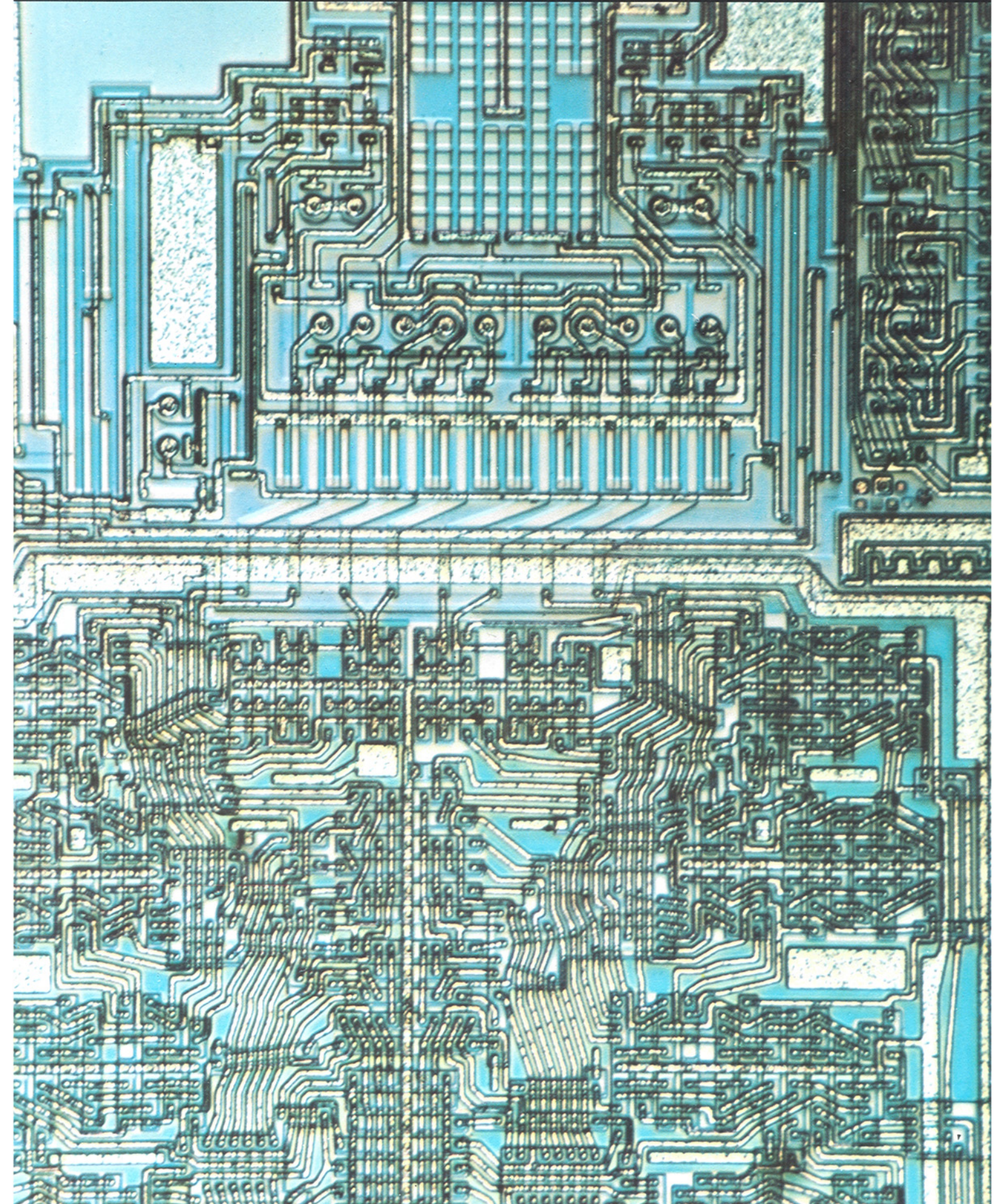


ERICSSON TELEPHONE COMPANY

1978 ANNUAL REPORT

103rd YEAR OF OPERATIONS





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Dr. h.c.

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KARL-AXEL LUNELL
Vice President
Licensing and Patents

JAN STENBERG
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Legal Affairs

NILS SVENSSON
Vice President
Personnel

YNGVE ÅKESSON
Vice President
Cable Operations

Vice Presidents

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STURE EDSMAN

OVE ERICSSON

ROLF ERIKSSON

HANS FLINCK

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NILS TENGBERG

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The Ericsson Group 10-year financial summary

As reported in the annual reports for the respective years

INCOME DATA

Dollar amounts in millions except per share figures

	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969
Net sales	2,097.9	1,821.5	1,700.3	1,683.7	1,392.5	1,212.2	998.6	874.2	734.8	676.0
Income before special adjustments and taxes	167.7	128.6	94.6	170.1	190.2	205.5	125.8	110.9	116.0	107.7
Percent of sales	8.0	7.1	5.6	10.1	13.7	17.0	12.6	12.7	15.8	15.9
Depreciation	76.4	70.5	67.3	61.2	52.8	46.7	37.8	29.8	25.4	21.3
Special adjustments	41.8	19.9	25.9	73.0	82.3	39.9	22.2	37.4	33.0	25.1
Swedish and foreign income taxes	45.3	51.4	32.6	50.1	58.4	81.1	48.2	33.6	38.2	43.7
Reported net income	69.9	44.8	33.7	39.5	45.9	65.1	41.9	30.8	40.7	35.3
Per share	3.21	2.06	1.55	1.81	2.10	2.99	1.92	1.41	1.87	1.62
Adjusted net income* per share	4.27	2.87	2.26	3.31	3.47	3.69	2.35	2.11	2.59	2.18
Dividend	27.9	25.3	25.3	25.9	21.5	19.7	17.9	15.7	15.7	15.7
Per share	1.28	1.16	1.16	1.19	0.99	0.90	0.82	0.72	0.72	0.72
(1978, proposed)										

BALANCE SHEET DATA (year-end)

Net working capital	1,102.5	1,015.3	937.6	1,016.7	797.2	765.3	660.6	500.7	427.0	366.5
Ratio of current assets to current liabilities	2.1:1	2.1:1	2.2:1	2.1:1	2.0:1	2.1:1	2.3:1	2.3:1	2.2:1	2.4:1
Net property, plant and equipment	462.6	487.2	468.5	423.6	358.5	313.8	251.0	230.9	182.2	153.3
Long-term debt	609.2	576.2	572.3	638.7	424.6	414.1	380.3	256.6	176.8	120.3
Minority interest	95.0	89.4	80.5	95.4	93.7	102.8	83.8	56.5	37.5	30.6
Stockholders' equity	667.2	622.6	603.2	493.3	475.3	446.5	365.1	336.8	321.8	292.0

OTHER DATA (year-end)

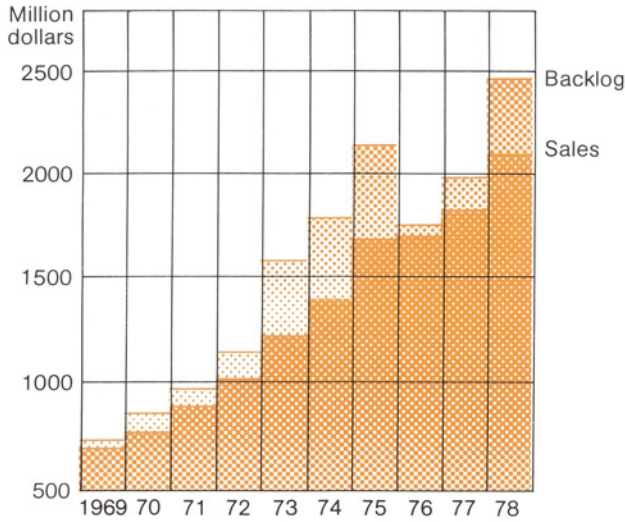
Capital expenditure for property, plant and equipment	116.5	127.5	136.2	152.7	116.7	91.0	86.2	93.6	63.4	37.9
Backlog of orders	2,462.0	1,991.8	1,749.3	2,130.7	1,790.9	1,580.2	1,133.7	953.3	839.8	701.9
Number of employees	65,100	66,400	71,100	84,100	80,600	75,600	70,600	66,900	61,900	53,600
Number of shares outstanding	21,788,498	21,788,498	21,788,498	15,380,117	15,380,117	15,380,117	12,304,094	12,304,094	12,304,094	12,304,094

All per share figures reflect the stock dividends in 1969 and 1973 as well as the stock dividend and new issue in 1976.

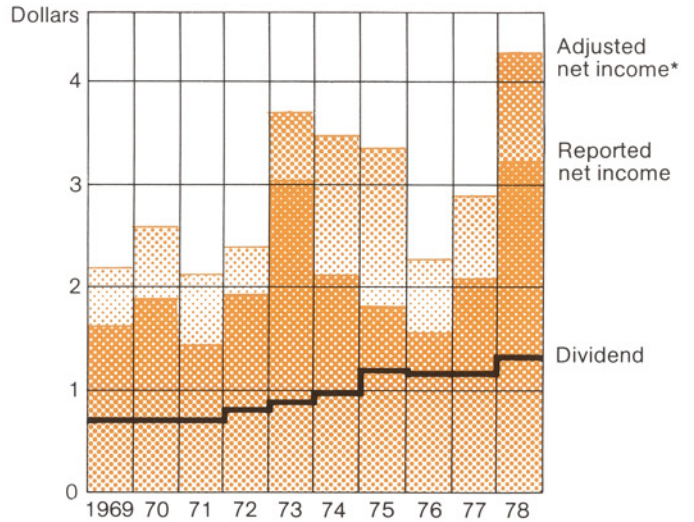
*Adjusted net income per share reflects net income after adding back special adjustments, less amounts equivalent to reduction in current income taxes resulting from such adjustments.

The United States dollar amounts shown in the above summary represent translations from Swedish kronor at the parity exchange rate at December 31, 1978, of S.Kr. 4.30 to \$1.00.

Sales and backlog

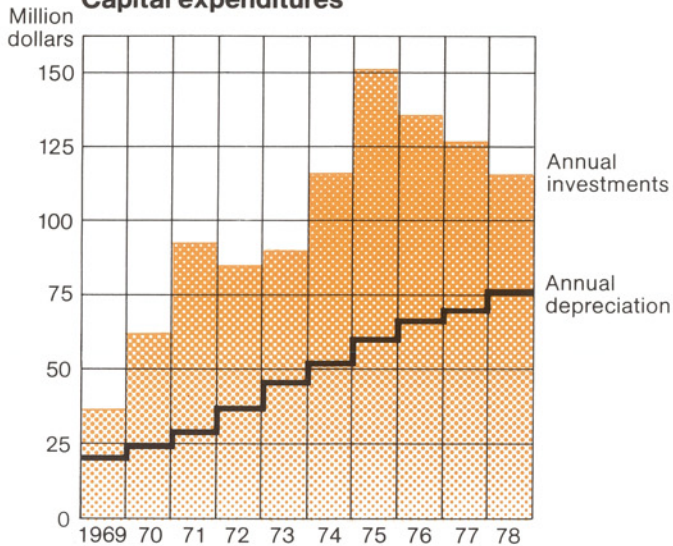


Earnings and dividends per share

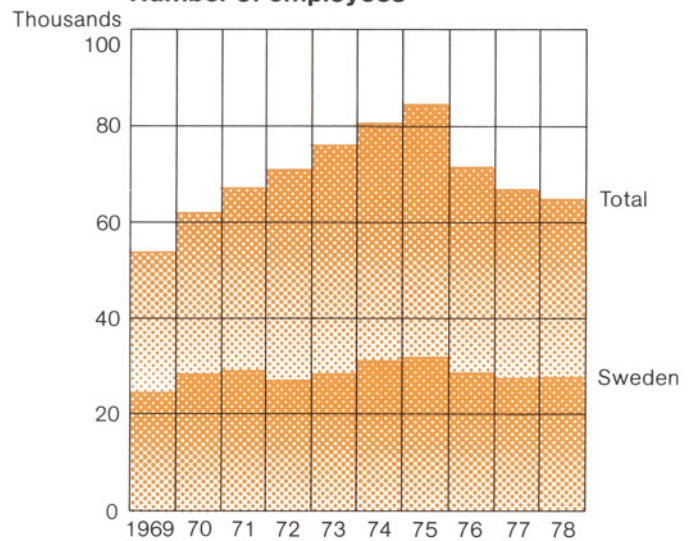


* See page 4

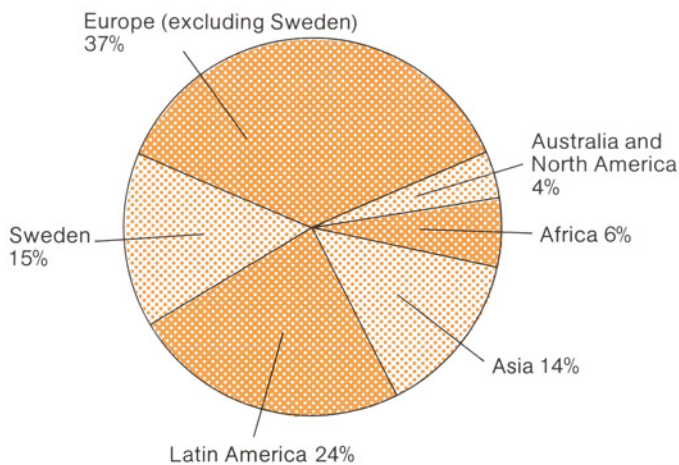
Capital expenditures



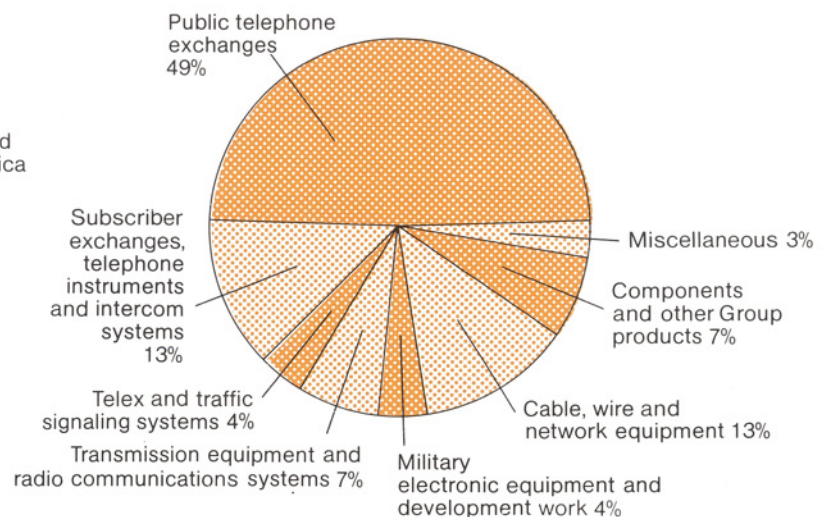
Number of employees



Overall geographic distribution of sales



Group sales by products





Interior of the AXE exchange in Orleans, France.

Group operating results in brief

(\$ Millions except per share figures)

	1978	1977	Change %
Order bookings	2,684.3	2,015.1	33
Order backlog	2,462.0	1,991.8	24
Sales	2,097.9	1,821.5	15
Income before special adjustments and taxes	167.7	128.6	
Percent of sales	8.0	7.1	
Reported net income	69.9	44.8	
Per share	3.21	2.06	
Adjusted net income	93.0	62.6	
Per share	4.27	2.87	

The European countries in which the Ericsson Group has long been a supplier of telecommunications equipment continued to constitute the Group's largest market area. 50 percent of the orders came from these markets.

Economic development in Sweden was weak in the beginning of the year. The export situation improved gradually, however, partly as a consequence of the 1977 devaluations of the Swedish krona, but an earlier sharp build-up of inventories within industry obstructed economic growth. Primarily due to large contracts from the Swedish Telecommunications Administration, the Group's order bookings in Sweden rose 23 percent, to \$410.4 m.

In other Western European countries—with the exception of West Germany, which is a small market for the Group—economic growth was generally low, partly due to measures to restrain inflation. Only a few countries showed high growth rates. Investments in telecommunication administration networks continued to rise, however, although on a somewhat lower level than in the beginning of the 1970s, while the growth in subscriber and privately owned telecommunications equipment was relatively weak. Group orders from the European market, excluding Sweden, accounted for an increase of 24 percent, to \$885.5 m., in 1978.

For the non-European markets as a whole, the increase in order bookings was 44 percent, to \$1,388.4 m. This increase is attributable to sales successes in the Near East, primarily in Saudi Arabia.

Many countries in Latin America are still suffering from the consequences of oil price increases which caused a growing portion of foreign currency to be allocated for oil imports. The inflation rate in certain Latin American countries, especially Argentina and Brazil, continued to be very high. Group orders from Latin America declined by 11 percent, to \$521.6 m. Most of the decrease occurred in Brazil, where the rate of growth in telecommunications has slowed in recent years, partly pending a decision in principle on the choice of a system for future expansion.

The growth in Australia continued to be low, but a number of Government measures designed to stimulate investment in industry resulted in a more favorable economic climate.

