
Calcutta
Ericsson India Limited

INDONESIA
Jakarta
Ericsson Telephone Sales Corp. AB**

IRAN
Teheran
Aktiebolaget Erifon**

LEBANON
Beirut
Société Libanaise des Téléphones Ericsson

MOROCCO
Casablanca
*Société Marocaine des Téléphones et Télécommunications "SOTELEC"

THAILAND
Bangkok
Ericsson Telephone Corp. Far East AB**

TURKEY
Ankara
Ericsson Türk Ticaret Ltd. Şirketi

ZAMBIA
Lusaka
Ericsson (Zambia) Limited
Telefonaktiebolaget LM Ericsson Installation Branch

UNITED STATES
Woodbury N.Y.
LM Ericsson
Telecommunications Inc.

CANADA
Montreal
LM Ericsson Limited –
LM Ericsson Limitée

** Branch office

Costa Rica, Dominican Republic, Guadeloupe, Guatemala, Haiti, Honduras, Martinique, French Antilles, Nicaragua, Paraguay, El Salvador, Trinidad and Tobago

Angola, United Arab Emirates, Bahrain, Bangladesh, Burma, New Caledonia, Cameroon, Central African Republic, Chad, People's Republic of the Congo, Cyprus, Dahomey, Ethiopia, Gabon, Hong Kong, Iran, Iraq, Ivory Coast, Jordan, Kenya, Kuwait, Lebanon, Liberia, Libya, Macao, Malagasy, Malawi, Mali, Malta, Mauritania, Mozambique, Namibia, Nepal, New Zealand, Niger, Nigeria, Oman, Pakistan, Philippines, Réunion, Saudi Arabia, Senegal, Singapore, Republic of South Africa, Sri Lanka, Sudan, Syria, Tahiti, Tanzania, Togo, Tunisia, Uganda, Upper Volta, Zaïre

ARGENTINA
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Argentina de Teléfonos S.A.
Meridiana de Teléfonos S.A.

AUSTRALIA
Melbourne
Teleric Pty. Ltd.

UNITED STATES
New York, N.Y.
The Ericsson Corporation

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Telefonaktiebolaget LM Ericsson

EL SALVADOR
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Telefonaktiebolaget LM Ericsson

GUATEMALA
Guatemala City
Telefonaktiebolaget LM Ericsson

HAITI
Port-au-Prince
LM Ericsson

ALGERIA Algiers
Telefonaktiebolaget LM Ericsson

EGYPT Cairo
Telefonaktiebolaget LM Ericsson

IRAQ Baghdad
Telefonaktiebolaget LM Ericsson

KUWAIT Kuwait
Telefonaktiebolaget LM Ericsson

OMAN
Muscat
Telefonaktiebolaget LM Ericsson

TUNISIA Tunis
Telefonaktiebolaget LM Ericsson

UNITED STATES
New York, N.Y.
The Ericsson Corporation

Products and Systems

PUBLIC TELEPHONE EXCHANGES

Ericsson is among the world leaders in the field of automatic telephone exchanges for public networks. The Company's systems are used for local, trunk and international traffic in many parts of the world. Its first automatic exchanges, based on the 500-line selector, have demonstrated their operating reliability over a half-century of continuous service.

Ericsson's crossbar system, first manufactured in the early 1950s, has been approved as standard equipment in many countries and has proved to be one of the most economical and reliable systems developed in the telecommunications field. Ericsson crossbar exchanges can now be equipped with a computer-controlled system.

The latest generation of Ericsson exchanges uses a stored program control system that permits great flexibility in meeting present and future operator and subscriber requirements. Ericsson is one of the few manufacturers that has installed computer-controlled exchanges to handle both local traffic (1968) and national and international trunk traffic (1971). A substantial number of Ericsson computer-controlled exchanges have been installed or are on order in 18 countries.

Ericsson also makes manual exchanges for private and public use, including electronic types, as well as portable exchanges and special booking systems.

TRANSMISSION EQUIPMENT

Ericsson holds an advanced position in the field of telecommunications transmission. The most important product areas are terminal equipment for conventional frequency-division multiplexing (FDM) and for pulse-code modulation (PCM), and amplifiers for coaxial cables and radio link systems.

