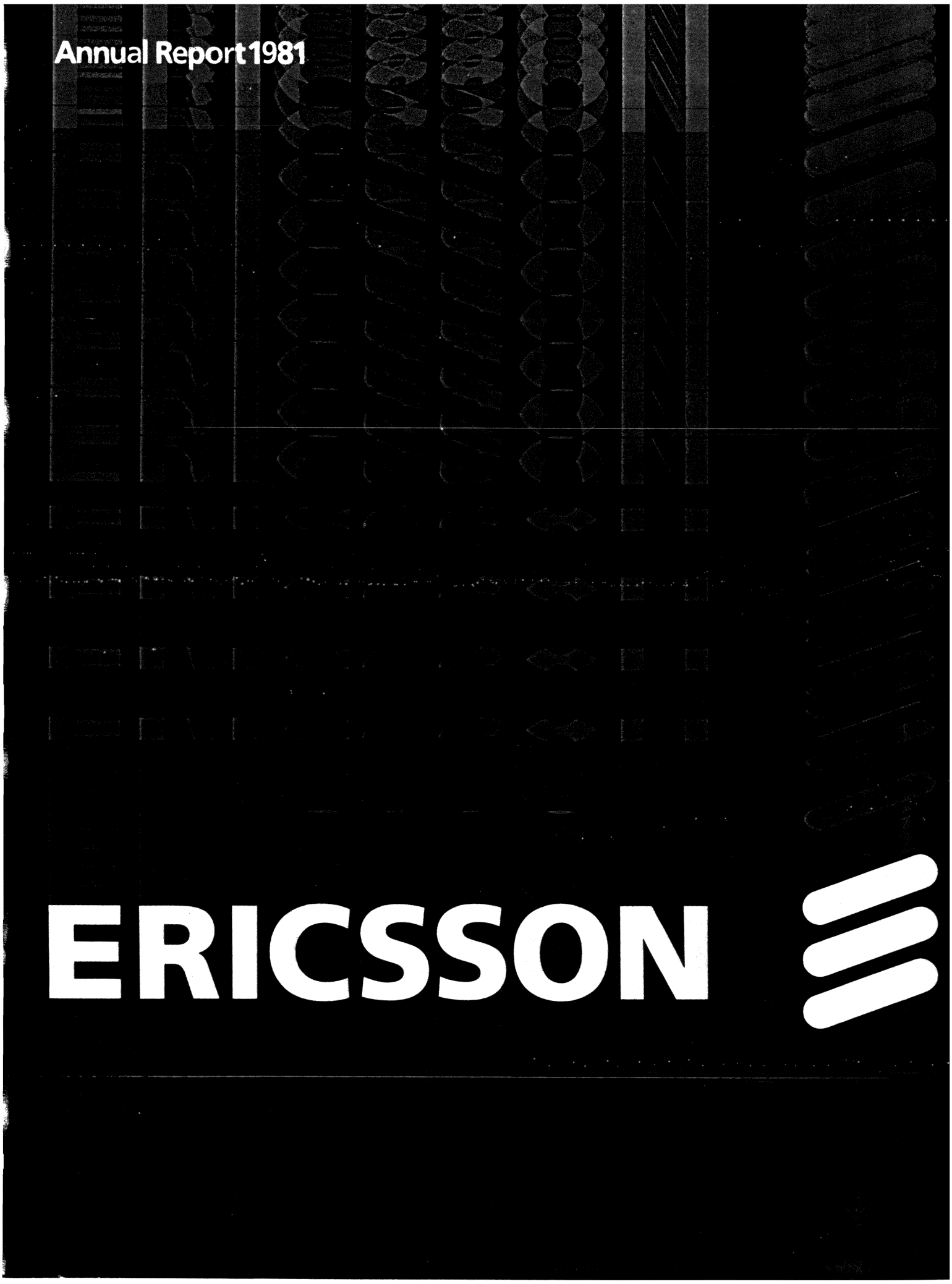
Annual Report 1981



ERICSSON

LM Ericsson Telephone Company

Annual Report and Year's Review 1981

106th year of operations

Headquarters

Telefonaktiebolaget LM Ericsson
Telefonplan, S-126 25 Stockholm
Telephone: 08/719 00 00

Stock listed on

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

Reference banks for shareholders residing outside Sweden

France:
Crédit Lyonnais
Banque Nationale de Paris
Banque de Neuflize, Schlumberger, Mallet
Banque de Paris & des Pays-Bas

The Netherlands:
Pierson, Heldring & Pierson N.V.

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

United Kingdom:
S.G. Warburg & Co. Ltd.

U.S.A.:
Citibank, N.A.

West Germany:
Deutsche Bank AG and Westdeutsche Landesbank Girozentrale

Annual General Meeting

The Annual General Meeting will be held at the Stockholm Fair, Mässvägen 1, Älvsjö at 4.00 p.m. Thursday, April 29, 1982.

Shareholders intending to participate in the Annual General Meeting must be entered as shareholders in the share register kept by Värdepapperscentralen VPC AB (Securities Register Centre) not later than April 19, 1982. Shareholders whose shares are registered in the name of an agent must reregister the shares temporarily in their own names in order to participate in the meeting.

In addition to the above-mentioned requirements, shareholders shall give notice of attendance to the Headquarters of the Company, between 10.00 a.m. and 4.00 p.m. daily, not later than Monday, April 26, 1982 at 4.00 p.m.

Dividend

The Board of Directors has proposed May 3, 1982 as the record day for payment of dividends. Provided this proposal is approved, the dividend is expected to be paid by Värdepapperscentralen VPC AB on May 10, 1982.

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

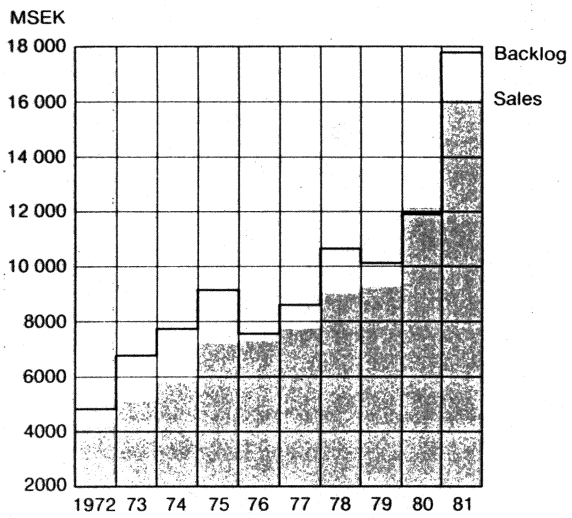
Shareholders who have changed their names or mailing addresses should as soon as possible notify Värdepapperscentralen VPC AB, Box 7444, S-103 91 Stockholm, Sweden.

Contents

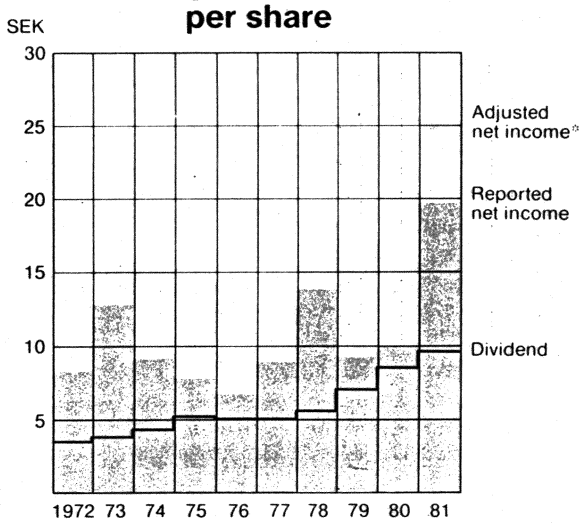
ERICSSON

The Ericsson Group – Financial Summary

Sales and backlog



Earning and dividends per share



SEK amounts in millions except per share figures

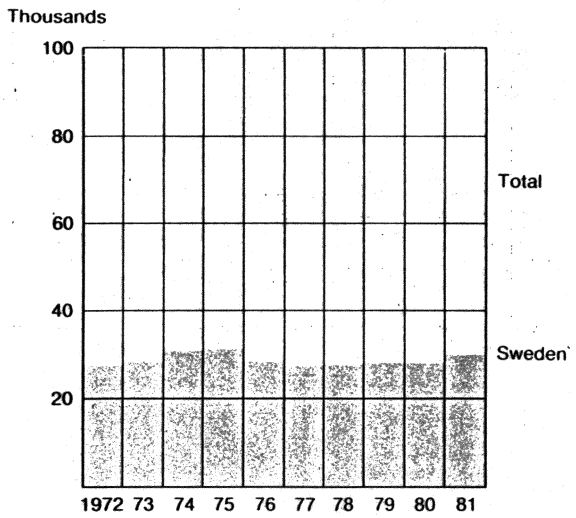
	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972
Income data										
Net sales	**16,194**	12,174	9,329	9,021	7,833	7,312	7,240	5,988	5,212	4,294
Income before special adjustments and taxes**	**1,170**	935	786	721	553	407	731	818	884	541
Percent of sales	**7.2**	7.7	8.4	8.0	7.1	5.6	10.1	13.7	17.0	12.6
Depreciation**	**621**	409	344	329	303	290	263	227	201	162
Special adjustments	**302**	412	403	180	86	111	314	354	172	95
Swedish and foreign income taxes	**488**	277	143	195	221	140	216	251	349	207
Reported net income	**429**	215	198	300	193	145	170	197	280	180
Per share	**19.70**	9.90	9.10	13.80	8.84	6.65	7.79	9.05	12.85	8.26
Adjusted net income* per share	**25.10**	20.35	17.15	18.35	12.35	9.73	14.23	14.92	15.88	10.10
Dividend	**212**	185	153	120	109	109	112	92	85	77
Per share (1981, proposed)	**9.75**	8.50	7.00	5.50	5.00	5.00	5.12	4.24	3.88	3.53

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

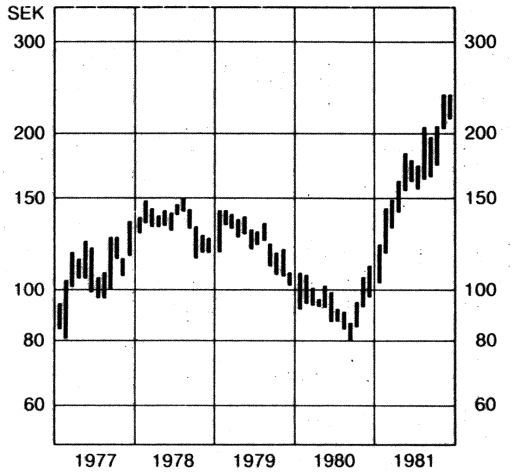
* The calculation of adjusted net income is shown in note 4 to the financial statements.

** Uniform group depreciation in 1980 and 1981. Book depreciation in previous years.

Number of employees



Trend of B share prices
on Stockholm Stock Exchange



SEK amounts in millions except per share figures

	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972
Balance sheet data (year-end)										
Net working capital	**6,885**	6,322	5,195	4,741	4,366	4,032	4,372	3,428	3,291	2,840
Ratio of current assets to current liabilities	**1.9:1**	2.1:1	2.3:1	2.1:1	2.1:1	2.2:1	2.1:1	2.0:1	2.1:1	2.3:1
Net property, plant and equipment**	**4,783**	3,833	1,840	1,989	2,095	2,015	1,822	1,542	1,350	1,079
Long-term debt	**4,667**	3,544	2,625	2,620	2,478	2,461	2,746	1,826	1,781	1,635
Minority interest	**933**	966	393	408	384	346	410	403	442	360
Stockholders' equity	**3,654**	3,010	2,947	2,869	2,677	2,594	2,121	2,044	1,920	1,570
Other data (year-end)										
Capital expenditure for property, plant and equipment	**1,275**	718	508	501	548	586	657	502	391	371
Backlog of orders	**17,701**	11,914	10,147	10,586	8,565	7,522	9,162	7,701	6,795	4,875
Number of employees	**69,900**	65,900	59,500	65,100	66,400	71,100	84,100	80,600	75,600	70,600
Number of shares outstanding	**21,788,498**	21,788,498	21,788,498	21,788,498	21,788,498	21,788,498	15,380,117	15,380,117	15,380,117	12,304,094

1981 – a Year of Change

The emphasis in Ericsson Group operations during the Seventies was on developing and marketing the AXE system. As is well known, this major undertaking has been successful and has confirmed our position as a supplier of telephone exchange equipment offering technical leadership in this field. From having had a share of around 10 percent of the world market for telephone exchange equipment in the early Seventies, the Group and its licensees had captured more than 15 percent of this market at the close of the decade.

Our investments to develop and bring the AXE system out on the world market have thus yielded a good dividend and we are harvesting, to a growing extent, the fruits of our purposeful efforts in the Group's main product area. We have to date sold more than four million lines of AXE equipment and the system has thereby been introduced in 33 countries. This says a great deal for the system's competitiveness. This competitiveness is strengthened even further by the possibilities of being able to offer an expanded area of applications.

Telephone administrations today are planning the gradual introduction of digital technology. As yet, digitalization of telephone networks does not necessarily represent the most economical approach, but in the future digital networks will stand out as the solution that is both most economical and most superior technically. Ericsson can today offer all digital network components. Thus a milestone in the history of the AXE system will be reached during the spring of 1982 when the first fully digital telephone exchange in Europe will be placed in service in Tampere, Finland.

A very large investment – within the framework of the new Group company, Ericsson Information Systems – will be made in the field of information handling. The new company is now being built up rapidly on the broad base provided by the knowledge and resources within Datasaab and in the Parent Company's former divisions for subscriber equipment and information systems. Ericsson Information Systems is starting with sales of close to SEK 3 billion and a workforce of 3,900 persons during its first fiscal year.

Operations within Ericsson Information Systems are directed towards integrated systems for office communication and office automation. This means that the experience and the substantial knowledge available within the Group where complex systems are involved can be utilized to find the most rational solutions in connection with the automation of office work, which will get under way seriously in the mid-Eighties.

The program in the field of information handling requires large investments, but it also offers high expectations of success in a market that is growing rapidly. Over the long term this should result in better balance among the Group's main lines of business.

SRA Communications has recorded substantial success in its sales program during the past year and the company will double its turnover during the next two years. Notably in the field of land-based mobile

radio, SRA Communications recorded very high order bookings, not least as the result of success with its mobile telephone systems and its equipment for tactical communications, developed for customers within the defense sector. The trend of RIFA's business is distinctly favorable, although the weak economic conditions in the construction industry resulted in lower order bookings for some types of components. The fact that these two companies are succeeding so well is gratifying since they, with Ericsson Information Systems, represent to such a high degree important elements in the Group's future efforts.

The signing during the year of a contract for the largest network expansion project in the history of Iraq was most gratifying. The first stage will cost SEK 750 m. This order represents further confirmation of the Group's strong position in markets in the Middle East, as well as success for Ericsson's aggressive program to assume total responsibility for engineering and construction of public telecommunications networks. It is expected that network construction for public and private customers such as industrial firms and other large customers can become a very expansive sector for Ericsson, one of the few companies in the world that has the knowledge and resources to assume total responsibility for large network projects.

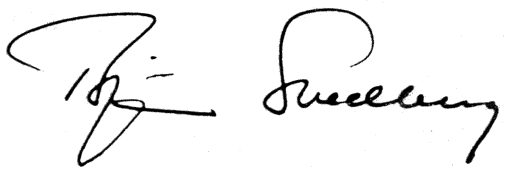
The change of a symbol is perhaps not a major event in the life of a corporation even though, as in our case, the old symbol had been used within the Company for more than 40 years. The Group's new symbol, consisting of the name ERICSSON followed by a stylized E, appears on the cover of this Annual Report. Its introduction means not only a new way of presenting the Group. It symbolizes the organizational and structural change that has taken place within the Ericsson Group in Sweden and which, in a longer perspective, will influence developments within the entire Group.

The restructuring of the Group's manufacturing organization continued during the year. Despite volume increases in the production sector, manpower requirements are decreasing as a result of the changeover to electronics – and this continues to cause employment problems. The continuing refinement of semiconductor technology has resulted in a further reduction of the labor content in new systems. The introduction of new production technology involving the increased use of computer aids – which is a prerequisite of continuing competitiveness – also means that productivity in the plants is rising but that the need for manpower is unfortunately being reduced.

