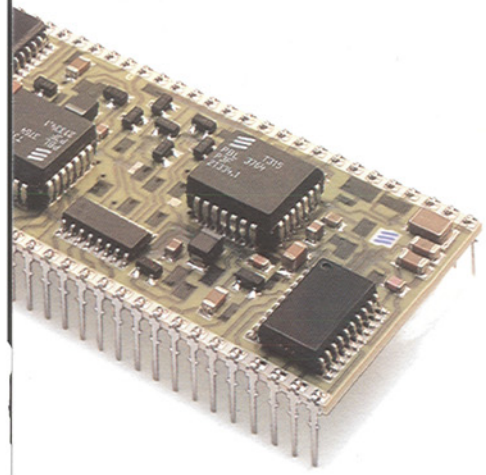


Annual Report 1993



It's about communication between people...



**...The rest is technology.**

Today, advanced technology makes most everything possible within telecommunications. People as individuals set the limits that determine how we want to utilize this technology when we communicate with one another.

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Ericsson is an international leader in telecommunications, recognized for its advanced systems and products for wired and mobile communications in public and private networks. Ericsson is also a leading supplier of electronic defense systems.

The Parent Company, Telefonaktiebolaget LM Ericsson, and Ericsson's world headquarters are located in Stockholm, Sweden. Ericsson has 70,000 employees and is active in more than 100 countries.

The share capital of the Parent Company at December 31, 1993 was SEK 2,171,628,100 represented by 217,162,810 shares, each with a par value of SEK 10. Shareholders outside Sweden own approximately 43 percent of the shares. Foreign ownership of shares increased significantly during the year.

Expenditures for research and development (R&D) in 1993 amounted to SEK 10,924 million, equal to 17 percent of net sales. Total technical expenses in 1993, including costs for adapting products to local markets, amounted to SEK 13,311 million, equal to 21 percent of net sales.

Ericsson's production resources are distributed globally among some 40 units, with most in Sweden and other European countries.

During 1993, 8.7 million local and 3 million transit lines of AXE were installed, an increase compared with the preceding year. The AXE system is now installed in 105 countries with 80 million lines installed and on order.

Ericsson's mobile telephone systems serve 13.2 million subscribers in 64 countries. Ericsson, with 40 percent of the analog systems and more

than 50 percent of digital systems, continues to be the world leader in this field. Ericsson's digital mobile telephones are also strongly positioned on the market. A total of 7.3 million lines of the MD110 subscriber exchange system have now been installed. Orders for 1.3 million lines were received during 1993, which further strengthened the position of the MD110 in the market for systems with a capacity of more than 100 lines.

#### *The Ericsson Product Portfolio*

The product portfolio covers all types of telecommunications equipment, including:

*AXE* – Digital telephone switches for wired and mobile networks.

*ETNA* – Transport networks.

*TMOS* – Management and Operations Support systems.

*Radio base stations* for analog and digital mobile telephone systems.

*Mobile telephones.*

*Mobitex* – Systems and equipment for mobile data communications.

*MD110* – Digital systems for business communications with 50 to 20,000 connections or more.

*BusinessPhone* – Small digital telephone systems.

*Freeset* – Systems and telephones for cordless business communications.

*Eripax* – Data network products.

*Eripower* – Power systems for telecommunications equipment, computers, etc.

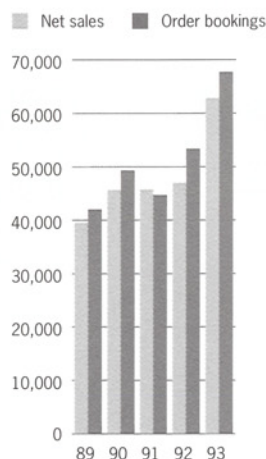
*Mini-Link* – Microwave links.

Ericsson also supplies a range of products within the electronic defense field.

<i>Highlights</i>	<b>1993</b> <b>SEK m.</b>	1992 SEK m.	Percent change
Net sales	<b>62,954</b>	47,020	34
Order bookings	<b>67,693</b>	53,427	27
Order backlog at year-end	<b>45,296</b>	38,050	19
Income before taxes	<b>3,108</b>	1,241	150
Adjusted net income per share after taxes paid, SEK after full conversion	<b>10.61</b> <b>10.31</b>	2.88	–
Adjusted net income per share after paid and deferred taxes, SEK	<b>13.21</b>	2.32	–
After full conversion	<b>12.80</b>	2.32	–
Dividend per share, SEK	<b>4.50*</b>	3.50	29

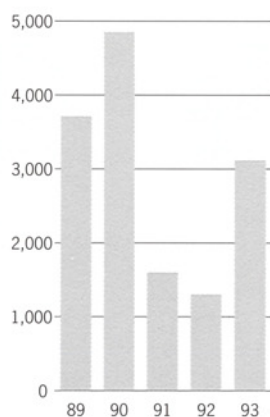
\* For 1993, proposed by the Board of Directors

### Net sales/Order bookings, SEK m.



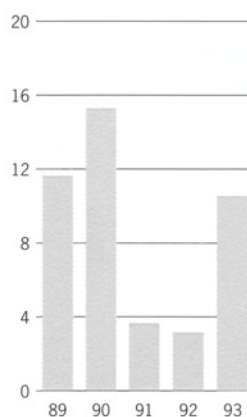
Net sales increased by 34 percent during the year and order bookings by 27 percent.

### Income before taxes, SEK m.



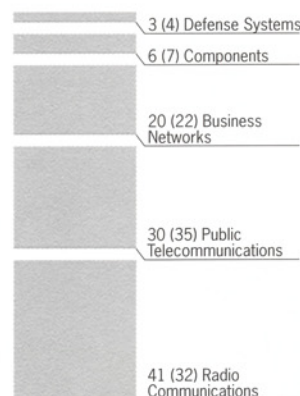
Income improved to SEK 3,108 m. in 1993, an increase of 150 percent compared with 1992.

### Adjusted net income per share after actual taxes, SEK.



Income per share rose during the year to SEK 10.61, an increase of 268 percent compared with the preceding year.

### Sales to external customers, by Business Area, %

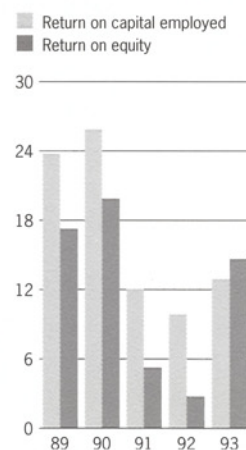


### Geographic distribution of sales, %



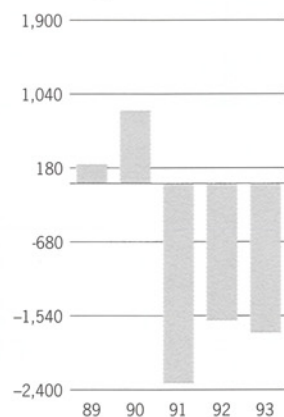
\* of which Sweden 10 (13)

### Return on equity and capital employed, %



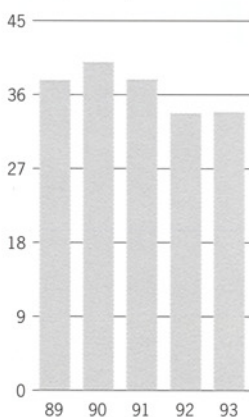
The return on shareholders' equity increased to 14.5 percent in 1993 and the return on capital employed to 12.9 percent.

### Cash flow before external financing, SEK m.

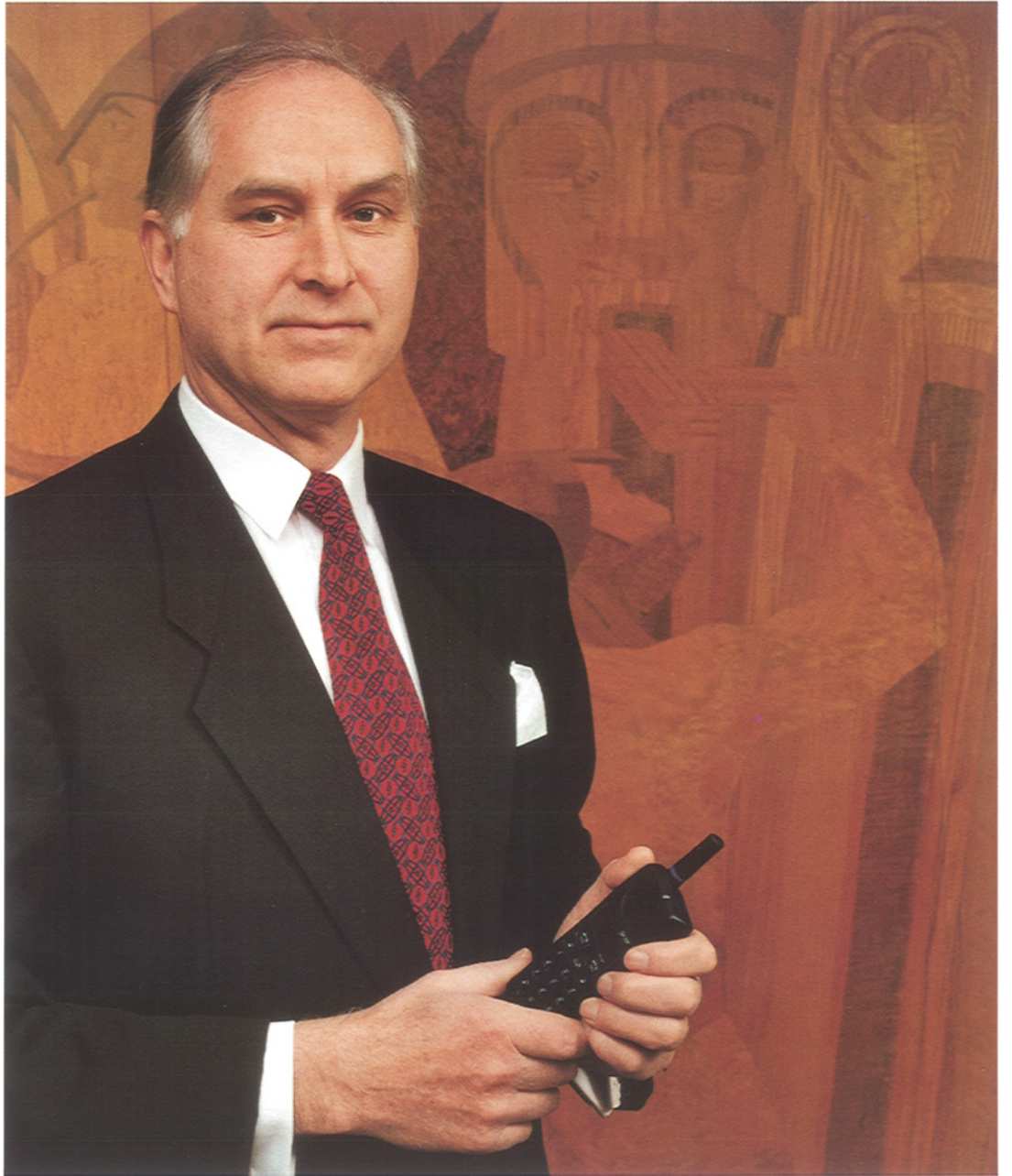


Ericsson's cash flow was negative during the year in the amount of SEK -1,709 m.

### Equity ratio, %



Ericsson equity ratio was 34.5 (34.5) percent.



Increased order bookings for nine consecutive quarters and somewhat more than a doubling of income: This positive growth for Ericsson is a direct consequence of the fact that our large technical investments resulted in new products that we were able to introduce successfully in the marketplace. Ericsson's total investments during 1993 amounted to more than 13 billion kronor in technical development and, in addition, we made large related capital expenditures. We invested in the sectors of telecommunications that are the most expansive today. This is what is giving us strength and competitiveness for the future.

There is a great deal of uncertainty – with lower investments and greater pressure on prices – in the international market for public telecommunications, notably in some of the large industrialized countries. In some markets, business is becoming increasingly politicized; in others there are operators who are having problems in financing their investments.

Thanks to our broad international market coverage, we are not overly dependent on individual markets. We have never had any truly dominant market. There is no country in which our sales in a product or system sector amount to more than a few percent of Ericsson's total sales. It was therefore possible to increase the total number of AXE lines sold during the year to 11.7 million despite the fragmented market picture. Markets in Asia, among others, are those that have shown strong growth.

Public telephony is a field that is experiencing a great deal of change. New products that will make it possible to increase the range of ordinary voice services, as well as data and image facilities are being demanded continuously. During the year Ericsson received strategically important orders that included contracts for a new, patented broadband exchange and began initial deliveries in 1994. In addition, we received important orders for transport-network and access-network products in many countries.

Expansion in the mobile telephony field has proceeded at an undiminished pace. With 40 percent of the market, we continue to be clearly the world leader in analog mobile telephone systems. In the market for digital systems, where we are the only company supplying systems based on all established international standards, our share is even higher. We have also had major successes with our pocket telephones. In both 1993 and the early part of 1994 we introduced

models that were world leaders in terms of smallness and efficiency.

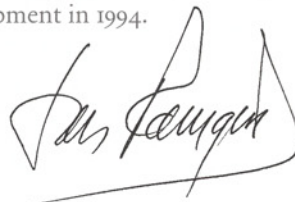
We have noted growing demand for our MD110 subscriber exchange, which has also resulted in a larger market share. In our Components Business Area, where cable, power systems and microelectronics operations have developed well, we are constructing a new plant for advanced microelectronics. The Defense Systems Business Area has become increasingly involved in non-military operations; among other projects, it has had substantial responsibility for developing and delivering the new Japanese mobile telephone system.

The greater part of our sales are in Europe but Asia – and China in particular – is the market area that is now growing most rapidly. During the year we formed a number of joint-ventures in China and also inaugurated new production plants there. We delivered our first mobile telephone system in Japan in the early part of 1994 and we are thus well established in all the larger markets in Asia. We also continued to maintain our strong position in North America, Latin America and Australia during 1993.

These marketing successes are clearly linked to the very substantial investments we have made in technology and marketing. Based on the strong trend of order bookings, net sales and income we experienced during 1993, we intend to continue on the beaten path. Our strategy remains firm.

More than 14,000 of our employees – one out of five – are engaged in technical development programs in some 20 countries. This makes Ericsson one of the world's largest investors in the development of telecommunications. We know that there will be sharply increased competition in 1994 and we therefore consider it essential to invest even larger sums in technical development. It is therefore gratifying to be able to report that the volume of our business is growing in such a stable manner that we can continue our investments at the required rate, but at costs that are lower in relative figures.

Despite uncertainty in the international marketplace and intensified competition, I feel optimistic about development in 1994.



LARS RAMQVIST

The first signs of recovery from the international recession became visible late in 1993 but many of Ericsson's most important markets were characterized by restraint in investments for public telecommunications networks. In contrast, 1993 was a year of continuing strong growth for mobile telephone systems. Continued expansion of digital systems, as well as investments in increased capacity in analog systems, were factors that favored Ericsson.

Due to very strong increases in sales and order bookings, Radio Communications became Ericsson's largest business area in 1993. Continued successes were also recorded with the AXE system and Ericsson's subscriber exchanges. In these areas, too, there was a striking increase in sales. Despite weak sales in a number of key markets, the year was the most successful to date in terms of number of installed AXE lines.

Generally speaking, transport networks constitute the fastest-growing segment of public telecommunications. Ericsson added to its successes with the new family of ETNA (Ericsson Transport Network Architecture) transport network products with orders from a number of key customers.

Important orders for the new broadband technology were received during 1993. The introduc-

tion of Ericsson's new system platform for broadband applications was begun.

Ericsson's success with new products in the fields of mobile telephony, transport network equipment and broadband communications constitutes a solid base for continued strong growth when the world economy recovers.

#### *Important business developments during 1993* *Europe*

The European market's demands for new services and functions in public telecommunications have become increasingly pronounced. This is true, in particular, of ISDN, the Integrated Digital Services Network. AXE technology has been upgraded to provide these new services and systems have been installed and placed in service in France, India, Ireland, Italy, Norway, Spain and Switzerland.

*Bulgaria*, which placed an order valued at SEK 135 million, became Ericsson's 104th AXE market. Ericsson will also supply the first mobile telephone system in the country. In the initial stage of construction, this NMT450i system will cover the capital city of Sofia.

In *France*, two licenses have been granted for mobile data networks. Both licensees, France





Telecom Mobiles Data and COFIRA, placed orders for Ericsson's Mobitex systems. The value of these contracts is SEK 500 million.

Greece became an important market for Ericsson's GSM systems during the year. Two operators have been designated in that country and both have selected Ericsson as their supplier.

Panafon, a private consortium, signed a framework agreement covering GSM deliveries extending up to 1997. STET-Hellas, owned by STET International in Italy, placed a contract worth SEK 500 million for a turnkey network.

Intracom, Ericsson's licensee in Greece, will deliver AXE equipment worth SEK 300 million to be used in the Attica Telecommunication Ring project. This project will substantially improve telecommunications service in Athens.

Italy is among the countries showing the most rapid increase in number of mobile telephone subscribers. Ericsson continued its deliveries of exchange equipment and radio base stations to SIP, the government-owned telcom operator.

SIP and Singapore Telecom were the first customers to order a new service for the transmission of brief messages in GSM networks.

At the end of the year Ericsson was selected to supply an ATM node that is to be included in SIP's field trials of broadband systems.

The first Freeset, Ericsson's system for cordless telephony linked to private exchanges, was delivered in *The Netherlands*. During the latter part of the year Freeset, which is based on the DECT standard, was the first system of its type in the world to be type-approved. During the autumn the Dutch PTT, which had been selling MD110 subscriber switchboards in its own name, also signed a contract to sell Business-Phone 24. A contract covering delivery of an ERMES nationwide personal paging system was also signed with the Dutch PTT.

Ericsson's Dutch company received an order for a Mobitex network from RAM Mobile Data, which will operate a national mobile data network in the Netherlands. RAM had earlier selected Ericsson's Mobitex system for its networks in the United States and Great Britain.

A joint venture in UPT (Universal Personal Telecommunication) technology was begun with Norwegian Telecom. UPT is a new form of communications in which each subscriber, aided by a personal telephone number, acquires greater mobility as well as access to new services. Under terms of the agreement Norwegian Telecom and Ericsson will conduct a pilot project in this field.