CABLE

Through Sieverts Kabelverk AB and the Cable Division of the Parent Company, the Ericsson Group is the largest supplier of cable in Northern Europe. Sievert Kabelverk's product line includes installation and connecting wires as well as all types of power cable. The cable type now attracting the greatest interest is the high voltage cable with plastic insulation of cross-linked polyethylene (XLPE). Sieverts Kabelverk holds an eminent position on the world market as producer of XLPE.

The Parent Company's Cable Division has developed a completely new production technique, "cross-stranding", which has attracted interest worldwide.

SUBSCRIBER EQUIPMENT

Ericsson manufactures two basic types of private telephone exchanges. One is the PABX exchange, which serves as the connecting link between the public network and the subscribers' extension lines—and between these lines. The second basic type, PAX, is used for internal telephone systems that are not connected to the public network. Both types are used in offices, hospitals, manufacturing plants, etc.

Ericsson also makes special telephone systems for hotels, railways and power distribution companies, as well as for business and other organizations with their own national telephone network, known as private network groups.

The Group's private exchanges cover a wide range of requirements and can serve anywhere from a few up to 9,000 extensions.

TELEPHONE INSTRUMENTS

The world's first desk telephone instrument with handset, introduced in 1892, was an Ericsson development. Since that time a number of pioneering instrument designs have helped to make Sweden known as a "telephone country"

Ericsson manufactures various types of ordinary and loudspeaking telephones, as well as a number of other types of instruments for special purposes. Ericsson's version of the picture telephone is currently being field-tested in Sweden.

NETWORK

Network products include cable cabinets, terminal boxes, protector equipment, jointing materials and special purpose tools and machines. Activities also include the planning of networks through the use of advanced computer programs and the implementation of network projects.

DATA COMMUNICATIONS

The Parent Company's Data Communications Department markets systems for telex and other data communications services. The latest generation of Ericsson data and telex switching systems includes fully electronic computer-controlled exchanges.

INTERCOM SYSTEMS

A subsidiary, LM Ericsson Telemateriel AB, is one of the world's leading manufacturers of loudspeaking intercom systems for anywhere from five to 5,000 extensions. Paging systems, time recording devices and various types of security systems are also marketed.

DEFENSE ELECTRONICS

Ericsson plays an important role as supplier of electronic systems for military defense purposes. The MI Division of the Parent Company develops and manufactures radar and optronic systems, both air-based and land-based. A subsidiary, Svenska Radio AB, also develops and produces avionic equipment.

RAILWAY AND STREET SIGNALING

In the railway sector the Parent Company's MI Division develops centralized traffic control (CTC), automatic train control (ATC), interlocking installations, automatic and manual block systems, marshaling yard equipment and train describer systems. Signaling systems are developed for highway and street traffic ranging from the simplest devices for ordinary street intersections to the most complicated systems of traffic control for entire sections of a city.

RADIO COMMUNICATIONS

Svenska Radio AB and other Group companies develop a broad range of radio communications systems and equipment. This includes mobile radio equipment for various civilian and defense purposes, marine radio equipment, etc.

COMPONENTS

Substantial development and production of electronic components occur within the Ericsson Group, primarily through the AB Rifa subsidiary, Scandinavia's largest manufacturer in this field.

POWER SUPPLY EQUIPMENT

The Parent Company's Power Supply Department develops and designs all the systems and devices, e.g. rectifiers, converters and signaling equipment, which go into modern telecommunications facilities.

