ERICSSON

Annual Report 1984

Contents

Annual General Meeting

The Annual General Meeting will be held in Grünewaldsalen at the Stockholm Concert Hall (Kungsgatan entrance), at 5.00 p.m. Thursday April 18, 1985.

Shareholders intending to participate in the Annual General Meeting must be entered as shareholders in the share register kept by Värdepapperscentralen VPC AB (Swedish Securities Register Center) not later than April 4, 1985. 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 Telefonaktiebolaget LM Ericsson, S-126 25 Stockholm, between 10.00 a.m. and 4.00 p.m. not later than Monday, April 15, 1985 at 4.00 p.m.

Dividend

The Board of Directors has proposed April 23, 1985 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 April 30, 1985.

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.

Grahpics theme

The information industry is a young, forward-looking field that creates technological extensions of our sensory organs. In the same way that steam, oil and the science of mechanics have increased Man's capabilities, so are telecommunications, data processing and microelectronics further expanding our potentials.

Earth, water, wind and waves transmit a continuous stream of messages. Water is the most important carrier and transmitter of life processes.

Information technology strengthens people's sense of oneness, their proximity to each other. The spoken word, the alphabet and the art of printing have increased our information capacity. The progressive information industry is expanding that capacity faster, and to a greater degree, than any previous innovation.

Graphic design: Ralf Solberg, Gothenburg
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Telefonaktiebolaget LM Ericsson

Annual Report 1984

Sales increased 16 percent

Sales were lower than forecast during the second half of the year due to problems related to the design and manufacture of certain new products, compounded by a shortage of components, notably in the Information Systems and Radio Communications Business Areas.

AXE system in ten new markets

Ericsson's AXE switching system further consolidated its position in the world market. At year-end, customers in 59 countries, including ten in new markets, had ordered telephone exchanges of the AXE type.

Comprehensive measures in Information Systems

The Information Systems Business Area was reorganized during the second half of the year and a new management was installed. A comprehensive program was undertaken to improve profitability, in part through increased concentration of the product and marketing programs.

Breakthrough for fiber optics

Two power cable companies were sold in the U.S. and operations in the cable field there were concentrated on telecommunications cable. The year marked a breakthrough for Ericsson's fiber optical cable. Substantial contracts were received covering deliveries for new long distance networks being built in the U.S., among other applications.

Sales of mobile telephony systems doubled

The Radio Communications Business Area, whose sales nearly doubled, continued to score successes in the field of mobile telephony (cellular radio). Ericsson now has contracts to supply systems for mobile telephone networks in 16 countries, including the U.S., Canada and Great Britain.

Highlights	1984 Mkr	1983 Mkr	Change, percent
Net sales	29,378	25,244	16
Order bookings	33,005	26,142	26
Order backlog at year-end	25,161	21,565	17
Income before appropriations and taxes	1,569	1,758	−11
Net income per share after taxes paid, Skr	30.54	34.46	−11
Net income per share after paid and estimated deferred taxes on appropriations, Skr	19,99	22,05	−9
Dividend per share, Skr*	9.0	9.0	

*For 1984, proposed by the Board of Directors

Chief Executive Officer's Comments

Long-term programs in the information industry, with increased demands for short-term profitability

Demand for Ericsson's products has continued to be good. During the second half of 1984, however, despite very high order bookings, the favorable trend of earnings that the Group has enjoyed in recent years was broken. As a result of design and manufacturing problems in, primarily, the Information Systems and Radio Communications sectors, as well as a general shortage of components, earnings expectations could not be met. Invoicing for the year was also lower than anticipated.

Ericsson's successes in the Public Telecommunications Business Area are continuing. Profitability is high, giving the Group a firm base for the process of change that is now under way. Ericsson has been transformed, in a short period, from a very advanced but relatively "pure" telecommunications enterprise to a technical information company. Our strength lies in our solid telecommunications and systems expertise, and it is on the basis of this competence that we have broadened our operations.

The trend in the information industry is completely clear. The formerly parallel communications systems for transmission of speech and data within companies, public agencies and institutions will gradually be integrated themselves, and with other office equipment. Traditional data processing companies are therefore being forced to acquire competence in telecommunications. Telecommunications companies are gaining competence in data technology. Companies that elect to stand apart from this process of change will face severe competitive problems.

The information industry is still only in the beginning of a very rapid expansion and growth. Within the near future the industry is likely to become as important to the world economy and to the average person as the energy sector is today. Ericsson will continue to develop within this industry and its rate of growth will be high. We will continue to gain shares in the geographical markets and product groups that are most attractive over the long term. In the future, as well, our expansion will be based on our competence in telecommunications and in working with complex systems. The experience accumulated with our AXE switching system will be utilized in our continuing programs.

The main objective of the strategy we have established and are pursuing is to achieve the following, with substantially improved profitability and within a relatively short perspective:

– Consolidate our position as one of the world's leading suppliers of telephone exchanges for public networks.

– Develop, on the basis of our telecommunications and systems know-how, a strong position in information systems: the market created when telecommunications, distributed data processing and office automation are integrated.

– Establish a presence in the United States, which is of great importance to Ericsson both as a new market for our products and as a source of technology and know-how.

The rapid expansion in the volume of business in, primarily, the Information Systems and Radio Communications sectors made it difficult to plan production and caused sharply increased costs during the second half of 1984. Inadequate cost control, notably in the Information Systems area, combined with the difficulties of coordinating three accounting systems following the mergers with Datasaab and Facit, compounded the problems.

A new organization was established within the Information Systems Business Area during the second half of 1984 with a view to creating closer cooperation among the production, product development and marketing functions. A new management was installed and a comprehensive program focused primarily on cost reduction and systems development. Increased concentration of the product line and the marketing programs is under way.

A program to raise the efficiency of operations within the Radio Communications Business Area was begun early in 1984. A concentration of the product line, now under way, involves the allocation of increased resources to mobile telephone system operations, among other steps.

Developments within the information industry are controlled to a large extent by companies in the U.S. Their investments in research and development are substantial and, if we are to grow in pace with the market, we have to be established firmly in the U.S. both as a supplier and a system developer.

The U.S. is an open market and the competition is severe. Ericsson has the competence that is required, in the fields of both public and private telecommunications and data communications, to establish a good position in this highly exposed market. During 1984 we established a research and development unit in Dallas, Texas, whose primary task is to adapt our AXE system to the North American market. The MD 110 subscriber exchange, which is another important product in our U.S. program, has already attracted considerable attention in many markets.

Ericsson has undergone significant changes during the 1980s. The conditions under which we are operating today differ from yesterday's in decisive ways. Product cycles are shorter, growth rates are faster, the competition is tougher and there are many risks. But the opportunities are also much greater.

Many of the investments we are making are long-term in nature, but we are at the same time maintaining our requirement for short-term profitability. Our investment requirements continue to be substantial and have to be financed to a greater extent from profits. The efficiency of our operations can be further improved, in part by raising our quality demands. Follow-up and control procedures will be strengthened. The expertise within the various business areas can be utilized more effectively through closer cooperation among them. The utilization of capital will be further improved.

The trend of earnings in the Public Telecommunications Business Area gives Ericsson the financial strenth and staying power it needs in order to be able to consolidate its position in the information industry within a few years.

The problems that still exist in certain business areas will be resolved during the year and the changes that are being made will contribute to an improvement in earnings in 1985.

Nineteen eighty-four was a disappointing but very instructive year for Ericsson. With the experience we have now gained, I am convinced that it will prove to have marked only a brief interruption in our growth. The problems that still remain in certain Business Areas will be solved during 1985 and the changes that are being made will further strengthen our competitiveness.

Björn Svedberg

Public Telecommunications

Continued success in new markets. AXE system maintains its lead

Ericsson is the world's fourth largest manufacturer of

– *Telephone exchanges* for public networks.

The Business Area's product program also includes

– Telex, data processing and *transmission equipment.*

During the past five years the Public Telecommunications Business Area has recorded major successes with its AXE switching system, which to date has been sold in 59 countries, 10 of which became customers in 1984. AXE holds a leading position in the world market in terms of performance and quality as well as adaptability. AXE is being updated continuously and has demonstrated its fine characteristics to a greater degree, and under more varying conditions, than any competing system.

In the field of transmission products, the use of fiber optical conductor systems is increasing. Here, too, the Business Area is well advanced, with a sophisticated product program.

Sales and earnings

Sales of the Public Telecommunications Business Area in 1984 amounted to Skr 9,718 m., 14 percent higher than in 1983. Delays in deliveries during the second half of the year, caused by a shortage of components, had an adverse effect on invoicing. The effects of these delivery problems may also have an impact on invoicing during the first half of 1985.

Despite the problems during the last half of the year, operating income rose 17 percent, to Skr 1,930 m., compared with 1983 income. This was accomplished through tight control over overhead costs and higher utilization of capacity in the factories outside Sweden.

Telephone exchanges (excluding telephone company operations) accounted for approximately 75 percent of 1984 invoicing.

Order bookings rose a total of 23 percent to Skr 10,800 m., higher than the rate of the world market as a whole.

An international market

The Business Area's largest market is Western Europe, which accounted for 36 percent of total sales in 1984. Asia and the United States, which have become increasingly important markets during the 1980s, accounted for 23 and 8 percent of sales, respectively.

Ericsson has traditionally had a strong position in Latin America. In 1984, however, the Business Area's sales to this market totaled only 21 percent of total invoicing, compared with 30 percent in 1980, due primarily to the economic situation in the region.

Demand for telephone exchanges is rising throughout the world. Expansion of networks in industrialized countries with high telephone densities is limited but the modernization of existing networks is providing large volumes of sales. The growth rate in the developing countries is high but the volumes involved are still lower than in the industrialized countries. Demand is currently increasing most rapidly in Southeast Asia but has slackened in the Middle East as a consequence of the weakness in the oil market.

Buiness Area Public Telecommunications

Skr millions and percentages of Group total	1984		1983	
Sales	9,718	31.8%	8,491	32.2%
Order bookings	10,800	31.1%	8,785	32.4%
Personnel	28,352	37.7%	27,808	39.3%
Operating income after depreciation	1,930	–	1,653	–

Telecommunications is a young technology. The world has become smaller, but development work goes on and many possibilities are still untried. Ericsson's digital AXE switching system is being expanded continuously through the addition of new functions.

Follow-on orders provide volume

An initial order in connection with the selection of a telephone switching system is normally the beginning of a long-term relationshipship between customer and supplier in which the value of follow-on orders is generally many times larger than the first contract. The initial order is therefore of great importance to the supplier and is usually obtained in severe competition.

During the year Ericsson won major competitive biddings in Morocco, Cyprus, Ethiopia, Guatemala and Uruguay.

A cooperation agreement was signed with the Spanish telephone administration, CTNE, thereby increasing the Group's share of the market in Spain. Ericsson's position in Mexico was further improved as the result of large contracts. Order bookings were good in such established Ericsson markets as Australia, Malaysia, the Republic of Korea, Italy and the Nordic countries.

International exchanges were placed in operation in Hong Kong and Amsterdam, as well as in London, where a new central processor with a capacity of 800,000 calls per hour was installed. The first local AXE exchanges were placed in service in the Republic of Korea, the People's Republic of China and Thailand.

Minor sensitivity to economic cycles

Demand for telephone exchanges in the industrialized countries of the world largely follows the trend of the gross national product. The customers are generally the telephone administrations in each country. The individual projects are long-term in nature and accordingly are seldom affected by economic cycles. In addition, the broad internationalization of the Group's operations diminishes the effect of fluctuations in individual national economies.

Competition sharpens

AT&T in the United States is the world's largest manufacturer of telephone exchange equipment. This company, which formerly concentrated on its domestic market, is now competing internationally. Among the other international manufacturers, the telephone exchange sectors of ITT, Siemens and Northern Telecom are roughly the same size as Ericsson's.

U.S. market opens

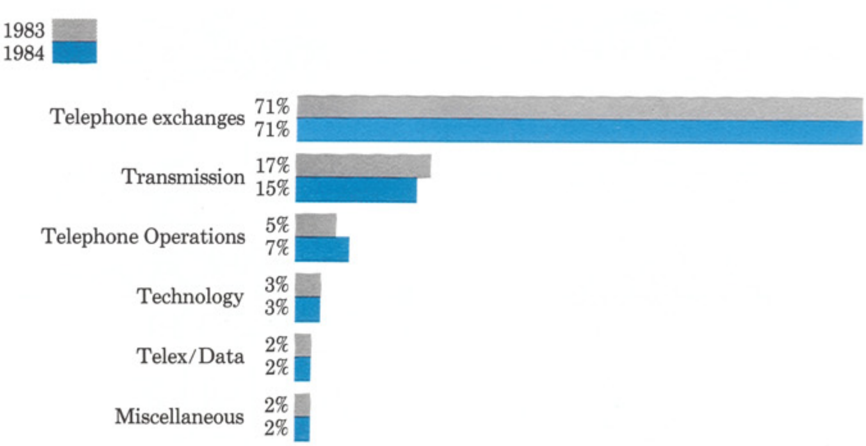
As in prior years, sales of the Public Telecommunications Business Area in the U.S. market in 1984 consisted very largely of transmission equipment delivered to independent "common carriers" handling long distance traffic.

At year-end 1983 there was a restructuring of telecommunications operations in the U.S. whereby the local Bell operating companies were divested from AT&T. These companies can now choose their own suppliers of telephone exchange equipment.

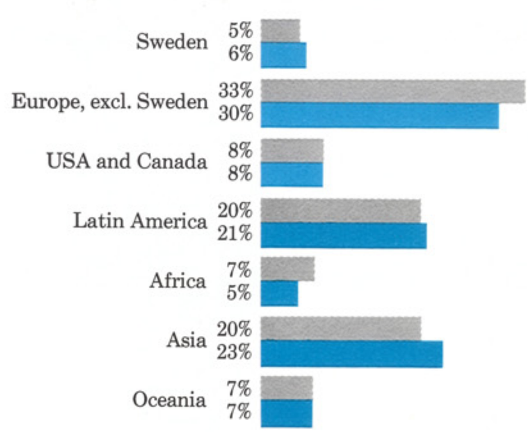
It is estimated that the U.S. today represents one fourth of the world market for telephone exchanges, making it an exceptionally attractive region.

To adapt the AXE system to the technical requirements in the U.S., Ericsson in 1983 began the construction of a Research Development and Support

Sales by products



Geographic distribution of sales



Center in Dallas, Texas. At year-end 1984 more than 200 programmers and engineers were employed at the Center.

The program in the U.S. is of major importance to the Business Area. The resources now being built up are long-term investments for the future that will not contribute immediately to improvement in the Business Area's earnings or its return on capital employed. Nor is the program of such scope that it jeopardizes the opportunities for continued strong programs in other markets.

Increased resources strengthen competitiveness

Telecommunications services are an important element in a country's infrastructure and are generally provided under government auspices or through a government-controlled administration. Such operations are therefore often considered highly important in terms of national employment and currency policies.

Apart from such traditional competitive factors as price, technical performance quality and delivery capacity , a supplier must be prepared to meet other demands. These relate to local production, technical cooperation, barter and counter-purchase deals, exports, credits and special financing arrangements. And these demands must be satisfied by the supplier independently or through participation in local joint ventures. The execution of contracts has thus become increasingly complicated, requiring the involvement of an ever greater number of specialists within the Group.

The Public Telecommunications Business Area has production facilities in subsidiaries or associated companies in 14 countries throughout the world, plus substantial experience in the transfer of technology. In addition, the Business Area's products are manufactured by licensees in five countries. The possibilities for working out international "combinations" of deliveries and credits have thereby been increased and have contributed to the carrying out of a growing number of transactions.

Continuous development of AXE

Demands to be able to utilize telephone networks for purposes other than the transmission of voice signals are increasing rapidly. Data, text and video communication facilities are the ones primarily sought. The modular construction of the AXE system offers unique possibilities to supplement existing digital networks for such purposes.

Developments in the transmission field are also characterized by the rapid changeover from analogue to digital technology. Fiber optical conductor systems with high capacity are powerful alternatives to microwave links and satellite transmission. The Ericsson Group is assuming a leading position in this field and in 1984 received its first order for the latest generation of fiber optical systems, with a capacity of 565 Megabits per second.

In 1984 15 percent of the Business Area's 28,000 employees were engaged in developing the product program and adapting it to customer requirements. The number of engineers will be increased by an additional 10 to 15 percent during 1985. Total research and development costs of the Business Area during 1984 amounted to 9 percent of sales, the greater part of it for AXE.

Good prospects for the future

The expansion of telecommunications networks based on the digital technology represented by AXE is still continuing and the large contracts lie ahead.

There are distinct political efforts to deregulate the telephone monopolies in many countries. The United States, with its breakup of the former AT&T monopoly, has made the most progress. Within the European Community, discussions are under way with respect to a coordination of telecommunications services and partial demonopolization, as well as joint development projects.

This trend is changing conditions within the market and is imposing new demands on suppliers, but it is also creating new opportunities.

Ericsson's strength lies in its advanced product program and the breadth of its international operations. Its decentralized organization, with development work and production in many countries, provides proximity to the market and facilitates long-term, stable relations with customers. The Businesss Area's good profitability provides a base for aggressive efforts in new markets, and for the continued development of products and systems.

Information Systems

Operations in 1984 provided experience for continued expansion in information industry

The Business Area is responsible for Ericsson's program of products and systems that integrate data processing, office automation and telecommunications.

Its operations comprise four product areas:

– *Communications systems,* with the MD 110 digital subscriber exchange as the key unit.

– *Terminal equipment,* including data terminals, personal computers and typewriters.

– *Business systems,* which comprises minicomputer-based systems.

– *Office equipment,* including furniture, telephone instruments, printers and calculators.

The Business Area also includes a few single-product companies that operate within special market niches.

Most of the production takes place in about ten plants in Sweden that have a total of approximately 4,300 employees. Marketing is handled mainly through subsidiaries in selected markets.

The Nordic countries and other countries of Western Europe, which together accounted for 77 percent of sales in 1984, are the most important geographical markets. North America contributed 9 percent and other parts of the world accounted for the remaining 14 percent.