Norwegian Telecom ordered an upgrading of the national Mobitex network, which will be faster in operation and enable subscribers to use their terminals in a number of countries in Europe.

Ericsson in *Poland* delivered a national communications network that includes the Eripax system, MD110 subscriber exchanges and microwave links. In December, Ericsson received its first Polish contract for a mobile telephone system, an NMT450 system ordered by the operator Centertel.

Deliveries of GSM mobile telephone equipment to *Portugal* were increased during the year through another contract from the operator Telecel, which ordered radio and switching equipment costing SEK 500 million.

In *Russia*, the mobile telephone system in Moscow is continuing to expand. Earlier, Ericsson had delivered an analog NMT450 system that is of major importance for business operations in the city. A contract to expand this system was signed during the spring. An order was also received to deliver and install an AXE system for local transit traffic in the Republic of Bashkortostan.

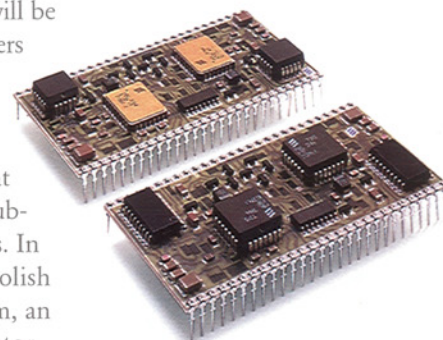
As part of a SEK 160 million contract with an oil and gas group in the Siberian city of Nizhnevartovsk, Ericsson will deliver MD110 radio link equipment and fiber-optical cable.

In *Switzerland*, the Swiss PTT selected Ascom Ericsson Transmission AG as one of two main suppliers of SDH (Synchronous Digital Hierarchy) technology.

Ericsson's strong expansion in the public telecommunications sector in *Great Britain* is continuing. As a result of a general purchase agreement signed with BT at the end of 1992, Ericsson's share of this market has increased substantially. During 1993 BT also selected Ericsson to supply SDH technology for transport networks.

*Sweden* has not been a major market for Ericsson's public switches. Telia (Swedish Telecom), which developed the AXE system jointly with Ericsson, has produced AXE equipment in its Teli subsidiary. In December 1993 an agreement was signed whereby Ericsson is taking over the greater part of the Teli Group. Under another agreement, Ericsson will deliver AXE equipment valued at one billion kronor during 1994-1997.

A similar agreement was signed in February between Telia and Ericsson Business Networks



**Ericsson markets proprietary printed circuits used in both analog and digital telecommunications systems.**



with respect to the MD110 subscriber exchange. Ericsson's factory in Karlskrona will supply Telia's MD110 requirements for the Swedish market.

A general purchasing agreement was signed with Telia Mobitel covering expansion of its GSM network. Substantial volumes of fiber-optical cable were supplied to Telia and the Swedish Railway Administration.

The Swedish defense authorities placed an order, valued at SEK 1,200 million, covering development and production of airborne Erieye tracking radar. Ericsson also received a contract to develop radar and tracking systems for the Swedish Bamse anti-aircraft missile system.

The telecommunications administration in *Turkey* is building a nationwide GSM network. Ericsson's Turkish company received the SEK 500 million contract for this project.

Mannesmann Mobilfunk in *Germany* has had great success with its GSM network, which

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accordingly has to be expanded substantially. Mannesmann signed a contract totaling SEK 3.5 billion covering continuing deliveries of infrastructure, services and mobile telephones.

Ericsson's MD110 subscriber exchange is selling well in *Germany*. Contracts received in 1993 included a very large order from two energy companies in Berlin who ordered a city-wide ISDN network with no fewer than 18,000 lines.

Ericsson occupies a strong position in *Hungary*. Deliveries of AXE equipment have been under way for some years and Ericsson received one of the largest GSM contracts in Central and Eastern Europe, valued at SEK 300 million, in the autumn. The customer is Westel900, an operating company owned jointly by US West and Matav, the Hungarian operator. Ericsson will also deliver a nationwide EDACS (Enhanced Digital Access Communications Systems) system to be used by police authorities, fire departments, ambulance services and other public services.

The international airport in Vienna, *Austria*, became the first to order an airport version of the EDACS land mobile radio system.

In June Ericsson raised its holding in Schrack, the Austrian telecommunications company, to 80 percent and the company's name was changed to Ericsson Schrack AG at year-end.

### *North America*

A large percentage of capital spending for local exchanges in the *United States* is being reduced or deferred as telcom operators await new technologies and services. During 1993 Ericsson received a number of important contracts for AXE equipment to update existing networks.

An aggressive program involving several Ericsson business areas is being implemented in the PCS (Personal Communications Services) field. Ericsson, which already has technologies that are well adapted for PCS, thereby advanced its position in this field during the year.

EDACS, Ericsson's digital system for land mobile radio, scored major successes in the U.S. during 1993. RACOM, a private operator, placed an order for a network that will cover seven states. The City of Los Angeles ordered an EDACS system at a cost of SEK 200 million. Dade County in Florida ordered a system for SEK 295 million.

Ericsson's success with its mobile telephone systems in the American market continued in 1993 with substantial deliveries to the large ana-

log and digital networks that were built up using its technology.

The operator Metrocel signed a three-year, one billion kronor contract covering upgrading and renovation of the mobile telephone system in the Dallas/Fort Worth area.

### **Latin America**

Ericsson continues to be the leading supplier of public telecommunications switches in Latin America. Successes in *Argentina, Brazil, Chile, Colombia, Mexico, Uruguay* and *Venezuela* strengthened its position in this part of the world, which is now characterized by strong economic growth.

A number of contracts for analog mobile telephone systems were signed in *Brazil*. The total value of contracts signed since May 1992 is SEK 560 million.

Ericsson Redes, the Spanish network construction company, signed a contract with one of *Chile's* telcom operators to supply a 630-kilometer fiber optical telecommunications network.

Ericsson's company in *Mexico* received a contract for delivery of 870,000 lines of AXE equipment to the Telmex telcom operator. The Telcel operator placed an order involving the doubling of its analog mobile telephone systems. This contract, worth SEK 730 million, included switches, radio base stations and transmission equipment to be delivered in 1993.

In *Uruguay* Ericsson received an order for AXE equipment, intelligent networks and SDH technology with a total value of SEK 223 million. The greater part of the equipment will be delivered by Ericsson's Brazilian company.

### **Africa**

During the year Ericsson received an order for three fiber-optical systems to be installed in *Botswana* in southern Africa. The order, valued at SEK 105 million, comprised contracts for more than 1,000 kilometers of fiber-optical cable.

### **Asia**

Ericsson Business Networks recorded important successes in its network construction operations in the *Philippines*, receiving two contracts worth a total of nearly one billion kronor. Ericsson Radio Systems received an order to deliver an analog mobile telephone system based on the TACS standard.

Ericsson's first order for local exchanges was signed in *India* during the spring. AXE equip-

ment for international exchanges in Indian cities had been delivered earlier. Sharp growth is projected in the Indian local-exchange market.

In *Japan*, Ericsson Toshiba Telecommunications Systems continued work on the large digital mobile telephone systems to be placed in service during 1994. Two more follow-on orders, totaling one billion kronor, were received in June.

*China* was the second largest market for AXE systems during 1993. In all, 0.9 million lines of AXE were installed, twice as many as in 1992. Ericsson also received its largest-ever contract in China, an order totaling SEK 2.2 billion for AXE equipment to be installed in Guangdong Province.

The greater part of the deliveries in China are made from Ericsson's Swedish factories, but plants in Nanjing and Guangzhou that will make equipment for mobile telephone systems were inaugurated during the autumn. The plants are managed by joint-venture companies that Ericsson has formed in China. Deliveries to China were also made by companies in Spain and Norway, which received AXE contracts from Chinese customers.

A number of provincial authorities in China placed orders for mobile telephone systems in 1993. To date, more than half of the Chinese provinces have signed mobile telephone system contracts with Ericsson. With one exception – Guangdong Province ordered China's first GSM system in 1993 – the contracts involve analog systems. Total capacity of the mobile telephone networks Ericsson has delivered in China as of early 1994 amounts to more than 1,300,000 subscribers.

With the signing of a contract with the Beijing Wire and Communications Plant, Ericsson recorded a real breakthrough in China for its BusinessPhone small subscriber exchange. The contract, estimated at SEK 650 million, calls for the Chinese company to manufacture BusinessPhone exchanges on license from Ericsson.

Ericsson's successes with its MD110 subscriber exchange in China continued. The MD110 maintains its market leadership position and is now being sold in all the Chinese provinces.

Ericsson's highly successful operations in China provide cause for a certain amount of caution with respect to the future. Activities in China will be highly dependent on the country's access to international credits.

Expansion of the mobile telephone network in *Kuwait* is continuing. During the summer



**In 1993 and the early part of 1994 Ericsson introduced pocket telephone models that were world leaders in terms of smallness and efficiency.**

Ericsson received an order, valued at SEK 158 million, for an additional switch and radio base stations. Ericsson also reestablished its strong position in the public telecommunications segment with an order for 100,000 AXE lines.

In *Lebanon*, Ericsson received a SEK 350 million contract to expand and rebuild the telecommunications network.

The operator Mobikom in *Malaysia* signed a contract covering delivery of equipment for analog and digital mobile telephone systems. The order, comprising three phases of expansion, is worth a total of SEK 1 billion.

In *Pakistan*, Ericsson received a contract to deliver 24,000 lines of MD110 subscriber exchange equipment.

In *Thailand*, Ericsson was awarded a contract, worth SEK 950 million, to supply AXE equipment. The customer is Thai Telephone and Telecommunication, the second operator of public networks in that country.

#### *Australia*

Ericsson has traditionally had a very strong position in *Australia*. In November Ericsson was designated one of three strategic partners for the continuing expansion and modernization of the country's telecommunications network in coming years. It will deliver equipment valued at SEK 4.8 billion during the next five years.

Ericsson occupies a dominant position in mobile telephone systems in Australia. During 1993 it received contracts from both Telecom Australia (SEK 465 million) and Arena GSM (SEK 900 million). The latter, a private-sector company, is a subsidiary of British-based Vodafone. Ericsson has 80 percent of the Australian market for digital mobile telephone systems.

#### *Financial management*

1993 was another very turbulent year in financial markets. Internationally, the recession in Europe, the breakdown of the EMS and the gradual improvement in the U.S. economy resulted in lower interest rates, volatile foreign exchange markets and a stronger U.S. dollar. The very deep recession in Sweden resulted in lower interest rates and a weaker Swedish krona.

Several units within the Ericsson Treasury func-

tion provide financial support to operating companies. Ericsson Treasury Services offers support within the areas of internal banking services and treasury management, including foreign exchange and interest-rate management, cash management and short-term borrowing. The pricing of internal transactions is market-based. The interest-rate margin on commercial foreign exchange forward contracts is accounted for as operating income by the operating companies. The results of Ericsson Treasury Services' operations were highly favorable in 1993. Ericsson Insurance Services offers coordinated insurance programs covering property, products and operations. Risks are placed with wholly owned insurance companies in Dublin and Luxembourg. Internal pricing is market-based. Ericsson Insurance Services had another good year in 1993. No major claims were reported, reflecting Ericsson's commitment to risk management. Export and Project Finance supports the various sales organizations with financing solutions for customers. Financing requirements are increasing, with requests for financing coming from all parts of the world, including OECD countries. This unit was substantially strengthened during the year.

#### *Ericsson and the exterior environment*

Ericsson has a long tradition of environmental responsibility. Earlier, its programs in this area focused primarily on manufacturing processes and emissions from Ericsson plants. But environmental demands on companies have become much stricter in most countries and the focus has shifted from production to products.

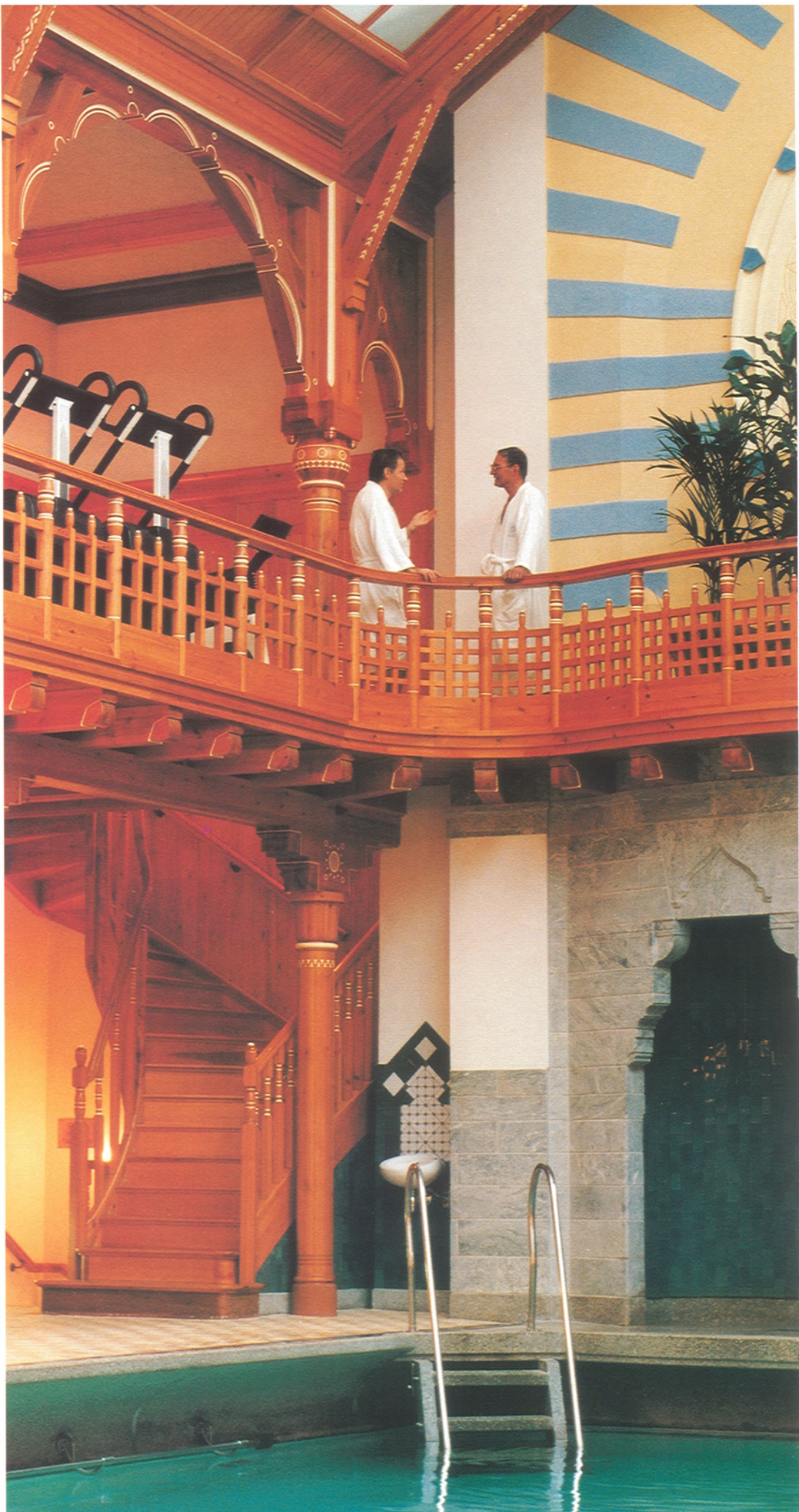
Ericsson's new environmental policy prescribes a "life-cycle" concept for the company's products and operations. The key objective is to minimize consumption of raw materials and to reduce emissions, waste and energy consumption throughout the life cycle of products.

Ericsson also imposes requirements on its suppliers and their methods of dealing with environmental matters. Regular environmental audits ensure adherence to this policy.

Another basic tenet is that production units in countries that do not have comparable laws should conform with the Swedish environmental legislation.

**Fiber-optical cables are being used increasingly in modern telecommunications networks. Ericsson develops fiber-welding systems for the simultaneous splicing of four fibers.**





Telecommunications companies are in the lime-light in the public arena as never before. The past year has been characterized to a high degree by spectacular acquisitions of companies and alliances within the industry. We are witnessing how telcom operators are maneuvering to establish the best-possible positions prior to the explosion of new profitable services that the future will offer.

Technological advances, driven by the expressed demands of the market and customers for new functions in networks, are laying the foundation for a completely new view of telecommunications. Twenty years ago telecommunications networks were used exclusively for voice telephony. Then came data communication, which added a further dimension to the use of networks. Now comes the third dimension – multimedia, interactive television, video-on-demand – a totally new range of services with prophecies of a bright future.

Ericsson is one of the industry's suppliers that has the resources to develop the new products and systems required to make the third dimension a reality. The challenge to be a leading player in the new telecommunications arena is one of the greatest in Ericsson's history.

#### *The information society*

Much has been said and written about the information society. The further development of industrialism in its now familiar form has been discussed for many years, without concrete evidence that the new age is really upon us. But during 1993 we have seen many clear signs that the information society is about to be realized.

The future is unfolding first in the United States. A number of company acquisitions and alliances were discussed during the year. Telcom operators have attempted to buy their way into cable TV companies and the entertainment industry.

These operators want to combine their resources in telecommunications technology with those possessed by cable operators and entertainment companies. Ownership of rights to a large number of popular films and entertainment programs has suddenly become as valuable as owning infrastructure in the form of well-developed telecommunications networks.

What is now happening in the U.S., and which will soon also happen in Europe, is made possible by the new technologies in the field,

notably ISDN and broadband transmission. Video-on-demand – the ability to order home screenings of video films by means of a remote control device on a television set at a time that best suits the subscriber – is one of the key phrases. This technology is feasible in telecommunications networks that offer high-speed signal transmission in at least one direction (to the subscriber) and have moderate capacity in the other direction (in the form of order information from the subscriber).

#### *Soon to be a reality*

Ericsson is one of the leading telcom suppliers that is well advanced in developing the technical solutions required for this service. Video-on-demand will probably become a reality within the next few years. A number of operators in the U.S. and Europe plan to introduce this service during the next year or two.

In the first stage, more efficient utilization of existing telecommunications networks is making it possible to send television and video signals over the same line. Ericsson and other suppliers can already deliver equipment that significantly increases capacity in existing copper-wire networks, the form of distribution that will dominate at end of the networks closest to the subscriber in the foreseeable future.