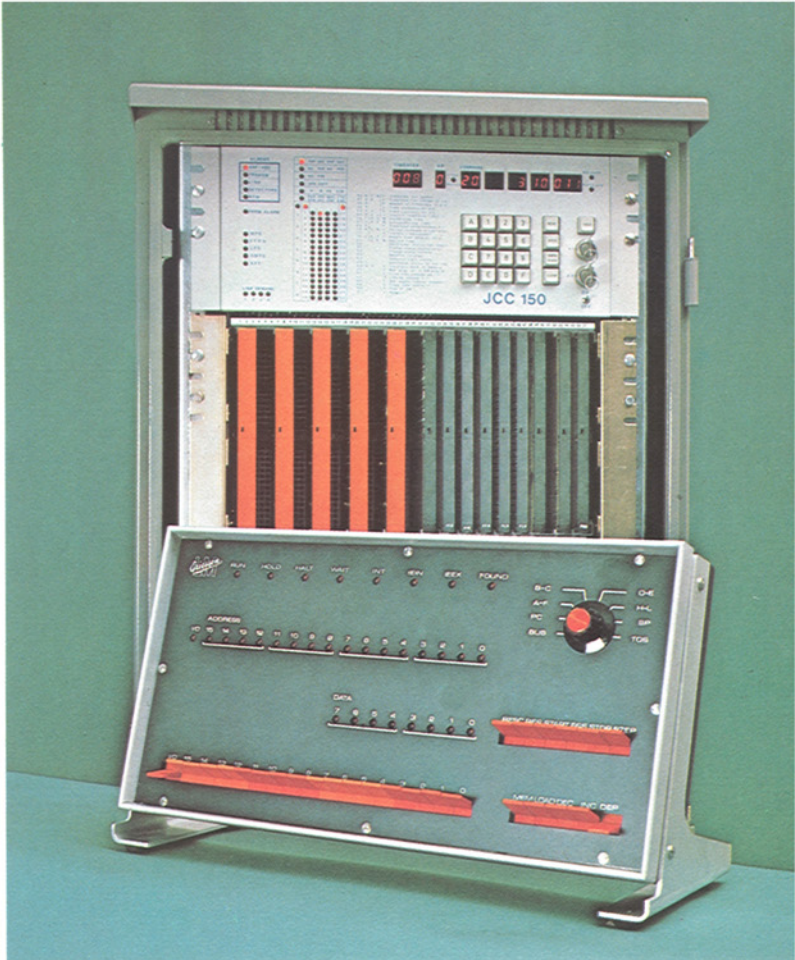
OTHER PRODUCTS

In the space communications field the Parent Company is developing satellite antennas and transponder equipment for communications satellites.

Other Group products include equipment for ciphering speech, written and data communication, which is developed and marketed by the AB Transvertex subsidiary.