All of the products are used to rationalize, simplify and reduce the cost of administrative routines in, primarily, industrial, commercial and trading operations. In their most advanced form, the systems not only make it possible to transmit voice and data but also permit communication between, and the linking of, computers and terminal equipment.

Communications systems, business systems and office equipment combined accounted for 50 percent of the Business Area's sales. Terminal equipment accounted for 30 percent, and other product areas for the remaining 20 percent.

Sales and earnings

Sales in 1984 totaled Skr 9,295 m., an increase of 25 percent over preceding-year figures. After depreciation, the Business Area reported an operating loss of Skr 217 m., which represented a deterioration of Skr 454 m., compared with 1983 operating results.

Technical problems related to the design and manufacture of new products, as well as a general shortage of components, had a negative impact on sales, especially during the second half of the year. These problems caused delays in launching the new Ericsson PC personal computer, new systems for the bank market and the MD 110 subscriber exchange.

The Business Area's earlier expansion occurred to a large degree through the acquisition of companies and this has involved major strains on the organization in coordinating all its resources within the framework of a common corporate policy. Key positions have been filled by employees from different corporate cultures. It was not possible to develop the administrative routines in pace with the rate of expansion in the Business Area.

During the latter part of the year the Business Area initiated a program to improve the efficiency of operations and raise profitability. Steps are being taken to concentrate marketing in countries in which a solid position can be

Business Area Information Systems

Skr millions and percentages of Group total	1984		1983	
Sales	9,295	30.4%	7,457	28.3%
Order bookings	10,160	29.2%	8,025	29.6%
Personnel	21,703	28.9%	19,156	27.1%
Operating income after depreciation	–217	–	237	–

Data processing technology has increased our brain capacity enormously. The exchange of knowledge proliferates and intensifies rapidly. Ericsson's information systems integrate speech and data, using advanced telecommunications technology and systems know-how.

obtained within a reasonable period. Other steps are focused on tighter cost controls and better utilization of administrative resources. The corrective measures apply to all functions within the Business Area. They have already yielded favorable results and are expected to become fully effective during 1985.

A market with a good potential

The demand for efficient information handling is increasing rapidly, creating great growth opportunities. Demand for most products is rising at a rate of between 15 and 25 percent per year and this trend is expected to continue. The greatest growth is taking place in the United States and Western Europe and the Business Area has elected to concentrate its broad efforts initially in Western Europe.

A young industry

There are a great many suppliers in this market, ranging from large international manufacturers with complete product programs and substantial development resources to small companies that survive by supplying special products or functions that supplement the large systems. In the shadow of the rapid expansion within the industry, a substantial number of companies with inadequate financial strength are already being forced out.

Customers will to an increasing extent require that a supplier assume total responsibility for complex information systems. Companies are responding to this requirement in various ways. The established computer manufacturers are trying to supplement their know-how and their products through cooperation with, or the purchase of, telecommunications companies. For their part, telecommunications companies are allying themselves with suppliers of computers.

With its acquisiton of Datasaab and Facit, Ericsson is following a similar strategy. Ericsson is also cooperating with Honeywell, the American computer company, on the development and marketing of Ericsson's communications systems.

Introduction of new products on broad scale

Developments within communications systems are closely related to the MD 110 subscriber exchange. At year-end, 120,000 lines of this equipment had been installed in 14 countries and an additional 500,000 had been ordered by customers in 28 countries. The MD 110 is the most advanced subscriber exchange on the market, with substantial prospects of becoming as important for Ericsson as the AXE system has become in its field. The ERIPAX system for the transmission of data and ERIMAIL, for storing and transmitting text, are two important subsystems that complement the MD 110 in integrated systems.

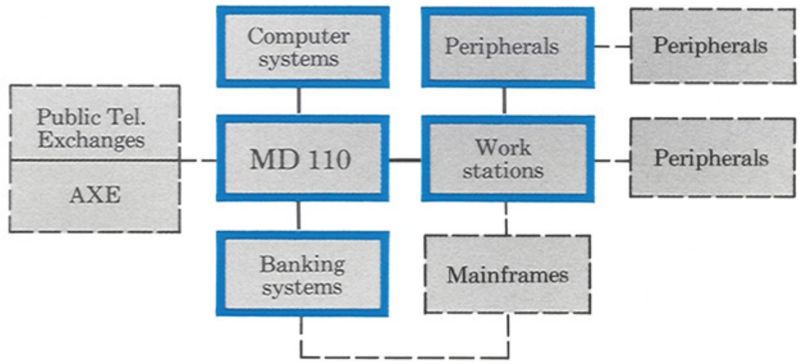
The most important event in the terminal equipment product area was the introduction of the Ericsson PC, an IBM-compatible personal computer with very fine ergonomic characteristics. It was immediately well received. As a result of delivery delays, the budgeted volume of sales could not be reached during 1984.

The ALFASKOP data terminal further consolidated its leadership in the Swedish market and, along with IBM's unit, ranked as one of the two best-sellers in Europe during the autumn.

A communications system centering around the MD 110 subscriber exchange

The MD 110 subscriber exchange – a combination speech- and data-switching exchange – is the cornerstone of Ericsson communications systems. Bank terminal systems, computer systems or workstations may be linked to the MD 110. Peripheral equipment – printers, office machines, etc. – may then be connected to the workstation terminals.

In the diagram, the solid-line boxes show products manufactured within the Information Systems Business Area, while the broken-line boxes show products supplied by other Group units or subcontractors.



In the business systems product group, the introduction of a new family of minicomputers, the Series 2500, contributed to a good growth in volume. The Business Area has specialized in systems and terminals for applications in banks. Sweden is a pioneer country in this field and the possibilities for sales in other countries are very good.

There were some problems with bank system projects for Swedish customers during 1984. These have now been corrected and the projects are proceeding in accordance with revised plans. A new generation of bank automats offering 24-hour service will be introduced during 1985.

A terminal that helps retail outlets check the status of credit cards via telecommunications networks is another new product with attractive growth possibilities.

In the office equipment product area, the DIAVOX family was supplemented with new, multiple-function instruments, intended primarily for such large deregulated markets as the U.S., Australia and Great Britain. ERICSSON DIRECT, the world's first digitalized internal communications system, was introduced during the year and attracted substantial demand.

The product area also includes office furniture such as terminal desks and complete office workstations that are important export items, with Great Britain and the U.S. as the main markets.

Other operations

The Information Systems Business Area includes AutoTank AB and ID-kort AB, both single-product companies. AutoTank develops and markets payment terminals and administrative systems for gasoline stations. The company continued to penetrate new markets in 1984, receiving substantial orders from customers in Australia, West Germany and Saudi Arabia.

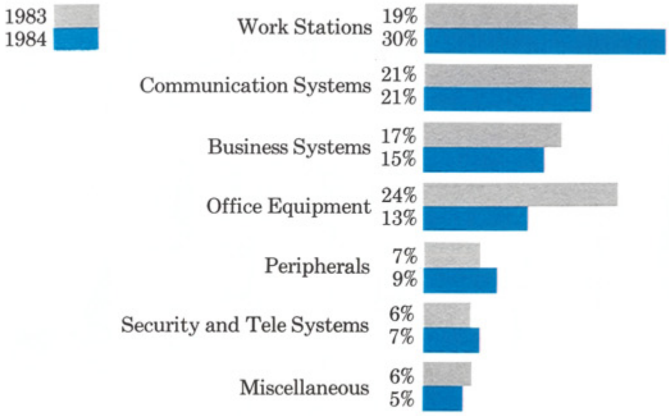
ID-kort holds a dominant position with its identity card system in Sweden and small, but growing, market shares in Norway and Denmark.

Recovery

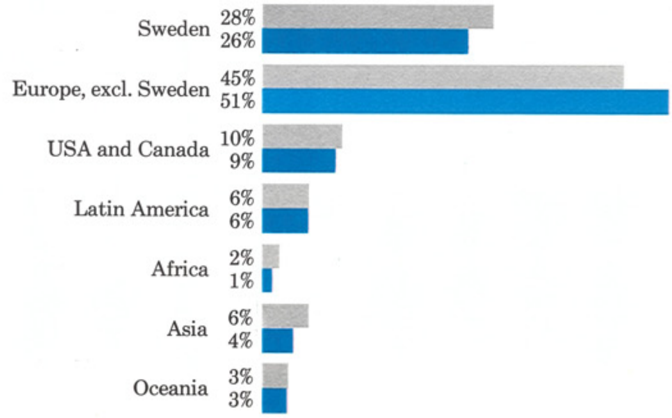
Sales of the Business Area in 1984 did not meet expectations and operating results represented a definite setback. The reasons lay primarily in the Business Area's own control procedures and were related to the rapid growth of business and a certain underestimation of the problems this involved. The situation was also affected by the shortage of components.

The prospects for favorable growth in a longer perspective continue to be very good. The Business Area has a broad, competitive product program that has now been through its growing pains. The marketing organization is well established and is in the process of being fine-tuned. The administrative routines and control systems are being improved.

Sales by products



Geographic distribution of sales



Cable

Product concentration and continued rationalization yields improved profitability

Ericsson is one of the world's ten largest cable manufacturers. Its operations cover two product areas:

– *Power cable,* used in the distribution of electric power, and

– *Telecommunications cable,* used for the transmission of voice, data and other signals in telecommunications networks.

In addition, the Cable Business Area manufactures and markets specialty cables for various purposes, including applications in the computer industry.

The power cable program is changing at a relatively slow rate. Demand for the "staple" products largely follows industrial economic cycles and is particularly sensitive to fluctuations within the building industry. The rate of expansion in the power distribution field is an important factor.

Technical development, especially in optotechnology, is occurring rapidly in the field of telecommunications and data transmission. The market for telecommunications cable is dependent on expansion of networks and the large customers are generally the central telecommunications authorities in each country. The sharp growth in data communications is increasing the need for networks that parallel the national networks established for telephony. In some countries, the new networks are being constructed and financed by private companies.

Power cable accounts for about 80 percent of the world market for cable, and telecommunications cable for 20 percent. For strategic and marketing reasons, Ericsson places greater emphasis on telecommunications cable, which accounts for an estimated 50 percent of cable sales.

Sales and earnings

Sales of the Cable Business Area in 1984 amounted to Skr 4,022 m., up 10 percent from 1983. Operating income, after depreciation, increased from Skr 7 m. to Skr 89 m. The strong increase in income was due primarily to operations in the United States and Latin America.

Invoicing in Sweden and exports from Sweden accounted for 33 percent of the year's sales, the United States for 43 percent, and Latin America for 21 percent.

Sweden

Demand for power and telecommunications cable in Sweden was stable during the year. Higher sales of specialty cable were noted. Operations in SELGA, the electrical equipment wholesaling company in which Ericsson has a majority interest, developed favorably.

On January 1, 1985, Bofa Kabel, formerly a subsidiary, was merged with Sieverts Kabelverk and the name of the latter was changed to Ericsson Cables AB. This company is Sweden's largest cable manufacturer, with a product program broader than that of any domestic competitor.

Operations were divisionalized during the year. Among other things, this involved closing the head office in Sundbyberg, where the Business Area's central staffs were located.

The reorganization has resulted in a substantial rationalization of operations, which will have a favorable impact on income already in 1985.

Business Area Cable

Skr millions and percentages of Group total	1984		1983	
Sales	4,022	13.3%	3,645	13.9%
Order bookings	4,258	12.2%	3,677	13.5%
Personnel	5,473	7.3%	5,670	8.0%
Operating income after depreciation	89	–	7	–

Light will play a central role in tomorrow's information technology – as a carrier of speech, data and images. Ericsson is investing substantial resources in the development of optotechnology, and company commitment in this field is increasing.

United States

Cable operations in the United States are managed by Ericsson, Inc., the company jointly owned with Atlantic Richfield Company (ARCO).

During 1984 the American company established itself as a supplier to the local Bell operating companies that resulted from the break-up of AT&T. Since the second quarter of the year deliveries of conventional telecommunications cable have been very high and prospects for continued favorable development of this business are good. The year was also a breakthough period for fiber optical cable; contracts totaling Skr 350 m. were received, covering deliveries for the new long-distance networks now under construction in the U.S.

Demand for power cable in the U.S. has been extremely weak since the early 1980s, and this had an adverse effect on the profitability of the American company. Since this market is not expected to recover within a "reasonable" period, it has been decided to terminate Ericsson, Inc.'s power cable operations. Based on agreements signed during the autumn of 1984, two of the three power cable companies were sold early in 1985.

Since then the American operations have been concentrated on telecommunications cable, including optical cable and certain specialty cables used in telecommunications and data transmission. These areas have good prospects for showing acceptable profitability during the next few years.

Other operations

Operations of the Business Area include cable companies in Argentina, Brazil and Colombia, and participation in two Mexican companies in which Ericsson holds a minority interest.

Despite the general economic problems in these countries, the trend of earnings in the Latin American companies was satisfactory, except for the company in Argentina, which reported a loss for the year.

The cable company in Australia, in which Ericsson holds a 50-percent interest, improved its operating results. Operations in the associated Norwegian company developed favorably and its return on capital employed was satisfactory. The company has been successful in establishing itself as a supplier to the offshore industry.

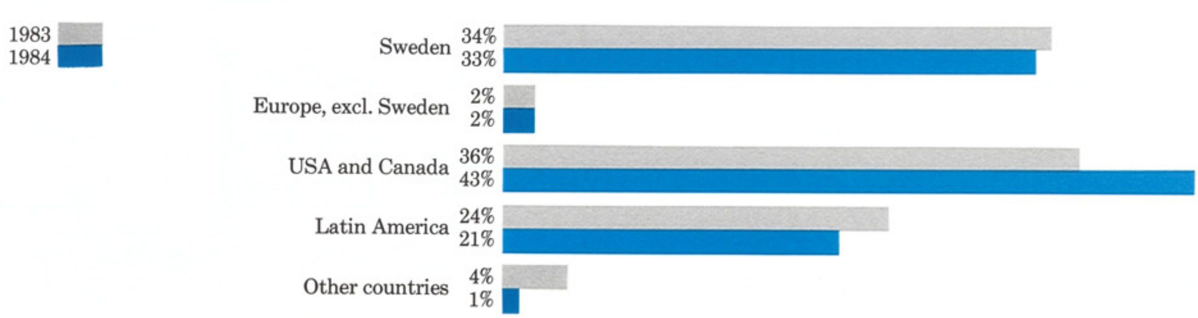
Outlook

The market for power cable is characterized by overcapacity and price competition in most of the countries in which Ericsson is active. Rationalization of operations is therefore a prerequisite for an improvement in profitability.

In the field of telecommunications cable, there is strong growth in demand for fiber products. This sector still constitutes a relatively small part of Ericsson's cable business but substantial resources are being allocated for the development of fiber optics. Ericsson manufactures optical fibers in Sweden and cable with fiber conductors in Sweden and the U.S. As a supplement to its cable sales, Ericsson has developed a fiber-splicing device that is being marketed with great success.

In view of the measures that have been taken in the Swedish and American companies, it should be possible to improve income in the Cable Business Area significantly in coming years.

Geographic distribution of sales



Defense Systems

Deliveries to the Swedish Armed Forces provide important reference for sales in an expanding world market

Ericsson has brought together all of its production of defense materiel in the Defense Systems Business Area. This production is located mainly in Sweden. Since only a small percentage of the product range can be classified as war materiel, most of the products can be sold in large parts of the world. Many of the products originally developed for military use have been adapted for civil applications.

Operations cover four product areas:

– *Avionics,* mainly radar, display equipment, computer systems, countermeasure systems and missile electronics.

– *Tactical and strategic communications,* including radio links, ciphering equipment, fiber optics, military radio networks, and telephone exchanges.

– Computer-based *control systems* used in information processing and fire control systems on land, at sea and in the air.

– *Local mobile defense systems,* including reconnaissance and tracking radar for artillery and anti-aircraft, as well as laser and infrared equipment. The product area also includes command and control systems for civil aviation as well as simulator equipment.

Sales and earnings

Sales of the Business Area in 1984 amounted to Skr 1,831 m., an increase of 14 percent over 1983 invoicing. Operating income after depreciation improved by 81 percent, to Skr 172 m., but, like sales, was somewhat lower than expected.

This was due primarily to production problems and to a shortage of components which caused delays in deliveries as well as costly design changes.

The Swedish market is the base

Sweden is the Business Area's most important market. Increased exports are necessary, however, to achieve adequate volumes. The products being developed are intended primarily for the Swedish Armed Forces and their use by this customer constitutes an important reference for export sales. Export operations also benefit the Armed Forces since the products can then be manufactured in longer series, making them less expensive.

Viewed as a whole, the world market for defense systems is growing. This applies in particular to the more advanced systems with a large electronic content, in which Ericsson specializes.

Markets outside Sweden accounted for 56 percent of the Business Area's sales in 1984, and this percentage is increasing. The most attractive markets are the industrialized countries and Third World countries which are not linked to either of the two defense pacts in the East or West. Competitors consist mainly of such other international electronics companies as Thomson, Philips, Marconi and Siemens.

In the avionics sector, Ericsson holds a leading position in the world market for advanced radar and display technology. However, these products are closely connected with special projects, among which the JAS 39 Gripen, Sweden's multi-role military aircraft project, currently occupies a central role.

Business Area Defense Systems

Skr millions and percentages of Group total

	1984		1983	
Sales	1,831	6.0%	1,603	6.1%
Order bookings	2,834	8.1%	1,760	6.5%
Personnel	4,247	5.7%	3,961	5.6%
Operating income after depreciation	172	–	95	–

Day and night, the world is being monitored. At sea, on land and in the air, advanced technology is sending – and defending – vital information. Ericsson is concentrating on systems with a large quotient of electronics, systems in which our potential in telecommunications and data processing is of decisive importance.

Ericsson is focusing primarily on selling subsystems and components which also have civil applications. A cooperation agreement involving radar systems, signed during the year with Ferranti, the British company, opens attractive possibilities for the future.

