



ERICSSON TELEPHONE COMPANY
1976 ANNUAL REPORT 101st YEAR OF OPERATIONS



LM ERICSSON TELEPHONE COMPANY

Annual Report and Year's Review



Left: Testing the first telephone exchange with Ericsson's new computer-controlled AXE system, placed in service in Södertälje, a suburb of Stockholm, during 1977.

Cover: This world map is in LM Ericsson's new Exhibition Hall at Group Headquarters in Stockholm. The projection is based on Sweden. Group subsidiaries, associated companies and agents are indicated by colored lights. The back cover shows corresponding world projections based on Panama, Johannesburg and Singapore.

Headquarters

Telefonaktiebolaget LM Ericsson
Telefonplan, S-126 25 Stockholm, Sweden
Telephone: 08/719 0000

Stock Listed on

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

Reference Banks for Shareholders Residing outside Sweden

France:

Crédit Lyonnais (centralized financial services)
Banque Nationale de Paris
Banque de Neuflyze, Schlumberger, Mallet
Banque de Paris et des Pays-Bas

The Netherlands:

Pierson, Heldring & Pierson N.V.

Switzerland:

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

United Kingdom:

S.G. Warburg & Co. Ltd.

U.S.A.:

Citibank N.A.

West Germany:

Deutsche Bank AG and Westdeutsche Landesbank
Girozentrale

Annual General Meeting

The Annual General Meeting will be held at the Stockholm Fair Building, Mässvägen 1, Älvsjö at 4.30 p.m. Wednesday, June 1, 1977.

The Company has adopted the Swedish Simplified Share Handling Act. Consequently, shareholders intending to participate in the Annual General Meeting must be entered as shareholders in the share register kept by Värdepapperscentralen VPC AB (Securities Register Centre) not later than May 20, 1977. Shareholders whose shares are registered in the name of an agent must reregister the shares temporarily in their own names in order to participate in the meeting.

In addition to the above-mentioned requirements, shareholders shall give notice of attendance to the Headquarters of the Company between 10.00 a.m. and 2.00 p.m. daily, not later than Friday, May 27, 1977 at 2.00 p.m.

Dividend

The Board of Directors and the Managing Director have proposed June 3, 1977 as the record date for payment of dividends. Provided this proposal is approved, the dividend is expected to be paid by Värdepapperscentralen VPC AB on June 10, 1977.

Dividends on shares for which certificates have been issued under the former system will not be paid until the exchange of certificates and the entry in the share register kept by Värdepapperscentralen VPC AB have been made.

Shareholders who have changed their names or mailing addresses should as soon as possible notify Värdepapperscentralen VPC AB, Box 7077, S-10382 Stockholm, Sweden.



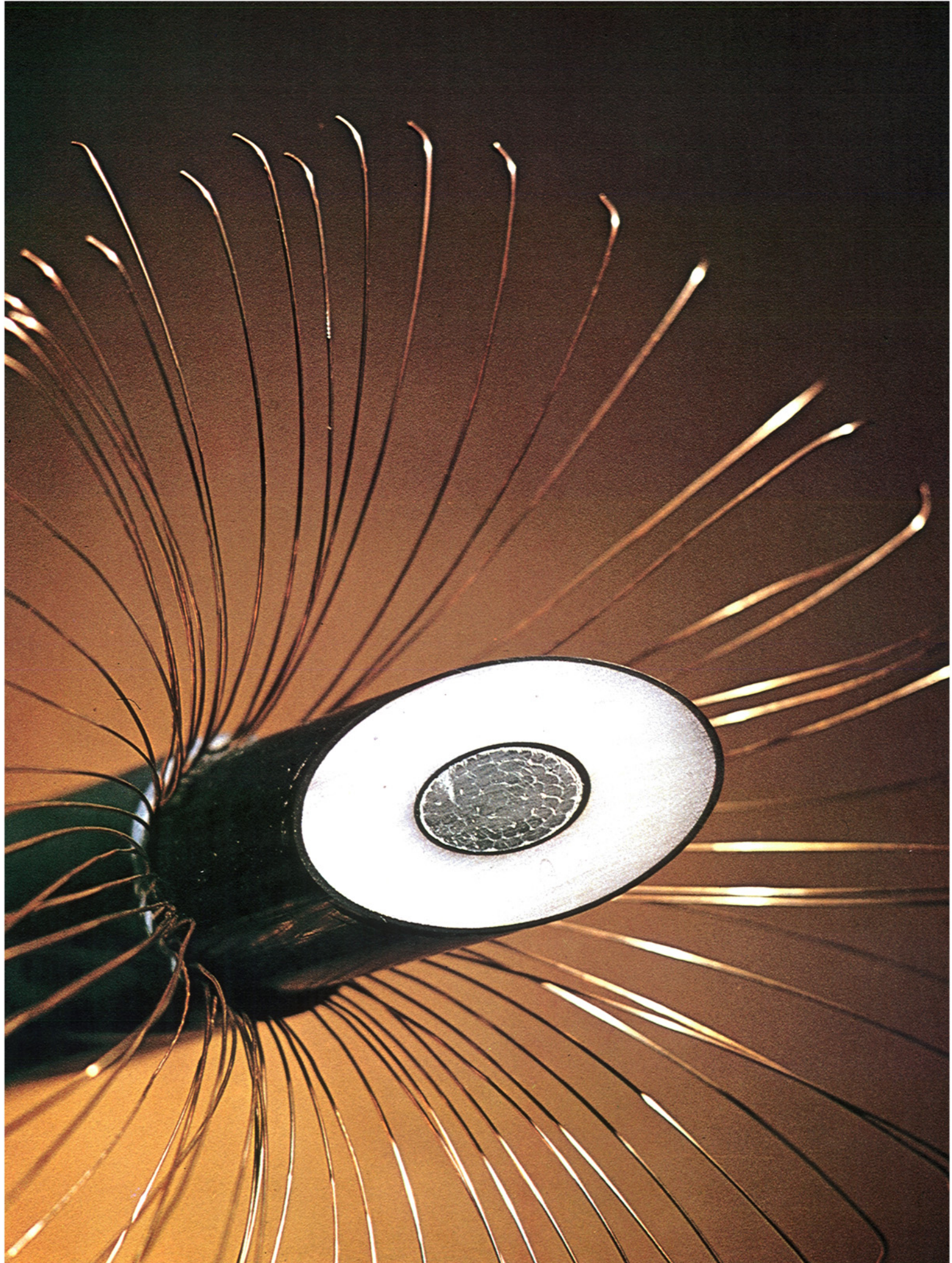
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Left: Production of telephone exchange equipment at LM Ericsson's plant in Caracas, Venezuela.

Page 4: Cross section of XLPE-insulated high-voltage cable manufactured in accordance with Sieverts Kabelverk's special "dry curing" method, which provides a very tight insulating surface.



Board of Directors

MARCUS WALLENBERG
Chairman

JAN WALLANDER
Vice Chairman

PETER WALLENBERG
Vice Chairman

ÅKE ANDERSSON

NILS BERGGREN

LENNART DAHLSTRÖM

LARS-OLOF EKEBERG

GUNNAR LAGERGREN

WERNER SUNDELL

RAGNAR WOXÉN

BJÖRN LUNDVALL
President

Deputy Members

TORSTEN BENGTSON

GÖRAN BORG

GUNNAR HÖGBERG

ARNE MOHLIN

ARNE STEIN

HANS SUND

FRED SUNDKVIST

GUNNAR SVALLING

Senior Management

BJÖRN LUNDVALL
President

ARNE MOHLIN
Executive Vice President
Production

ARNE STEIN
Executive Vice President
Marketing

HANS SUND
Executive Vice President
Telecommunications Operations

FRED SUNDKVIST
Senior Executive Vice President

GUNNAR SVALLING
Executive Vice President
Finance

KARL-AXEL LUNELL
Vice President
Licensing and Patents

JAN STENBERG
Vice President
Legal Affairs

BJÖRN SVEDBERG
Vice President
Research and Development

NILS SVENSSON
Vice President
Personnel

YNGVE ÅKESSON
Vice President
Cable Operations

Vice Presidents

OLOF ALSTRÖM

LARS EDMARK

STURE EDSMAN

ROLF ERIKSSON

SVEN FAGERLIND

NILS HOLMGREN

BO LANDIN

HÅKAN LEDIN

GÖSTA MATTSSON

ARNE REJDIN

NILS TENGBERG

HIGHLIGHTS OF 1976 OPERATIONS

Ericsson Group sales amounted to \$1,762 million, an increase of 14 percent over sales in the preceding year. Markets outside Sweden accounted for 84 percent of invoicing.

Profit before special adjustments and taxes was \$98 million, equal to 5.6 percent of sales.

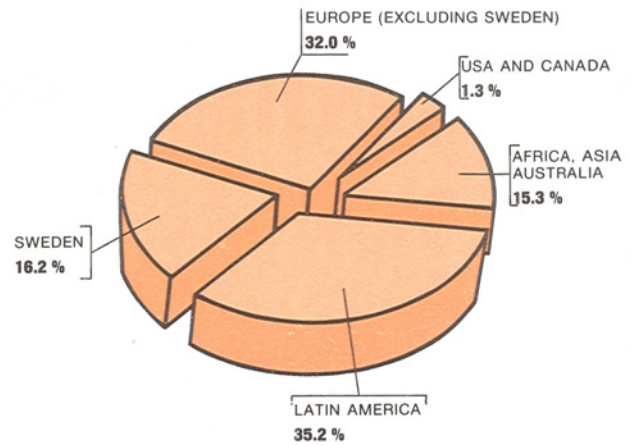
The Board of Directors proposes a dividend of S.kr. 5.00 per share on the shares outstanding following the stock dividend and new issue of shares in 1976. The dividend is unchanged from 1976 when, however, a bonus of one krona per share was paid as a bonus on the occasion of the Parent Company's 100th anniversary.

Order bookings in 1976 totaled \$1,728 million, a decrease of 7 percent compared with 1975. The order backlog at year-end amounted to \$1,813 million.

Capital expenditures for property, plant and equipment amounted to \$141 million. Investments in research and development increased 27 percent, to \$142 million.

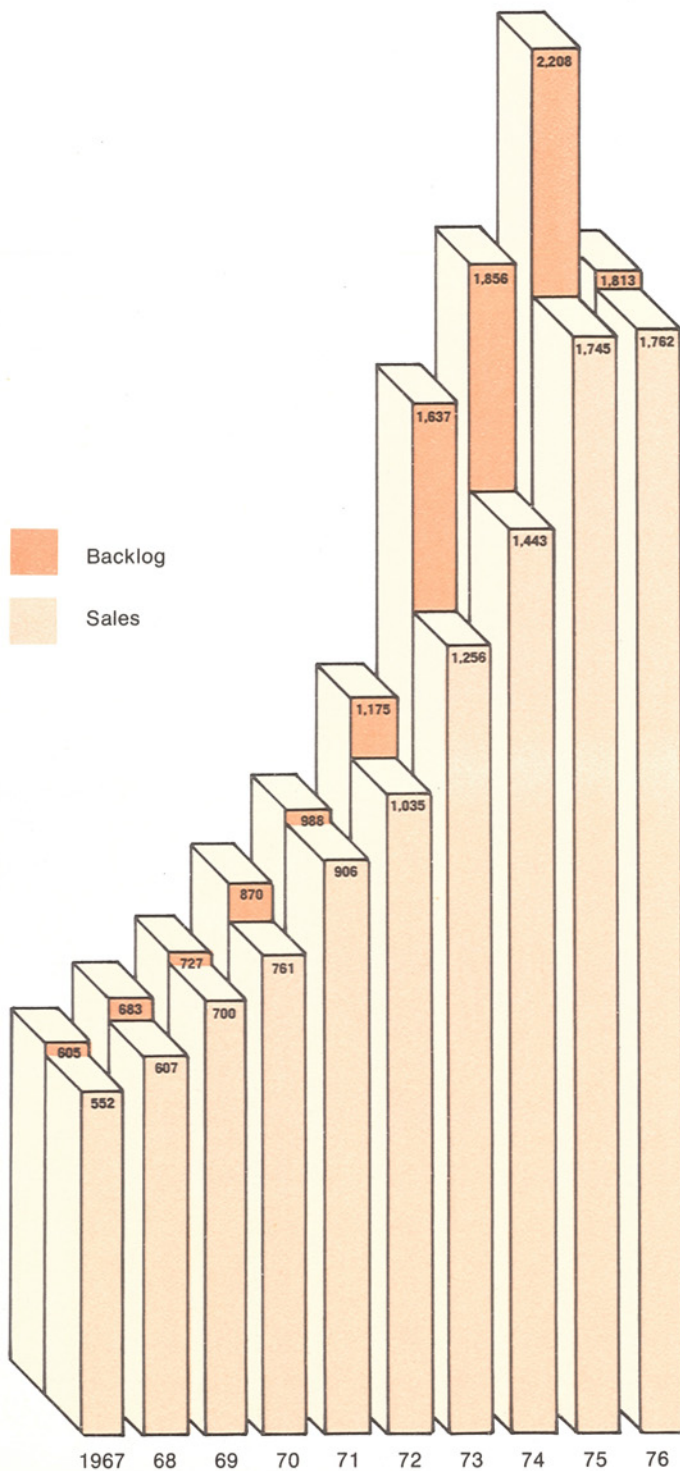
The number of employees within the Group at year-end was 71,070 of whom 28,730 were in the Swedish sector of the Group.

OVERALL GEOGRAPHIC DISTRIBUTION OF SALE



SALES AND BACKLOG

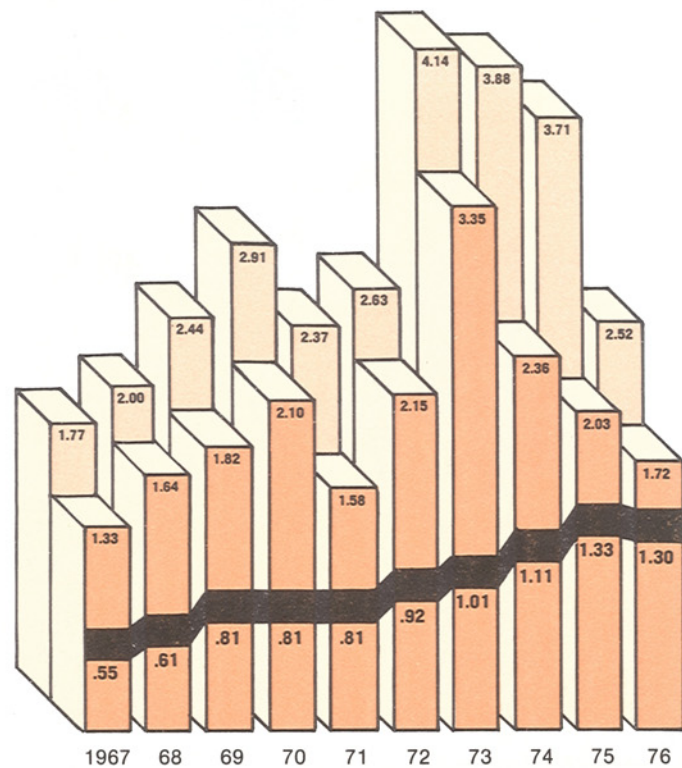
Million dollars



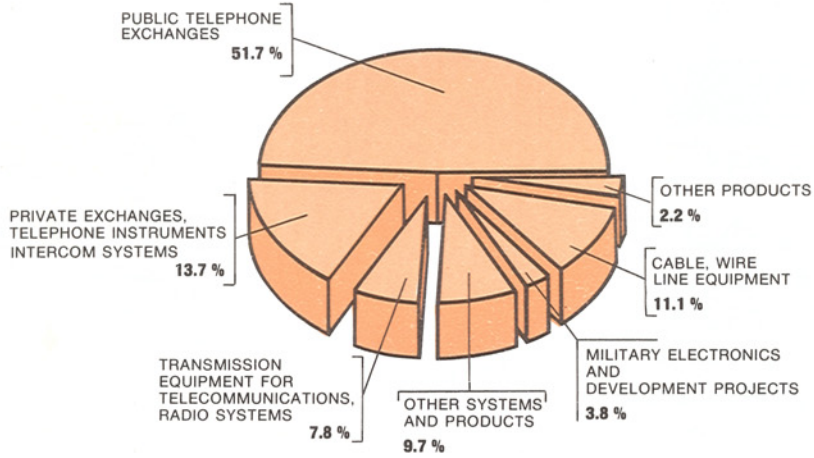
EARNINGS AND DIVIDENDS PER SHARE

Dollars

All per share figures reflect the stock dividends in 1969 and 1973 as well as the stock dividend and new issue in 1976. Per share calculations are based on 20,126,574 shares in 1975 and previous years and 20,265,067 in 1976.