One of the consequences of the strains on the balance of payments—primarily caused by the trend of oil prices—was that the authorities increased their demands for exports in many countries where the Group has manufacturing companies. Great efforts were made to satisfy these demands without causing conflicts between units within the Group.

An efficient organization in terms of administration, as well as manufacturing and sales, and an outstanding technology helped make 1978 a successful year for the Ericsson Group, with definite breakthroughs in a number of different markets, primarily for the AXE telephone exchange system but also for power and transmission equipment, radar and alarm systems.

The political and economic situation means, however, that the international competition is exceptionally severe and that very great efforts have to be made if the Group is to maintain and—if possible—strengthen its position.

These efforts, which are essential with respect to the future, involve great costs which burden both income and liquidity. Energies were therefore concentrated in 1978, to an increasing degree, on strengthening the Group's solidity and liquidity and on raising the level of cost consciousness.

Order bookings

Order bookings rose sharply during 1978, reaching the highest levels to date for a number of divisions within the Parent Company and for a number of subsidiaries.

The contract signed in January, 1978 with the Ministry of Communications of Saudi Arabia had an important impact on the Group's order intake. This contract accounts for nearly 20 percent of the total. A report on how the contract is treated in the Group accounts appears in the notes to the financial statements on page 26.

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

(\$ Millions)	1978	%	1977	%
Public telephone exchanges	\$1,365.4	51	\$ 982.0	49
Subscriber exchanges, telephone instruments and intercom systems	328.9	12	235.9	12
Telex and traffic signaling systems	98.2	4	82.0	4
Transmission equipment and radio communications systems	199.5	7	117.0	6
Military electronic equipment and development work	123.2	5	118.2	6
Cable, wire and network equipment	322.7	12	270.9	13
Components and other Group products	187.5	7	160.4	8
Miscellaneous	58.9	2	48.7	2
Total	\$2,684.3	100	\$2,015.1	100

The volume of orders for *telephone exchanges* with computer-controlled systems increased sharply in 1978, compared with 1977.

There was also a substantial rise in contracts for telephone exchanges with electromechanical systems. As a result, the volume of orders received for such systems in 1978 was still larger than for systems with computer control. For the Parent Company, in contrast, orders booked for computer-controlled exchanges were higher than those for exchanges with electromechanical systems.

A number of AXE exchanges were placed in service with great success during 1978. Of special interest was the fact that five AXE exchanges were completed and cut into service in exceptionally short periods in Saudi Arabia. Exchanges of this type were also placed in traffic in Finland and Italy.

In the field of *subscriber exchanges*, there was an increase of 20 percent in orders, compared with the preceding year. After the first large electronic ASD 551 exchange had been placed in operation, orders were received for more than 80 units. The newly designed ASB 100 and 900 electronic exchanges were introduced successfully throughout the world, with deliveries of the ASB 100 to customers starting during the year.

Orders for *telephone instruments* increased 90 percent, primarily due to the contracts in Saudi Arabia and with the Swedish Telecommunications Administration and to large orders from the Dutch telecommunications authorities. A large part of the increase was accounted for by the new electronic DBA 100 pushbutton instrument, DIAVOX.

The technically advanced AVE 100 *intercom* system was well received in the world market.

In the *telex and traffic signaling systems* product group, the AXB 20 telex system documented its competitiveness through increased orders.

The international market for *transmission equipment* continued to be extraordinarily difficult. The competitive picture changed but the pressure on prices persisted. As the result of slightly improved demand, but primarily due to intensified sales activity, orders received increased by nearly 70 percent.

The acquisition of Sonab Communications AB resulted in an increased activity in the field of *radio communications systems*. Substantial successes were scored with mobile radio telephone systems and the wireless ERICALL CONTACTOR personal paging system, which was introduced during the year.

Delays in political decisions related to a future new Swedish military aircraft caused a reduction in orders booked in the domestic market for *military equipment and development work*. The decline was, however, offset by increased activity, primarily involving radar equipment, in export markets.

Deliveries to Saudi Arabia of telephone cable and related products for the so-called ATP project contributed approximately half of the increase in orders for *cable, wire and network equipment*. The remaining portion of the increase was due to large orders for cables and network installations received by the Italian subsidiary, SIELTE. Excluding the 1977 order figures for the LATINCASA cable company, which was not consolidated in 1978, the increase for this product group was approximately 35 percent.

As a result of its customer-adapted development of complex components, AB Rifa and its associated companies contributed to an increase of nearly 40 percent in the Group's orders for *components*.

The geographical distribution of order bookings was as follows:

(\$ Millions)			Change
	1978	1977	%
Sweden	\$ 410.4	\$ 334.4	23
Europe (excluding Sweden)	885.5	713.2	24
Latin America	521.6	584.8	-11
Asia	631.6	139.7	352
Africa	115.0	153.2	-25
Australia, North America	120.2	89.8	34
Total	\$2,684.3	\$2,015.1	33

Details of the trend of business in the various markets are presented in the Year's Review.

Production

Production capacity in the Parent Company's plants in Sweden that manufacture electromechanical systems and products continued to be too high in 1978, relative to the current work load. The degree to which capacity was utilized was therefore unsatisfactory.

Additional plants were converted for the production of electronic products and at year-end more than half of the Parent Company's Swedish factories were concentrating on manufacturing of this type.

Computer-based aids of many types in the area of product and production information helped to reduce the processing time in manufacturing and contributed to increased information reliability.

The introduction of "total system testing" of complete AXE exchanges as the final stage in the production process, rather than carrying it out at the installation site, drastically reduced the installation times for this system compared with other systems produced by the Group.

Preparations for the conversion to the production of electronic equipment proceeded on a broad front in many of the foreign plants. In certain factories, such as those in Australia and Spain, production of such equipment constituted a substantial part of total manufacturing in 1978. In connection with this conversion operation there is an important transfer of technological know-how from the Parent Company to the foreign units.

Group production facilities at year-end (including space for materials handling) were distributed geographically as follows:

(Square meters)	1978	1977
Sweden: Parent Company	550,000	560,000
Other companies	270,000	280,000
	820,000	840,000
Europe (excluding Sweden)	215,000	215,000
Latin America	210,000	232,000
Other countries	46,000	52,000
Total	1,291,000	1,339,000

The reduction in production facilities in Latin America is due primarily to the fact that the LATINCASA cable company is not included in 1978 figures, and to decreases in the facilities in Brazil and Mexico.

The average number of workers employed in manufacturing declined 6 percent during the year. The geographical distribution of factory personnel was as follows:

	1978	1977
Sweden: Parent Company	10,590	11,520
Other companies	2,720	2,410
	13,310	13,930
Europe (excluding Sweden)	5,870	5,820
Latin America	3,780	4,790
Other countries	1,390	1,350
Total	24,350	25,890

The increase in the number of workers shown under "Other companies" in Sweden is due in part to the acquisition by SRA Communications AB of Sonab Communications AB. Of the decrease shown for Latin America, the LATINCASA cable plant in Mexico accounts for 340 persons while the rest of the decrease is attributable to the factories in Brazil (570) and to other units in Mexico (170).

Technical development

Much of the research and development activity is carried out within the Group's Swedish companies. A substantial part of the development of the main products in the area of public telecommunications—telephone, telex and data exchanges, transmission equipment and telephone instruments—is handled within ELLEMTEL, the development company jointly owned with the Swedish Telecommunications Administration. In the field of telephony, the subsidiaries and associated companies outside Sweden are responsible for substantial technical operations. These consist in part of adapting Group products to local requirements. The companies also have Group responsibilities for the development of special products.

Research and development costs in 1978 totaled \$173.6 m., equal to 8 percent of Group sales.

A description of product development work completed and in progress appears in the Year's Review.



The Nordic data network, which uses Ericsson's AXB 30 switching system, will be placed in service during 1979. Here, the system is being tested in the laboratories of ELLEMTEL Development Company.

Personnel

The total number of employees within the Group was as follows:

	December 31		Change
	1978	1977	
Sweden: Parent Company	20,220	20,320	- 100
Other companies	7,280	7,050	230
	27,500	27,370	130
Europe (excluding Sweden)	18,730	18,480	250
Latin America	11,750	13,990	-2,240
Other countries	3,420	2,980	440
Total	61,400	62,820	-1,420

Including the telephone operating companies in Argentina, the total number of employees was 65,100 in 1978 and 66,370 in 1977. Supplementary information on the average number of employees and wages, salaries and other remuneration paid appears in connection with the notes to the financial statements on page 29.

The LATINCASA cable company in Mexico, which is not included in the figures for 1978, accounts for 520 of the reduction in the number of employees in Latin America. In addition, the number of employees in Brazil was decreased by 1,610, and in other Mexican companies by 280. In-

creased activity in the production companies in Australia resulted in an increase of 330 in the number of persons employed in that country.

Training

Technical training totaling 350,000 student hours and involving nearly 1,000 students from foreign customers and subsidiaries was carried out during the year at Ericsson's International Training Center in Stockholm. This represented a more than 40 percent increase in this training activity, compared with 1977, despite the fact that the latter had also been a record year for the international program. The number of students at the Center from the Swedish sector of the Group was 7,000, corresponding to slightly more than 270,000 student hours.

In addition, there were substantial investments in training programs in the foreign companies. At Ericsson do Brasil, 200 courses totaling 180,000 student hours, and dealing primarily with technical subjects, were conducted during the year.

In Mexico, at the Centro de Entrenamiento Latinoamericano Ericsson, technical training of various types was provided for 500 employees of Group companies and customers in Mexico and for students from other Latin American countries.



The Parent Company's new plant at Kungens Kurva, south of Stockholm.

Management-Labor relations

The cooperation that has long existed between the managements of the Group's Swedish companies and the employee organizations was extended, in a positive manner, within the framework of the new Swedish law on codetermination in working life. In the Parent Company, approximately 190,000 manhours, equal to about 10 hours per employee, were consumed in information and negotiating activities during the year. The objective is to develop more flexible and more efficient forms of work through continuing simplification and decentralization of information and contacts.

In the Group's foreign companies, the forms of management-labor relations have been developed in conformity with laws, agreements and practice in the respective countries. An exchange of experience among the various companies in the Group has contributed to this development.

In Finland, the Finnish Parliament in June, 1978 adopted a new law, effective in July, 1979, related to cooperation within companies.

In Mexico, a Government decree established the rights of employees to receive continuing training. A representative committee has been set up within the Teleindustria company and given the task of developing such training.

Health services and the work environment

The medical and technical health services were developed in the Group's Swedish units in accordance with the objectives defined in the legislation dealing with the work environment that was adopted during the year.

There was a further increase in the exchange of experience in the field of medical and health services between the Group's Swedish and foreign units.

Employee turnover and absenteeism

The economic situation in the labor market in Sweden and many other countries continued to be weak, which probably had an effect on employee turnover. The figures for the Parent Company were as follows:

	1978	1977
Factory workers	8.9 %	9.4 %
Other employees	4.6 %	6.9 %

There was no major deviation from the preceding year's figures with respect to absenteeism due to illness. Calculated as a percentage of the total work year, including vacation periods, the figures for the Parent Company were as follows:

	1978	1977
Factory workers	11.6 %	12.0 %
Other employees	4.5 %	4.7 %

Grants and scholarships

The first grants were made from "The Marcus Wallenberg Foundation for Scientific Research and Training," established in 1977. The sum of \$116,000 was available for distribution in 1978. Eight scholarships were awarded, five to employees of the Parent Company in Sweden and one each to employees in Group companies in Australia, Mexico and Spain.

Results of Group and Parent Company operations

□ Group net sales in 1978 amounted to \$2,097.9 m., an increase of 15 percent over 1977 sales of \$1,821.5 m., which had been 7 percent higher than in 1976. The geographical distribution of Group sales was as follows:

(\$ Millions)	1978	1977	Change %
Sweden	\$ 323.5	\$ 298.5	8
Europe (excluding Sweden)	777.2	661.7	17
Latin America	495.1	541.9	-9
Asia	283.1	141.2	100
Africa	126.8	84.4	50
Australia, North America	92.2	93.8	-2
Total	\$2,097.9	\$1,821.5	15

Due primarily to sharply increased invoicing in Saudi Arabia, sales in the Asia market area rose from 8 percent to 13 percent of the Group total. The percentage of sales in Latin America declined from 30 to 24 percent, while Europe (including Sweden) accounted for 52 percent of sales in both years.

The distribution of Group sales by product category was as follows:

(\$ Millions)	1978	%	1977	%
Public telephone exchanges	\$1,017.0	49	\$ 902.9	50
Subscriber exchanges, telephone instruments and intercom systems	285.5	13	241.6	13
Telex and traffic signaling systems	80.9	4	69.8	4
Transmission equipment and radio communications systems	143.2	7	119.5	7
Military electronic equipment and development work	93.2	4	72.0	4
Cable, wire and network equipment	264.9	13	234.4	13
Components and other Group products	154.8	7	137.7	7
Miscellaneous	58.4	3	43.6	2
Total	\$2,097.9	100	\$1,821.5	100

The trend of selling prices was uneven. In general, only price increases that corresponded to increases in manufacturing costs could be posted. Competition was severe and price reductions for certain products were necessary in order to maintain market shares.

The same prices established for sales to external customers are applied in intra-Group sales, except that the elimination of certain costs in transactions between Group companies is taken into consideration.



New factory of Compañía Anónima Ericsson at Valencia, Venezuela.



Teléfonos Ericsson's new plant in Quito, Ecuador.



New plant of Thorsman & Co AB in Nyköping, Sweden.

□ *Cost of products and services sold* increased 13 percent, compared with 1977, as against an increase of 15 percent in invoicing. The margin (difference between net sales and cost of products and services sold) for the Group was 1.1 percentage points higher than in the preceding year.

Wages and salaries, including social costs, of employees in Sweden who were covered by collective agreements rose about 10 percent. The trend of wages and salaries in the foreign plants was uneven.

World market prices of metals purchased for use in the Group's manufacturing were somewhat higher in 1978 than in 1977, while the prices for plastics were unchanged. Prices of electronic components continued to decline. Following the close of the year, there were steep rises in the prices of copper, an important raw material for the Group, and of several types of plastics. The devaluation of the Swedish krona in 1977 increased the cost of a large portion of the purchases made for the Swedish sector of the Group in 1978.

□ For the Group, *other operating income* consists primarily of license fees from non-Group companies which manufacture Ericsson products under agreements with the Parent Company. In the Parent Company, other operating income also includes license fees from subsidiaries, which are eliminated in the Group income statement.

□ *Overhead expenses* increased 19 percent, to \$679.7 m., in 1978, compared with an increase of 14 percent, to \$570.1 m., in 1977. Group overhead expenses increased by 1.1 percentage points relative to Group sales.

The number of Group employees engaged in technical, sales and administrative work increased insignificantly during the year.

The level of wages and salaries, including social costs, for personnel in Swedish offices and plants who are not covered by collective agreements increased by about 9 percent, compared with 13 percent a year earlier. Of the employees in this category, 55 percent are located in Sweden.

Overhead expenses include realized exchange losses on transactions in foreign currencies of \$35.6 m. for the Group in 1978, compared with \$2.6 m. in 1977. In the Parent Company there was an exchange loss of \$32.7 m. in 1978, compared with a gain of \$8.6 m. in 1977. During 1978 \$26.0 m. of the exchange losses pertained to realized losses in connection with the early redemption of long-term loans totaling Sfrs 155 m.

Excluding the exchange losses on these loans, the increase in overhead expenses in 1978 was 15 percent for the Group and 19 percent for the Parent Company.

Selling, technical and general overhead expenses also include unrealized exchange differences of \$2.4 m. related to the Parent Company's assets and liabilities in foreign currencies. In 1977 the comparable figure was \$12.5 m.

□ *Depreciation* of property, plant and equipment amounted to \$76.4 m. in 1978, compared with \$70.5 m. in 1977. In addition, nonrecurring write-downs of buildings, machinery and other fixed assets were made in the amount of \$43.5 m. (\$26.5 m.) through charges against investment reserves.

The total depreciation taken for the year on property, plant and equipment is higher than the amount would have been if a uniform depreciation schedule had been applied throughout the Group.

□ *Interest expense* amounted to \$97.6 m. in 1978, compared with \$95.8 m. in 1977. Net interest expense (the difference between interest income and interest expense) improved by

\$16.7 m. (\$4.9 m.), mainly due to larger advances from customers.

□ *Income before foreign exchange translation differences* was \$211.6 m. in 1978 and \$159.1 m. in 1977.

□ *Foreign exchange translation differences* arising in connection with the translation of foreign subsidiaries' balance sheets from foreign currencies to Swedish kronor amounted to \$43.9 m., compared with \$30.5 m. a year earlier. They were attributable primarily to net exposed assets in Argentina, Brazil, Italy and Mexico.

□ *Group income before special adjustments and taxes* was \$167.7 m. in 1978, compared with \$128.6 m. in 1977.