The utilization of capital in the Group has improved in recent years. However, if the Group is to be able to finance an anticipated 15 percent annual rate of expansion from its own resources, a return of 14 percent on total capital employed is required. This is more than the Group has generated in recent years. We are convinced, however, that it should be possible to further improve profitability through increased efficiency within the various branches of the business.

The Ericsson Group is an international group of companies which, to a high degree, are held together by a common technology. Its international strength and competitiveness is achieved through the substantial knowledge that is available within the Group but require, to a very high degree, that conditions in Sweden favor industrial enterprise and exports. A peaceful labor market, internationally competitive costs and good access to well-trained manpower are some of the prerequisites that must be found in Sweden if the Ericsson Group is to be able to continue to develop in a positive direction.

Nineteen-Eighty-One was a year of change within the Ericsson Group. It is extremely gratifying to be able to state that our many colleagues throughout the world demonstrated a strong willingness to participate in the changes and to contribute actively in carrying them out in a successful manner.



Annual Report of the Board of Directors

Results of Group operations

Ericsson Group sales amounted to SEK 16,194 million, an increase of SEK 4,020 m. or 33 percent. Of the increase in sales, 38 percent is attributable to companies acquired during the year, in first place Datasaab AB. Sales include telephone operating revenues of SEK 610 m.

Exports from Group companies in Sweden amounted to SEK 5,901 m. (SEK 4,877 m.) of which 38 percent (35) were to Group companies. Dividends, royalties and interest income received in Sweden from abroad amounted to SEK 348 m. (SEK 320 m.).

Income before special adjustments and taxes increased by SEK 235 m. to SEK 1,170 m. The improvement is mainly attributable to the Parent Company. Adjusted net income in 1981 was SEK 547 m. (SEK 443 m.) or SEK 25.10 (20.35) per share. The calculation of adjusted net income is described in note 4 to the financial statements.

The transition to marketing and production of fully electronic equipment has practically been completed at the Parent Company. Considerable rationalization measures of production and installation processes have been carried out, which have contributed to a more profitable operation. A number of manufacturing Group companies outside Sweden have just reached the initial stage of introducing the new technique and the transition has so far had no favourable impact on the results. The depressed economy in the U.S. had a negative effect on the operations of Anaconda-Ericsson Inc.

Group operating results in brief

Millions of SEK except per share figures

	1981	1980	Percent change
Order bookings	**20,989**	**13,572**	**55**
Order backlog	**17,701**	**11,914**	**49**
Sales	**16,194**	**12,174**	**33**
Income before special adjustments and taxes	**1,170**	**935**	
Percent of sales	**7.2**	**7.7**	
Adjusted net income	**547**	**443**	
Per share	**25.10**	**20.35**	

Financing

Total assets increased by SEK 4,185 million, of which approximately 40% was attributable to newly acquired companies, mainly the Datasaab operations. Capital turnover improved and the ratio of tied-up capital to sales declined from 1.45-to-1 to 1.35-to-1, due in part to lower amounts of capital tied up in acquired operations. Inventories were equal to 39 percent of sales in 1981, as against 40 percent in 1980, and trade receivables amounted to 31 percent of sales, compared to 33 percent a year earlier.

Liquidity, measured as the ratio of current assets to current liabilities, declined from 2.1-to-1 to 1.9-to-1. The decision to reduce liquidity was the direct consequence of the level of interest rates. The Group's net deficit on financial transactions increased sharply, partly as a result of the devaluation of the Swedish krona – which led to higher exchange losses – and partly to a deterioration of net interest items. The latter factor was attributable primarily to the fact that companies added to the Group had net interest outlays, and also to the generally high interest rates during the year.

The Group's strong expansion has led to a certain weakening of solidity. In the calculation of solidity, half of the untaxed reserves is often treated as a deferred tax liability, while the other half is counted as stock-

Demonstration room at Ericsson Information Systems' plant in Linköping, Sweden. Products for bank applications are in foreground.

holders' equity. Applying this treatment, solidity declined from 31.6 to 28.4 percent. From a financial point of view, there is no real reason to consider that there is any deferred tax liability in "Special reserves" as there is no basis for assuming that they will be subject to tax within foreseeable future. If deferred tax liabilities are excluded from the computation the Group's solidity becomes 35.8 percent.

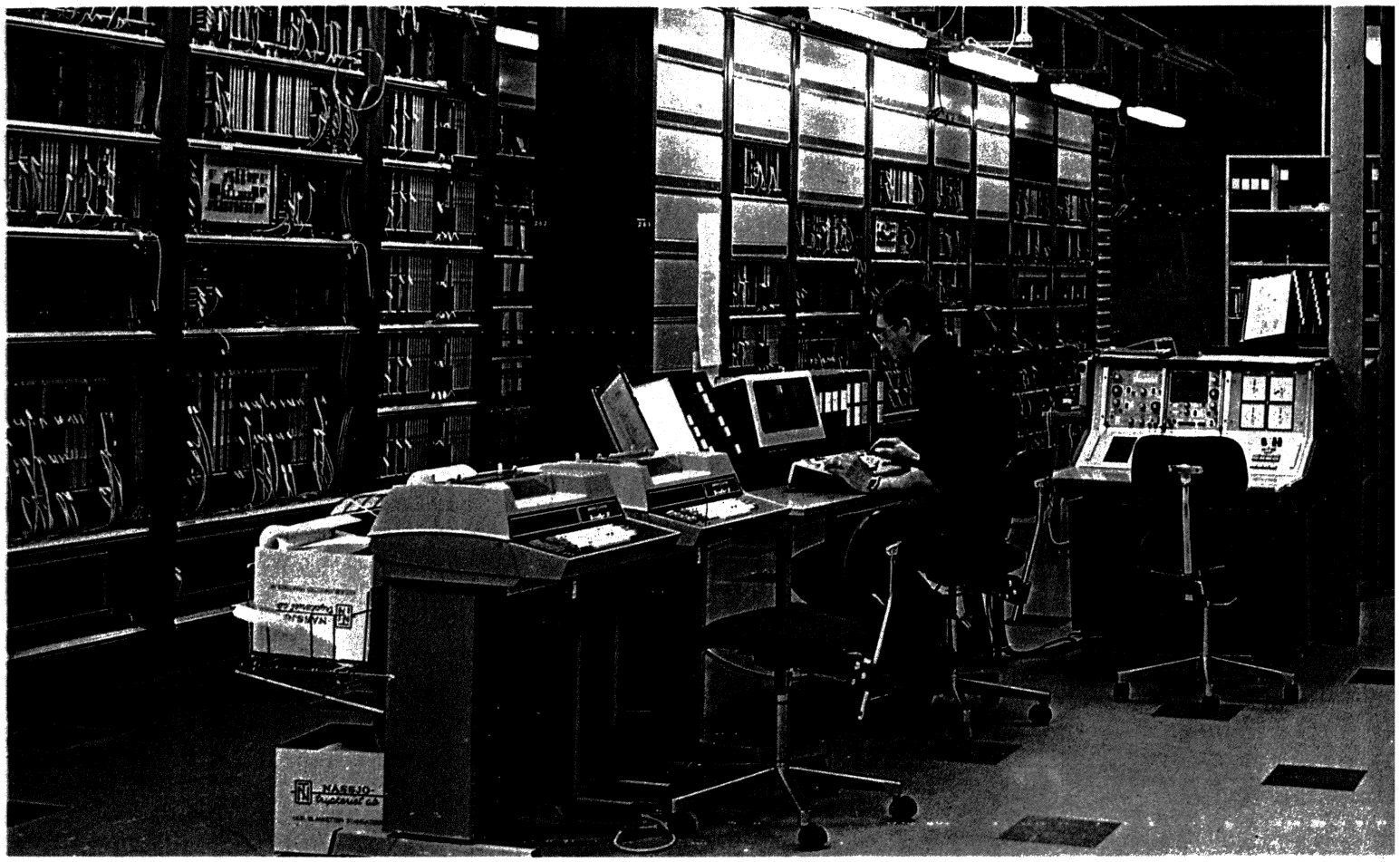
In its balance sheet, the Parent Company has proposed an allocation of SEK 400 m. to the Revaluation reserve, effected partly through the utilization of excess depreciation on buildings in the amount of SEK 289.4 m. and partly through a direct revaluation of the value of buildings in the amount of SEK 110.6 m. A similar revaluation of buildings, amounting to SEK 50.0 m., has been made in the Sieverts Kabelverk AB subsidiary. As a result of these revaluations, the book value of the buildings is being adjusted to conform with the new tax assessment values.

In December, 1981, the Parent Company issued 15-year 9 ½ percent convertible debentures in the amount of USD 40 m. The proceeds from the loan were received on January 15, 1982. Purchasers of the debentures may, after February 15, 1982, convert them to "B" shares of the Parent Company at a price of SEK 226 per share and at a fixed exchange rate.

The debentures were placed primarily in the British market and were handled as a private placement. The purpose of the loan is to strengthen the Company's Stockholders' equity and thereby facilitate the financing of a planned expansion of operations, notably in the field of office automation.

In January, 1981, the 1975 debenture loan, originally in the amount of 40 million Swiss francs, was redeemed ahead of schedule. This reduced the Parent Company's currency exposure as the Company has only limited operations in this currency.

In evaluating its currency exposure, the Group takes into account both the exposure shown in the balance sheet and that which exists in the order backlog, in purchase commitments and in other commitments which are not reflected in the balance sheet. This is fully justified financially but not infrequently leads to difficulties in interpreting, on the basis of published figures, the real effect on the Group of changes in exchange rates. Thus, in connection with the devaluation of the Swedish krona in 1981, the value of the Company's order backlog – to the degree that it was denominated in foreign currency – was affected favorably. This rise in value only partially affected income for the year through



Interior from MIPSC (Maintenance, Installation and Production Support Centre) for the AX system at Ericsson's Älvsjö plant, in Greater Stockholm.

higher sales figures for that portion of the order backlog that was invoiced during the latter part of the year. To a certain extent, this positive effect will not be felt until later years when the remainder of the backlog is invoiced. In both cases the higher invoicing compensates for, among other items, the higher loan costs that arise and which are shown as exchange differences on existing loans, under the heading "Financial expense".

The translation differences are essentially attributable to the weak trend of the currencies in Argentina and Brazil. In Argentina, there were two major devaluations of the peso during the year.

In the beginning of 1982, the Central Bank of Mexico allowed the Mexican peso to float, resulting in a sharp decline in that currency's value in relation to other currencies. The magnitude of the loss to be sustained by the Group will depend on developments in the foreign exchange market and on the Mexican Group companies' currency exposure.

Capital expenditure

Group investments in property, plant and equipment amounted to SEK 1,653 m. (SEK 1,502 m.). Of this amount SEK 378 m. (SEK 784 m.) relates to the net value of fixed assets of acquired companies.

New investments consequently amounted to SEK 1,275 m. (SEK 718 m.) of which SEK 572 m. (SEK 252 m.) were invested in Sweden and SEK 703 m. (SEK 466 m.) by companies outside Sweden.

The sharp increase in new investments is to a large extent due to the fact that certain newly acquired or consolidated companies such as Anaconda-Ericsson and Datasaab are very capital-intensive. The telephone operating companies in Argentina accounted for 30% of the new investments outside Sweden.

Production

The manufacture of products for electronic systems now completely dominates production in the Group factories. Since the labor content in these systems is much lower than in earlier electromechanical products, manpower requirements were further reduced during 1981. Despite this, the average number of persons employed in manufacturing declined by only 230 in those units which were part of the Group in both years. The fact that the decrease was so small was due to sharply higher order bookings in the manufacturing subsidiaries in

Mexico and Sweden, which led to increases in personnel. A total of 880 production employees were added through acquisitions, making the average number for the year 26,020.

Total shipments from Group plants were higher but the picture was fragmented. There was a sharp increase in the Parent Company, in some of the other Swedish units and in the plants in Australia, Finland, Ireland and Mexico, while the trend was sluggish in a number of other locations. The level of capacity utilization in the plants declined for the Group as a whole.

The rise in labor costs was somewhat less than in 1980. With a few exceptions there were no shortages of materials or components during the year and supplier prices for metals and plastics were unchanged or lower, while the prices of components, generally speaking, increased. However, more than 60 percent of the purchases for production in Sweden – which, valuewise, accounts for 70 percent of the Group's production – are linked to foreign currencies, with about half being tied to the U.S. dollar. As a result, the development of exchange rates relative to the Swedish krona made procurement more costly. Virtually the whole increase in purchase cost was due to the change in exchange rates.

Technology

Group costs for research and development not related to customer orders amounted in 1981 to SEK 1,359 m., equal to more than 8 percent of invoicing. More than 4,700 persons were engaged in R & D, an increase of 900 compared with the preceding year.

A report on the more important development projects appears in the Year's Review.

Personnel

Number of employees	December 31	
	1981	1980
Sweden		
Parent Company	19,740	20,040
Other companies	11,290	7,930
	31,030	27,970
Europe, excluding Sweden	19,830	19,470
North America	4,160	3,530
Latin America	11,990	12,050
Other countries	2,850	2,890
Total	**69,860**	**65,910**

Supplementary information on the average number of employees and on wages, salaries and other remuneration is presented in the notes to the financial statements.

Employee turnover rates in the Swedish sector of the Group were as follows: Factory workers, 8.9 percent (1980: 13.6 percent); Other employees, 7.0 percent (1980: 8.4 percent). The primary reason for the declining employee turnover was the lower demand for manpower in most sectors of Swedish industry.

Assembly of circuit boards at Oy LM Ericsson in Finland.

The Parent Company factory in Örebro was transferred to SRA Communications AB during the year.

Negotiations were concluded with employees' representatives in Olofström on the shutdown of the plant there.

The number of factory workers in the Parent Company has declined between 1975 and 1981 by 5,330 to 10,850. At the same time the number of white collar workers has increased by 540 to 8,890, as a result of the increasing need for systems technicians and programmers. A total of approximately 15,000 engineers are now employed within the Group.

During the year so-called "software centers" for systems and programming work were opened at a number of locations within the Group in Sweden and abroad. This was done partly to create marketing resources for our Group companies, notably Ericsson Information Systems, and partly to improve the possibilities of recruiting personnel in a category in notoriously short supply.

Ericsson Information Systems' Series 16 computer is used in a Danish pharmacy.

In Sweden, a software center has been opened in Karlskrona and preparations are being made to allocate work of this type to the plant in Karlstad.

The comprehensive scope of the Group's training programs for its own employees and for those of its customers was maintained during the year. 970 students from customers and subsidiaries outside Sweden received training corresponding to 370,000 hours, while 6,500 Swedish students received 240,000 hours of training. Training programs were also conducted to an increasing extent in subsidiaries throughout the world.

Computer technology is also beginning to be used as an aid in training. A large number of projects, designed to rationalize and improve training techniques with the help of special computer programs are therefore under way throughout the Group.

The adaptation of working conditions to the physical and psychological requirements of men and women is an important objective in the efforts to achieve a good working environment. The ergonomic aspects of working with computer terminals is the subject of a project initiated by the Parent Company. The project involves such an "exterior" environmental factor as lighting conditions as well as the user's personal reactions to the work environment.

Grants totaling approximately SEK 850,000 from "The Marcus Wallenberg Foundation for Scientific Research and Training" were made to 11 Group employees during 1981. Of these, two were from the Parent Company, six from subsidiaries in Sweden, one from a Group unit in Mexico, as well as one each from Italy and Colombia.

Shareholders at the Annual General Meeting in 1981 approved the allocation by the Parent Company of funds for the "Björn Lundvall Grants for Study and Contact Trips within the Ericsson Group". This action was taken to honour the memory of Björn Lundvall, President of the Company during the years 1964-1977 and Chairman of the Board of Directors during the period 1977-1980. The grants, which will be made for the first time in 1982, will make it possible for Group employees to visit Ericsson companies in other parts of the world to acquire increased knowledge of Group operations and to promote understanding and cooperation within the Group.