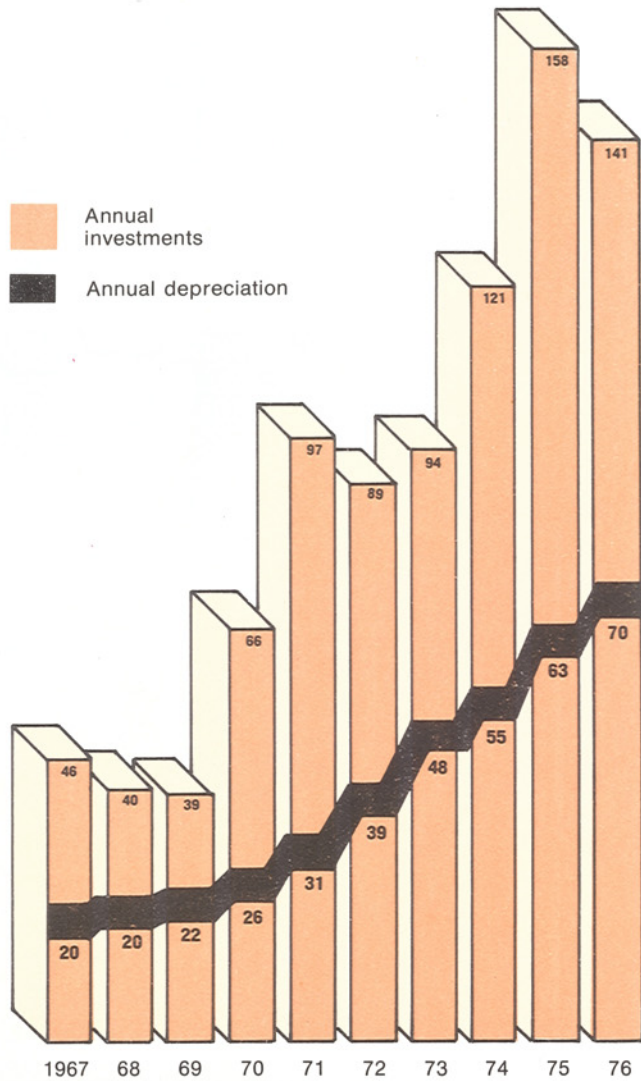


GROUP SALES BY PRODUCTS



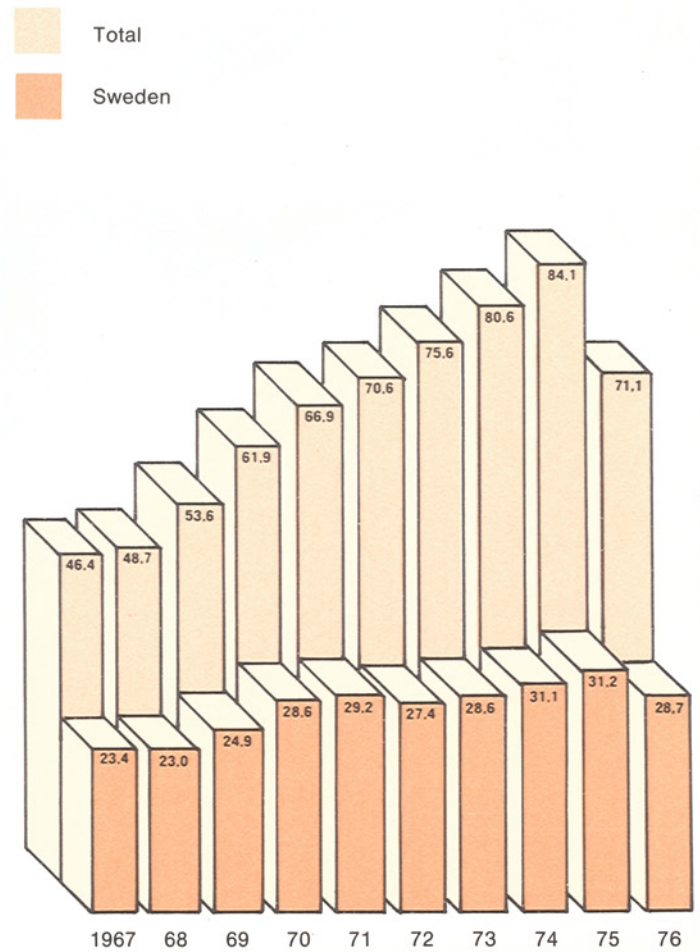
CAPITAL EXPENDITURES

Million dollars



NUMBER OF EMPLOYEES

Thousands



Annual Report of the Board of Directors to the Stockholders



President Ernesto Geisel of Brazil, accompanied by six members of his cabinet and State Governor Paulo Egydio Martins honored the dedication of the new Ericsson do Brasil plant at Eugênio de Melo by their presence.

GROUP

Operating results in brief

(\$ Millions except where otherwise indicated)	1976	1975	Change
Order bookings	\$1,728.0	\$1,855.8	- 6.9 %
Order Backlog	\$1,812.5	\$1,975.4	- 8.2 %
Sales	\$1,761.8	\$1,546.7	+13.9 %
Income before special adjustments and taxes	\$98.0	\$170.7	
Percent of sales	5.6 %	11.0 %	
Reported net income	\$34.9	\$40.9	
Per share	\$1.72	\$2.03	
Adjusted net income*	\$51.1	\$74.7	
Per share	\$2.52	\$3.71	

Note: Figures for 1975 are adjusted to reflect the fact that the former subsidiary in France, Société Française des Téléphones Ericsson, and its subsidiaries, effective in 1976 are included among associated companies and accordingly shown in the accounts under the equity accounting method.

Per share calculations are based on 20,265,067 shares in 1976 and 20,126,574 shares in 1975.

* Adjusted net income, excluding extraordinary foreign exchange translation adjustments arising from devaluations in Italy and Mexico. If these are included adjusted net income is \$33.5 million, equal to \$1.65 per share.

During the latter part of 1975 and the beginning of 1976, some improvement in economic conditions was recorded in certain countries that had higher growth of production and increased Gross National Products. The upturn was most noticeable in the United States, Japan and West Germany, while a number of other industrialized countries projected a fragmented picture and were either unaffected by, or out of step with, the trend in the countries named. The economy in Sweden deteriorated steadily.

During the second half of 1976, the economic upswing slowed and virtually all countries revised their forecasts downward with respect to the timing of a more definite turn in the economic trends.

The background for the decline was assumed to be that the improvement in the economy was based mainly on increased private consumption and was not supported by new investments in industry, which still operated with overcapacity. Unemployment is still high in the major industrialized countries, a number of whom are still struggling with a high rate of inflation.

A number of countries adopted a restrictive monetary policy, which contributed to restrain growth. This policy was as a rule caused by balance of payments problems that

originally were primarily the result of the increases in oil prices in 1973 and 1974.

As a result of the restrictive policies of their governments, many of the Group's customers had to operate with lower or unchanged appropriations for investments. Problems in obtaining tariff increases to offset the impact of inflation exhausted the telecommunications administrations' self-financing and further contributed to worsening their capacity to carry out their expansion programs. Technical reserves in network and equipment were utilized to cover subscriber demand that, in many places, had declined due to the recession.

Since the foreign exchange system with fixed rates of exchange was abandoned and replaced by floating rates, there has been increasingly pronounced uneasiness in the currency markets.

During 1976 countries in which the Group has important customers were hit by the effects of costly oil imports and the reduced competitiveness of their own export goods. This led to substantial devaluations of their own currency through changes in exchange rates. In some cases, as happened in Brazil and Italy, this adjustment to factors abroad occurred on a continuing basis, while in others—Mexico, for example—it was effected with a single sharp devaluation.

As a result of the declining demand for telecommunications equipment and the overcapacity in the industry, competition sharpened markedly during 1976 and the traditional price patterns that had prevailed for a number of years were completely shattered. The irrational price picture that emerged in connection with a number of international contracts during the year indicate that some manufacturers either have direct or indirect support in their export efforts or that they are not demanding full coverage of their costs.

The international competitiveness of the Swedish sector of the Group was further hampered during 1976, relative to a number of countries where competitors manufacture, by the fact that the large increases in the cost of Swedish labor during 1975 and 1976 could not be compensated through increased productivity in the way that had occurred earlier.

Only a few years ago, research on the telecommunications administrations' interest in computer-controlled, electronic telephone exchange systems indicated that the annual installed volume of such systems would exceed the comparable figures for electromechanical systems in the mid-1980s, and that the computerized systems would thereafter account for most of the installations. The administrations' interest in the computer-controlled electronic systems has increased more rapidly than expected, however. It may be assumed that the period of restraint in making investments is, in many cases, being used by the authorities to consider technical solutions other than those applied to date, and that, as a result, the growth in computer-controlled systems can occur sooner than formerly expected. In this situation, it is an asset for the Group to have at its disposal newly developed and, from a technical viewpoint, very advanced systems in the main product areas.

Order bookings

Orders booked by the Group during 1976 amounted to \$1,728 million, a decrease of 7 percent from the bookings of \$1,855.8 million in 1975, when orders had risen 16 percent.

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

(\$ Millions)	1976	1975	Change
Public telephone exchanges	\$ 761.1	\$ 944.5	-19 %
Subscriber exchanges, instruments and intercom systems	228.7	233.9	- 2 %
Transmission equipment and radio communications systems	144.1	97.5	+48 %
Other systems and products	230.0	135.2	+70 %
Electronic equipment and development projects for the military	70.0	147.3	-52 %
Cable, wire and network equipment	241.2	260.0	- 7 %
Other products	52.9	37.4	+41 %
Total	\$1,728.0	\$1,855.8	- 7 %

Order bookings for *public telephone exchanges* were weak. Most of the orders placed during 1976 continue to involve the Group's crossbar system. It is expected that the anticipated economic recovery will mean increased demand for modern electronic systems. In these circumstances, it has been important to demonstrate the Group's technical and professional competence to customers. Ericsson's new *AXE system* offers a primary example of these qualities. AXE represents a radically new approach, partly in the design of the computer control system which provides obvious benefits in operating economy, and partly because it already offers so-called *digital* selectors, permitting the system to be supplied in a fully electronic version.

The AXE system was presented during the year at international symposia in Europe, Japan and elsewhere, arousing justified interest. In a number of markets, information on AXE was conveyed by arranging seminars for customers. The Group participated with the AXE system in competitive bidding in France, Australia and the Netherlands, among other countries. In the French choice of a system, which attracted great interest, the AXE was selected as the new system of the two that are to be used for the expansion of the telephone network in France, with the first exchanges to be installed in Orléans and Nantes. The outcome of the competitive bidding in Australia has not yet been determined but the AXE is one of the two systems still being evaluated, following the elimination of other competitors. Negotiations for the introduction of AXE are under way in a number of other markets.

The first AXE exchange was installed in Södertälje, outside Stockholm, and is now in service. Many of the system's unique characteristics have already been confirmed in commercial operation. In Turku, Finland, installation work is proceeding on the next AXE exchange, which will be placed in service during the second half of the current year. An order has also been received from Turku for the first digital AXE installation, a tandem exchange that will be taken into service in 1978.

The *ARE computer-controlled crossbar system* is being marketed in a number of areas parallel with, and as a supplement to, the AXE system. In 1976 the telephone administration in Australia decided to expand and simultaneously modernize several of its large crossbar networks with ARE.



The AKE system is maintaining its position as one of the world's most powerful systems for international and national trunk exchanges. During the year large AKE exchanges were placed in operation in the Hammarby section of Stockholm and in Oslo, Norway, and Odense, Denmark, among other locations.

Despite the fact that demand for *subscriber exchanges, telephone instruments and intercom systems* is very sensitive to economic conditions, orders in 1976 reached the same level as a year earlier. Higher bookings in Europe—and primarily in Sweden—compensated for declines in other markets.

Order bookings for *transmission equipment* rose sharply. A very strong increase was registered for pulse code modulation (PCM) systems of the M5 construction type, which thereby achieved a definitive international breakthrough. The largest orders were received from Mexico, Brazil and Venezuela. Competition in export markets continues to be exceptionally difficult, underlining the importance of the successes with the new transmission system.

There was a large increase in orders in the "other systems and products" category, which includes telex exchanges and data network systems.

Equipment for the first stage of the Nordic data network employing Ericsson's AXB 30 data network system in Helsinki, Copenhagen, Oslo and Stockholm was ordered by the various telecommunications administrations from Group companies in the respective countries. Installation of the first AXB 20 telex exchange was begun during the year in Malmö, with inauguration of the exchange scheduled during 1977.

The AXB 20 telex exchange and the AXB 30 data network system are fully electronic digital exchange systems built up in accordance with the same principles as the AXE system, using the same data processors as the latter. The AXB system was introduced in a number of markets during the year and attracted substantial interest.

Sales of *interlocking and control systems for railway and road traffic*, which are part of the same product group, tend to increasingly involve large, complex systems utilizing computer control. Rising interest in modernizing and increasing the efficiency of rail transportation in a number of countries led to greater efforts than formerly to market these systems internationally.

Demand for *telephone cable* was low, as a consequence of the administrations' lower investments, and there was a substantial overcapacity throughout the industry internationally. The market for power transmission cable was also weak.

There was satisfactory utilization of capacity in the Group's cable factories in Brazil, Mexico and Norway.

Orders for *military electronic equipment and development work* vary sharply from year to year owing to their association with the long-term plans of the Swedish Defense authorities. Sales of maintenance and installation services became increasingly important during the year.

Control room of the Swedish Telecommunications Administration's new national exchange at Hammarby (Stockholm). The exchange is based on Ericsson's computer-controlled system AKE 132, which has the largest traffic capacity in the world and can handle up to 750,000 calls an hour.

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

(\$ Millions)	1976	1975	Change
Sweden	\$ 309.6	\$ 335.2	- 8 %
Europe (excluding Sweden)	662.1	687.0	- 4 %
Latin America	466.3	494.5	- 6 %
Other markets	290.0	339.1	-14 %
Total	\$1,728.0	\$1,855.8	- 7 %

The decrease in orders received was attributable primarily to customers who conclude delivery agreements directly with the Parent Company. These customers are to a large extent developing countries. The severe measures taken to restrict imports in a number of countries resulted in a sharp reduction in orders to the Parent Company for supplementary material to be used in the local companies' production. Consequently, the Parent Company in Sweden was affected most seriously by the reduced order bookings.

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

Production and employment

The Parent Company's lower order bookings for electro-mechanical products and systems meant that there was a decreased need of manufacturing capacity for products of this type. An adjustment of production to current and anticipated levels of orders was therefore begun during the year.

Production in the Parent Company was concentrated to an increasing degree on the new electronic systems. A number of the factories in Sweden began to convert their production to electronics, which means that the Parent Company's capacity in this field gradually increased to correspond to demand.

The character of this conversion is of two types: short-term measures involving an adjustment of production capacity for electromechanical systems to a level responsive to the market's lower requirements, and long-term measures involving a structural change towards increased production of electronic products and systems. These measures affect the employment situation in the Parent Company's Swedish plants adversely but simultaneously constitute the prerequisite for maintenance of the Parent Company's competitiveness in the future.

The distribution of Group production between plants in Sweden and abroad has up to now been determined by market factors. The different degree of local manufacture processing work in the various countries where the Group has manufacturing operations varies, depending on the size of the market and the scope of local production. For cost reasons, the Group has sought to concentrate production of mechanical components and semi-finished goods in the Swedish plants, while a larger or smaller portion of finishing operations have been assigned to plants outside Sweden. Finished products and semi-finished goods in amounts corresponding to two-thirds of the Parent Company's exports are delivered to countries where the Group has manufacturing units. Utilization of capacity in Group plants outside Sweden during 1976 was, with few exceptions, at a normal level, due to good local order bookings.

To date, production of telephone exchanges in plants outside Sweden has been concentrated almost exclusively on



LM Ericsson plant at Karlstad (Sweden).



Svenska Radio AB plant at Kista (Sweden).

systems of the electromechanical type. Market demands for local production are likely to be the same in the case of electronic systems as for the electromechanical systems. In the initial stage, however, it is expected that most of the production requirements for the new systems can be covered by the manufacturing organization that is rapidly being built up in Sweden.

Group production facilities at year-end (including space for materials handling) were distributed geographically as shown below. (Figures exclude Société Française des Téléphones Ericsson) (STE).

(Square meters)	1976	1975
Sweden: Parent Company	545,000	620,000
Other companies	300,000	190,000
	845,000	810,000
Europe (excluding Sweden)	215,000	200,000
Latin America	230,000	220,000
Other countries	60,000	60,000
Total	1,350,000	1,290,000

The transfer to Sieverts Kabelverk AB of the Parent Company's telephone cable division accounts for about 80,000 square meters of the changes pertaining to the Parent Company and other companies in Sweden.

The average number of factory workers employed during the year declined 8 percent. The geographical distribution of factory personnel was as follows (STE excluded):

	1976	1975
Sweden: Parent Company	13,570	15,610
Other companies	2,280	2,280
	15,850	17,890
Europe (excluding Sweden)	5,920	5,980
Latin America	5,830	5,610
Other countries	1,520	2,300
Total	29,120	31,780

Changes in the Parent Company and other Swedish companies include 677 persons transferred from the Parent Company to Sieverts Kabelverk AB.