Order bookings were strong during 1984 and the backlog of orders is satisfactory. There were continued deliveries of radar for use in the Swedish Viggen military aircraft and in the Swedish Army's anti-aircraft system, as well as to customers outside Sweden. Prototypes for a new military radio system were delivered to the Swedish Armed Forces. Following the completion of tests, the Business Area expects to receive substantial orders for this product from both Swedish and foreign customers. Swedish orders during 1984 also included signal tracking and disruption systems for the Army and fire control systems for the coast artillery. Notable international contracts included command and control systems for Singapore and simulator equipment for use by civil aviation traffic controllers in West Germany.

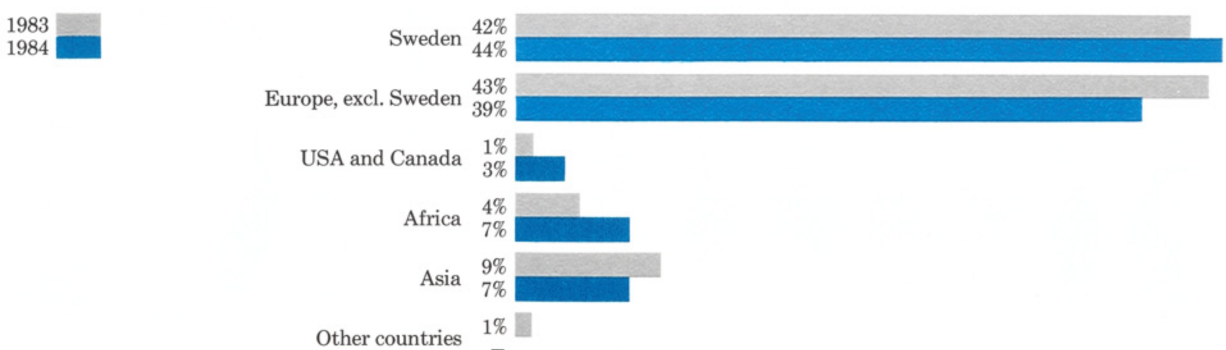
Increased sales outside Sweden

The Swedish Armed Forces constitute a stable customer base, with major long-term projects. The Business Area has good products which hold their own well in international competition and the future prospects for them are good.

The Business Area's advanced technical know-how is creating opportunities for broadened cooperation with companies outside Sweden. A large number of development projects and bids are being processed; they should result in orders during the coming years and lead to breakthroughs in a number of countries.

Continued favorable development of both sales and earnings is expected in 1985.

Geographic distribution of sales



Radio Communications

Strong demand for mobile telephony and personal paging equipment assures order bookings

Radio Communications includes four product areas:

– *Mobile telephony:* base stations, exchanges and terminals (”telephones”) for vehicles.

– *Mobile radio:* mobile stations (portable or mounted in vehicles), control units, base stations, relay stations and link stations.

– *Personal paging equipment* for local and regional networks.

– *Radio transmission sector,* which is responsible for Ericsson's operations in the field of satellite technology, and which has substantial sales of ”mini-link” microwave equipment.

Sales and earnings

Sales of the Radio Communications Business Area in 1984 amounted to Skr 1,992 m., 25 percent higher than in the preceding year. Mobile telephony showed the greatest relative increase, with a near-doubling of sales. The personal paging business also developed favorably, while sales in the mobile radio sector remained at the 1983 level, as planned.

Despite the rapid increase in sales, operating results, after depreciation, declined by Skr 63 m., resulting in a loss of Skr 32 m.

The causes lay primarily in the mobile radio and personal paging equipment sectors. Substantial technology investments and project work related to certain large systems in the mobile radio field resulted in costs that were higher than expected. In the personal paging sector, production of a new generation of products was delayed due to technical problems and the shortage of components.

Income from mobile telephony improved parallel with the increase in volume.

Mobile telephony – continuing successes

Ericsson continued to capture important orders in the field of mobile telephony during the year. Local networks were ordered for Detroit in the U.S. and Toronto and Montreal in Canada, among other metropolitan areas.

In the United States, mobile telephony (cellular radio) networks are financed and operated by Bell companies or by ”independent” companies, so-called Radio Common Carriers (RCCs). Ericsson is concentrating solely on the latter market and during 1984 delivered one of the first RCC systems in the United States, in Buffalo, New York. In Great Britain, where there will be two parallel networks, the first installations for one of these networks were made in London in December. The system was placed in service January 1, 1985.

Ericsson has received contracts to supply systems for the construction of mobile telephone networks in 16 countries and is one of the leaders in technical development in this field in the world market. Large competitors include Northern Telecom, AT&T and Motorola.

Demand for mobile telephony is growing at a rate of about 25 percent a year. Ericsson has initially concentrated on the construction of networks in which its AXE switching system is the vital base. In Scandinavia and other countries where the so-called NMT (Nordic Mobile Telephone) System has been introduced, Ericsson also sells telephone terminals for vehicles and is one of the market leaders in this area.

Business Area Radio Communications

Skr millions and percentages of Group total	1984		1983	
Sales	1,992	6.5%	1,592	6.0%
Order bookings	2,464	7.1%	1,954	7.2%
Personnel	4,144	5.5%	3,998	5.6%
Operating income after depreciation	–32	–	31	–

Today, mobility, geographical distance, time or space do not have to keep people from establishing contact. The market for mobile telephony is growing and Ericsson is one of the world leaders in this field.

Mobile radio – operations being concentrated

The mobile radio industry is characterized by many local manufacturers serving national markets. The lack of standardization and international specifications hinders structuring of the industry in the direction of large producers with adequately broad bases to permit rational product development.

Demand for mobile radio formerly showed good growth in the industrialized countries of the western world but has now stagnated. The result has been price competition and products which have not kept pace with the general technical development.

Ericsson will now concentrate its mobile radio operations, productwise and geographically. Its strong position in the Nordic countries will be consolidated. Generally speaking, its activities will be focused on countries in which the Business Area is well established. The product line is being limited to custom-tailored products and systems, where Ericsson can utilize its unique combination of know-how in telecommunications technology, radio communications and data handling technoloy. The "T80" taxi system, in operation in a number of Swedish and Norwegian cities, is in this category. Outside Sweden, Ericsson has also begun to sell police radio systems for large cities, as well as nationwide systems.

Due to the scarcity of radio frequencies and the increasing demands for various services, it is likely that mobile radio will be integrated with the public telephone and data networks in the future.

Personal pagers – production being rationalized

Ericsson, with a market share of approximately 40 percent, is Europe's largest manufacturer of local personal paging systems. The growth in demand, which is between 10 and 15 percent annually, is stable.

Certain production problems arose during 1984. Volumes did not reach the budgeted figures and the introduction of a new generation of personal pagers was delayed. The situation improved towards the end of the year. With the benefits that will be achieved through large-scale, rational production – in part by concentrating manufacturing in NIRA, the Dutch company – it is estimated that it should be possible to improve both sales and earnings during 1985.

Radio transmission – earth stations for Tele-X

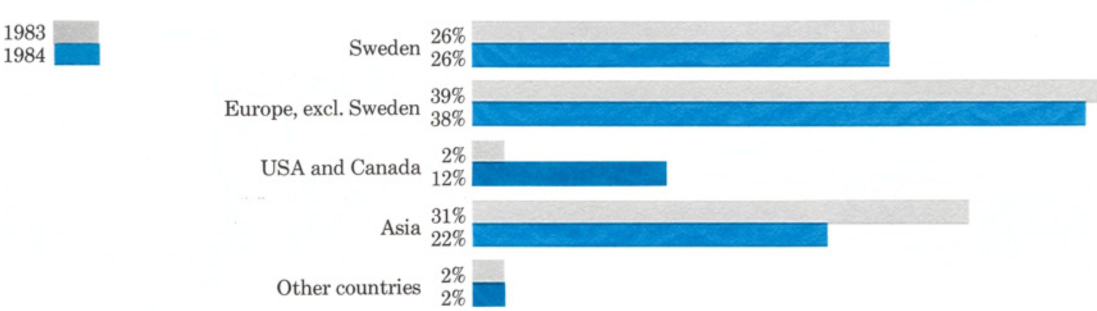
In association with A/S Elektrisk Bureau, its associated Norwegian company, Ericsson has received a contract to develop and manufacture earth stations for the Nordic Tele-X satellite system.

Deliveries of "minilink" microwave equipment for transmissions over short distances increased sharply. The Swedish Telecommunications Administration has ordered substantial quantities of this equipment in connection with the expansion of the Nordic Mobile Telephone System.

Optimism for the future

The Business Area – with a large percentage of new products, notably in the field of mobile telephony – has expanded very rapidly during the past five years. This has required substantial development and marketing costs as well as the expansion of personnel and technical production resources. The organization is now being stabilized at the same time that operations are being concentrated in the most profitable and fastest-growing areas. The most important objective now is to raise the level of operating results. Taking into account the measures implemented to date, and in view of the favorable trend of demand which has produced a secure backlog of orders, it is estimated that 1985 can yield a sharp improvement in operating results.

Geographic distribution of sales



Network Engineering and Construction

Experience gained in Middle East and Far East helps to open new markets

The Network Engineering and Construction Business Area comprises two sectors:

– The larger one *plans and constructs various types of telecommunications and data networks and telesignaling installations.*

– The second comprises *signaling and safety systems for rail traffic, as well as road and highway signaling systems.* The sector's product program is characterized by specialized signaling technology, which imposes exceptionally high demands for reliability.

Sales and earnings

Sales of the Business Area in 1984 amounted to Skr 1,970 m., a decrease of 12 percent compared with 1983 invoicing. Income, after depreciation, was Skr 111 m., or about half the 1983 figure.

The decline in income was due primarily to the fact that two large projects that involved substantial preliminary costs could not be started due to financial problems in the customer countries. In addition, the signaling and safety systems product sector was restructured, causing certain nonrecurring costs.

Large turnkey projects

In the network construction field, the Business Area has concentrated on specialization with respect to the planning, engineering, total project management and construction of large turnkey projects. The Business Area's own network material and material from the Cable Business Area are in many cases important basic components. Systems and products from one or more of the other Business Areas are used in complex projects. The Network Engineering and Construction Business Area is then responsible for coordinating the Group's inputs in the total project.

The government telecommunications administrations in most of the industrialized countries have their own resources with which to expand their networks. The most attractive markets are thus in the developing countries that are investing to expand their infrastructures. The administrations in these countries often require suppliers who have broad and long experience, as well as the ability to be fully responsible for large projects, particularly in the critical planning and engineering stage.

The Business Area has concentrated on the Middle East and Far East, where its competitors are primarily large international companies. During 1984 Ericsson and Electroscon Sdn Bhd formed a joint venture that is the largest telecommunications installation company in Malaysia. This firm has received a contract giving it total responsibility for one fourth of Malaysia's Skr 2.3-billion network construction program during the next three years. Notable major projects in the Middle East include a complex, multiple-year project involving installation of the telecommunications network for King Khaled City in Saudi Arabia.

Private networks expanding

Complex networks for customers other than telecommunications administrations constitute a growing market. It is becoming increasingly common for such

Business Area Network Engineering & Construction

Skr millions and percentages of Group total	1984		1983	
Sales	1,970	6.4%	2,239	8.5%
Order bookings	1,926	5.5%	1,562	5.8%
Personnel	5,289	7.0%	5,088	7.2%
Operating income after depreciation	111	–	264	–

The young nations are developing their infrastructures, using available experience. Complex new information networks are being constructed alongside established ones. A growing dependence on communication requires reliable systems. Ericsson has unique experience in the construction of networks.

large international enterprises as oil companies to build networks of their own for their plants in order to meet their special telecommunications needs. Civil defense authorities, fire departments and police organizations, as well as railroads, are customer groups with similar needs. Ericsson's network engineering and construction company in Italy has received orders for large, complex projects from customers in these categories.

Electronics strengthen signaling systems

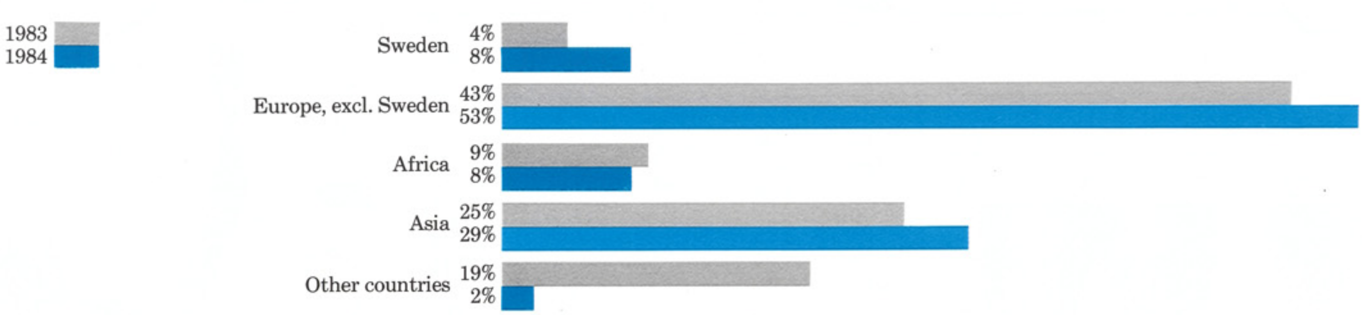
Sweden is Ericsson's principal market for various types of signaling systems. Denmark, Spain, Italy and Australia are other important markets. The development of signaling products takes place in close cooperation with the railway authorities in each country and is based on national specifications and standards. This comprehensive adaptation of systems to local requirements is very costly and constitutes a barrier to a broad internationalization of operations.

The national markets are generally dominated by such large domestic electronics companies as Siemens in West Germany, General Electric in Great Britain and Westinghouse in the U.S. Compared with its competitors, Ericsson's operations are the most widely distributed internationally. The market has stagnated and is on the threshold of technological changeover. The industry is currently characterized by excess capacity and severe competition.

However, the development of new electronic systems, a field in which Ericsson is a leader, is creating conditions for future growth. New systems for providing information to highway users are also under development.

In the street-signaling sector, Ericsson has had substantial success with its electronic systems as well as with new, efficient and reliable signal lights.

Geographic distribution of sales



Components

In-house development of custom-tailored components strengthens Group's competitiveness

The Business Area develops, manufactures and markets components and power equipment for the electronics industry. Its activities, conducted mainly within RIFA AB, comprise four operating areas:

- *Microcircuits*
- *Hybrid circuits*
- *Power systems*
- *Capacitors and standard components*

In-house development and production of components is of great strategic importance to the Ericsson Group. A secure supply of components facilitates the operations of the other Business Areas.

Ericsson is not seeking to become self-sufficient in the field of standard components but is concentrating primarily on the development of custom-tailored components that can strengthen the competitiveness of the other Business Areas.

Sales and earnings

Total sales of the Business Area in 1984 amounted to Skr 1,225 m., of which just under 35 percent were invoiced to other Ericsson Business Areas, led by Public Telecommunications. The percentage of invoicing to customers outside the Group will become substantial during the coming five years.

Sales increased 31 percent but operating income of Skr 34 m., after depreciation was Skr 36 m. lower than in 1983. Due to heavy investments in production, the return on capital employed was below the average for the Group.

Markets outside Sweden, of which the most important were Australia, France, Mexico and the United States, accounted for Skr 795 m. of the Business Area's sales.

Microcircuits are strategically important

RIFA works with both custom-tailored components and standard products. In the former category, microcircuits and hybrid circuits are becoming increasingly important – in telecommunications, for example. As other telephone companies throughout the world are doing, Ericsson is making efforts to assure a supply of such components through in-house development and production.

RIFA holds a strong position internationally with its telephone circuitry. Notable new products include a single-chip telephone, the most advanced in the world to date. It contains a circuit in which a single chip handles the functions of speech transmission, signaling and ringing.

The trend is toward building an increasing number of functions into a single chip. Even now, large parts of a system are being designed in a single circuit, imposing very high demands on circuit performance.

It is therefore important for the development of Ericsson's products that know-how and capacity to design and manufacture advanced microcircuits be available within the Group, and that the Group command the necessary basic technology in the semiconductor field.

RIFA faces a major investment program covering new technologies, new products and the rationalization of production. One example is a new CAD

Business Area Components

Skr millions and percentages of Group total	1984		1983	
Sales	1,225	4.0%	933	3.5%
Order bookings	1,575	4.5%	1,044	3.8%
Personnel	4,231	5.6%	3,263	4.6%
Operating income after depreciation	34	–	60	–

"To see a World in a Grain of Sand."
Microchips – made of silicon sand – are miniature brains that are gradually changing our way of life. Through its RIFA subsidiary, Ericsson is developing and producing highly advanced special components.

(Computer Aided Design) program for the construction of VLSI (Very Large Scale Integrated) circuits which will be introduced throughout the Group. Each unit will thus be able to design its own circuits, with RIFA being responsible for their production. RIFA's operations will thereby be rationalized and the program to supply the Group with components will become more effective.

Power supplies

Despite substantial development costs, operations in the power equipment field show solid profitability. The product area comprises mainly power supplies for telephone exchanges, including direct-current and alternating-current transformers, distribution racks and cooling equipment. Ericsson Energy Master is a new system for the control and remote monitoring of the energy equipment in all the telecommunications facilities within a country or region.

Power for electronic equipment is an area of rapid growth. This involves "built-in" power for such applications as data processing and radio equipment, as well as power modules, a field in which RIFA has begun to market circuit-mounted DC/DC transformers in the 25-to-40 W range.