During the next few years the large telcom operators will invest in this type of equipment to ward off the threat from another form of distribution, via cable TV networks. In countries with well-developed cable networks, these systems offer a competitive and technically highly attractive ability to also distribute telecommunications traffic. The deregulation process under way throughout the world will enable cable TV companies to distribute telecommunications traffic in their networks. That is why the American telcom operators are now buying up, or buying into, cable companies.

#### *The corporate market*

A sharply expanded range of services will make the private-consumer market much more profitable for telcom operators, but they will also focus on the corporate market. This market is often the driving force behind advances in telecommunication and information technologies. Broadband technology is a good example.

Companies have long appreciated that information is one of their most valuable resources.

**Fiber optical ribbon cable makes it possible to use many fibers in a very small area. This construction combines high capacity with time-savings in splicing and assembly operations.**





The ability to handle and communicate this information is thus extremely important. The communication of large volumes of information in an enterprise with international operations requires advanced telecommunications.

Companies are willing to invest substantial sums in their own networks or to pay well for services of an international supplier. The international investment programs of the large telcom operators should be viewed in this light. BT, AT&T, Unisource and others are making major efforts to satisfy the constantly increasing communications demands of corporate customers.

#### *The world is shrinking*

Technical developments in telecommunications will shrink the world. People who need to communicate with each other will be able to do so,

wherever in the world they may be. This trend is creating conditions for a new form of "small scale" society in which national borders and geographical distances are not significant. In this new world, common interests will be the cohesive factors binding groups of individuals. Developments in the telecommunications field may upset many ingrained concepts.

These developments are already being realized within Ericsson. Our very substantial investment in research and development, which requires a sharply decentralized organization, is a shining example. Nowhere, in any country in the world, does a company like ours have access to as many engineers who meet our demanding technical standards.

Ericsson's development program is based on its total expertise in more than 20 different

countries, on well-trained graduates of many technical institutions and other centers offering advanced training. The vitality of this program is enhanced through the interplay of many different cultures and social environments.

This program would not have been possible if Ericsson had not had access to highly advanced telecommunications, including its own



**With Ericsson Mobidem units linked to portable computers, users can gain access to databases via mobile telecommunications networks.**

high-capacity global network for telephone and data communications.

Up to now these “islands” of technical expertise have been located in the company’s R&D center. But we are aware of, and preparing for, a trend leading to the day when many of our

skilled technicians will ask to be allowed to work from their homes, at least part-time.

### *ATM*

The efforts of telecommunications companies to develop technologies to meet tomorrow’s requirements are now focused to a high degree on broadband technology, which increases capacity figures by many magnitudes of ten. A few years ago we spoke of transmission speeds of several thousand kilobits per second (kbit/s). Today, with ISDN, telcoms in many places in Europe can be linked to systems offering speeds of 64 kbit/s. A transmission speed of two megabits per second (2 Mbit/s) is used in Ericsson’s internal telecommunications and data communications network, as well as in many other advanced private networks. In tomorrow’s broadband networks, we will measure transmission speeds in gigabits, a thousand times faster than megabits.

It is thus clear that broadband technology will involve yet another revolution in the transmission of information. With broadband, we can transmit all the different types of information that are foreseeable today: voice, data, video or high-resolution television. And this revolution will occur in the very near future.

Pilot tests of ATM (Asynchronous Transfer Mode) transmission technology are now under way throughout the world. Future international standards for broadband communications will almost certainly be based on ATM. Naturally, Ericsson is working intensively to enhance its

AXE systems so that we can offer customers ATM capabilities. We are currently participating in the construction of pilot networks with first-generation ATM exchanges, but Ericsson already has patents on the greatly advanced technology in the third generation of ATM.

### *Increasingly sophisticated networks*

Broadband technology will change communications within companies not only by providing much higher capacities but by greatly simplifying life for managers of companies’ different communications systems. The multiplicity of network solutions designed for specific needs that characterizes today’s corporate communications systems will be replaced by a single physical network. Based on fiber-optical cable – but also in many cases on radio communications or microwave technology – this network will be much simpler to maintain. Advanced support systems will facilitate control, monitoring and network operations.

The addition of broadband exchanges is not the only key to the sophisticated networks of the future. Intensive programs to develop the technologies for transport networks are also under way. SDH (Synchronous Digital Hierarchy) is a relatively new technology with which Ericsson has had much success. It not only makes it possible to rationalize operations and increase utilization of capacity in transport networks but also offers greater flexibility and reliability. Operators are attracted to SDH’s potential for more cost-effective utilization of network investments and resulting higher profitability.

Transport networks, which account for between 20 and 25 percent of total investments in public networks, are the sector with the strongest growth. This sector is expected to account for a larger percentage of investments than exchange equipment within a few years.

### *Mobility increasingly important*

Wireless technologies are expected to play an increasing role in the segment of communications that does not require exceptionally high transmission speeds. Mobility is already a key word, and will remain so to an even higher degree in the future. The recent sharp expansion of digital mobile telephone systems is the result of second-generation technology in this field. A principal objective of the work already in progress on the next generation of mobile telephony



is to create global systems that offer voice, data communication and personal paging functions.

The next generation of terminals will enable us to satisfy all our communications needs. We will always be accessible but, when we choose to, will also be able to store calls and complete them later. It will be possible to handle telephone calls, data transmission, messages and personal paging via a single small hand-held instrument smaller than today's smallest pocket telephones.

Mobile telephony is only at the beginning of its technical development. Future terminals will not only be smaller but contain more intelligence than today's pocket telephones.

### *Personal telephony*

More and more companies have begun to take advantage of the facilities offered by cordless business telephones. These instruments substantially increase the availability and efficiency of employees and thereby greatly reduce the costs of company-customer contacts.

Mobile telephones – analog or digital – are most commonly used outside offices. The next step in this segment is what the Americans call a PCS (Personal Communications System), and whose British counterpart is known as a PCN (Personal Communications Network). Both employ radio technologies in which, by using much smaller cells than in conventional cellular



systems, it is possible to construct large-capacity networks while permitting the use of simpler, less expensive terminals.

PCS and PCN are based on today's digital cellular technology but other technologies for local mobility will also be established. Their common characteristic is that they will function in many different environments.

In the U.S., where the Federal Communications Commission (FCC) will auction off licenses for such systems, field trials, in which Ericsson is participating, are under way or planned in many locations. The first network of this type to be placed in service, Mercury One-to-One in Great Britain, was delivered by Ericsson.

Regardless of the technologies used in the future, Ericsson commands a strong position in the personal telephony sector. This is assured by its leadership in all the technologies now being used for mobile telephony, and by its advanced development of technologies of the future.

#### ***Wireless data communication***

Wireless transmission of data, which had a sluggish initial period, is now on the threshold of strong growth. This is true of data transmission within a company – in the form of cordless local area data networks (LANs) – and of the transmission of data from mobile terminals in vehicles or from hand-held terminals – by field service or sales personnel, for example.

In the personal computer field, there is a strong trend toward portable multimedia terminals. Since these require wireless transmission of signals, the computer industry is concentrating intensively on this area.

Mobile data communications has already become a reality in the form of the Mobitex networks in Scandinavia, the United States and Great Britain, and are now being constructed in such countries as The Netherlands and France. These networks are already offering specific data-transmission solutions for different categories of users. Ericsson, a leader in this technology, has placed great emphasis on developing new applications through joint ventures with international software firms. Typical areas in which mobile data technology is being used include trucking companies, taxi firms, rescue services and similar operations. Many other

applications, including electronic mail, are now available or are being developed.

GSM (Global Service for Mobile Communications), the pan-European standard for digital mobile telephony, also incorporates the capacity for data transmission, as do the two other standards – American and Japanese – that have been adopted for mobile telephony. DECT, the European standard technology for digital cordless telephony, also has this capacity.

#### ***The market is the driving force***

Technology has traditionally been the great driving force in the development of information technology. This was the case with mobile telephony, which has had such a radical impact on our daily lives. And technological advances provided the base for digitalization of wired telecommunications networks, the technical revolution that made possible many of the services we now take for granted but which were not feasible only a few years ago.

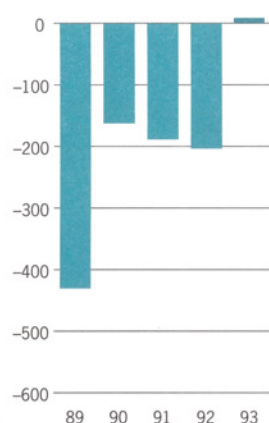
There is an entirely different driving force today. The market, with its demands for new and improved services, is moving telecommunications companies forward. The market formulates demands and the technical experts try to find the best-possible answers. This trend, which characterizes telecommunications in most parts of the world today, is attributable to two revolutionary concepts: deregulation and privatization.

Only recently, the telecommunications industry was characterized by government control. Telecom operators were government agencies with monopolies in their countries. New services in telecommunications networks were created at a rate the monopolies considered appropriate. Suppliers like Ericsson had a limited number of customers whose wishes had long been well defined.

The picture is entirely different today. Deregulation and privatization characterize the market wherever one looks. While telecommunications is still a government concern, or continues to be monopolized in many nations, the field is becoming open to freer competition in an ever-larger number of countries. This free competition is the driving force creating new services and a new perspective on the more traditional services in telecommunications networks.

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Financial Net, SEK m.



Figures for the preceding year have been adjusted, where appropriate, to reflect changes in accounting principles. As a result, income before taxes in 1992 was charged with SEK 65 m. Also, see Notes to the Financial Statements.

#### Sales and order bookings

Ericsson's net sales in 1993 amounted to SEK 62,954 m., an increase of 34 percent compared with sales of SEK 47,020 m. in the preceding year. Markets outside Sweden accounted for 90 percent of the sales (87 percent), and 36 percent were attributable to countries within the European Union (EU).

Total exports from Sweden, including sales to foreign subsidiaries amounted to SEK 29,263 m. (18,994), 54 percent higher than in 1992.

Order bookings totaled SEK 67,693 m. (53,427), an increase of 27 percent. The order backlog at year-end amounted to SEK 45,296 m. (38,050).

#### Income

Ericsson's income before taxes rose 150 percent, to SEK 3,108 m. (1,241). Income included a net capital loss of SEK 36 m. after deduction for minority interests, compared with a net capital gain of SEK 57 m. in 1992. All business areas contributed to the positive trend of earnings. Income before taxes in the fourth quarter was charged with SEK 305 m. for an extraordinary write-down of goodwill in Orbitel Mobile Communications Ltd., in which Ericsson has a 50-percent interest. The write-down was charged against Share in earnings of associated companies.

All business areas reported higher operating income after depreciation. At the same time, the substantial investments in technical development and capital expenditures for technical equipment have continued. Ericsson's total operating income amounted to SEK 3,530 m. (1,754). The financial net improved sharply, amounting to SEK 8 m., compared with a loss of SEK 204 m. in 1992. Declining interest rates and a successful issue of convertible debentures contributed to the positive trend. As a result of the sharp rise in volume of business, capital employed increased and cash flow was negative in the amount of SEK 1,709 m., compared with negative cash flow of SEK 1,593 m. a year earlier.

Minority interests in income before taxes amounted to SEK 430 m. (309). Minority interests were affected by the improvements in income

reported in Ericsson's companies in Mexico.

Net sales of the *Public Telecommunications* Business Area were higher due to continuing growth in the markets for public telephone switches, notably in Spain, Great Britain, Asia and Mexico.

The *Radio Communications* Business Area reported continuing strong growth in net sales. The increase was attributable entirely to two product areas, mobile telephone systems and mobile telephones. The strong growth in the markets for mobile telephone systems occurred mainly in Asia, Europe and the United States but the markets in South America are also growing rapidly. The increase in sales of mobile telephones was attributable primarily to large deliveries of GSM telephones to customers in Europe.

The dominant portion of net sales of the *Business Networks* Business Area are to European customers, in Italy and Austria in particular. The largest part of the Business Area's increase in net sales in 1993, derived from installation projects in Argentina, Pakistan and Saudi Arabia, however.

Net sales of all principal product groups were higher in the *Components* Business Area. Sales of energy systems and cable showed the largest increase. Sales of microcircuits, primarily to other Ericsson companies, increased substantially. The Business Area also took over a large number of agency operations during the year.

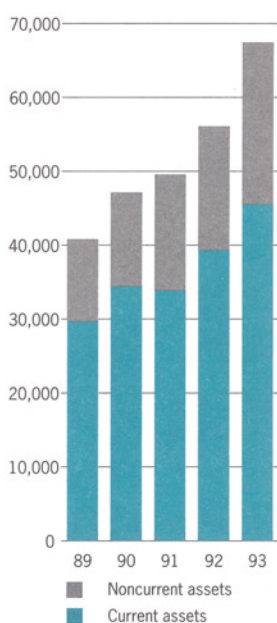
Net sales of the *Defense Systems* Business Area were higher in 1993. The ban on test flights of the Swedish JAS multirole military aircraft that was in effect during part of the year had only a marginal impact on sales.

#### Financing

The rate of capital turnover rose from 0.88 in 1992 to 1.01 in 1993. Ericsson's accounts receivable increased during the year but declined as a percentage of sales, from 34 to 29 percent. Inventories, which expanded parallel with the strong expansion in volume of business, amounted to 22 percent of net sales, unchanged from the preceding year. Ericsson's equity ratio remained at 34.5 percent.

Debentures equal to 10,973,331 shares were converted during the year. Following the end of the year, debentures equal to an additional 7,189 shares, which carry rights to dividends in 1994, have also been converted.

Assets, SEK m.



The Swedish convertible debenture loan issued to employees in 1987, which was listed on the Stockholm Stock Exchange in 1990, fell due for payment on March 31, 1993. Except for debentures valued at SEK 0.1 m., the entire loan was converted to shares.

In June 1993 the Parent Company issued a convertible debenture loan to Ericsson's shareholders. The debentures, which were fully subscribed, amounted to SEK 2,171,719,760. They are listed on the Stockholm Stock Exchange and are traded in the United States in the form of American Depositary Debentures (ADDs) via NASDAQ. The debentures carry interest at 4.25 percent, with a conversion price of SEK 300, and may be converted to shares up to and including May 31, 2000. During 1993, debentures equal to 13,175 shares were converted. Upon full conversion, the number of Ericsson shares will increase by 7,225,769. The convertible debenture loan has been rated "A2" by Moody's Investors Service.

Ericsson's policy for hedging its commercial exposure to foreign exchange movements was not changed during the year. Transaction exposure, attributable to contracts and portions of expected sales, is hedged on a continuing basis and was well covered in 1993. The depreciation of the Swedish krona thus had only a gradual positive impact on Ericsson income which did not occur until the second half of the year. The depreciation of the krona had a favorable impact on 1993 income in connection with translation of foreign subsidiaries' income statements to Swedish currency. Translation exposure, attributable to net assets in foreign currency, was minimized through the composition of the loan portfolio, loans and forward exchange contracts in accordance with a foreign exchange hedging policy established by Ericsson's management.

Ericsson Treasury Services is responsible for a substantial portion of Ericsson's liquidity and currency management, internal bank services, etc. Companies within this unit operate for Ericsson's account in currency and financial markets, under guarantees from the Parent Company. These guarantees accordingly increase the Parent Company's contingent liabilities. Treasury Services reported very satisfactory income for the year, due in large part to declining interest rates.

Operations in Ericsson's various captive insurance companies developed well, with continuing satisfactory results. These activities comprise

direct insurance and reinsurance in many areas related to Ericsson property, products and operations.

The need for export and project financing continued to increase, due in particular to Ericsson's many projects in China and Latin America. It continues to be difficult to syndicate risks that are not covered by guarantees issued by government agencies. Government guarantees are important for the financing of exports to most of Ericsson's markets in developing countries. Ericsson's exposure attributable to customer financing increased slightly during the year, due to the growing volumes of business and the foreign exchange movements.

#### *Research and development*

Ericsson's total research and development costs, including costs related to customer orders, remain high as a result of our resolute development programs.

In 1993 these costs amounted to SEK 10,924 m., (7,377) equal to 17 (16) percent of net sales. Total technical costs, which include costs of modifying systems and products for specific markets, amounted to SEK 13,311 m. (10,300), equal to 21 (22) percent of net sales.

#### *Capital expenditures*

Investments in property, plant and equipment amounted to SEK 3,805 m. (3,847). Capital expenditures in Sweden, which amounted to SEK 1,981 m. (1,248), were sharply higher. Of the total investments, SEK 703 m. was attributable to projects in countries within the European Union.

#### *Personnel*

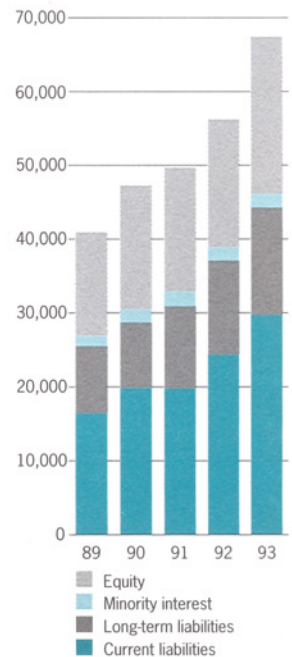
At year-end 1993 69,597 (66,232) persons were employed within Ericsson. The overall increase, 3,365 persons, included a net increase of 150 attributable to units acquired and divested. Of the total number of employees, 17,624 are in units within the European Union.

Wages, sales and other remuneration paid amounted to SEK 15,467 m. (13,158). Net sales per employee amounted to SEK 904,500 (710,000). Information on the average number of employees, and on wages, salaries and remuneration paid and benefits accruing to senior executives, appears in the Notes to the Financial Statements.