There was a sharp decrease in employment in the Australian companies as well as in the Parent Company.

Technical development

The high technical standards that distinguish the Group's often very complex products are a prerequisite for Ericsson's success and outstanding position in the world market. Broad efforts on basic development work within the rapidly expanding technique as well as in the areas of electronics and computer technology resulted in major achievements during the year. The Group's earlier work on computer-controlled telephone exchanges has provided experience and know-how that, product-wise, has given the Group a lead in the field of telephone exchange and telex systems.

Research and development costs during the year totaled \$142.2 million, or 8 percent of Group invoicing.

Most of the technical activity is handled by the Swedish companies in the Group but sophisticated technical work is, to an increasing extent, carried out in subsidiaries abroad. The experience with the forms of the transfer of technology used in production and technical work that has been built up within the organization is of major importance in establishing the Group's new products in these markets. Thus advanced local technical operations have, for example, been carried out in Group companies in Australia, Denmark, Finland, Italy, Mexico and Norway in connection with the sale of computer-controlled systems.

Telephone exchanges

In Ericsson's main product area, public telephone exchanges, there are three systems with stored program control:

- ARE Local and trunk exchanges with crossbar switches and simple computers
- AKE Medium-size and large trunk exchanges with electromechanical code switches
- AXE A system "family", utilizing reed relays or fully electronic switches.

The basic development of the ARE system has been completed. It has been supplemented with additional operating and maintenance functions, including electronic debiting of toll calls instead of the use of electromechanical subscriber meters.

The AKE system was designed during the 1960s. Rapid developments in the field of component technology resulted in a decision to design a new computer system to control these exchanges. Following a technical project that was carried out very successfully, four trunk exchanges with the new computer were placed in service during 1976. Substantially increased system capacity has been achieved. The AKE installations now in operation have demonstrated that the system has a high degree of operating reliability.

All systems previously placed in service in telephone networks had substantial limitations with respect to handling and flexibility, primarily where the design of programs was concerned. It was not until the first half of the 1970s, utilizing the experience with computer-controlled telephone exchanges that by then was available, that it was possible to design an adequately modular system with the breadth of applications—and the operating and maintenance characteristics—that are essential for good economy, particularly in local exchange networks.

The decision to develop AXE was taken in 1972. Following intensive development work, the first installation (Södertälje) was placed in test traffic in the spring of 1976. Upon completion of basic trials, and following the Swedish Telecommunications Administration's acceptance test, this system was placed in operation in March, 1977. The experience to date indicate that the objectives sought have been achieved. The unique method of building up the programs has meant, above all, that design, production and installation testing could be carried out even more rapidly than expected.

In connection with the installation of new transmission systems, notably in metropolitan areas, many telephone administrations will introduce PCM (Pulse Code Modulation) systems in which speech is coded and transmitted in digital form. This has, in turn, resulted in substantial interest in the AXE local exchange system since it can be equipped with a fully electronic switch to connect calls in PCM form.

The design of this switch was completed during 1976 and it will be placed in operation for the first time in an exchange being delivered to Turku, Finland in 1978. The prototype for the digital switch was originally produced by LM Ericsson Pty. in Australia (EPA). The switch has a capacity of 65,000 connections and development work is continuing with a view to modifying it for various applications.

Telex and data

Large parts of the development of AXE occurred in the ELLEMTEL company. The AXB 20 telex system and the AXB 30 data network system were also developed there.

Development of the computer portion of a control system, together with related programming systems, involves very large investments. It is therefore highly gratifying that it has been possible to use the same control system with optimal results in the AXE, AXB 20 and AXB 30 systems. It is obvious that this offers increased advantages to those administrations who choose more than one of the systems.

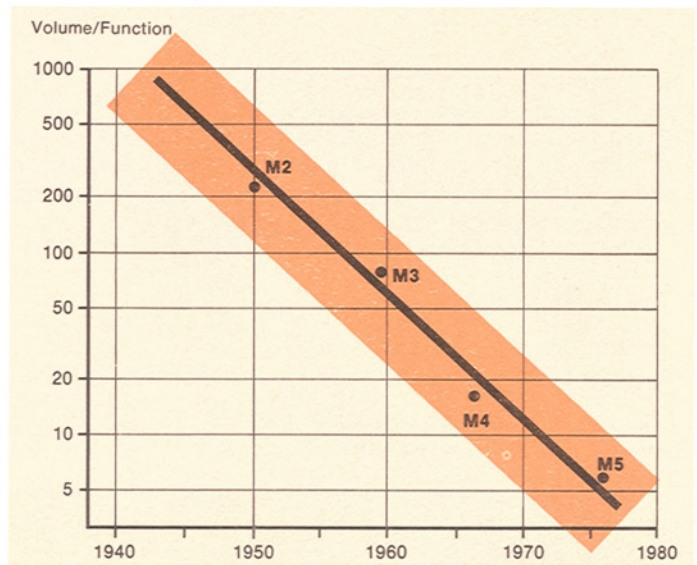
The rapid technical development in the field is continuing. However the modular build-up of systems means that a new technology can be introduced, when the time is right, without having to change the base structure.

Group know-how in the area of computer control is also being utilized for the development of subscriber ex-

changes, automatic vehicle control and defense systems. Common to all applications are the demands for high reliability and good maintenance characteristics. The Parent Company's laboratories today represent one of the largest investments in Europe in the field of computer technology.

Transmission

Computer technology and electronics have meant much for the development of automatic exchange technology. In the field of transmission equipment, increasingly advanced electronics have involved possibilities to make the equipment more efficient. The curve in the accompanying chart shows how the volume requirement for equipment for 12 voice channels has changed for various generations of the Group's carrier frequency systems.



Development work is currently being carried out with preliminary studies of the next generation of equipment in which even more sophisticated filtering and amplifying technology will be utilized, with the aid of new components from AB RIFA—the Group's component company—among other factors.

Development of 60 MHz line equipment for coaxial cables reached its final phase during the year. This system has a capacity of 10,800 telephone channels and provides very economical utilization of cable on routes with high traffic. A test system was installed in Italy in cooperation with FATME, the Group subsidiary.

In the field of PCM transmission, development work continued during 1976 on new equipment for higher multiplexing steps. An 8 Mb/s line equipment for transmission of 120 channels, which can be applied on existing and new pair cables has attracted substantial customer interest and will begin to be installed during 1977. FATME is also carrying out advanced studies in this field.

The Parent Company's operations in the area of satellite equipment resulted in additional orders for antenna projects. In this connection, the Company achieved especially important successes with respect to antennas for communication satellites. The most recent contracts involve studies of 12 GHz antennas for direct transmission of television signals to home receivers, together with an order for earth stations within the European Space Agency's OTS satellite program.

Defense electronics

Development work continued on advanced radar systems for airborne and landbased defense systems. Flight tests were carried out with a prototype of radar for the pursuit version of the Viggen aircraft. In addition, advanced tests of infrared equipment designed to provide night-time visibility were carried out with excellent results.

Cable

During 1976 Sieverts Kabelverk developed a system for vulcanizing cable in gas rather than steam, which permits a substantial improvement in the quality of the cable's insulation. The area of application for so-called XLPE cable (insulation with crosslinked polyethylene) can then be broadened to include higher voltages than was possible earlier.

Development work on the transmission of telecommunications via glass fiber cable was broadened during the year.

The teletechnical development operations involve, in substantial measure, the creation of large, complex systems through the utilization of sophisticated microcomponents. The Ericsson Group today has at its disposal a modern, well structured organization with which to carry out and coordinate technical projects, and undertake continued broadbased development work.

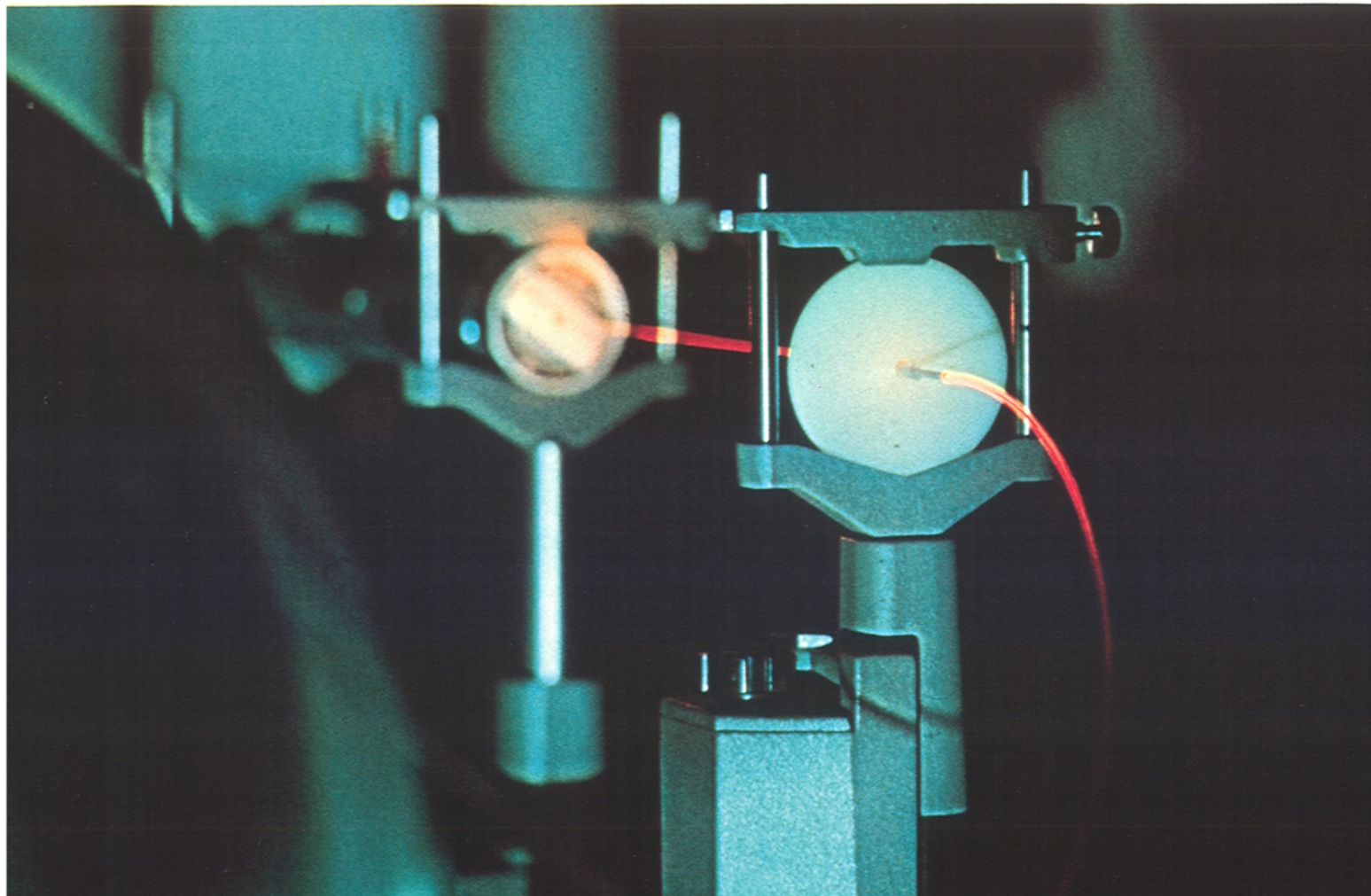
Parent Company's 100th Anniversary

A large number of guests from all corners of the world were invited to participate in ceremonies marking the 100th anniversary of the Parent Company, celebrated in Stockholm's City Hall on May 5, with H.R.H. King Carl XVI Gustaf of Sweden as guest of honor. Guests included several ministers of communication, directors general and technical managers from telecommunications administrations in more than 60 countries, as well as representatives of the Swedish Government, the Telecommunications Administration, organizations of various types, and Swedish industry.

One of the high points of the anniversary was a technical symposium on the theme "Telecommunications in a Changing World", during the course of which lecturers from six continents reported on development trends in telecommunications technology in various parts of the world.

The LM Ericsson Prize, carrying an award of S.Kr. 100,000, for significant contributions in the field of telecommunications technology, had been established to commemorate the anniversary. The Prize is designed to be awarded every third year by a committee appointed by the Swedish Academy of Engineering Sciences, the Swedish Telecommunications Administration and professors at Swedish institutes of technology. The first award, pre-

Telecommunication via laser beams and fiber-optical systems today is the object of attention of all large telecommunications companies. Picture was taken in LM Ericsson's research and development department in Stockholm.



sented by H.M. the King at ceremonies in the Technical Museum in Stockholm, went to Dr. Harold Rosen for his outstanding contributions in the field of geostationary tele-satellites.

The King also officiated at Anniversary ceremonies dedicating the Lars Magnus Ericsson Memorial Room in Stockholm's new Telecommunications Museum. This room which served as boardroom and exhibition room in LM Ericsson's former plant on Tulegatan in Stockholm, was moved, at Ericsson's expense, from Tulegatan to the Museum where it has been faithfully restored to its original appearance.

A number of gatherings and other activities were arranged for Parent Company employees during the anniversary year. All employees, as well as many pensioners, received a memorial gift.

A three-volume book, "LM Ericsson 100 Years" was published in connection with the anniversary. This work describes the Company's commercial and technical history during the past century.

Results of Group operations

□ *Net sales* in 1976 amounted to \$1,761.8 million, an increase of 14 (13) percent over sales of \$1,546.7 million in 1975. Deliveries to customers in Sweden increased slightly but the Swedish share of total sales remained at the same level as during the preceding year, approximately 16 percent. Within the markets outside Sweden, Latin America's share increased also in 1976 thanks to substantially higher invoicing.

The following table shows the geographic distribution of sales:

(\$ Millions)	1976	1975	In-crease
Sweden	\$ 284.3	\$ 252.8	12 %
Europe (excluding Sweden)	563.2	560.1	1 %
Latin America	620.7	467.7	33 %
Other markets	293.6	266.1	10 %
Total	\$1,761.8	\$1,546.7	14 %

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

□ *Cost of goods and services sold* increased from \$869.1 million in 1975 to \$978.2 million in 1976 and the margin (difference between sales revenue and production costs) was 0.7 percentage points higher than in 1975. The improvement is, to all intents and purposes, wholly attributable to the Brazilian subsidiary (EDB) and is the result of comprehensive and forceful efforts to both increase and, at the same time, rationalize local production.

Wages and salaries, including social costs, of employees covered by collective agreements increased by approximately 16 percent. For the second year in a row the increase in Sweden was higher than the average for the Group's foreign companies.

Prices of the most important raw materials used in the Group's manufacturing increased during the first half of 1976, compared with 1975. They later stabilized and in certain cases even showed a downward trend towards the end of the year. The price of copper varied very sharply, but the year-end price was approximately the same as at the beginning of 1976. There was a weak upturn in the prices of various types of plastics. Electronic components were in good supply and their prices continued to decline.

There was continuing rationalization of production. In order to improve the efficiency of the growing production of electronic equipment, computer-controlled manufacturing equipment was installed to an increasing degree. Testing operations, which are becoming an ever more important segment of production are typical examples of a process whose efficiency has been improved in this way. In many cases testing is done with equipment designed and manufactured within the Group. Strong measures were taken to reduce the amount of capital tied up in factory inventory and in production.

Only insignificant price increases could be effected during the year.

□ *Overhead expenses* increased 24 (26) percent, from \$424.8 million in 1975 to \$524.9 million in 1976.

The number of persons employed in selling, engineering and administration increased about 2 percent.

Wages and salaries, including social costs, of employees not covered by collective agreements increased slightly more than 16 (20) percent. The ratio of overhead expenses to sales rose approximately two percentage points.

Overhead expenses include \$16.9 million in losses realized on transactions in foreign currencies (1975: exchange profit of \$216,000).

Selling, technical and general overhead expenses also include unrealized exchange losses totaling \$15.4 million relating to assets and liabilities of the Parent Company in foreign currencies. In prior years, these unrealized losses were charged directly against the reserve for accounts receivable and were not a charge against earnings.

As noted earlier, operating income of the Brazilian subsidiary (EDB) improved considerably during 1976. The company's capital structure is unsatisfactory, however, since stockholders' equity is too small relative to assets at the same time that an excessively large portion of financing consists of debt in foreign currencies. The existing "price variation" clause in contracts has not been adequate to cover cost increases due to import deposits and devaluation of the materials that still must be imported. In view of these factors, the Parent Company has allowed a discount of \$14 million which is included in the Company's selling, technical and general overhead expenses. The unfavorable capital structure resulted in high financial costs, with the consequence that earnings continued to be unsatisfactory. In order to create possibilities for a sound industrial development of the business, and for increased participation of Brazilian capital, it is intended to increase EDB's capital stock by S.Kr. 200 million through conversion of a debt to the Parent Company.