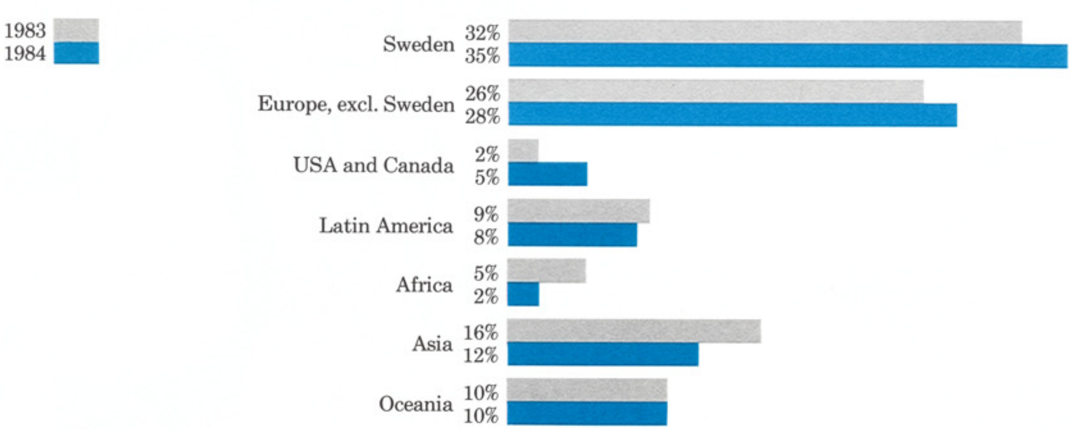
Capacitors and standard components

Although its share currently amounts to only 3 or 4 percent, RIFA has a strong position in the world market for capacitors. With expanded marketing programs, primarily in Western Europe and the United States, it should be possible to further consolidate this position, particularly in niches of the market where RIFA's products are well advanced technically and in terms of quality.

"Full-range" supplier of components

Because of RIFA's role as a developer of technology for the Ericsson Group, priority must be given to certain long-term projects rather than to profitability. The objective, however, is that the Components Business Area should provide a return on its working capital as the other Business Areas do, in order not to constitute a burden on the Group. Accordingly, the strategy is to become, as far as possible, a "full-range" supplier of components on normal commercial terms. To reach this objective, RIFA's own line of products has been supplemented through representation of other manufacturers on an agency basis.

Geographic distribution of sales



Board of Directors' Report

Consolidated sales amounted to Skr 29,378 million in 1984, an increase of 16 percent over invoicing of Skr 25,244 m. in 1983.

Order bookings totaled Skr 33,005 m., 26 percent higher than bookings of Skr 26,142 m. in 1983.

Consolidated income before appropriations and taxes was Skr 1,569 m., compared with Skr 1,758 m. a year earlier. Minority interests in operating results before appropriations and taxes amounted to a loss of Skr 149 m. (1983: Skr 30 m.).

Consolidated net income, after deductions for taxes paid, amounted to Skr 30.54 per share, compared with Skr 34.46 in 1983. After deductions for taxes paid and estimated deferred taxes on appropriations, the net profit was Skr 19.99, as against Skr 22.05 in the preceding year.

Public Telecommunications

Order bookings in the Public Telecommunications Business Area rose more than invoicing and Ericsson's AXE switching system further consolidated its position in the world market. At year-end 1984, administrations in 59 countries, including ten that became customers during the year, had ordered exchanges of the AXE type. Order bookings in markets which had been established earlier – including Mexico, Australia, Malaysia, the Republic of South Korea, Italy and the Nordic countries – were also strong.

In the United States, as in previous years, Public Telecommunications sales consisted mainly of transmission equipment. The restructuring of the American market, whereby the local operating companies were divested from AT&T, has opened opportunities to penetrate the market for telephone exchanges. A research, development and support center was established in Dallas, Texas, to adapt the AXE system to technical requirements in the U.S. At year-end, 200 programmers and engineers were employed at the center.

Information Systems

Problems related to the design and manufacture of new products had an adverse effect on operations of the Information Systems Business Area. The Business Area was reorganized during the second half of the year and the new management initiated a comprehensive program to improve profitability by concentrating the product and marketing programs in a more efficient organization. The corrective measures are expected to gradually become fully effective during 1985.

Cable

Operations of the Cable Business Area in the United States and Sweden were restructured during the year. Two power cable companies in the U.S. were sold and operations there have been concentrated on telecommunications cable, including optical cables and certain specialty cables. The year 1984 marked a breakthrough for fiber optical cable and Ericsson has received substantial contracts for deliveries of cable of this type to be used, among other applications, in the new long distance networks being constructed in the U.S.

Defense Systems

The Swedish Armed Forces are the most important customer for the Defense Systems Business Area but sales to other countries are increasing in relative importance. A number of significant international orders were received during the year, including contracts for command and control systems to be used in Singapore and simulator equipment for the training of civil aviation flight controllers in West Germany.

Radio Communications

The Radio Communications Business Area recorded additional successes in the field of mobile telephony (cellular radio), and sales in this sector nearly doubled. Ericsson has now received contracts to supply equipment for mobile telephone networks in 16 countries, including the United States, Canada and Great Britain, and holds a leading position with respect to technical development in this area.

In the field of mobile radio systems, certain large contracts involved costs for technical programs and project work that were higher than estimated. Ericsson's operations in this sector in the future will be concentrated on more advanced systems of a standard type, a field in which Ericsson's know-how in integrating telecommunications technology, radio communications and data processing technology can be utilized.

Network engineering and construction

Ericsson's operations in the field of network engineering and construction were concentrated in the Middle East and Far East. During 1984 Ericsson, in association with a local telecommunications installation company, formed a joint venture in Malaysia which received a contract equivalent to SEK 2.3 billion for expansion of the Malaysian telecommunications network.

Components

The Components Business Area has an increasingly important strategic role as a developer of technology for the Company. As a result, certain long-term projects have to be assigned priority at the expense of short-term profitability. In the longer perspective, however, the profitability requirements imposed on the Business Area are the same as those for the operating areas.

Operating results of the Business Areas are shown in the table on page 51.

Consolidated operating results

Consolidated sales increased 16 percent in 1984, of which 1.5 percent was attributable to changes in currency valuations and 1.5 percent to the sales, as planned, of inventories of leasing equipment in the Information Systems Business Area in Sweden.

The increase in sales was limited during the seocond half of the year due to problems in the design and manufacture of certain new products, notably in the Information Systems and Radio Communications Business Areas. Gross margins, which had improved during the first half of the year, gradually declined during the second half and were unchanged for the full year, relative to 1983 margins. Costs of product development and marketing also rose more than planned and total administrative costs rose more than sales. As a result of the lag in invoicing, combined with the trend of administrative costs, operating income of Skr 2,203 m. was 11 percent lower than in the preceding year.

Equity in earnings, after tax, in associated companies doubled in comparison with the preceding year and amounted to Skr 131 m., due primarily to improved operating results in Ericsson do Brazil.

Minority interests in income before appropriations and taxes resulted in a loss of Skr 149 m., as against a loss of Skr 30 m. a year earlier. The program in the U.S. market, which was intensified during 1984, resulted in a reported loss on operations in Ericsson, Inc. The Company's share of this loss was Skr 353 m., compared with the loss of Skr 225 m. in 1983. The 1984 figure includes a loss of U.S.$22.3 m. on the sale of two cable companies and other write-downs amounting to U.S.$9 m. Excluding these nonrecurring losses, Ericsson, Inc.'s operating results, calculated in dollars, improved slightly, compared with 1983 results.

The problems basically responsible for the decline in income in 1984 are being dealt with. It is expected that the measures taken will gradually improve consolidated income and become fully effective during the latter part of the year.

Financing

The delivery situation improved gradually during the fourth quarter but, despite this, in contrast to prior years, there was a further increase in inventories up to the end of the year. As a result of the very large deliveries during the last part of the year, there was a sharp increase in customer receivables during the year-end period. The abnormally high level of working capital at year-end contributed substantially to a decline in the Company's equity/assets ratio.

If, in calculating the consolidated equity ratio, half of the untaxed reserves are treated as a deferred tax liability while the other half is treated as equity, a solidity figure of 27.0 (31.4) percent is obtained. From a financial viewpoint, there is no valid cause to consider that there is a deferred tax liability in untaxed reserves, since there is no reason to assume that these reserves will be subject to taxation within a reasonable period. Excluding consideration of deferred tax liability, the Company's equity ratio amounts to 33.7 (38.5) percent.

As part of the long-term financing of Ericsson's expansion, the Parent Company issued a 20-year bond loan in the amount of Skr 500 m. with a four-year fixed rate of interest of 11.55 percent, and also negotiated a five-year loan in the amount of 10 million Kuwaiti dinars at a fixed rate of interest.

In addition, access to financing in other markets was assured through a five-year agreement with a consortium of leading international bankers covering a Revolving Underwriting Facility (RUF) of $100 million in the Eurodollar market, and through the introduction of a program for the issuance of $100 million in commercial paper in the United States.

Following the close of the fiscal year, the Parent Company issued a three-year, 10.375-percent loan in the amount of $100 million in the Euromarket, to be repaid in full in February, 1988. The Parent Company will also issue corporate certificates in the Swedish market within the framework of a program totaling Skr 500 million.

At the beginning of 1984 the U.S.$76.3 million remaining from the proceeds of the special issue of shares in the American market was allocated for the consolidation of loans and for investments within the Company. The last allocations were made in January, 1985.

With the primary purpose of supporting Ericsson's increasing sales in the private market, financing arrangements have been handled by the subsidiary AB LM Ericsson Finans. Outside Sweden, Ericsson now has wholly owned finance companies in Denmark, England and Australia. In Holland, France and West Germany, finance companies have been established in association with local partners.

Investments

Consolidated investments in buildings, machinery and equipment amounted to Skr 2,192 m. (Skr 1,714 m.). Investments in Sweden totaled Skr 1,129 m. (Skr 932 m.); in Italy, Skr 130 m. (Skr 138 m.); and in the United States, Skr 192 m. (Skr 85 m.).

Research and development

Costs of research and development not related to customer contracts amounted in 1984 to Skr 2,355 m., equal to 8 percent of sales.

Personnel

	December 31	
	1984	1983
Sweden		
Parent Company	16,882	15,704
Other companies	20,576	18,839
	37,458	34,543
Europe (excluding Sweden)	20,310	20,185
North America	3,750	3,541
Latin America	10,605	10,076
Other countries	2,993	2,438
Total	75,116	70,783

Supplementary information on the average number of employees and on wages, salaries and other remuneration appears in a note to the financial statements.

Structural changes

Ericsson, Inc., in the United States, sold two of its American cable companies. Ericsson Security and Tele Systems AB sold its alarm equipment operations to a Swiss company. Operations of the Network Engineering and Construction Business Area that were formerly conducted within the Parent Company were transferred to two new companies, Ericsson Network Engineering AB and Ericsson Signal Systems AB. The data processing department within the Parent Company was reorganized as a company, LM Ericsson Data Services AB. ZätaTryckerierna AB, a printing company included in the acquisition of the Facit group, was sold. Ericsson Radio Systems Sverige AB was formed to market products of the Radio Communications Business Area in Sweden.

Forty percent of the shareholding in Thorsman & Co AB was sold in connection with the introduction of this company on the "waiting list" of the Stockholm Stock Exchange. The shares of the Italian subsidiary FIAR were listed on a local stock exchange. The name of Sieverts Kabelverk AB was changed to Ericsson Cables AB.

Proposed distribution of earnings in the Parent Company

In addition to a General reserve of Skr 100 m., the sum of Skr 500,992,000 is available for distribution by the stockholders at the Annual General Meeting. The Board of Directors and the President propose that these unappropriated earnings be distributed as follows:

To	stockholders duly registered on the record date, a dividend of Skr 9.00 per share Skr	332,561,000
To	be retained in the business Skr	168,431,000
		Skr 500,992,000

Stockholm, March, 1985

HANS WERTHÉN JAN WALLANDER PETER WALLENBERG

TORSTEN BENGTSON LENNART DAHLSTRÖM PAUL KVAMME

PER LINDBERG SVEN OLVING STEN RUDHOLM SVEN ÅGRUP

BJÖRN SVEDBERG
President

Consolidated Income Statement

In millions of kronor
(except per share amounts)

Years ended December 31		1984	1983	1982
Net sales		29,378.3	25,244.2	19,469.5
Cost of sales (exclusive of depreciation shown separately below)		16,070.3	13,806.5	10,916.9
		13,308.0	11,437.7	8,552.6
Other operating revenues	note 1	321.6	531.9	585.7
		13,629.6	11,969.6	9,138.3
Selling, research and development, general and administrative expenses		10,387.2	8,561.5	6,523.6
Depreciation	note 2	1,039.4	944.6	773.5
Operating income after depreciation		2,203.0	2,463.5	1,841.2
Financial income	note 3	1,062.1	1,031.5	839.4
Financial expenses	note 3	1,976.0	1,833.0	1,788.4
Income after financial income and expenses		1,289.1	1,662.0	892.2
Equity in earnings (after taxes) of associated companies		130.8	66.3	147.4
Minority interest in income before appropriations and taxes		+149.4	+29.9	+309.9
Income before appropriations and taxes		1,569.3	1,758.2	1,349.5
Appropriations to untaxed reserves				
Depreciation in excess of normal depreciation	note 2	237.1	77.2	26.8
Appropriations to other untaxed reserves	note 4	497.0	657.4	431.9
Minority interest in appropriations		+51.7	+27.1	−47.8
		682.4	707.5	506.5
Income before taxes		886.9	1,050.7	843.0
Income taxes	note 4	524.5	607.2	508.5
Minority interest in taxes		+81.9	+66.6	+33.2
Net income		444.3	510.1	367.7
Adjusted net income per share	note 5			
– after actual taxes paid		30.54	34.46	25.05
– after actual and estimated deferred taxes		19.99	22.05	17.13

Consolidated Balance Sheet

In millions of kronor

December 31		1984	1983*
Assets			
Current assets			
Cash and short-term cash investments		3,832.9	3,026.1
Notes and accounts receivable – trade (less allowance for doubtful accounts, Skr 179.6 at December 31, 1984 and Skr 116.4 at December 31, 1983)	note 6	10,912.5	8,610.9
Inventories (less advance and progress payments, Skr 1,240.9 at December 31, 1984 and Skr 1,335.4 at December 31, 1983)		9,690.0	7,458.5
Other current assets	note 7	2,732.7	2,187.9
		27,168.1	21,283.4
Deposits related to untaxed reserves	note 4	82.2	66.0
Investments and other noncurrent assets			
Notes and accounts receivable – trade	note 6	673.7	943.4
Investments in associated companies, at equity	note 8	975.1	896.4
Other investments, at cost	note 8	285.9	334.3
Other noncurrent assets	note 9	1,303.1	906.7
		3,237.8	3,080.8
Property, plant and equipment	note 10		
Cost		11,357.5	10,366.6
Accumulated normal depreciation		4,858.7	4,623.1
		6,498.8	5,743.5
Revaluation adjustments, net of accumulated normal depreciation		644.8	432.1
		7,143.6	6,175.6
Assets Pledged as Collateral — 1984: 2,618.2; 1983: 2,864.7	note 17		
Total assets		37,631.7	30,605.8

* As previously published except reclassification of receivables from associated companies.

December 31		1984	1983
Liabilities and stockholders' equity			
Current liabilities			
Accounts payable – trade		2,813.3	1,940.3
Advances from customers		2,296.4	1,899.1
Accrued taxes		544.4	554.1
Short-term borrowings	note 11	6,089.9	2,337.2
Current maturities of long-term debt	note 13	641.4	881.7
Other current liabilities	note 12	4,916.0	4,548.6
		17,301.4	12,161.0
Long-term liabilities			
Debentures (net of unrealized losses on foreign exchange, Skr 128.0 at December 31, 1984 and Skr 129.4 at December 31, 1983)	note 13	1,238.5	810.0
Convertible debentures	note 14	192.1	197.9
Pension liabilities	note 15	2,642.8	2,436.5
Other long-term liabilities	note 13	3,584.2	3,228.9
		7,657.6	6,673.3
Untaxed reserves			
Reserve for accounts receivable, investments and guarantees	note 4	1,073.8	908.3
Inventory reserve	note 4	2,114.7	2,201.0
Reserve for future capital expenditures	note 4	745.1	328.0
Accumulated depreciation in excess of normal depreciation	note 10	1,096.7	895.6
		5,030.3	4,332.9
Minority interest in equity of consolidated subsidiaries		1,082.8	1,219.5
Stockholders' equity	note 16		
Capital stock		1,845.2	1,843.2
Reserves not available for distribution		3,850.7	3,469.8
Cumulative translation adjustments		181.7	164.7
		5,877.6	5,477.7
Retained earnings		682.0	741.4
		6,559.6	6,219.1
Contingent Liabilities 1984: 5,180.9 1983: 3,210.2	note 18		
Total liabilities and stockholders' equity		37,631.7	30,605.8

Statements of Changes in Financial Position

In millions of kronor

Years ended December 31	Consolidated 1984	Consolidated 1983*	Consolidated 1982*	Parent Company 1984	Parent Company 1983*	Parent Company 1982*
Cash – January 1	3,026.1	2,797.3	2,322.6	2,082.2	2,078.0	1,595.2
Cash provided by operations						
Net income	444.3	510.1	367.7	390.8	335.1	251.2
Minority interest in net income	–283.1	–123.6	–295.3	–	–	–
Normal depreciation	1,039.4	944.6	773.5	227.4	211.2	205.7
Gains(–)/losses(+) on sale of property, plant and equipment	146.5	27.3	–100.7	42.7	9.2	–
Increase(–)/decrease(+) in bank deposits related to untaxed reserves	–16.2	–11.7	20.0	2.2	1.9	3.7
Appropriations to untaxed reserves and contributions to subsidiary companies	734.1	734.6	458.7	927.5	881.9	811.0
	2,065.0	2,081.3	1,223.9	1,590.6	1,439.3	1,271.6
Translation adjustments not affecting income statement	22.6	–26.7	184.7	–	–	–
Sale of property, plant and equipment	361.0	372.1	370.2	137.0	73.9	9.7
	383.6	345.4	554.9	137.0	73.9	9.7
Changes in working capital (excl. cash)						
Notes and accounts receivable – trade	–2,301.6	–2,387.9	–1,233.9	–1,619.9	–930.8	–324.7
Inventories	–2,231.5	–856.5	–367.0	–320.0	215.4	–281.1
Other current assets	–544.8	–804.2	–202.2	27.9	–120.2	163.0
Current liabilities, noninterest-bearing	1,669.4	2,058.0	1,386.9	–391.4	476.5	823.3
	–3,408.5	–1,990.6	–416.2	–2,303.4	–359.1	380.5
Changes in other assets						
Additions to property, plant and equipment	–2,191.6	–1,714.5	–1,697.0	–474.0	–324.1	–399.3
Translation adjustments in property, plant and equipment	–45.0	11.6	–220.0	–	–	–
Investments, net	–78.7	–230.0	–187.3	–111.2	–861.5	–420.7
Decrease in other noncurrent assets	–78.3	8.8	–358.1	–247.2	–167.5	17.5
	–2,393.6	–1,924.1	–2,462.4	–832.4	–1,353.1	–802.5
Contributions to subsidiary companies	–	–	–	–411.4	–845.3	–406.3
Dividends paid	–345.7	–256.6	–221.9	–331.8	–245.1	–212.4
Cash provided by external financing						
Increase in short-term liabilities	3,471.0	326.8	714.9	2,358.2	–339.3	289.4
Increase in long-term liabilities	984.3	–556.5	846.6	392.0	–188.2	–47.2
Stock issue	–	1,793.8	–	–	1,793.8	–
Conversion of debentures	5.9	27.3	–	5.9	27.3	–
Additional capital contributed by minority	44.8	382.0	234.9	–	–	–
	4,506.0	1,973.4	1,796.4	2,756.1	1,293.6	242.2
Cash – December 31	3,832.9	3,026.1	2,797.3	2,686.9	2,082.2	2,078.0

* As previously published except reclassification of interest-bearing current liabilities.