Special adjustments and net income

In Sweden and a few other countries, appropriations to various reserves and funds are deductible for income tax purposes. Further details on the Swedish regulations in this area appear in the notes to the financial statements. Appropriations of this type, which are not operating expenses, amounted to \$41.8 m. in 1978 and \$19.9 m. in 1977. The appropriation for 1978 includes \$7.0 m. (\$7.0 m.) allocated to a special reserve for nonrecurring currency exchange fluctuations to which the Group may be vulnerable through its exposure of monetary assets and liabilities in subsidiaries in various countries.

After provision for income taxes in the amount of \$45.3 m. (\$51.4 m.), the Group recorded a profit of \$80.6 m. in 1978, compared with \$57.3 m. in 1977. Minority interest in Group profit was \$10.8 m. (\$12.5 m.).

Group net income for the year was \$69.9 m., as against \$44.8 m. in 1977.

If the Group's reported net income of \$69.9 m. (\$44.8 m.) is increased by the appropriations noted above and then reduced by the income taxes that would have been paid if the special adjustments had not been made, adjusted net income of the Group in 1978 would have been \$93.0 m., equal to \$4.27 per share, compared with \$62.6 m., or \$2.87 per share in 1977.

Capital expenditures and financing

During the year the Group invested \$116.5 m. (\$127.5 m.) in property, plant and equipment. Capital expenditures in Sweden amounted to \$76.2 m. (\$87.8 m.) and pertained primarily to production and testing equipment and the final stages of the most recently constructed facilities for the Parent Company and AB Rifa. Investments in the foreign companies amounted to \$40.3 m. (\$39.7 m.) and were virtually entirely for production machinery and other equipment.

As shown in the Consolidated Statement of Source and Application of Funds on page 20, the Group's self-financing was on the same high level as during the preceding year. Working capital increased by \$87.2 m. (\$77.8 m.). The sharp rise in liquid funds was related to advances from customers.

During the year the Parent Company issued Swedish bonds in the amount of S.Kr. 100 m. (\$23.3 m.). In addition, two bank loans, in the amounts of Saudi rials 90 m. and 45 m., respectively, as well as a multi-currency loan in the amount of US \$45 m. were taken up. Three long-term debenture loans totaling Sfrs 155 m. were repaid ahead of schedule.

Changes within the Group

During 1978 SRA Communications AB (SRA) purchased all of the shares in Sonab Communications AB, which at



Components





Monitoring unit in ALARMCOM, a centralized system for efficient alarm communications—from LM Ericsson Telemateriel AB.

the date of acquisition employed a total of 400 persons in Sweden and abroad. SRA also formed a wholly owned sales company, Communications SRA, S.A.R.L., in France.

Dansk Signal Industri A/S (DSI), Denmark, acquired all the shares in Brdr B & E Hansen A/S, which has handled installations of street signaling systems for DSI for many years.

FATME, Italy, purchased a 55 percent interest in A.R.E. Applicazioni Radio Elettroniche S.p.A. in Castellanza, a manufacturer of electronic equipment.

Teleric Pty. Ltd., Australia, (TLA), acquired all the shares in Conqueror Cables Pty.Ltd., an Australian cable manufacturer. The latter company, following a merger with Pirelli's subsidiary in Australia, is a part of Pirelli Ericsson Cables Ltd., in which TLA holds a 50 percent interest.

Through a restructuring, Regina Intressenter AB, in which Sieverts Kabelverk AB (SKV) owned 50 percent of the shares, was liquidated and Förvaltnings AB Elektrounion, Stockholm, a holding company for electrical installation firms, in which SKV holds a one-third interest, was formed.

Bofa Kabel AB, Sweden, in which SKV has a 50 percent shareholding, acquired all of the shares in Töcksfors Verkstads AB, which produces cable and wire for the machinery and computer industries.

A new issue of shares in FICAP, the cable company in Brazil, increased Ericsson's holding to slightly more than 46 percent.

In connection with new issues of shares, for which local interests were invited to subscribe, 14 percent of the shares in Ericsson de Colombia S.A. and 4 percent of the shares in FACOMECA S.A., the cable company, were acquired by Colombian citizens.

Following the sale of shares to local interests, Ericsson's holding in its former subsidiary, LATINCASA, the cable company in Mexico, amounted at year-end to 49 percent.

Ericsson sold shares in Société des Téléphones STE (Thomson Ericsson), formerly Société Française des Téléphones Ericsson, in France, thereby reducing its holding to 33¹/₃ percent.

Thorsman & Co AB, Sweden, restructured its sales office in England to form an independent, wholly owned company, Thorsman & Co (UK) Ltd.

Transfers of shares, new issues of shares and stock dividends have been effected in a number of Group companies without changing the Group's relative holdings in the companies.

In February, 1979 LM Ericsson and Ericsson do Brasil were approved as suppliers of computer-controlled telephone exchanges in Brazil. In connection therewith an agreement was reached covering the transfer of the voting majority of the shares in Ericsson do Brasil to Brazilian interests.

Outlook for 1979

Capital expenditures in the public sector in many countries will again during 1979 be affected by the uncertain economic trend. In certain cases needed increases in tariffs by the telecommunications administrations will fail to materialize or will be limited as a step in the control of inflation. Despite these conditions, however, it is likely that order bookings will be on a level that is satisfactory for the Group since the administrations, after several years of restrained purchasing, have consumed large parts of their reserves of material.

The outcome for 1979 is difficult to estimate because the Group's activities cover many countries. However, a reasonable forecast is that income before special adjustments and taxes will exceed that which was achieved in 1978. This assumes that unfavorable currency changes will be of limited dimensions and that major political upheavals do not occur. Contributing to the anticipated growth in income are the successes in marketing the Group's new systems which now start to materialize in deliveries to customers.

Parent Company

The following supplements information on the Parent Company provided above.

Of sales totaling \$897.6 m. (\$692.2 m.), \$774.9 m. or 86 percent were attributable to exports. In 1977 exports accounted for \$581.6 m. or 84 percent.

Consolidated companies accounted for 29 (38) percent of Parent Company sales and for 35 (40) percent of the Parent Company's total purchases of goods and services.

After special adjustments and provision for taxes, the Company reported net income of \$30.9 m. in 1978, compared with \$28.3 m. in 1977.

Reference is made to the accompanying income statements, balance sheets and statements of source and application of funds of the Group and Parent Company which, together with the notes to the financial statements on pages 17-29, constitute an integral part of the Annual Report.

Plating of printed circuit board, using highly automated equipment, in the printed circuit board plant in Norrköping, Sweden.



Proposed disposition of unappropriated earnings in the Parent Company

As shown in the statement on page 29, there are available for disposition by the stockholders at the Annual General Meeting—in addition to a General reserve of \$22,639,000—unappropriated earnings totaling \$36,870,000. The Board of Directors proposes that this sum be disposed of as follows:

To stockholders duly registered on the record day, a dividend of S.Kr. 5.50 per share	\$27,869,000
To be retained in the business	9,001,000
	<u>\$36,870,000</u>

Stockholm, March, 1979

BJÖRN LUNDVALL

JAN WALLANDER PETER WALLENGER

ÅKE ANDERSSON NILS BERGGREN BERTIL BJUREL

LENNART DAHLSTRÖM LARS-OLOF EKEBERG GUNNAR LAGERGREN ALLAN OSCARSSON

BJÖRN SVEDBERG

President

Consolidated Income Statement

TELEFONAKTIEBOLAGET LM ERICSSON
AND SUBSIDIARY COMPANIES

	1978	1977
	Thousands of US dollars	
Net sales	\$2,097,871	\$1,821,542
Cost of products and services sold	1,135,131	1,005,492
	<u>962,740</u>	<u>816,050</u>
Other operating revenue	17,373	19,447
	<u>980,113</u>	<u>835,497</u>
Selling, administrative, research and development expenses	679,682	570,090
Depreciation	76,389	70,484
	<u>224,042</u>	<u>194,923</u>
Share in net income of unconsolidated subsidiaries and associated companies	15,427	7,684
Financial income		
Dividends	408	303
Interest income	72,207	53,709
	<u>72,615</u>	<u>54,012</u>
Financial expense		
Interest and other financial expense	100,442	97,520
	<u>211,642</u>	<u>159,099</u>
Foreign exchange translation differences	43,908	30,519
	<u>167,734</u>	<u>128,580</u>
Special adjustments (Note 3)		
Transfer to special reserve for accounts receivable and investments outside Sweden <i>(including allocation for future foreign exchange rate variations of \$6,977 (\$6,977))</i>	6,546	5,413
Transfer to special inventory reserve	35,793	10,634
Transfer to reserve for future investments	1,673	5,500
Transfer from special reserve for future investments	-	(50)
Environmental improvement expense charged against the reserve	(2,226)	(1,557)
	<u>41,786</u>	<u>19,940</u>
Income before taxes	125,948	108,640
Taxes on income	45,308	51,365
	<u>80,640</u>	<u>57,275</u>
Minority interest	10,775	12,467
Net income	<u>\$ 69,865</u>	<u>\$ 44,808</u>

As stipulated by the Swedish Companies Act, last year's comparative figures are not restated to take account of changes in the Group's structure.

Consolidated Balance Sheet

TELEFONAKTIEBOLAGET LM ERICSSON
AND SUBSIDIARY COMPANIES

ASSETS	December 31	
	1978	1977
	Thousands of US dollars	
CURRENT ASSETS		
Cash	\$ 397,780	\$ 270,001
Notes and accounts receivable – trade (<i>less provision for doubtful accounts, 1978: \$9,345; 1977: \$9,273</i>) (Note 4)	704,342	793,619
Inventories (<i>less advance and progress payments, 1978: \$153,525; 1977: \$148,515</i>) (Note 5)	841,744	781,020
Other current assets (Note 6)	156,025	99,417
	2,099,891	1,944,057
RESTRICTED BANK DEPOSITS (Note 3)	12,974	16,758
LONG-TERM ASSETS		
Notes and accounts receivable – trade (Note 4)	174,748	155,099
Other investments (Note 7)	9,910	7,310
Other long-term assets	12,189	11,403
	196,847	173,812
INVESTMENTS IN SUBSIDIARY AND ASSOCIATED COMPANIES		
Investments (Note 7)	146,511	117,886
Accounts receivable	46,732	40,917
	193,243	158,803
INVESTMENT IN TECHNICAL DEVELOPMENT PROJECTS	3,488	3,488
PROPERTY, PLANT AND EQUIPMENT (Note 8)		
Cost	965,540	886,561
Less—Accumulated depreciation	582,577	485,050
	382,963	401,511
Revaluation, net	79,639	85,649
	462,602	487,160
ASSETS PLEDGED TO SECURE INDEBTEDNESS ...	1978 \$374,831	1977 \$358,961 (Note 12)
TOTAL ASSETS	\$2,969,045	\$2,784,078

LIABILITIES AND STOCKHOLDERS' EQUITY	December 31	
	1978	1977
	Thousands of US dollars	
CURRENT LIABILITIES		
Bank loans	\$ 147,630	\$ 209,979
Accounts payable—trade	105,438	86,446
Advances from customers	331,891	219,559
Accrued income and other taxes	64,943	71,177
Other current liabilities (Note 9)	347,453	341,555
	<u>997,355</u>	<u>928,716</u>
LONG-TERM DEBT		
Debentures (<i>net of unrealized exchange differences,</i> <i>1978: \$16,121; 1977: \$44,385</i>) (Note 10)	285,260	322,952
Other long-term liabilities	323,973	253,204
	<u>609,233</u>	<u>576,156</u>
PENSION AND SIMILAR PROVISIONS	238,916	204,844
SPECIAL RESERVES (Note 3)		
Special reserve for accounts receivable and investments outside Sweden	88,673	82,201
Special inventory reserve	238,010	201,697
Reserve for future investments	28,050	66,554
Reserve for environmental improvements	6,597	11,693
Special reserve for future investments	69	208
	<u>361,399</u>	<u>362,353</u>
MINORITY INTEREST IN STOCKHOLDERS' EQUITY	94,981	89,378
STOCKHOLDERS' EQUITY (Note 11)		
Restricted		
Capital stock	253,355	253,355
Reserves not available for distribution	257,660	238,881
	<u>511,015</u>	<u>492,236</u>
Unappropriated earnings		
Retained earnings	86,281	85,587
Net income for the year	69,865	44,808
	<u>156,146</u>	<u>130,395</u>
	667,161	622,631
CONTINGENT LIABILITIES	1978 \$61,984	1977 \$51,920 (Note 12)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$2,969,045	\$2,784,078

Source and Application of Funds

	Consolidated		Parent Company	
	1978	1977	1978	1977
Thousands of US dollars				
SOURCE OF FUNDS				
Net income (including minority interest)	\$ 80,640	\$ 57,275	\$ 30,890	\$28,258
Depreciation	76,389	70,484	30,380	25,092
Pension and similar provisions	34,073	35,828	17,864	14,482
Special adjustments	41,786	19,940	14,087	3,772
	<u>232,888</u>	<u>183,527</u>	<u>93,221</u>	<u>71,604</u>
Decrease in restricted bank deposits	3,784	10,504	1,648	8,644
Sale of stock	—	—	1,779	7,167
Sale of property, plant and equipment	21,914	13,302	1,880	663
Increase in long-term debt	33,077	3,868	47,810	4,964
	<u>58,775</u>	<u>27,674</u>	<u>53,117</u>	<u>21,438</u>
	<u>\$291,663</u>	<u>\$211,201</u>	<u>\$146,338</u>	<u>\$93,042</u>
APPLICATION OF FUNDS				
Transfer of pension provisions and special reserves	\$ —	\$ —	\$ (6,930)	\$ 1,901
Additions to property, plant and equipment	116,485	127,504	50,495	43,427
Investment in stock (consolidated: net investment)	33,595	3,587	12,355	48,198
Increase (decrease) in long-term assets	26,251	(24,438)	13,951	46,421
Dividend paid	28,137	26,786	25,335	25,335
	<u>204,468</u>	<u>133,439</u>	<u>95,206</u>	<u>165,282</u>
Increase (decrease) in working capital	87,195	77,762	51,132	(72,240)
Increase in cash	127,779	60,963	107,880	62,075
Increase (decrease) in inventories	60,724	(26,263)	33,205	18,911
Increase (decrease) in notes and accounts receivable and other current assets	(32,669)	168,404	61,774	(204,708)
Decrease (increase) in current liabilities	(68,639)	(125,342)	(151,727)	51,482
Increase (decrease) in working capital	<u>\$ 87,195</u>	<u>\$ 77,762</u>	<u>\$ 51,132</u>	<u>\$ (72,240)</u>

Parent Company Income Statement

TELEFONAKTIEBOLAGET LM ERICSSON

	1978	1977
	Thousands of US dollars	
Net sales	\$897,604	\$692,175
Cost of products and services sold	509,236	393,553
	<u>388,368</u>	<u>298,622</u>
Other operating revenue	33,284	34,587
	<u>421,652</u>	<u>333,209</u>
Selling, administrative, research and development expenses	353,692	276,346
Depreciation	30,380	25,092
	<u>37,580</u>	<u>31,771</u>
Financial income		
Dividends	20,091	13,526
Interest income	49,721	33,891
	<u>69,812</u>	<u>47,417</u>
Financial expense		
Interest and other financial expense	48,525	45,837
	<u>58,867</u>	<u>33,351</u>
Income before extraordinary items	58,867	33,351
Extraordinary income	4,076	15,270
Extraordinary expense	934	6,219
	<u>62,009</u>	<u>42,402</u>
Income before special adjustments and taxes	62,009	42,402
Special adjustments		
Transfer from special reserve for accounts receivable	(3,185)	(10,819)
Transfer to special inventory reserve	19,093	15,930
Environmental improvement expense charged against the reserve	(1,821)	(1,339)
	<u>14,087</u>	<u>3,772</u>
Income before taxes	47,922	38,630
Taxes on income	17,032	10,372
Net income	<u>\$ 30,890</u>	<u>\$ 28,258</u>

Parent Company Balance Sheet

TELEFONAKTIEBOLAGET LM ERICSSON

ASSETS	December 31	
	1978	1977
	Thousands of US dollars	
CURRENT ASSETS		
Cash	\$ 303,825	\$ 195,945
Notes and accounts receivable—trade		
Subsidiary companies	93,342	82,191
Other (less provision for doubtful accounts, 1978: \$3,333; 1977: \$405)	209,680	184,921
Inventories (less advance and progress payments, 1978: \$34,266; 1977: \$27,896)	387,590	360,755
Other current assets	68,195	42,332
	1,062,632	866,144
RESTRICTED BANK DEPOSITS	7,209	8,856
LONG-TERM ASSETS		
Notes and accounts receivable—trade		
Subsidiary companies	5,634	7,406
Other	103,600	111,622
Other investments	4,560	4,556
Other long-term assets	782	866
	114,576	124,450
INVESTMENTS IN SUBSIDIARY AND ASSOCIATED COMPANIES		
Investments		
Subsidiary companies	207,644	204,547
Associated companies	42,716	35,240
Accounts receivable		
Subsidiary companies	87,535	63,651
Associated companies	10,619	10,675
	348,514	314,113
INVESTMENT IN TECHNICAL DEVELOPMENT PROJECTS	3,488	3,488
PROPERTY, PLANT AND EQUIPMENT		
Cost	360,258	316,663
Less—Accumulated depreciation	244,410	206,443
	115,848	110,220
Revaluation, net	53,858	56,840
	169,706	167,060
ASSETS PLEDGED TO SECURE INDEBTEDNESS ...	1978 \$224,994	1977 \$228,757 (Note 12)
	TOTAL ASSETS	\$1,706,125
		\$1,484,111