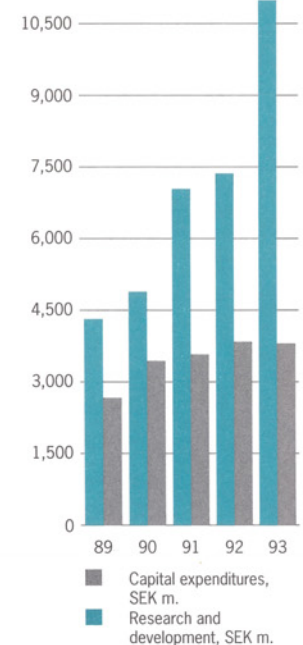
#### *Significant changes within Ericsson*

During the year Ericsson formed a company in

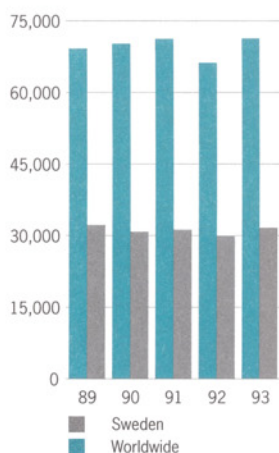
**Liabilities and Equity, SEK m.**



**Research and Development, Capital Expenditures, SEK m.**



### Number of Employees



Nanjing in the People's Republic of China to produce and install mobile telephone systems. Ericsson has a 52-percent holding in the joint-venture company. Together with local partners, a joint-venture company for the production of radio base stations was also established in Guangdong Province. Ericsson's holding in this company is 56 percent. In addition, Ericsson and North East Communication Group Company formed a jointly owned company in Dalian, in Liaoning Province. Ericsson owns 56 percent of this company, which will provide installations and customer support for public telecommunications equipment.

During the year, to further strengthen its position in the product sector comprising wide area paging systems, Ericsson acquired all the shares of Compondex Ltd., in England.

Ericsson also acquired a 40-percent interest in Terma Elektronik A/S, a Danish company, to reinforce its competitiveness in the Nordic market for defense electronics.

During 1993 Ericsson increased its holding in Teleindustria Ericsson S.A., the Mexican subsidiary, to 94 percent.

During the third quarter of the year Ericsson concluded an agreement with Telia AB, the Swedish telecommunications administration, to acquire the Teli AB group of companies. The agreement involves the acquisition of five companies with a total of 1,350 employees.

### Outlook

Positive development is foreseen for the corporation in 1994. Earnings are expected to be higher than the previous year.

### Proposed disposition of earnings

The sum of SEK 5,124,166,538 is available for distribution by the shareholders at the Annual General Meeting. The Board of Directors and the President propose that these earnings be distributed as follows:

<i>That</i>	a dividend of SEK 4.50 per share be paid to stockholders duly registered on the record date,	SEK	977,264,996
<i>That</i>	the remainder be retained in the business,	SEK	4,146,901,542
		SEK	5,124,166,538

*Stockholm, March 1994*

Björn Svedberg <i>Chairman</i>	Peter Wallenberg <i>Deputy Chairman</i>	Tom Hedelius <i>Deputy Chairman</i>
Sune Andersson	Carl-Erik Feinsilber	Georg Karnsund
Claes-Göran Larsson	Thomas Olsson	Sverker Martin-Löf
Sven Olving	Jacob Wallenberg	Sven Ågrup
	Lars Ramqvist <i>President</i>	

## Consolidated Income Statement

Telefonaktiebolaget LM Ericsson and consolidated subsidiaries

Years ended December 31, SEK m.	1993	1992	1991
<b>Operating revenues</b>			
Net sales	62,954	47,020	45,793
Other operating revenues <i>note 1</i>	485	480	732
Share in earnings of associated companies	79	230	87
	<b>63,518</b>	<b>47,730</b>	<b>46,612</b>
<b>Operating expenses</b>			
Cost of sales	34,825	24,448	22,566
Selling, research and development, general and administrative expenses	22,512	19,335	19,901
Depreciation <i>note 2</i>	2,651	2,193	1,863
	<b>59,988</b>	<b>45,976</b>	<b>44,330</b>
<b>Operating income after depreciation</b>	<b>3,530</b>	<b>1,754</b>	<b>2,282</b>
Financial income <i>note 3</i>	1,390	1,484	1,299
Financial expenses <i>note 3</i>	1,382	1,688	1,488
<b>Income after financial income and expenses</b>	<b>3,538</b>	<b>1,550</b>	<b>2,093</b>
Minority interest in income before taxes	-430	-309	-498
<b>Income before taxes</b>	<b>3,108</b>	<b>1,241</b>	<b>1,595</b>
<b>Taxes</b>			
Tax expenses <i>note 4</i>	-975	-796	-952
Deferred taxes <i>note 4</i>	640	-172	118
Minority interest in taxes	62	205	130
<b>Reported net income</b>	<b>2,835</b>	<b>478</b>	<b>891</b>
Adjusted net income per share, SEK <i>note 6</i>			
- after actual taxes paid	10.61	2.88	3.65
- after full conversion	10.31	2.88	3.65
- after actual and deferred taxes	13.21	2.32	4.33
- after full conversion	12.80	2.32	4.31

Comparative years adjusted for change in accounting policies. See Notes to the Financial Statements.

**Consolidated Balance Sheet***Telefonaktiebolaget LM Ericsson and consolidated subsidiaries*

<i>December 31, SEK m.</i>	<i>1993</i>	<i>1992</i>
<b>Assets</b>		
<b>Current Assets</b>		
Cash, bank deposits and short-term cash investments <i>note 7</i>	8,800	9,227
Notes and accounts receivable – trade (less allowance for doubtful accounts, 826, 1993 and 465, 1992) <i>note 8</i>	18,159	15,789
Inventories (less advance and progress payments, 3,273, 1993 and 2,740, 1992)	13,830	10,267
Other current assets <i>note 9</i>	5,933	4,046
	<b>46,722</b>	<b>39,329</b>
<b>Deposits related to untaxed reserves</b>	<b>158</b>	<b>139</b>
<b>Investments and other noncurrent assets</b>		
Notes and accounts receivable – trade <i>note 8</i>	806	496
Investments in associated companies, at equity <i>note 22</i>	1,936	1,887
Other investments	778	512
Other noncurrent assets <i>note 12</i>	4,727	3,181
	<b>8,247</b>	<b>6,076</b>
<b>Property, plant and equipment <i>note 13</i></b>		
Cost	25,198	21,818
Accumulated standard depreciation	13,352	11,306
	<b>11,846</b>	<b>10,512</b>
Revaluation adjustments, net of accumulated standard depreciation	517	581
	<b>12,363</b>	<b>11,093</b>
	<i>1993</i>	<i>1992</i>
<b>Assets pledged as collateral</b>	<b>1,310</b>	1,421 <i>note 20</i>
<b>Total assets</b>	<b>67,490</b>	<b>56,637</b>

Comparative year adjusted for change in accounting policies. See Notes to the Financial Statements.



<i>December 31, SEK m.</i>	<i>1993</i>	<i>1992</i>
<b>Liabilities and stockholders' equity</b>		
<b>Current liabilities</b>		
Accounts payable – trade	6,221	4,367
Advances from customers	5,651	4,277
Accrued taxes	664	333
Short-term borrowings <i>note 14</i>	3,109	3,959
Current maturities of long-term debt	699	1,095
Other current liabilities <i>note 15</i>	13,317	10,289
	<b>29,661</b>	<b>24,320</b>
<b>Long-term liabilities</b>		
Bond loans <i>note 16</i>	2,773	2,398
Convertible debentures <i>note 16</i>	2,170	4
Pension liabilities <i>note 17</i>	5,282	5,092
Deferred tax liabilities	1,469	1,529
Other long-term liabilities <i>note 16</i>	2,835	3,773
	<b>14,529</b>	<b>12,796</b>
<b>Minority interest in equity of consolidated subsidiaries</b>	<b>1,995</b>	<b>1,801</b>
<b>Stockholders' equity <i>note 19</i></b>		
Capital stock	2,172	2,062
Reserves not available for distribution	12,808	9,769
	<b>14,980</b>	<b>11,831</b>
Retained earnings	3,490	5,411
Reported net income	2,835	478
	<b>21,305</b>	<b>17,720</b>
	<b>1993</b>	<b>1992</b>
<b>Contingent liabilities</b>	<b>2,743</b>	<b>2,050</b> <i>note 21</i>
<b>Total liabilities and stockholders' equity</b>	<b>67,490</b>	<b>56,637</b>

Comparative year adjusted for change in accounting policies. See Notes to the Financial Statements.

## Consolidated Statement of Changes in Financial Position

<i>Years ended December 31, SEK m.</i>	<i>1993</i>	<i>1992</i>	<i>1991</i>
<b>Cash at January 1</b>	<b>9,227</b>	<b>7,812</b>	<b>6,767</b>
<b>Cash provided from operations</b>			
Reported net income	2,835	478	891
Minority interest in net income	368	104	368
Depreciation	2,651	2,193	1,863
Losses on sale of property, plant and equipment	2	66	39
Increase in bank deposits	-19	-57	-13
Decrease in deferred tax liabilities	-655	-214	-118
	<b>5,182</b>	<b>2,570</b>	<b>3,030</b>
<b>Translation adjustments not affecting income statement</b>	<b>1,021</b>	<b>980</b>	<b>-348</b>
<b>Sale of property, plant and equipment</b>	<b>420</b>	<b>1,725</b>	<b>227</b>
	<b>1,441</b>	<b>2,705</b>	<b>-121</b>
<b>Changes in working capital (excl. cash)</b>			
Notes and accounts receivable – trade	-2,370	-2,300	2,019
Inventories	-3,563	-1,103	201
Other current assets	-1,124	-607	-636
Current liabilities, noninterest-bearing	5,785	2,859	-1,071
	<b>-1,272</b>	<b>-1,151</b>	<b>513</b>
<b>Changes in other assets</b>			
Additions to property, plant and equipment	-3,805	-3,847	-3,583
Translation adjustments in property, plant and equipment	-539	-706	148
Investments, net	-315	83	-945
Other noncurrent assets	-1,461	-413	-611
	<b>-6,120</b>	<b>-4,883</b>	<b>-4,991</b>
<b>Dividends paid</b>	<b>-940</b>	<b>-834</b>	<b>-753</b>
<b>Cash flow</b>	<b>-1,709</b>	<b>-1,593</b>	<b>-2,322</b>
<b>Cash provided from financing activities</b>			
Changes in short-term liabilities	-1,246	1,673	1,027
Changes in long-term liabilities	2,032	1,670	2,346
Conversion of debentures	584	12	15
Proceeds from unclaimed stock dividend shares	-	-	3
Net change in capital contributed by minority	-88	-347	-24
	<b>1,282</b>	<b>3,008</b>	<b>3,367</b>
<b>Cash at December 31</b>	<b>8,800</b>	<b>9,227</b>	<b>7,812</b>

Comparative years adjusted for change in accounting policies. See Notes to the Financial Statements.

**Parent Company Income Statement**  
*Telefonaktiebolaget LM Ericsson*

<i>Years ended December 31, SEK m.</i>	<i>1993</i>	<i>1992</i>	<i>1991</i>
<b>Operating revenues</b>			
Net sales	12,609	11,467	12,301
Other operating revenues <i>note 1</i>	1,754	1,603	1,323
	<u>14,363</u>	<u>13,070</u>	<u>13,624</u>
<b>Operating expenses</b>			
Cost of sales	8,482	5,300	5,518
Selling, research and development, general and administrative expenses	5,232	6,676	7,544
Depreciation <i>note 2</i>	441	422	366
	<u>14,155</u>	<u>12,398</u>	<u>13,428</u>
<b>Operating income after depreciation</b>	208	672	196
Financial income <i>note 3</i>	2,495	1,835	930
Financial expenses <i>note 3</i>	1,493	1,606	438
<b>Income after financial income and expenses</b>	1,210	901	688
Appropriations to (-)/from untaxed reserves			
Changes in depreciation in excess of standard depreciation <i>note 2</i>	-75	-101	-141
Changes in other untaxed reserves <i>note 18</i>	-1,424	314	547
	<u>-1,499</u>	<u>213</u>	<u>406</u>
Contributions from/to (-) subsidiary companies	2,943	653	-122
<b>Income before taxes</b>	2,654	1,767	972
Income taxes <i>note 4</i>	-113	-135	-142
<b>Reported net income</b>	<u>2,541</u>	<u>1,632</u>	<u>830</u>

## Parent Company Balance Sheet

Telefonaktiebolaget LM Ericsson

December 31, SEK m.	1993	1992
<b>Assets</b>		
<b>Current assets</b>		
Cash, bank deposits and short-term cash investments <i>note 7</i>	123	168
Notes and accounts receivable from subsidiary companies <i>note 10</i>	8,988	4,936
Notes and accounts receivable – trade (less allowance for doubtful accounts, 323, 1993 and 266, 1992) <i>note 8</i>	1,923	1,940
Inventories (less advance and progress payments, 120, 1993 and 72, 1992)	2,238	1,649
Other current assets <i>note 9</i>	1,104	577
	14,376	9,270
<b>Investments and other noncurrent assets</b>		
Notes and accounts receivable – trade <i>note 8</i>	213	130
Other accounts receivable from subsidiary companies <i>note 10</i>	1,830	1,533
Investments <i>note 11</i>		
Subsidiary companies	9,582	9,190
Associated companies	465	499
Other investments	22	23
Other noncurrent assets	501	462
	12,613	11,837
<b>Property, plant and equipment <i>note 13</i></b>		
Cost	5,206	4,802
Accumulated standard depreciation	2,427	2,217
	2,779	2,585
Revaluation adjustments, net of accumulated standard depreciation	193	202
	2,972	2,787
	532	497
<b>Assets pledged as collateral</b>	<i>note 20</i>	
<b>Total assets</b>	29,961	23,894

<i>December 31, SEK m.</i>	<i>1993</i>	<i>1992</i>
<b>Liabilities and stockholders' equity</b>		
<b>Current liabilities</b>		
Accounts payable – trade	1,105	863
Advances from customers	283	122
Short-term borrowings <i>note 14</i>	5	1
Current maturities of long-term debt	573	657
Accounts payable to subsidiary companies <i>note 10</i>	2,281	2,505
Other current liabilities <i>note 15</i>	1,663	2,088
	<b>5,910</b>	<b>6,236</b>
<b>Long-term liabilities</b>		
Bond loans <i>note 16</i>	2,773	2,398
Convertible debentures <i>note 16</i>	1,575	4
Pension liabilities <i>note 17</i>	2,155	2,050
Payables to subsidiary companies <i>note 10</i>	821	576
Other long-term liabilities <i>note 16</i>	1,307	1,766
	<b>8,631</b>	<b>6,794</b>
<b>Untaxed reserves</b>		
Accumulated depreciation in excess of standard depreciation <i>note 13</i>	1,039	964
Other untaxed reserves <i>note 18</i>	2,818	1,394
	<b>3,857</b>	<b>2,358</b>
<b>Stockholders' equity <i>note 19</i></b>		
Capital stock	2,172	2,062
Reserves not available for distribution	4,267	3,139
	<b>6,439</b>	<b>5,201</b>
General reserve	100	100
Retained earnings	2,483	1,573
Net income	2,541	1,632
	<b>11,563</b>	<b>8,506</b>
	<i>1993</i>	<i>1992</i>
<b>Contingent liabilities</b>	<b>7,597</b>	<i>7,697</i> <i>note 21</i>
<b>Total liabilities and stockholders' equity</b>	<b>29,961</b>	<b>23,894</b>

## Parent Company Statement of Changes in Financial Position

<i>Years ended December 31, SEK m.</i>	1993	1992	1991
<b>Cash at January 1</b>	168	162	79
<b>Cash provided from operations</b>			
Net income	2,541	1,632	830
Depreciation	441	422	366
Gains (-)/losses on sale of property, plant and equipment	-3	-22	27
Decrease in bank deposits related to untaxed reserves	-	-	5
Appropriations to untaxed reserves and Parent Company contributions to subsidiary companies	-1,444	-866	-284
	1,535	1,166	944
<b>Sale of property, plant and equipment</b>	110	112	39
<b>Changes in working capital (excl. cash)</b>			
Current receivables, subsidiary companies	-4,052	-1,109	576
Notes and accounts receivable - trade	17	-351	-77
Inventories	-589	316	279
Other current assets	-527	286	-103
Current liabilities, subsidiary companies	-224	1,797	-293
Current liabilities, noninterest-bearing	-22	544	-65
	-5,397	1,483	317
<b>Changes in other assets</b>			
Additions to property, plant and equipment	-733	-548	-914
Investments, net	-357	-1,871	-914
Other noncurrent assets	-419	-886	122
	-1,509	-3,305	-1,706
<b>Contributions from/to (-) subsidiary companies</b>	2,943	653	-122
<b>Dividends paid</b>	-722	-721	-720
<b>Cash flow</b>	-3,040	-612	-1,248
<b>Cash provided from financing activities</b>			
Changes in short-term liabilities	-80	259	-329
Changes in long-term liabilities	1,837	347	1,642
Conversion of debentures	584	12	15
Capital discount, convertible debenture loan	654	-	-
Proceeds from unclaimed stock dividend shares	-	-	3
	2,995	618	1,331
<b>Cash at December 31</b>	123	168	162

## Notes to the Financial Statements

*In millions of Swedish kronor (except per share amounts)  
Years ended December 31*

### General

In the 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.

Because Ericsson has operations in many countries throughout the world and currency transactions are made in many different currencies, great importance is attached to various measures designed to reduce currency exposure.

In principle, Ericsson is subject to two different types of exposure from an accounting point of view:

*Transaction exposure:* Exposure related to payment flows denominated in a currency other than the Company's own.

*Translation exposure:* Exposure related to monetary net assets in a foreign subsidiary (often termed balance sheet exposure).

Subsidiaries reduce transaction exposure through forward exchange contracts, mainly those issued by Ericsson's internal bank, covering anticipated flows in foreign currency. The internal bank then assumes responsibility for maintaining Ericsson's net currency exposure within the frameworks established in the form of a currency risk policy. Translation exposure arises when monetary net assets of subsidiaries are valued at year-end exchange rates. Translation exposure in independent consolidated companies consists in principle of stockholders equity in these companies, i.e. Ericsson's net investment. This exposure is reduced through borrowing and currency exchange contracts in amounts governed by a policy established by Corporate Management. Translation exposure in integrated consolidated companies is reduced mainly through continuous monitoring with the objective of balancing an individual company's shareholders' equity and its investment in fixed assets.

See also Accounting Policies, item (d).

### 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, as they are stated in the Swedish Financial Accounting Standards Council's Recommendation RR01. These accounting principles differ in certain respects from accounting principles generally accepted in the United States. For a description of the differences and their approximate related effect on consolidated income and stockholders' equity, see Note 23.

#### (a) Principles of Consolidation

The consolidated financial statements include the accounts of the Parent Company and all of its subsid-

iary companies. All significant transactions between these companies 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 following their acquisition only.