Parent Company Income Statement

In millions of kronor

Years ended December 31		1984	1983	1982
Net sales		7,909.0	6,805.5	6,478.0
Cost of sales (exclusive of depreciation shown separately below)		4,179.8	3,397.3	3,226.1
		3,729.2	3,408.2	3,251.9
Other operating revenues	note 1	458.7	432.4	446.7
		4,187.9	3,840.6	3,698.6
Selling, research and development, general and administrative expenses		2,589.9	2,221.8	2,060.6
Depreciation	note 2	227.4	211.2	205.7
Operating income after depreciation		1,370.6	1,407.6	1,432.3
Financial income	note 3	726.6	739.1	522.4
Financial expenses	note 3	624.2	659.8	552.2
Income before appropriations and taxes		1,473.0	1,486.9	1,402.5
Appropriations to untaxed reserves				
Depreciation in excess of normal depreciation	note 2	63.7	38.2	11.0
Appropriation to reserve for accounts receivable	note 4	172.5	100.9	158.9
Appropriation to inventory reserve	note 4	+42.7	+205.8	−200.0
Appropriation to other untaxed reserves	note 4	322,6	103.3	34.8
		516.1	36.6	404.7
Contributions to subsidiary companies		411,4	845.3	406.3
Income before taxes		545.5	605.0	591.5
Income taxes		154.7	269.9	340.3
Net income		390.8	335.1	251.2

Parent Company Balance Sheet

In millions of kronor

December 31		1984	1983
Assets			
Current assets			
Cash and short-term cash investments		2,686.9	2,082.2
Notes and accounts receivable – trade	note 6		
Subsidiary companies		2,550.6	852.2
Other (less allowance for doubtful accounts, Skr 15.1 at December 31, 1984 and Skr 7.6 at December 31, 1983)		2,604.3	2,682.8
Inventories (less advance and progress payments, Skr 66.7 at December 31, 1984 and Skr 77.0) at December 31, 1983)		2,234.4	1,914.4
Other current assets	note 7	538.7	566.6
		10,614.9	8,098.2
Deposits related to untaxed reserves	note 4	28.2	30.4
Investments and other noncurrent assets			
Notes and accounts receivable – trade	note 6		
Subsidiary companies		30.5	51.5
Other		285.4	298.6
Other accounts receivable			
Subsidiary companies		312.2	226.8
Associated companies		0.3	3.0
Investments, at cost	note 8		
Subsidiary companies		2,734.3	2,621.2
Associated companies		215.9	226.2
Other investments		39.2	30.8
Other noncurrent assets		633.4	434.7
		4,251.2	3,892.8
Property, plant and equipment	note 10		
Cost		2,635.2	2,430.2
Accumulated normal depreciation		1,195.2	1,067.5
		1,440.0	1,362.7
Revaluation adjustments, net of accumulated normal depreciation		321.1	338.9
		1,761.1	1,701.6
Assets Pledged as Collateral 1984: 845.2; 1983: 1,050.0	note 17		
Total assets		16,655.4	13,723.0

December 31		1984	1983
Liabilities and stockholders' equity			
Current liabilities			
Accounts payable – trade		589.9	399.7
Advances from customers		525.7	518.4
Accrued taxes		103.3	208.8
Short-term borrowings		2,355.2	24.3
Current maturities of long-term debt	note 13	161.7	148.3
Accounts payable to subsidiary companies		1,041.5	1,146.1
Other current liabilities	note 12	1,320.1	1,685.0
		6,097.4	4,130.6
Long-term liabilities			
Debentures (net of unrealized losses on foreign exchange, Skr 128.0 at December 31, 1984 and Skr 129.4 at December 31, 1983)	note 13	1,205.6	794.0
Convertible debentures	note 14	192.1	197.9
Pension liabilities	note 15	946.9	861.7
Payables to subsidiary companies		41.0	150.3
Other long-term liabilities	note 13	620.8	610.5
		3,006.4	2,614.4
Untaxed reserves			
Reserve for accounts receivable and guarantees	note 4	864.5	691.9
Inventory reserve	note 4	1,127.1	1,169.8
Reserve for future capital expenditures	note 4	307.7	62.3
Compulsory reserve for future capital expenditures	note 4	226.7	149.5
Accumulated depreciation in excess of normal depreciation	note 10	407.8	351.6
		2,933.8	2,425.1
Stockholders' equity	note 16		
Capital stock		1,845.2	1,843.2
Reserves not available for distribution		2,171.6	2,167.7
		4,016.8	4,010.9
General reserve		100.0	100.0
Retained earnings		110.2	106.9
Net income		390.8	335.1
		4,617.8	4,552.9
Contingent Liabilities 1984: 1,838.6; 1983: 1,264.5	note 18		
Total liabilities and stockholders' equity		16,655.4	13,723.0

Notes to the Financial Statements

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 Cooperation and Development (OECD). The Company also follows the guidelines relative to multinational companies and the labor market developed by the International Labor Organization (ILO), the United Nations organization dealing with labor matters.

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

Accounting Policies
The consolidated financial statements of Telefonaktiebolaget LM Ericsson and its subsidiaries (the "Company") have been prepared in accordance with accounting principles generally accepted in Sweden. These accounting principles differ in certain important respects from accounting principles generally accepted in the United States. For a description of the differences and the approximate related effect on the consolidated financial statements, see Note 20.

(a) Principles of Consolidation
The consolidated financial statements include the accounts of the Parent Company and all of its subsidiary companies. All significant intercompany transactions have been eliminated.

The consolidated financial statements have been prepared in accordance with the purchase method, whereby consolidated stockholders' equity includes equity in subsidiary and associated companies arising only following their acquisition.

Material investments in associated companies and a joint venture (see Note 19) in which the Company's voting stock interest is at least 20 % but not over 50 % are accounted for on the equity basis. Immaterial investments in associated companies, accounted for as other investments, and all other investments are carried at the lower of cost or net realizable value.

Material investments in associated companies are shown at equity after adjustments for unrealized intercompany profits and unamortized goodwill or negative goodwill (see (b) below). In determining the equity of associated companies, untaxed reserves are added back to equity after provision for deferred taxes.

Companies acquired during the year are generally shown as if they had been subsidiary companies during the full year. The portion of income relating to the period prior to acquisition is included in "Minority interest in income before appropriations and taxes".

(b) Goodwill and Negative Goodwill
Goodwill (excess of cost over net assets of acquired companies) and negative goodwill (excess of net assets acquired over cost) are amortized over a ten-year period except for negative goodwill which originated from the acquisition of the interest in Anaconda-Ericsson, Inc. (now Ericsson, Inc.), which has been utilized to cover research and development costs and start-up costs during 1981–1983 of the communications division of that company, with the remainder being credited to income in equal amounts over seven years starting in 1984.

(c) Sales recognition
Sales are recorded upon shipment of products and represent amounts realized, excluding value added tax, and are net of goods returned, trade discounts and allowances.

Income from certain long-term 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, a provision is made for estimated losses.

(d) Translation of Amounts in Foreign Currency
As from January 1, 1983, the Company applies, for the translation to Swedish kronor of foreign subsidiary and associated companies' financial statements the Statement of Financial Accounting Standards No. 52 issued by the Financial Accounting Standards Board of the United States (SFAS 52). The financial statements of 1982 have been restated in accordance with this Statement.

For many subsidiary and associated companies, generally those with manufacturing operations, located in Western Europe, the United States, Australia, Malaysia and Venezuela, the currency in which those companies primarily generate and expend cash is their functional (business) currency. Their assets and liabilities are translated to Swedish kronor at year-end exchange rates. Income and expense items are translated at average rates of exchange prevailing during the year. The resulting translation adjustments are accumulated under stockholders' equity.

The financial statements of all subsidiary and associated companies operating in highly inflationary economies and companies generally without manufacturing operations having such close relations with the Swedish operations that their functional currency is considered to be the Swedish krona, have been included in the consolidated financial statements to give approximately the same results as if their activities had been carried out in a Swedish enterprise. The adjustments arising from the remeasurement of these subsidiary and associated companies' financial statements are included in the determination of net income. Both these adjustments and the gains and losses on foreign currency transactions are recorded as "Gains and losses on foreign exchange".

Gains and losses on foreign exchange are divided into operational and financial gains and losses on foreign exchange. Net operational losses on foreign exchange, mainly related to accounts receivable and payable and advances from customers, are included in cost of sales.

Net financial losses on foreign exchange are included in financial expenses (see Note 3).

Sale amounts under contracts for which Ericsson has entered into forward exchange contracts are translated to Swedish kronor at the rate of the forward exchange contracts.

Receivables of the Parent Company in foreign currencies – principally U.S. dollars – which fall due in 1985 have been translated at year-end exchange rates, while those which fall due in 1986 and later years have been translated at historical rates. At December 31, 1984, an unrealized gain on foreign exchange in the amount of Skr 241.4 million had accrued relating to the receivables falling due in 1986 and later years (at December 31, 1983 Skr 197.8 million relating to receivables falling due in 1985 and later years).

Parent Company loans in foreign currencies which fall due for repayment in 1985 have been stated at year-end exchange rates. Loan installments covered by forward exchange contracts have been stated at the commitment rate. For loans falling due in 1986 and later years, a plan has been prepared for the amortization of unrealized exchange losses, based on year-end exchange rates and the maturities of the loans. The loans are shown at year-end exchange rates, less unamortized exchange losses in accordance with the amortization plan.

At December 31, 1984, the unamortized exchange losses amounted to Skr 144.0 million (Skr 155.6 million at December 31, 1983).

The rates of forward exchange contracts are used for valuing assets and liabilities covered by such contracts.

For translation of convertible debentures, see Note 14.

(e) Research and Development Costs
Research and development costs are expensed as incurred.

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

Intercompany profits that were not realized through the sale of goods to customers have been eliminated even in respect of associated companies which are accounted for by the equity method.

(g) Taxes and Untaxed Reserves
In accordance with accounting principles generally accepted in Sweden, no provision has been made for deferred taxes, except in certain foreign subsidiaries (see Note 4).

The Company is allowed to claim tax deductions by developing appropriations and accumulating them in accounts for untaxed reserves; such amounts are taxed only when the untaxed reserves are reduced. For additional information on untaxed reserves, see Note 4.

(h) Leases
Revenue from noncancellable lease contracts are generally accounted for under the operating method whereby revenues are recorded as earned over the lease term and the related costs are amortized over the rental equipment life. Service revenues are recognized pro rata over contractual periods or as services are performed.

(i) Property, Plant and Equipment
Property, plant and equipment are stated at cost except for revaluation adjustments of certain land and buildings. The revaluation adjustments are allowed under certain circumstances in accordance with accounting principles generally accepted in Sweden and in certain other countries.

(j) Depreciation
The Company normally claims the maximum depreciation deduction allowable for tax purposes, using accelerated techniques applicable in various countries, thus minimizing the use of corporate funds for tax payments.

The annual depreciation is reported on two levels of the income statement: (1) normal depreciation, generally on the straight-line method, using estimated useful lives of 40 years on buildings, 25 years on telephone plants, 20 years on land improvements, 5 to 10 years on machinery and equipment, and up to 5 years on rental equipment, which is reported as an operating expense, and (2) depreciation in excess of normal depreciation which is reported under Appropriations to untaxed reserves.

(k) Net Income per Share
Net income per share is based upon the average weighted number of common shares outstanding during each year. The conversion of all convertible debentures would not result in a material dilution.

The calculation of net income per share is not based on reported net income, the amount of which is influenced by appropriations deductible for tax purposes, but on income before appropriations and taxes less either of the following:

(1) Actual taxes paid as reported.

(2) Actual taxes paid as reported and less deferred taxes determined as an estimated tax on appropriations to untaxed reserves, which tax is adjusted for minority interests.

The effect of these methods is that two amounts of income per share are shown:

(1) Adjusted net income per share after actual taxes paid.

(2) Adjusted net income per share after actual and estimated deferred taxes.

For reference to income per share in accordance with accounting principles generally accepted in the United States, see Note 20.

Note 1

Other Operating Revenues	*Consolidated* 1984	1983	1982	*Parent Company* 1984	1983	1982
	(in millions)					
Gains/losses on sales of property, plant and equipment	−146.5	−27.3	100.7	–	–	–
Gains on sales of investments	172.9	–	–	–	–	–
Commissions, license fees and other operating revenues	295.2	559.2	485.0	458.7	432.4	446.7
	321.6	531.9	585.7	458.7	432.4	446.7

Note 2

Depreciation	*Consolidated* 1984	1983	1982	*Parent Company* 1984	1983	1982
Total depreciation	*(in millions)*					
Land improvements	1.3	1.7	1.5	0.3	0.5	0.4
Buildings	110.9	119.0	99.4	39.4	40.6	29.4
Telephone plants	39.3	36.8	28.9	–	–	–
Machinery and equipment	1,165.7	885.4	681.2	275.1	207.9	174.1
Revaluation adjustments	58.0	18.8	19.1	15.7	15.8	12.8
	1,375.2	1,061.7	830.1	330.5	264.8	216.7
Less – Depreciation in excess of normal depreciation related to assets sold	98.7	39.9	29.8	39.4	15.4	–
	1,276.5	1,021.8	800.3	291.1	249.4	216.7
Normal depreciation						
Land improvements	2.6	2.3	2.0	0.8	0.8	0.8
Buildings	72.8	75.3	63.1	22.6	23.5	25.0
Telephone plants	37.7	34.1	28.4	–	–	–
Machinery and equipment	868.3	814.1	660.9	188.3	171.1	167.1
Revaluation adjustments	58.0	18.8	19.1	15.7	15.8	12.8
	1,039.4	944.6	773.5	227.4	211.2	205.7
Depreciation in excess of normal depreciation	237.1	77.2	26.8	63.7	38.2	11.0

Note 3

Financial Income and Expenses	*Consolidated* 1984	1983	1982	*Parent Company* 1984	1983	1982
Financial Income	*(in millions)*					
Dividends from subsidiaries	–	–	–	101.9	168.5	73.4
Dividends from others	–	8.7	6.9	26.9	23.4	25.6
Interest income	1,062.1	1,022.8	832.5	483.3	510.5	423.4
Gains on sales of investments	–	–	–	97.8	36.7	–
Gains and losses on foreign exchange	–	–	–	16.7	–	–
	1,062.1	1,031.5	839.4	726.6	739.1	522.4
Financial expenses						
Interest expenses	2,237.7	1,908.0	1,480.8	604.2	598.8	388.8
Gains and losses on foreign exchange, net	−306.5	−105.4	243.5	–	28.9	151.5
Other financial expenses	44.8	30.4	64.1	20.0	32.1	11.9
	1,976.0	1,833.0	1,788.4	624.2	659.8	552.2

Note 4

Income Taxes, Appropriations and Untaxed Reserves
This note provides additional information on the following items: Income taxes, Appropriations, Deposits related to untaxed reserves and Untaxed reserves.

Income Taxes
As explained under Accounting Policies (g), the Company has not, in accordance with accounting principles generally accepted in Sweden, provided for deferred income taxes. However, when foreign subsidiar-

ies provide for deferred income taxes, such provisions are maintained on consolidation.

Under tax regulations in Sweden, the Company is allowed to claim tax deductions by developing appropriations to certain reserves, and the provision for income taxes is determined by taking such tax relief into account. The nature of, and the conditions for maintaining, the untaxed reserves are described briefly below.

The effective tax rate, based on income before minority interest, appropriations and taxes for the years ended December 31, 1984, 1983 and 1982, was 36.9 %, 35.1 % and 48.9 %, respectively.

In Sweden, the national income tax has been reduced in 1984 from 40 percent to 32 percent. At the same time, however, the amount of the inventory reserve has been limited to 50 percent instead of 60 percent of the inventory value. In 1985, the municipal tax is abolished for Swedish limited companies, and at the same time the national tax rate is increased from 32 percent to 52 percent. (For further information see below, Appropriations and Untaxed Reserves).

Since the local income tax in Sweden, which is about 30 percent on an average, is deductible with one year's time lag in determining the base for the national income tax, the expected tax rate in Sweden for 1984 is approximately 52 percent (as against approximately 58 percent for the years ended December 31, 1983 and 1982). The principal reasons for the difference between the expected statutory tax rate and the effective tax rate in relation to the income before minority interest, appropriations and tax expense are outlined below (percent):

	1984	*1983*	*1982*
Statutory tax rate in Sweden	52.0	58.0	58.0
Tax-free or partly tax-free capital gains	−3.6	−0.4	−5.8
Appropriations to untaxed reserves	−34.6	−26.3	−25.7
Miscellaneous Swedish tax deductions	−2.6	−6.3	−8.3
Temporary profit tax	–	3.4	–
Difference in effective tax rate of international subsidiaries	−16.7	−10.5	7.9
Foreign subsidiary losses at present not deductible	44.6	32.8	52.1
Equity in earnings of associated companies (included net of tax)	−4.4	−1.6	−9.3
Gains on translation of foreign subsidiary financial statements (not subject to taxation)	−5.2	−13.1	−14.4
Tax on intercompany profits eliminated in consolidation	5.8	2.8	1.7
Utilization of tax loss carry-forwards	−2.9	−5.0	−9.9
Depreciation of revaluation adjustments including effect on sale	3.3	0.6	1.1
Other	1.2	0.7	1.5
Effective worldwide tax rate	36.9	35.1	48.9

Certain subsidiaries at December 31, 1984 had tax loss carry-forwards, that can be utilized to reduce future taxable income, amounting to approximately Skr 2,061.4 million. Such loss carry-forwards expire as follows (in millions).