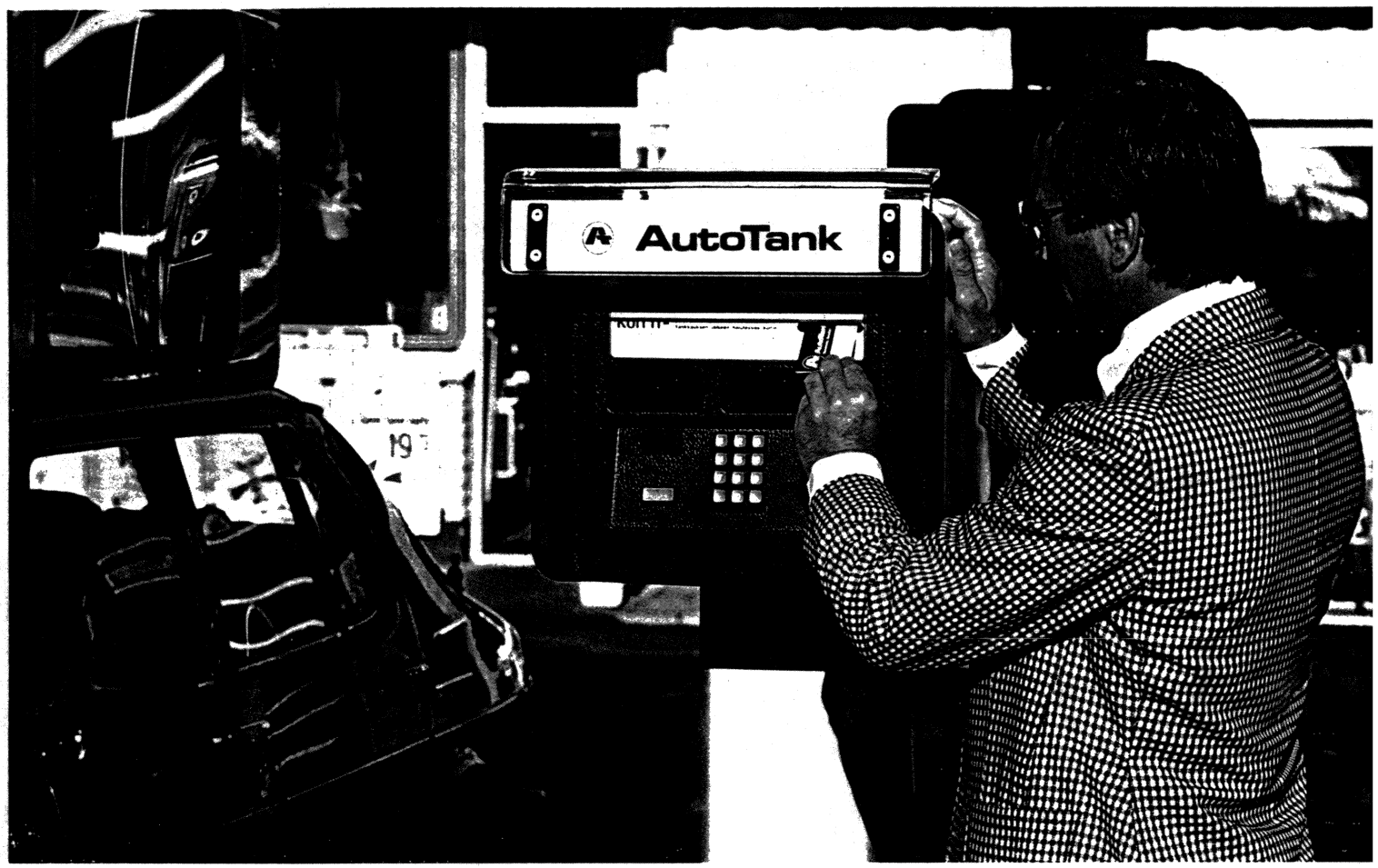
The Marcus Wallenberg Fund for LM Ericsson's employees with long periods of service provided valuable assistance to pensioners who faced economic problems. During the 1976-1981 period contributions totaling SEK 1,590,000 have been made.

LM Ericsson's Stock Savings Fund was established in 1981 to make it possible for employees within the Group in Sweden to effect tax savings through purchases of Parent Company shares. Ericsson offers all permanent employees two thirds of the amount they invest in Company stock in 1982 in the form of loans on beneficial terms. Slightly more than 10 percent of the Group's employees in Sweden have joined the scheme.

Within the Group in Sweden there is a long tradition of employee ownership of stock in their own Company. The LM Ericsson Employees' Shareholders Association was formed as early as 1973 and now has 500 members. With the assistance of bank loans arranged by the Company, Group employees in Sweden have acquired 235,000 shares in LM Ericsson.

Changes within the Group

The Parent Company's acquisition of shares in Datasaab AB, Stockholm, was completed early in 1981, resulting in a shareholding of 90.5 percent. During the year preparations were made for the merger of Datasaab and the Parent Company's divisions for subscriber equipment (subscriber exchanges and telephone instruments) and information systems (private data networks, data transmission and office automation). The new organization is now active under name of Ericsson Information Systems. A new sales



Credit card terminal for gasoline service stations was developed by AutoTank, an Ericsson subsidiary.

company for Ericsson Information Systems products was formed in Italy.

Towards the end of the year, SRA Communications AB acquired a 55 percent interest in a Dutch company, Nira International bv, with an option to acquire additional shares. Nira designs, manufactures and sells personal paging systems, telecommunications and radio systems for hospitals, etc. in Western Europe. In 1981, the Nira group with 550 employees received orders amounting to SEK 120 m.

The Parent Company acquired 100 percent of the shares in AutoTank AB, a Swedish company. AutoTank develops, manufactures and sells computerized cash terminals for gasoline stations. Its order bookings in 1981 amounted to SEK 100 m. Towards the end of the year the Parent Company acquired a 20 percent interest in AB ID-kort, a Swedish company that manufactures identity, credit and banking cards.

Ericsson-Programator AB, a computer software company in which the Parent Company has a 50 percent interest, was formed in Karlskrona.

Anaconda-Ericsson Inc., the U.S. company in which LM Ericsson has a 50 percent interest, acquired all the shares of Hitemp Inc. (U.S.), a manufacturer of heat-resistant cable and wire, as well as all the shares of Axxa Corp., which specializes in computerized office communication, ("the paperless office").

AB Rifa established a wholly-owned sales company, Rifa-Høyem A/S, in Norway.

Thorn Ericsson, the associated British company, expanded its product program through the take-over of the operations of Recordacall Ltd., a leading manufacturer of telephone answering equipment.

During the year the Group's holdings in two manufacturers of cable machinery – Kabmatik AB in Stockholm and I Bager & Co A/S in Copenhagen – were sold.

Parent Company

Exports accounted for 79 percent (83) of the Parent Company's sales of SEK 5,829 m. (5,102 m.). Sales to consolidated companies accounted for 33 percent (32) of the Parent Company's sales whereas 32 percent (30) of the Company's total purchases of goods and services were from such companies.

After special adjustments, reversal of previous appropriations to the compulsory investment reserve, and provision for taxes, the Company reported net income of SEK 215.0 m. (207.7 m.).

Proposed stock dividend and disposition of unappropriated earnings in the Parent Company

In the opinion of the Board of Directors it is desirable to achieve a better relationship between stockholders' equity, total assets and total liabilities. The Board of Directors and the President therefore propose that the present capital stock of the company, SEK 1,089,425,000, represented by shares registered as fully paid, be increased by the issuance of bonus shares.

The bonus issue is proposed to be achieved through the issue to the shareholders of one new share for each two old shares, corresponding to about SEK 544,712,000. The new shares will be of the same class as the old ones and will carry dividend rights from and for the financial year ending December 31, 1982.

The increase will by achieved by transferring to capital stock

– the revaluation reserve which after the 1981 transfers aggregates	SEK	540,000,000
– from unappropriated earnings		4,712,000
	SEK	544,712,000

After the proposed transfer from unappropriated earnings to capital stock there are available for disposition by the stockholders at the Annual General Meeting – in addition to a General reserve of SEK 97,349,000 – unappropriated earnings totaling SEK 315,979,000. The Board of Directors and the President propose that the above amount be appropriated as follows:

To	stockholders duly registered on the record day, a dividend of SEK 9.75 per share	SEK	212,438,000
To	transfer to the General reserve		2,651,000
To	be retained in the business		100,890,000
		SEK	315,979,000

Stockholm, March, 1982

HANS WERTHÉN JAN WALLANDER PETER WALLENBERG
ÅKE ANDERSSON BERTIL BJUREL LENNART DAHLSTRÖM
LARS-OLOF EKEBERG PAUL KVAMME GUNNAR LAGERGREN PER LINDBERG
BJÖRN SVEDBERG
President

Consolidated Income Statement

Millions of SEK

		1981	1980
Net sales		16,193.8	12,173.8
Cost of products and services sold		8,522.5	7,048.4
		7,671.3	5,125.4
Other operating revenue		477.8	352.3
		8,149.1	5,477.7
Selling, administrative, research and development expenses		5,329.9	3,873.7
Uniform group depreciation	Note 1	621.0	409.4
		2,198.2	1,194.6
Financial income	Note 2	605.9	504.8
Financial expense	Note 2	1,415.8	690.5
Income before foreign exchange translation differences		1,388.3	1,008.9
Foreign exchange translation differences		324.2	120.9
Income before share in net income of associated companies		1,064.1	888.0
Share in net income of associated companies		106.0	47.0
Income before extraordinary items		1,170.1	935.0
Extraordinary income		–	62.2
Extraordinary expense		–	62.2
Income before special adjustments and taxes		1,170.1	935.0
Special adjustments	Note 3		
Transfer to (transfer from) special reserve for accounts receivable and investments outside Sweden		(5.8)	129.5
Transfer to special inventory reserve		295.7	185.4
Transfer from other reserves	Note 3	(71.2)	(39.7)
Depreciation in excess of uniform group depreciation	Note 1	83.4	136.7
		302.1	411.9
Income before taxes		868.0	523.1
Taxes on income		488.0	277.4
		380.0	245.7
Minority interest		+49.3	−30.4
Net income		429.3	215.3

Consolidated Balance Sheet at December 31, 1981

Millions of SEK

ASSETS			1981	1980
Current assets	Cash		**2,322.6**	**2,561.9**
	Notes and accounts receivable–trade *(less provision for doubtful accounts, 1981: 74.2; 1980: 51.7)*	Note 5	**4,989.1**	**3,982.5**
	Inventories *(less advance and progress payments, 1981: 1,201.0; 1980: 777.3)*	Note 6	**6,289.6**	**4,853.6**
	Other current assets	Note 7	**958.3**	**495.2**
			14,559.6	**11,893.2**
Restricted bank deposits		Note 3	**74.3**	**57.1**
Receivable for convertible debentures			**223.2**	**–**
Long-term assets	Notes and accounts receivable–trade	Note 5	**684.1**	**671.8**
	Other investments	Note 8	**18.1**	**13.3**
	Other long-term assets		**503.1**	**181.4**
			1,205.3	**866.5**
Investments in associated companies	Investments	Note 8	**737.7**	**812.6**
	Accounts receivable		**293.6**	**228.6**
			1,031.3	**1,041.2**
Investment in technical development projects			**20.0**	**20.0**
Property, plant and equipment		Note 9		
	Cost		**7,487.0**	**5,864.5**
	Less–Accumulated uniform group depreciation		**3,116.7**	**2,352.5**
			4,370.3	**3,512.0**
	Revaluation, net of uniform group depreciation		**412.2**	**321.3**
			4,782.5	**3,833.3**

	1981	1980			
Assets pledged to secure indebtedness	**2,695.1**	**2,275.3**	Note 14		
			TOTAL ASSETS	**21,896.2**	**17,711.3**

LIABILITIES AND STOCKHOLDERS' EQUITY			1981	1980
Current liabilities	Bank loans		1,680.2	1,130.0
	Accounts payable—trade		1,065.7	758.8
	Advances from customers		1,655.1	1,121.4
	Accrued income and other taxes		238.9	231.7
	Other current liabilities	Note 10	3,034.5	2,329.2
			7,674.4	5,571.1
Long-term debt	Debentures *(net of unrealized exchange differences, 1981: 62.2; 1980: 16.0)*	Note 11	1,134.0	1,141.9
	Other long-term liabilities		3,309.8	2,402.2
			4,443.8	3,544.1
Pension and similar provisions			1,716.2	1,387.5
Convertible debentures			223.2	–
Special reserves		Note 3		
	Special reserve for accounts receivable and investments outside Sweden		549.5	555.1
	Special inventory reserve		1,652.0	1,350.8
	Reserve for future investments		104.6	105.0
	Compulsory investment reserve		40.9	103.8
	Reserve for environmental improvements		1.4	7.9
	Accumulated depreciation in excess of uniform group depreciation	Note 9	902.6	1,110.3
			3,251.0	3,232.9
Minority interest in stockholders' equity			933.4	965.6
Stockholders' equity		Note 13		
	Restricted			
	Capital stock		1,089.4	1,089.4
	Reserves not available for distribution		1,791.0	1,303.7
			2,880.4	2,393.1
	Unappropriated earnings			
	Retained earnings		344.5	401.7
	Net income for the year		429.3	215.3
			773.8	617.0
			3,654.2	3,010.1

	1981	1980		
Contingent liabilities	1,106.2	660.7	Note 14	

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	21,896.2	17,711.3

Source and Application of Funds

Millions of SEK

		Consolidated 1981	Consolidated 1980	Parent Company 1981	Parent Company 1980
Source of funds	Net income *(including minority interest)*	380.0	245.7	215.0	207.7
	Uniform group depreciation	621.0	409.4	164.0	146.9
	Depreciation in excess of uniform group depreciation	83.4	136.7	75.8	85.0
	Pension and similar provisions	328.7	195.9	98.1	91.5
	Special adjustments, net	218.7	213.0	(79.0)	106.8
	Contributions to Group companies*	–	–	201.7	180.2
		1,631.8	1,200.7	675.6	818.1
	Sale of stock	6.2	14.4	–	168.3
	Sale of property, plant and equipment	193.6	72.8	9.5	2.6
	Increase in long-term debt	1,122.9	919.2	162.7	–
	Share in equity of companies previously equitized, now consolidated	165.0	402.3	–	–
	Increase in minority interest due to the consolidation of new companies	36.7	559.2	–	–
	Other items	8.0	–	–	–
		1,532.4	1,967.9	172.2	170.9
		3,164.2	3,168.6	847.8	989.0
Application of funds	Additions to property, plant and equipment	1,653.3	1,502.4	297.9	171.9
	Investment in stock**	103.6	240.4	195.1	322.0
	Increase in long-term assets	399.0	123.3	406.9	102.5
	Increase in restricted bank deposits	17.2	8.5	5.4	4.7
	Decrease in long-term debt	–	–	–	69.1
	Transfer of pension provisions and special reserves	–	–	32.1	–
	Dividend paid	204.8	167.2	185.2	152.5
		2,377.9	2,041.8	1,122.6	822.7
	Increase (decrease) in working capital	786.3	1,126.8	(274.8)	166.3
	Increase (decrease) in cash	(239.3)	645.4	(491.9)	429.9
	Increase in inventories	1,436.0	1,258.4	58.8	141.8
	Increase in notes and accounts receivable and other current assets	1,692.9	906.2	752.9	59.7
	(Increase) in current liabilities	(2,103.3)	(1,683.2)	(594.6)	(465.1)
		786.3	1,126.8	(274.8)	166.3

* Contributions to Group Companies not affecting working capital

** Group amount for 1981 includes net equity income of 78.8 (1980:23.9)

Parent Company Income Statement

Millions of SEK

		1981	1980
Net sales		5,828.8	5,102.2
Cost of products and services sold		2,966.9	2,918.1
		2,861.9	2,184.1
Other operating revenue		497.1	385.1
		3,359.0	2,569.2
Selling, administrative, research and development expenses		2,036.4	1,805.8
Uniform group depreciation	Note 1	164.0	146.9
		1,158.6	616.5
Financial income	Note 2	496.0	427.1
Financial expense	Note 2	542.5	235.0
Income before extraordinary items		1,112.1	808.6
Extraordinary income		–	62.2
Extraordinary expense		–	62.2
Income befcre special adjustments and taxes		1,112.1	808.6
Special adjustments	Note 3		
Transfer to special reserve for accounts receivable		–	65.8
Transfer to special inventory reserve		–	120.0
Transfer from other reserves	Note 3	(79.0)	(18.5)
Depreciation in excess of uniform group depreciation	Note 1	75.8	85.0
Contributions to Group companies		585.0	180.2
		581.8	432.5
Income before taxes		530.3	376.1
Taxes on income		315.3	168.4
Net income		215.0	207.7