Material investments in associated companies in which the Company's voting stock interest is at least 20 percent but not over 50 percent are accounted for according to the equity method (see Note 22). Minor investments in associated companies and all other investments are accounted for as Other investments, and 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 (see (b) below).

#### (b) Goodwill

Goodwill (excess of cost over net assets at market value of acquired companies) and negative goodwill (excess of net assets at market value acquired over cost) are normally amortized at a rate of 10 percent per year.

#### (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 large 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

The Company applies the Statement of Financial Accounting Standards No. 52 issued by the Financial Accounting Standards Board of the United States (SFAS 52) for the translation to Swedish kronor of the financial statements of foreign subsidiaries and associated companies.

For many subsidiary and associated companies, generally those with manufacturing operations, the currency in which those companies primarily generate and expend cash is their functional (business) currency, in accordance with SFAS 52. Their balance sheet items are translated to Swedish kronor at year-end exchange rates and their income statement items are translated at average rates of exchange during the year. The resulting translation adjustments are accumulated under stockholders' equity. When a company accounted for in accordance with these principles is sold, the accumulated translation adjustments are included in income. Companies whose accounts are translated in accordance with this method are designated independent companies.

The financial statements of subsidiary and associated 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 translation of these subsidiary and

associated companies' financial statements are included in the consolidated income statement. Companies whose accounts are translated in accordance with this method are designated integrated companies.

Effective January 1, 1986, the financial statements of all subsidiary and associated companies operating in countries with highly inflationary economies, and whose functional currency is considered to be the U.S. dollar, have been translated in two steps. In the first, the translation to dollars has been made to give approximately the same results in dollars as if the activities of the companies had been carried out in an American enterprise. The adjustments resulting from this translation are included in the consolidated income statement.

In the second step, from U.S. dollars to Swedish kronor, balance sheet items are translated at year-end exchange rates, and income statement items at the average rates of exchange during the year. The resulting translation adjustments are accumulated under Stockholders' Equity.

Gains and losses on foreign exchange include both translation adjustments and gains and losses on foreign currency transactions. These are divided into operational and financial gains and losses on foreign exchange.

Net operational gains and losses on foreign exchange, mainly related to accounts receivable and payable, are included in Cost of sales.

Financial gains and losses on foreign exchange are mainly related to liquid funds and loans. Gains and losses attributable to liquid funds for subsidiaries operating in countries with highly inflationary economies, and whose functional currency is considered to be the U.S. dollar, are included in financial income whereas gains and losses attributable to loans are included in financial expenses.

Financial gains and losses on foreign exchange for other companies are included net in financial expenses (see Note 3).

In the financial statements, receivables and liabilities in foreign currencies have been translated at year-end exchange rates.

The internal bank's forward exchange contracts pertaining to consolidated net currency exposure, have been valued at market.

**(e) Research and Development Costs**

Research and development costs are expensed as incurred. Costs based on orders from customers are included in Cost of sales.

**(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. This also applies to associated companies.

**(g) Deferred tax in untaxed reserves**

Appropriations and Untaxed reserves are not reported in the consolidated financial statements. Effective in

1990, these items have been restated by applying the current tax rate applicable in each country. The deferred tax calculated in this connection has been shown in the consolidated income statement as Deferred taxes. The capital portion is stated in the income statement as part of net income for the year, and in the balance sheet as restricted stockholders' equity. The accumulated deferred tax liability is adjusted each year by applying the current tax rate in each country and is stated in the consolidated balance sheet as Deferred tax.

An adjustment of deferred tax liability attributable to changes in tax rates is shown in the consolidated income statement as a part of the deferred tax expense for the period. Furthermore tax expense for the period is adjusted for taxes attributable to hedge of net investments in foreign subsidiaries. See also General.

**(h) Leases**

Leased property is normally expensed over the term of the lease.

Statement No. 13 of the Financial Accounting Standards Board (SFAS 13) is applied in accounting for certain contracts in the consolidated accounts.

Accordingly, certain leasing contracts are capitalized and reported as an acquisition of an asset and as Other short-term liability and Other long-term liability. See also Note 5, Leasing.

**(i) Property, Plant and Equipment**

Property, plant and equipment are stated at cost except for revaluation adjustments. 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 annual depreciation is reported as standard depreciation, generally on the straight-line method, using estimated useful lives of, in general, 40 years on buildings, 25 years on telephone plants, 20 years on land improvements, 3 to 10 years on machinery and equipment, and up to 5 years on rental equipment, which is reported as an operating expense. The Company normally claims the maximum depreciation deduction allowable for tax purposes.

The differences between depreciation deductions for tax purposes and standard depreciation, depreciation in excess of standard depreciation, is treated in the consolidated accounts in accordance with point (g) above. In the Parent Company, depreciation in excess of standard depreciation is reported as Appropriations.

During 1989 certain telephone exchange equipment was leased to customers, which is reported in the consolidated accounts in accordance with SFAS 13. The assets are included in Machinery and equipment in the Parent Company accounts. See also paragraph (h) Leases, above.

**(k) Adjusted Net Income per Share**

Adjusted net income per share is based upon the average weighted number of common shares outstanding during each year as well as the average weighted number of common shares including the effect of the conversion of all convertible debentures.



The calculation of adjusted net income per share is based on income before taxes with deductions for either:

- (1) Actual taxes paid as reported, or
- (2) Actual taxes paid as reported and deferred taxes adjusted for minority interests.

The effect of these methods is that two amounts of adjusted net income per share are shown before and after conversion, respectively:

- (1) Adjusted net income per share after actual taxes paid.
- (2) Adjusted net income per share after actual and deferred taxes.

For reference to net income per share in accordance with accounting principles generally accepted in the United States, see Note 23.

### Change in accounting principles

#### SFAS 109 Accounting for income taxes

Effective January 1, 1993 and with adjustments of prior years' figures, Ericsson has applied the basic principles contained in Recommendation SFAS 109 issued by the Financial Accounting Standards Board (FASB). Briefly stated, the Company reports deferred taxes attributable to temporary differences between the book values and tax values of assets and liabilities and, in certain cases, tax assets attributable to unutilized loss carryforwards if the likelihood that they will be used is deemed to be greater than 50 percent. See also Accounting principles, (g).

Since 1990 the Company has applied the basic principles of SFAS 109 in calculating deferred taxes attributable to appropriations to and from untaxed reserves.

In adjusting prior years' figures, Company equity at January 1 has been credited with SEK 519 m.

#### SFAS 106 "Employers' Accounting for Postretirement Benefits Other Than Pensions"

Effective January 1, 1993 and with adjustments of prior years' figures, the Company has applied Recommendation SFAS 106 issued by the FASB.

In applying SFAS 106, the Company enters as a liability the obligations, mainly with respect to health care costs, that Ericsson companies have relative to employees following date of retirement.

In adjusting comparable figures for prior years, shareholders' equity at January 1 has been charged with SEK 239 m.

The effects of SFAS 109 and SFAS 106 on consolidated financial statements, compared with financial statements adopted earlier, are shown below in accordance with Recommendation RR5 of the Swedish Financial Accounting Standards Council.

Consolidated Income Statement	1992		1991	
	Adopt. earlier	Incl. SFAS 106/109	Adopt. earlier	Incl. SFAS 106/109
Operating revenues	47,730	47,730	46,612	46,612
Operating expenses	45,911	45,976	44,321	44,330
Income before taxes	1,306	1,241	1,604	1,595
Taxes	-827	-763	-718	-704
Income before taxes	479	478	886	891

Adjusted net income per share				
- after tax expenses, SEK	3.20	2.88	3.69	3.65
- after full conversion, SEK	3.20	2.88	3.69	3.65
- after tax expenses and deferred taxes, SEK	2.32	2.32	4.30	4.33
- after full conversion, SEK	2.32	2.32	4.29	4.31

Consolidated Balance Sheet	1992		1991	
	Adopt. earlier	Incl. SFAS 106/109	Adopt. earlier	Incl. SFAS 106/109
<i>Assets</i>				
Other noncurrent assets		2,662		3,181
Other assets		53,456		53,456
Total assets		56,118		56,637
<i>Liabilities</i>				
Other noncurrent assets		3,534		3,773
Other liabilities and minority interests		35,144		35,144
Shareholders' equity		17,440		17,720
Total liabilities and shareholders' equity		56,118		56,637

#### Classification of expenses

The classification of expenses was revised in 1993. The objective has been to report all costs attributable to specific customer orders and projects as part of cost of sales. Accordingly, "Cost of sales" in 1993 was charged with approximately SEK 2,000 m. while "Selling, research and development, general and administrative expenses" was credited in a corresponding amount.

#### Forward exchange contracts

As of January 1, 1993 all premiums/discounts attributable to hedge contracts are amortized over the period of the forward exchange contract. In 1993 this has affected income before taxes by SEK +189 m., of which SEK +170 m. refers to the parent company.

### Note 1 Other Operating Revenues

Consolidated	1993	1992	1991
Losses on sale of property, plant and equipment	-2	-66	-39
Gains and losses on sale of investments and operations	-43	118	399
Commissions, license fees and other operating revenues	530	428	372
	<b>485</b>	<b>480</b>	<b>732</b>
<i>Parent Company</i>			
Gains/Losses (-) on sale of property, plant and equipment	3	22	-27
Gains/Losses (-) on sale of investments	26	36	-21
Commissions, license fees and other operating revenues	1,725	1,545	1,371
	<b>1,754</b>	<b>1,603</b>	<b>1,323</b>

**Note 2 Depreciation**

<i>Consolidated</i>	1993	1992	1991
<i>Standard depreciation</i>			
Land improvements	5	5	3
Buildings	141	100	98
Telephone plants	-	17	53
Machinery and equipment	2,478	2,046	1,684
Revaluation adjustments	27	25	25
Total standard depreciation	2,651	2,193	1,863
<i>Parent Company</i>			
<i>Standard depreciation</i>			
Land improvements	1	1	1
Buildings	23	20	16
Machinery and equipment	408	387	335
Revaluation adjustments	9	14	14
Total depreciation	441	422	366
Depreciation in excess of standard depreciation	516	523	507
	-75	-101	-141

**Note 3 Financial Income and Expenses**

<i>Consolidated</i>	1993	1992	1991
<i>Financial income</i>			
Interest income	1,379	1,474	1,299
Dividends	11	10	-
Total financial income	1,390	1,484	1,299
<i>Financial expenses</i>			
Interest expenses	1,417	1,645	1,493
Gains and losses on foreign exchange, net	-73	33	-34
Other financial expenses	38	10	29
Total financial expenses	1,382	1,688	1,488
Financial net	8	-204	-189
<i>Parent Company</i>			
<i>Financial income</i>			
Interest income	471	485	339
Dividends from subsidiaries	1,896	1,260	529
Dividends from others	128	90	62
Total financial income	2,495	1,835	930
<i>Financial expenses</i>			
Interest expenses	773	674	548
Gains and losses on foreign exchange, net*	699	924	-119
Other financial expenses	21	8	9
Total financial expenses	1,493	1,606	438
Financial net	1,002	229	492

\* Of the total amount, SEK 689 m in 1993 (SEK 898 m in 1992 and SEK -67 m 1991) is attributable to hedge of net investments in foreign subsidiaries.

Swedish companies' interest expenses on the pension liabilities are included in the interest expenses shown above.

To achieve a relevant accounting of interest income and interest expenses for Latin American subsidiaries operating in countries with highly inflationary economies, interest income has been charged with foreign exchange adjustments attributable to financial assets, while financial expenses have been credited with foreign exchange adjustments attributable to financial liabilities.

**Note 4 Tax Expenses**

As explained under Notes to the Financial Statements (g), the Company, effective in 1990, reports deferred taxes attributable to untaxed reserves. The Company also reports deferred taxes attributable to temporary differences between the book values of assets and liabilities and their tax values. In addition, effective January 1, 1993, the Company also reports deferred tax assets attributable to unutilized loss carryforwards if the likelihood that they will be used is deemed to be greater than 50 percent. See also Notes to the Financial Statements, Change in accounting principles.

At December 31, 1993, the Company has unutilized loss carryforwards totaling SEK 851 m. The final years in which these loss carryforwards can be utilized are shown in the table below. The table includes unutilized capital loss deductions amounting to SEK 25 m. in the Parent Company that can be utilized not later than 1994.

Year of expiration	Amount
1994	107
1995	50
1996	54
1997	33
1998	96
1999 or later	511
	851

Certain changes in Swedish tax regulations that were adopted at the end of 1993 became effective in the 1994 income year. The corporate tax rate was reduced from 30 to 28 percent, which has made it possible to recover SEK 66 m. in deferred tax related to untaxed reserves at the beginning of the year. The possibility to make appropriations to a tax equalization reserve (SURV) has been ended and 50 percent of the reserve at December 31, 1993 may be withdrawn tax-free up to an amount not exceeding the reserve at the beginning of the year. This has permitted a withdrawal of SEK 239 m. of deferred tax at the beginning of the year.

Dividends on Swedish shares that are paid to Swedish recipients are exempt from tax and the possibility of deducting a company's share dividends in calculating the income tax base has been abolished.

**Note 5 Leasing****Leasing obligations**

At December 31, 1993, future payment obligations for Leases were distributed as follows:

	<i>Leases</i>
1994	1,014
1995	782
1996	540
1997	430
1998	380
1999 and later	1,690
	<u>4,836</u>

Expenses for the year for leasing of assets amounted to SEK 1,035 m. (SEK 1,026 m. in 1992 and SEK 937 m. in 1991).

**Leasing income**

Certain consolidated companies lease equipment, mainly telephone exchanges, to customers. These leasing contracts vary in length from 6 months and 14 years.

Net book value of assets reported as Operating leases, after accumulated standard depreciation, amounted to SEK 342 m. at December 31, 1993 (December 31, 1992: SEK 312 m.).

Net investment in Sales-type Leases and Financial Leases amounted to SEK 324 m. at December 31, 1993 (December 31, 1992: SEK 348 m.).

Anticipated future payments for leased equipment are distributed as follows:

	<i>Sales-type and Financial Leases</i>	<i>Operating Leases</i>
1994	77	49
1995	165	44
1996	1	49
1997	1	60
1998	-	69
1999 and later	121	226
	<u>365</u>	<u>497</u>
Less: Interest	41	-
Net investment	<u>324</u>	<u>-</u>

**Note 6 Adjusted Net Income per Share**

<i>Consolidated</i>	<i>1993</i>	<i>1992</i>	<i>1991</i>
Income before taxes	<b>3,108</b>	1,241	1,595
Actual income taxes paid as reported	<b>-975</b>	-796	-952
Minority interest in taxes paid	<b>+142</b>	+149	+108
Adjusted net income (after actual taxes paid)	<u><b>2,275</b></u>	594	751
Per share	<u><b>10.61</b></u>	2.88	3.65
Adjusted net income (after actual taxes paid)	<b>2,275</b>	594	751
Interest expenses on convertible debentures net of income taxes	<b>+37</b>	+46	+46
Foreign exchange differences on convertible debentures, net	<b>-</b>	-	-1
Adjusted net income (after actual taxes paid) after full conversion	<u><b>2,312</b></u>	640	796
Per share	<u><b>10.31</b></u>	2.88*	3.65*

Adjusted net income (after actual taxes paid)	<b>2,275</b>	594	751
Deferred taxes	<b>640</b>	-172	118
Minority interest in deferred taxes	<b>-80</b>	+56	+22
Adjusted net income (after actual and deferred taxes)	<u><b>2,835</b></u>	478	891
Per share	<u><b>13.21</b></u>	2.32	4.33
Adjusted net income (after actual and deferred taxes)	<b>2,835</b>	478	891
Interest expenses on convertible debentures net of income taxes	<b>+37</b>	+46	+46
Foreign exchange differences on convertible debentures, net	<b>-</b>	-	-1
Adjusted net income (after actual and deferred taxes) after full conversion	<u><b>2,872</b></u>	524	936
Per share	<u><b>12.80</b></u>	2.32*	4.31

\* As adjusted net income per share after full conversion is higher than adjusted net income before full conversion, the lower amount is shown. This is also applicable on net income after actual and deferred taxes after full conversion.

Weighted average number of shares outstanding:

1993 -	214,533,949
1992 -	206,066,490
1991 -	205,874,050

Weighted average number of shares outstanding after full conversion:

1993 -	224,408,562
1992 -	217,171,976
1991 -	217,171,902

**Note 7 Cash, Bank Deposits and Short-Term Cash Investments**

	<i>Consolidated</i>		<i>Parent Company</i>	
	<i>1993</i>	<i>1992</i>	<i>1993</i>	<i>1992</i>
Cash and bank deposits	<b>5,095</b>	4,431	<b>123</b>	168
Short-term cash investments	<b>3,705</b>	4,796	-	-
	<u><b>8,800</b></u>	<u>9,227</u>	<u><b>123</b></u>	<u>168</u>

**Note 8 Notes and Accounts Receivable - Trade**

	<i>Consolidated</i>		<i>Parent Company</i>	
	<i>1993</i>	<i>1992</i>	<i>1993</i>	<i>1992</i>
<i>Due before 12 months</i>				
Accounts receivable	<b>17,816</b>	15,704	<b>1,884</b>	1,796
Notes receivable	<b>343</b>	85	<b>39</b>	144
	<u><b>18,159</b></u>	<u>15,789</u>	<u><b>1,923</b></u>	<u>1,940</u>
<i>Due after 12 months</i>				
Accounts receivable	<b>556</b>	64	<b>126</b>	28
Notes receivable	<b>250</b>	432	<b>87</b>	102
	<u><b>806</b></u>	<u>496</u>	<u><b>213</b></u>	<u>130</u>

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

**Note 9 Other Current Assets**

	<i>Consolidated</i>		<i>Parent Company</i>	
	<b>1993</b>	<i>1992</i>	<b>1993</b>	<i>1992</i>
Prepaid expenses and accrued revenues	<b>1,313</b>	964	<b>410</b>	220
Advances to suppliers	<b>360</b>	241	-	-
Deferred tax assets	<b>762</b>	-	-	-
Other current assets	<b>3,498</b>	2,841	<b>694</b>	357
	<b>5,933</b>	4,046	<b>1,104</b>	577

**Note 11 Investments**

The following listing shows certain shareholdings 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 Telefonaktiebolaget LM Ericsson, Corporate Financial Control, S-126 25 Stockholm, Sweden.