Year of expiration	*Amount*
1985	83.4
1986	7.6
1987	13.6
1988	14.8
1989	14.8
1990	23.4
1991	52.9
1992	14.9
1993	20.4
1994 or later	1,815.6
	2,061.4

In addition, the Parent Company had at Decemer 31, 1984 unutilized tax deduction benefits related to its dividend payments. The benefits may be utilized during a period ending on December 31, 2004. According to Swedish law, deductions are allowed in determining taxable income, provided that a certain dividend level is attained. If the dividend paid by the Parent Company for the year 1984 is applied to the unutilized benefits on December 31, 1984, an amount of Skr 361 million may be deducted in determining taxable income during the period ending on December 31, 2004.

Profit sharing tax

Profit sharing tax, a new corporate tax in Sweden, is levied for the first time in 1984. The tax, borne by legal entities individually, is based on nominal income readjusted to income in real terms. Thus, in determining the profit sharing base, the rate of inflation is taken into account. The tax is 20 percent of the profit sharing base, and the tax is deductible the following year in determining both the corporate income tax and the profit sharing tax.

Appropriations and Untaxed Reserves

The reserve for accounts receivable, investments and guarantees principally represents appropriations based on receivables, investments and guarantees.

Appropriations to the inventory reserves are, within specified limits, deductible for tax purposes. As from 1984, the inventory reserve may amount to 50 percent of the inventory value, determined according to the first-in, first-out (FIFO) method. Prior to 1984, the limit was 60 percent. To the extent that the inventory reserve is released, it becomes taxable income. At the same time as the inventory reserve was limited, in 1984, to 50 percent of the inventory value, the national company tax was reduced from 40 to 32 percent of taxable income.

Swedish corporations are entitled to appropriate up to half of the year's income determined under special rules to a Reserve for future capital expenditures. Such appropriations are deductible for tax purposes, but as from 1984 75 percent (earlier 50 percent) of the appropriation amount 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. When permission to utilize the reserve has been granted by the authorities, the reserve may be utilized and the proportional amount placed on deposit may be withdrawn. When the approved capital expenditures have been made, the cost of the assets, to the extent covered by amounts from the reserve for future capital expenditures, may be written down by a transfer from the reserve.

In 1980, legislation was adopted in Sweden requiring a compulsory deposit in a non-interest-bearing account with the Bank of Sweden of 25 percent of a company's income for 1980, determined in the same manner as for the appropriation to the Reserve for future capital expenditures. A corresponding amount was appropriated to a Compulsory Reserve for future capital expenditures and was deductible for tax purposes. The employees must be given the opportunity to comment on any application to utilize the Reserve. Permission may be granted for the same purposes as applicable to the Reserve for future capital expenditures.

A similar temporary regulation was adopted in Sweden relating to income for 1983 and 1984. However, the rate of the compulsory deposit and appropriation in this instance was limited to 20 percent of the income determined in the same manner as for the appropriation to the Reserve for future capital expenditures.

On sale of properties used in ordinary operations, Swedish companies may make appropriations to a Property replacement reserve by an amount equal to the taxable gain on the sale. The appropriation is allowed as a deduction for tax purposes. A bank guarantee shall be provided covering the taxes which may become payable if amounts are withdrawn from the Reserve. The purpose of the Property replacement Reserve is to utilize it for the acquisition of another Property for use in operations or for the construction of a new building or additions to or reconstruction of an existing building used in operations.

Appropriations to Other Untaxed Reserves

	Consolidated		
	1984	*1983*	*1982*
	(in millions)		
Appropriations to Reserves for receivables, investments and guarantees	165.4	179.8	179.0
Appropriations to Inventory reserves	−86.1	304.9	244.1
Appropriations to Reserves for future capital expenditures, net	417.7	172.7	8.8
	497.0	657.4	431.9

Changes in Reserves for Future Capital Expenditures

	Consolidated 1984	Consolidated 1983	Consolidated 1982	Parent Company 1984	Parent Company 1983	Parent Company 1982
Appropriations to Reserves			(in millions)			
Reserve for future capital expenditures	328.9	46.0	87.2	289.6	–	50.0
Compulsory reserve for capital expenditures	154.5	193.6	–	210.8	149.5	–
	483.4	239.6	87.2	500.4	149.5	50.0
Transfers from Reserves						
Reserve for future capital expenditures	22.1	66.5	44.1	155.1	31.6	13.8
Reserve for future capital expenditures transferred to Swedish subsidiaries	–	–	–	22.7	8.2	–
Compulsory reserve for future capital expenditures, investments	43.6	0.4	13.5	–	6.4	–
Compulsory reserve for future capital expenditures, transferred to taxable income	–	–	19.4	–	–	–
Reserve for environmental improvements	–	–	1.4	–	–	1.4
	65.7	66.9	78.4	177.8	46.2	15.2
Net appropriations	417.7	172.7	8.8	322.6	103.3	34.8

Bank Deposits Related to Untaxed Reserves

	Consolidated December 31 1984	Consolidated December 31 1983	Parent Company December 31 1984	Parent Company December 31 1983
		(in millions)		
Reserve for future capital expenditures	76.1	48.1	28.2	30.4
Compulsory reserve for future capital expenditures	–	0.6	–	–
Other deposits	6.1	17.3	–	–
	82.2	66.0	28.2	30.4

Note 5

Adjusted Net Income per Share (Skr millions except per-share amounts)

	Consolidated 1984	Consolidated 1983	Consolidated 1982
Income before appropriations and taxes	1,569.3	1,758.2	1,349.5
Actual income taxes paid as reported	–524.5	–607.2	–508.5
Minority interest in taxes paid*	+81.9	+66.6	–22.4
Adjusted net income (after actual taxes paid)	1,126.7	1,217.6	818.6
Per share	30.54	34.46	25.05

* In 1982, also including minority interest in intercompany contributions.

	Consolidated 1984	Consolidated 1983	Consolidated 1982
Adjusted net income (after actual taxes paid)	1,126.7	1,217.6	818.6
Estimated deferred taxes on appropriations	–407.3	–454.6	–262.3
Minority interest	+18.1	+16.0	+3.6
Adjusted net income (after actual and estimated deferred taxes)	737.5	779.0	559.9
Per share	19.99	22.05	17.13

Weighted average number of shares outstanding:
1984 – 36,898,591
1983 – 35,330,601
1982 – 32,682,746

Note 6

Notes and Accounts Receivable – Trade

	Consolidated December 31 1984	Consolidated December 31 1983	Parent Company December 31 1984	Parent Company December 31 1983
Due within 12 months		(in millions)		
Subsidiary companies				
Accounts receivable	–	–	2,442.6	775.2
Notes receivable	–	–	108.0	77.0
	–	–	2,550.6	852.2
Other				
Accounts receivable	10,552.6	8,463.1	2,556.9	2,632.9
Notes receivable	359.9	147.8	47.4	49.9
	10,912.5	8.610,9	2,604.3	2,682.8
Due after 12 months				
Subsidiary companies				
Notes receivable	–	–	30.5	51.5
	–	–	30.5	51.5
Other				
Accounts receivable	673.7	943.4	285.4	298.6
	673.7	943.4	285.4	298.6

Allowance for doubtful accounts which has reduced amounts shown above includes allowance for estimated losses based on commercial risk evaluations. On the other hand, the allowance does not include provisions for potential losses of a political nature.

Note 7

Other Current Assets

	Consolidated December 31 1984	Consolidated December 31 1983	Parent Company December 31 1984	Parent Company December 31 1983
		(in millions)		
Prepaid expenses and accrued revenues	406.8	477.5	127.3	306.6
Temporary investments	709.0	114.9	–	–
Other current assets	1,616.9	1,595.5	411.4	260.0
	2,732.7	2,187.9	538.7	566.6

Note 8

Investments

The following listing shows certain shares of stock owned directly and indirectly by the Parent Company.

A complete listing of shareholdings, prepared in accordance with the Swedish Companies Act and filed with the Swedish Patent and Registration Office, may be obtained upon request to Company headquarters.

Investments at December 31, 1984
Shares directly owned by Parent Company
Subsidiaries

				Percentage of ownership		Par value in millions	Carrying value in Skr m.
Sweden	I	AutoTank AB (ATK)	*Sweden*	100	SEK	1.7	7.5
	I	Ericsson Cables AB (ECA)	*Sweden*	100	SEK	140.0	140.0
	I	Ericsson Information Systems AB (EIS)	*Sweden*	91	SEK	325.8	298.7
	I	Ericsson Radio Systems AB (ERA)	*Sweden*	100	SEK	50.0	51.6
	I	Ericsson Security and Tele Systems AB (ESS)	*Sweden*	100	SEK	30.0	29.9
	I	RIFA AB (RIF)	*Sweden*	100	SEK	58.0	48.9
	III	SRA Communications AB (SRA)	*Sweden*	100	SEK	47.3	145.1
	V	ELLEMTEL Utvecklings AB (EUA)	*Sweden*	50	SEK	5.0	6.0
		Others	*Sweden*		SEK		113.2
Europe (Excluding Sweden)	I	LM Ericsson A/S (LMD)	*Denmark*	100	DKK	90.0	73.1
	I	Oy LM Ericsson Ab (LMF)	*Finland*	100	FIM	50.0	64.9
	I	Ericsson Information Systems NV/SA (EIB)	*Belgium*	23*	BEF	45.0	6.6
	I	RIFA S.A. (RFF)	*France*	100	FRF	15.0	15.2
	I	Ericsson Telefoonmaatschappij bv (ETM)	*The Netherlands*	100	NLG	20.0	32.8
	I	Ericsson S.A. (EMS)	*Spain*	100	ESP	375.0	23.7
	I	Industrias de Telecomunicación S.A. (Intelsa) (ITS)	*Spain*	50*	ESP	1,000.0	62.6
	I	Ericsson Information Systems GmbH (EID)	*Germany*	100	DEM	50.0	110.6
	IV	Swedish Ericsson Company Ltd. (SEL)	*United Kingdom*	100	GBP	6.0	51.3
	IV	LM Ericsson Holdings Ltd. (LHI)	*Ireland*	100	IEP	1.9	13.8
	IV	SETEMER S.p.A. (STM)	*Italy*	51	ITL	10,996.1	28.2
		Other					9.2
U.S.A.	I	Ericsson, Inc. (EUS)	*United States*	50	USD	187.5	905.5
	I	Facit Inc. (FTU)	*United States*	100	USD		80.1
Latin America	II	Cía Argentina de Teléfonos S.A. (CAT)	*Argentina*	78	ARP	6.5	10.6
	II	Cía Entrerriana de Teléfonos S.A. (CET)	*Argentina*	86	ARP	1.4	8.5
	I	Cía Ericsson S.A.C.I. (CEA)	*Argentina*	100	ARP	44.9	2.6
	I	Ericsson de Colombia S.A. (EDC)	*Colombia*	92*	COP	220.9	26.9
	I	Teleindustria Ericsson S.A. (TIM)	*Mexico*	92	MXP	3,372.0	212.7
	I	Cía Anónima Ericsson (CEV)	*Venezuela*	100	VEB	10.0	10.1
		Other					14.0
Other Countries	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					27.3
						Total	2,734.3
Associated Companies	I	A/S Elektrisk Bureau (EBN)	*Norway*	25	NOK	39.8	59.0
	I	Ericsson do Brasil Comércio e Indústria S.A. (EDB)	*Brazil*	64**	BRC	32,880.3	123.5
	I	Oriental Telecommunication Company Ltd (OTK)	*Republic of Korea*	50	KRW	1,950.0	19.5
	I	Perwira Ericsson Sdn Bhd (PEM)	*Malaysia*	40	MYR	1.6	5.2
		Other					8.7
						Total	215.9
Other Investments						Total	39.2

Shares indirectly owned by the Parent Company

Subsidiaries

Sweden	I	Bofa Kabel AB (BOF)	*Sweden*	100
	I	Ericsson Information Systems Sverige AB (EIV)	*Sweden*	91
	I	Ericsson Radio Systems Sverige AB (ERS)	*Sweden*	100
	I	Facit Data Products AB (FTS)	*Sweden*	91
	I	Svenska Elgrossist AB, SELGA (SEG)	*Sweden*	67
	I	Thorsman & Co AB (TCN)	*Sweden*	60
Europe (Excluding Sweden)	I	Dansk Signal Industri A/S (DSI)	*Denmark*	100
	I	Ericsson Information Systems A/S (EIK)	*Denmark*	100
	I	Ericsson Information Systems A/S (EIO)	*Norway*	91
	I	Ericsson Information Systems GmbH (EIA)	*Austria*	91
	I	Ericsson Information Systems Ltd (EIG)	*United Kingdom*	100
	I	Ericsson Information Systems S.A. (EIF)	*France*	91
	I	Facit S.A. (FTF)	*France*	90
	I	LM Ericsson Ltd. (LMI)	*Ireland*	100
	I	A.R.E. S.p.A. (ARE)	*Italy*	35
	I	Ericsson Sistemi S.p.A. (EII)	*Italy*	51
	I	FATME S.p.A. (FAT)	*Italy*	51
	I	FIAR S.p.A. (FII)	*Italy*	38
	I	Scarfini S.p.A. (SCI)	*Italy*	51
	I	SIELTE S.p.A. (SEI)	*Italy*	51
	I	Ericsson Information Systems bv (EIN)	*The Netherlands*	90

U.S.A. and Canada	I	AutoTank Inc. (ATU)	*United States*	50
	I	Ericsson Communications Inc. (LMC)	*Canada*	50
Latin America	I	Industrias Eléctricas de Quilmes S.A. (IEQ)	*Argentina*	50
	I	Fios e Cabos Plásticos do Brasil S.A. (FCB)	*Brazil*	46
	I	Facit S.A. (FTR)	*Brazil*	91
	I	Fábricas Colombianas de Materiales Eléctricos Facomec S.A. (FAC)	*Colombia*	48
Other Countries	I	LM Ericsson Pty. Ltd. (EPA)	*Australia*	100
Associated Companies	I	AB Elektrokoppar (EKS)	*Sweden*	25
	I	Kabeldon AB (KDA)	*Sweden*	50
	I	Oy DAVA Ab (DVF)	*Finland*	36
	I	A/S Norsk Kabelfabrik (NKD)	*Norway*	25
	I	Thorn Ericsson Telecommunications Ltd. (SEE)	*United Kingdom*	49
	I	Latinoamericana de Cables S.A. de C.V. (LCM)	*Mexico*	24
	I	Pirelli Ericsson Cables Ltd. (PEA)	*Australia*	50

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 subsidiary holdings, total holdings amount to 93% of EIB, 51% of ITS and 100% of EDC.
**The voting shares total 26%.

Note 9

Other Noncurrent Assets

Other noncurrent assets includes net goodwill, net of accumulated amortization, of Skr 72 million (debit) at December 31, 1984, and Skr 61 million (debit) at December 31, 1983.

Note 10

Property, Plant and Equipment

Property, plant and equipment is recorded at cost, including freight, customs duties and construction or installation costs (including labor and related overhead). However, revaluation adjustments have been made to certain assets in accordance with accounting principles generally accepted in Sweden and in certain other countries.

Normal depreciation is based on historical cost and revaluation adjustments. Such depreciation is based on the estimated useful lives of the assets and the accumulated amounts are deducted from the value of the assets.

Total accumulated depreciation, including accelerated depreciation, in excess of the accumulated normal depreciation, is reported under Untaxed reserves in the balance sheet.

	Consolidated December 31		*Parent Company December 31*	
	1984	*1983*	*1984*	*1983*
	(in millions)			
Cost				
Land	174.5	158.1	27.7	28.1
Land improvements	61.2	57.9	21.3	20.9
Buildings	2,194.2	2,219.9	662.9	633.8
Telephone plants	902.1	879.3	–	–
Machinery and equipment	7,371.9	6,685.3	1,750.4	1,632.1
Construction in progress	653.6	366.1	172.9	115.3
	11,357.5	10,366.6	2,635.2	2,430.2
Accumulated normal depreciation				
Land improvements	18.5	18.2	8.5	7.7
Buildings	563.5	532.8	231.9	210.5
Telephone plants	319.6	281,9	–	–
Machinery and equipment	3,957.1	3,790.2	954.8	849.3
	4,858.7	4,623.1	1,195.2	1,067.5
Net carrying value	6,498.8	5,743.5	1,440.0	1,362.7

	Consolidated December 31		*Parent Company December 31*	
	1984	*1983*	*1984*	*1983*
	(in millions)			
Accumulated total depreciation				
Land improvements	41.4	40.3	16.1	15.7
Buildings	963.5*	1,019.4*	283.0*	245.6*
Telephone plants	310.0	269,9	–	–
Machinery and equipment	4,640.5	4,189.1	1,304.0	1,157.8
	5,955.4	5,518.7	1,603.1	1,419.1
Accumulated depreciation in excess of normal depreciation	1,096.7	895.6	407.9**	351.6**
* After transfer of accumulated depreciation in excess of normal depreciation to revaluation reserve of	386.3	358.9	303.3	303.3
** After transfer to subsidiaries of accumulated depreciation in excess of normal depreciation	–	–	7.5	43.4
*Revaluation adjustments**				
Land	184.9	161.3	151.3	151.5
Buildings	675.0	462.6	341.8	343.8
Machinery and equipment	106.1	–	–	–
	966.0	623.9	493.1	495.3
Less – Accumulated depreciation**				
Buildings	237.6	191.8	172.0	156.4
Machinery and equipment	83.6	–	–	–
	321.2	191.8	172.0	156.4
Net carrying value	644.8	432.1	321.1	338.9
Tax assessment values (Sweden)				
Land and land improvements	394.7	280.4	186.3	187.0
Buildings	1,206.3	1,128.3	615.2	617.4

* After revaluation adjustments of Skr 412.5 million in 1984 in subsidiaries outside Sweden, the financial statements of which have been translated at the year-end rates of exchange.
** After adjustments of Skr 107.2 million in 1984 to accumulated depreciation at January 1, 1984 in subsidiaries outside Sweden, the financial statements of which have been translated at the year-end rates of exchange.