LIABILITIES AND STOCKHOLDERS' EQUITY

December 31
1978 1977

Thousands of US dollars

CURRENT LIABILITIES

Bank loans	\$ 2,671	\$ 2,481
Accounts payable—trade	37,511	27,693
Advances from customers	188,068	61,037
Accrued income and other taxes	11,278	650
Accounts payable to subsidiary companies	9,349	14,209
Other current liabilities (Note 9)	158,127	155,577
	<u>407,004</u>	<u>261,647</u>

LONG-TERM DEBT

Debentures (<i>net of unrealized exchange differences,</i> <i>1978: \$16,121; 1977: \$44,385</i>) (Note 10)	285,260	322,952
Long-term payables to subsidiary companies	10,138	12,020
Other long-term liabilities	152,976	65,591
	<u>448,374</u>	<u>400,563</u>

PROVISION FOR PENSIONS

124,691 106,827

SPECIAL RESERVES

(Note 3)

Special reserve for accounts receivable	67,835	71,020
Special inventory reserve	216,832	197,740
Reserve for future investments	10,675	17,034
Reserve for environmental improvements	6,063	10,183
	<u>301,405</u>	<u>295,977</u>

STOCKHOLDERS' EQUITY

(Note 11)

Restricted		
Capital stock	253,355	253,355
Reserves not available for distribution	111,787	111,787
	<u>365,142</u>	<u>365,142</u>
Unappropriated earnings		
General reserve	22,639	22,639
Retained earnings	5,980	3,058
Net income for the year	30,890	28,258
	<u>59,509</u>	<u>53,955</u>
	<u>424,651</u>	<u>419,097</u>

CONTINGENT LIABILITIES

1978 1977
\$99,817 \$127,710 (Note 12)

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY

\$1,706,125 \$1,484,111

Investments in shares and participations at December 31, 1978

Shares directly owned by Parent Company

		Percentage of ownership		Par value in millions	Carrying value in US\$ millions
Subsidiaries in Sweden					
I	LM Ericsson Telemateriel AB (LMS)	100	SEK	30.0	7.0
I	AB Rifa (RIF)	100		58.0	11.4
I	Sieverts Kabelverk AB (SKV)	100		140.0	32.6
I	SRA Communications AB (SRA)	71		33.8	10.5
I	Ericsson Telephone Sales Corp. AB (ESS)	100		—	—
IV	AB Aulis (AUL)	100		14.0	1.4
IV	Mexikanska Telefon AB Ericsson (MTE)	100		32.4	8.0
V	ELLEMTEL Utvecklings AB (EUA)	50		5.0	1.4

Subsidiaries outside Sweden

Europe					
I	Dansk Signal Industri A/S (DSI)	100	DKK	10.0	1.7
I	LM Ericsson A/S (LMD)	100	DKK	40.0	9.0
I	Oy LM Ericsson Ab (LMF)	100	FIM	25.0	10.3
I	Ericsson Belgium sa/nv (ERB)	40*	BEF	6.0	0.2
I	RIFA S.A. (RFF)	100	FRF	11.0	2.4
I	LM Ericsson Ltd. (LMI)	100	IEP	0.3	0.3
I	Ericsson Telefoonmaatschappij bv (ETM)	100	NLG	15.0	7.6
I	Soc. Ericsson de Portugal Lda. (SEP)	100	PTE	15.0	0.3
I	Ericsson AG (EAS)	100	CHF	1.5	0.4
I	Industrias de Telecomunicación S.A. (Intelsa) (ITS)	50*	ESP	600.0	9.5
I	LM Ericsson S.A. (LES)	100	ESP	75.0	1.5
I	Ericsson Centrum GmbH (CEH)	100	DEM	4.0	1.4
IV	Production Control (Ericsson) Ltd. (PCE)	100	GBP	2.2	4.5
IV	Swedish Ericsson Co. Ltd. (SEL)	100	GBP	3.3	8.1
IV	SETEMER S.p.A. (STM)	51	ITL	6,600.1	6.6

U.S.A. and Canada

I	LM Ericsson Telecommunications Inc. (LMU)	100	USD	1.0	0.3
I	LM Ericsson Limited - LM Ericsson Limitée (LMC)	100	CAD	No parvalue	0.6
IV	The Ericsson Corporation (TEC)	100	USD	No parvalue	—

Latin America

I	Cía Ericsson S.A.C.I. (CEA)	100	ARP	770.0	0.6
I	Industrias Eléctricas de Quilmes S.A. (IEQ)	100	ARP	5,860.0	1.6
I	Ericsson do Brasil Comércio e Indústria S.A. (EDB)	92	BRC	1,301.9	41.3
I	Cía Ericsson de Chile S.A. (CEC)	100	CLP	0.3	0.3
I	Ericsson de Colombia S.A. (EDC)	76*	COP	17.6	1.0
I	Fábricas Colombianas de Materiales Eléctricos Facomec S.A. (FAC)	5*	COP	2.2	0.2
I	Teléfonos Ericsson C.A. (TEE)	100	ECS	17.0	0.6
I	Teléfonos Ericsson S.A. (TEM)	100	MXP	9.9	0.8
I	Teleindustria Ericsson S.A. (TIM)	60	MXP	214.5	12.8
I	Telequipos S.A. (TEP)	100	USD	—	—
I	Cía Ericsson S.A. (CEP)	100	PES	5.6	0.1
I	Cía Ericsson S.A. (CEU)	100	UYP	0.1	0.3
I	Cía Anónima Ericsson (CEV)	100	VEB	10.0	2.4

Other countries

I	LM Ericsson (Nigeria) Ltd. (LMN)	45*	NGN	0.2	0.4
I	Ericsson (Zambia) Ltd. (EZZ)	100	ZMK	0.2	0.2
I	Ericsson Telecommunications Sdn Bhd (ECM)	70	MYR	2.1	0.9
	Other				2.7

Total consolidated subsidiary companies 203.2

Telephone operating companies

II	Cía Argentina de Teléfonos S.A. (CAT)	78	ARP	13,440.2	2.5
II	Cía Entrerriana de Teléfonos S.A. (CET)	86	ARP	3,289.5	1.9

Total telephone operating companies 4.4

Total 207.6

Associated companies

I	GNT AUTOMATIC A/S (GNT)	49	DKK	20.1	0.5
I	A/S Elektrisk Bureau (EBN)	25	NOK	23.2	8.4
I	Société des Téléphones STE (Thomson Ericsson) (STE)	33	FRF	21.6	11.5
I	Fios e Cabos Plásticos do Brasil S.A. (Ficap) (FCB)	46	BRC	176.4	14.0
I	Sielte S.A. Instalações Eléctricas e Telefônicas (SEB)	7*	BRC	2.6	—
I	Latinoamericana de Cables S.A. de C.V. (LCM)	49	MXP	89.7	4.7
I	Simco Ericsson Ltd. (SET)	40	IRR	220.0	3.5
I	Ericsson India Ltd. (EII)	40	INR	0.7	0.1

Total associated companies 42.7

	Percentage of ownership		Par value in millions	Carrying value in US\$ millions
Other companies				
LMT (Le Matériel Téléphonique)	3	FRF	1.8	4.2
Adela Investment Co. S.A.		USD	0.2	0.1
Sifida Investment Co. S.A.		USD	0.1	0.1
Other				0.2
			Total other companies	4.6

Shares indirectly owned by Parent Company

Subsidiaries

I	Kabmatik AB (KAB)	Sweden	100	SEK	3.0
I	Sonab Communications AB (SON)	Sweden	71	SEK	14.3
I	Thorsman & Co AB (TCN)	Sweden	100	SEK	9.5
I	AB Transvertex (TRX)	Sweden	100	SEK	1.0
I	Vanadis Entreprenad AB (VEA)	Sweden	100	SEK	1.7
I	Ericsson Telephone Corp. Far East AB (ETS)	Sweden	100	SEK	0.5
I	I. Bager & Co A/S (BCD)	Denmark	100	DKK	4.0
I	Brdr B & E Hansen A/S (BHD)	Denmark	100	DKK	0.3
I	LM Ericsson Radio A/S (SRD)	Denmark	71	DKK	0.2
I	Thorsman & Co ApS (TCD)	Denmark	100	DKK	0.1
I	Oy Sonab Ab (SOF)	Finland	71	FIM	1.1
I	Oy Thorsman & Co Ab (TCH)	Finland	100	FIM	0.3
I	SRA Radio A/S (SRN)	Norway	71	NOK	0.4
I	Thorsman & Co A/S (TCO)	Norway	100	NOK	0.1
I	Thorsman & Co (UK) Ltd. (TCE)	United Kingdom	100	GBP	-
I	Communications SRA S.A.R.L. (SRP)	France	71	FRF	-
I	Thorsmans S.A.R.L. (TCF)	France	100	FRF	0.1
I	Thorsman Ireland Ltd. (TII)	Ireland	100	IEP	0.4
I	FATME S.p.A. (FAT)	Italy	51	ITL	8,205.2
I	Scarfini S.p.A. (SCI)	Italy	51	ITL	174.4
I	SIELTE S.p.A. (SEI)	Italy	51	ITL	4,615.4
I	Sonab AG (SOS)	Switzerland	71	CHF	0.1
I	Rifa GmbH (RFG)	Germany	100	DEM	0.1
I	Thorsman & Co GmbH (TCT)	Germany	100	DEM	-
I	Telecomponentes Comércio e Indústria S.A. (TCB)	Brazil	92	BRC	41.5
I	Telemontaje S.A. de C.V. (TMM)	Mexico	60	MXP	3.9
I	Société Libanaise des Téléphones Ericsson (STL)	Lebanon	100	LBP	0.1
I	Ericsson Türk Ticaret Ltd. Şirketi (ETU)	Turkey	100	TRL	0.1
I	LM Ericsson Pty. Ltd. (EPA)	Australia	100	AUD	10.0
I	RIFA Pty. Ltd. (RFA)	Australia	100	AUD	1.8
III	RE.GE. S.p.A. (REG)	Italy	51	ITL	153.8
III	Inmobiliaria Securitas S.A. de C.V. (ISM)	Mexico	60	MXP	30.0
IV	Teleric Pty. Ltd. (TLA)	Australia	100	AUD	6.1

Associated companies

I	Bjurhagens Fabriker AB (BFA)	Sweden	50	SEK	7.5
I	Bofa Kabel AB (BOF)	Sweden	50	SEK	5.0
I	AB Elektrokoppar (EKS)	Sweden	25	SEK	5.0
I	Kabeldon AB (KDA)	Sweden	50	SEK	3.5
I	AB Norrköpings Kabelfabrik (NKF)	Sweden	50	SEK	0.8
I	Töcksfors Verkstads AB (TFV)	Sweden	50	SEK	1.5
I	Svenska Elgrossist AB SELGA (SEG)	Sweden	34	SEK	16.0
I	A/S Telesystemer (ATN)	Norway	25	NOK	2.3
I	A/S Norsk Kabelfabrik (NKD)	Norway	25	NOK	6.1
I	Thorn-Ericsson Telecommunications (Rentals) Ltd. (CRL)	United Kingdom	49	GBP	-
I	Thorn-Ericsson Telecommunications (Sales) Ltd. (SEE)	United Kingdom	49	GBP	0.3
I	Thorn-Ericsson Telecommunications (Mfg) Ltd. (TME)	United Kingdom	49	GBP	0.2
I	A.R.E. S.p.A. (ARE)	Italy	28	ITL	282.1
I	Cobres de Colombia S.A. (CDC)	Colombia	33	COP	5.0
I	Pirelli Ericsson Cables Ltd. (PEA)	Australia	50	AUD	8.8
IV	Förvaltnings AB Elektrouion (FEU)	Sweden	33	SEK	5.0
IV	Thorn-Ericsson Telecommunications Ltd. (TEL)	United Kingdom	49	GBP	1.7

Other companies

	Svensk Interkontinental Lufttrafik AB	Sweden	2	SEK	2.8
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KEY TO FUNCTIONS OF COMPANIES:

I	Manufacturing and distributing companies	IV	Holding and other non-operating companies
II	Telephone operating companies	V	Development companies
III	Real estate companies		

The above list of stocks and participations is an extract from that prepared in accordance with the Swedish Companies Act. A complete listing may be obtained upon request to Group Headquarters.

*Through holdings in subsidiaries, the Group owns 98 % of ERB, 51 % of ITS, 86 % of EDC, 96 % of FAC, 56 % of LMN and 42 % of SEB.

Notes to the Financial Statements

(All amounts in millions unless otherwise indicated)

ACCOUNTING PRINCIPLES

Principles of consolidation

Ever since consolidated accounts were first prepared for the Ericsson Group in the late 1940s they have been based on the purchase method, whereby equity capital of the Group includes only the Group's portion of the equity capital in subsidiaries and associated companies arising after their acquisition. The difference between acquired equity capital and acquisition cost, after adjustments, if any, to the value of acquired assets or liabilities, is treated as goodwill or badwill on consolidation and amortized over a ten-year period.

The consolidated financial statements include the Parent Company and all subsidiaries except the two telephone operating companies in Argentina which are accounted for using the equity method of accounting.

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

The contract with the Ministry of Communications of Saudi Arabia has been signed between the Ministry and a partnership, "Philips-LM Ericsson Joint Venture Partnership," in which Philips and LM Ericsson participate equally. All transactions involving the two partners as well as other suppliers are made for the account of the Joint Venture which, in turn, is accountable to the customer for the contracted transactions. The Joint Venture is shown in the Group accounts in accordance with the equity method of accounting.

Translation of amounts in foreign currency

In translating the financial statements of foreign subsidiaries and associated companies, property, plant and equipment, and depreciation thereon, are translated at exchange rates at date of acquisition. In those cases where there have been write-ups of fixed assets in foreign subsidiaries, the assets have in certain instances been translated at year-end exchange rates (see Note 8). Other assets and liabilities have been translated at year-end exchange rates, with the exception of inventories and advances from customers of the consolidated subsidiaries in Argentina, Australia, Brazil, Italy (SIELTE only), Mexico and Spain, which have been translated at historical rates of exchange.

Parent Company receivables in foreign currencies—principally US dollars—which fall due during 1979 have been translated at year-end exchange rates, while those which fall due in 1980 and later years have, as in prior years, been translated at historical exchange rates. The US dollar receivables and cash balances of the Parent Company which are included in the consolidated accounts amounted to \$85.5 m. and are stated at a book value of S.Kr. 373.1 m.

Parent Company loans in foreign currencies which fall due for repayment in 1979 have been stated at year-end exchange rates. For loans falling due for repayment in 1980 and later years, a plan has been prepared for the amortization of unrealized exchange differences, based on year-end exchange rates and the maturities of the loans. The loans are shown at year-end exchange rates, less the unamortized exchange differences in accordance with the amortization plan.

Taxes

Swedish as well as foreign taxes attributable to the year are shown under the heading "Taxes".

Note 1

Dividends received	Parent Company	
	1978	1977
From subsidiaries	\$19.0	\$11.8
From other companies	1.1	1.7
	<u>\$20.1</u>	<u>\$13.5</u>

Note 2

Extraordinary income	Parent Company	
	1978	1977
Profits on sale of fixed assets	\$1.4	\$ 0.5
Contributions from Group companies	2.6	13.5
Other	0.1	1.3
	<u>\$4.1</u>	<u>\$15.3</u>
Extraordinary expense	Parent Company	
	1978	1977
Losses on sale of fixed assets	\$ -	\$0.3
Contributions to Group companies	0.5	5.7
Other	0.4	0.2
	<u>\$0.9</u>	<u>\$6.2</u>

Note 3

The following provides additional information on the Special adjustments, Restricted bank deposits and Special reserves shown in the financial statements.

The Special reserve for receivables and investments outside Sweden consists principally of write-downs of receivables in the Parent Company which are deductible for tax purposes and which, upon recovery, are taxed at the then current rate. The 1979 rate is estimated at 56 percent.

In accordance with Swedish tax regulations, appropriations to inventory reserves are, within specified limits, deductible for tax purposes. In principle, the inventory reserve may amount to 60 percent of the value of inventory, calculated in accordance with the first-in, first-out (FIFO) method. To the extent that the inventory reserve is released, it becomes taxable income.

Swedish corporations have the right to transfer a certain part of profits to a reserve for future investments. Appropriations to the reserve are deductible for tax purposes but 46 percent of the amount reserved must be deposited in a non-interest-bearing account with the Bank of Sweden. Upon obtaining permission of the authorities, the investment reserve may be utilized and the proportionate amount placed on deposit may be withdrawn. When the approved investments in fixed assets have been completed, the cost of such assets, to the extent covered by funds from the reserve for future investments, may be written down by a corresponding transfer from the reserve. As a result of this non-recurring 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 to a special reserve for future investments. The appropriations were based on a certain percentage of income before taxes. Amounts equal to the total appropriations were required to be 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 investment reserves described above. However, employee approval must be obtained for the use of the reserves for environmental improvements. In the case of the special investment reserve, the employees' views must be sought.