**Not 10 Receivables and Payables – Subsidiaries**

<i>Parent Company</i>	<b>1993</b>	<i>1992</i>
<i>Due before 12 months</i>		
Commercial receivables	<b>1,773</b>	1,217
Notes receivable	<b>6</b>	13
Financial receivables	<b>7,209</b>	3,706
	<b>8,988</b>	4,936
<i>Due after 12 months*</i>		
Commercial receivables	<b>2</b>	-
Financial receivables	<b>1,828</b>	1,533
	<b>1,830</b>	1,533
<i>Current liabilities</i>		
Commercial liabilities	<b>363</b>	304
Financial liabilities	<b>1,918</b>	2,201
	<b>2,281</b>	2,505
<i>Long-term liabilities*</i>		
Financial liabilities	<b>821</b>	576

\* Includes noninterest-bearing receivables amounting to SEK 1,606 m (1,119). All long-term liabilities are interest-free. Interest-free transaction involving current receivables and liabilities may also arise at times.

<i>Shares directly owned by the Parent Company</i>		<i>Percentage of ownership</i>	<i>Par value</i>	<i>Carrying value</i>		
<i>Subsidiaries Sweden</i>	III ELLEMTTEL Utvecklings AB	Sweden	50	SEK 5	6	
	I Ericsson Business Networks AB	Sweden	100	SEK 360	335	
	I Ericsson Cables AB	Sweden	100	SEK 140	140	
	I Ericsson Components AB	Sweden	100	SEK 58	60	
	I Ericsson Radar Electronics AB	Sweden	100	SEK 30	151	
	I Ericsson Radio Systems AB	Sweden	100	SEK 50	252	
	II Ericsson Network Engineering AB	Sweden	100	SEK 25	26	
	I Ericsson Telecom AB	Sweden	100	SEK -	-	
	I Ericsson Hewlett-Packard Telecommunications AB	Sweden	60	SEK 97	108	
	I Ericsson Mobile Communications AB	Sweden	100	SEK 361	516	
	I Ericsson Radio Access AB	Sweden	100	SEK 20	41	
	II LM Ericsson Fastigheter AB	Sweden	100	SEK 47	145	
	IV Ericsson Treasury Services AB	Sweden	100	SEK -	2	
	Other		-	SEK -	297	
	<i>Europe (excluding Sweden)</i>	I Schrack Telecom AG	Austria	80	ATS 48	529
		I LM Ericsson A/S	Denmark	100	DKK 90	216
I Oy LM Ericsson Ab		Finland	100	FIM 80	195	
II Revex S.A.		France	100	FRF 20	91	
IV Ericsson Treasury Ireland Ltd		Ireland	100	USD 81	508	
II LM Ericsson Holdings Ltd		Ireland	100	IEP 2	14	
II Ericsson S.p.A.		Italy	72	ITL 15,344	105	
II Ericsson Holding International B.V.		The Netherlands	100	NLG 229	697	
I Ericsson A/S		Norway	100	NOK 156	194	
II Swedish Ericsson Company Ltd		United Kingdom	100	GBP 74	757	
I Ericsson GmbH		Germany	100	DEM 21	198	
I Ericsson Fuba Telekom GmbH		Germany	51	DEM 10	37	
Other		-	-	122		
<i>U.S.A. and Canada</i>	II Ericsson North America Inc.	United States	100	USD -	452	
	II Ericsson GE Mobile Communications Holding Inc	United States	75	USD -	2,083	
	I Ericsson GE Mobile Communications Inc.	United States	20*	USD -	362	

<i>Shares directly owned by the Parent Company</i>		<i>Percentage of ownership</i>	<i>Par value</i>	<i>Carrying value</i>		
<i>Latin America</i>	I Cía Ericsson S.A.C.I. _____ Argentina	100	ARA	1	10	
	I Ericsson de Colombia S.A. _____ Colombia	92 **	COP	221	27	
	I Teleindustria Ericsson S.A. _____ Mexico	94	MXP	n.p.v.	472	
	I Cía Anónima Ericsson _____ Venezuela	100	VEB	10	10	
	Other _____	-	-	-	202	
<i>Other Countries</i>	II Teleric Pty. Ltd. _____ Australia	100	AUD	20	99	
	I Ericsson Telecommunications Sdn Bhd _____ Malaysia	70	MYR	2	4	
	I Ericsson Taiwan Ltd _____ Taiwan	80	TWD	80	19	
	Other _____	-	-	-	100	
				<i>Total</i>	-	9,582
<i>Associated Companies</i>	I Ascom Ericsson Transmission Ltd _____ Switzerland	40	CHF	4	278	
	I Ericsson Telecomunicacoes S.A. _____ Brazil	51 ***	NCZ	24	82	
	I MET S.A. _____ France	20 ****	FRF	50	53	
	I Perwira Ericsson Sdn Bhd _____ Malaysia	40	MYR	2	5	
	IV AB LM Ericsson Finans _____ Sweden	90 ****	SEK	29	41	
	Other _____	-	-	-	6	
				<i>Total</i>	-	465
<i>Other Companies</i>	Other _____	-	-	-	22	
				<i>Total</i>	-	22

<i>Shares owned by the subsidiaries</i>		<i>Percentage of ownership</i>
<i>Subsidiaries</i>	I Ericsson Radio Systems Sverige AB _____ Sweden	100
	I Svenska Elgrossist AB, SELGA _____ Sweden	67
	I Ericsson Business Communications NV/SA _____ Belgium	100
	I LM Ericsson Ltd _____ Ireland	100
	I Ericsson FATME S.p.A. _____ Italy	72
	I Ericsson SIELTE S.p.A. _____ Italy	72
	I Ericsson Telecommunicatie B.V. _____ The Netherlands	100
	I Ericsson Radio Systems B.V. _____ The Netherlands	100
	I Ericsson S.A _____ Spain	100
	I Ericsson Ltd _____ United Kingdom	100
	III Ericsson Eurolab Deutschland GmbH _____ Germany	100
	I Ericsson Communications Inc. _____ Canada	100
	I Ericsson GE Mobile Communications Inc. _____ USA	80
	II Ericsson GE Holding Inc. _____ USA	80
	I Ericsson Radio Systems Inc. _____ USA	80
I Ericsson Network Systems Inc. _____ USA	100	
<i>Latin America</i>	I Conductores Latincasa S.A. de C.V. _____ Mexico	51
	I Ericsson Australia Pty. Ltd. _____ Australia	100
<i>Other Countries</i>	I Ericsson Network Engineering Pte. Ltd. _____ Singapore	100
	I Ericsson Telekomunikasyon A.S. _____ Turkey	100

## Key to functions of companies:

- I Manufacturing and distributing companies      \* Through subsidiary holdings, total holdings amount to 80% of Ericsson GE Mobile Communications Inc.
- II Holding companies      \*\* Through subsidiary holdings, total holdings amount to 100% of Ericsson de Colombia S.A.
- III Development companies      \*\*\* The voting shares total 26%.
- IV Finance companies      \*\*\*\* The voting shares total 40%.
- \*\*\*\*\* Including holdings of associated companies, total holdings in MET S.A. amount to 50%.

**Note 12 Other Noncurrent Assets**

<i>Consolidated</i>	1993	1992
<i>Goodwill, net</i>		
Balance, January 1	853	337
Acquisitions/divestments	427	672
Amortization	-173	-156
Net carrying value, December 31	1,107	853
Deferred tax liabilities	1,153	519
Other noncurrent assets	2,467	1,809
	4,727	3,181

**Note 13 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, certain assets have been revalued in accordance with accounting principles generally accepted in Sweden and in certain other countries.

Standard 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.

	<i>Consolidated</i>		<i>Parent Company</i>	
	1993	1992	1993	1992
<i>Cost</i>				
Land	255	228	70	70
Land improvements	97	89	25	23
Buildings	4,328	3,577	983	800
Machinery and equipment	19,653	17,072	3,842	3,578
Constructions in progress	865	852	286	331
	25,198	21,818	5,206	4,802
<i>Accumulated standard depreciation</i>				
Land improvements	43	38	13	12
Buildings	1,214	1,044	317	295
Machinery and equipment	12,095	10,224	2,097	1,910
	13,352	11,306	2,427	2,217
Net carrying value	11,846	10,512	2,779	2,585
<i>Accumulated total depreciation</i>				
Land improvements	-	-	20	20
Buildings*	-	-	457	346
Machinery and equipment	-	-	2,989	2,720
Construction in progress	-	-	-	95
	-	-	3,466	3,181
<i>Accumulated depreciation in excess of standard depreciation</i>				
	-	-	1,039	964
*) After transfer of accumulated depreciation in excess of standard depreciation to Revaluation reserve of	-	-	303	303

*Revaluation adjustments*

Land and land improvements	190	189	147	147
Buildings	746	783	325	325
Machinery and equipment	75	95	-	-
	1,011	1,067	472	472

*Accumulated depreciation*

Land improvements	2	2	-	-
Buildings	413	398	279	270
Machinery and equipment	79	86	-	-
	494	486	279	270

*Net carrying value*

	517	581	193	202
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*Tax assessment values (Sweden)*

Land and land improvements	500	483	322	328
Buildings	1,450	1,364	854	799

**Note 14 Short-Term Borrowings**

Short-term borrowings consist of bank overdrafts, bank loans and other short-term financial loans. The unused portion of lines of credit for the Company amounted to SEK 3,004 m. In addition, the Parent Company had unused long-term lines of credit amounting to SEK 584 m.

**Note 15 Other Current Liabilities**

	<i>Consolidated</i>		<i>Parent Company</i>	
	1993	1992	1993	1992
Accrued expenses and prepaid revenues	7,473	6,082	1,211	1,314
Deferred tax liabilities	801	-	-	-
Other	5,043	4,207	452	774
	13,317	10,289	1,663	2,088

**Note 16 Bond Loans, Convertible Debentures and Other Long-Term Liabilities**

	<i>Consolidated</i>		<i>Parent Company</i>	
	1993	1992	1993	1992
Bond loans				
(maturing from 1996 to 1999)	2,773	2,398	2,773	2,398
Convertible debentures				
(maturing from 2000 to 2002)	2,170	4	1,575	4
<i>Other long-term liabilities:</i>				
Mortgage loans and other secured loans				
(maturing from 1995-2020)	859	864	220	261
Other long-term loans				
(maturing from 1995-2013)	1,642	2,032	1,086	1,504
Other long-term liabilities	334	877	1	1
	2,835	3,773	1,307	1,766

Maturities of the above consolidated long-term loans and liabilities (excluding Other long-term liabilities), were as follows:

1995	311
1996	2,206
1997	1,353
1998	48
1999	306
2000 and thereafter through 2020	3,220
	7,444

The Parent Company has two convertible debenture loans outstanding. One was issued in 1987 and the other in 1993. The first loan in the amount of CHF 135 m., with a maturity of 15 years and interest of 2.75%. The debenture are convertible up to and including February 1, 2002 at a conversion price of SEK 65 per B share. During 1993 debentures in the amount of CHF 0.5 m. were converted to 31,906 B shares.

The second loan, offered with preferential rights for Ericsson shareholders, was in the amount of SEK 2,172 m. and carries interest of 4.25%. The debentures are convertible up to and including May 31, 2000 at a conversion price of SEK 300 per B share. During 1993 debentures in the amount of SEK 4.0 m. were converted to 13,175 B shares.

In the 1993 consolidated accounts, the equity component amounting to SEK 654 m. – calculated as the difference between the convertible debenture interest rate, 4.25%, at expiration of the subscription period on July 1, 1993 and the Company's alternative interest rate, 10.55% – has been credited to the General reserve as an addition to capital only in the Parent Company.

The discount is booked as a cost successively during the maturity of the loan and increased net financial expense 1993 in the Parent Company by SEK 58 m.

During the year a convertible debenture loan issued exclusively to Ericsson employees in 1987 fell due for payment. During 1993 debentures in the amount of SEK 579.2 m. were converted to 10,928,250 shares. A total of SEK 121,240.50 was paid out on the due date.

The number of shares increased by 10,973,331 as a result of conversions during 1993. The share capital was thereby increased to SEK 2,172 m. and the number of shares increased to 217,162,810.

Upon conversion of all outstanding debentures, there would be a further increase of 7,245,752 in the number of shares.

During the period beginning January 1 through February 15, 1994 additional debentures were converted to 7,189 B shares; as a result the number of shares carrying rights to dividends as of the record date is 217,169,999.

#### Note 17 Pension Liabilities

The pension liabilities, SEK 5,282 m., include the Parent Company's and the Swedish companies' obligations in the amount of SEK 3,780 m. in 1993 and SEK 3,867 m. in 1992 in accordance with an agreement with the Pension Registration Institute (PRI).

The Parent Company's pension liabilities, SEK 2,155 m., include an obligation in the amount of SEK 2,049 m. in 1993 and SEK 1,947 m. in 1992 in accordance with its agreement with PRI.

#### Note 18 Untaxed Reserves

	Jan.1	Alloca- tions(+)/ With- drawals(-)	Dec.31
<i>Parent Company 1993</i>			
Deferred amount for inventory reserve, etc.	424	-424	-
Tax equalization reserve	953	1,348	2,301
Reserve for doubtful receivables	17	500	517
	1,394	1,424	2,818

Changes in other untaxed reserves in the Parent Company in 1992 consisted of the following: Withdrawal from Inventory reserve, Income equalization reserve and Reserve for internal profits, SEK 0 m. (1,696); withdrawal of deferred amount for Inventory reserve, etc., SEK 826 m (increase of 1,250); allocation to Tax equalization reserve, SEK 953 m., (-), withdrawal from Reserve for doubtful receivables, SEK 319 m. (115); withdrawal from Investment reserve, SEK 36 m. (65); and withdrawal from Foreign exchange reserve, SEK 86 m. (increase of 79).

#### Note 19 Stockholders' Equity

##### Capital Stock

Capital Stock at December 31, 1993 consisted of the following:

	Number of shares out- standing	Aggregate par value
A shares (par value sek 10)	18,642,575	186
B shares (par value sek 10)	198,520,235	1,986
	217,162,810	2,172

The capital stock of the Company is divided into two classes: Class A shares (par value SEK 10) and Class B shares (par value SEK 10). 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 1/1000 th 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, reserves not available for distribution are reported.

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 are 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 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 1993 include earnings in associated companies amounting to SEK 3 m.

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

#### **Cumulative Translation Adjustments**

This item is included in stockholders' equity consisting of translation adjustments resulting from the translation to Swedish kronor of financial statements of subsidiaries and associated companies to the extent that the local currencies of such companies, or the United States dollar, 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), see (d) under Notes to the Financial Statements.

#### **Changes in Stockholders' Equity**

	Capital stock	Reserves not avail- able for dis- tribution	Available retained earnings	Total
<i>Consolidated</i>				
January 1, 1993	2,062	9,569	5,809	17,440
Adjusted for change in accounting policies		200	80	280
Balance, January 1, 1993, adjusted	2,062	9,769	5,889	17,720
Conversion of debentures	110	474		584
Dividends			-722	-722
Revaluation of fixed assets		-33		-33
Transfer from available retained earnings		1,677	-1,677	
Changes in cumulative translation adjustments		921		921
Net income for 1993			2,835	2,835
Balance December 31, 1993	2,172	12,808	6,325	21,305

Of retained earnings, SEK 88 m. 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.

Consolidated unrestricted retained earnings are translated at the year-end exchange rate. Cumulative translation adjustments have been distributed among unrestricted and restricted stockholders' equity in accordance with this method.

Of the change in the above mentioned differences SEK +139 m. in 1993 was attributable to companies sold.

	Capital stock	Reserves not avail- able for dis- tribution	Available retained earnings	Total
<i>Parent Company</i>				
Balance, January 1, 1993	2,062	3,139	3,305	8,506
Conversion of debentures	110	474	-	584
Equity component of convertible debenture loan*	-	654	-	654
Dividends	-	-	-722	-722
Net income for 1993	-	-	2,541	2,541
Balance, December 31, 1993	2,172	4,267	5,124	11,563

\* See Note 16

#### **Note 20 Assets Pledged as Collateral**

	<i>Consolidated</i>		<i>Parent Company</i>	
	1993	1992	1993	1992
Real estate mortgages	653	679	152	152
Other mortgages	379	393	160	160
Bankdeposits	143	44	-	-
Shares	135	305	-	185
Other	-	-	220	-
	<b>1,310</b>	1,421	<b>532</b>	497

At December 31, 1993, the Parent Company had pledged no assets in favor of subsidiaries. However, under certain conditions, it may pledge collateral for certain subsidiaries' pension obligations.

#### **Note 21 Contingent Liabilities**

	<i>Consolidated</i>		<i>Parent Company</i>	
	1993	1992	1993	1992
Bills discounted	14	-	-	-
Receivables sold with recourse	1,508	892	1,508	937
Unrecorded pension commitments	45	112	-	-
Other guarantees	1,176	1,046	6,089	6,760
	<b>2,743</b>	2,050	<b>7,597</b>	7,697

Of the guarantees assumed by the Parent Company, SEK 5,225 m. in 1993 and SEK 6,370 m. in 1992 related to subsidiary companies.



## **Note 22 Investments in Associated Companies**

The Company has interests in associated companies which are accounted for under the equity method. Goodwill, net, constitutes of SEK 167 m. of the investments. Details of such investments are given in Note II.

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

Dividends received from companies accounted for under the equity method were SEK 170 m. in 1993, SEK 122 m. in 1992 and SEK 57 m. in 1991.

Undistributed earnings of associated companies included in consolidated equity were SEK 718 m. in 1993, SEK 710 m. in 1992 and SEK 492 m. in 1991.

## **Note 23 United States Generally Accepted Accounting Principles**

Elements of the Company's accounting policies which differ significantly from generally accepted accounting principles in the United States (U.S. GAAP) are described below:

### **(a) Revaluation of Assets**

Certain property, plant and equipment has 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**

The Company is allowed to make 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. Effective in 1990 allocations to reserves in the consolidated accounts for deferred taxes are made on appropriations, inclusive taxes on intercompany profits paid by selling companies.