□ *Depreciation* of property, plant and equipment amounted to \$69.8 million (\$56.1 million). In addition, nonrecurring write-downs in the amount of \$13.1 million (\$10.6 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, corresponds closely to book depreciation.

□ *Interest expense* amounted to \$87.4 million (\$82.8 million). The excess of interest expense over interest income increased by \$10.3 million.

□ *Income before foreign exchange translation adjustments* was \$148.9 million (\$190.3 million).

□ In translating the balance sheets of the foreign subsidiaries from the respective local currencies to Swedish kronor in connection with preparation of the Consolidated

Balance Sheet, *exchange differences* in the amount of \$50.9 million (\$19.6 million) arose. These differences derived from the effect of devaluations of various local currencies, relative to the krona, on the local companies' monetary assets and liabilities in their own currency. Characteristically, such exchange adjustments normally are not realized so long as operations of the affected company continue. Effective protection against losses of this type can only be achieved through larger borrowings in local currency. This is impossible in many countries, however, due to restrictions or the absence of an adequate local capital market.

□ *Income before extraordinary items, special adjustments and taxes* amounted to \$98 million (\$170.7 million).

□ Sharp one-time devaluations occurred during 1976 in a number of countries where the Group has large investments. In Italy the value of the lira declined 26 percent and in Mexico the peso lost 41 percent of its value relative to the Swedish krona. In the two cases the Group suffered combined negative foreign exchange translation adjustments amounting to \$31.1 million. In view of the nature of these translation differences, they have been shown as extraordinary items and set off against the reserve for receivables and investments outside Sweden.

□ *Income before special adjustments and taxes* amounted to \$98 million (\$170.7 million).

Special adjustments and net income

In accordance with tax regulations in Sweden and to some extent in other Nordic countries, appropriations to in-

ventory, investment and other reserves are deductible for income tax purposes. Further details on the Swedish regulations in this area are given in the notes to the financial statements. Net appropriations of this type, which are not overhead operating expenses, amounted to \$26.8 million (\$75.4 million).

As noted earlier, the Group is exposed, due to its widespread international operations and its special character, to foreign exchange translation losses or gains that can amount to substantial sums. On certain occasions, currency changes arise which may have accumulated over a period of many years. It therefore appears prudent for the Group to maintain a reserve which can absorb the effect of such currency changes. The amount of \$7.2 million was allocated to this reserve for 1976.

After deductions for income taxes in the amount of \$33.8 million (\$48.3 million), and minority interests in income totaling \$2.5 million (\$6 million), net income for the year was \$34.9 million (\$40.9 million).

If the Group's reported net income of \$34.9 million (\$40.9 million) is increased on the one hand by the appropriations noted 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 would have been \$51.1 million (\$74.7 million), equivalent to \$2.52 (\$3.71) per share, excluding the extraordinary foreign exchange translation adjustments that arose through the devaluations in Italy and Mexico. Including these items adjusted net income per share was \$1.65.

Fully automatic machine for wiring printed circuit cards by means of so-called "lashing," an alternative to soldering.



Capital expenditures and financing

During the year the Group invested \$141.1 million (\$131.2 million) in fixed assets (property, plant and equipment). Capital expenditures in Sweden amounted to \$95.9 million (\$63.9 million) and were primarily for the Parent Company's office, laboratory and plant facility at Kungens Kurva outside Stockholm, as well as for new plants and offices for AB Rifa and Svenska Radio AB, two subsidiaries. In the foreign sector of the Group, where investments amounted to \$45.2 million (\$67.3 million), the major capital expenditures were made in the subsidiaries in Brazil and Italy.

Inventories (after deduction of advance and progress payments) increased by \$75.6 million. The increase was less than half that of the preceding year and was in balance with deliveries.

Self-financing, defined as reported net income plus depreciation and special adjustments (including provisions for pensions and similar purposes), less the dividend paid during the year, was lower than in 1975.

During the year the Parent Company floated an issue of Swedish bonds in the amount of S.Kr. 100 million, as well as two bond loans, each in an amount of \$35 million, in the European capital market.

Changes within the Group

In connection with the decision of the French authorities to choose Ericsson's AXE computer-controlled telephone exchange system as one of two systems for the expansion of the French telecommunications network, an agreement was reached with Thomson-CSF, a French company, whereby the latter took over the management of the Group subsidiary, Société Française des Téléphones Ericsson (STE). In accordance with the agreement, preparations are being made whereby Thomson-CSF, which already holds a 16 percent interest in STE, will become its largest shareholder. STE shares are traded on the Paris Stock Exchange and 33 percent of the shares are distributed among a large number of shareholders. The Parent Company (LM Ericsson) and the general public will be invited to turn their STE shares over to Thomson-CSF in exchange for shares in the French telecommunications company Le Matériel Téléphonique, which is owned by Thomson-CSF. It is expected that, following the transfer of shares, the Parent Company's holding in STE will be approximately 35 percent.

During the year there was a new issue of shares in Ericsson do Brasil Comércio e Indústria S.A. (EDB), whereby the capital stock was increased by 75 percent. The Parent Company subscribed for virtually all of the new shares, as a result of which its holding in EDB increased from 74 to 85 percent.

The shares of Teleindustria Ericsson S.A., the Mexican manufacturing subsidiary, were registered for trading on the stock exchange in Mexico City during the year. The capital stock of the company was doubled through a new subscription of shares.

In the formerly wholly owned Telecommunication Manufacturers (Malaysia) SDN BHD, 30 percent of the shares were sold to local interests.

Sievert Kabelverk AB (SKV) acquired 50 percent of the shares in Vanadis Finans AB, the parent company of Vanadis Elektriska AB, which operates in the electrical installation field. SKV also acquired all the shares in Vanadis Entreprenad AB, Gävle, which produces industrial

pipings and handles machinery installations for industrial companies. In addition, SKV purchased a 50 percent interest in Regina Intressenter AB, parent company of a large number of small electrical installation firms. Finally, SKV acquired a business in Denmark which produces machinery for cable manufacturing and other purposes. Following its acquisition, the business is being operated as a capital stock company, I. Bager & Co A/S.

Thorsman & Co AB, Nyköping (TCN) a wholly owned subsidiary of SKV, acquired all of the capital stock of Widells Metallprodukter AB, Växjö, which manufactures and sells aluminum mouldings for electrical installations. TCN established wholly owned sales companies in Denmark (Thorsman & Co ApS) and Finland (Oy Thorsman & Co Ab).

Stock dividends and new issues of shares were effected during the year in the following subsidiaries, as indicated in the table below. The Group's percentage holdings were not affected except in the case of EDB.

		Par value of holding 31/12/75	Increase during 1976	Par value of holding 31/12/76
(In thousands)				
Sweden				
AB Rifa	S.Kr.	50,000	8,000	58,000
Svenska Radio AB	S.Kr.	15,040	7,520	22,560
Europe (excluding Sweden)				
FATME Soc. per Az	It.L.	5,128,270	2,051,308	7,179,578
SIELTE Soc. per Az	It.L.	2,564,135	1,025,654	3,589,789
SETEMER Soc. per Az	It.L.	4,400,056	2,200,028	6,600,084
Industrias de Telecomunicación, S.A. (Intelsa)	Ptas	408,000	204,000	612,000
U.S.A.				
LM Ericsson Telecommunications Inc.	US\$	400	600	1,000
Latin America				
Cía Ericsson S.A.C.I.	Arg.P.	10,000	16,000	26,000
Industrias Eléctricas de Quilmes S.A.	Arg.P.	37,760	37,760	75,520
Ericsson do Brasil Comércio e Indústria S.A.	Cruz.	249,066	251,356	500,422
Ericsson de Colombia S.A.	Col.P.	9,280	10,720	20,000
Teléfonos Ericsson C.A. Latinoamericana de	Sucres	7,000	10,000	17,000
Cables S.A. de C.V.	Mex.P.	35,420	7,084	42,504
Teléfonos Ericsson S.A. Teleindustria	Mex.P.	8,000	2,000	10,000
Ericsson S.A.	Mex.P.	78,246	77,754	156,000
Cía Ericsson S.A.	Ur.P.	50	50	100

Outlook for 1977

In most of the countries where the Group operates, there are currently no indications that the rate of investments in public telecommunications networks will increase during 1977. The continuing recession is also restraining capital expenditures for telephone equipment in industry.

It is therefore estimated that order bookings will be about 10 percent above the level achieved in 1976, involving largely unchanged volume.

The orders on hand and the anticipated bookings should result in invoicing that is insignificantly higher than that of 1976.

The uncertain conditions that characterize the present business climate—and thus the utilization of capacity in the various Swedish and foreign factories—make it impossible to forecast 1977 earnings at the present time.

PARENT COMPANY

Total revenues of the Parent Company in 1976 amounted to \$836.7 million, compared with \$825.8 million in 1975. Revenues from goods and services accounted for \$797 million (\$780.5 million), of which \$663.4 million (\$652 million), or 83 (84) percent, was delivered for export. Revenues from other sources amounted to \$39.7 million, (\$45.3 million), distributed as follows:

(\$ Millions)	1976	1975
Dividends	\$13.9	\$13.1
Interest income	23.8	28.4
Other revenue	2.0	3.8
Total	\$39.7	\$45.3

During the year \$1.2 million (\$1.2 million) was capitalized as "Investment in technical development projects", which covers part of the development costs of long-term projects.

Depreciation of property, plant and equipment amounted to \$23.6 million (\$20.1 million). In addition fixed assets acquired during the year at a cost of \$7.8 million (\$6.2 million) were wholly written off by charges against investment reserves. Depreciation of assets acquired during the year by charges to the reserve for environmental improvements amounted to \$1.6 million (-).

Withdrawals from the reserve for receivables and investments in foreign countries amounted to \$26.1 million in 1976. In 1975, \$6.3 million was appropriated to this reserve.

During the year \$15.5 million (\$39.5 million) was allocated to the special inventory reserve.

An appropriation of \$19.3 million (\$31.3 million) was made to the reserve for future investments.

Of the amount appropriated to the reserve for environmental improvements for 1974, \$1.0 million (\$217,000) was recovered and utilized for work of a general overhead nature.

After the above special adjustments, and provision for taxes in the amount of \$14.5 million (\$20.2 million), the Parent Company reported net income of \$29.4 million in 1976, compared with \$29.5 million in 1975.

Reference is 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.

Stock dividend and new issue of shares in the Parent Company

The stock dividend and the new issue of shares proposed in the 1975 Annual Report, and approved by the stockholders at the Annual General Meeting, were carried out during the year. The capital stock of the Parent Company was increased by \$46.3 million to \$231.6 million through the stock dividend, and was further increased by \$30.9 million through the new issue of shares, to \$262.5 million.

Proposed disposition of unappropriated earnings in the Parent Company

As shown in the statement on page 22, there is available for disposition by the stockholders at the Annual General Meeting—in addition to a General reserve of \$23,457,000, unappropriated earnings totaling \$29,420,000. The Board of Directors proposes that this sum be disposed of as follows:

To the stockholders, duly registered on the record day, a dividend of S.Kr. 5.00 per share	\$26,251,000
To be retained in the business	3,169,000
	<u>\$29,420,000</u>

Proposed transfer of Special Legal Reserve in Parent Company to Legal Reserve

The Board of Directors proposes that the Special Legal Reserve in the Parent Company, amounting at year-end 1976 to \$50,193,000, be transferred to the Legal Reserve, in conformity with the Act on the implementation of the new Swedish Companies Act.

Stockholm, March, 1977

MARCUS WALLENBERG

JAN WALLANDER PETER WALLENBERG

ÅKE ANDERSSON NILS BERGGREN LENNART DAHLSTRÖM

LARS-OLOF EKEBERG GUNNAR LAGERGREN WERNER SUNDELL RAGNAR WOXÉN

BJÖRN LUNDVALL

President

Consolidated Income Statement

TELEFONAKTIEBOLAGET LM ERICSSON
AND SUBSIDIARY COMPANIES

	1976	1975
Net sales	\$1,761,815,000	\$1,546,702,000
Share in earnings less losses of unconsolidated subsidiaries and associated companies	450,000	15,950,000
Interest income	38,789,000	44,455,000
Other revenue	8,096,000	16,027,000
	1,809,150,000	1,623,134,000
Cost of products and services sold	978,182,000	869,143,000
Selling, administrative, research and development expenses	524,887,000	424,824,000
Depreciation (Note 3)	69,787,000	56,107,000
Interest expense	87,415,000	82,764,000
Income before foreign exchange translation adjustments	148,879,000	190,296,000
Foreign exchange translation adjustments	50,892,000	19,636,000
Income before extraordinary items, special adjustments and taxes	97,987,000	170,660,000
Extraordinary foreign exchange translation adjustments from devaluations in Italy and Mexico	31,060,000	-
Amount charged against the special reserve for receivables	(31,060,000)	-
Income before special adjustments and taxes	97,987,000	170,660,000
Special adjustments (Note 4)		
Transfer (from) to special reserve for accounts receivable and investments outside Sweden ..	(15,750,000)	7,348,000
Transfer to special inventory reserve	19,102,000	40,473,000
Transfer to reserve for future investments	25,244,000	40,560,000
Transfer from special reserve for future investments	(20,000)	-
Transfer from reserve for investment in inventory	-	(12,718,000)
Environmental improvements expense charged against the reserve	(1,786,000)	(273,000)
	26,790,000	75,390,000
Income before taxes	71,197,000	95,270,000
Taxes on income	33,807,000	48,340,000
	37,390,000	46,930,000
Minority interest	2,455,000	6,013,000
Net income	\$ 34,935,000	\$ 40,917,000

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, 1976 of S.Kr. 4.15 to \$1.00.

Consolidated Balance Sheet

TELEFONAKTIEBOLAGET LM ERICSSON
AND SUBSIDIARY COMPANIES

ASSETS	December 31	
	1976	1975
CURRENT ASSETS		
Cash	\$ 216,593,000	\$ 254,471,000
Notes and accounts receivable—trade (<i>less provision for doubtful accounts, 1976: \$2,667,000; 1975: \$3,106,000</i>)	629,176,000	644,996,000
Inventories (<i>less advance and progress payments, 1976: \$121,661,000; 1975: \$162,529,000</i>) (Note 2)	836,462,000	760,860,000
Other current assets	121,648,000	125,447,000
	<u>1,803,879,000</u>	<u>1,785,774,000</u>
LONG-TERM ASSETS		
Cash on time deposit (Note 4)	28,417,000	32,858,000
Notes and accounts receivable—trade	200,405,000	164,558,000
Other long-term assets	14,079,000	16,476,000
	<u>242,901,000</u>	<u>213,892,000</u>
INVESTMENTS IN SUBSIDIARY AND ASSOCIATED COMPANIES		
Investments	124,206,000	123,857,000
Accounts receivable	29,640,000	19,358,000
	<u>153,846,000</u>	<u>143,215,000</u>
INVESTMENT IN TECHNICAL DEVELOPMENT PROJECTS	3,566,000	3,470,000
PROPERTY, PLANT AND EQUIPMENT (Note 3)		
Cost	817,086,000	729,984,000
Less—Accumulated depreciation	425,753,000	385,144,000
	<u>391,333,000</u>	<u>344,840,000</u>
Revaluation, net	94,079,000	38,769,000
	<u>485,412,000</u>	<u>383,609,000</u>
ASSETS PLEDGED TO SECURE INDEBTEDNESS	1976 \$382,713,000	1975 \$395,170,000
	TOTAL ASSETS	
	<u>\$2,689,604,000</u>	<u>\$2,529,960,000</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, 1976 of S.Kr. 4.15 to \$1.00.

LIABILITIES AND STOCKHOLDERS' EQUITY	December 31	
	1976	1975
CURRENT LIABILITIES		
Bank loans	\$ 157,952,000	\$ 177,393,000
Accounts payable—trade	89,468,000	90,726,000
Advances from customers	225,901,000	219,017,000
Accrued income and other taxes	60,039,000	54,207,000
Other current liabilities	299,051,000	244,657,000
	<u>832,411,000</u>	<u>786,000,000</u>
LONG-TERM DEBT		
Debentures (<i>net of unrealized exchange differences, 1976: \$3,954,000; 1975: \$13,043,000</i>) (Notes 5 and 6)	309,834,000	262,288,000
Other long-term liabilities	283,139,000	339,530,000
	<u>592,973,000</u>	<u>601,818,000</u>
PENSION AND SIMILAR PROVISIONS	175,133,000	158,417,000
SPECIAL RESERVES (Note 4)		
Special reserve for accounts receivable and investments outside Sweden	78,750,000	125,561,000
Special inventory reserves	197,376,000	178,653,000
Reserve for future investments	82,417,000	63,587,000
Reserve for environmental improvements	14,870,000	18,688,000
Special reserve for future investments	7,260,000	13,953,000
	<u>380,673,000</u>	<u>400,442,000</u>
MINORITY INTEREST IN STOCKHOLDERS' EQUITY	83,454,000	72,117,000
STOCKHOLDERS' EQUITY		
Capital stock (Note 7)	262,512,000	185,303,000
Reserves not available for distribution	235,053,000	169,354,000
Unappropriated earnings (see page 22)	127,395,000	156,509,000
	<u>624,960,000</u>	<u>511,166,000</u>
CONTINGENT LIABILITIES	1976 \$53,680,000	1975 \$49,119,000
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$2,689,604,000</u>	<u>\$2,529,960,000</u>

The United States dollar amounts shown in the above statement represent translations from Swedish kronor at the parity exchange rate at December 31, 1976 of S.Kr. 4.15 to \$1.00.