Parent Company Balance Sheet at December 31, 1981

Millions of SEK

ASSETS			1981	1980
Current assets	Cash		**1,595.2**	**2,087.1**
	Notes and accounts receivable–trade			
	Subsidiary companies	Note 5	**837.9**	**690.5**
	Other *(less provision for doubtful accounts, 1981: 17.7; 1980: 14.2)*	Note 5	**1,441.6**	**1,230.4**
	Inventories *(less advance and progress payments, 1981: 203.3; 1980: 200.2)*	Note 6	**1,848.7**	**1,789.9**
	Other current assets	Note 7	**386.2**	**215.1**
			6,109.6	**6,013.0**
Restricted bank deposits		Note 3	**36.0**	**30.6**
Receivable for convertible debentures			**223.2**	**–**
Long-term assets	Notes and accounts receivable–trade			
	Subsidiary companies	Note 5	**87.0**	**27.4**
	Other	Note 5	**388.6**	**395.2**
	Other investments	Note 8	**6.5**	**6.5**
	Other long-term assets		**59.7**	**9.3**
			541.8	**438.4**
Investments in subsidiary and associated companies	Investments	Note 8		
	Subsidiary companies		**1,419.9**	**1,063.0**
	Associated companies		**169.6**	**331.4**
	Accounts receivable			
	Subsidiary companies		**256.5**	**107.4**
	Associated companies		**52.8**	**100.0**
			1,898.8	**1,601.8**
Investment in technical development projects			**20.0**	**20.0**
Property, plant and equipment		Note 9		
	Cost		**2,060.2**	**1,835.5**
	Less–Accumulated uniform group depreciation		**890.5**	**796.1**
			1,169.7	**1,039.4**
	Revaluation, net of uniform group depreciation		**306.5**	**207.3**
			1,476.2	**1,246.7**

	1981	1980			
Assets pledged to secure indebtedness	**1,066.4**	**1,046.3**	Note 14		
				TOTAL ASSETS	**10,305.6**	**9,350.5**

LIABILITIES AND STOCKHOLDERS' EQUITY			1981	1980
Current liabilities	Bank loans		7.3	13.1
	Accounts payable—trade		245.1	185.6
	Advances from customers		905.0	730.8
	Accrued income and other taxes		18.8	13.9
	Accounts payable to subsidiary companies		207.7	83.5
	Other current liabilities	Note 10	1,496.7	1,259.1
			2,880.6	2,286.0
Long-term debt	Debentures *(net of unrealized exchange differences, 1981: 62.2; 1980: 16.0)*	Note 11	1,134.0	1,141.9
	Long-term payables to subsidiary companies		64.5	144.8
	Other long-term liabilities		654.9	627.1
			1,853.4	1,913.8
Provision for pensions		Note 12	773.3	707.3
Convertible debentures			223.2	–
Special reserves		Note 3		
	Special reserve for accounts receivable		432.2	432.2
	Special inventory reserve		1,175.6	1,175.6
	Reserve for future investments		65.8	62.4
	Compulsory investment reserve		6.4	82.6
	Reserve for environmental improvements		1.4	7.6
	Accumulated depreciation in excess of uniform group depreciation	Note 9	365.6	584.7
			2,047.0	2,345.1
Stockholders' equity		Note 13		
	Restricted			
	Capital stock		1,089.4	1,089.4
	Reserves not available for distribution		480.7	480.7
	Revaluation reserve		540.0	140.0
			2,110.1	1,710.1
	Unappropriated earnings			
	General reserve		97.3	97.3
	Retained earnings		105.7	83.2
	Net income for the year		215.0	207.7
			418.0	388.2
			2,528.1	2,098.3

	1981	1980		
Contingent liabilities	671.2	707.8	Note 14	

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	10,305.6	9,350.5

Investments in Shares and Participations at December 31, 1981

				Percentage of ownership		Par value in millions	Carrying value in MSEK
Shares directly owned by Parent Company							
Subsidiaries							
Sweden	I	Ardac AB (ADA)	*Sweden*	100	SEK	1.7	7.3
	I	Datasaab AB (DSH)	*Sweden*	91	SEK	325.8	298.7
	I	Programvaruhuset Ericsson-Programator AB (EPK)	*Sweden*	50	SEK	0.3	0.3
	I	LM Ericsson Programatic AB (EPS)	*Sweden*	60	SEK	0.6	0.5
	I	LM Ericsson Telemateriel AB (LMS)	*Sweden*	100	SEK	30.0	29.9
	I	AB Rifa (RIF)	*Sweden*	100	SEK	58.0	48.9
	I	Sieverts Kabelverk AB (SKV)	*Sweden*	100	SEK	140.0	140.0
	I	SRA Communications AB (SRA)	*Sweden*	71	SEK	33.8	45.0
	V	ELLEMTEL Utvecklings AB (EUA)	*Sweden*	50	SEK	5.0	6.0
		Other	*Sweden*		SEK		48.9
Europe	I	Dansk Signal Industri A/S (DSI)	*Denmark*	100	DKK	10.0	7.4
	I	LM Ericsson A/S (LMD)	*Denmark*	100	DKK	40.0	38.9
	I	Oy LM Ericsson Ab (LMF)	*Finland*	100	FIM	35.0	44.2
	I	Ericsson Belgium sa/nv (ERB)	*Belgium*	99*	BEF	14.9	3.6
	I	Production Control (Ericsson) Ltd. (PCE)	*United Kingdom*	100	GBP	2.2	19.4
	I	RIFA S.A. (RFF)	*France*	100	FRF	13.0	13.3
	I	Ericsson (Hellas) Telecommunications Equipment S.A. (ETG)	*Greece*	100	GRD	13.0	1.4
	I	LM Ericsson Ltd. (LMI)	*Ireland*	100	IEP	1.9	13.8
	I	Ericsson Telefoonmaatschappij bv (ETM)	*The Netherlands*	100	NLG	20.0	32.8
	I	Sociedade Ericsson de Portugal Lda. (SEP)	*Portugal*	100	PTE	15.0	1.3
	I	Industrias de Telecomunicación S.A. (Intelsa) (ITS)	*Spain*	50*	ESP	700.0	43.2
	I	LM Ericsson S.A. (LES)	*Spain*	100	ESP	125.0	9.4
	I	Ericsson AG (EAS)	*Switzerland*	100	CHF	1.5	1.9
	I	Ericsson Centrum GmbH (CEH)	*Germany*	100	DEM	4.0	6.1
	IV	SETEMER S.p.A. (STM)	*Italy*	51	ITL	11,000.1	28.2
		Other					34.7
U.S.A.	I	Anaconda-Ericsson Inc. (AEC)	*U.S.A.*	50	USD	105.0	277.1
	I	The Ericsson Corporation (TEC)	*U.S.A.*	100	USD	No par value	–
Latin America	II	Cía Argentina de Teléfonos S.A. (CAT)	*Argentina*	78	ARP	197,855.0	10.6
	II	Cía Entrerriana de Teléfonos S.A. (CET)	*Argentina*	86	ARP	42,624.9	8.5
	I	Cía Ericsson S.A.C.I. (CEA)	*Argentina*	100	ARP	9,300.0	2.6
	I	Ericsson de Bolivia Telecomunicaciones S.A. (EBB)	*Bolivia*	100	BOP	9.5	2.1
	I	Cía Ericsson de Chile S.A. (CEC)	*Chile*	100	CLP	0.3	1.4
	I	Ericsson de Colombia S.A. (EDC)	*Colombia*	66*	COP	53.1	7.7
	I	Teléfonos Ericsson C.A. (TEE)	*Ecuador*	100	ECS	17.0	2.5
	I	Ericsson de Guatemala S.A. (EDG)	*Guatemala*	100	GTQ	0.3	1.2
	I	Teléfonos Ericsson S.A. (TEM)	*Mexico*	99	MXP	9.9	3.3
	I	Teleindustria Ericsson S.A. (TIM)	*Mexico*	60	MXP	417.0	55.2
	I	Telequipos S.A. (TEP)	*Panama*	100	USD	–	0.1
	I	Cía Ericsson S.A. (CEP)	*Peru*	100	PES	120.0	1.6
	I	Cía Ericsson S.A. (CEU)	*Uruguay*	100	UYP	0.1	1.2
	I	Cía Anónima Ericsson (CEV)	*Venezuela*	100	VEB	10.0	10.1
		Other					5.2
Other countries	I	Ericsson (Zambia) Ltd. (EZZ)	*Zambia*	100	ZMK	0.5	1.0
	I	Ericsson Telecommunications Sdn Bhd (ECM)	*Malaysia*	70	MYR	2.1	3.8
	IV	Teleric Pty. Ltd. (TLA)	*Australia*	100	AUD	20.0	99.3
		Other					0.3
						Total	1,419.9
Associated companies	I	AU-System Network AB (AUS)	*Sweden*	33	SEK	0.2	1.2
	I	AB ID-kort (IDK)	*Sweden*	20	SEK	0.5	2.9
	I	GNT AUTOMATIC A/S (GNT)	*Denmark*	49	DKK	20.1	2.1
	I	A/S Elektrisk Bureau (EBN)	*Norway*	25	NOK	23.2	36.3
	I	Ericsson do Brasil Comércio e Indústria S.A. (EDB)	*Brazil*	64**	BRC	2,735.5	123.5
	I	LM Ericsson (Nigeria) Ltd. (LMN)	*Nigeria*	30*	NGN	0.2	1.1
	I	Saudi Ericsson Communications Company Ltd. (SES)	*Saudi Arabia*	30	SAR	1.5	1.9
		Other					0.6
						Total	169.6
Other companies						Total	6.5

Shares indirectly owned by Parent Company

Subsidiaries

				Percentage of ownership		Par value in millions
Sweden	I	Ericsson Information Systems Sverige AB (EIV) ***	*Sweden*	91	SEK	4.5
	I	Svenska Elgrossist AB, SELGA (SEG)	*Sweden*	67	SEK	31.0
	I	Sonab Communications AB (SON)	*Sweden*	71	SEK	14.3
	I	AB Essve Produkter (SVP)	*Sweden*	100	SEK	2.0
	I	Thorsman & Co AB (TCN)	*Sweden*	100	SEK	9.5
Europe	I	Ericsson Information Systems A/S (EIK) ***	*Denmark*	91	DKK	10.9
	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	Ericsson Information Systems A/S (EIO) ***	*Norway*	91	NOK	9.1
	I	Rifa-Høyem A/S (RFN)	*Norway*	100	NOK	0.1
	I	Thorsman & Co A/S (TCO)	*Norway*	100	NOK	0.1
	I	Ericsson Information Systems GmbH (EIA) ***	*Austria*	91	ATS	4.5
	I	Ericsson Information Systems sa/nv (EIB) ***	*Belgium*	91	BEF	27.2
	I	N.V. Nira Communications Systems (NIB)	*Belgium*	30	BEF	1.5
	I	Ericsson Information Systems Ltd. (EIG) ***	*United Kingdom*	91	GBP	0.9
	I	Thorsman & Co (UK) Ltd. (TCE)	*United Kingdom*	100	GBP	–
	I	Ericsson Information Systems S.A. (EIF) ***	*France*	91	FRF	17.2
	I	Nira S.A. (NIF)	*France*	39	FRF	0.3
	I	Communications SRA, S.A.R.L. (SRP)	*France*	71	FRF	–
	I	Thorsman Ireland Ltd. (TII)	*Ireland*	100	IEP	0.4
	I	A.R.E. S.p.A. (ARE)	*Italy*	28	ITL	282.1
	I	FATME S.p.A. (FAT)	*Italy*	51	ITL	10,256.5
	I	FIAR S.p.A. (FII)	*Italy*	42	ITL	2,077.0
	I	Nira Italia S.R.L. (NII)	*Italy*	39	ITL	38.9
	I	Scarfini S.p.A. (SCI)	*Italy*	51	ITL	255.9
	I	SIELTE S.p.A. (SEI)	*Italy*	51	ITL	4,615.4
	I	Ericsson Information Systems bv (EIN) ***	*The Netherlands*	91	NLG	2.3
	I	Nira Nederland bv (NIN)	*The Netherlands*	39	NLG	0.1
	I	Nira Productie Nederland bv (NIP)	*The Netherlands*	39	NLG	0.2
	I	Ericsson Information Systems S.A.(EIE) ***	*Spain*	45	ESP	0.9
	I	Ericsson Information Systems AG (EIZ) ***	*Switzerland*	91	CHF	0.4
	I	Ericsson Information Systems GmbH (EID) ***	*Germany*	91	DEM	3.6
	I	Thorsman & Co GmbH (TCT)	*Germany*	100	DEM	–
	IV	Nira International bv (NIH)	*The Netherlands*	39	NLG	0.5
North America	I	Axxa Corporation (AXA)	*U.S.A.*	50	USD	–
	I	Datasaab Systems Inc. (DSU)	*U.S.A.*	91	USD	10.9
	I	Ericsson Programatic Inc. (EPU)	*U.S.A.*	48	USD	–
	I	Anaconda-Ericsson Communications Inc. (LMC)	*Canada*	50	CAD	No par value
Latin America	I	Industrias Eléctricas de Quilmes S.A. (IEQ)	*Argentina*	50	ARP	19,700.0
	I	Fios e Cabos Plásticos do Brasil S.A. (FCB)	*Brazil*	46	BRC	837.8
	I	Fábricas Colombianas de Materiales Eléctricos Facomec S.A. (FAC)	*Colombia*	48	COP	28.9
	I	Telemontaje S.A. de C.V. (TMM)	*Mexico*	60	MXP	15.0
Other countries	I	Société Libanaise des Téléphones Ericsson (STL)	*Lebanon*	100	LBP	0.1
	I	DML Engineering Pty. Ltd. (DML)	*Australia*	100	AUD	0.1
	I	LM Ericsson Pty. Ltd. (EPA)	*Australia*	100	AUD	14.0
	I	RIFA Pty. Ltd. (RFA)	*Australia*	100	AUD	1.8
Associated companies	I	Bjurhagens Fabrikers AB (BFA)	*Sweden*	50	SEK	10.0
	I	Bofa Kabel AB (BOF)	*Sweden*	50	SEK	5.0
	I	AB Elektrokoppar (EKS)	*Sweden*	25	SEK	5.0
	I	AB Elge-Verken (EVS)	*Sweden*	50	SEK	3.0
	I	Kabeldon AB (KDA)	*Sweden*	50	SEK	5.0
	I	Oy Datasaab-Valmet Ab (DVF)	*Finland*	33	FIM	4.0
	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 Ltd. (SEE)	*United Kingdom*	49	GBP	0.3
	I	Latinoamericana de Cables S.A. de C.V. (LCM)	*Mexico*	24	MXP	103.0
	I	Pirelli Ericsson Cables Ltd. (PEA)	*Australia*	50	AUD	10.8

Key to functions of companies

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

* Through holdings in subsidiaries, the Group owns 100% of ERB, 51% of ITS, 75% of EDC and 35% of LMN.

** The voting shares total 26%.

*** Name effective January 1, 1982. Earlier, the company was known as Datasaab.

The above list of shares 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.

Notes to the Financial Statements

(All amounts in millions of SEK)

GENERAL

In this Annual Report, the Company has given due consideration to the recommendations given in the "Declaration and Decisions on International Investment and Multinational Enterprises" of the Organization for Economic Co-operation and Development (OECD).

Generally, the same prices established for sales to external customers are applied in intra-Group sales, except that consideration is given to the absence of certain costs in transactions between Group companies.

ACCOUNTING PRINCIPLES

Principles of consolidation

The consolidated accounts have been prepared in accordance with 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 negative goodwill on consolidation and is amortized over a ten-year period. The negative goodwill which originated from the acquisition of interest in Anaconda–Ericsson will be reversed to cover R & D and start-up costs during 1981–1983 for the Communications Division of that company and the remainder will be credited to income in equal amounts over seven years starting in 1984.

The consolidated financial statements include the Parent Company and all subsidiaries.

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 or negative goodwill. In computing the equity of associated companies, reserves arising from special appropriations are added back to equity after provision for deferred tax. Income from associated companies is adjusted for foreign exchange translation differences, determined in accordance with the Group's principles.

Companies acquired during the year are shown as if they had been part of the Group for the full year. That portion of income pertaining to the period prior to the date of acquisition is included in "Minority interest".

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 revaluations of property in foreign subsidiaries, the assets have in certain instances been translated at year-end exchange rates (see Note 9). Other assets and liabilities have been translated at year-end exchange rates.

Parent Company receivables in foreign currencies – principally US dollars – which fall due during 1982 have been translated at year-end exchange rates, while those which fall due in 1983 and later years have, as in prior years, been translated at historical exchange rates.

Parent Company loans in foreign currencies which fall due for repayment in 1982 have been stated at year-end exchange rates. Loan instalments covered by forward exchange contracts have been stated at the commitment rate. For loans falling due in 1983 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.