Note 11

Short-Term Borrowings

Short-term borrowings consist of bank overdrafts, bank loans and other short-term financial loans.

Unused portion of lines of credit for the Company, amounted to Skr 3,286.2 million at December 31, 1984 and Skr 2,059.3 million at December 31, 1983.

Note 12

Other Current Liabilities

	Consolidated December 31 1984	*1983*	*Parent Company December 31 1984*	*1983*
	(in millions)			
Accrued expenses and prepaid revenues	2,763.6	1,947.3	675.3	682.0
Other	2,152.4	2,601.3	644.8	1,003.0
	4,916.0	4,548.6	1,320.1	1,685.0

Note 13

Debentures and Other Long-Term Liabilities

Debentures and other long-term liabilities, except convertible debentures and pension liabilities, include the following:

	December 31 1984	*1983*
	(in millions)	
Parent Company (excl. liabilities to subsidiary companies)		
Debentures (maturing from 1985 to 2004) bearing interest from 6.5% to 13.0% at December 31, 1984.	1,314.9	892.4
Mortgage and other collateralized loans (maturing from 1985 to 1994) bearing interest from 11.75% to 13.1% at December 31, 1984	214.7	234.7
Other long-term loans (maturing from 1985 to 1999). bearing interest from 7.3% to 13.2% at December 31, 1984	392.8	324.9
Other long-term liabilities	65.7	100.8
	1,988.1	1,552.8
Less – Current maturities	161.7	148.3
	1,826.4	1,404.5
Subsidiaries		
Mortgage and other collateralized loans (maturing from 1985 to 2017), bearing interest from 3.0% to 51.5% at December 31, 1984	1,695.0	1,962.2
Other long-term loans (maturing from 1985 to 1993) bearing interest from 3.0% to 43.6% at December 31, 1984	1,446.6	975.4
Other long-term liabilities	334.4	430.2
	3,476.0	3,367.8
Less – Current liabilities	479.7	733.4
	2,996.3	2,634.4
Total	4,822.7	4,038.9

Maturities of consolidated long-term debenture loans and other long-term loans, excluding other long-term liabilities in subsidiaries, at December 31, 1984 were as follows (in millions):

1986	916.5
1987	592.0
1988	450.9
1989	922.7
1990	544.4
1991 and thereafter through 2017	1,061.8
	4,488.3

At December 31, 1984 debentures and other long-term loans, excluding other long-term liabilities in subsidiaries, were repayable in the following currencies (in millions):

Swedish kronor	1,204.8
United States dollars	1,631.0
Mexican pesos	420.5
Italian lira	340.2
Other currencies	891.8
	4,488.3

Note 14

Convertible Debentures

In December 1981, the Company issued 15 year 9.5 % convertible debentures in the amount of U.S.$40 million. The debentures are convertible from February 16, 1982 through February 5, 1997 into fully paid B shares at a conversion price, subject to adjustment in certain cases, of Skr 226 per B share (with a fixed rate of exchange, applicable on conversion of, U.S.$1.00 = Skr 5.57875). Following the stock dividend in 1982 the conversion price was adjusted to Skr 150 per B share.

In 1984, debentures with a par value of U.S.$1.0 million were converted to shares. The number of shares outstanding thereby increased by 39,049. At December 31, 1984, U.S.$34.1 million of principal amount remained which, if converted on that date, would have increased the number of outstanding B shares by 1,266,934. The conversion of all convertible debentures would not result in a material dilution of net income per share.

Because the B shares of the Company at December 28, 1984 were quoted at Skr 253 (U.S.$28.12) on the Stockholm Stock Exchange it is, in the Company's opinion, probable that the debt will be converted. The liability has therefore been translated at the rate of exchange valid in January 1982 when the bond proceeds were collected, which rate approximates the fixed rate of exchange applicable on conversion.

Note 15

Pension Liabilities

The provision for pensions in the Parent Company includes an obligation in the amount of Skr 866.4 million at December 31, 1984 and Skr 789.6 million at December 31, 1983 in accordance with an agreement with the Pension Registration Institute (PRI).

Note 16

Stockholders' Equity

Capital Stock at December 31, 1984 consisted of the following:

	Number of shares out-standing	*Aggregate par value (Skr millions)*
A shares (par value Skr 50)	3,728,515	186.4
B shares (par value Skr 50)	33,174,957	1,658.8
	36,903,472	1,845.2

The capital stock of the Company is divided into two classes:
Class A shares (par value Skr 50) and Class B shares (par value Skr 50). Both classes have the same rights of participation in the net assets and earnings of the Company; however, Class A shares are entitled to one vote per share while Class B shares are entitled to 1/1000th of one vote per share.

Reserves not available for distribution

In accordance with statutory requirements in Sweden and certain other countries in which the Company is operating, the Parent Company and its subsidiaries and associated companies maintain reserves that are not available for distribution.

Generally, investments in subsidiaries and associated companies and property, plant and equipment may be revalued in accordance with the Swedish Accounting Act. Revaluation adjustments to property, plant and equipment must be depreciated when required under accounting principles generally accepted in Sweden. Land and buildings may be revalued up to a maximum of the tax assessed value of the assets if the value of the assets is considerably higher than their underlying carrying value. The Swedish Companies Act requires that revaluations are to be credited to capital stock or to reserves not available for distribution and that they may be used for necessary write-downs of other items of property, plant and equipment and other noncurrent assets.

The appropriations of retained earnings to legal reserves in 1984 include earnings in associated companies amounting to Skr 130.8 million.

Increases or decreases in reserves not available for distribution have no effect on net income.

Cumulative translation adjustments
This component of stockholders' equity consists of translation adjustments resulting from the translation of financial statements of subsidiaries and associated companies to the extent that the local currencies of such companies are considered to be functional currencies in accordance with Statement No. 52 of the Financial Accounting Standards Board of the U.S.A. (SFAS 52).

Changes in Stockholders' Equity (in millions)

Consolidated	*Capital stock*	*Reserves not available for distribution*	*Cumulative translation adjustments*	*Retained earnings*	*Total*
Balance, January 1, 1984	1,843.2	3,469.8	164.7	741.4	6,219.1
Appropriations to legal reserves	–	171.9	–	–171.9	–
Conversion of debentures	2.0	3.9	–	–	5.9
Dividends	–	–	–	–331.8	–331.8
Changes in Cumulative translation adjustments	–	–	17.0	–	17.0
Revaluation of property, plant and equipment	–	205.1	–	–	205.1
Net income for 1984	–	–	–	444.3	444.3
Balance, Dec. 31, 1984	1,845.2	3,850.7	181.7	682.0	6,559.6

Of the retained earnings, Skr 35.9 million will be appropriated to reserves not available for distribution in accordance with the proposals of the respective companies' boards of directors. In evaluating the consolidated financial position, it should be noted that earnings in the foreign companies may in certain cases be subject to taxation when transferred to Sweden and that, in some instances, such transfers of earnings may be limited by currency restrictions.

Details of changes in cumulative translation adjustments (in millions):

	1984	*1983*
Balance, January 1	164.7	187.9
Aggregate translation adjustments	32.2	–13.6
Gains and losses from hedges of investments in foreign entities	–15.2	–9.6
Balance, December 31	181.7	164.7

Under Swedish law, land and buildings may be revalued up to a maximum of the tax assessed value of the assets, if the value of the assets is considerably higher than their underlying carrying value. Revaluations are to be credited to capital stock or to reserves not available for distribution, and they may be used for necessary write-downs of other items of property, plant and equipment and other noncurrent assets.

Parent Company	*Capital stock*	*Reserves not available for distribution*	*Retained earnings*	*Total*
Balance, January 1, 1984	1,843.2	2,167.7	542.0	4,552.9
Conversion of debentures	2.0	3.9	–	5.9
Dividends	–	–	–331.8	–331.8
Net income for 1984	–	–	390.8	390.8
Balance, December 31, 1984	1,845.2	2,171.6	601.0	4,617.8

Note 17

Assets Pledged as Collateral

	Consolidated December 31		*Parent Company December 31*	
	1984	*1983*	*1984*	*1983*
	(in millions)			
Real estate mortgages	1,119.0	1,231.4	266.3	356.1
Other mortgages	1,192.4	958.1	345.0	460.0
Shares of stock	282.3	233.9	233.9	233.9
Accounts receivable – trade	17.8	414.2	–	–
Bank deposits	6.7	27.1	–	–
	2,618.2	2,864.7	845.2	1,050.0

At December 31, 1984, the Parent Company had pledged no assets in favor of subsidiaries (Skr 323,0 million at December 31, 1983).

Note 18

Contingent Liabilities	*Consolidated December 31*		*Parent Company December 31*	
	1984	*1983*	*1984*	*1983*
	(in millions)			
Discounted notes receivable	418.3	306.5	136.2	136.2
Receivables sold with recourse	1,246.0	1,342.7	334.2	408.9
Other guarantees	3,516.6	1,561.0	1,368.2	719.4
	5,180.9	3,210.2	1,838.6	1,264.5

Of the guarantees assumed by the Parent Company, Skr 803.4 million at December 31, 1984 and Skr 661.3 million at December 31, 1983 related to subsidiary companies.

Note 19

Investments in Associated Companies and Joint Venture
The Company has interests in associated companies which are accounted for under the equity method. Details of such investments are given in Note 8.

The Company also has a 50 % interest in a joint venture in Saudi Arabia with Philips Gloeilampenfabrieken NV of Holland for the expansion of the telephone system in Saudi Arabia. The Company's equity in net income of the joint venture is included in Other operating revenues.

Intercompany profits arising on transactions between the Company and associated companies and the joint venture have been eliminated in the consolidated financial statements.

Dividends received from companies accounted for under the equity method were Skr 23.2 million in 1984, Skr 26.6 million in 1983 and Skr 36.3 million in 1982.

Undistributed earnings of associated companies included in consolidated equity were Skr 496.8 million at December 31, 1984 and Skr 430.4 million at December 31, 1983.

Note 20

United States Generally Accepted Accounting Principles
Elements of the Company's accounting policies which differ significantly from United States generally accepted accounting principles are described below:

(a) Revaluation of assets
Certain land and buildings have been revalued at an amount in excess of cost. This procedure, under certain circumstances, is allowed under Swedish accounting practice. Accounting principles generally accepted in the United States do not permit the revaluation of assets in the primary financial statements.

(b) Appropriations and Untaxed Reserves
As previously described in Note 2 and Note 4, the Company is allowed to develop appropriations to untaxed reserves which are used principally to defer income taxes. For financial reporting purposes, these appropriations are deducted in determining income before taxes. Accounting principles generally accepted in the United States would not allow such appropriations to be charged to income.

(c) Capitalization of Interest Expenses

In accordance with Swedish accounting principles, the Company has not capitalized interest costs incurred in connection with the financing of expenditures for the construction of property, plant and equipment. Such costs are required to be capitalized in accordance with accounting principles generally accepted in the United States.

(d) Business Combination Adjustments

In accordance with Swedish accounting practice, the Company shows negative goodwill as a deferred credit which is released as income over a period not exceeding ten years (also see Accounting Policies (b) and Note 9). Under accounting principles generally accepted in the United States, negative goodwill should be applied as a reduction of noncurrent assets acquired and be amortized over the economic life of each asset.

In accordance with Swedish accounting practice, the Company has recognized the tax benefits deriving from the utilization of loss carry-forwards of purchased subsidiaries as a reduction of current tax expense. Under accounting principles generally accepted in the United States, the tax effect of loss carry-forwards of purchased subsidiaries is recognized as an asset at the date of purchase when realization is assured beyond any reasonable doubt.

Under accounting principles generally accepted in the United States, a premium or discount should be imputed for a loan which bears an interest rate materially above or below the current yield for an otherwise comparable loan. It is not normal under Swedish accounting practice to adjust the face value of a loan for imputed interest. In connection with the acquisition of Datasaab AB (now Ericsson Information Systems AB), non-interest-bearing extended credit terms were received from the former owners. In computing the required adjustments to arrive at net income and stockholders' equity under United States generally accepted accounting principles the interest-free characteristic of the extended credit terms has been taken into account.

(e) Tax Effects on Intercompany Transactions

Under accounting principles generally accepted in the United States, income taxes paid by a selling company on intercompany profit eliminated in consolidation is deferred as a prepaid income tax. No such deferral is made under Swedish accounting practice since deferred income tax accounting is not applied in Sweden.

(f) Income Taxes on Undistributed Earnings of Associated Companies

It is not Swedish accounting practice to provide for income taxes on undistributed earnings of companies accounted for in accordance with the equity method. Under accounting principles generally accepted in the United States, an investor should accrue for the tax effects resulting from distribution of earnings.

(g) Translation of Noncurrent Receivables and Long-Term Liabilities

Under accounting principles generally accepted in the United States, all assets and liabilities denominated in foreign currencies are translated at the current exchange rate. Under Swedish accounting practice, exchange gains relating to noncurrent receivables denominated in foreign currencies may not be recorded as income until realized, and exchange losses relating to long-term liabilities denominated in foreign currencies may be amortized over the remaining lives of the long-term loans.

Under accounting principles generally accepted in the United States, convertible debentures denominated in a foreign currency should be translated at the current rate. The Company has considered the convertible debt as a non-monetary item, since it considers conversion probable, and has therefore translated the convertible debt at the rate of exchange valid at the date when the bond proceeds were collected (see also Note 14).

(h) Accounting for Forward Exchange Contracts

The Company has entered into certain forward exchange contracts primarily in respect of installation and equipment sales.

While these contracts do not meet the provisions of Statement No. 8 of the Financial Accounting Standards Board of the U.S.A. (SFAS 8, used by the Company until December 31, 1981 for the translation of transactions in foreign currency for the determination of income according to accounting principles generally accepted in the United States), requiring immediate linkage of the date of the hedging transaction with the date of the hedged foreign currency commitment, SFAS 52, applied as from January 1, 1982, requires gains and losses on such contracts to be included in the measurement of the related transactions. The net income in 1982 determined in accordance with accounting principles generally accepted in the U.S.A. includes a credit, after tax, of Skr 21.6 million as a result of releasing the accrued loss at December 31, 1981 to income.

(i) Research and Development Expenses

Under accounting principles generally accepted in the United States, research and development expenses are to be expensed as incurred. Under Swedish accounting practice, such expenses may be capitalized under certain circumstances. The Company abandoned in 1983 the principle of capitalizing certain research and development expenses.

(j) Stock Issue Costs

The costs incurred by the Company relating to the issue of new shares in 1983 have been charged to income in accordance with accounting principles generally accepted in Sweden. Accounting principles generally accepted in the United States require that such costs be debited to stockholders' equity.

(k) Sale of Property

In 1984, a subsidiary sold a property which was being leased to two other subsidiaries under a contract the term of which expires in 1990. Under accounting principles generally accepted in the United States, the gain on a sale of this nature shall be reduced by the present value of future rental payments, and the present value of future rental payments shall be deferred and amortized over the remaining term of the contract. Due to the short lease term, compared with the estimated useful life of the property, the Company considers that, under Swedish accounting practice, the gain on the sale shall not be reduced.

(l) Deferred Income Taxes

There is no provision for deferred income taxes under Swedish accounting practice. Accounting principles generally accepted in the United States require comprehensive deferred tax allocation on all significant timing differences.

Deferred income taxes calculated for the purpose of reflecting net income in accordance with accounting principles generally accepted in the United States are as follows (in millions):

	1984	*1983*	*1982*
Appropriations to untaxed reserves	492.4	482.5	327.5
Other items, net	103.4	−21.6	−2.8
	595.8	460.9	324.7

(m) Net Income per Share

As previously described under Accounting Policies (k), net income per share, in accordance with accounting principles generally accepted in Sweden is not based upon net income. Accounting principles generally accepted in the United States require that net income be utilized in the computation of per-share amounts.

Calculation of net income per share has been based on 36,898,591 shares as the weighted average number of shares outstanding in 1984. The weighted average number of shares outstanding in 1983 was 35,330,601 and in 1982 32,682,746. No fully diluted earnings per share data is presented, since the conversion of outstanding convertible debentures would not result in a material dilution of net income per share.

The application of accounting principles generally accepted in the United States, as described above, would have had the following approximate effect on consolidated net income and stockholders' equity. It should be noted that, in arriving at the individual items increasing or decreasing reported net income, consideration has been given to the effect of minority interests.

(Skr millions, except per-share amounts)	1984	1983*	1982*
Net income as reported in the consolidated income statements	444.3	510.1	367.7
Items increasing reported income			
Depreciation on revaluation adjustments including effect on sales	79.2	18.9	19.0
Appropriations, except depreciation in excess of normal depreciation	682.4	707.5	506.5
Capitalization of interest expenses	21.7	13.9	20.0
Tax effects of intercompany transactions	93.4	60.3	4.8
Business combination adjustments	24.1	−7.3	−78.2
Translation of noncurrent receivables and long-term liabilities	29.1	−12.0	−34.4
Accounting for forward exchange contracts	–	–	49.8
Research and development expenses	–	20.0	–
Stock issue costs	–	19.0	–
	929.9	820.3	487.5
Items decreasing reported income			
Income taxes on undistributed earnings of associated companies	18.3	−5.2	4.6
Sale of property	40.8	–	–
Deferred income taxes	595.8	460.9	324.7
	654.9	455.7	329.3
Net increase in reported net income	275.0	364.6	158.2
Approximate net income in accordance with accounting principles generally accepted in the United States	719.3	874.7	525.9
Approximate net income per share in accordance with accounting principles generally accepted in the United States	19.49	24.76	16.09

For the years ended December 31,

	December 31, 1984	December 31, 1983
Approximate stockholders' equity in accordance with accounting principles generally accepted in the United States	7,811.0	7,440.3

* As previously published except reclassification of minority interest on appropriations.