### **(c) Capitalization of Interest Expenses**

In accordance with Swedish accounting practice, 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) Capitalization of Software Development Costs**

In accordance with Swedish accounting principles, software development costs are charged against income in the year incurred. Under accounting principles generally accepted in the United States, these costs are capitalized after the product involved has reached a certain degree of technical completion. Capitalization ceases and depreciation begins when the product becomes available to customers. The depreciation period of these capitalized assets is from three to five years. Capitalization amounting to SEK 3,068 m. (SEK 2,429 m. in 1992) has increased income and depreciation amounting to SEK 1,992 m.

(SEK 1,356 m. in 1992) was charged against income for the period when calculating income in accordance with US accounting principles.

These principles, which are set forth in the "Statement of Financial Accounting Standards No. 86, Accounting for the Cost of Computer Software to be Sold, Leased or Otherwise Marketed," have from 1991, due to their relative importance, affected the calculation of income in accordance with generally accepted accounting principles in the United States.

The timing of charges for development costs was revised in 1993. The effect of this revision was credited to income for the year in the amount of SEK 497 m.

### **(e) 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 Notes to the Financial Statements (b) and Note 12). 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.

### **(f) Tax on retained earnings in associated companies**

In accordance with Swedish accounting practice an allocation is not made for deferred taxes on undistributed profits of companies that are reported applying the equity accounting method. Under accounting principles generally accepted in the United States, the company holding shares should make allocations for deferred taxes on dividends paid from these 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, effective in 1990, exchange gains arising from noncurrent receivables and payables denominated in foreign currencies may not be recorded as income for individual legal entities until realized. As described under Notes to the Financial Statements (d) receivables and liabilities in foreign currencies have been translated at year-end exchange rates.

### **(h) Sale of Property**

In 1984, and 1987, Group Companies sold properties which are being leased to other subsidiaries under contracts which expire in 1997.

Under accounting principles generally accepted in the United States, the gain on sales during 1984 is reduced by the present value of future rental payments, which are deferred and amortized over the remaining term of the contract. According to generally accepted accounting policies in the United States, the gain on the sale during 1987 is considered a financing arrangement and the proceeds are therefore treated as a liability. In accordance with Swedish accounting practice, no reduction in profit has to be made if the sale price does not exceed the market price and if leasing costs do not exceed normal market leasing rates.

**(i) Deferred Income Taxes**

There is no provision for deferred income taxes under Swedish accounting practice. Accounting principles generally accepted in the United States require full disclosure of all deferred tax allocations. As described above in (b), beginning in 1990 allocations were made to deferred taxes on timing differences in accordance with the liability method, and based on applicable tax rates in the current year. In addition, effective January 1, 1993, the Company makes a calculation of other deferred taxes that follows the basic principles of SFAS 109 in all essential respects. Figures for prior years have been adjusted accordingly.

Prior years, the "deferred method" has been used in calculating deferred tax when determining income and equity in accordance with U.S. GAAP. Thus the liability is the sum of the various years' deferred taxes, calculated by applying the tax rate for each year.

Effective January 1, 1993, the calculation has been made in accordance with SFAS 109 (liability method). Profit in accordance with American accounting principles has been affected in the amount of SEK 1,681 m.

**(j) Postretirement expenses**

Effective January 1, 1993, the Company has adopted SFAS 106, Accounting for Postretirement Benefits Other than Pensions. In applying SFAS 106, the company enters as a liability the obligations, mainly with respect to health care costs, that Ericsson companies have relative to employees following their retirement. The effect of this change in principles is that profit according to American accounting principles have been charged with SEK 202 m.

**(k) Pensions**

The Company participates in several pension plans which cover substantially all employees of its Swedish operations as well as certain employees in foreign subsidiary companies. The Swedish plans are administered by an institution jointly established for Swedish industry (PRU) in which most companies in Sweden participate. The level of benefits and actuarial assumptions are established by this institution and, accordingly, the Company may not change these.

Effective 1989 the Company has adopted SFAS 87, Employers' Accounting for Pensions.

The effects of using this recommendation for the Company principally relate to the actuarial assumptions, and that the calculation of the obligation should reflect future compensation levels. The difference relative to pension liabilities booked at introduction in 1989 is distributed over the estimated remaining service period.

**(l) Net Income per Share**

Net income per share has been calculated on the annual weighted average number of shares outstanding as well as the annual weighted average number of shares after full conversion of outstanding convertible debentures (also see Note 6).

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.

	1993	1992	1991
Net income as reported in the consolidated income statements	2,835	479	886
Items increasing reported income:			
Depreciation on revaluation adjustments including effect on sale	48	23	34
Capitalization of development expenses	1,076	1,073	764
Capitalization of interest expenses	11	19	18
Sale of property	-	-	-
Income taxes on undistributed earnings of associated companies	10	-27	4
	1,145	1,088	820
Items decreasing reported income:			
Deferred income taxes	515	264	257
Business combination adjustments	13	13	14
Pensions	20	-6	-116
	548	271	155
Net increase/decrease (-) in reported net income	597	817	665
Approximate net income in accordance with accounting principles generally accepted in the United States, before effect of change in accounting principles	3,432	1,296	1,551
Approximate net income per share in accordance with accounting principles generally accepted in the United States, before effect of change in accounting principles	16.00	6.29	7.53
- after full conversion	15.46	6.18	7.35
Accumulated effect of change in accounting principles on:			
- deferred taxes	1,681	-	-
- post retirement costs, net of taxes	-202	-	-
Approximate net income in accordance with accounting principles generally accepted in the United States, after effect of change in accounting principles	4,911	1,296	1,551
Approximate net income per share in accordance with accounting principles generally accepted in the United States, after effect of change in accounting principles	22.89	6.29	7.53
- after full conversion	22.05	6.18	7.35
<b>(m) Stockholders' Equity</b>			
Approximate stockholders' equity in accordance with accounting principles generally accepted in the United States	22,762	16,831	15,643

## Supplementary Information Required under the Swedish Companies Act

### Average Number of Employees and Remuneration in 1993

	Average number of employees		Remuneration
	Men	Women	
<i>Consolidated</i>			
Sweden	21,160	8,801	6,442
Other countries	28,908	8,026	9,025
	50,068	16,827	15,467
<i>Parent Company</i>			
Sweden	8,540	4,165	2,558
Other countries	532	138	90
	9,072	4,303	2,648
Paid to Board of Directors, President and Corporate Executive Vice Presidents			13

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 or more employees in 11 Swedish municipalities and has operations in 19 countries. On a consolidated basis there are 33 operational units in Sweden and operations in 44 countries.

A detailed listing 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 list is available upon request to Telefonaktiebolaget LM Ericsson, Corporate Financial Control, S-126 25 Stockholm, Sweden.

### Special Information Regarding the Parent Company

Sales of the Parent Company amounted to SEK 12,609 m. (SEK 11,467 m.), of which exports accounted for 80 (82) percent. Consolidated companies were customers for 58 (57) percent of the Parent Company's sales, while 45 (57) percent of the Company's total purchases of goods and services were from such companies.

Loans totaling SEK 1 m. have been made to a total of 300 employees for the purchase of shares in LM Ericsson's Share Saving Fund.

The parent company has guaranteed up to an amount of SEK 6 m. for loans obtained by employees for the purchase of housing and private vehicles.

### Benefits Paid to Senior Executives

The Chairman of the Board of Directors received a fee of SEK 460,000 during the year, which was set by the Board with the limits of the fee amounts approved by the General Meeting.

Members and deputy members of the Board who are Ericsson employees received no remuneration or benefits other than their entitlements as employees. However, a fee of SEK 900 per meeting was paid to the employee representatives on the Board.

The salary and value of benefits paid to the company's president who also serves as chief executive officer amounted to SEK 5,507,012 during the year. During 1994 a base salary of SEK 5.5 m. is paid to the president, with the possibility of a bonus of 50 percent of this amount. This bonus, which is paid in 1995, is linked to the Ericsson's earnings and requires the approval of the Chairman of the Board. In addition, a bonus not to exceed 30 percent may be paid if a long-term objective set in 1992 – when no bonus was paid – is achieved for the period through 1994.

The following rules regarding severance pay and pension are applied for persons who are members of the company's management.

Severance pay is not paid out if an employee resigns on own accord. The same applies if employment is terminated as a result of flagrant disregard of responsibilities. Notice of termination served by the company is equated with notice given by the employee when such significant structural changes or other events occur which in a decisive manner affect the content of work or the conditions for respective positions. If an employee is less than 50 years of age upon termination of employment, severance pay amounting to two years' salary is paid. If the employee is 50 years of age or older – depending on age – 40 to 60 percent of the salary at date of termination is paid annually to age 60. These payments are made currently during the requisite period and cease at age 60.

With regards to pension obligations, the benefits that are due under the so-called ITP plan apply from age 65. In addition, an employee has the right to pension benefits at the earliest when the employee reaches 60 years of age, whereby the pension is based on the current salary at retirement and is paid on 40–70 percent of this salary. This pension is also paid if the right to severance pay exists at age 60. Supplemental pension insurance providing for higher survivor's benefits has been signed for the company's president and executive vice president.

Employees who do not have a lengthy time of employment in Ericsson, the company's obligation with regard to severance pay and pension is lower.

### Publications for Investors

Financial publications, including 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) may be obtained without charge upon request to: Telefonaktiebolaget LM Ericsson, s-126 25 Stockholm, Sweden.

## 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 1993 in accordance with generally accepted auditing standards.

The annual report and the consolidated financial statements present the financial position, the results of operations and changes in financial position of the Parent Company and of the Parent Company and consolidated subsidiaries in accordance with good accounting practice in Sweden, as described in the notes to the

financial statements, and comply with the Swedish Companies Act.

### ***We recommend***

*that* the Company's statement of income and balance sheet be adopted,  
*that* the consolidated 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 1993.

*Stockholm, March 10, 1994*

Carl-Eric Bohlin  
*Swedish Authorized  
 Public Accountant  
 Price Waterhouse*

Nils-Axel Frisk

Olof Herolf  
*Swedish Authorized  
 Public Accountant  
 Price Waterhouse*

## Ten-year Summary

SEK m.	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984
<b>Results for Year</b>										
Net sales	62,954	47,020	45,793	45,702	39,549	31,297	32,400	31,644	32,496	29,378
Operating income <sup>4)</sup>	3,530	1,754	2,282	5,694	4,557	2,678	2,185	2,295	1,671	2,334
Financial net	8	-204	-189	-163	-431	-553	-895	-1,180	-952	-914
Income before taxes	3,108	1,241	1,595	4,855	3,715	1,840	1,108	911	878	1,569
<b>Year-end Position</b>										
Total assets <sup>4)</sup>	67,490	56,637	50,080	47,167	40,856	34,625	33,282	34,232	37,122	37,632
Working capital	20,869	20,063	17,497	16,965	14,975	12,944	13,880	14,724	16,707	17,042
Property, plant and equipment, net	12,363	11,093	10,477	9,058	7,776	6,679	6,778	6,835	7,549	7,144
Long-term liabilities <sup>1) 4)</sup>	14,529	12,796	11,211	8,795	9,008	9,945	10,864	11,163	8,566	7,658
Untaxed reserves									4,794	5,030
Stockholders' equity <sup>1) 2) 4)</sup>	21,305	17,720	17,050	16,753	13,996	10,909	9,897	9,694	9,298	9,075
– after full conversion <sup>1) 2) 4)</sup>	23,512	18,349	17,690	17,398	14,721	12,450	11,512	9,695	9,501	9,281
<b>Other Information</b>										
Adjusted net income per share, SEK <sup>3)</sup>										
– after actual taxes paid <sup>4)</sup>	10.61	2.88	3.65	15.33	11.67	5.41	3.58	2.99	2.52	6.11
after full conversion <sup>4)</sup>	10.31	2.88	3.65	14.66	11.06	4.82	3.56	2.99	2.51	5.98
– after actual taxes <sup>4)</sup>	13.21	2.32	4.33	14.89	10.76	6.26	3.85	3.44	3.03	4.00
after full conversion <sup>4)</sup>	12.80	2.32	4.31	14.24	10.24	5.56	3.82	3.43	3.00	3.94
Net income per share in accordance with U.S. GAAP, SEK <sup>3) 5)</sup>	22.89	6.29	7.53	16.45	10.54	6.43	3.44	3.44	3.98	3.90
after full conversion <sup>5)</sup>	22.05	6.18	7.35	15.71	9.99	5.81	3.36	3.44	3.79	3.90
Adjusted stockholders' equity per share, SEK <sup>1) 2) 3) 4)</sup>	99	86	83	82	70	57	52	51	50	49
after full conversion <sup>4)</sup>	105	85	81	80	68	57	53	51	50	49
Cash dividends per share <sup>3)</sup>	4.50 *	3.50	3.50	3.50	2.80	2.10	1.80	1.80	1.80	1.80
Shares outstanding – average (in thousands) <sup>3)</sup>	214,534	206,066	205,874	205,372	200,135	190,834	190,810	190,055	184,755	184,495
Additions to property, plant and equipment	3,805	3,847	3,583	3,448	2,672	1,739	1,592	1,643	2,677	2,192
Depreciation	2,651	2,193	1,863	1,572	1,294	971	1,213	1,133	1,308	1,039
Research and development – expenses	10,924	7,377	7,054	4,901	4,329	3,529	3,204	3,117	2,798	2,355
– in percent of net sales	17.4	15.7	15.4	10.7	10.9	11.3	9.9	9.9	8.6	8.0
<b>Ratios</b>										
Return on equity, percent <sup>1) 4)</sup>	14.5	2.8	5.3	20.4	17.5	11.5	7.5	6.9	6.1	8.5
Return on capital employed, percent <sup>1) 4)</sup>	12.9	9.6	12.0	25.9	23.7	16.0	13.1	13.1	11.3	13.6
Equity ratio, percent <sup>1) 4)</sup>	34.5	34.5	38.1	39.3	37.8	33.9	32.0	30.5	26.5	27.0
Debt-equity ratio <sup>1) 4)</sup>	0.7	0.8	0.7	0.5	0.6	0.8	1.0	1.1	1.5	1.5
Current ratio	1.6	1.6	1.7	1.7	1.8	1.9	2.0	1.9	1.6	1.6
<b>Year-end Statistics</b>										
Backlog of orders	45,296	38,050	28,777	30,415	29,426	26,876	24,171	23,625	23,055	25,161
Number of employees worldwide	69,597	66,232	71,247	70,238	69,229	65,138	70,893	72,575	78,159	75,116
Sweden	31,796	29,979	31,244	30,817	32,226	32,094	37,386	38,559	40,172	37,458

\* For 1993, proposed by the Board of Directors

1) 1984–1989 adjusted for change in accounting policies

2) 1984–1986, adjusted stockholders' equity as stated in prior annual reports

3) 1984–1989 adjusted for 5-for-1 stock split

4) 1991–1992 adjusted for change in accounting policies.

See Notes to the Financial Statements.

5) 1993, after change in accounting principles. See Note 23.

Definitions of terms used above are given on next page.

## Ten-year Summary

### *Definitions of Terms Used on Previous Page*

#### ***Operating income***

Operating income after standard depreciation.

#### ***Working capital***

Current assets less non-interest-bearing current liabilities.

#### ***Property, plant and equipment***

Stated net of accumulated standard depreciation.

#### ***Adjusted net income per share***

See (k) under Accounting Policies, and Note 6.

#### ***Current ratio***

Current assets divided by current liabilities.

#### ***Adjusted stockholders' equity***

Only for the years 1984–1986. Defined as stockholders' equity as shown in the balance sheet (excluding minority interest in stockholders' equity) plus 50 percent of untaxed reserves (assuming 50 percent deferred taxes on untaxed reserves).

#### ***Return on equity***

Defined as adjusted net income (after actual taxes paid and deferred taxes) expressed as a percentage of average adjusted stockholders' equity (based on the amounts at January 1 and December 31). 1988–1990 adjusted for increases resulting from a reduction in the tax rate on the equity portion of timing differences.

#### ***Return on capital employed***

Defined as the total of operating income plus financial income as a percentage of average (based on the amounts at January 1 and December 31) capital employed. Capital employed is defined as total assets less current noninterest-bearing debts and deferred taxes. For the years 1984–1986, reduced by 50 percent on untaxed reserves. For the years 1984–1985, the return has been based on capital employed at year-end.

#### ***Equity ratio***

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

In the years 1984–1986, defined as total of stockholders' equity, 50 percent of untaxed reserves and minority interest in equity of consolidated subsidiaries, expressed as a percent of total assets.

#### ***Debt-equity ratio***

Defined as full interest-bearing liabilities divided by the total of stockholders' equity and minority interest in equity of consolidated subsidiaries. In the years 1984–1986, defined as full interest-bearing liabilities divided by the total of stockholders' equity, 50 percent of untaxed reserves, and minority interest in equity of consolidated subsidiaries.

#### ***Net income per share after full conversion***

If adjusted net income per share after full conversion is higher than adjusted net income per share before full conversion, the lower amount is shown.

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The market for public telecommunications is continuing to experience dramatic change. The trend toward increased competition, as a consequence of deregulation and privatization, intensified during 1993.

Completely new telcom operators are becoming established in the deregulated markets. Meanwhile, existing operators are investing to expand operations beyond their national

borders. With stiffening competition there are increasing demands on suppliers to provide operators with new services and network solutions that will enable them to assert their positions more effectively in the market.

Ericsson is well prepared for this development. It has very substantial experience in a competitive international market.

#### *AXE continues to lead*

The number of installed lines of AXE switching equipment continued to rise sharply during 1993. A total of 11.7 million lines were installed. The continuing increase is largely attributable to the fact that many earlier AXE customers showed continuing confidence in Ericsson when selecting systems. At year-end 1993 AXE's share of the local line market was 15 percent, an increase compared with the 1992. AXE is now installed in a total of 105 countries.

Asia continues to be an expanding market for the Business Area. In addition to China, important contracts were received in Thailand and India – a new market for local exchanges – among other countries. Following successes in Argentina, Mexico and Venezuela, as well as in other countries in the region, Ericsson also continues to be the leading supplier in Latin America.

#### *Ericsson's most important product*

Considering that it also serves as a system platform for mobile telephone products, the AXE

system is the most important product in Ericsson's line. AXE is a stable system that will be continuously enhanced for many years to satisfy customers' demands for new services and functions in telecommunications networks. During 1993 AXE was upgraded to handle intelligent network services provided by ISDN technology. Systems of this type were installed and placed in service in France, India, Ireland, Italy, Norway, Spain and Switzerland.