The unamortized portion of unrealized exchange differences on debenture loans amounts to SEK 62.2 m. and on other long-term loans to SEK 3.5 m. The deferred exchange gains on Parent Company receivables which fall due in 1983 and subsequent years amount to SEK 57.0 m.

Taxes

The Parent Company shows under "Taxes" its Swedish taxes attributable to operations during the year and foreign taxes paid during the year. Other Group companies show tax costs incurred during the year.

Note 1

	Group		Parent Company	
	1981	*1980*	*1981*	*1980*
Depreciation				
Uniform group depreciation				
Land improvements	2.0	1.9	0.8	0.7
Buildings	48.2	44.2	14.2	13.3
Telephone plant	23.6	18.3	–	–
Machinery and equipment	527.5	323.2	137.5	121.4
Revaluations	19.7	21.8	11.5	11.5
	621.0	409.4	164.0	146.9
Book depreciation				
Land improvements	3.6	1.6	0.9	0.3
Buildings	88.5	75.8	42.3	8.4
Telephone plant	21.3	18.2	–	–
Machinery and equipment	587.1	447.0	185.1	211.7
Revaluations	19.7	21.8	11.5	11.5
	720.2	564.4	239.8	231.9
Reversal of book depreciation on property, plant and equipment sold and adjustment on adoption of uniform group depreciation	(15.8)	(18.3)		
Total book depreciation	704.4	546.1		
Depreciation in excess of uniform group depreciation	83.4	136.7	75.8	85.0
Reserves utilized				
Investment reserve	53.3	144.8	46.8	92.4
Compulsory investment reserve	63.8	–	41.1	–
Reserve for environmental improvements	4.9	7.1	4.9	7.1
	122.0	151.9	92.8	99.5
allocated to				
Land improvements	2.4	0.5	0.6	–
Buildings	35.1	28.1	34.3	1.2
Machinery and equipment	84.5	123.3	57.9	98.3
	122.0	151.9	92.8	99.5

Note 2

	Group		Parent Company	
	1981	*1980*	*1981*	*1980*
Financial income				
Dividends from subsidiaries	–	–	127.2	67.2
Dividends from other companies	5.1	2.4	20.2	22.8
Interest income	600.8	502.4	348.6	332.4
Other financial income	–	–	–	4.7
	605.9	504.8	496.0	427.1
Financial expense				
Interest expense	1,067.8	655.0	269.9	213.4
Interest portion of provision for pensions	115.5	–*	75.6	–*
Realized and unrealized exchange differences, net	208.8	29.7	185.5	17.3
Other financial expense	23.7	5.8	11.5	4.3
	1,415.8	690.5	542.5	235.0
* In 1980 charged to cost of products and services sold and to selling, administrative, research and development expenses		97.0		66.2

1981 "Dividends from subsidiaries" include advance dividends of SEK 75.0 m

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.

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 up to half of the year's profit to a reserve for future investments. Appropriations to the reserve are deductible for tax purposes but 50 percent of the amount transferred must be deposited in a non-interest-bearing account with the Bank of Sweden. The employees must be consulted before application is made to utilize the reserve. Upon obtaining permission of the authorities, the reserve may be utilized and the proportional 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 investment reserve, may be written down by a corresponding transfer from the reserve. As a result of this initial write-down, normal depreciation of the assets is eliminated and taxable income is increased proportionally during the normal depreciation period of the assets. Investment reserves may also be utilized for technical and scientific research and employee training.

In 1974 regulations were adopted in Sweden requiring compulsory appropriation to a reserve for environmental improvements of a certain percentage of income before taxes for that year. An amount equal to the entire appropriation was required to be deposited in a non-interest-bearing account with the Bank of Sweden.

In 1980 legislation was adopted in Sweden for a compulsory deposit on a non-interest-bearing account with the Bank of Sweden of 25 percent of a company's profit for 1980, calculated in the same manner as the appropriation to the reserve for future investments. A corresponding amount was appropriated to a compulsory investment reserve and was deductible for tax purposes. The employees must be given the opportunity to comment on any application to utilize the reserve. Permission is granted for the same purposes as those applicable to the reserve for future investments.

Changes in investment reserves

	Group		Parent Company	
	1981	*1980*	*1981*	*1980*
Transfers to reserves				
Reserve for future investments	51.4	11.9	50.2	–
Compulsory investment reserve	1.8	103.8	–	82.6
	53.2	115.7	50.2	82.6
Transfers from reserves				
Reserve for future investments	53.3	144.8	46.8	92.4
Compulsory investment reserve, investments	63.8	–	41.1	–
Compulsory investment reserve, expenses charged against the reserve	0.3	–	–	–
Compulsory investment reserve, transferred to taxable income (Parent Company: transferred to subsidiaries)	0.5	–	35.0	–
Reserve for environmental improvements, investments	4.9	7.1	4.9	7.1
Reserve for environmental improvements, expenses charged against the reserve	1.6	2.9	1.4	1.6
Reserve for environmental improvements, transferred to taxable income	–	0.3	–	–
Special reserve for future investments, transferred to taxable income	–	0.3	–	–
	124.4	155.4	129.2	101.1
Net transfers	(71.2)	(39.7)	(79.0)	(18.5)
Restricted bank deposits				
Reserve for future investments	38.4	53.4	17.1	27.1
Compulsory investment reserve	34.6	–	17.6	–
Reserve for environmental improvements	1.3	3.5	1.3	3.5
Special reserve for future investments	–	0.2	–	–
	74.3	57.1	36.0	30.6

Note 4

	Group	
	1981	*1980*
Adjusted net income		
Reported net income	429.3	215.3
Special adjustments		
Transfers to reserves, net	218.7	275.2
Depreciation in excess of uniform group depreciation	83.4	136.7
	731.4	627.2
Less		
Taxes on transfers to reserves, calculated individually	124.9	112.7
50 percent tax on depreciation in excess of uniform group depreciation	41.7	68.3
Minority interest in net effect of special adjustments and taxes	17.7	2.7
	547.1	443.5
Adjusted net income per share	25.10	20.35

Note 5

	Group		Parent Company	
	1981	1980	1981	1980
Short-term notes and accounts receivable–trade				
Subsidiaries				
Accounts receivable			804.1	664.3
Notes receivable			33.8	26.2
			837.9	690.5
Other				
Accounts receivable	4,775.2	3,918.5	1,387.7	1,182.6
Notes receivable	213.9	64.0	53.9	47.8
	4,989.1	3,982.5	1,441.6	1,230.4
Long-term notes and accounts receivable–trade				
Subsidiaries				
Accounts receivable			0.7	3.7
Notes receivable			86.3	23.7
			87.0	27.4
Other				
Accounts receivable	632.3	611.7	336.8	335.1
Notes receivable	51.8	60.1	51.8	60.1
	684.1	671.8	388.6	395.2

Note 6

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, even in respect of associated companies.

Income from major contracts is accounted for 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 7

Other current assets

	Group		Parent Company	
	1981	1980	1981	1980
Prepaid expenses and accrued income	331.0	134.0	163.1	68.4
Advances to suppliers	115.1	63.4	20.6	30.7
Other receivables	512.2	297.8	202.5	116.0
	958.3	495.2	386.2	215.1

Note 8

Details of certain shares and participations owned directly and indirectly by the Parent Company are presented on pages 20-21. 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 9

Depreciation based on the historical cost of assets is applied uniformly throughout the Group.

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.

In prior years, revaluations of property were effected in several foreign subsidiaries and are included in Revaluation under the Group heading in the table below. Both uniform group depreciation and book depreciation are provided for at a rate of 5 percent per year.

	Group		Parent Company	
	1981	1980	1981	1980
Cost				
Land	167.5	159.0	31.0	31.0
Land improvements	54.4	51.9	20.8	19.9
Buildings	1,932.8	1,760.0	587.1	545.0
Telephone plant	638.6	503.2	–	–
Machinery and equipment	4,362.6	3,130.2	1,321.5	1,178.8
Construction in progress	331.1	260.2	99.8	60.8
	7,487.0	5,864.5	2,060.2	1,835.5
Accumulated uniform group depreciation				
Land improvements	12.9	10.9	6.1	5.3
Buildings	410.6	356.3	162.0	147.4
Telephone plant	216.9	192.1	–	–
Machinery and equipment	2,476.3	1,793.2	722.4	643.4
	3,116.7	2,352.5	890.5	796.1
Net value	4,370.3	3,512.0	1,169.7	1,039.4
Revaluations				
Land	166.4	82.2	151.5	67.3
Buildings	438.3	411.9	282.8	256.4
	604.7	494.1	434.3	323.7
Less: Accumulated depreciation, buildings	192.5	172.8	127.8	116.4
	412.2	321.3	306.5	207.3
Accumulated book depreciation				
Land improvements	37.7	34.2	15.1	14.2
Buildings	870.8*	1,068.3	208.1*	455.3
Telephone plant	203.2	183.6	–	–
Machinery and equipment	2,907.6	2,176.7	1,032.9	911.3
	4,019.3	3,462.8	1,256.1	1,380.8
Net book value	3,879.9	2,723.0	1,110.6	662.0
Accumulated depreciation in excess of uniform group depreciation	902.6	1,110.3	365.6	584.7

* after utilization of excess depreciation on buildings of SEK 289.4 m. to be allocated to the Revaluation Reserve.

Tax assessment values

Parent Company: land and land improvements, SEK 187.0 m., buildings, SEK 599.2 m. Other Swedish companies: land and land improvements, SEK 95.9 m., buildings, SEK 397.3 m.

Note 10

Other current liabilities

	Group		Parent Company	
	1981	1980	1981	1980
Accrued expenses and prepaid income	1,360.1	1,076.1	567.1	516.8
Short-term loans	567.2	443.4	341.5	294.8
Other	1,107.2	809.7	588.1	447.5
	3,034.5	2,329.2	1,496.7	1,259.1

Note 11

Debentures

Parent Company

6 ½ %	Debentures of 1966, due 1983 to 1986, USD 4.8	26.8
6 ½ %	Debentures of 1968, due 1983 to 1988, SEK 32.9	32.9
9 ¼ %	Debentures of 1970, due 1983 to 1985, USD 10.2	56.9
7 ½ %	Debentures of 1971, due 1983 to 1991, SEK 46.9	46.9
7 ¼ %	Debentures of 1972, due 1983 to 1992, SEK 50.1	50.1
6 ¾ %	Debentures of 1972, due 1983 to 1987, DEM 50.0	123.0
9 ¼ %	Debentures of 1975, due 1983 to 1990, SEK 53.5	53.5
9 ¼ %	Debentures of 1976, due 1983 to 1991, SEK 60.1	60.1
8 ½ %	Debentures of 1976, due September 15, 1983, USD 35.0	195.3
9 ¼ %	Debentures of 1976, due 1983 to 1991, USD 28.1	156.8
8 ½ %	Debentures of 1977, due 1983 to 1989, USD 24.0	133.9
9 ¾ %	Debentures of 1977, due 1983 to 1992, SEK 66.8	66.8
9 ¾ %	Debentures of 1978, due 1983 to 1993, SEK 73.2	73.2
10 %	Debentures of 1979, due 1983 to 1994, SEK 120.0	120.0
		1,196.2
	Less: Unrealized exchange differences to be amortized in future years	−62.2
	Total	1,134.0

The following year-end exchange rates have been used in the accounts:
SEK 5.58 = USD 1.00 and SEK 2.46 = DEM 1.00
The due dates of the above loans are as follows, by type of currency:

	SEK	*USD*	*DEM*
1982 (shown as short-term)	16.4	2.7	–
1983	48.8	41.0	10.0
1984	49.6	6.1	10.0
1985	50.5	9.5	10.0
1986	51.5	3.8	10.0
1987	52.5	2.6	10.0
1988 and later	250.6	39.1	–
	519.9	104.8	50.0

Note 12

The provision for pensions in the Parent Company includes an obligation in the amount of SEK 745.8 m. (SEK 654.1 m.) in accordance with an agreement with the Swedish Pension Registration Institute

Note 13

Capital stock of the Parent Company

2,485,677 Class A shares, par value SEK 50 each	124.3
19,302,821 Class B shares, par value SEK 50 each	965.1
21,788,498	1,089.4

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*		*Unrestricted equity*	*Total*
	Capital stock	*Legal reserves*		
January 1, 1981	1,089.4	1,303.7	617.0	3,010.1
Appropriations to legal reserves		87.3	−87.3	–
Parent Company dividend			−185.2	−185.2
Revaluation reserve		400.0		400.0
Net income for 1981			429.3	429.3
December 31, 1981	1,089.4	1,791.0	773.8	3,654.2

Of the Group's unappropriated earnings, SEK 96 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*		*Unrestricted equity*	*Total*
	Capital stock	*Legal reserves*		
January 1, 1981	1,089.4	620.7	388.2	2,098.3
Dividend			−185.2	−185.2
Revaluation reserve		400.0		400.0
Net income for 1981			215.0	215.0
December 31, 1981	1,089.4	1,020.7	418.0	2,528.1

Note 14

Assets pledged

	Group		*Parent Company*	
	1981	*1980*	*1981*	*1980*
Real estate mortgages	1,291.8	1,041.1	361.9	325.8
Chattel mortgages	895.3	752.8	460.0	460.0
Shares	237.5	234.0	233.9	233.9
Trade receivables	254.8	229.8	8.5	24.5
Restricted bank deposits	15.7	17.6	2.1	2.1
	2,695.1	2,275.3	1,066.4	1,046.3
Contingent liabilities				
Discounted bills	45.6	48.2	–	–
Sureties	1,060.6	612.5	671.2	707.8
	1,106.2	660.7	671.2	707.8

Of the sureties assumed by the Parent Company, SEK 372.4 m. (248.3 m.) pertained to subsidiaries.

SUPPLEMENTARY INFORMATION REQUIRED UNDER THE SWEDISH COMPANIES ACT

Average number of employees and remuneration

	Group		*Parent Company*	
	Average number of employees	*Salaries, wages and fees*	*Average number of employees*	*Salaries, wages and fees*
Sweden	29,570	2,394.5	18,910	1,477.6
Other countries	39,670	2,576.8	1,300	124.8
	69,240	4,971.3	20,210	1,602.4
To Board of Directors, President and Executive Vice Presidents				3.7

Salaries, wages and remuneration in foreign currency have 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 remuneration, 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 SEK 0.1 m. have been made to board members and managing directors within the Group.

Pledges of assets totaling SEK 0.1 m. and guarantees totaling SEK 0.1 m. have been made as security for loans obtained by board members and managing directors in Group companies.

Pledges of assets totaling SEK 2.0 m. have been made as security for 583 bank loans obtained by Group employees for the purchase of stock in the Company, and loans totaling SEK 0.7 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.