Supplementary Information under the Swedish Companies Act

Average Number of Employees and Remuneration in 1984

	Consolidated		Parent Company	
	Average number of employees	Remuneration (in Skr millions)	Average number of employees	Remuneration (in Skr millions)
Sweden	34,599	3,690.0	15,129	1,528.0
Other countries	39,721	4,165.6	814	154.4
	74,320	7,855.6	15,943	1,682.4

Paid to Board of Directors, President and Corporate Executive Vice Presidents	4.9

Remuneration in foreign currency has been translated to Swedish kronor at average exchange rates for the year.

The Parent Company has operational units with 20 employees or more in 16 Swedish municipalities and has operations in 22 countries. On a consolidated basis there are 46 operational units in Sweden and operations in 64 countries.

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

Special Information regarding the Parent Company

Sales of the Parent Company amounted to Skr 7,909 million (Skr 6,805 million), of which exports accounted for 78 (83) percent. Consolidated companies were customers for 45 (35) percent of the Parent Compay's sales, while 46 (41) percent of the Company's total purchases of goods and services were from such companies.

Loans totaling Skr 0.01 million have been given to board members and company presidents.

Guarantees totaling Skr 0.00 (0.02) million have been issued as security for loans obtained by board members and company presidents.

Loans totaling Skr 22.0 million have been given to a total of 6,733 employees for the purchase of shares in LM Ericsson's Share Saving Fund. Assets totaling Skr 19.1 million have been pledged as collateral for loans obtained by employees for the purchase of housing.

Investor Publications

Financial publications, such as the annual report, interim reports and form 20-F (filed with The Securities and Exchange Commission, U.S.A. no later than June 30 every year) can be obtained without charge by contacting: Telefonaktiebolaget LM Ericsson, Corporate Relations, S-126 25 Stockholm.

Definitions of terms used in "Ten-Year Summary" on page 50

Operating income. Takes into account normal depreciation in the years 1980 through 1984, total depreciation in the years 1975 through 1979.

Financial income less financial expenses. Financial expenses include translation adjustments 1975 through 1981. Financial expenses in 1982 through 1984 include gains less losses on foreign exchange as explained in Note (d) under "Accounting Policies".

Minority interest in income before appropriations and taxes. This item exists in the years 1981 through 1984 only. Prior to 1981, minority interest was based on the subsidiary companies' net income.

Adjusted net income per share. See Note (k) under Accounting Policies and Note 5.

Property, plant and equipment. Stated net of accumulated normal depreciation at December 31, 1980–1984 and net of total depreciation at December 31, 1975–1979.

Current ratio. Current assets divided by current liabilities.

Return on equity. Defined as net income (after actual taxes paid and estimated deferred taxes) expressed as a percentage of average adjusted stockholders' equity. Average adjusted stockholders' equity is defined as stockholders' equity as shown in the balance sheet plus 50 percent of untaxed reserves (assuming 50 percent of deferred taxes).

Return on capital employed. Defined as the total of income after financial income and expenses, financial expenses and equity in earnings of associated companies as a percentage of capital employed. Capital employed is defined as total assets less non interest-bearing debts (inclusive of estimated deferred taxes related to untaxed reserves).

Equity ratio I. Defined as the total of stockholders' equity, 50 percent of untaxed reserves and minority interest in equity of consolidated subsidiaries, expressed as a percentage of total assets.

Equity ratio II. Defined as the total of stockholders' equity, untaxed reserves and minority interest in equity of consolidated subsidiaries, expressed as a percentage of total assets.

Debt-equity ratio. Defined as total interest-bearing liabilities expressed as a percentage of the total of stockholders' equity, 50 percent of untaxed reserves and minority interest in equity of consolidated subsidiaries.

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 1984 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 positions 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 1984.

Stockholm, March 14, 1985

David Jones
Chartered Accountant
Price Waterhouse

Nils-Axel Frisk

Jörgen Eskilson
Swedish Authorized Public Accountant
Price Waterhouse

LM Ericsson Share Data

Dividend growth

Average increase per year, percent:

Period	Dividend	Consumer price index
1975 – 1984	11.5	10.0
1980 – 1984	14.0	10.3
1975 – 1979	8.9	9.7

Change in capital stock

	Number of shares	Capital stock
1975 January 1	15,380,117	769,005,850
1976 1-for-4 stock dividend	3,845,029	192,251,450
1-for-6 new issue Skr 75	2,563,352	128,167,600
1982 1-for-2 stock dividend	10,894,248	544,712,400
1983 Special new issue US$ 62½	4,000,000	200,000,000
Conversions	181,677	9,083,850
1984 Conversions	39,049	1,952,450
1984 December 31	36,903,472	1,845,173,600

Distribution of shares (End 1984)

Size of holding	Shareholders Number	Shareholders %	Shares Number	Shares %	Number of shares per shareholder
1 – 500	67,936	94.6	7,551,000	20.5	111
501 – 1,000	2,224	3.1	1,548,000	4.2	696
1,001 – 2,000	865	1.2	1,201,000	3.2	1,390
2,001 – 5,000	434	0.6	1,369,000	3.7	3,150
5,001 – 10,000	135	0.2	992,000	2.7	7,350
10,001 – 20,000	79	0.1	1,180,000	3.2	14,900
More than 20,000	127	0.2	23,063,000	62.5	182,000
	app. 71,800	100.0	36,903,472	100.0	514

Stockholders

At year-end 1984 approximately 44 percent of the Company's shares were held by shareholders outside Sweden. Of these holdings, 11,011,044 shares (30 precent) were in the form of American Depositary Receipts (ADRs).

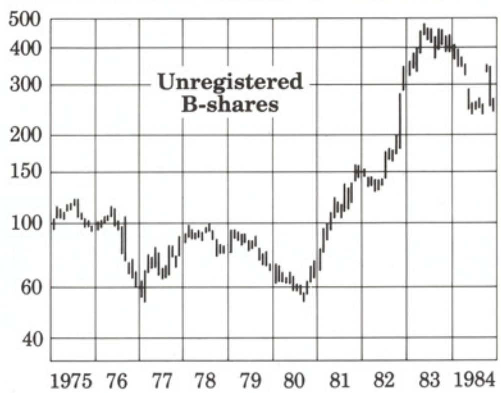
The number of stockholders registered by Värdepapperscentralen VPC AB (Swedish Securities Register Center) was approximately 71,800.

LM Ericsson's largest stockholders, ranked by voting rights, December 31, 1984.	Number of shares	Percentage of voting rights
AB Industrivärden	1,400,000	22.3
Förvaltnings AB Providentia	444,000	11.8
AB Investor	394,000	10.5
Allmänna Pensionsfonden, Fjärde fondstyrelsen	1,182,479	8.7
Knut och Alice Wallenbergs Stiftelse	520,626	5.5
Svenska Handelsbankens Pensionsstiftelse	187,772	5.0
Stockholms Enskilda Banks Pensionsstiftelse	136,673	3.6
Pensionskassan SHB Försäkringsförening	136,497	3.6
Svenska Personal- Pensionskassan (SPP)	1,637,649	2.3
Stiftelsen Oktogonen	72,246	1.9

Stock exchange trading

"A" and "B" shares are listed on the Stockholm Stock Exchange.

"B" shares are listed on the exchanges in Düsseldorf, Frankfurt am Main, Geneva, Hamburg, London, Oslo and Paris. In the U.S., the Company's American Depositary Receipts (ADRs) are quoted in the over-the-counter market through NASDAQ (National Association of Securities Dealers Automated Quotation System). Each ADR represents one B share.



Number of LM Ericsson shares traded on the Stockholm Stock Exchange and through the NASDAQ system respectively was as follows:

Year	Stockholm Stock Exchange	NASDAQ USA
1984	7,347,305	16,031,200
1983	8,779,949	18,663,600
1982	7,207,016	3,452,700
1981	5,220,746	7,100
1980	2,930,086	1,900

Exports of LM Ericsson shares from Sweden and imports of such shares to Sweden during the years 1981 through 1984 were as follows (millions of kronor):

Year	Exports	Imports	Net
1984	1,175.5	704.7	470.8
1983	4,071.3	1,057.8	3,013.5
Of which, special new issue	1,798.6		1,798.6
1982	1,389.7	487.3	902.4
1981	372.2	212.1	160.1

Sources: Bank of Sweden and Swedish Bank Inspection Board

Ten-Year Summary

Amounts in millions of Swedish kronor except per-share data

	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975
Net sales	29,378	25,244	19,470	16,194	12,174	9,329	9,021	7,833	7,312	7,240
Operating income before depreciation	3,242	3,408	2,615	2,819	1,604	1,085	1,447	1,207	1,300	1,185
Operating income	2,203	2,464	1,841	2,198	1,195	741	1,118	904	1,010	952
Financial income less financial expenses	−914	−802	−949	−1,134	−307	−80	−463	−384	−605	−279
Equity in earnings (after taxes) of associated companies	131	66	147	106	47	125	66	33	2	58
Minority interest in income before appropriations and taxes	+149	+30	+310	+22	–	–	–	–	–	–
Income before appropriations and taxes	1,569	1,758	1,349	1,192	935	786	721	553	407	731
Adjusted net income per share										
– after actual taxes paid	30.54	34.46	25.05	21.12	19.19	19.53	14.69	8.52	7.84	15.95
– after actual and estimated deferred taxes	19.99	22.05	17.13	16.73	13.57	11.43	12.23	8.23	6.49	10.22
Cash dividends per share	9.00	9.00	7.50	6.50	5.67	4.67	3.67	3.33	3.33	3.68
Additions to property, plant and equipment	2,192	1,645	1,662	1,275	718	508	501	548	586	657
Research and development expenses	2,355	1,973	1,638	1,359	1,013	817	746	641	590	510
– in percent of net sales	8.0	7.8	8.4	8.4	8.3	8.8	8.3	8.2	8.1	7.1
Working capital	17,042	12,827	10,250	9,133	7,895	6,047	5,793	5,865	5,150	5,261
Property, plant and equipment	7,144	6,176	5,817	4,783	3,833	1,840	1,989	2,095	2,015	1,822
Long-term liabilities	7,658	6,673	7,230	6,383	4,932	3,817	3,647	3,358	3,188	3,155
Untaxed reserves	5,030	4,333	3,617	3,251	3,233	1,915	1,554	1,558	1,580	1,672
Minority interest in equity of consolidated subsidiaries	1,083	1,220	957	933	966	393	408	384	346	410
Stockholders' equity	6,560	6,219	4,156	3,654	3,010	2,947	2,869	2,677	2,594	2,121
Current ratio	1.6	1.8	1.7	1.9	2.1	2.3	2.1	2.1	2.2	2.1
Return on equity, percent	8.5	10.9	10.0	11.0	10.4	9.2	11.3	7.6	6.7	7.7
Return on capital employed, percent	13.6	17.8	16.5	18.8	14.4	13.1	16.8	13.4	14.6	15.9
Equity ratio I, percent	27.0	31.4	26.9	28.4	31.6	33.2	31.8	32.0	33.4	29.3
Equity ratio II, percent	33.7	38.5	33.9	35.8	40.7	40.5	37.8	38.6	40.5	36.6
Debt-equity ratio	1.5	1.1	1.5	1.4	1.2	1.1	1.1	1.3	1.2	1.2
Backlog of orders	25,161	21,565	20,991	17,701	11,914	10,147	10,586	8,565	7,522	9,162
Number of employees	75,100	70,800	66,300	69,900	65,900	59,500	65,100	66,400	71,100	84,100

Definitions of terms used above are given under Notes to the Financial Statements, page 47.

Consolidated Summary

Distribution of Consolidated sales and operating income

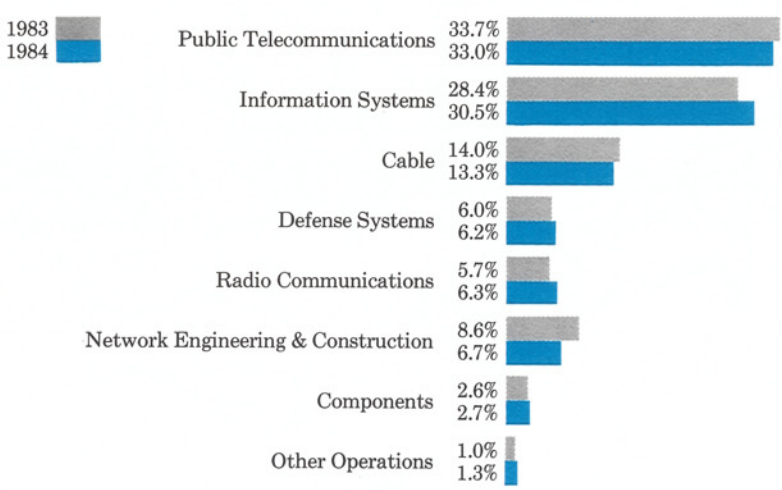
Distribution of sales and operating income by Business Area (Skr millions):

Business Area	Sales 1984	Sales 1983	Operation income* 1984	Operation income* 1983
Public Telecommunications	9,718	8,491	1,930	1,653
Information Systems	9,295	7,457	−217	237
Cable	4,022	3,645	89	7
Defense Systems	1,831	1,603	172	95
Radio Communications	1,992	1,592	−32	31
Network Engineering and Construction	1,970	2,239	111	264
Components	1,225	933	34	60
Other Operations	528	348	116	117
Less: Intersegment sales	−1,203	−1,064	–	–
	29,378	25,244	2,203	2,464

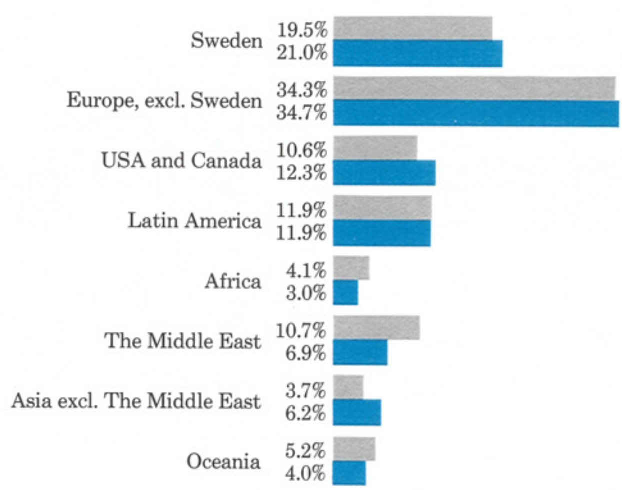
* After depreciation but before financial income and expense.

Other Operations include the Thorsman group, which manufactures installation products for the electrical and building industries; Alerta, a counter-purchase company; a number of finance companies; four Swedish and three foreign real estate holding companies; and the Ericsson Programatic software houses. The net of capital gains and losses from the sale of businesses, buildings and shares is also included under Other Operations.

Group sales by Business Areas



Overall geographic distribution of sales



Board of Directors

HANS WERTHÉN

Members

HANS WERTHÉN
Chairman, Honorary Doctor of Technology, Chairman of the Boards of AB Electrolux and Gränges AB

JAN WALLANDER
Deputy Chairman, Doctor of Philosophy, Chairman of the Boards of Svenska Handelsbanken and Dagens Nyheter AB

PETER WALLENBERG
Deputy Chairman, Honorary Doctor of Economics, First Deputy Chairman of the Board of Skandinaviska Enskilda Banken, Chairman of the Boards of Atlas Copco AB, AB Investor, Providentia and SKF AB

TORSTEN BENGTSON
Employee representative

LENNART DAHLSTRÖM
Former President of the National Pension Insurance Fund, Chairman of the Board of AB Marabou

PAUL KVAMME
Employee representative

PER LINDBERG
Honorary Doctor of Economics, President of Industrivärden AB, Chairman of the Boards of PLM AB and Gunnebo AB

SVEN OLVING
Doctor of Science, President of Chalmers University of Technology, Chairman of the Board of AB Volvofinans

STEN RUDHOLM
Honorary Doctor of Law, Marshal of the Realm, Member of the Swedish Academy

SVEN ÅGRUP
Chairman of the Boards of AGA AB and Pharos AB

BJÖRN SVEDBERG
President and Chief Executive Officer, Honorary Doctor of Technology

Deputy Members

CARL AXEL BRUNO
Employee representative

HÅKAN LEDIN
Executive Vice President

ARNE MOHLIN
Executive Vice President

THOR NORDMYR
Employee representative

FRITZ STAFFAS
Executive Vice President

JAN STENBERG
Executive Vice President

Auditors

Statutory Auditors

DAVID JONES, *Chartered Accountant, Price Waterhouse*

NILS-AXEL FRISK, *Executive Vice President (Finance), Swedish Staff Pension Fund*

JÖRGEN ESKILSON, *Authorized Public Accountant, Price Waterhouse*

Deputy Auditors

OLOF HEROLF, *Authorized Public Accountant, Price Waterhouse*

KARL-AXEL LINDEROTH, *President, Swedish Staff Pension Fund*

CARL-ERIC BOHLIN, *Authorized Public Accountant, Price Waterhouse*

Corporate Officers

Corporate Executive Committee

BJÖRN SVEDBERG
Chief Executive Officer & President, Telefonaktiebolaget LM Ericsson

HÅKAN LEDIN
Executive Vice President & Chairman of the Board & President, Ericsson, Inc., USA

ARNE MOHLIN
Executive Vice President, Corporate Production, Buildings and Purchasing & Business Area Other Operations

FRITZ STAFFAS
Executive Vice President & Chief Financial Officer

JAN STENBERG
Executive Vice President & General Counsel & Business Area Cables & President, Ericsson Cables AB

MATS DELLHAM
Senior Vice President, Corporate Relations

LARS EDMARK
Senior Vice President, Corporate Market Coordination

OVE ERICSSON
Senior Vice President, Business Area Public Telecommunications

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Senior Vice President

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