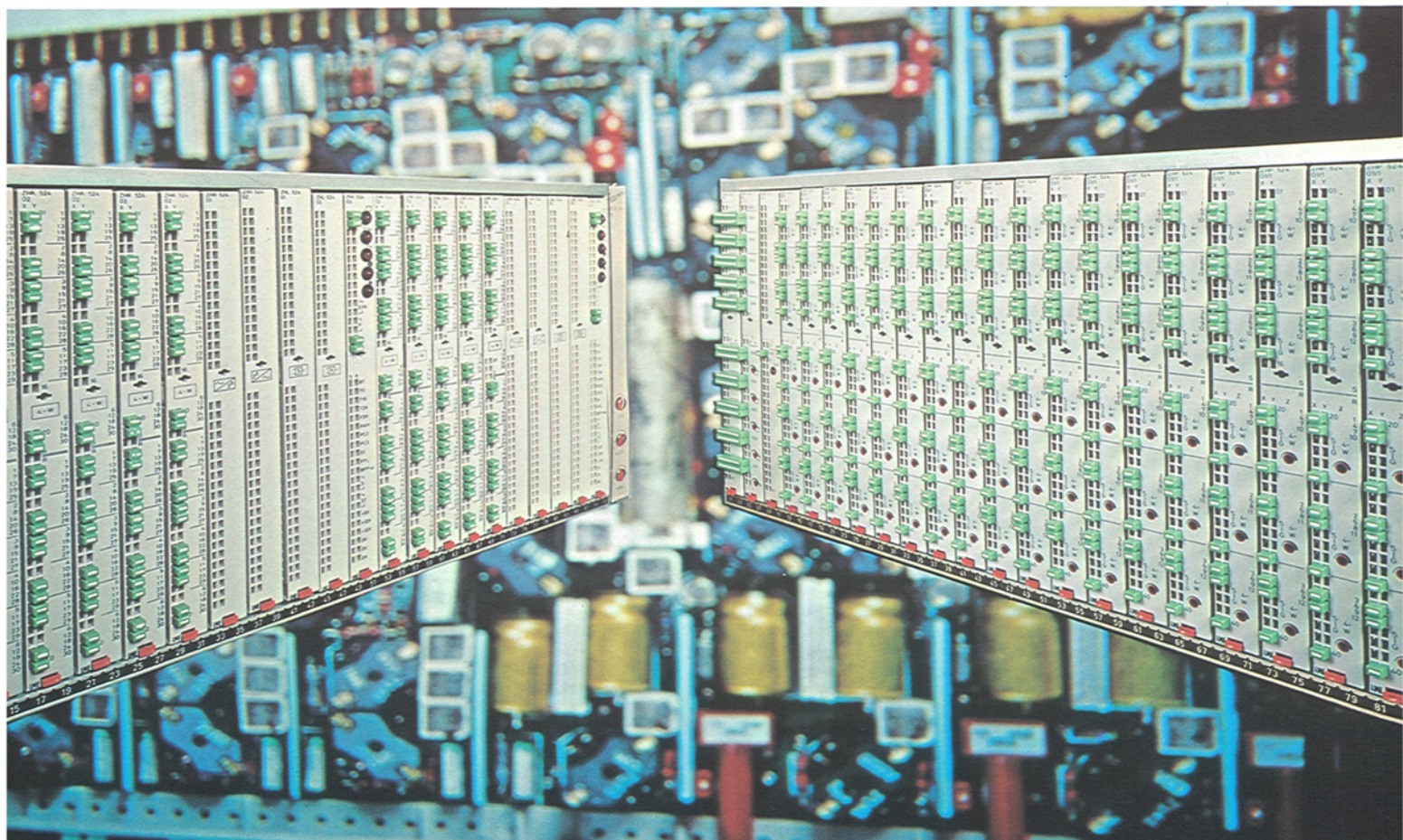


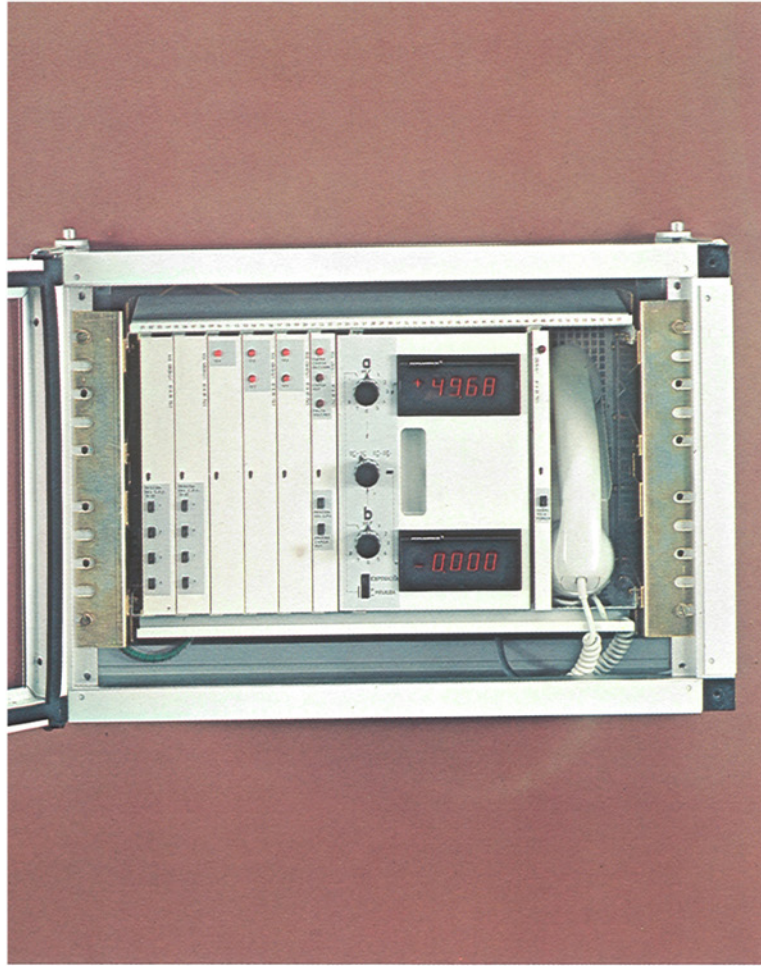
Compact reed switch controlled by integrated electronic circuits and primarily intended for the AXE telephone exchange system.



Electronic control center using a microcomputer to coordinate street traffic.