Details of the utilization of these reserves for purposes of depreciation during 1978 are shown in Note 8. The Group utilized \$2.2 m. (\$1.6 m.) from the reserves for environmental improvements for projects of a non-capital nature, of which \$1.8 m. (\$1.3 m.) related to the Parent Company. The amount of \$6.9 m. was transferred from AB Rifa to the Parent Company's reserve for future investments. In 1977 \$1.5 m. had been transferred from this reserve to AB Rifa.

Restricted bank deposits

	Group		Parent Company	
	1978	1977	1978	1977
Reserve for future investments	\$ 9.5	\$ 9.2	\$4.3	\$2.3
Special reserve for future investments	0.1	0.1	—	—
Reserve for environmental improvements	3.4	7.5	2.9	6.6
	<u>\$13.0</u>	<u>\$16.8</u>	<u>\$7.2</u>	<u>\$8.9</u>

Note 5

Inventories are stated at standard cost, which approximates cost on a first-in, first-out (FIFO) basis. Write-downs have been made in cases where the sales value of goods, after deduction of estimated selling costs, is lower than historical cost.

Intra-Group profits that were not realized through the sale of goods to customers outside the Group have been eliminated entirely, even in respect of companies in which there are minority interests.

Profits on large contracts are stated in accordance with the "percentage of completion" method. If costs required to complete such contracts are estimated to exceed remaining revenues, provision is made for estimated losses.

Note 6

Other current assets	Group		Parent Company	
	1978	1977	1978	1977
Prepaid expenses and accrued income	\$ 31.6	\$16.2	\$19.7	\$ 6.5
Advances to suppliers	19.1	12.0	13.3	6.8
Receivables from subsidiaries	—	—	2.3	13.5
Other receivables	105.3	71.2	32.9	15.5
	<u>\$156.0</u>	<u>\$99.4</u>	<u>\$68.2</u>	<u>\$42.3</u>

Note 7

Details of certain shares and participations owned directly and indirectly by the Parent Company are given on pages 24–25. A complete listing of shares and participations, prepared in accordance with the Swedish Companies Act and filed with the Swedish Patent and Registration Office, may be obtained upon request to Group Headquarters.

Note 8

The Parent Company and its Swedish subsidiaries generally depreciate land improvements and buildings at rates of 2 to 5 percent on historical cost, and machinery and equipment at either 20 percent of historical cost or 30 percent of book value. In addition, nonrecurring write-downs are made through utilization of investment reserves. Subsidiary companies outside Sweden use depreciation methods adapted to local practices.

Revaluations of land and buildings shown in the accounts occurred in connection with stock dividends in the Parent Company and Sieverts Kabelverk AB. To the extent that they relate to buildings, the revaluations—which do not exceed tax assessment values—are depreciated at a rate of 5 percent per year.

Write-ups of fixed assets were effected in several foreign subsidiaries to adjust the book value of the assets in local currency to a more realistic level. That portion of these write-ups which, when the assets are translated at year-end exchange rates, substantially exceeds the earlier book value in Swedish kronor is included in Revaluation under the Group heading in the table below. In 1976 such write-ups amounted to \$17.2 m. but no write-ups have been made thereafter. Depreciation of these write-ups is charged against income for the year.

Note 4

	Group		Parent Company	
	1978	1977	1978	1977
Short-term notes and accounts receivable—trade				
Subsidiaries—				
Accounts receivable			\$91.2	\$81.3
Notes receivable			2.1	0.9
			<u>\$93.3</u>	<u>\$82.2</u>
Other—				
Accounts receivable	\$686.9	\$775.7	\$195.0	\$168.8
Notes receivable	17.4	17.9	14.7	16.1
	<u>\$704.3</u>	<u>\$793.6</u>	<u>\$209.7</u>	<u>\$184.9</u>
Long-term notes and accounts receivable—trade				
Subsidiaries—				
Accounts receivable			\$3.0	\$6.1
Notes receivable			2.6	1.3
			<u>\$5.6</u>	<u>\$7.4</u>
Other—				
Accounts receivable	\$154.9	\$127.7	\$ 83.8	\$ 84.2
Notes receivable	19.8	27.4	19.8	27.4
	<u>\$174.7</u>	<u>\$155.1</u>	<u>\$103.6</u>	<u>\$111.6</u>

Property, plant and equipment and accumulated depreciation at December 31, 1978 were distributed as follows, by categories:

	Group		Parent Company	
	Cost	Accum. deprec.	Cost	Accum. deprec.
Land	\$ 28.5	\$ —	\$ 7.2	\$ —
Land improvements	9.0	6.3	4.4	3.1
Buildings	327.8	203.0	121.3	99.0
Machinery and equipment	556.6	373.3	203.4	142.3
Construction in progress	43.7	—	23.9	—
	<u>\$965.6</u>	<u>\$582.6</u>	<u>\$360.2</u>	<u>\$244.4</u>
Book value	<u>\$383.0</u>		<u>\$115.8</u>	

Revaluations and related accumulated depreciation:

	Group		Parent Company	
	1978	1977	1978	1977
Land	\$ 18.6	\$ —	\$ 15.7	\$ —
Buildings	91.0	30.0	59.6	21.4
	<u>\$109.6</u>	<u>\$30.0</u>	<u>\$75.3</u>	<u>\$21.4</u>
Book value	<u>\$79.6</u>		<u>\$53.9</u>	

Tax assessment values: Parent Company, land and land improvements, \$26.5 m.; buildings, \$88.9 m.; other Swedish companies, land and land improvements, \$10.9 m.; buildings, \$55.7 m.

	Group		Parent Company	
	1978	1977	1978	1977
<i>Depreciation</i>				
Land improvements	\$ 0.2	\$ 0.1	\$ 0.1	\$ 0.1
Buildings: Cost	9.6	8.3	1.6	1.3
Revaluation ..	4.9	4.7	3.0	3.0
Machinery and equipment	61.7	57.4	25.7	20.7
	<u>\$76.4</u>	<u>\$70.5</u>	<u>\$30.4</u>	<u>\$25.1</u>

Acquisitions fully depreciated during the year against investment reserves and reserve for environmental improvements

	Group		Parent Company	
	1978	1977	1978	1977
Land improvements	\$ 2.4	\$ 0.4	\$ 0.6	\$ 0.4
Buildings	31.5	23.1	11.6	11.0
Machinery and equipment	9.6	3.0	3.4	0.5
	<u>\$43.5</u>	<u>\$26.5</u>	<u>\$15.6</u>	<u>\$11.9</u>

Reserves utilized

	Group		Parent Company	
	1978	1977	1978	1977
Investment reserves ...	\$40.6	\$25.4	\$13.3	\$11.3
Reserve for environmental improvements	2.9	1.1	2.3	0.6
	<u>\$43.5</u>	<u>\$26.5</u>	<u>\$15.6</u>	<u>\$11.9</u>

Note 9

Other current liabilities	Group		Parent Company	
	1978	1977	1978	1977
Accrued expenses and prepaid income	\$155.3	\$114.5	\$ 87.9	\$ 58.7
Short-term loans	83.9	138.4	27.1	61.2
Other current liabilities ..	108.3	88.7	43.1	35.7
	<u>\$347.5</u>	<u>\$341.6</u>	<u>\$158.1</u>	<u>\$155.6</u>

Note 10

Debentures

Parent Company			
3 1/2 % Debentures of 1950, due July 1, 1980, S.Kr.	13.3	\$	3.1
6 1/2 % Debentures of 1966, due 1980 to 1986, US\$	8.4		8.5
6 1/2 % Debentures of 1968, due 1980 to 1988, S.Kr.	41.5		9.7
9 1/4 % Debentures of 1970, due 1980 to 1985, US\$	16.9		17.1
7 1/2 % Debentures of 1971, due 1980 to 1991, S.Kr.	56.9		13.2
7 1/4 % Debentures of 1972, due 1980 to 1992, S.Kr.	59.5		13.8
6 3/4 % Debentures of 1972, due 1980 to 1987, DM	80.0		43.7
9 1/4 % Debentures of 1975, due 1980 to 1990, S.Kr.	66.8		15.5
8 1/2 % Debentures of 1975, due 1980 to 1990, Sfrs	39.5		24.4
9 1/4 % Debentures of 1976, due 1980 to 1991, S.Kr.	73.4		17.1
8 1/2 % Debentures of 1976, due September 15, 1983, US\$	35.0		35.4
9 1/4 % Debentures of 1976, due 1980 to 1991, US\$	30.4		30.8
8 1/2 % Debentures of 1977, due 1980 to 1989, US\$	30.0		30.4
9 3/4 % Debentures of 1977, due 1980 to 1992, S.Kr.	80.0		18.6
9 3/4 % Debentures of 1978, due 1980 to 1993, S.Kr.	86.6		20.1
			<u>301.4</u>
Less: Unrealized exchange differences to be amortized in future years			16.1
		Total	<u>\$285.3</u>

Installments due in 1979 on the above debentures are included under current liabilities, net of debentures held in the treasury.

The following year-end exchange rates have been used by the Parent Company: S.Kr. 4.35=US\$ 1.00; S.Kr. 2.65=Sfr 1.00; S.Kr. 2.35=DM 1.00.

The due dates of the above loans are as follows, by type of currency:

	Swedish kronor	US dollars	Swiss francs	German marks
1979	—	3.3	—	10.0
1980	19.4	6.6	1.0	10.0
1981	37.1	6.0	1.0	10.0
1982	38.0	6.0	1.0	10.0
1983	38.7	41.1	1.5	10.0
1984	39.7	6.1	1.5	10.0
1985 and later	305.1	55.0	33.5	30.0
	<u>478.0</u>	<u>124.1</u>	<u>39.5</u>	<u>90.0</u>

Note 11**Capital stock of the Parent Company**

2,485,677 Class A shares, par value S.Kr. 50 each . . .	\$ 28.9
19,302,821 Class B shares, par value S.Kr. 50 each . . .	224.5
<u>21,788,498</u>	<u>\$253.4</u>

All shares 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 1/1,000th of a vote at stockholders' meetings.

Changes in equity

Group	Restricted equity		Unre- stricted equity	Total
	Capital stock	Legal reserves		
January 1, 1978	\$253.4	\$238.9	\$130.3	\$622.6
Appropriations to legal reserves		18.8	(18.8)	—
Parent Company dividend			(25.3)	(25.3)
Net income for 1978			69.9	69.9
December 31, 1978	<u>\$253.4</u>	<u>\$257.7</u>	<u>\$156.1</u>	<u>\$667.2</u>

Of the Group's unappropriated earnings, \$8.1 m. will be transferred to legal reserves in accordance with proposals of the respective companies' boards of directors. In evaluating the Group's financial position, it should be noted that profits in the Group's foreign companies may in certain cases be subject to tax when transferred to Sweden and that, in some instances, such transfers of profits may be limited by currency restrictions.

Parent Company	Restricted equity		Unre- stricted equity*	Total
	Capital stock	Legal reserves		
January 1, 1978	\$253.4	\$111.8	\$53.9	\$419.1
Dividend			(25.3)	(25.3)
Net income for 1978			30.9	30.9
December 31, 1978	<u>\$253.4</u>	<u>\$111.8</u>	<u>\$59.5</u>	<u>\$424.7</u>

* including a general reserve of \$22.6 m.

Note 12

	Group		Parent Company	
	1978	1977	1978	1977
Assets pledged				
Real estate mortgages . . .	\$141.9	\$107.7	\$ 41.0	\$ 30.0
Chattel mortgages	148.3	151.9	107.0	107.0
Shares	54.5	54.9	54.4	54.4
Trade receivables	24.2	36.9	22.1	36.9
Restricted bank deposits . . .	5.9	7.6	0.5	0.5
	<u>\$374.8</u>	<u>\$359.0</u>	<u>\$225.0</u>	<u>\$228.8</u>
Contingent liabilities				
Discounted bills	\$ 2.7	\$ 3.3	\$ —	\$ —
Sureties	59.3	48.6	99.8	127.7
	<u>\$62.0</u>	<u>\$51.9</u>	<u>\$99.8</u>	<u>\$127.7</u>

Of the sureties assumed by the Parent Company, \$74.0 m. (\$108.8 m.) pertained to subsidiaries.

SUPPLEMENTARY INFORMATION REQUIRED UNDER THE SWEDISH COMPANIES ACT**Average number of employees and remuneration paid**

	Group		Parent Company	
	Average number of employees	Salaries, wages and fees	Average number of employees	Salaries, wages and fees
Sweden	26,500	\$383.8	19,050	\$270.7
Other countries	39,895	341.8	1,420	26.8
	<u>66,395</u>	<u>\$725.6</u>	<u>20,470</u>	<u>\$297.5</u>

Paid to Board of Directors, President and Executive Vice Presidents	<u>\$0.5</u>
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Salaries, wages and other remuneration paid in foreign currency has been translated to Swedish kronor at average exchange rates for the year.

A detailed table showing the average number of employees and the amounts of salaries, wages and other remuneration paid out, prepared in accordance with the requirements of the Swedish Companies Act, is filed with the Swedish Patent and Registration Office. The table is available upon request to the Parent Company's Headquarters.

Special loans and commitments by the Parent Company

Loans totaling \$1.6 m. have been made to board members and managing directors within the Group. Virtually the entire amount pertains to loans made to an executive in an associated company outside Sweden for the purpose of acquiring shares in the company in connection with a major change in ownership.

Pledges of assets totaling \$0.03 m. and guarantees totaling \$0.9 m. have been made as security for loans obtained by board members and managing directors in Group companies. Of the guarantees, \$0.8 m. was related to the circumstances noted above with reference to loans made.

Pledges of assets totaling \$0.5 m. have been made as security for 1,855 bank loans obtained by Group employees for the purchase of stock in the Company, and loans totaling \$0.3 m. have been made to these employees, representing part of the interest on said bank loans, in accordance with the Company's "stock loan" offers of 1973 and 1976.

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 1978 in accordance with generally accepted auditing standards.

The annual report and the consolidated financial statements present the financial position, the results of operations and changes in financial position of the Company and of the Group in accordance with good accounting practice in Sweden, as described in the notes to the financial statements, and comply with the Swedish Companies Act.

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

We recommend

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

that the Group's statement of income and balance sheet 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 1978.

Stockholm, April 6, 1979

Jörgen Eskilson

Swedish Authorized Public Accountant
Partner in Price Waterhouse & Co.

N.-A. Frisk

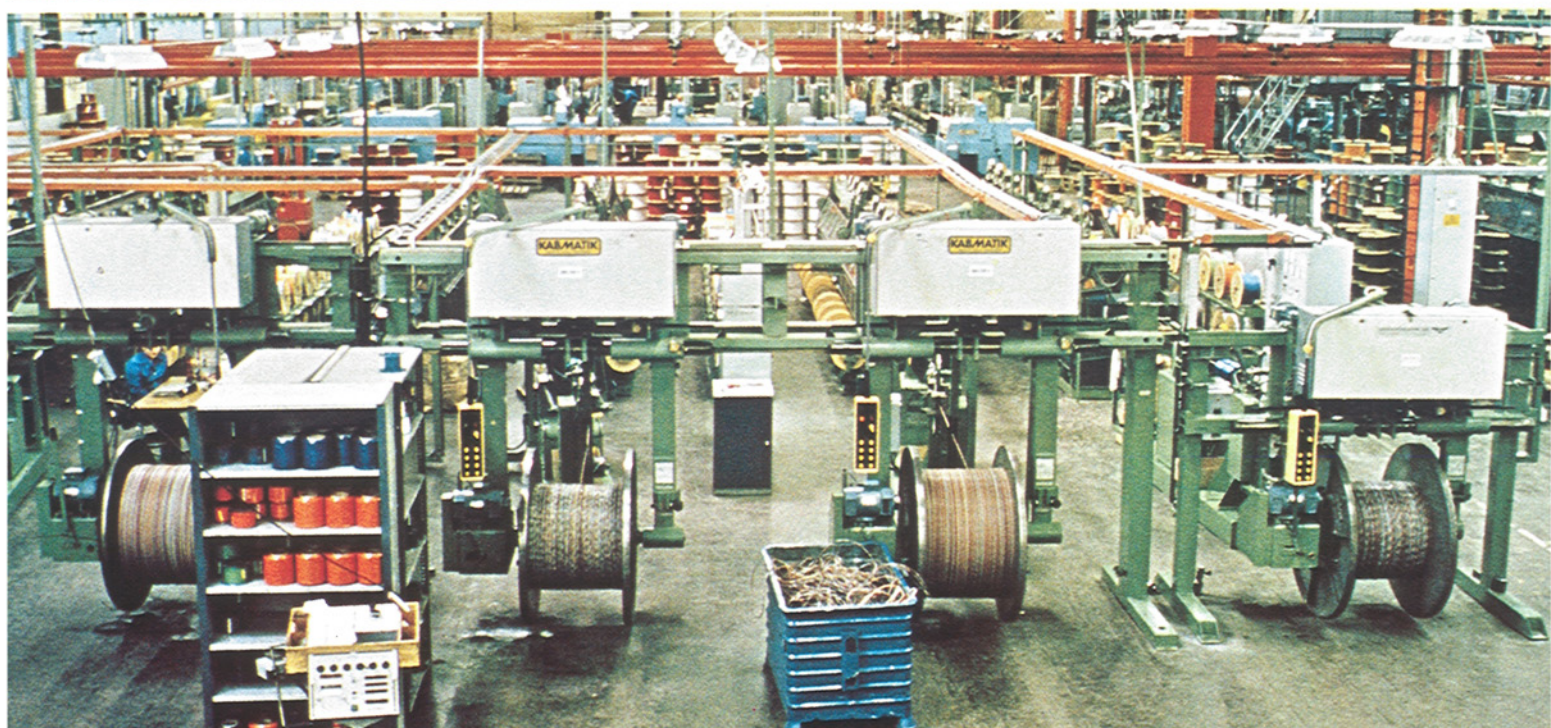
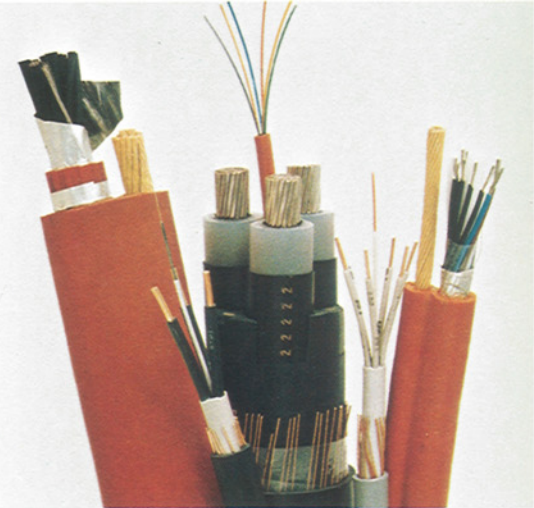
David Jones

Chartered Accountant
Partner in Price Waterhouse & Co.