Changes in Stockholders' Equity

CONSOLIDATED	Capital stock	Reserves not available for distribution	Unappropriated earnings	Total
Balance at January 1, 1976	\$185,303,000	\$169,354,000	\$156,509,000	\$511,166,000
Parent Company new stock issue . . .	30,884,000	15,442,000		46,326,000
Parent Company bonus issue	46,325,000	(3,512,000)	(1,242,000)	41,571,000
Revaluation of fixed assets		17,831,000		17,831,000
Transfer to reserves not available for distribution and stock dividends . .		35,938,000	(35,938,000)	
Cash dividend declared by the Parent Company			(26,869,000)	(26,869,000)
Net income for 1976			34,935,000	34,935,000
Balance at December 31, 1976	<u>\$262,512,000</u>	<u>\$235,053,000</u>	<u>\$127,395,000</u>	<u>\$624,960,000</u>

The Boards of Directors of the respective companies have proposed that \$4.7 million of the above balance be appropriated in 1977 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	Unappropriated earnings*	Total
Balance at January 1, 1976	\$185,303,000	\$ 87,374,000	\$64,588,000	\$337,265,000
New stock issue	30,884,000	15,442,000		46,326,000
Bonus issue	46,325,000		(1,242,000)	45,083,000
Transfer to the legal reserve		13,012,000	(13,012,000)	
Cash dividend			(26,869,000)	(26,869,000)
Net income for 1976			29,412,000	29,412,000
Balance at December 31, 1976	<u>\$262,512,000</u>	<u>\$115,828,000</u>	<u>\$52,877,000</u>	<u>\$431,217,000</u>

* including a general reserve of \$23,457,000

Source and Application of Funds—Consolidated

SOURCE OF FUNDS	1976	1975
Net income (including minority interest)	\$ 37,390,000	\$ 46,930,000
Depreciation	69,787,000	56,107,000
Special adjustments, less exchange differences charged to reserve for accounts receivable. (The adjustments include pension and similar provisions, 1976: \$16,715,000; 1975: \$26,030,000)	12,446,000	101,297,000
	<u>119,623,000</u>	<u>204,334,000</u>
New stock issue of Parent Company	46,326,000	—
Sale of stock and minority subscription of new shares	8,392,000	1,740,000
Long-term borrowings, net of amortization	(8,844,000)	192,099,000
Other items (net)	19,886,000	7,155,000
	<u>\$185,383,000</u>	<u>\$405,328,000</u>
APPLICATION OF FUNDS		
Property, plant and equipment additions	\$141,148,000	\$131,222,000
Dividend paid (including Parent Company dividend, 1976: \$26,869,000; 1975: \$22,236,000)	30,503,000	24,695,000
Increase in cash on time deposit	(4,441,000)	14,448,000
Increase in investments and receivables in unconsolidated subsidiaries and associated companies	10,632,000	10,687,000
Increase in working capital (including long-term receivables, 1976: \$35,847,000; 1975: \$10,781,000)	7,541,000	224,276,000
	<u>\$185,383,000</u>	<u>\$405,328,000</u>

Parent Company Income Statement

TELEFONAKTIEBOLAGET LM ERICSSON

	1976	1975
Net sales	\$797,020,000	\$780,471,000
Dividends	13,848,000	13,117,000
Interest income	23,811,000	28,456,000
Other revenue	2,047,000	3,747,000
	<u>836,726,000</u>	<u>825,791,000</u>
Cost of products and services sold	450,660,000	444,514,000
Selling, administrative, research and development expenses	270,949,000	215,008,000
Depreciation (note 3)	23,620,000	20,063,000
Interest expense	39,974,000	31,673,000
Income before special adjustments and taxes	<u>51,523,000</u>	<u>114,533,000</u>
Special adjustments (Note 4)		
Transfer (from) to special reserve for accounts receivable, net	(26,099,000)	6,264,000
Transfer to special inventory reserve	15,470,000	39,518,000
Transfer to reserve for future investments	19,277,000	31,325,000
Transfer from reserve for investment in inventory	—	(12,048,000)
Environmental improvements expense charged against the reserve	(995,000)	(217,000)
	<u>7,653,000</u>	<u>64,842,000</u>
Income before taxes	43,870,000	49,691,000
Taxes on income	14,458,000	20,241,000
Net income	<u>\$ 29,412,000</u>	<u>\$ 29,450,000</u>

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, 1976 of S.Kr. 4.15 to \$1.00

Parent Company Balance Sheet

TELEFONAKTIEBOLAGET LM ERICSSON

ASSETS	December 31	
	1976	1975
CURRENT ASSETS		
Cash	\$ 138,709,000	\$ 146,474,000
Notes and accounts receivable—trade		
Subsidiary companies	296,847,000	244,992,000
Other (<i>less provision for doubtful accounts, 1976: \$633,000; 1975: \$763,000</i>)	208,193,000	187,753,000
Inventories (<i>less advance and progress payments, 1976: \$21,584,000; 1975: \$13,866,000</i>)	354,199,000	348,759,000
Other current assets	29,059,000	34,614,000
	<u>1,027,007,000</u>	<u>962,592,000</u>
LONG-TERM ASSETS		
Cash on time deposit	18,302,000	21,650,000
Notes and accounts receivable—trade		
Subsidiary companies	10,626,000	16,958,000
Other	112,633,000	115,471,000
Other long-term assets	709,000	1,784,000
	<u>142,270,000</u>	<u>155,863,000</u>
INVESTMENTS IN SUBSIDIARY AND ASSOCIATED COMPANIES		
Subsidiary companies		
Investments (see pages 26 and 27)	164,683,000	143,336,000
Accounts receivable	28,499,000	24,643,000
Associated companies		
Investments (see page 27)	45,598,000	12,743,000
Accounts receivable	884,000	466,000
	<u>239,664,000</u>	<u>181,188,000</u>
INVESTMENT IN TECHNICAL DEVELOPMENT PROJECTS	3,566,000	3,470,000
PROPERTY, PLANT AND EQUIPMENT		
Cost	289,880,000	269,437,000
Less—Accumulated depreciation	184,657,000	183,372,000
	<u>105,223,000</u>	<u>86,065,000</u>
Revaluation—net	61,983,000	31,819,000
	<u>167,206,000</u>	<u>117,884,000</u>
	1976	1975
ASSETS PLEDGED TO SECURE INDEBTEDNESS	\$251,747,000	\$238,615,000
	TOTAL ASSETS	\$1,579,713,000
		\$1,420,997,000

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, 1976 of S.Kr. 4.15 to \$1.00.

LIABILITIES AND STOCKHOLDERS' EQUITY	December 31	
	1976	1975
CURRENT LIABILITIES		
Bank loans	\$ 43,415,000	\$ 13,847,000
Accounts payable—trade	34,162,000	29,571,000
Advances from customers	61,100,000	60,134,000
Accounts payable to consolidated subsidiary companies	32,763,000	24,906,000
Other current liabilities	179,593,000	142,396,000
	<u>351,033,000</u>	<u>270,854,000</u>
LONG-TERM DEBT		
Debentures (<i>net of unrealized exchange differences, 1976: \$3,954,000; 1975: \$13,043,000</i>) (Notes 5 and 6)	309,834,000	262,288,000
Other long-term liabilities	74,841,000	112,795,000
	<u>384,675,000</u>	<u>375,083,000</u>
PROVISION FOR PENSIONS	95,683,000	86,071,000
SPECIAL RESERVES (Note 4)		
Special reserve for accounts receivable	84,796,000	110,895,000
Special inventory reserve	188,381,000	181,629,000
Reserve for future investments	25,954,000	32,028,000
Reserve for environmental improvements	12,992,000	15,614,000
Special reserve for future investments	4,982,000	11,558,000
	<u>317,105,000</u>	<u>351,724,000</u>
STOCKHOLDERS' EQUITY		
Capital stock (Note 7)	262,512,000	185,303,000
Legal reserve	65,635,000	37,181,000
Special legal reserve	50,193,000	50,193,000
General reserve	23,457,000	23,457,000
Unappropriated earnings (see page 22)	29,420,000	41,131,000
	<u>431,217,000</u>	<u>337,265,000</u>
CONTINGENT LIABILITIES	1976	1975
	\$126,963,000	\$132,276,000
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$1,579,713,000	\$1,420,997,000

The United States dollar amounts shown in the above statement represent translations from Swedish kronor at the parity exchange rate at December 31, 1976 of S.Kr. 4.15 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	7,205
I	AB Rifa (RIF)	100		58,000	11,784
I	Sieverts Kabelverk AB (SKV)	100		140,000	33,735
I	Svenska Radio AB (SRA)	71		22,560	10,853
III	Fastighets AB Rådmanen nr 1 (FAR)	100		7,400	1,783
III	KA-fabrikens Fastighets AB (KFA)	100		200	122
IV	AB Aulis (AUL)	100		6,000	1,446
IV	Casa Konsult AB (CAS)	100		500	119
IV	LM Ericsson Instruktions teknik AB (ITA)	100		200	24
IV	LM Ericssons Signal AB (SIB)	100		150	-
IV	Mexikanska Telefon AB Ericsson (MTE)	100		32,400	8,273
V	ELLEMTEL Utvecklings AB (EUA)	50		5,000	1,446
Europe excluding Sweden					
I	Oy LM Ericsson Ab (LMF)	100	Fmk	25,000	10,654
I	LM Ericsson A/S (LMD)	100	D.Kr.	40,000	9,364
I	Dansk Signal Industri A/S (DSI)	100	D.Kr.	10,000	1,787
I	Ericsson Centrum GmbH (CEH)	100	DM	4,000	1,459
I	Swedish Ericsson Rentals Ltd. (CRL)	100	£	20	54
I	LM Ericsson Ltd. (LMI)	100	£	280	306
I	Ericsson Telefoonmaatschappij B.V. (ETM)	100	Fl.	10,000	7,907
I	RIFA S.A. (RFF)	100	FF	11,000	2,500
I	Ericsson AG (EAS)	100	S.Fcs	1,500	454
I	Industrias de Telecomunicación S.A. (Intelsa) (ITS)	50*	Ptas	604,000	9,944
I	LM Ericsson S.A. (LES)	100	Ptas	75,000	1,525
I	Soc. Ericsson de Portugal, Lda. (SEP)	100	Esc.	15,000	306
IV	Production Control (Ericsson) Ltd. (PCE)	100	£	1	-
IV	Swedish Ericsson Co. Ltd. (SEL)	100	£	792	2,755
IV	SETEMER Soc. per Az. (STM)	51	It.L	6,600,084	6,788
IV	Elmé. S.A. (LML)	100	B.Fcs.	50	-
IV	Deutsche Ericsson GmbH Telematerial (EVG)	100	DM	20	-
U.S.A. and Canada					
I	LM Ericsson Telecommunications Inc. (LMU)	100	US\$	1,000	328
I	LM Ericsson Limited - LM Ericsson Limitée (LMC)	100	Can.\$	No par value	594
IV	The Ericsson Corporation (TEC)	100	US\$	No par value	6
Latin America					
I	Latinoamericana de Cables S.A. de C.V. (LCM)	58	Mex.P.	42,504	3,661
I	Teléfonos Ericsson S.A. (TEM)	100	Mex.P.	10,000	787
I	Teleindustria Ericsson, S.A. (TIM)	60	Mex.P.	156,000	12,892
I	Telequipos S.A. (TEP)	100	US\$	10	12
I	Cía Anónima Ericsson (CEV)	100	Bol.	10,000	2,440
I	Ericsson de Colombia S.A. (EDC)	88*	Col.P.	17,586	1,009
I	Fábricas Colombianas de Materiales Eléctricos Facomec S.A. (FAC)	5*	Col.P.	1,621	105
I	Teléfonos Ericsson C.A. (TEE)	100	Sucres	17,000	613
I	Cía Ericsson S.A. (CEP)	100	Soles	2,178	92
I	Ericsson do Brasil Comércio e Indústria S.A. (EDB)	85	Cruz.	500,422	-
I	Cía Ericsson de Chile S.A. (CEC)	100	Chil.P.	1	118
I	Cía Ericsson S.A. (CEU)	100	Ur.P.	100	290
I	Cía Ericsson S.A.C.I. (CEA)	100	Arg.P.	26,000	623
I	Industrias Eléctricas de Quilmes S.A. (IEQ)	100	Arg.P.	75,520	1,625
III	Inmobiliaria Parque Vía S.A. (IPM)	100	Mex.P.	2,500	249
IV	Inmobiliaria Coapa S.A. (ICM)	100	Mex.P.	1,000	151
IV	Empresa Sul Americana de Telefones S.A. (EST)	100	Cruz.	2	-
IV	Mextron S.A. de C.V. (MSM)	100	Mex.P.	1,000	349
IV	Teleric Sales Corporation (TSP)	100	US\$	No par value	1
IV	Teléfonos Ericsson C.A. (TEV)	100	Bol.	700	187

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

		Percentage of ownership (decimals omitted)		Par value of holding (in thousands)	Carrying value of holding
Other Countries					
I	Ericsson (Zambia), Ltd. (EZZ)	100	Kwacha	150	\$ 249
I	Ericsson India Ltd. (EII)	60	Rup.	740	121
I	Telecommunication Manufacturers (Malaysia) SDN BHD (TMK)	70	M\$	2,100	920
IV	Ericsson Talipon SDN BHD (ETK)	100	M\$	150	61
Total consolidated subsidiary companies					<u>\$160,076</u>

Unconsolidated Subsidiary Companies

II	Cía Argentina de Teléfonos S.A. (CAT)	78	Arg.P.	28,966	\$ 2,564
II	Cía Entrerriana de Teléfonos S.A. (CET)	86	Arg.P.	9,444	2,043
Total unconsolidated subsidiary companies					<u>\$ 4,607</u>
Total subsidiary companies					<u>\$164,683</u>

Associated Companies

I	GNT AUTOMATIC A/S (GNT)	49	D.Kr.	20,090	\$ 505
I	Fios e Cabos Plásticos do Brasil S.A. (Ficap) (FCB)	45	Cruz.	54,521	11,881
I	Sielte S.A. Instalações Elétricas e Telefônicas (SEB)	7*	Cruz.	438	32
I	A/S Elektrisk Bureau (EBN)	35*	N.Kr.	20,250	9,626
I	Simco Ericsson Ltd. (SET)	40	Rial	160,000	2,980
I	Société Française des Téléphones Ericsson	51	FF	32,994	18,220
IV	Thorn-Ericsson Telecommunications Ltd. (TEL)	49	£	980	2,354
Total associated companies					<u>\$ 45,598</u>

Other Companies

See specification on page 30	Total other companies	<u>\$379</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	FATME Soc. per Az. (FAT)	51	It.L	7,179,578
I	SIELTE Soc. per Az. (SEI)	51	It.L	3,589,789
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 Fabrikers AB (BFA)	50	S.Kr.	7,500
I	Bofa Kabel AB (BOF)	50	S.Kr.	5,000
I	Kabeldon AB (KDA)	50	S.Kr.	3,500
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 Ltd. (CCA)	40	A\$	3,750
I	Établissements Ferrer-Auran S.A. (FAF)	49	FF	3,732

The Parent Company's investment in the Brazilian subsidiary has been written down by US\$29.4 million through a corresponding write-up of certain other investments in subsidiary and associated companies.

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. The subsidiary Société Française des Téléphones Ericsson is included in the consolidated accounts as of 1976 in accordance with the equity accounting method, for reasons cited in the Board of Directors' report.

Associated companies in which the Group owns between 20 and 50 percent of the share capital are shown in the accounts in accordance with the equity accounting method. This means that the investments are shown as the Group's share of the companies' equity after adjustments for unrealized intercompany profits and unamortized reserves arising on acquisitions. In calculating the equity of associated companies, reserves arising through special appropriations are added back, after provision for deferred tax, thereby increasing the equity. ELLEMTEL Utvecklings AB, in which the Group owns 50 percent of the capital stock, is consolidated, however.

In translating the accounts of foreign subsidiaries, property, plant and equipment—and depreciation thereon—have been recorded at exchange rates at date of acquisition. In cases where fixed assets have been written up in the foreign subsidiaries, year-end exchange rates have been applied. (See Note 3.) Other assets and liabilities have been translated at year-end exchange rates, except for inventories and advances from customers in the subsidiaries in Brazil and the cable manufacturing and sales companies in Argentina, which have been translated at applicable historical rates of exchange.