Audit Report

Telefonaktiebolaget LM Ericsson

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 1981 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

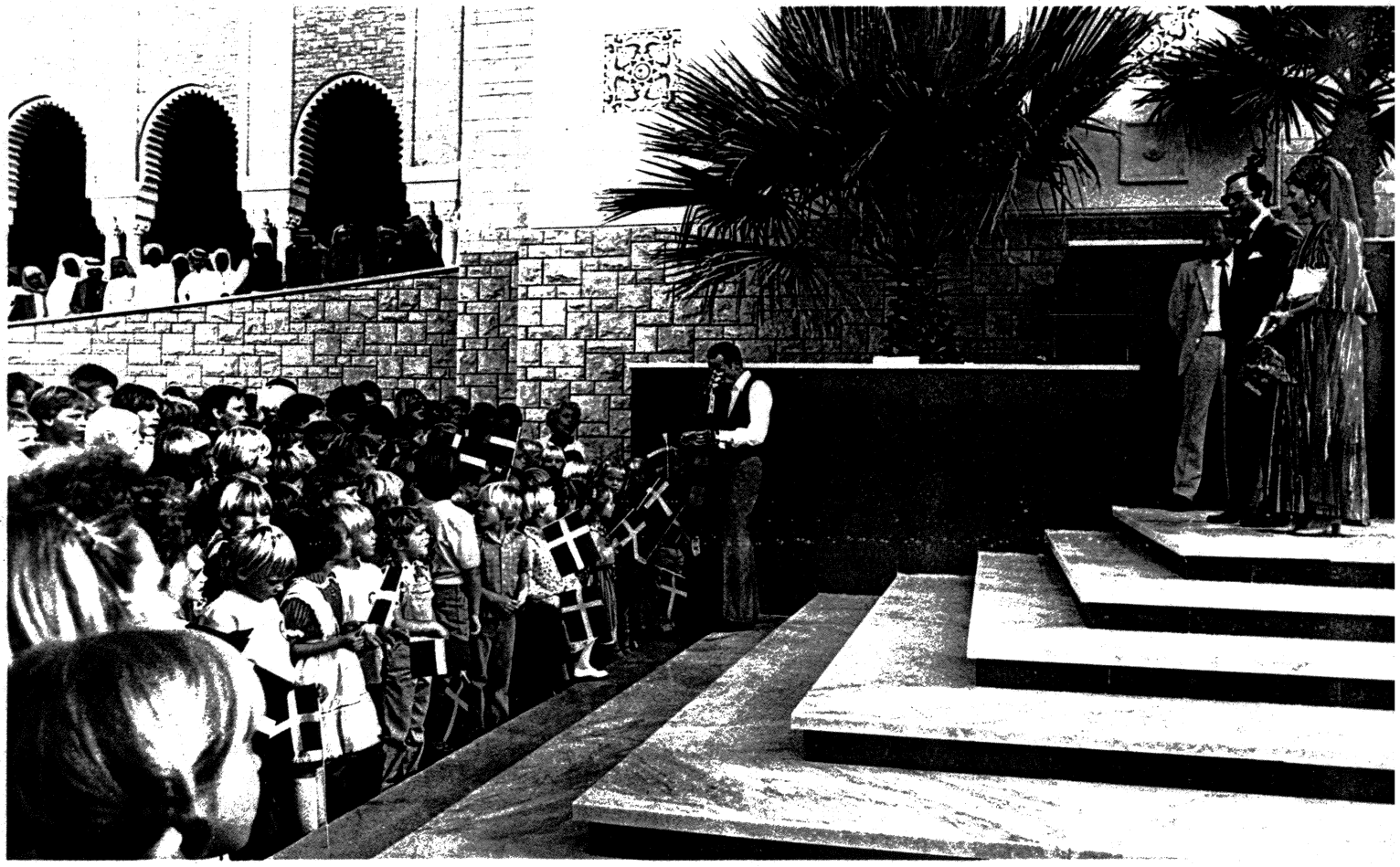
that the Board of Directors and the President be discharged from responsibility for their administration in respect of the year 1981.

Stockholm, March 26, 1982

David Jones
Chartered Accountant
Price Waterhouse

N-A Frisk

Jörgen Eskilson
Swedish Authorized Public Accountant
Price Waterhouse



During their visit to Saudi Arabia, King Carl XVI Gustaf and Queen Silvia met children of Ericsson employees engaged in the great telephone expansion project in that country.

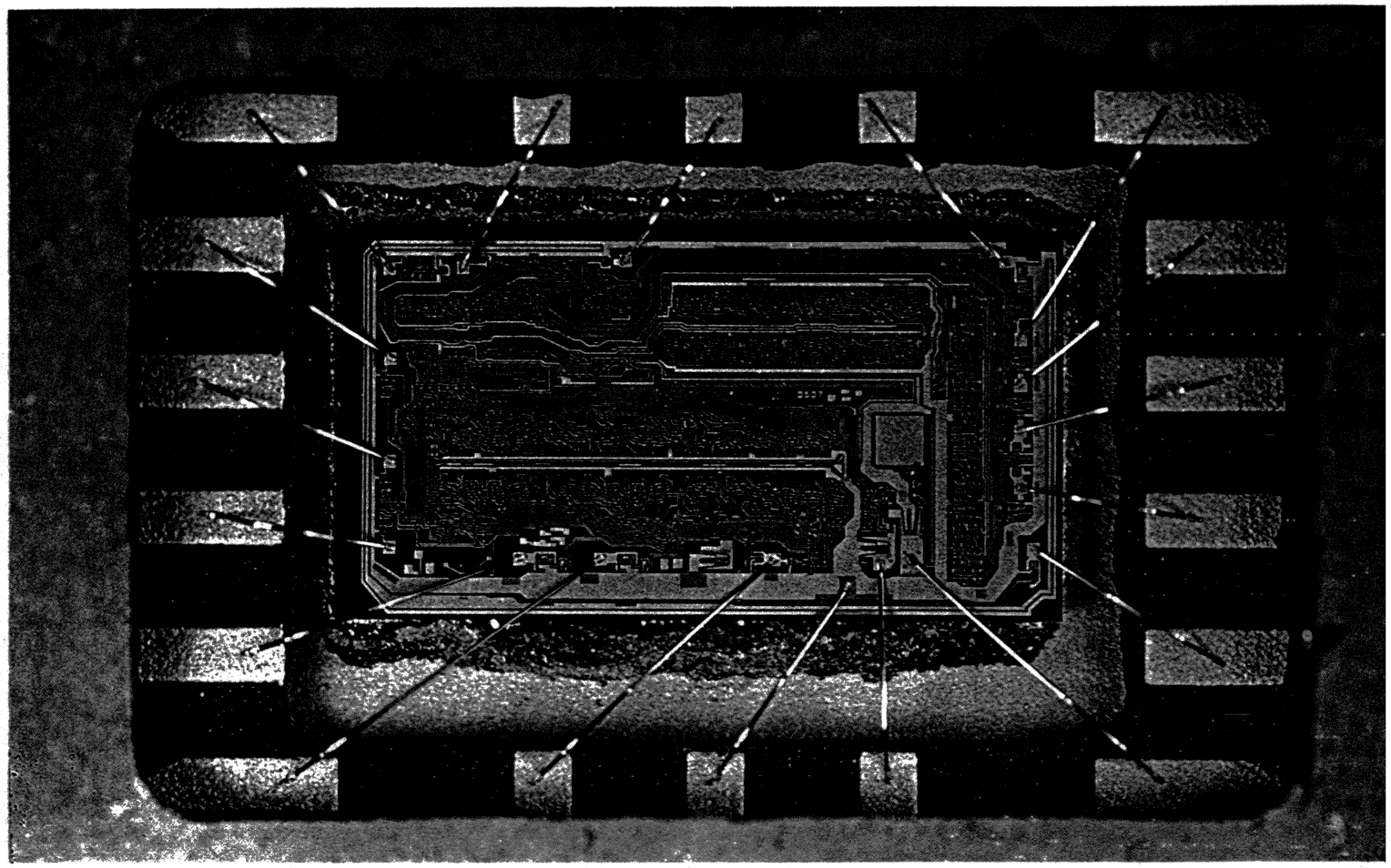
TECHNICAL DEVELOPMENT

New areas

A new unit for advanced fiber optics technology was formed within the Parent Company during 1981. Its responsibilities include the development of basic technology as well as systems for public and private networks and for industrial applications. Notable results already achieved include the placing in service of a number of 34 Mbit/s systems for 480 telephone channels, as well as transmission links for ATC (Automatic Train Control) systems.

In the semiconductor field, work is continuing on building up a proprietary design and process technology. Within the framework of this build-up, our LSI Design Centre has developed a gate-array circuit in CMOS technology which offers certain unique properties by providing both analog and digital interfaces. Future semiconductor circuits will be characterized by increasingly higher complexity and/or speed. Semiconductors based on combinations of materials within the so-called III-V area have an attractive development potential and work was therefore begun in this field during the year.

Microprocessors are being used increasingly in virtu-



An LSI-circuit in fast bipolar technology use in the digital subscriber stage in the AXE system.

ally all product areas. Accordingly a new unit was established during the year in which qualified resources were brought together to develop both hardware and software for this type of system components.

The Group has for some time been engaged in pilot studies of broadband communication for picture telephony, teleconferencing and the distribution of television signals. During 1981 a number of broadband exchanges were placed in operation in an experimental network for the Swedish Telecommunications Administration.

Public telecommunications networks

New technologies within the fields of microelectronics, fiber optics and computer technology are creating new opportunities for improved system solutions. In order to be able to utilize these possibilities without having to carry out completely new development work, a "life cycle philosophy" has been applied to the Group's products for a number of years. Long-term evaluations are made of trends in technology and market requirements and the products are designed in such a way that, when a certain technology is mature or a new function is needed, only limited modifications or additions have to be made. As a result, customers can benefit from "stable" systems while being able to take advantage of new technological possibilities. An illustration of this is the development, completed during 1981, of the digital subscriber stage in the AXE system. This new subscriber stage also constitutes a first step towards the development of the AXE system into a switching node in a future service-integrated digital telecommunications network for voice, text, data and pictures.

New functions are also being added continuously to the AXE system. During the year exchanges serving mobile subscribers were placed in service in the Nordic telephone network.

The transmission of data between terminals and/or computers today takes place mainly over switched or fixed telephone channels. However, many telecommunications administrations see a need to create separate switched data networks. Even when a service-integrated telecommunications network is introduced in the future, the data networks will co-exist with it. The Group has therefore been engaged since the mid-1970s in developing data exchanges and subscriber-interface equipment. The first AXB 30 systems were placed in service in the Nordic data network during 1981. As regards control computers and software technology, the system is closely related to AXE and the AXB 20 Telex system.

A prerequisite for the development of telecommunications networks is the reduction of costs of bridging distances through efficient transmission systems for cables, radio links and satellites. During 1981 a number

of different development projects involving high-capacity digital transmission systems for coaxial cables and fiber optical cables were completed.

Subscriber loop networks represent the largest single investment item for telecommunications administrations. During 1981 the TIMESPAN subscriber loop multiplex system developed by Anaconda-Ericsson was launched on the North American market. This system permits the connection of up to 128 telephone subscribers over four pairs of wires.

Information systems and private telecommunications networks

Systems and equipment for the transport and processing of information – in the form of speech, text, data and pictures – will in the future constitute the most important tools in achieving greater efficiency in business and government. The already large markets in North America and Western Europe, in particular, are expected to have a continued high rate of growth. The emphasis today is on individual pieces of equipment and limited systems, but the need for integrated system solutions is growing rapidly. Ericsson today has a broad range of products in this area and is engaging substantial resources to supplement them with new functions and technological improvements. Notable new developments include the ERITEX 10 Teletex terminal, an authorization terminal consisting of a card-reading "intelligent" telephone instrument, a terminal for the IBM 34/38 computer system, and communications processors for distributed data processing in bank and other applications.

In parallel with the enhancement of the existing product line, intensive work is under way to develop the system concepts and system components that will make it possible to link various products together in efficient integrated systems.

Software products will in the future become an essential and substantial product group for Ericsson. Accordingly, the build-up of resources in this area was intensified during 1981.

Radio communication

New products in this field include two automatic mobile telephones, personal pagers for the Swedish Telecommunications Administration's nationwide mobile paging network, and ciphering equipment for police and military radio communications.

Comprehensive development work is also under way on a new line of radio exchanges for both small and large mobile radio networks.

Military electronics

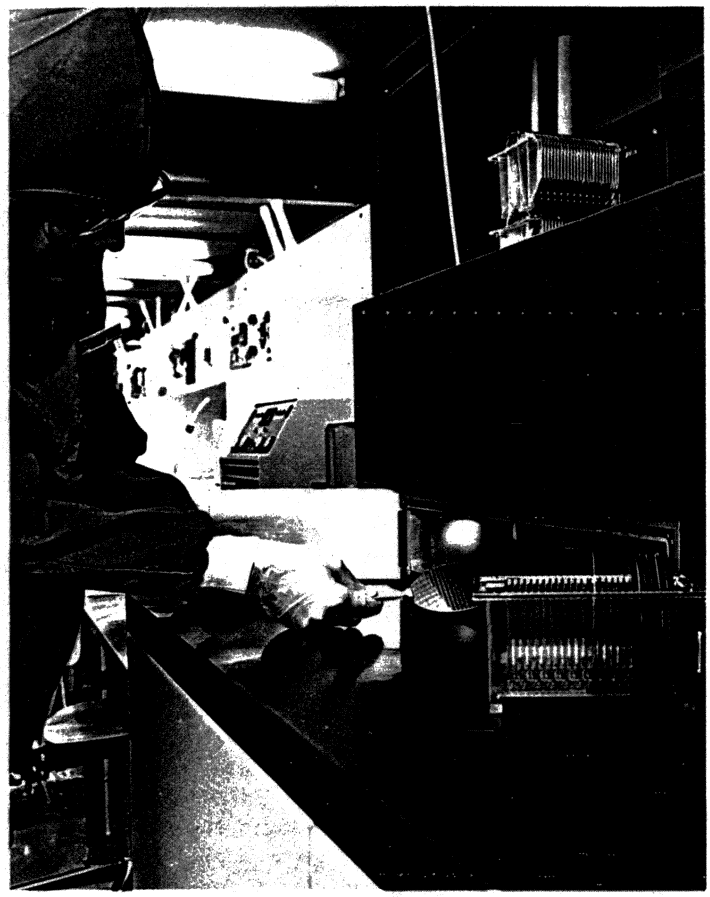
In the radar field a search radar for the SPICA II vessels of the Swedish Navy was completed. Development of a new airborne radar is also one of the Group's many activities for the projected Swedish JAS aircraft.

Development of laser proximity-fuses, command links and target-homing devices is continuing in the missile field.

PRODUCTS

	Orders booked				Sales			
	1981		1980		1981		1980	
Millions of SEK		%		%		%		%
Telephone and telex exchanges	6,267	30	4,991	37	4,757	31	4,442	38
Data equipment	2,271	11	–	–	1,273	8	–	–
Subscriber exchanges, telephone instruments and intercom systems	1,812	9	1,469	11	1,773	11	1,404	12
Transmission equipment and radio communications systems	1,773	8	983	7	1,291	8	778	7
Military electronic equipment and development work	1,919	9	1,202	9	862	6	766	7
Cable, wire and network equipment	4 505	22	2 552	19	3 407	22	2 249	19
Traffic signaling systems, components and other Group products	1,580	7	1,527	11	1,412	9	1,162	10
Miscellaneous	862	4	848	6	809	5	826	7
	20,989	100	13,572	100	15,584	100	11,627	100
Telephone operating revenues	–		–		610		547	
Total	**20,989**		**13,572**		**16,194**		**12,174**	

The increase in order bookings was SEK 7,417 million, or 55 percent. Companies acquired during 1981 accounted for one third of the increase, of which acquired order backlogs constituted a minor portion. The Datasaab Group (as of January 1, 1982, Ericsson Information Systems) accounted for more than 85 percent of the increase in orders to newly acquired companies. For the part of the Group that was consolidated



Plasma etching of wafers at LSI Design Centre process laboratory for MOS technology in Kista, near Stockholm.

in both years, the increase in orders amounted to 35 percent. The corresponding increase in invoiced sales was 20 percent.

A continuing high level of orders for the Group's mechanical crossbar system, which has dominated the market for 30 years, provides acknowledgement of a telephone exchange system that is still very economical and reliable. The doubling of orders for the Group's computer-controlled AXE system confirms the world-wide break-through for this system. At year-end 1981, there were 1.3 million lines of AXE system equipment in service, and more than 3.0 million lines on order. During the year 850,000 lines of the AXE system were placed in operation, of which 300,000 in France and more than 100,000 in Sweden.

Highly rationalized production and installation processes have resulted in problem-free inaugurations of service, using the "plug in" principle with the consequent increased efficiency.

The newly acquired Datasaab Group achieved a 30-percent increase in order bookings.

The year 1981 may be regarded as the period of definitive break-through for the Group's electronic subscriber exchanges, which accounted for 70 percent of the contracts, amounting to SEK 980 m., for exchanges of this type. A growing percentage of orders now are for the fully digital MD 110 subscriber exchange, with the first deliveries scheduled for 1982. An increase of 45 percent, to more than SEK 600 m., was recorded for the complete DIAVOX family for telephone instruments.

Orders for radio equipment, which constitutes more than 50 percent of the "Transmission and Radio" product group, rose by more than 130 percent. They involved primarily SRA Communications mobile land radio systems, including the SRA 8000 fully automatic mobile telephone system.

Orders for military equipment came primarily from the Swedish Armed Forces and were placed with the Parent Company and SRA Communications. They were for radar, radio countermeasure and display systems for the Swedish Air Force. The increase in orders was 60 percent.

The Parent Company received very large orders for the delivery and installation of network material, primarily in Iraq, Libya and Saudi Arabia. This resulted in total contracts of more than SEK 1,100 m., or four times the amount of orders in 1980. The cable companies, notably Sieverts Kabelverk AB also recorded higher orders.