The above audit report refers to the Annual Report and the financial statements (pages 6 to 29) but expressed in Swedish kronor.



Cable



The Saudi Arabian Project

New subscriber lines	476,000	Installation of a nation-wide centralized system developed by Ericsson for network operation and maintenance	
New computer-controlled telephone exchanges		– Number of installations	5
– Local exchanges of the AXE type	9	Kilometers of buried cable	approx. 10,000
– National trunk exchanges of the AXE type	7	Cable endings to be spliced ...	approx. 50,000,000
– Local exchanges of the PRX type from Philips	56	Cable manholes	approx. 7,000
Existing Ericsson exchanges to be modernized and extended		PCM terminals	approx. 2,000
– Local exchanges of the ARE 11 type	23	PCM regenerators	approx. 10,000
– National trunk exchanges of the ARE 13 type	4	Total work force	approx. 8,000
– International trunk exchanges of the ARE 13 type	3		

In January, 1978 contracts covering the expansion of Saudi Arabia's telephone network were signed in Riyadh by representatives of the Ministry of Post, Telegraph and Telephone, Bell Canada, Philips and LM Ericsson. The project involves more than a tripling of the number of telephones in the country over a three-year period. Bell Canada will be responsible for operation and maintenance of the network for a period of five years. Philips and LM Ericsson are responsible for the delivery and installation of telephone exchanges, cable, network material and transmission equipment. All telephone instruments to be installed by the telephone administration organized by Bell Canada under the name Saudi Telephone are being supplied by LM Ericsson. All telephone exchanges specified in the contract are computer-controlled, which means that Saudi Arabia within a short time will have one of the most modern telephone systems in the world.

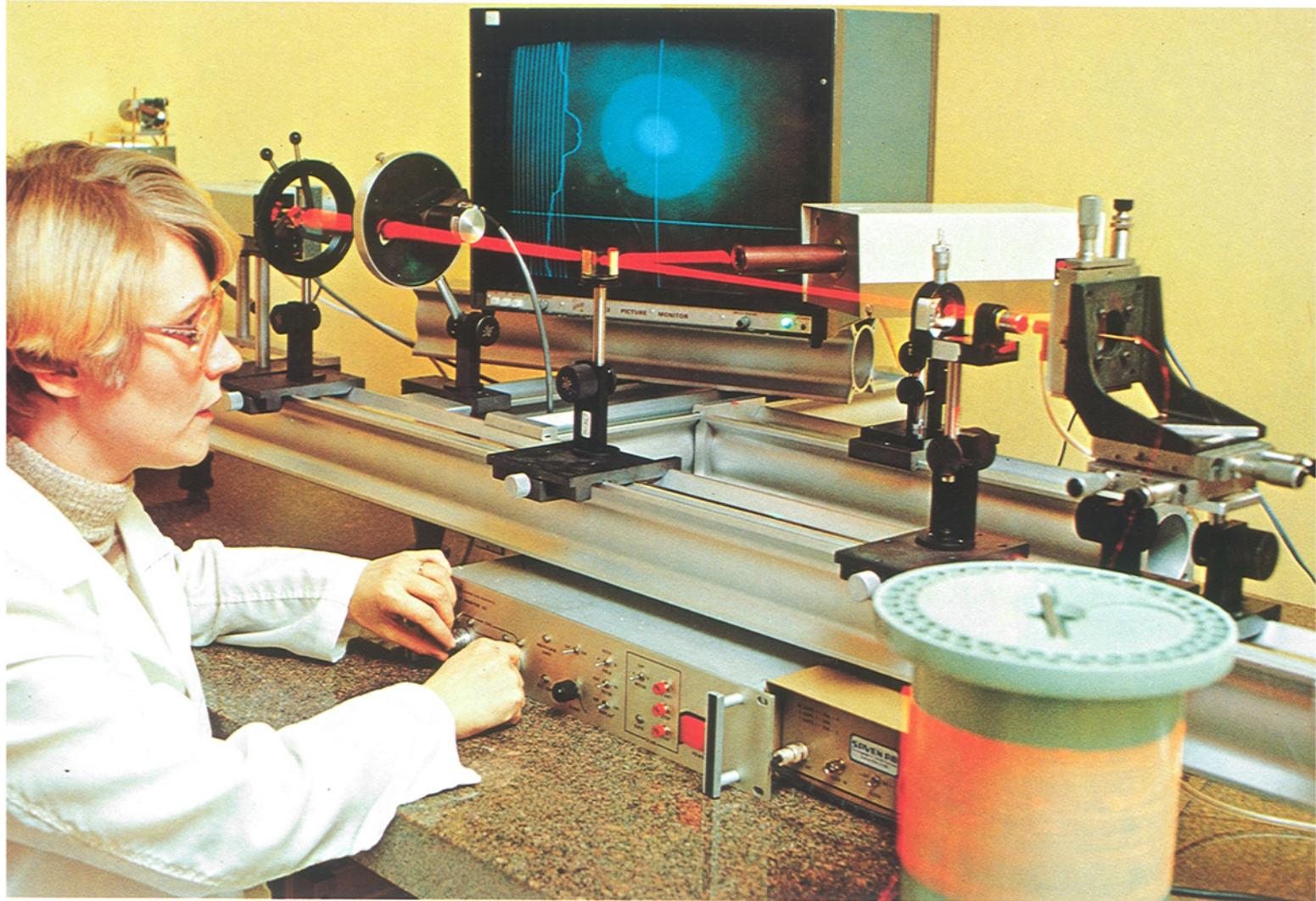
A joint project organization for Philips and Ericsson has been established in Saudi Arabia and the Ericsson techni-

cal office already there has been expanded sharply. In all, these two units and the Philips project organization employ more than 1,000 persons, about half of them from the parent organizations. In connection with the project, more than 250 Ericsson Group employees have begun assignments in Saudi Arabia.

Housing, offices and various service facilities have been constructed in Riyadh, Jeddah and Dammam. Schools for employees' children, health care units and leisure-time facilities for a number of activities have been built as parts of these "villages."

On December 13, a year to the day following receipt of the "letter of intent" from the Saudi authorities, five Ericsson digital AXE exchanges were placed in service on schedule. Three are trunk exchanges and two are local exchanges. Nine local exchanges delivered by Philips were also cut over. The total capacity of new SPC local exchanges placed in service during 1978 was 82,500 subscriber lines.





Evaluation of optical fiber in the glass fiber laboratory at Bollmora, outside Stockholm.

Technical Development

BASIC TECHNOLOGY

The trend toward computerized control systems and electronic approaches based on digital technique and advanced components technology was further accentuated during the year. In this connection the coordination of technology involving various product areas was intensified. General costs of the Group's operations are to an increasing degree linked to the development of technologies and products, their adaptation to current market requirements, and the engineering and documentation of systems. Continuing rationalization of the technical activity is a vital prerequisite. Methods and computer-based aids are being developed to achieve efficient handling of the product flow. Such systematization creates the conditions for meeting today's demands for faster processing of tenders and orders, flexible handling of changing telecommunications systems, and more reliable dissemination of information. These processing systems comprise aids for design work, engineering, production, delivery and installation.

The development of data processing systems has been made more difficult by the problem of coordinating different processes as well as older and newly developed computer-based aids.

New technology offers greater opportunities for new applications of telecommunications in business, in public administration and in the home. During the year studies and preparatory work have been under way, in cooperation with the Swedish Telecommunications Administration, for a field test of services offered via a linked broadband network.

PRODUCT DEVELOPMENT

In the *public telephone exchange* field, further refinement of the AXE system, including adaptations for all of the markets where the system has been introduced, dominated development work during the year.

The first digital AXE exchanges were placed in service in Finland and Saudi Arabia. They successfully incorporate the use of equipment and methods for synchronizing integrated digital networks.

With the automation of telephone networks, the telecommunications administrations have tried to find new possibilities to further rationalize their operations. A computerized system, AOM, for centralizing operating and maintenance functions, was developed and introduced successfully in a number of markets. The first system was placed in service during the year in Saudi Arabia.

Development of analogue and digital fully electronic *subscriber exchanges* continued during the year. Deliveries of a small exchange, the ASB 100, for 20 to 100 extensions, started. Basic development work was also completed on a large exchange, the ASB 900, for 100 to 900 extensions.

In the *telephone instrument* field, development of an electronic inter-office system was completed during the year and production was begun. The system can be equipped for up to eight outside lines and 24 extensions, and is included in the new DIAVOX family of instruments. Other units in this family on which design work was completed during the year are the secretarial system and a loudspeaking telephone.

Development and modernization of digital *transmission equipment* continued during the year. This included final development work on a multiplexing unit for ten voice channels on 0.7 Mb/s system lines, intended for applications in areas with low subscriber density, among other uses.

The work begun some time ago on the development of fiber optical components and systems resulted during the year in the completion of a 2 Mb/s system for transmission over fiber cable, and intended for applications in environments where electromagnetic disturbances occur.

The Group has a highly competitive range of radio links which is continuously being expanded with digital units. Stationary links are developed by A/S Elektrisk Bureau while SRA Communications AB works in the field of mobile radio communications for both military and non-military use.

During the year work proceeded as planned on supplementing and completing the Group's new AXB 20 and AXB 30 line of products based on AXE switching for *telex and data communication*. A new 4.8 kb/s *modem*, designed in accordance with CCITT standards and based on advanced LSI technology, was developed and the first deliveries were made.

Operations in the sector of *electronic defense systems* are concentrated on radar and infra-red systems, and on various types of telecommunications systems. The Swedish Coast Guard placed a newly developed "Side Looking Airborne Radar" (SLAR) in service with good results. The system is intended primarily for monitoring oil spills at sea.

Work on digital system approaches to military telecommunications systems continued during the year, with a view to the possibilities for ciphering and integration of speech and data offered by this technique.

During the year Sieverts Kabelverk AB installed a new type of hybrid cable at the Sydskraft power company. It consists of three lines for the transmission of 24 kV and two optical fibers for communication. The project also comprises field tests with the 2 Mb/s optical transmission system mentioned earlier. Development work on fiber optical telecommunications cables is proceeding on schedule and a field test is being prepared in cooperation with the Parent Company and the Swedish Telecommunications Administration.

AB Rifa, the components company, is Sweden's largest producer of semiconductor components. Operations in the field of electronic components are concentrated on customer-adapted special circuits for non-Group users and to meet the Group's own requirements. During the year additional investments were made in process development and auxiliary systems for rational design of circuits. A number of Rifa's hybrid circuits have been approved by the German Bundespost and the company has begun deliveries of circuits intended for use in a nationwide toll ticketing system, among other applications. Rifa has also developed and delivered an integrated circuit to control the functions of an automatic camera produced by a German firm. The company considers it particularly important that a Swedish semiconductor industry be maintained.

In the area of non-military products, items introduced by SRA Communications AB included a new generation of wireless paging systems, the ERICALL CONTACTOR equipped with a display unit for up to eight digits. This unit is used to transfer coded messages, such as a telephone number, etc.

LM Ericsson Telemateriel AB began series production of the fully electronic ASE 402 intercom exchange during 1978. The company's line of time recording products was also supplemented with a central computerized control system. This system, known as CTR, is especially adapted for flexible working hours and passage control systems.

Other notable activities during the year included the delivery by the Parent Company's Signaling Department of the world's first computer-based interlocking installation. The customer was the Swedish State Railways and the unit was installed in Gothenburg.

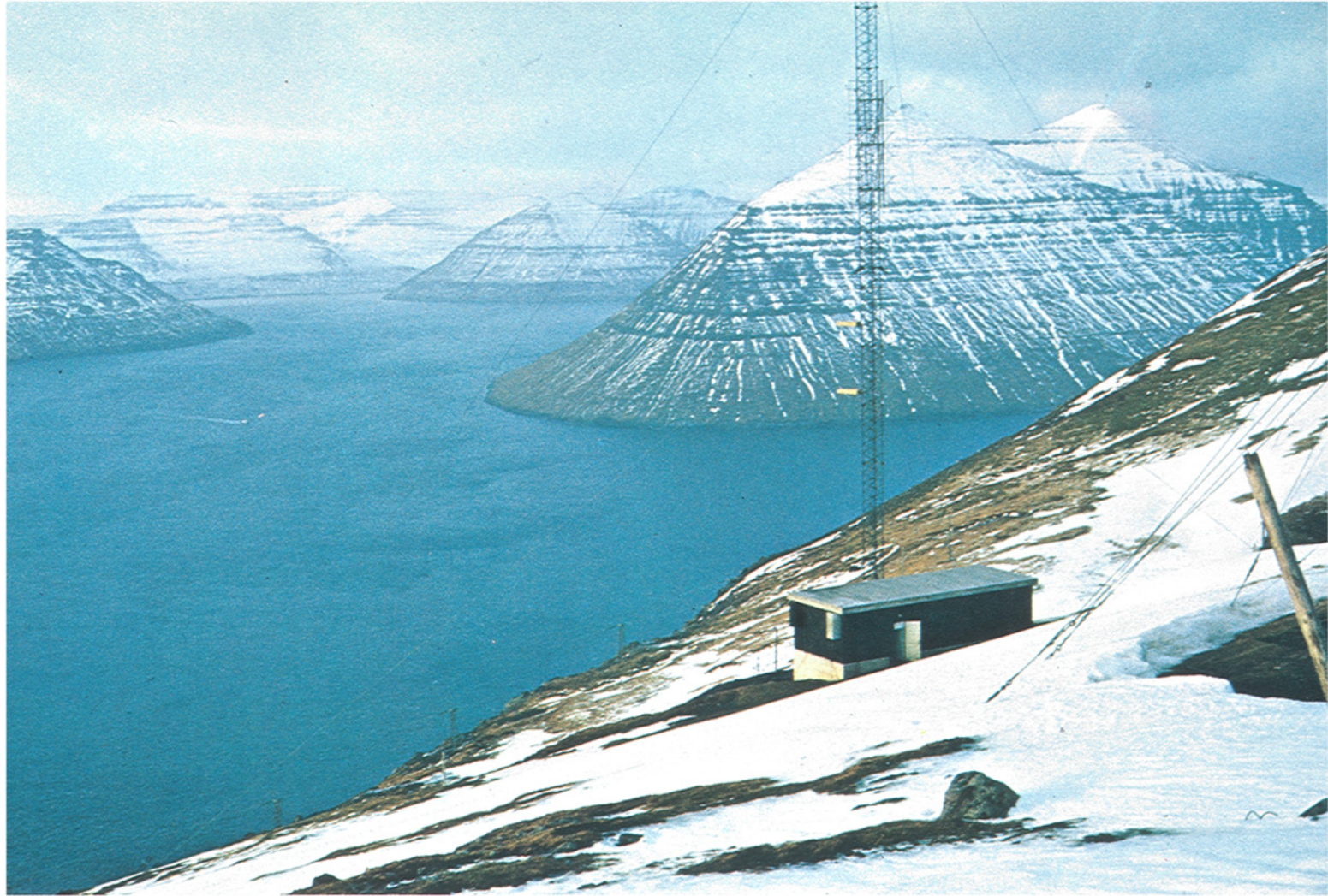
Market Review

SWEDEN

	1978	1977	
	(\$ Millions)		
<i>Sales</i>	\$323.5	\$298.5	+ 8 %
<i>Order bookings</i>	\$410.4	\$334.4	+23 %
<i>Order backlog, year-end</i>	\$397.1	\$310.2	+28 %

The Swedish Telecommunications Administration accounted for more than 80 percent of the improvement in order bookings. Under an agreement with the Parent Company, signed in January, 1978, and related to the modernization of telecommunications equipment in Sweden, the Administration placed substantial orders for AXE exchanges and transmission equipment. In addition to this contract, the Administration also ordered electronic subscriber exchanges and components for the new pushbutton DIAVOX telephone instruments, which will begin to be installed at subscriber locations during 1979.