On December 31, 1976, inventories and advances from customers in subsidiaries in Italy, Mexico, Spain and Australia were translated at historical rates of exchange. The net increase of \$6.3 million was credited to operations.

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 valuating 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 percent on historical cost or 30 percent 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 values assessed for tax purposes—are depreciated at a rate of 5 percent per year.

As of December 31, 1976, the fixed assets of a number of subsidiaries outside Sweden were written up to adjust the book value of the assets in local currency to a more realistic level. That portion, \$17.8 million of these write-ups which, when the assets are translated at year-end exchange rates, exceeds the earlier book value in kronor, is shown under "Revaluations". No depreciation was applied to these revaluations in 1976.

Property, plant and equipment at December 31, 1976 comprised:

	Cost	Revaluation
Land	\$ 29,476,000	\$18,134,000
Buildings	246,528,000	79,434,000
Machinery and equipment .	464,397,000	—
	740,401,000	97,568,000
Construction in progress ..	76,685,000	—
Revaluations as of December 31, 1976	—	17,831,000
	817,086,000	115,399,000
Less accumulated depreciation	425,753,000	21,320,000
Net book value	\$391,333,000	\$94,079,000

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 1977 rate is estimated at 56 percent.

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 percent 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, becomes taxable.

A special rule permits Swedish companies to set aside a certain portion of their pre-tax earnings to a reserve for future investments, designed to equalize fluctuations in business conditions. Appropriations to this reserve are

tax-deductible and 46 percent of the amount set aside must be deposited in a non-interest-bearing account with the Bank of Sweden. On obtaining permission from the authorities to utilize the investment reserve, 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 covered by funds from the reserve for future investments, may be written down completely by a corresponding transfer from the reserve to accumulated depreciation. As a result of this nonrecurring depreciation, normal depreciation of the assets is eliminated and taxable income increases proportionately during the normal depreciation period of the assets.

In 1974 regulations were adopted in Sweden requiring compulsory appropriations for that year to a reserve for environmental improvements and a special reserve for future investments. The appropriations were based on a certain percentage of income before tax. Amounts equal to the total appropriations were deposited in 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 reserves for environmental improvements. In the case of the special reserve for future investments, the opinions of the employees must be obtained.

In 1976 \$13.1 million was utilized from the reserve for future investments and the special investment reserve for nonrecurring write-downs of fixed assets acquired during the year. A withdrawal of \$2 million was made from the reserve for environmental improvements for similar purposes. In addition \$1.8 million was utilized for environmental improvements of a non-capital nature.

Note 5

The Parent Company's receivables in foreign currency—most of which are in US dollars—which fall due for payment in 1977 have been translated at year-end exchange rates, while those falling due in 1978 and later years have been translated at historical rates, as in prior years. The US dollar receivables and cash balances of the Parent Company included in the consolidated accounts with due dates from 1977 to 1986 amounted to \$190.1 million and are stated at Skr 806.4 million.

Loans of the Parent Company in foreign currencies which fall due for payment in 1977 have been translated at year-end exchange rates. For loans falling due in 1978 and later years, an amortization plan has been prepared to account for unrealized exchange differences based on year-end exchange rates and maturities of the loans. The loans are stated at year-end exchange rates less the unamortized portion of the exchange differences as calculated under the plan. The plan will be revised in future interim and annual accounts to reflect movements in exchange rates in the loans' currencies.

Note 6

Debentures

PARENT COMPANY

4 ¹ / ₂ %	Debentures of 1944, due November 15, 1978, S.Kr. 1,250,000	\$ + 301,000
3 ¹ / ₂ %	Debentures of 1950, due July 1, 1980, S.Kr. 13,347,000	3,216,000
6 ¹ / ₂ %	Debentures of 1966, due 1978 to 1986, US\$ 10,800,000	10,800,000
6 ¹ / ₂ %	Debentures of 1968, due 1978 to 1988, S.Kr. 52,350,000	12,614,000
5 ¹ / ₂ %	Debentures of 1968, due 1978 to 1983, Swiss Francs 30,000,000	12,145,000
9 ¹ / ₄ %	Debentures of 1970, due 1978 to 1985 US\$ 21,450,000	21,450,000
7 ¹ / ₂ %	Debentures of 1971, due 1978 to 1991, S.Kr. 62,450,000	15,048,000
7 ¹ / ₄ %	Debentures of 1972, due 1978 to 1992, S.Kr. 64,700,000	15,590,000
6 ³ / ₄ %	Debentures of 1972, due 1978 to 1987, DM 100,000,000	42,169,000
6 %	Debentures of 1973, due 1984 to 1988, Swiss Francs 80,000,000	32,386,000
9 ¹ / ₄ %	Debentures of 1975, due 1978 to 1990, S.Kr. 86,700,000	20,891,000
8 ¹ / ₂ %	Debentures of 1975, due 1978 to 1990, Swiss Francs 40,000,000	16,193,000
8 ¹ / ₈ %	Debentures of 1975, due May 28, 1980, Swiss Francs 50,000,000	20,241,000
9 ¹ / ₄ %	Debentures of 1976, due 1978 to 1991, S.Kr. 93,350,000	22,494,000
8 ¹ / ₂ %	Debentures of 1976, due September 15, 1983, US\$ 35,000,000	35,000,000
9 ¹ / ₄ %	Debentures of 1976, due 1978 to 1991, US\$ 33,250,000	33,250,000
		<u>313,788,000</u>
	Less: Unrealized exchange differences to be amortized in future years	3,954,000
		<u>Total \$309,834,000</u>

Installments due in 1977 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	\$ 29,948,000
19,302,821 Class B shares	232,564,000
<u>21,788,498</u>	<u>\$262,512,000</u>

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 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

	1976	1975
Average number of:		
Office employees	8,850	8,835
Factory employees	13,970	16,014
	<u>22,820</u>	<u>24,849</u>

Fees, salaries and wages:

Board of Directors and Management	\$ 4,001,000	\$ 3,677,000
Other office employees	134,522,000	120,506,000
Factory employees	128,998,000	128,345,000
	<u>\$267,521,000</u>	<u>\$252,528,000</u>

Expenses for fringe benefits, including vacation salaries, pension costs, sickness and accident insurance premiums and other personnel expenses, amounted to approximately 49 (43) % of total salaries and wages paid in 1976 for time worked.

Income statement data

	1976	1975
Dividends, interest and other income:		
Dividends:		
Subsidiaries	\$11,414,000	\$12,272,000
Others	2,434,000	845,000
Interest:		
Subsidiaries	5,583,000	5,667,000
Others	18,228,000	22,789,000
Other income:		
Subsidiaries	61,000	3,830,000
Others, including capital gains from sales of stock in subsidiary and associated companies; 1976: \$1,916,000; 1975: \$53,000.	1,986,000	(83,000)
	<u>\$39,706,000</u>	<u>\$45,320,000</u>
Interest expense:		
Subsidiaries	\$ 1,677,000	\$ 949,000
Others	38,297,000	30,724,000
	<u>\$39,974,000</u>	<u>\$31,673,000</u>
Administrative expenses (approximately)	<u>\$15,500,000</u>	<u>\$ 9,900,000</u>
Depreciation		
Buildings		
Cost	\$ 1,379,000	\$ 1,406,000
Revaluation	3,089,000	1,884,000
Machinery and equipment ..	19,152,000	16,773,000
	<u>\$23,620,000</u>	<u>\$20,063,000</u>

In addition, \$9,470,000 (\$6,241,000) of buildings, machinery and equipment acquired in 1976 was written down completely through charges against the reserve for future investments. Moreover, \$24,096,000 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:

Three loans totaling \$13,922 to board members and managing directors of Group companies.

Three pledges on assets totaling \$43,133 and six guarantees

Balance sheet data

Notes and accounts receivable—trade include notes in the amount of \$48.8 million (subsidiaries: \$530,000)

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

		Par value of holding	Carrying value of holding
(in thousands)			
Näringslivets Stiftelse för Avfallsbehandling	Sweden	Skr 50	\$ 12
AB Teleplan	Sweden	Skr 250	56
Adela Investment Co. S. A.	Luxembourg	US\$ 175	94
Sifida Investment Co. S. A.	Luxembourg	US\$ 125	150
EUROSAT S. A.	Switzerland	S.Fcs 192	67
			<u>\$379</u>

	Cost	Revaluation	Book value
(in thousands)			
Property, plant and equipment:			
Land	\$ 7,366	\$16,209	\$ 23,575
Property improvements	1,324	—	1,036
Buildings	97,704	61,784	64,652
Machinery and equipment ..	153,959	—	48,416
	<u>260,353</u>	<u>77,993</u>	<u>137,679</u>
Construction in progress	29,527	—	29,527
	<u>289,880</u>	<u>77,993</u>	<u>167,206</u>
Less—Accumulated depreciation	184,657	16,010	—
Net book value	<u>\$105,223</u>	<u>\$61,983</u>	<u>\$167,206</u>
Tax assessment value of land and buildings			<u>\$103,792</u>
Fire insurance value of:			
Buildings			\$250,843
Machinery and equipment			381,928
			<u>\$632,771</u>

The provision for pensions includes \$84.8 million for supplementary service pensions to office employees.

Assets pledged to secure indebtedness:

Mortgages on land and buildings	\$ 30,821
Floating charges on other assets	110,843
Shares	56,372
Accounts receivable	53,571
Blocked cash on time deposit	140
	<u>\$251,747</u>
Contingent liabilities	<u>\$126,963</u>

totaling \$79,427 as security for loans obtained by board members and managing directors of Group companies.

Pledges on assets in the amount of \$96,386 as security for 2,844 bank loans obtained by Group employees for the purchase of stock in the Company, and loans totaling \$297,315 to these employees, representing part of the interest on said bank loans, in accordance with the Company's "stock loan" offer of 1973 and 1976.

Audit Report

Telefonaktiebolaget LM Ericsson
Audit Report

We have examined the annual report, the consolidated financial statements, the accounting records and the administration by the Board of Directors and the President for the year 1976 in accordance with generally accepted auditing standards.

The annual report and the consolidated financial statements present the financial position of the Company and of the Group, their results of operations and changes in stockholders' equity and in financial position in accordance with good accounting practice in Sweden, as described in the Notes to the Balance Sheet and the Income Statement, and comply with the 1944 Swedish Companies Act.

The separate statement of loans, pledged assets and guarantees called for by the Swedish Companies Act has been prepared.

The proposed dividend does not conflict with those regulations in the new Companies Act which limit the distribution of dividends by a parent company having regard to the financial position of the group.

We recommend

that the Company's balance sheet and statement of income be adopted,

that the unappropriated earnings be dealt with in accordance with the proposal in the administration report, and

that the Board of Directors and the President be discharged from responsibility for their administration in respect of the year 1976.

Stockholm, March 31, 1977

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

N.-A. Frisk

David Jones
Chartered Accountant
Partner in Price Waterhouse & Co.

The above audit report refers to the Annual Report and the financial statements (pages 8 to 30) but expressed in Swedish kronor.

Consolidated net sales By product groups and markets

		1976	%	1975	%
GROUP SALES BY PRODUCTS	Public telephone exchanges	\$ 911,200,000	51.7	\$ 752,600,000	48.7
	Subscriber exchanges, instruments and intercom systems	242,200,000	13.7	226,000,000	14.6
	Transmission equipment and radio communications systems	136,500,000	7.8	110,600,000	7.2
	Other systems and products	170,800,000	9.7	145,700,000	9.4
	Electronic equipment and development projects for the military	67,000,000	3.8	53,700,000	3.5
	Cable, wire and network equipment	195,100,000	11.1	221,800,000	14.3
	Other products	39,000,000	2.2	36,300,000	2.3
	Total	\$1,761,800,000	100.0	\$1,546,700,000	100.0

OVERALL GEOGRAPHIC DISTRIBUTION OF SALES	Sweden	\$ 284,300,000	16.2	\$ 252,800,000	16.3
	Europe (excluding Sweden)	563,200,000	32.0	560,100,000	36.2
	Latin America	620,700,000	35.2	467,700,000	30.3
	Africa, Asia and Australia	270,000,000	15.3	239,200,000	15.5
	U.S.A. and Canada	23,600,000	1.3	26,900,000	1.7
Total	\$1,761,800,000	100.0	\$1,546,700,000	100.0	

DISTRIBUTION OF SALES IN EUROPE (EXCLUDING SWEDEN)	Italy	\$157,600,000	\$180,000,000
	Denmark	87,000,000	75,000,000
	Spain	79,400,000	84,800,000
	Finland	58,200,000	59,200,000
	Norway	38,800,000	29,300,000
	Great Britain	35,100,000	23,300,000
	The Netherlands	30,900,000	31,500,000
	Ireland	18,000,000	24,500,000
	Other countries	58,200,000	52,500,000
Total	\$563,200,000	\$560,100,000	

DISTRIBUTION OF SALES IN LATIN AMERICA	Brazil	\$372,500,000	\$274,200,000
	Mexico	106,800,000	86,600,000
	Venezuela	60,300,000	18,900,000
	Colombia	29,500,000	26,900,000
	Argentina	22,200,000	22,300,000
	Other countries	29,400,000	38,800,000
Total	\$620,700,000	\$467,700,000	

DISTRIBUTION OF SALES IN AFRICA, ASIA AND AUSTRALIA	Africa	\$113,400,000	\$ 54,400,000
	Asia (excluding Near East)	55,900,000	52,200,000
	Near East	50,700,000	69,200,000
	Australia	50,000,000	63,400,000
Total	\$270,000,000	\$239,200,000	

All amounts translated at the rate of S.Kr. 4.15 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

	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967
Net sales	1,761,815	1,744,494	1,442,792	1,255,980	1,034,733	905,814	761,331	700,425	607,489	551,953
Income before special adjustments and taxes	97,987	176,236	197,062	212,913	130,319	114,893	120,214	111,582	88,175	77,009
Percent of sales	5.6	10.1	13.7	17.0	12.6	12.7	15.8	15.9	14.5	14.0
Depreciation	69,787	63,373	54,681	48,425	39,133	30,890	26,357	22,031	20,584	19,465
Special adjustments	26,790	75,604	85,336	41,331	22,962	38,721	34,202	26,018	15,490	18,808
Swedish and foreign income taxes	33,807	51,920	60,530	84,073	49,927	34,850	39,589	45,238	36,956	28,447
Reported net income	34,935	40,917	47,539	67,482	43,370	31,880	42,188	36,584	33,038	26,678
Per share	1.72	2.03	2.36	3.35	2.15	1.58	2.10	1.82	1.64	1.33
Adjusted net income per share	2.52*	3.71	3.88	4.14	2.63	2.37	2.91	2.44	2.00	1.77
Dividend	26,251	26,869	22,236	20,383	18,530	16,307	16,307	16,307	12,353	11,118
Per share	1.30	1.33	1.11	1.01	.92	.81	.81	.81	.61	.55
(1976, proposed)										

* Adjusted net income per share, excluding extraordinary foreign exchange translation adjustments arising from devaluations in Italy and Mexico.

BALANCE SHEET DATA (year-end)

Net working capital	971,468	1,053,413	826,029	792,937	684,439	518,833	442,407	379,709	345,917	284,459
Ratio of current assets to current liabilities	2.2:1	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
Net property, plant and equipment	485,412	438,945	371,506	325,190	260,033	239,211	188,822	158,880	144,026	140,446
Long-term debt	592,973	661,742	439,963	429,068	394,073	265,868	183,224	124,625	115,260	72,821
Minority interest	83,454	98,871	97,062	106,488	86,824	58,577	38,872	31,744	28,491	24,639
Stockholders' equity	624,960	511,166	492,485	462,616	378,323	349,024	333,444	302,569	277,837	242,311

OTHER DATA (year-end)

Capital expenditure for property, plant and equipment	141,147	158,254	120,917	94,236	89,340	96,930	65,697	39,277	40,473	45,586
Number of employees	71,100	84,100	80,600	75,600	70,600	66,900	61,900	53,600	48,700	46,400
Number of shares outstanding	21,788,498	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
Backlog of orders	1,812,500	2,207,700	1,855,700	1,637,300	1,174,700	987,700	870,100	727,200	683,400	604,600

All per share figures reflect the stock dividends in 1969 and 1973 as well as the stock dividend and new issue in 1976. Per share calculations are based on 20,265,067 shares in 1976 and 20,126,574 shares in 1975 and previous years.

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, 1976, of S.Kr. 4.15 to \$1.00.



King Carl XVI Gustaf presented this medal to Harold A. Rosen, winner of the first Ericsson Prize, at ceremonies connected with the Prize Lecture in the Technical Museum in Stockholm.



A special Anniversary Medal in three parts, with motifs illustrating areas of Company operations, was presented to the guests at the banquet in Stockholm's City Hall that concluded the formal Anniversary ceremonies.