MARKETS

	Orders booked				Sales			
	1981		1980		1981		1980	
Millions of SEK		%		%		%		%
Sweden	4,363	21	2,749	20	3,331	20	2,545	21
Europe, excluding Sweden	5,366	25	4,493	33	4,922	30	4,008	33
North America	2,089	10	834	6	1,906	12	681	6
Latin America*	3,953	19	2,484	18	3,084	19	2,360	19
Asia	3,937	19	1,605	12	1,901	12	1,678	14
Africa	580	3	672	5	429	3	433	3
Australia, Oceania	701	3	735	6	621	4	469	4
Total	**20,989**	**100**	**13,572**	**100**	**16,194**	**100**	**12,174**	**100**

* Sales amounts include telephone operating revenues

The 8500 display system for civil air traffic control and military applications.

Sweden. Order bookings increased by SEK 1,600 million, of which newly acquired companies accounted for SEK 1,100 m. For the comparable part of the Group (excluding new acquisitions), the increase was 18 percent.

Orders placed by the Swedish Telecommunications Administration constituted 15 percent of total bookings from the Swedish market. The Administration ordered AX equipment, subscriber exchanges, telephone instruments and transmission equipment from the Parent Company. The Nordic data network and the mobile telephone network for the same region were placed in service. AX technology is an important element in both systems.

For the comparable part of the Group, order bookings from private customers were largely unchanged relative to 1980. The increase in orders was primarily attributable to the Swedish Armed Forces, which placed contracts for radar equipment as well as radio counter measure systems and display systems.

In connection with the demand resulting from the inauguration of the wholly automatic Nordic mobile telephone network, SRA Communications AB attained a strong market position for car telephone equipment.

As a result of the weak economy in Sweden, which was especially noticeable in the construction field, Selga, the electrical wholesale company, as well as AB Essve Produkter, recorded only minor improvements in order bookings. The same situation affected the order bookings of LM Ericsson Telemateriel AB.

However, Thorsman & Co AB, manufacturers of fastening devices, electrical ducts, etc., succeeded in obtaining a considerable increase in order intake.

Increasing use of electricity for heating purposes in Sweden resulted in more favourable bookings of orders for cable and wire by Sieverts Kabelverk. Higher orders related to the Parent Company's network contracts were responsible for a sharp upturn in bookings for telecommunications cable.

At RIFA, the recession caused sluggish order bookings and depressed price levels for components used in consumer and industrial electronics. RIFA's ability to produce technologically advanced electronic components has been further strengthened.

Datasaab, which became part of Ericsson Information Systems as of January 1, 1982, succeeded in increasing its order bookings considerably. The new D16 data processing system and the Alfaskop S41 display terminal scored major successes. Datasaab also received attractive contracts from the Swedish Armed Forces, including orders for submarine systems. The fully digital MD 110 subscriber exchange was sold to the Swedish Telecommunications Administration and to the Swedish State Railways. The latter customer also purchased an ERIPAX internal data network from Ericsson Information Systems.

Based on the performance of equipment purchased

Ericsson's microcomputer-controlled ABM 301 field exchange.

in earlier years, the State Railways ordered ATC (Automatic Train Control) systems for the locomotives to be delivered to the Greater Stockholm Public Transport Company.

EUROPE, excluding Sweden

Italy. Despite weak economic conditions in Italy and the Government telephone administrations' shortage of funds for investments, FATME's order bookings remained at the same level as in 1980. Field tests were carried out successfully for a transmission system developed by FATME for transmitting via coaxial cable with a capacity for a very high number of simultaneous conversations. In spite of sharply increased competition, the Group's electronic subscriber exchanges, which are now being manufactured in Italy, were very successful in this market.

Spain. The general economic situation in Spain was a strong factor inhibiting investments by the telephone administration, with consequent impact on the activities of the Group subsidiary, INTELSA. The company's resources were adapted to the changed conditions and an agreement has been reached with the principal customer regarding planning for the next few years.

Ericsson Information Systems' Spanish company, which has a strong position in the market for bank terminals, recorded good order bookings.

The Netherlands. Despite reduced demand for telecommunications services, substantial orders were received for AXE exchanges of various types.

Ericsson Information Systems registered major successes in its sales of Alfaskop display terminals.

Finland. Nearly half of the independent telephone administrations that have selected modern systems for the future expansion of their networks have chosen AXE. The Finnish portions of the Nordic data network and the Nordic mobile telephone system were placed in service. The Finnish State Railways placed additional orders for ATC (Automatic Train Control) systems. The Finnish manufacturing subsidiary, Oy LM Ericsson Ab, recorded a substantial increase in orders.

Denmark. All the telecommunications administrations in Denmark have now selected AXE exchanges, and equipment serving more than 300,000 subscriber lines has already been ordered.

Despite the weak economy, Ericsson Information Systems had higher order bookings.

The Danish portions of the Nordic data network and the Nordic mobile telephone network were placed in operation.

Norway. A number of AX applications are now in operation in the Norwegian market: telex exchanges, and data and mobile telephone networks. Group order bookings exceeded substantially those of the preceding year. Ericsson Information Systems recorded important sales successes, with large orders for bank terminals of the CAT (Customer Activated Terminal) type.

In **West Germany,** Ericsson Information Systems had higher order bookings, notably for its new "intelligent" Alfaskop S41 display terminal.

In **Great Britain,** the Group's associated company, Thorn Ericsson, strengthened its position in the field of subscriber exchanges by booking a large number of orders for Ericsson's new MD 110 system. One system will transmit speech via optical cable.

Ericsson Information Systems received a substantial contract for display systems to be used at Heathrow Airport.

The first AXE exchange in **Ireland** was placed in service during 1981.

In **France,** 300,000 lines of equipment based on the Group's AXE system were placed in traffic, making a total of 400,000 AXE lines in operation in that country.

NORTH AMERICA

United States. As a consequence of the weak construction market during 1981, orders for installation cable booked by Anaconda-Ericsson were slightly more than 25 percent lower than in 1980. There was an improvement in contracts for ships' cable and mine cable, as well as industrial and telecommunications cable.

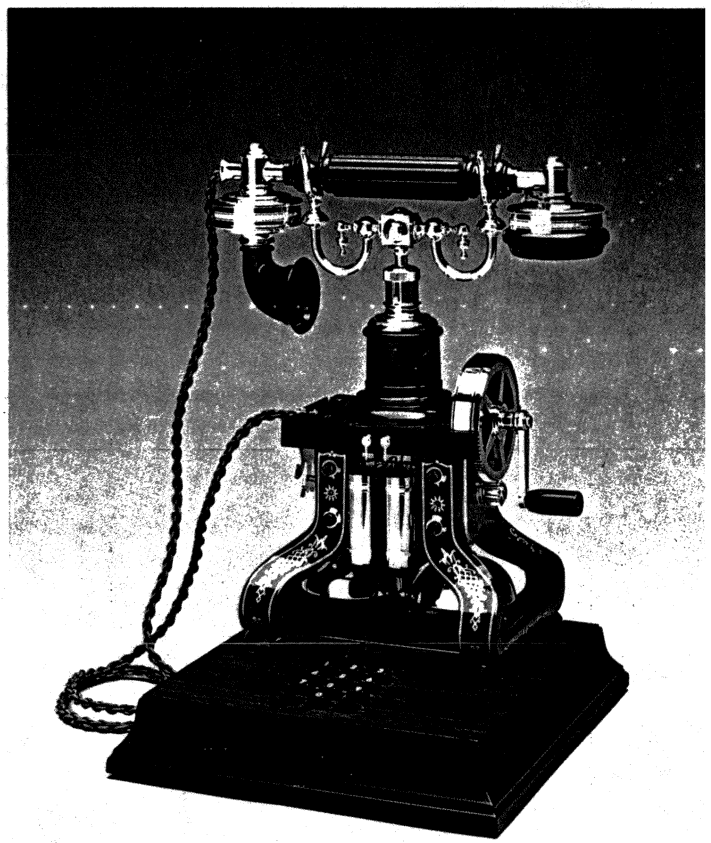
During the year Anaconda-Ericsson manufactured and installed a large optical cable system and received additional orders for such systems.

In 1981, Ericsson Information Systems installed 2,500 bank terminals. In all, 9,000 of the company's bank terminals have been installed in 110 different bank offices in the United States.

Canada. A gratifying increase in orders was recorded in this market. An order was placed covering expansion of a transit exchange delivered earlier by the Group. An attractive contract was also received for a unique personal paging system – based on SRA's CONTACTOR system – to be used in the Toronto Stock Exchange.

LATIN AMERICA

Orders booked in this market area rose more than 50 percent.



This 1892 telephone instrument, produced in a new configuration, is equipped with modern electronics.

An authorization terminal, connected to the public telephone network, for the automatic recording of bank and credit cards.

Cable manufacturing in Argentina.

Mexico. Teleindustria Ericsson S.A., the country's leading supplier of telecommunications equipment, placed six AXE exchanges in service in northern Mexico. A fully digital AXE model exchange was placed in operation on schedule for Teléfonos de México. A digital transmission system utilizing optical cable was ordered.

Important successes were also registered for the locally manufactured subscriber exchanges in the ASB family and for DIAVOX telephone instruments. A large MD 110 subscriber exchange was ordered for the TELMEX office. Order bookings were at a record high level.

The LATINCASA cable company had substantially higher orders.

Brazil. Ericsson do Brasil received additional large orders for electronic telephone exchanges and is still operating as the sole supplier of such systems. Total orders booked were one of the highest to date during a single year.

The cable manufacturing company, FICAP, increased its order bookings.

Colombia. Local manufacture of AXE equipment started at Ericsson de Colombia. The order backlog amounts to more than 300,000 lines, making Colombia one of the large AXE markets. Large orders for digital transmission equipment were also received.

ASB subscriber exchanges are also being produced locally and orders during the year also included contracts for MD 110 exchanges and the so-called booking exchanges designed by Ericsson's Australian company.

Despite very difficult import competition, FACOMEC, the cable manufacturing company, succeeded in increasing its order bookings.

Argentina. The first AXE exchanges were placed in service in the Group's telephone operating companies which, at year-end, had a total of more than 200,000 subscriber lines in operation. The difficult economic conditions had a depressive effect on the Group's sales company and its cable manufacturing firm. Imports were made more difficult by an exceptionally sharp increase in the relative value of foreign currencies, due to the earlier overvaluation of the local currency. The U.S. dollar rose 400 percent against the Argentine peso.

Venezuela. Following several years of restrained procurement, the telecommunications administration placed an order for 40 AXE exchanges.

There was strong demand for the subscriber exchanges of the ASB family, which are manufactured by Ericsson's local company, and the MD 110 exchange was introduced.

In **Ecuador,** after a long period during which the allocation of contracts was suspended, rather large orders for crossbar exchanges were received from the telecommunications administration. In **El Salvador,** the authorities purchased their first AXE exchanges, and additional AXE contracts were obtained in **Panama.**

ASIA

Saudi Arabia. Orders booked amounted to SEK 1,800 million, twice the amount of the contracts received in 1980. Within the framework of the large TEP (Telephone Expansion Project) contract, two substantial orders for increases were received involving AXE exchanges for local traffic and national trunk traffic, in addition to telephone instruments, network material and cable. Orders for AXE equpiment not related to the TEP project were also received.

A mobile telephone system with fiber optical cable links between fixed exchanges was placed in operation and an order for equpiment to serve another 18,000 car telephone subscribers was approved in principle.

The sales company, Saudi Ericsson Communications Co. Ltd., placed large orders for ASB systems and MD 110 subscriber exchanges with the Parent Company.

Iraq. Major successes were recorded in this market, from which SRA Communications obtained a large order for land-based mobile radio.

The Network Department of the Parent Company received a substantial contract covering the delivery of material and the installation of networks in 19 cities.

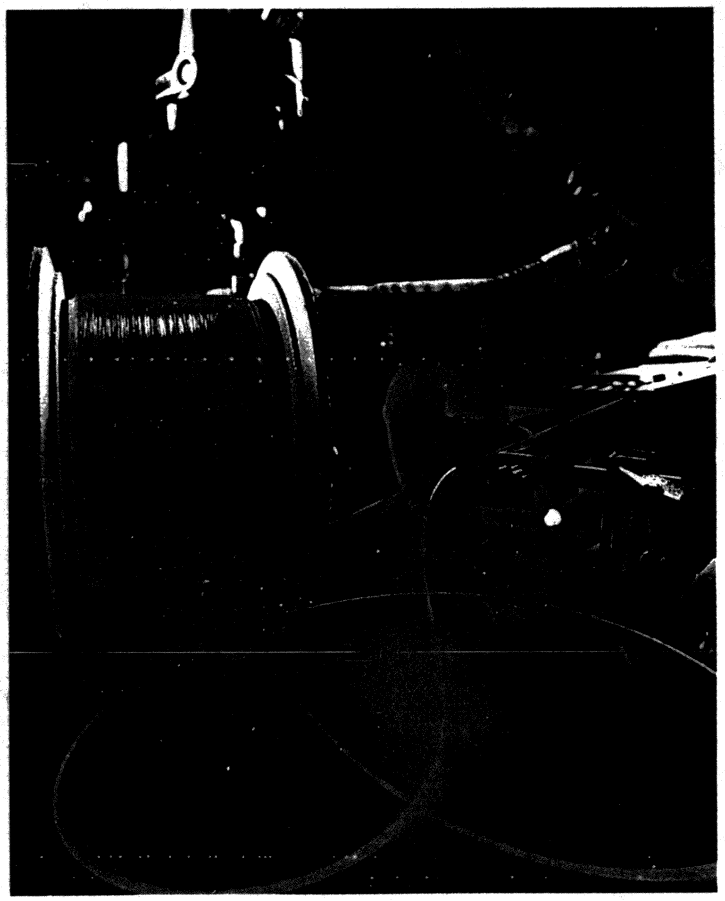
In addition, substantial orders were received for cable, subscriber exchanges, aircraft alarm systems and highway telephone systems.

The United Arab Emirates placed add-on orders for AXE exchanges serving more than 30,000 lines. AXE exchanges ordered earlier were placed in operation. Contracts for AXE equipment were also received from **Kuwait, Lebanon** and **Hong Kong. Taiwan** placed orders for railway signaling equipment. In **Malaysia,** AXE telex and telephone exchanges were taken into service and the local manufacture of ASB subscriber exchanges was begun. Orders for subscriber equipment, defense material and crossbar exchanges were received from **Indonesia.**

AFRICA

Libya. Add-on orders were received for crossbar exchanges and network installations. Large contracts for telephone instruments and air-raid warning systems were also received.

Egypt. Substantially higher orders from Egypt involved microwave equipment from SRA Communications and telephone equipment from the Parent Company.



Fiber optical cable is being tested at the Anaconda-Ericsson plant in Overland Park, Kansas, in the United States.

The first AXE exchanges for international telephone traffic were ordered in **Kenya** and **Zambia.** In **Nigeria,** microwave links were ordered from SRA Communications and ASB subscriber exchanges were introduced with great success.