The national telephone administrations in Denmark, Norway and Sweden have approved construction of a common automatic mobile telephone network based on the AXE system. The first exchanges were ordered during the year.



Radio link station in the Faroe Islands.

The Swedish State Railways placed orders for the expansion of both computer-based interlocking installations and systems for automatic train control (ATC).

Substantial contracts were received for military applications of radar, development of the so-called FLIR (Forward Looking Infra Red) system, laser equipment and stored program control exchanges for military telecommunications networks. It is expected that the latter can also be used for civilian operations such as aircraft traffic control.

Despite restrained domestic demand, Sieverts Kabelverk AB (SKV) was able to increase its volume of orders for both power cable and telecommunications cable. Developments in export markets were highly favorable and comprised orders within the framework of the contract with Saudi Arabia.

On January 1, 1978, SRA Communications AB (SRA) acquired the Government-owned Sonab Communications AB (SON) and its foreign manufacturing and sales units in the fields of electronics and radio systems. Order bookings increased, primarily as the result of new military orders for a second series of display systems for fighter aircraft.

LM Ericsson Telemateriel AB (LMS) was able to maintain its share of the Swedish market but the poor economic situation resulted in reduced orders in Sweden. This was offset by a sharp increase in exports and it was particularly gratifying that the company's ALARMCOM system—an alarm and remote control network with transmission over great distances—registered an international breakthrough.

In addition to large new orders from the Netherlands, contracts were received from a number of other European countries and from Saudi Arabia. The AVE 100 intercom system achieved major sales successes during 1978 and future prospects for this system are favorable.

AB Rifa's (RIF) concentration on customer-adapted integrated circuits proved successful. As a consequence of this and of other substantial marketing activities, order bookings increased nearly 40 percent. This provided a base for an improvement in profitability, which was unsatisfactory in 1978 and which is heavily dependent on volume production.

RIF's largest single order to date was received during 1978 from the Swedish Telecommunications Administration. It covered speech transmission circuits for the new standard telephone instrument with a pushbutton system.

There was no change in the domestic market position of Thorsman & Co AB (TCN), which manufactures electrical mouldings, ducts, fasteners and other installation equipment, but the company was able to increase its order bookings by nearly 25 percent through major successes in the export field, notably in the other Nordic countries, West Germany, Ireland and Great Britain.

The stagnation in the Swedish economy during 1978 affected primarily the so-called basic industries, the natural category of customers for Vanadis Entreprenad AB (VEA), which handles sophisticated conduit and tube installations. The company's order bookings declined sharply.

EUROPE (excluding Sweden)

	1978	1977	
<i>Sales</i>	(\$ Millions)		
Italy	\$233.2	\$201.7	
Denmark	119.9	115.9	
Spain	98.0	80.1	
Norway	49.8	38.5	
The Netherlands	49.5	43.8	
Finland	48.8	44.9	
Great Britain	34.7	40.2	
France	23.5	12.9	
Ireland	22.8	19.9	
Other countries, Western Europe	59.6	40.5	
Eastern Europe	37.4	23.3	
	\$777.2	\$661.7	+17 %
<i>Order bookings</i>	\$885.5	\$713.2	+24 %
<i>Order backlog, year-end</i>	\$831.1	\$718.4	+16 %

Italy

Of the seven AKE exchanges, for trunk traffic, that have been ordered, FATME completed two more—in Verona and Salerno—during the year. Work on the two exchanges remaining to be installed, and on expansions, is continuing on schedule. FATME also delivered an AXE pilot exchange during 1978. A tandem exchange employing the AXE system is under construction in Naples. Crossbar exchange equipment for more than 150,000 lines was installed during the year. Very large orders for transmission equipment were received and, overall, FATME increased its order bookings by more than 20 percent.

Orders booked by SIELTE, the network construction company, rose more than 50 percent. Underlying the strong growth was a general increase of all operations involving installations of coaxial cable, railway cable, telephone network material and transmission and private-market equipment.

Denmark

During 1978 LM Ericsson A/S (LMD) delivered the millionth line of subscriber equipment to the largest Danish telephone company, Kjøbenhavns Telefon A/S (KTAS). The number of KTAS subscribers also passed the million mark during the year. As a result of the conversion of the last semi-automatic exchange in Copenhagen to an automatic system, the entire Danish telephone system has now been fully automated. Seven of the eight AKE exchanges ordered by the various telephone companies were in operation during 1978 and the eighth was scheduled to be in service early in 1979. Additional contracts for digital AXE exchanges were received, as well as an order for an exchange for the Nordic mobile telephone network. More orders were received for transmission equipment, including an initial contract for a 140 Mb/s PCM system from Jydsk Telefon A/S, Jutland.

Dansk Signal Industri A/S (DSI) signed a five-year framework agreement with the Danish State Railways covering deliveries of equipment for automatic train control (ATC). Some saturation in the market for street signaling equipment was apparent in Denmark and in several other countries. This resulted in decidedly stiffer international competition since a number of manufacturers are trying to compensate for lost business through increased export efforts.

Spain

INTELSA (ITS) maintained an unchanged share of the market for public telephone exchanges during 1978. The first type ARE stored program control (SPC) systems in Spain, crossbar systems with computer control, were placed in service.

LM Ericsson S.A. (LES) was affected much more severely than ITS by the depressed economic situation. Both the Spanish State Railways, the company's largest customer, and private customers reduced their capital expenditures.

Norway

The associated company, A/S Elektrisk Bureau (EBN), received from the Norwegian Telecommunications Administration the Group's largest order to date for an AXB 20 telex exchange, to be installed in Oslo. Exchanges for the Nordic mobile telephone network were ordered from LM Ericsson, for installation in Oslo and Bergen. Three of six AKE exchanges ordered were in operation at the end of 1978. Expansions of Oslo's AKE exchange were decided on.

EBN and LM Ericsson reached a cooperation agreement covering international marketing of radio link systems that are manufactured by EBN's Nera Division. EBN has succeeded in breaking into a number of international markets with this system.

A/S Norsk Kabelfabrik (NKD), the associated cable manufacturer, increased its share of the domestic market for both power cable and telecommunications cable, but experienced difficulties in its export operations due to rising cost levels in Norway.

The Netherlands

The rate of expansion of the Dutch telecommunications network continued to be high, by international standards, during 1978.

The Dutch telecommunications authorities decided in 1977 to use only two manufacturers to supply local exchanges in the future. The Ericsson Group is privileged to continue its historically very long cooperation as a supplier to the Dutch PTT, which in 1978 decided to adopt the Group's AXE system as one of the standard systems for future expansion.

Ericsson Telefoonmaatschappij bv (ETM) continued to receive very large orders for telephone instruments. The total was close to half a million units. The Dutch PTT awarded ETM the company's largest single order to date, covering expansion of the ALARMCOM system to comprise connections with an additional 6,200 banks and post offices, and with 1,100 burglar alarm units. ETM's sales and order bookings both reached record high levels for a single year.

Finland

The rate of expansion of the Finnish telecommunications network declined as low as to 4 percent during 1978. For reasons of employment policy, the Finnish Telecommunications Administration rescheduled certain orders for earlier delivery, which will have an effect on contracts in coming years. The addition of a new supplier—in which the Finnish Government has an interest—in 1977 has created excess capacity in Finland, primarily in the field of telephone exchange equipment.

The subsidiary Oy LM Ericsson Ab (LMF), received continuing orders for expansions of telephone exchanges and for the AOM operations and maintenance control system, recently developed by the Parent Company. Large orders

were booked for electronic subscriber exchanges of the ASD 551 type, for railway telephone exchanges, and for telephone instruments.

The first AXE exchange with digital group selector stage was placed in service in Turku and the largest subscriber exchange in Finland with a capacity of 3,300 extensions was inaugurated in the offices of Föreningsbanken i Finland in Helsinki.

Great Britain

The first stage of the London Thames international trunk exchange was handed over to the customer in the beginning of 1978.

Thorn-Ericsson Telecommunications (Sales) Ltd. (SEE), in the face of extremely difficult competition, was able to maintain its position in the market for subscriber equipment.

France

In France, the telecommunications authorities adhered to plans giving priority to expansion of the telephone network and to serve 20 million subscribers by 1982. During the past year approximately twelve million had been reached. The associated company, Société des Téléphones STE (Thomson Ericsson), received large contracts for exchanges equipped with both electrochemical and electronic systems. During the introductory years LM Ericsson is assuming responsibility for a large part of the deliveries of AXE equipment. In 1978 the first AXE exchange was handed over to the customer for final testing.

Ireland

LM Ericsson Ltd. (LMI) was able to consolidate the Group's strong position in this market and obtained—in severe international competition—the first orders for trunk exchanges with ARE equipment and for transmission equipment. LMI had major successes in the market for subscriber exchanges. The degree of utilization of LMI's production capacity improved.

Other countries, Western Europe

Switzerland. Continuing large orders for radar equipment and telephone instruments and increased sales of RIF's components strengthened the importance of this market to the Group.

Eastern Europe

Yugoslavia. Orders were obtained for a large AXE local exchange and an AXB 20 telex exchange, both for installation in Zagreb. Contracts for substantial quantities of equipment for railway signaling systems were also received.

LATIN AMERICA

<i>Sales</i>	1978	1977	
	(\$ Millions)		
Brazil	\$216.4	\$290.8	
Mexico	105.3	126.1	
Venezuela	59.0	28.1	
Colombia	40.3	28.5	
Argentina	36.3	23.1	
Other countries	37.8	45.3	
	\$495.1	\$541.9	– 9 %
<i>Order bookings</i>	\$521.6	\$584.8	– 11 %
<i>Order backlog, year-end</i>	\$517.2	\$586.1	– 12 %

Brazil

Calculated in number of lines, orders in the telephone exchange field were higher than in the preceding year. Utilization of production capacity continued to be unsatisfactory, however. Ericsson do Brasil S.A. (EDB) held its share of the market for subscriber and transmission equipment. The first telephone exchanges completely manufactured by EDB and delivered to Bolivia were placed in service during the year.

In February, 1979, following competitive bidding, Telebras, the national telecommunications administration in Brazil, designated LM Ericsson and Ericsson do Brasil as approved suppliers of computer-controlled telephone exchanges. With the AXE system, EDB thereby strengthened its position as one of the main suppliers of telephone equipment in Brazil. The delivery volumes will be determined following contract negotiations with the local telephone administrations.

Mexico

Economic developments in Mexico continued to be highly favorable during 1978 and the devaluation crisis of 1976 appears to have been overcome. However, since Teleindustria Ericsson S.A. (TIM) negotiates annual delivery contracts with Teléfonos de Mexico S.A. two years prior to delivery dates, TIM's invoicing in 1978 was still affected by the restraint in approving capital expenditures in 1976. Contracts for additional AXE exchanges were received. During the year the telephone administration announced its intention to order the first AXE equipment. Substantial successes were recorded in the markets for both subscriber and transmission equipment.

The lower sales figures for Mexico in 1978 are due primarily to the fact that LATINCASA is not included for that year.

Venezuela

C. A. Ericsson (CEV) signed a comprehensive contract with CANTV, the Government telephone operating company, covering extensions of telephone exchanges delivered earlier.

CEV's newly constructed factory in the city of Valencia was inaugurated near the end of the year. Housing for employees was built in connection with the plant project.

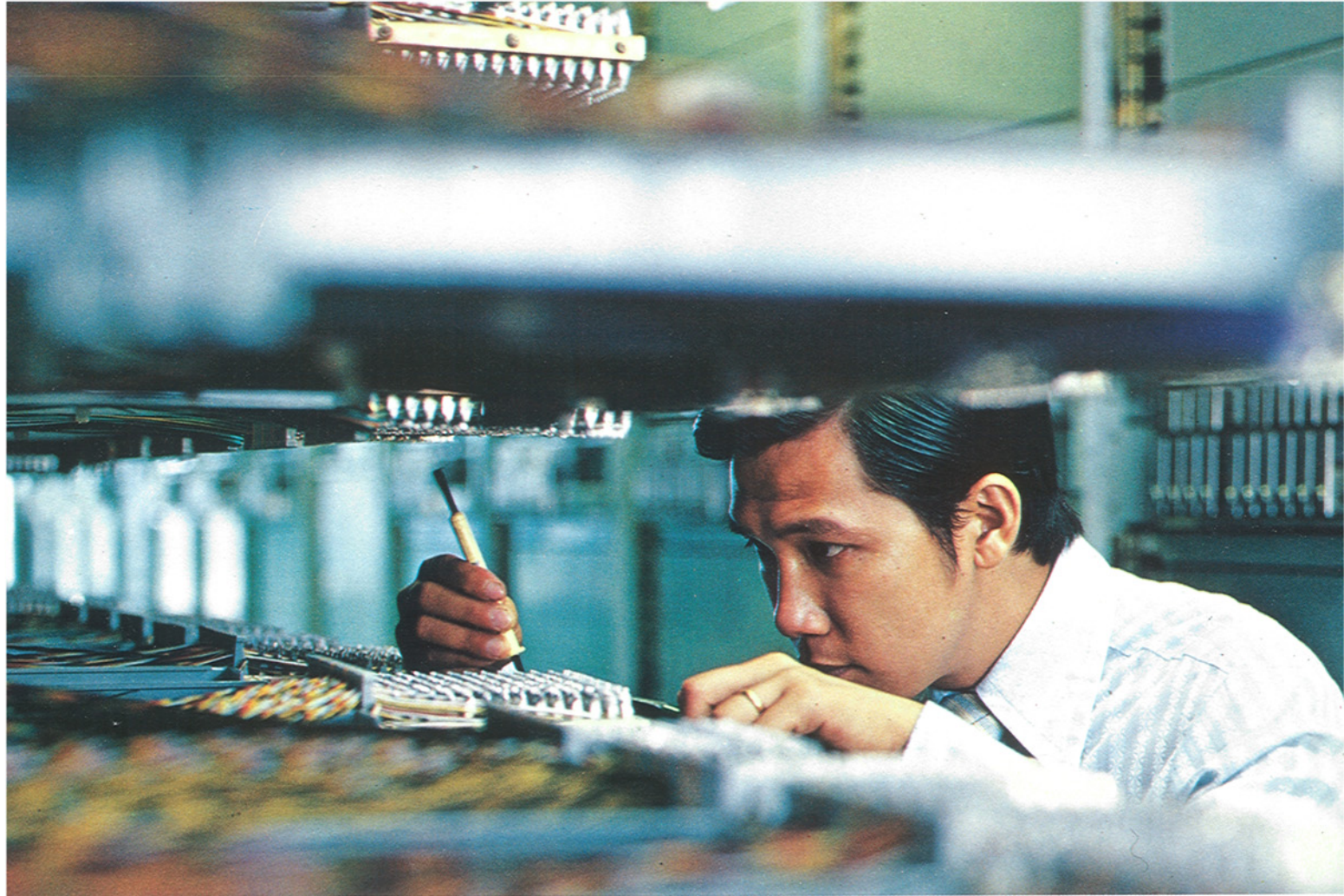
Colombia

The favorable trend of the economy in Colombia continued in 1978. This was due primarily to a beneficial export situation with respect to coffee, the country's most important export product.

Following exceptionally stiff international competitive bidding, Ericsson de Colombia S.A. was able to sign contracts covering deliveries of AXE exchanges to the municipal telephone authorities in the capital city of Bogotá and in Cali. Contracts to expand crossbar exchanges were also received.

There was an intense bidding activity in Colombia during 1978 and 17 international suppliers submitted tenders covering 27 different systems. The Ericsson Group maintained its position well.

FACOMECA, the cable company, recorded a substantial increase in orders booked, notably for telecommunications cable.



Testing of the maintenance center in an international telephone exchange in Thailand.

Argentina

The trend of the economy was again weak in Argentina during 1978, with a high rate of inflation and reduced industrial production. However, the Group's cable company, Industrias Eléctricas de Quilmes S.A. (IEQ), recorded increasing business and an improvement in operating results.

The telephone operating companies' network was expanded during the year with equipment for exchanges, transmission and radio links. Accordingly, the expansion program adopted earlier was begun on schedule.