Retired LM Ericsson employees with especially long periods of service, and all present employees, received this Anniversary memento designed by Astri Taube. The size and metallic content—gold or silver—was determined by the number of years of service.



100th anniversary

LM Ericsson's 100th anniversary was celebrated during May, 1976 with events including a technical symposium on "Telecommunications in a changing world." Guests were King Carl XVI Gustaf of Sweden and representatives of Ericsson customers throughout the world. Special celebrations for employees were arranged in all Ericsson communities in Sweden.





TELECOMMUNICATIONS IN A CHANGING WORLD





Year's Review

SWEDEN

Group orders booked in Sweden in 1976 amounted to \$309.6 million, a decrease of 8 percent from 1975 order bookings of \$335.2 million.

Sales increased 12 (3) percent, from \$252.8 million in 1975 to \$284.3 million in 1976. The order backlog at year-end was \$284.2 million, compared with \$258.9 million at the close of the preceding year.

The Parent Company signed agreements with the Swedish Telecommunications Administration covering delivery of the first stage of the Swedish segment of a Nordic data network system that includes an electronic computer exchange in Stockholm that is to be linked with similar exchanges in Helsinki, Copenhagen and Oslo. The Administration ordered its second computer-controlled telex exchange, to be installed in Gothenburg. In addition, the Company received its largest order to date for subscriber exchanges, with deliveries to be made over a three-year period. The Administration's purchases of telephone cable declined sharply, compared with 1975, while contracts for exchange and transmission equipment continued at about the same level.

The Swedish market for defense material was marked by caution during the year, pending decisions on 1977 defense budgets. Orders booked by the Parent Company for equipment of this type accordingly were lower than in the most recent years and involved primarily supplementary material and spare parts. A major framework agreement was signed with the Swedish State Railways. It covers an automatic train control system which checks that signals are obeyed, and which, when necessary, takes over by applying automatic emergency braking of trains. An order was received from the Swedish Customs authorities for side-looking airborne radar to be used by the coast guard to track oil spills off Sweden's coasts.

For Svenska Radio AB (SRA), 1976 was a successful year, with sharply higher order bookings in its domestic market and for export. The largest increases were recorded for communication radio equipment for vehicles, and for installation work of various types, including mobile photographic laboratories and transportable operations rooms for air defense systems. SRA's operations in the Stockholm area, which had been split up among more than ten locations, were consolidated by occupying the new facility in Kista, north of Stockholm. The new premises, which comprise 45,000 square meters of space for offices, laboratories and a factory, enable the company to achieve a long-sought-after objective.

Due to the weak international economic conditions, LM Ericsson Telemateriel AB experienced a reduction in export orders during 1976. This was more than offset, however, by higher order bookings in Sweden, particularly for small intercom exchanges. Installation of the telecommunication equipment at Stockholm's new international air terminal at Arlanda was carried out during the year and was followed by orders for similar equipment for the international air terminal (Landvetter) outside Gothenburg.

The market for electronic components continued to be weak although some improvement could be discerned towards the end of the year. AB Rifa, the Group's component company, could not fully utilize its production capacity. Stagnating demand from other companies within the Group was largely offset, however, by higher orders from other customers. It is expected that the company's facilities now under construction in Kista will be placed in service by stages during 1977.

Despite international overcapacity for power cable production, and lower demand, Sieverts Kabelverk AB succeeded in obtaining approximately the same volume of orders as in the preceding year. Price competition was very severe. The laying of marine cable to Prince Edward Island in Canada had to be deferred to the summer of 1977 due to unfavorable weather conditions.

Thorsman & Co AB, which designs, manufactures and sells fasteners, electrical mouldings and similar products, continued to expand its market and has more than doubled its sales during the past two years.

During 1976 construction work began on a new facility for the Parent Company that will house offices, laboratories and workshops at Kungens Kurva, south of Stockholm.

EUROPE (Excluding Sweden)

As a result of the agreement entered into during the year with Thomson-CSF in France, Société Française des Téléphones Ericsson (STE) and its subsidiaries are excluded from the figures given below, including comparable data for 1975. Effective with the 1976 accounts, STE is included in the Group accounts in accordance with the "equity accounting" method.

Orders booked by the Group from markets in Europe (excluding Sweden) amounted to \$662.1 million in 1976, a decrease of 4 percent from comparable orders in 1975, when bookings had risen 25 percent.

Sales totaled \$563.2 million, virtually unchanged from 1975 figures of \$560.1 million. Sales in 1975 had increased 13 percent.

The order backlog at year-end amounted to \$638.9 million (\$598.9 million).

Sales were distributed by country as follows:

(\$ Millions)	1976	1975
Italy	\$157.6	\$180.0
Denmark	87.0	75.0
Spain	79.4	84.8
Finland	58.2	59.2
Norway	38.8	29.3
Great Britain	35.1	23.3
The Netherlands	30.9	31.5
Ireland	18.0	24.5
Rest of Western Europe	38.4	39.9
Eastern Europe	19.8	12.6
Total	\$563.2	\$560.1

Italy

Despite continuing troublesome economic problems in Italy, Ericsson's subsidiary, FATME, received orders for telephone exchange and transmission equipment that were approximately the same as in the preceding year.

Production of the new ERICOFON 700 electronic pushbutton telephone.

Two computer-controlled AKE trunk exchanges were placed in service successfully in Naples and Padua and installation of an exchange employing the same system was begun in Verona.

The two plants that are under construction in Avezzano and Sulmona in southern Italy are expected to be placed in operation during the early part of the current year. There were some short strikes in the Italian labor market in connection with the renewal of the collective labor agreements but production proceeded largely without interruptions.

SIELTE, the Group's second major subsidiary in Italy, had about the same volume of order bookings as in 1975. Substantial contracts were received for the laying of coaxial cable along certain major highway routes.

Denmark

The Danish telephone administrations continued to have a good flow of new subscribers during 1976, resulting in the placement of substantial orders with LM Ericsson A/S. The contracts covered telephone exchanges with crossbar systems, computer-controlled ARE crossbar exchanges, an additional AKE exchange for trunk traffic, and other equipment. At the end of the year a contract was signed with Post- og Telegrafvæsenet relating to the Danish segment of the Nordic data network.

The Group again confirmed its position as a supplier of transmission equipment for the Danish market.

An initial order was received for the new ASD 551 electronic subscriber exchange.

Dansk Signal Industri A/S successfully delivered the first "turn key" signaling and remote control system to the Danish State Railways. Orders, which were considerably higher than in the preceding year, included a framework agreement with the railway authority to cooperate on the development of a safety system utilizing microcomputers.

Spain

Expansion of the Spanish telephone network continued but the rate of increase declined slightly as a consequence of the lower rate of economic growth. Orders for telephone exchange equipment booked by INTELSA, the Group subsidiary, were at about the same level as in the preceding year. Strikes early in the year made production difficult but deliveries of finished equipment were made with only minor delays.

In an international bidding competition, INTELSA received an important order from the Spanish Ministry of Communications for a fully electronic 3,000-line telex exchange to be installed in Barcelona. The contract is the first outside Sweden for the newly developed AXB 20 telex exchange.

Orders booked by LM Ericsson S.A., the Group's other major Spanish subsidiary, were strong, despite the cautious attitude towards investments on the part of the Spanish railway and subway authorities. The market for the company's other products—subscriber exchanges and other telephone equipment—was weak, primarily due to the fact that the devaluation of the Spanish peseta made the products much more costly.

Finland

As a consequence of the difficult economic situation and the accompanying limitations on imports and severe

restraints on credits, Finnish customers deferred their investments in the telephone network. Accordingly, 1976 orders booked by Oy LM Ericsson Ab (LMF) were lower than in the preceding year. Sales of telephone exchanges were primarily affected by the decline. The company received an order pertaining to the Finnish portion of the Nordic data network.

The first computer-controlled AKE trunk exchange with the new processor was cut into service in Sörnäs, outside Helsinki. In addition, an Ericsson-developed "closed" communications system with connections to the car radio network and emergency numbers, was delivered to the police authorities in Helsinki. The system utilizes intercom facilities and SRA's car radio stations.

Norway

In January, 1976, A/S Elektrisk Bureau (EBN) signed a new long-term agreement with the Norwegian Telecommunications Administration, resulting in the largest single-year order to date for telephone exchange and transmission equipment. The first AKE exchange in Norway for national and international traffic was placed in service towards the end of the year and an order was received for a fourth AKE exchange, to be installed in Bergen.

Contracts were signed covering the Norwegian portion of the Nordic data network, with deliveries to be made by EBN.

In December, 1976, a production and marketing agreement was reached among A/S Elektrisk Bureau, Tandbergs Radiofabrikk A/S and A/S Kongsbergs Vapenfabrikk, in accordance with which the three companies will become cornerstones of the Norwegian electronics industry, as desired by the authorities. The agreement presupposes continuing close cooperation between EBN and the Parent Company, among other features.

A/S Norsk Kabelfabrik continued to be successful with its sales of the company's fire resistant cable. A newly developed symmetrical pair cable for digital transmission systems also attracted international attention.

Rest of Europe

Deliveries and installation work on the large international trunk exchange in Mondial House in London proceeded on schedule.

Despite the tight market situation in Great Britain, Thorn-Ericsson Telecommunications (Sales) Ltd. had continued success in selling subscriber exchanges. Deliveries included several complete networks based on subscriber exchanges in network group configurations.

In France, the former subsidiary, Société Française des Téléphones Ericsson (STE), received an order from the French PTT for two computer-controlled exchanges of the new AXE local exchange to be installed in Orléans and Nantes.

STE received substantial orders for the CP 400 crossbar system and also completed substantial deliveries of the same system, including a local exchange in Paris with especially high traffic capacity that was placed in service during the year.

Installers from Intelsa, the Group's Spanish subsidiary, shown during installation of a telephone exchange in Madrid.



Investments in the Dutch telephone network continued to be restrained during 1976. Ericsson Telefoonmaatschappij B.V. received a large order for telephone instruments. A new AKE exchange in Dordrecht and an addition to the AKE exchange in Rotterdam were placed in operation.

In Dublin, the largest national trunk exchange to date utilizing crossbar technology was delivered and placed in service for the Irish Post and Telegraph administration, as was a local exchange for 20,000 subscriber lines.

In Czechoslovakia, within the framework of an earlier agreement, a contract was signed with the authorities covering delivery of a very large computer-controlled exchange of the AKE type. The exchange, to be installed in Prague, will handle national and international transit traffic.

LATIN AMERICA

Orders booked in Latin America decreased 6 percent, from \$494.5 million in 1975 to \$466.3 million in 1976. In 1975 orders had declined 9 percent.

Sales amounted to \$620.7 million, compared with \$467.7 million a year earlier. The order backlog at year-end 1976 was \$584.8 million, as against \$797.6 million at the close of 1975.

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

(\$ Millions)	1976	1975
Brazil	\$372.5	\$274.2
Mexico	106.8	86.6
Venezuela	60.3	18.9
Colombia	29.5	26.9
Argentina	22.2	22.3
Other countries	29.4	38.8
	\$620.7	\$467.7

Brazil

Despite the fact that various corrective measures were taken, there was a considerable deficit in the Brazilian balance of payments. The rate of inflation was high, amounting to 46 percent in 1976. The severe restrictions on imports, including the requirement of long-term deposits and the imposition of high tariffs, continued in force.

By sharply increasing the locally produced portion of its deliveries, Ericsson do Brasil (EDB) succeeded in reducing costly imports from the Parent Company. Performances in EDB's plants rose nearly 70 percent compared with the preceding year.

In their efforts to restrain inflation and improve the balance of payments, the Brazilian authorities announced further cutbacks in public spending during the year. As a result, the government telephone administrations for local and long distance traffic placed lower orders with EDB than in the past. Orders for subscriber exchanges increased and EDB maintained its position as the country's largest supplier of selector telephony for the Government-owned railways.

Local and trunk exchanges equivalent to nearly 500,000 subscriber lines were delivered during the year, including EDB's millionth local exchange line, installed in the State of Ceará. Sales of transmission equipment were substantially higher.

As a result of the lower expenditures for the public telephone network, there was overcapacity in the local manufacturing telecommunications industry.

Mexico

In connection with the action of the Mexican government during the latter part of 1976 in terminating the peso's link to the U.S. dollar, the exchange rate for the peso declined from 12.50 to the dollar to about 25. Some improvement occurred at year-end.

Teléfonos de México, S.A. which is responsible for telephone operations in the country, placed about the same volume of orders with Teleindustria Ericsson S.A. (TIM) as in the preceding year. TIM recorded a sharp increase in contracts for transmission equipment of the PCM type.

Deliveries exceeded those of a year earlier. Completions included two local exchanges with computer-controlled group selectors and expansions of AKE exchanges.

LATINCASA, the cable manufacturing company, achieved considerably higher orders and sales during 1976.

Venezuela

Deferments of orders for telephone exchange equipment by CANTV, the government administration, resulted in lower order bookings than in the preceding year for Compañía Anónima Ericsson (CEV). This was partly offset by a framework agreement for substantial deliveries of transmission equipment over a three-year period. Large contracts for subscriber equipment were also received, including a 4,000-line subscriber exchange for SIDOR, the national steelworks.

Colombia

The difficult economic situation had a restraining effect on investments by the telephone administrations and order bookings remained at about the same level as in the preceding year.

Argentina

There was a certain economic stabilization but, over the full-year period, inflation reached triple-digit figures.

During the year ENTEL, the government telephone administration, presented a long-term plan for expansion of the country's telecommunications. Under the plan, the country is divided into three regions with different suppliers for each. The Group has been granted one of these regions on a preliminary basis.

Other countries

In Ecuador, an important delivery agreement was signed with IETEL, the government authority, covering the supply of new exchanges and the expansion of existing crossbar exchanges. The contract also involves telephone instruments and subscriber exchanges. As a consequence of the new agreement, construction of an assembly plant is now under way.

Major orders for telephone exchange equipment were received from Costa Rica, Haiti and Bolivia. A substantial assignment to construct cable networks was obtained in Curacao.

AFRICA, ASIA AND AUSTRALIA

Order bookings from these three regions declined 8 percent, from \$292.4 million in 1975 to \$269.1 million in 1976. In 1975, orders had risen 14 percent.

At year-end the order backlog in this area amounted to \$281.6 million compared with \$293.1 million at the close of the preceding year,

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

(\$ Millions)	1976	1975
Africa	\$113.4	\$ 54.4
Asia (excluding Near East)	55.9	52.2
Near East	50.7	69.2
Australia	50.0	63.4
Total	\$270.0	\$239.2

Africa

During 1975 the Group's market position in Africa was dominated by very substantial agreements with authorities in Algeria and Tunisia. In the case of Algeria, this was followed in 1976 by large supplementary orders for telephone exchange equipment. Sales of completed installations more than doubled.

A contract was signed with the administration in Egypt covering a computer-controlled crossbar exchange to be installed in Cairo to handle international traffic.

Orders from Nigeria for new local exchanges and preliminary agreements with the administration there on expan-

sions of crossbar exchanges reinforced the Group's position as the supplier for the Enugu district.

Expansion of Liberia's telephone network gained new momentum during the year through orders for the enlargement of existing exchanges and the installation of new ones.

In severe international competition, the Group succeeded in capturing a contract involving automation of the rural telephone network in southern Ethiopia.

Orders from other African countries remained at approximately the same level as in the preceding year.

The sales programs of Svenska Radio AB and LM Ericsson Telemateriel were successful in a number of African countries.

Asia (excluding Near East)

An agreement was signed with the telephone administration in Thailand covering delivery of 47 new local exchanges, constituting the second part of the comprehensive expansion of the telephone network in rural areas.

Large orders for signaling equipment were obtained from the State Railways in Pakistan. Follow-on orders were received from Taiwan for the same type of equipment.

The first local exchange in India to be equipped with the Group's crossbar system was placed in operation in Idgah (New Delhi).

This unusual picture of a "cable transport" was taken in Thailand. It is included in LM Ericsson's award-winning Anniversary film, "Linking People Together."



Near East

Orders booked in this market rose sharply during 1976. This was attributable primarily to contracts received in Saudi Arabia involving a comprehensive expansion of the country's three international trunk exchanges, and of certain local exchanges, as well as to a doubling of the capacity of the national trunk network through installation of computer-controlled ARE crossbar exchanges. The order also included coaxial cable, network material and installation of the latter.

Kuwait, which in 1975 became the first country in the Near East to order a computer-controlled ARE crossbar exchange for trunk traffic will, as the result of an agreement signed in 1976, also introduce a local exchange employing the same system.

Sieverts Kabelverk obtained a major order from Iran covering the supply and installation of cable for the Chab Bahar marine base on the Arabian Sea.

The large coaxial cable and radio link network in Oman, under installation for a number of years, was placed in service in its entirety during 1976, with great success.