AUSTRALIA

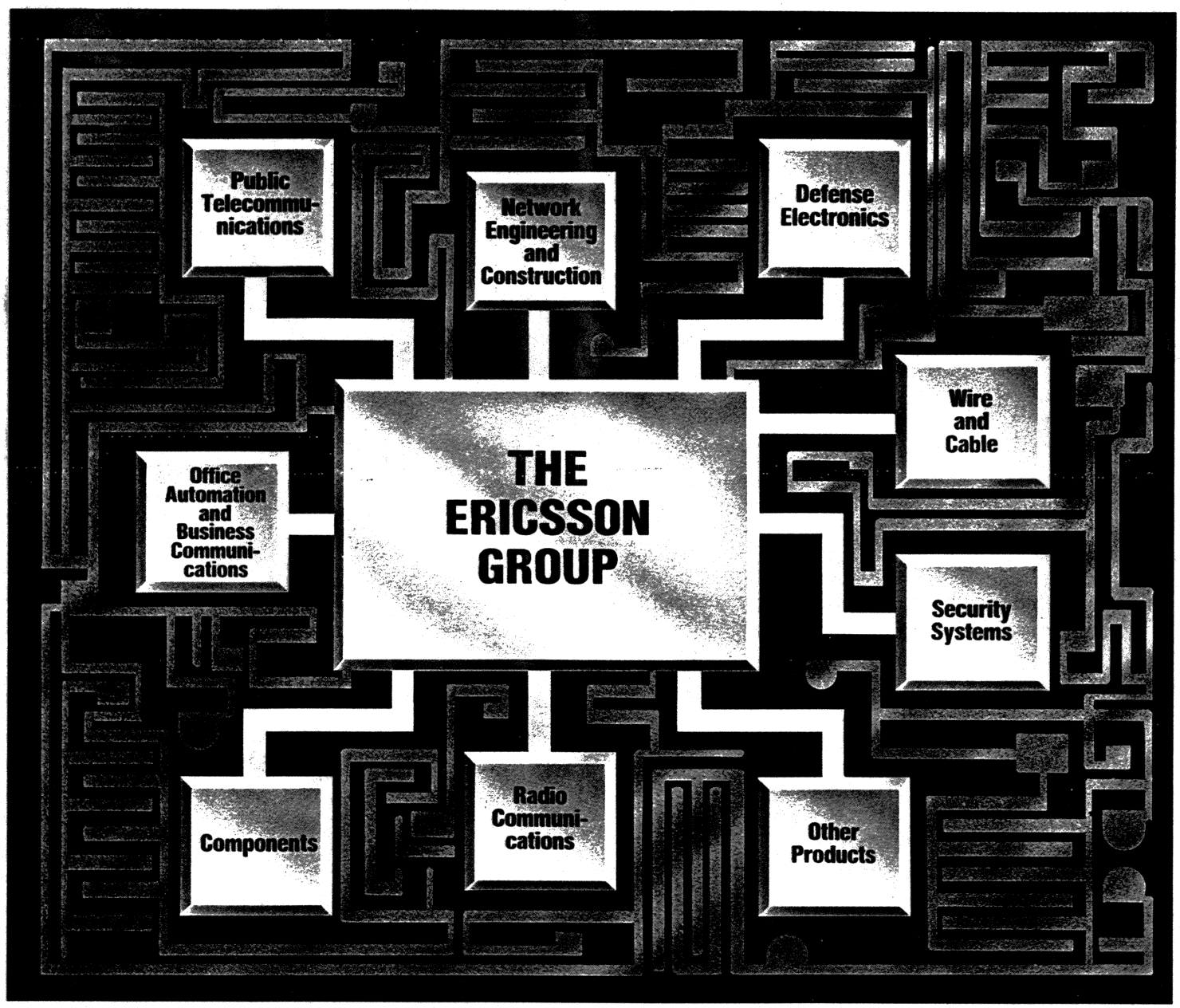
Orders booked by LM Ericsson Pty Ltd, primarily for subscriber exchanges, rose sharply.

The first AXE exchange was delivered and bulk orders for additional AXE equipment were received.

There was substantial demand for the electronic ASB subscriber exchanges that are now also being manufactured in Australia. Nearly 400 units of ASB 30, a version developed locally, were sold during the year. The Group has achieved a very good share of the market for subscriber exchanges. The digital booking exchange developed in Australia scored international successes.

RIFA Pty Ltd, the components company that specializes in the manufacture of, and agency representation for, exclusive quality components, succeeded in increasing its order bookings substantially.

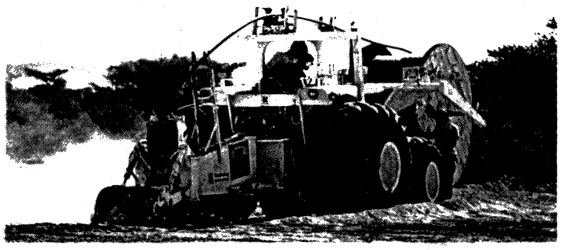
Product Areas



The Ericsson Group offers a broad range of products and systems for telecommunications administrations, private companies and administrative organizations, as well as military customers. In addition, the Group provides a number of services in the form of training, installation and maintenance programs.

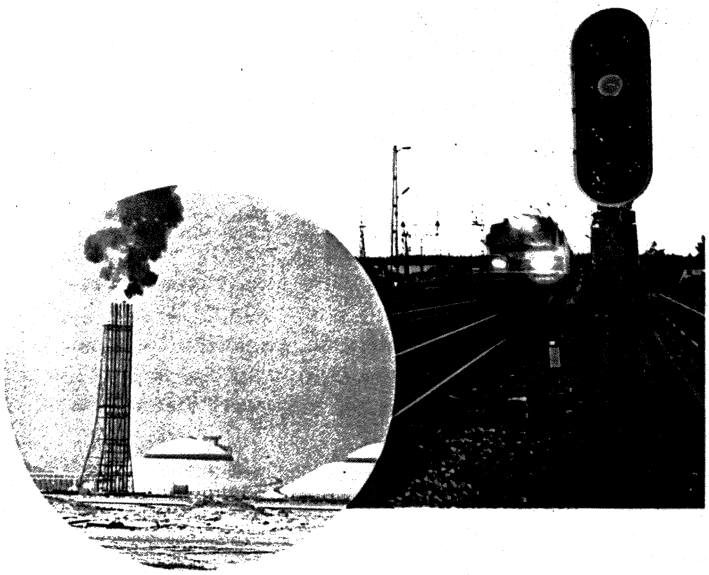
Public telecommunications

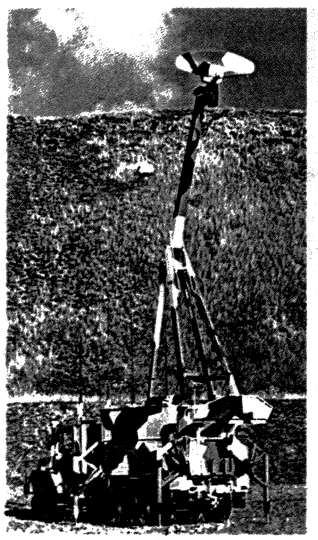
The Group develops, manufactures and markets all types of exchanges – for telephony, data and telex – for connection to public networks. The product program also includes analog and digital transmission equipment, manual telephone systems and power systems. As a result the Group is well equipped to construct complete telecommunications networks, an increasingly common type of order.

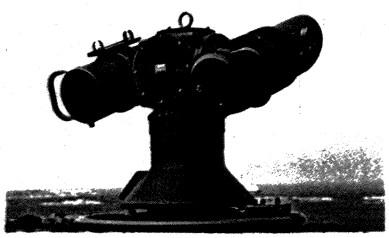


Network construction

The Group has long been well established in the field of engineering and constructing public telecommunications networks, including the delivery of network materiel. This activity has been strengthened and expanded and now comprises private, military and industrial networks as well. Operations in this sector also cover equipment for railway signaling systems, for industrial oil installations (in the form of telecommunications and telemetry for pipelines), and for mining companies.







Defense equipment

Several units within the Group are involved with equipment for defense purposes. Ericsson can now act as a total supplier of strategic and tactical networks, as well as operational centers. It also furnishes radar, IR and laser systems for military purposes, along with ciphering equipment. Satellite communications equipment and interactive data systems for air traffic control are other important system products.

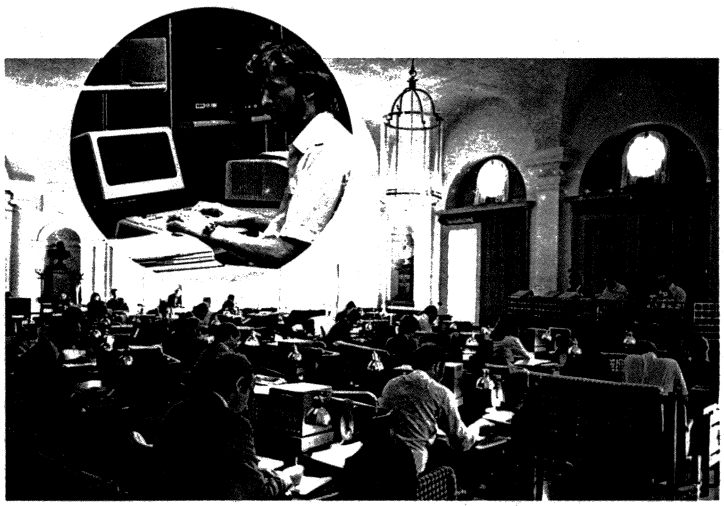
Office automation and communication

The interplay between telecommunications and data processing is increasing and the communication and network function requirements of data systems are being accentuated. It has therefore been natural to utilize Ericsson's communications know-how to expand its product program by adding systems for administrative data processing and office automation. As a result, the Group is now a supplier of complete systems for handling information: transmission, processing, storage and the presentation of voice, data, text and graphics.

The Group's product program also comprises terminals for making payments with bills and payment cards at gasoline service stations; this technology will have many other applications in retailing. Credit and identity cards represent a natural complement to this activity.

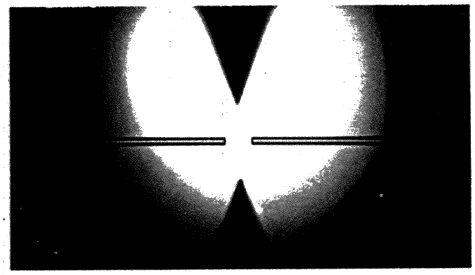
Software

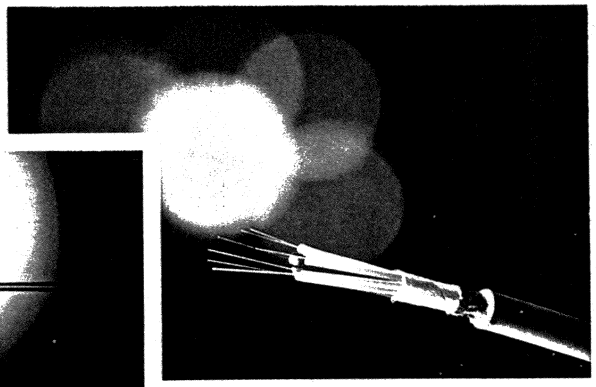
Software programs play a significant role in the Group's various systems for public telecommunications. Ericsson has long had substantial resources for developing software programs for its own systems such as AXE. In recent years software program operations have been expanded to include consulting, project management and development of applications programs for corporate customers and administrative organizations.



Radio communication

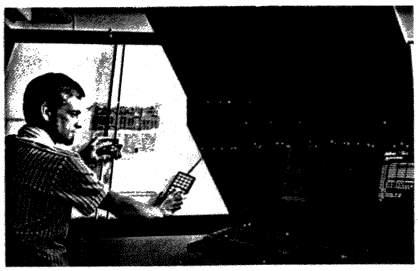
The Group commands substantial resources in the field of land-based mobile radio communications. It develops and markets communications radio and personal paging systems. The Group is strong in the civil market, with advanced radio systems for both transport control – a taxi fleet control system with central computers, for example – and automatic mobile telephone systems. The Group has a unique position being able to supply an integrated complete system with radio stations, mobile units and computer-controlled telephone exchanges.

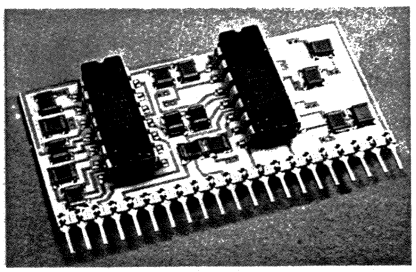


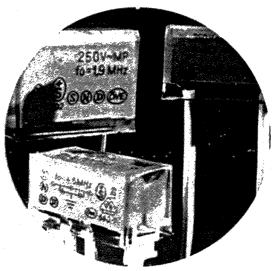


Cable

Production of power and telecommunications cable accounts for a substantial part of Group sales. In this field optical fiber systems will assume ever greater importance. Research and development on fiber optics has been under way within Ericsson for more than ten years and the Group is now marketing cables with optical fibers as well as the corresponding transmission equipment. Optical fiber technology has already acquired major importance, primarily in public urban networks; within a few years it is expected to become a major alternative to both traditional cable and other media within all types of networks.

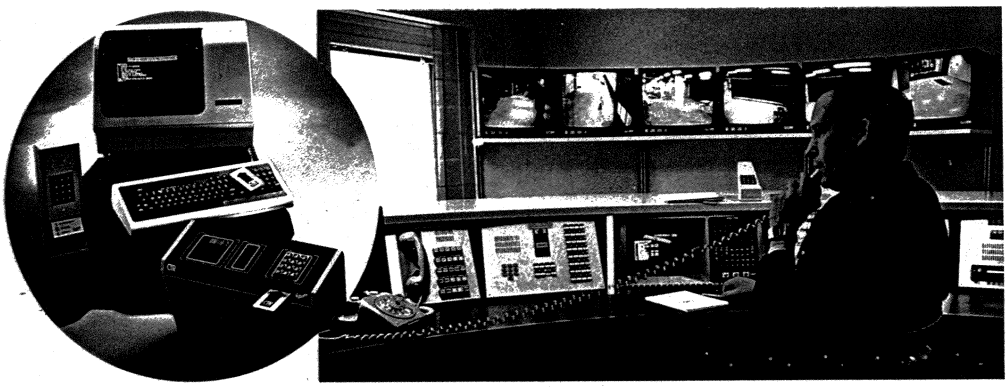






Components

Very rapid development of components is under way in both telecommunications and data processing. Custom-tailored microcircuits, developed for a certain application in a specific product, are particularly important. A special development center for large-scale integrated (LSI) circuits has been established to assure that Group systems will be designed in an optimal manner using the semiconductor technology of tomorrow.



Security and time-recording systems

Various types of alarm systems, as well as computerized time-recording systems, are developed, manufactured and marketed within the Group. Systems available in this area include "intelligent" fire alarm systems and alarm communication systems that utilize telephone networks to transmit information from a number of alarm locations and centers to various centers where action can be initiated.

The Ericsson Group

Subsidiaries, Associated Companies, Regional and Technical Offices

ALGERIA
Telefonaktiebolaget LM Ericsson
Bureaux Techniques d'Algérie
El Djazair
Gunnar Forsgren

ARGENTINA
Compañía Ericsson S.A.C.I.
Buenos Aires
Rolf Rydén

Compañía Argentina de
Teléfonos S.A.
Buenos Aires
Anders Nyberg

Compañía Entrerriana de
Teléfonos S.A.
Buenos Aires
Anders Nyberg

Industrias Eléctricas de
Quilmes S.A.
Quilmes
Fereydoun Kia

AUSTRALIA
DML Engineering Pty. Ltd.
Sydney
Raymond W. Gallian

LM Ericsson Pty. Ltd.
Broadmeadows
Sigfrid Cronstedt

Pirelli Ericsson Cables Ltd.
Campbelltown
Warren Greentree

Rifa Pty. Ltd.
Preston
Phil Phillips

AUSTRIA
Ericsson Information Systems
Ges.m.b.H.
Vienna
Philippe Monheim

Nira Ges.m.b.H.
Salzburg

BELGIUM
Ericsson Belgium sa/nv
Brussels
Göran Schlyter

Ericsson Information Systems
NV/SA
Brussels
Göran Schlyter

N.V. Nira Communications
Systems
Wevelgem

BOLIVIA
Ericsson de Bolivia
Telecomunicaciones S.A.
La Paz
Jan Hartzell

BRAZIL
Ericsson do Brasil Comércio
e Indústria S.A.
São Paulo
Sérgio Monteiro de Carvalho

Fios e Cabos Plásticos
do Brasil S.A.
Rio de Janeiro
Jan Andersson

CANADA
Anaconda-Ericsson Communi-
cations Inc.
Toronto
Brian Durance

CHILE
Compañía Ericsson de Chile S.A.
Santiago
Christer Wiberg

COLOMBIA
Ericsson de Colombia S.A.
Bogotá
Raimo Lindgren

Fábricas Colombianas de Mate-
riales Eléctricos Facomec S.A.
Cali
Kaj Nielsen

COSTA RICA
Ericsson de Costa Rica S.A.
San José
Arne Larsson

DENMARK
Brdr B&E Hansen A/S
Copenhagen
Per Grøntved Svendsen

Dansk Signal Industri A/S
Copenhagen
Adolf Wiuff

LM Ericsson A/S
Copenhagen
Asbjørn Dehlie

Ericsson Information Systems A/S
Copenhagen
Steen Bundgaard

LM Ericsson Radio A/S
Tåstrup
Staffan Junel

GNT AUTOMATIC A/S
Copenhagen
Per Baatrup

Thorsman & Co ApS
Ishöj
Kurt Jensen

ECUADOR
ILECT – Instalaciones Eléctricas
y Telefónicas Ecuatorianas S.A.
Quito
Patricio Ortega

Teléfonos Ericsson C.A.
Quito
Kjell Björk

EGYPT
Telefonaktiebolaget LM Ericsson
Egypt Branch
Cairo
Lennart Nilsson

EL SALVADOR
Telefonaktiebolaget LM Ericsson
Sucursal El Salvador
San Salvador
Helmut Feige

FINLAND
Oy DAVA Ab
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