One example of electronic equipment in the new M5 construction practice for transmission systems.

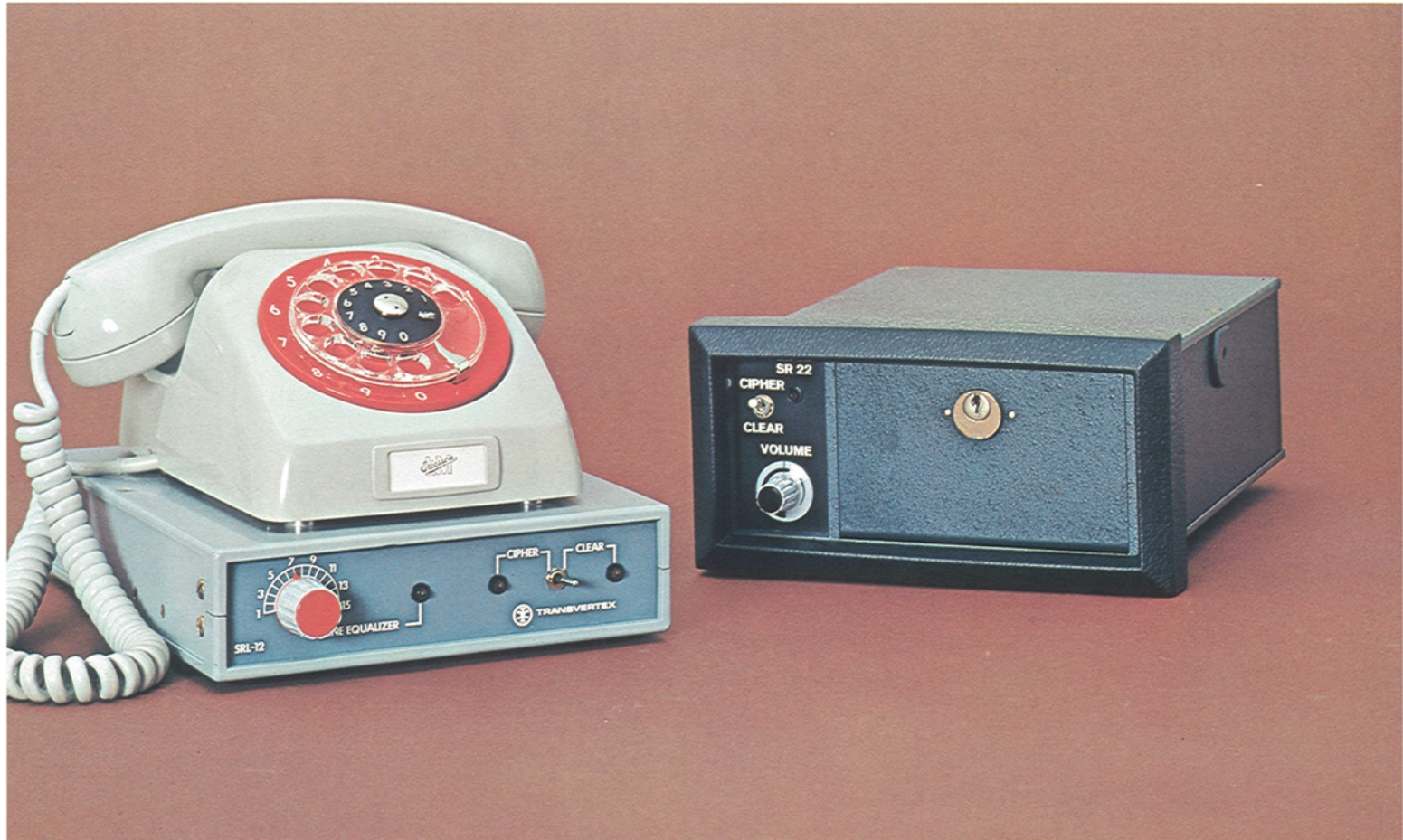




Central unit for operation of power supply plants for telecommunications.

Radar barrier from LM Ericsson Telemateriel AB for outdoor surveillance of industrial zones.

Equipment for ciphering speech, made by AB Transvertex.





Installation of a public telephone exchange in Tunisia, the source of several large orders which LM Ericsson received in 1975 for such equipment.