Other countries

Panama. The local telephone administration confirmed its confidence in Ericsson equipment through orders for ARE stored program controlled trunk exchanges, for local exchanges with AXE technology, and for transmission equipment.

Bolivia. Four trunk exchanges for national traffic delivered by EDB (Brazil) and a trunk exchange for international traffic, supplied by LM Ericsson, were placed in service during the year. New orders for trunk exchanges were received.

Ecuador. Order bookings and invoicing in Ecuador were both high during 1978 and the Group has a strong position. The newly started local production is developing according to plan.

ASIA

	1978	1977	
	(\$ Millions)		
<i>Sales</i>			
Saudi Arabia	\$188.3	\$ 46.9	
Other countries	94.8	94.3	
	\$283.1	\$141.2	+100 %
<i>Order bookings</i>	\$631.6	\$139.7	+352 %
<i>Order backlog, year-end</i>	\$457.3	\$127.4	+259 %

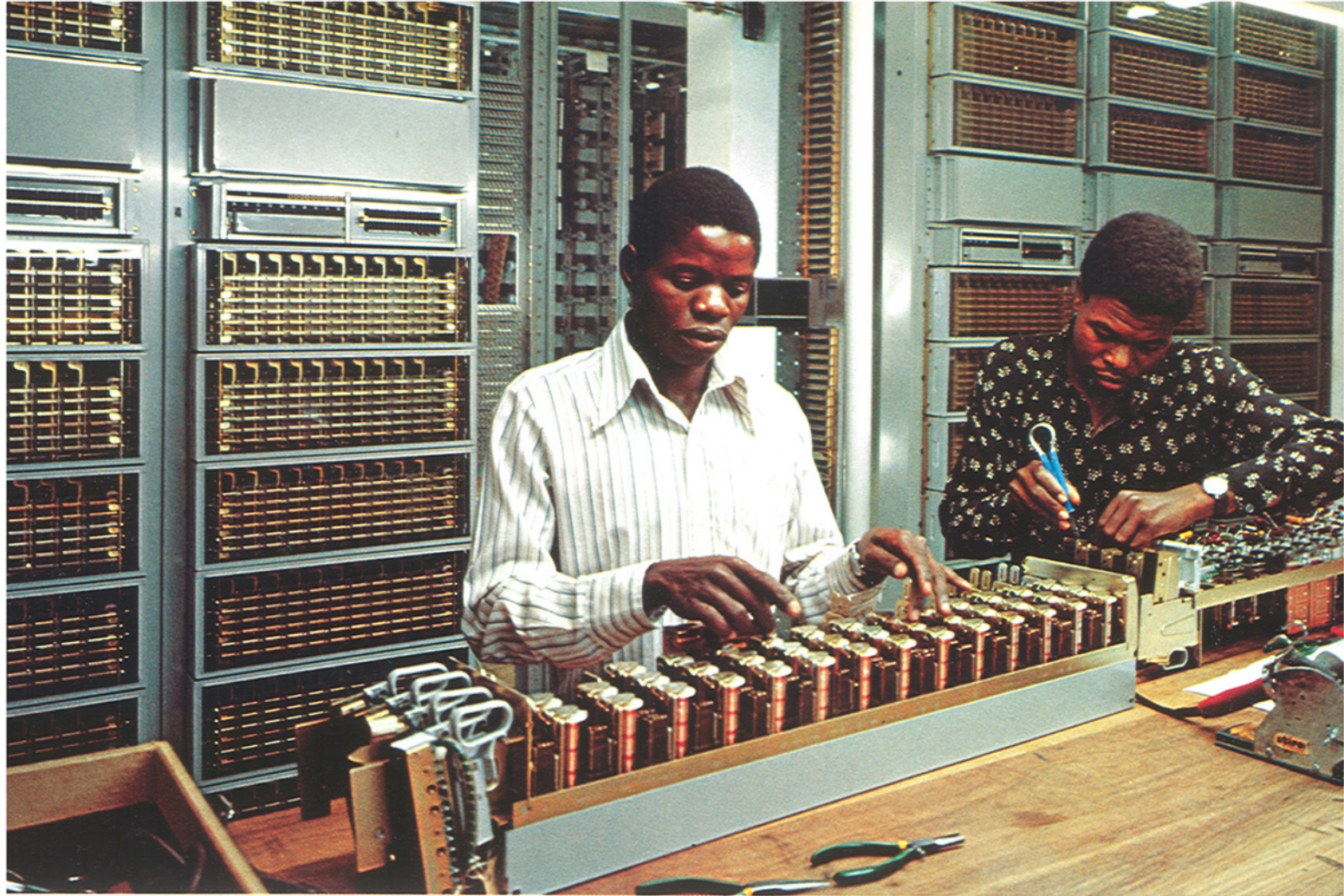
Saudi Arabia

A summary of the operations within the framework of the so-called ATP project appears on page 32. In addition to this contract, substantial orders were received for power cable, subscriber equipment and network construction material. Total order bookings for the Group exceeded \$465 m.

Other countries

Kuwait. Contracts covering three AXE exchanges were signed during the year, following which AXE exchange equipment ordered in Kuwait corresponds to 70,000 subscriber lines out of a total of 300,000 lines of Ericsson equipment in operation or on order in this country.

Large orders for subscriber and transmission equipment were also received.



Installation of a new crossbar telephone exchange in Malawi.

Iraq. A large order was obtained covering an increase in the capacity of a nationwide transmission system delivered earlier by the Group.

Malaysia. The continuing expansion of the telecommunications network resulted in the placement of orders with the Group that were slightly higher than in 1977.

Thailand. The administration ordered toll ticketing equipment for long distance traffic and other supplementary equipment for public telephone exchanges that had been ordered earlier.

Nigeria

Steps have been taken to register a local company to fulfill installation and maintenance commitments related to substantial deliveries, primarily of exchange equipment.

Egypt

ARE exchanges for local and trunk traffic were ordered under a framework agreement signed in 1977. A large transmission project related to Upper Egypt was completed and new orders for transmission equipment were obtained.

Algeria

Order bookings were substantial and consisted mainly of supplementary equipment for telephone exchanges, radio equipment and other products.

Other countries

Libya. The large network construction contract, valued at nearly \$70 m., that was signed in 1977 and orders for exchange equipment that were placed in the same year were followed in 1978 by contracts covering ARE exchanges for international traffic.

Tunisia. Substantially higher orders were booked for radar equipment and subscriber exchanges.

AFRICA

<i>Sales</i>	1978	1977	
	(\$ Millions)		
Nigeria	\$ 32.3	\$ 19.6	
Egypt	27.3	16.5	
Algeria	26.9	28.3	
Other countries	40.3	20.0	
	\$126.8	\$ 84.4	+50 %
<i>Order bookings</i>	\$115.0	\$153.2	-25 %
<i>Order backlog, year-end</i>	\$171.5	\$183.4	- 7 %

AUSTRALIA AND NORTH AMERICA

	1978	1977	
<i>Sales</i>	(\$ Millions)		
Australia	\$ 68.3	\$55.7	
North America	23.9	38.1	
	\$ 92.2	\$93.8	- 2 %
<i>Order bookings</i>	\$120.2	\$89.8	+34 %
<i>Order backlog, year-end</i>	\$ 87.8	\$66.3	+32 %

Australia

The economic climate in Australia improved slightly during 1978. Introduction of the AXE system in the country's telecommunications network is proceeding on schedule. An interesting and substantial order was obtained from Melbourne's underground railway authority covering computer-based control systems. LM Ericsson Pty. Ltd. (EPA)

has had international successes in marketing the booking exchange developed by the company. The first system of this type was handed over to Qantas Airways during the year.

RIFA Pty. Ltd. (RFA), the components manufacturing subsidiary, increased its order bookings and improved its profitability.

U.S.A. and Canada

LM Ericsson Ltd. (LMC), in the face of stiff international competition, captured the largest contract to date in Canada in the field of intercom systems.

Large orders covering expansion of private transmission network systems were received by LM Ericsson Telecommunications Inc. (LMU) in the United States. The Group's first ASB 100 electronic computer-controlled subscriber exchange placed in service was delivered to a customer in the U.S.A. during the year.

As indicated in the Year's Review, continuing successes have been achieved with the Group's new products. In the very severe competition that characterizes the telecommunications market this is a strong indication that the great technical efforts made during the 1970s were correctly oriented.

These sales successes have in a short time resulted in orders that have already involved substantial deliveries to customers. The rapid increase in volume of the new products has been made possible through the great cooperative spirit and skilled contributions of all the employees involved.

Stockholm, March, 1979



Björn Svedberg
President

THE ERICSSON GROUP with associated companies* and representatives

	SWEDEN	EUROPE (excluding Sweden)	
SALES COMPANIES WITH MANUFACTURING OPERATIONS	<p>Stockholm Telefonaktiebolaget LM Ericsson AB Rifa Sieverts Kabelverk AB SRA Communications AB AB Transvertex Kabmatik AB AB Essve Produkter</p> <p>Nyköping Thorsman & Co 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>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>Esbo Oy Sonab Ab</p> <p>FRANCE Boulogne sur Mer RIFA S.A.</p> <p>Colombes *Société des Téléphones STE (Thomson Ericsson)</p> <p>IRELAND Athlone LM Ericsson Ltd.</p> <p>Drogheda Thorsman Ireland Ltd.</p>	<p>ITALY Rome FATME S.p.A. Scarfini S.p.A.</p> <p>Castellanza *A.R.E. Applicazioni Radio Elettroniche S.p.A.</p> <p>THE NETHERLANDS Rijen Ericsson Telefoonmaatschappij bv</p> <p>NORWAY Drammen *A/S Norsk Kabelfabrik</p> <p>Nesbru *A/S Elektrisk Bureau</p> <p>SPAIN Madrid Industrias de Telecomunicación S.A. (Intelsa) LM Ericsson S.A.</p> <p>UNITED KINGDOM Horsham *Thorn-Ericsson Telecommunications (Mfg) Ltd.</p>
SALES AND INSTALLATION COMPANIES	<p>Stockholm LM Ericsson Telemateriel AB *Svenska Elgrossist AB SELGA</p> <p>Gävle Vanadis Entreprenad AB Sonab Communications AB</p>	<p>BELGIUM Brussels Ericsson Belgium sa/nv</p> <p>DENMARK Copenhagen LM Ericsson A/S Thorsman & Co ApS Brdr. B. & E. Hansen A/S</p> <p>Tåstrup LM Ericsson Radio A/S</p> <p>FINLAND Helsinki Oy Thorsman & Co Ab</p> <p>FRANCE Boulogne Billancourt Communications SRA, S.A.R.L.</p> <p>ITALY Rome SIELTE S.p.A.</p> <p>NORWAY Oslo Thorsman & Co A/S *A/S Telesystemer</p> <p>PORTUGAL Lisbon Sociedade Ericsson de Portugal Lda</p> <p>SWITZERLAND Dübendorf Ericsson AG</p>	<p>UNITED KINGDOM Chorley Thorsman & Co. (UK) Ltd.</p> <p>Horsham *Thorn-Ericsson Telecommunications (Sales) Ltd. *Thorn-Ericsson Telecommunications (Rentals) Ltd.</p> <p>WEST GERMANY Frankfurt am Main Rifa GmbH</p> <p>Hanover Ericsson Centrum GmbH</p> <p>Lüdenscheid Thorsman & Co GmbH</p>
OTHER COMPANIES	<p>Stockholm ELLEMTEL Utvecklings AB *Förvaltningsaktiebolaget Elektrounion</p>	<p>ITALY Rome SETEMER S.p.A.</p>	<p>UNITED KINGDOM Horsham Swedish Ericsson Company Ltd. *Thorn-Ericsson Telecommunications Ltd</p>
TECHNICAL OFFICES		<p>POLAND Warsaw</p>	
REPRESENTATIVES		<p>Austria, Greece, Iceland, Luxembourg, Yugoslavia</p>	

TIN AMERICA

**AUSTRALIA ASIA
AFRICA OCEANIA**

**U.S.A.
CANADA**

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

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

RIO DE JANEIRO
Ericsson Cabos Plásticos do Brasil S.A.

SÃO JOSÉ DOS CAMPOS
Ericsson Componentes Comércio e Indústria S.A.

COLOMBIA
Bogotá
Ericsson de Colombia S.A.

INDUSTRIAS COLOMBIANAS
Materiales Eléctricos comecc S.A.

ECUADOR
Quito
Teléfonos Ericsson C.A.

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

VENEZUELA
Caracas
Cía Anónima Ericsson

AUSTRALIA
Melbourne
LM Ericsson Pty. Ltd.
RIFA Pty. Ltd.

Campbelltown
*Pirelli Ericsson Cables Ltd.

INDIA
New Delhi
*Ericsson India Ltd.

IRAN
Tehran
*Simco Ericsson Ltd.

MALAYSIA
Shah Alam
Ericsson Telecommunications Sdn Bhd

BRAZIL
São Paulo
Ericsson S.A., Instalações Eléctricas Telefónicas
EPLAN, Projetos e Planejamentos de Telecomunicações S.A.

CHILE
Santiago
Ericsson de Chile S.A.

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

PERU
Lima City
Equipos S.A.

ARGENTINA
Buenos Aires
Ericsson S.A.

URUGUAY
Montevideo
Ericsson S.A.

INDONESIA
Jakarta
Ericsson Telephone Sales Corp. AB**

IRAN
Tehran
Ericsson Telephone Sales Corporation AB**

LEBANON
Beirut
Société Libanaise des Téléphones Ericsson

NIGERIA
Lagos
LM Ericsson (Nigeria) Ltd.

THAILAND
Bangkok
Ericsson Telephone Corp. Far East AB**

TURKEY
Ankara
Ericsson Türk Ticaret Ltd. Şirketi

ZAMBIA
Lusaka
Ericsson (Zambia) Ltd.
Telefonaktiebolaget LM Ericsson Installation Branch

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

CANADA
Montreal
LM Ericsson
Limitée/Limited

**Branch office

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

BOLIVIA La Paz
COSTA RICA San José
GUATEMALA Guatemala City

HAITI Port-au-Prince
PANAMA Panama City
EL SALVADOR San Salvador

AUSTRALIA
Melbourne
Teleric Pty. Ltd.
LM Ericsson Finance Pty. Ltd.

ALGERIA Algiers
EGYPT Cairo
GUINEA-BISSAU Bissau
IRAQ Baghdad
KUWAIT Kuwait
LIBYA Tripoli
OMAN Muscat
SAUDI ARABIA Riyadh
TUNISIA Tunis

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

Costa Rica, Dominican Republic, Guatemala, Guyana, Surinam, Netherlands Antilles, Panama, Paraguay, Uruguay, Surinam, Trinidad and Tobago

Angola, United Arab Emirates, Bahrain, Bangladesh, Botswana, Burma, Cyprus, Egypt, Ethiopia, Hong-Kong, Indonesia, Iraq, Jordan, Kenya, Kuwait, Lebanon, Lesotho, Liberia, Libya, Macao, Malawi, Malta, Mocambique, Morocco, Namibia, Nepal, Oman, Pakistan, Philippines, Qatar, Saudi Arabia, Singapore, South Africa, Sri Lanka, Sudan, Swaziland, Syria, Tanzania, Tunisia, Yemen, Zaire, New Zealand

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 can also deliver computerized control of both new and previously installed crossbar exchanges.

The advanced AXE exchange system, which is available with analogue as well as digital group selectors, is unusually flexible and easy to handle. It has attracted substantial interest on the part of telephone administrations throughout the world. So far, about twenty administrations have chosen the AXE system for the development of their networks.

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

Sieverts 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. Sieverts Kabelverk is a leader in the world market for this type of cable.

Subscriber Equipment

Ericsson manufactures two basic types of telephone exchanges—electromechanical and stored program controlled (electronic)—for use in private systems. PBAXs (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 installed 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.

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

LM Ericsson 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 suppliers of loudspeaking intercom systems for 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, SRA Communications AB, also develops and produces avionic equipment.

Railway and Street Signaling

In the railway sector, the Parent Company develops centralized traffic control (CTC), automatic train control (ATC), interlocking installations, automatic and manual block systems, marshaling yard equipment and train describer systems. SRA Communications AB develops signaling systems 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

SRA Communications 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 AB Rifa, a 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. These products are developed and marketed by AB Transvertex, a subsidiary.

1. *The ERICALL CONTACTOR personal paging system from SRA Communications AB.*

2. *This SV-25 equipment for ciphering speech over regular telephone or radio link circuits has been developed by AB Transvertex.*

3. *An Ericsson ADD 20 electronic manual subscriber exchange.*

4. *SLAR (Side Looking Airborne Radar) used in mapping oil spills and in sea rescue operations, among other applications.*

5. *Register terminal in the new CTR (Centralized Time Recording) system from LM Ericsson Telemateriel AB.*

6. *The ASDP 162 booking system, for use by airlines, tourist agencies, etc., developed by LM Ericsson Pty. Ltd. in Australia.*

7. *New car telephone for the projected SRA 8000 automatic mobile telephone system.*

8. *DIAVOX 824 office communication system.*





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