Australia

Australia's economy showed signs of a slow recovery during 1976 but the rate of investments in the telephone network was low and the Group subsidiary, LM Ericsson Pty. Ltd. (EPA), had to curtail its production capacity. An improvement in the situation is anticipated, however, since the Australian Telecommunications Commission decided to introduce computer-controlled (ANA 30) registers in all existing crossbar exchanges for local traffic, as well as in new exchanges. The plans cover a five-year period and involve two-and-a-half million lines installed to date. An expansion of the international AKE exchange in Sydney was ordered.

In the evaluation of electronic systems suitable for future expansion of Australia's telephone network, the Group's AXE system now remains as one of the two systems that the administration is continuing to study in making its final selection.

U.S.A. AND CANADA

Despite the hard competition from many manufacturers, LM Ericsson Telecommunications, Inc. in the United States succeeded in obtaining the same level of orders for subscriber exchanges and private transmission networks as in the preceding year.

In Canada, the competition was very difficult and order bookings continued to decline, compared with a year earlier.

PERSONNEL

The number of Group employees declined by 3,160 during 1976.

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

	December, 31	
	1976	1975
Sweden	28,730	31,240
Europe (excluding Sweden)	18,350	18,500
Latin America	17,460	17,200
Other countries	2,960	3,720
	67,500	70,660

Including the telephone operating companies in Argentina, the totals were 71,070 and 74,230, respectively.

The number of employees in the Parent Company's telephone factories was reduced by around 2,200 through natural attrition up to the end of the year. Since the fall of 1976 there has been external recruiting of staff personnel only in exceptional circumstances. There were no major changes in the number of employees in the companies outside Sweden, with the exception of LM Ericsson Pty. Ltd., in Australia, where a reduction of approximately 700 persons occurred during the year.

An analysis of future personnel requirements was begun in the Parent Company, involving cooperation between the management and the employee organizations. The objective is to propose appropriate measures to adjust capacity to what appears to be required over both the short and long term.

Information and consultation

In Sweden, a law pertaining to codetermination in work life was adopted during 1976 and became effective January 1, 1977.

The law assures the union organizations participatory influence in the administration of a company, primarily through the obligation which the law imposes upon employers to provide information and negotiate with employees prior to decisions which substantially affect a company's operations.

The law covering employee representation on the boards of directors of Swedish capital stock companies, which has been in effect on a trial basis since 1973, was adopted as permanent legislation by the Swedish Parliament.

The agreement covering works councils and certain other management-labor cooperation agreements applying to Swedish companies are expected to be replaced by new agreements within the framework of the law on codetermination.

Cooperation within the companies occurs through negotiations and collective agreements, through information and consultation in groups where both management and employees are represented, and through employee participation in decision-making bodies. Each company within the Group has its own forms of cooperation between the management and employees, taking into consideration the respective countries' laws, agreements, and historical and cultural traditions. There are regular exchanges of experience in this field within the Group. An empirically good form of cooperation in one company can thus contribute to the development and revitalizing of forms of cooperation in another Group unit.

During 1976 40 works councils were active within the Swedish sector of the Group. Matters relating to employment were the primary subjects of discussion in these units during the year.

Work in the works councils in EPA's two factories in Australia continued during the year. The exchange of information in the councils provided many important proposals for changes.

In Finland, LMF has statutory "production committees" in the plants at Jorvas and Brahestad. The production

Telecommunications satellite antenna system being tested in the Parent Company's MI Division.



committee is the principal organ for cooperation between management and employees in Finnish industry.

There was an increase in the extent of consultative activities in the Netherlands. In many departments in the Group subsidiary there, committees meet regularly to discuss matters pertaining to work and work methods.

In Spain, the existing consultative system was supplemented with a committee for personnel who work outside the factories on a permanent basis.

In Venezuela there are two committees—one with representatives of factory workers and one with representatives of the other employees—which meet regularly with management for deliberations pertaining to work conditions.

Health services

Preventive health services were accorded increased importance throughout the Group.

In Sweden during 1976, the national organizations representing the partners in the labor market adopted a new agreement covering cooperation within companies on matters relating to workers' safety and industrial health. This work environment agreement is the first within the framework of the new law on codetermination.

In Argentina the Group companies contributed to a health care program administered by the unions.

At EDC in Colombia, a central safety committee was active in monitoring work conditions from an environmental viewpoint.

A new environmental law, which becomes effective July 1, 1977, was adopted in Denmark. The law consists of "framework" legislation within which more detailed regulations governing work environment activities will be spelled out.

In Finland, LMF's activities in this field included specialized studies of health conditions within various age groups of employees.

At TMK in Malaysia, resources were appropriated within the health services program for training and counseling on personal hygiene and health care, diet, family planning etc.

At ITS in Spain, the safety committee was strengthened to permit it to study and prevent industrial accidents more effectively.

Education and training

Group investments in the continuing personal development of its own and customers' employees continued at all levels. Training activities were more comprehensive than earlier in most Group companies during the year.

This was true to a notably high degree in Brazil, where both technical subjects and courses dealing with such subjects as administration, languages and leadership were accorded major attention.

Activities in the Mexican company's training center during 1976 exceeded those of the preceding year by more than 40 percent.

Other companies which had very active training programs in 1976 included those in Finland, Denmark, Colombia and the Netherlands.

In Sweden, the newly developed electronic telephone systems required increased training resources. This involved technical training of employees concerned with system design and marketing as well as those in production jobs.

The Parent Company's International Training Center in Stockholm had more students from other countries than ever before.

The Board of Directors of the Parent Company made available additional funds for a new three-year (1977–1979) period for informing and training union representatives on matters relating to the Group's international operations. These funds make it possible for a number of union representatives from various Group companies to travel and study employment conditions in major Ericsson companies in other countries.

As in prior years, the Group's various companies provided financial assistance to employees who undertook voluntary training programs.

Funds

The LM Ericsson assistance and scholarship funds provided financial aid to employees in the customary manner.

Much appreciated assistance to retired employees with long periods of service who faced problems of various types was provided by the "Dr. Marcus Wallenberg Fund."

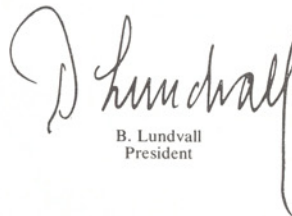
The current recession, combined with the changes involved in the conversion to a new technology in one of the Group's main product areas, resulted in changed work conditions, and adjustments to new jobs, for many employees.

Under the prevailing circumstances, the task of redistributing production among the factories, so as to achieve the most efficient and balanced production possible, has been a difficult one. Thanks to fine cooperation and a strong desire in all sectors to be helpful, it was possible to solve the problem in a satisfactory manner.

Unusually hard international competition and rapid technical changes will undoubtedly characterize the current year. Professional competence and a capacity for initiative will be required to overcome difficulties and take advantage of opportunities.

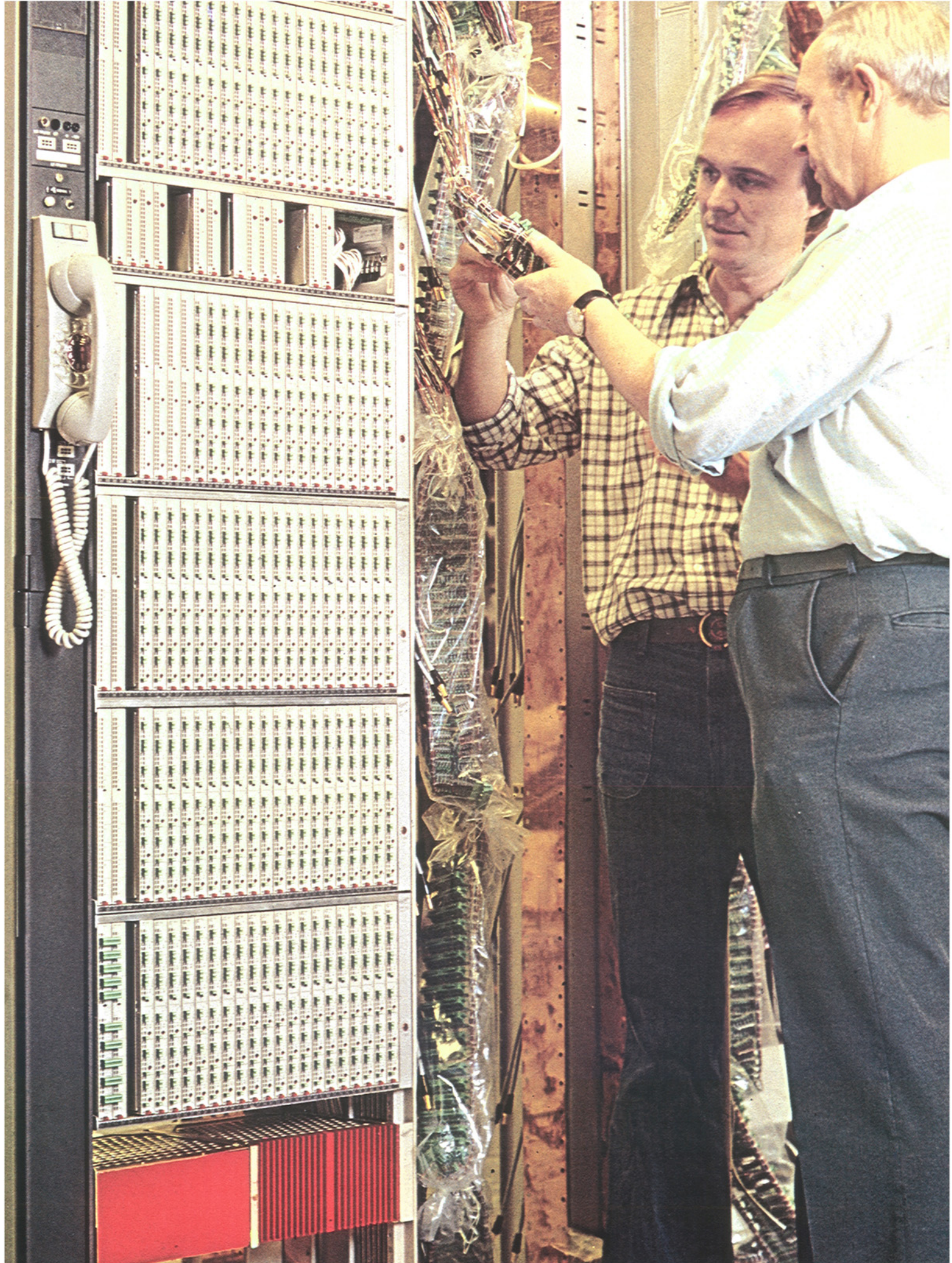
It is with pleasure—and confidence for the future—that it can be confirmed that these qualities, together with the capacity for cooperation over national boundaries, constitute a basic source of strength of the Ericsson Group.

Stockholm, March, 1977



B. Lundvall
President

Installation of an Ericsson M5 construction electronic transmission system in Denmark.



THE ERICSSON GROUP including associated companies* and representatives

	SWEDEN	EUROPE (excluding Sweden)	
SALES COMPANIES WITH MANUFACTURING OPERATIONS	<p>Stockholm Telefonaktiebolaget LM Ericsson AB Rifa Sieverts Kabelverk AB AB Transvertex Kabmatik AB</p> <p>Nyköping Thorsman & Co AB</p> <p>Spånga Svenska Radio AB</p> <p>Växjö Widells Metallprodukter AB</p> <p>Alingsås *Kabeldon AB</p> <p>Kungsbacka *Bofa Kabel AB</p> <p>Malmö *Bjurhagens Fabrikers AB</p> <p>Norrköping *AB Norrköpings Kabelfabrik</p>	<p>DENMARK Copenhagen I Bager & Co A/S 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.</p> <p>Colombes *Société Française des Téléphones Ericsson</p> <p>IRELAND Athlone LM Ericsson Ltd.</p> <p>ITALY Rome FATME Soc. per Az.</p>	<p>THE NETHERLANDS Rijen Ericsson Telefoonmaatschappij B.V.</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>Gävle Vanadis Entreprenad 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 Thorsman & Co ApS</p> <p>FINLAND Helsinki Oy Thorsman & Co Ab</p> <p>FRANCE Paris Thorsmans S.a.r.l.</p> <p>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 Installator</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>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

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Buenos Aires
Ericsson S.A.C.I.
Industrias Eléctricas de Quilmes

BRAZIL
São Paulo
Ericsson do Brasil Comércio e Indústria S.A.

BRASIL
Rio de Janeiro
Fios e Cabos Plásticos do Brasil

BRASIL
Rio José dos Campos
Componentes Comércio e Indústria S.A.

COLOMBIA
Bogotá
Ericsson de Colombia S.A.

COLOMBIA
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

AFRICA AUSTRALIA ASIA OCEANIA

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LM Ericsson Pty. Ltd.
RIFA Pty. Ltd.***

AUSTRALIA
Sydney
*Conqueror Cables Ltd.

IRAN
Teheran
*Simco Ericsson Ltd.

MALAYSIA
Shah Alam
Telecommunication Manufacturers (Malaysia) SDN BHD

***Earlier A.E.E.
Capacitors
Pty. Ltd.

U.S.A. CANADA

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EPLAN, Projetos e Planejamento de Telecomunicações S.A.

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Santiago
Ericsson de Chile S.A.

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Havana
Teléfonos Ericsson C.A.

MEXICO
Mexico D.F.
Teléfonos Ericsson S.A.
Montaje, S.A. de C.V.

PANAMA
Panama City
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PERU
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URUGUAY
Montevideo
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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 Associée au Groupe Ericsson "SOTELEC"

THAILAND
Bangkok
Ericsson Telephone Corp. Far East AB**

TURKEY
Ankara
Ericsson Türk Ticaret Ltd. Sirketi

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

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

CANADA
Montreal
LM Ericsson Limitée/Limited

**Branch office

Costa Rica, Dominican Republic, Guadeloupe, Guatemala, Guyana, Haiti, Honduras, Martinique, Netherlands Antilles, Nicaragua, Panama, Paraguay, El Salvador, Surinam, 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, 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, Zaire.

ARGENTINA
Buenos Aires
Argentina de Teléfonos S.A.
Entrerriana de Teléfonos S.A.

AUSTRALIA
Melbourne
Teleric Pty. Ltd.

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

COSTA RICA
San José
Telefonaktiebolaget Ericsson

SALVADOR
San Salvador
Telefonaktiebolaget Ericsson

GUATEMALA
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KUWAIT Kuwait
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OMAN Muscat
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SAUDI ARABIA Riyadh
LM Ericsson

TUNISIA Tunis
Telefonaktiebolaget LM Ericsson

Products and Systems

Public Telephone Exchanges

LM Ericsson is one of the world's leading manufacturers of automatic telephone exchanges for public networks. Ericsson systems are used for local, intercity and international traffic in many parts of the world.

The Ericsson crossbar system, introduced in the early 1950s, has been approved as standard equipment in a large number of countries and has proved to be one of the most economical and reliable systems ever developed in the field of telecommunications. Ericsson is now the first manufacturer in the world to be able to offer computerized control of both new and previously installed crossbar exchanges.

The first deliveries of a completely new computer-controlled exchange system, AXE, are now under way. The system is unusually flexible and easy to handle and has, as a result, attracted substantial interest on the part of telephone administrations throughout the world. During 1976 AXE was selected as one of the standard systems for the future expansion of the French telephone network.

Ericsson also manufactures manual exchanges, including electronic versions, for private and public use, along with portable exchanges and special booking systems.

Transmission Equipment

Ericsson occupies an advanced position in the field of telecommunications transmission equipment. Its most important products are terminal equipment for conventional carrier frequency systems (FDM) and pulse code modulation (PCM) systems, and amplifying equipment for coaxial cable and radio link systems.

Cable

Sievert Kabelverk AB, a subsidiary, is Northern Europe's largest manufacturer of power and telecommunications cable. The product program also includes installation and connection wire. The cable currently attracting the greatest interest is the XLPE plastic-insulated high-voltage cable with crosslinked polyethylene insulation. Sievert Kabelverk is a leader in the world market for this type of cable.

Subscriber Equipment

Ericsson manufactures two basic types of telephone exchanges for use in private systems. PABXs (Private Automatic Branch Exchanges) are used to connect the public network with the subscriber's own extension instruments, and to handle traffic between the latter. PAXs (Private Automatic Exchanges), the second basic type, are used in internal telephone systems that are not linked to the public network. Exchanges of this type are used in offices, hospitals, industrial plants, etc.

Ericsson also produces special telephone systems for use in hotels, railway systems, electric utilities and by companies and organizations with their own national telecommunications networks, so-called private network groups.

The Group manufactures various types of telephone instruments, as well as loudspeaking telephones and a number of other types of instruments for special applications. 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 airborne and landbased. 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 such as 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 and written and data communication, which is developed and marketed by the AB Transvertex subsidiary.

Above, left: Operator's panel in Ericsson system for automatic train control.

Above, center: Portable radio station for civilian use, manufactured by Svenska Radio AB.

Above, right: Combined tracking and fire-control radar for anti-aircraft system.

Lower picture: Echo barrier for remote telephone connections; for example, via satellite.