Development of the AXE10 switching system accounts for the largest percentage of Ericsson's technical investments, more than all other future-oriented expenditures in Public Telecommunications combined. These investments are essential if Ericsson is to maintain its position in the largest of all telecommunications markets – the market for local lines to provide what is known in the industry as POTS (Plain Ordinary Telephone Services).

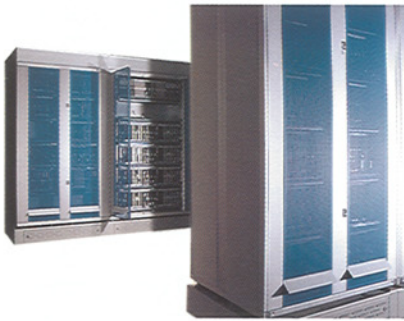
#### *Systems of the future*

Nineteen ninety-three was an important year for the continuing development work on AXE. An aggressive program focused on greater reliability and improved quality was begun during the autumn.

The protection of strategic patents on the unique technical solutions in Ericsson's broadband program was an important milestone in 1993. The new system platform developed by Ellemtel – the development company owned jointly by Ericsson and Telia – is based on so-called ATM (Asynchronous Transfer Mode) technology.

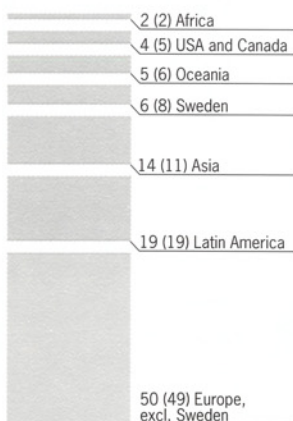
ATM is now generally considered to be the dominant standard for broadband transmission. With its new system platform that it expects to begin to deliver commercially during 1995, Ericsson can offer customers a highly competitive approach.

During 1993 a number of telcom operators decided to introduce network components based on ATM technology. During 1994 commercial field trials are being conducted in Germany,



**AXE exchanges constitute the base for Ericsson systems used in both wired and mobile telecommunications.**

#### **Geographic distribution of external sales, percent**



#### **The Business Area in brief**

*SEK m. and percentage of Ericsson totals*

	1993		1992		1991	
Order bookings, external	21,721	32%	18,404	34%	16,940	38%
Net sales, external	18,982	30%	16,702	35%	19,517	43%
Net sales, internal	2,824	-	2,401	-	2,407	-
Number of employees	28,069	40%	27,578	42%	32,684	46%





Italy, Spain and Sweden, among other countries. Ericsson is supplying switches – the first based on the new system platform – for these trials.

The market for broadband is not expected to develop rapidly until the end of the decade.

#### ***Transport networks increase in importance***

SDH (Synchronous Digital Hierarchy) is another research-intensive area of public telecommunications. SDH is a new technology for transmission or transport networks, Ericsson's term for the portion of the telecommunications network responsible for switching signals between the various components in a network. This new technology greatly increases the telcom operator's ability to handle networks more efficiently and at lower cost. A number of suppliers are now introducing this new generation of network products.

Ericsson was able to obtain its first large contracts for SDH products as early as 1992. The telecommunications administrations in Germany, Denmark and Sweden were the first to place orders for all subsystems in Ericsson's ETNA (Ericsson Transport Network Architecture) family of products for transport networks. These successes were followed in 1993 by very important orders from BT in Great Britain and the Swiss telecommunications administration.

#### ***Firmer grip on networks***

Operations in the joint-venture company formed jointly by Ericsson and Hewlett-Packard, the computer manufacturer, got under way officially in April. Ericsson Hewlett-Packard Telecommunications AB will develop, market and sell systems for the operation and maintenance of telecommunications networks under the common name TMOS (Telecommunications Management and Operations Support).

TMOS includes a large number of subsystems. Their common characteristic is that they offer telcom operators tools for simpler, more efficient and more centralized operation and maintenance of networks.

TMOS has been a major success in international markets. At year-end 1993 80 systems had been installed in more than 20 countries.

#### ***Prepared for the future***

ATM and SDH are key terms used to describe technologies of the future. It will take a few more years before Ericsson can reap the benefits of its investment but it can already show customers what strong cards AXE, ETNA, broadband and TMOS will be in the future.

The value of this cannot be overrated in conjunction with the system selections made during 1993 and that will be made in the near future.



**Ericsson's digital systems for land mobile radio are produced in configurations for both law enforcement and rescue services.**

Continuing strong growth characterized operations of the Radio Communications Business Area in 1993. Following increases of 57 percent in order bookings and 73 percent in invoicing, the Business Area is now Ericsson's largest. This is largely attributable to the very substantial successes with digital mobile telephony. Profitability also increased considerably during the year.

Ericsson began its program in mobile telephony nearly 20 years ago. During the years since then it has been able to accumulate unique experience and expertise in all the basic technologies required in an efficient mobile telephone system. These factors, combined with Ericsson's strong international presence, are responsible for its world leadership in mobile telephony today.

**World leader in digital systems**

Mobile telephone systems account for nearly 80 percent of the Business Area's sales and is thus the dominant operation within Radio Communications. During the latter part of the 1980s large resources were invested to develop the technology for the digital systems that were then beginning to be discussed. Its active involvement in standardization work, as well, explains how Ericsson during the past two years became the totally dominant supplier of both systems and terminals for GSM, the common European standard that was also widely adopted in other parts of the world in 1993.

Simultaneous investment in the two other standards that have been adopted – D-AMPS (Digital-AMPS), the American standard, and PDC (Pacific Digital Cellular), adopted in Japan – have also paved the way for success in markets that have chosen, or will choose, systems of these types.

In the United States, Ericsson GE Mobile Communications Inc. – the company owned jointly with General Electric – is involved with its competitors Nokia and Northern Telecom

and other companies in specifications for GSM as a system solution for personal communications systems (PCS).

Ericsson's joint venture with General Electric began in 1989 and is governed by an agreement that makes it possible for either partner to terminate the cooperation. This cannot be done before April 1, 1998 or later than January 1, 2003.

**Continuing expansion**

The number of subscribers in analog and digital mobile telephone systems is continuing to rise rapidly. The 30-million mark was passed at year-end 1993. The expansion is concentrated mainly in three growth areas: the United States, Europe and Asia. Forecasts for the next few years indicate that each of these areas will account for 30 percent of the investments in mobile telephony.

Despite the fact that digital systems are attracting the most attention today, there is continuing growth in analog systems. During the year Ericsson delivered NMT systems to three new customers in Eastern Europe: Bulgaria, Poland and White Russia. Expansion of analog systems is continuing in a number of provinces in China and contracts to enlarge systems were received in many other markets.

**Service platforms**

Mobile telephone systems comprise more than merely exchanges, radio base stations and related equipment. Just as in the wired public networks, software accounts for an increasingly larger percentage of deliveries. Software is what makes the various services accessible in networks. It may thus be said that a mobile telephone system is a service platform that can be expanded over the years by adding many new functions.

SMS (Short Message Service), a new facility for mobile networks introduced by Ericsson during the year, is a function by means of which brief text messages can be distributed via mobile telephones. Several GSM networks delivered by

**Geographic distribution of external sales, percent**



**The Business Area in brief**

*SEK m. and percentage of Ericsson totals*

	1993		1992		1991	
Order bookings, external	27,023	40%	17,280	32%	12,846	29%
Net sales, external	25,700	41%	14,962	32%	12,276	27%
Net sales, internal	256	-	85	-	95	-
Number of employees	16,486	24%	12,979	20%	12,340	17%

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Ericsson were enhanced with this service in 1993. Ericsson also introduced MXE, a completely new platform that can provide a large number of services, including multimedia applications, in both mobile and wired public and private networks.

#### ***A leader in digital pocket telephones***

When digital mobile telephone systems were developed it was clear that the availability of telephone instruments would be a major concern of the operating companies. There was thus a more or less pronounced demand from operators that system suppliers become strongly involved in the development of mobile telephones. Ericsson accepted this challenge fully and, as a result, was able to deliver large volumes of such instruments during 1993.

Sales were two-and-a-half times larger than in 1992. As a result, Ericsson's share of the market for analog mobile telephones rose sharply, with an even larger increase in the market for digital instruments, where it was the largest supplier in 1993.

#### ***Stronger position for land mobile radio***

EDACS (Enhanced Digital Access Communications System), Ericsson's digital system for land mobile radio, further strengthened its market positions during 1993. EDACS was developed with a focus on the so-called public safety segment: law enforcement agencies, rescue services, fire departments and the like.

A number of new markets for EDACS have opened up in Europe, and a number of large orders were received in Ericsson GE's domestic market in the United States. These contracts included a prestigious order for an EDACS system from the U.S. Navy.

#### ***Mobitex – standard system for airports***

Mobile data communications will grow considerably during the next few years. Ericsson recorded continuing success with its Mobitex system in 1993. A number of new products, as well as joint ventures with various computer manufacturers, were announced during the year and Mobitex was selected as the system for mobile data networks in France and The Netherlands.

A major order from the operator of the Frankfurt airport further strengthened Mobitex's position as the leading mobile data system for airport applications.



#### ***New personal paging systems***

The market for local personal paging systems continues to be sluggish while, in contrast, the market for nationwide systems is expanding rapidly. Diricall, an attractive new product for smaller systems, was launched during 1993. It is a personal pager that can be "localized" geographically, making it highly suitable for watchmen, hospital staffs and other service personnel.

Ericsson can now provide all the components in nationwide personal paging systems. It has become the leader in the market for the new European Ermes standard. Seven of the eight orders placed for such systems to date have gone to Ericsson.

#### ***Defense communications operations in Poland***

During the year the Business Area gained a new market, Poland, for its defense operations. A joint-venture company formed with Unimor, a domestic firm, will supply radio links to the Polish defense authorities.

One of the more important tasks of the Business Networks Business Area is to sign up the new operator companies that are becoming increasingly visible in the market. The collective expertise of the units that formed the Business Area provides the prerequisites for doing this successfully.



**Today's telephones provide a number of advanced services that make daily work easier.**

This expertise includes that of the former Business Communications Business Area, with its experience in cultivating the private market under very tough competitive conditions. It also includes the network construction sector of the former Cable and Networks Business Area, with its long experience in

developing total solutions for customers who want to build telecommunications networks. The new Business Area is facing a promising future. There is every indication that both new and established telcom operators are increasingly concentrating on their core business: operating networks. As a result, they are more willing to turn the planning and construction of networks over to suppliers like Ericsson who can offer expertise in these areas.

#### **Strong expansion for networks**

As its sharply increased revenues demonstrate, there are substantial growth opportunities for the Business Area. Network construction operations grew sharply during the year.

The Italian network construction operations – which, effective January 1, 1994, are being handled within the newly formed Ericsson Telecomunicazioni S.p.A. – also showed good growth during 1993. This favorable trend was due in part to the acquisition of an additional number of regional competitors as well as to successful export operations.

The Business Area will account for half of the activity in Ericsson Telecomunicazioni, while the

remainder consists mainly of public telecommunications and radio communications business.

#### **Corporate networks**

Like the AXE switching system, Ericsson's MD110 system is being enhanced continuously. During 1993 new cooperation was established with a number of companies in the computer industry. Joint projects with such companies as Microsoft and Intel are designed to combine Ericsson's communications technology with the computer companies' new products, notably those involving multimedia applications. The ability to combine the transmission of voice and data signals has long been a distinguishing characteristic of MD110 business communications systems.

In a new marketing concept for MD110 and other products, Ericsson is offering customers total approaches to all forms of communications rather than only a subscriber exchange. Sales figures for 1993 show that this strategy has been successful. Sales of MD110 systems rose more than 30 percent during the year. As a result, Ericsson held its own well against its principal competitors – Siemens, Northern Telecom and Alcatel.

Another important consequence of the strategy of focusing on sales of solutions containing greater contents of services and systems was that the profitability of MD110 increased sharply.

#### **Data networks and broadband transmission**

With its Eripx system, Ericsson is maintaining its position in Europe as a leading supplier of private data networks based on the X.25 standard. A number of interesting innovations, including a high-speed version of Eripx for X.25 and for the new Frame Relay standard, were introduced during 1993. A distributor agreement was also signed with Cisco, a leading manufacturer of data network equipment.

#### **Geographic distribution of external sales, percent**



#### **The Business Area in brief**

*SEK m. and percentage of Ericsson totals*

	1993		1992		1991	
Order bookings, external	11,717	17%	11,121	21%	9,488	21%
Net sales, external	12,521	20%	10,354	22%	8,072	18%
Net sales, internal	399	–	299	–	250	–
Number of employees	15,155	22%	15,467	23%	13,935	20%

ATM technology and other broadband technology will initially be introduced in corporate networks. This technology is exceptionally well suited for linking large local area networks (LANs) and for multimedia applications. To keep pace with the rapid developments in this field, the Business Area has intensified an ongoing cooperation with the American company Network Equipment Technologies, N.E.T. The two partners will quickly develop broadband switches for corporate communications, using ATM technology.

#### ***Schrack to produce BusinessPhone***

Annual sales of BusinessPhone systems amount to SEK 1 billion. As a result, Ericsson is also well established in this market. A licensing agreement covering substantial production of BusinessPhone systems was signed in China during 1993.

During the autumn it was decided to transfer responsibility for production and development of BusinessPhone systems to Schrack in Austria. This decision may be viewed as part of the internationalization of Ericsson's operations. The selection of Schrack to take over BusinessPhone was largely due to the fact that the company has accumulated substantial experience with Ericsson's and its own exchanges. In June, Ericsson increased its holding in Schrack to 80 percent and the name of the company was changed to Ericsson Schrack AG at year-end.

#### ***Premiere for DECT***

During 1993 Ericsson launched its Freeset system in a configuration for DECT, the European common standard for cordless telecommunications. Late in the autumn Ericsson became the first supplier to receive type-approval for its product in a number of European countries. The many areas of application for DECT systems include business cordless communications, as a supplement to mobile telephone systems, personal communications networks, and as a method of providing mobility in local wired networks.

#### ***Other applications***

In Finland, the Helsingfors Telefonförening (Helsinki Telephone Association) has placed an order for Freeset to enable it to offer PCS services to corporate customers. In the United States there is substantial interest in DECT as a potential technology for PCS, among other

applications. The Norwegian telecommunications authority has also selected Ericsson's DECT technology for a PCS field trial in the city of Förde.



**Ericsson's linear circuits, which rank among the best in the world, contain all the functions required for a telephone call.**

The primary responsibility of the Components Business Area is to provide proprietary advanced electronic components for Ericsson's telecommunications systems. Having its own resources in this strategic area reduces Ericsson's dependence on outside suppliers. Ericsson purchases several billion kronor worth of components from outside sources each year and, in connection with these transactions, benefits greatly from its own expertise in the field. The Business Area also markets a substantial volume of components externally.

A number of organizational changes were made during 1993. The cable operations of the former Cable and Networks Business Area became part of the Components Business Area on January 1. This resulted in a sharp increase in number of employees and in sales. The solid profitability of the cable business is currently contributing to the Business Area's continuing future-oriented investments, including the new mini-plant for microcircuit production that is now under construction in Kista, outside Stockholm.

The technical sector was strengthened very considerably through formation of a new core unit for system-oriented microelectronics and optoelectronics. This unit is responsible for development of the new microelectronic and optoelectronic technology that will be integral parts of Ericsson's future AXE systems.

#### **Large external sales**

The past year was characterized by a favorable trend of order bookings and invoicing in most of the Business Area's product sectors. The transfer of Cable operations to the Business Area resulted in a sharp increase in external sales as a percentage of total invoicing. This trend toward a higher percentage of external sales is also occurring in the Business Area's other sectors: energy systems, the distribution of standard components, and microelectronics.

Total external sales today account for distinct-

ly more than half the Business Area's invoicing. The Cable and Standard Components product areas have the highest percentages of external sales.

#### **Strong cable operations**

The cable business developed favorably during 1993, notably in the domestic Swedish market where Ericsson is today a leading supplier. Access to the Business Area's own distribution channels, such as those provided by SELGA and the Forslid companies, contributed in large measure to the strong cable sales.

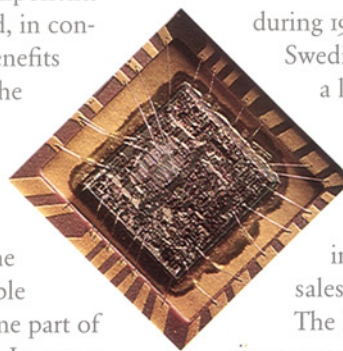
The Business Area's Power Cable Division was successful in the export market. The Telecommunications Cable Division participated in a number of Ericsson's large network construction contracts in the international market, including projects in Chile, Croatia, Pakistan, Laos and the Philippines. The percentage of fiber optical cable is increasing. Large volumes were delivered to Telia and the State Railway Administration in Sweden.

The volume of business in the Mexican cable company, Latincasa, increased substantially after the early part of the year, mainly as a result of large deliveries to Telmex, the telecom operator. Birla Ericsson Optical Ltd., the jointly owned company in India, is starting production in the spring of 1994 following a year of intensive work involving the transfer of technology and know-how from Ericsson Cables in Sweden.

#### **Broader product line for energy systems**

The Energy Systems business unit recorded important breakthroughs into new markets during 1993. Its operations today comprise energy systems for all types of telecommunications installations, power components for assembly on printed circuits, operating support systems for power equipment, and cooling systems.

A number of new products were introduced



#### **Geographic distribution of external sales, percent**



#### **The Business Area in brief**

*SEK m. and percentage of Ericsson totals*

	1993		1992		1991	
Order bookings, external	3,701	5%	2,773	5%	3,763	8%
Nets sales, external	3,605	6%	3,070	7%	4,139	9%
Net sales, internal	1,994	-	1,409	-	1,645	-
Number of employees	5,436	8%	5,241	8%	6,372	9%

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during the year. These included Telecool, a family of cooling systems that was sold to Deutsche Bundespost Telecom and France Telecom, among other customers.

Ericsson SiteMaster is an expansion of an operating support system for power supply systems that was developed jointly with Telia. The system permits cost-effective monitoring of batteries, rectifiers and other energy equipment.

A very small innovative power product developed by the Business Area attracted a great deal of attention during the year. It is an 8-mm-high power module that can be mounted automatically on printed circuits. There are major advantages in being able to supply power to an individual printed circuit without requiring extra space.

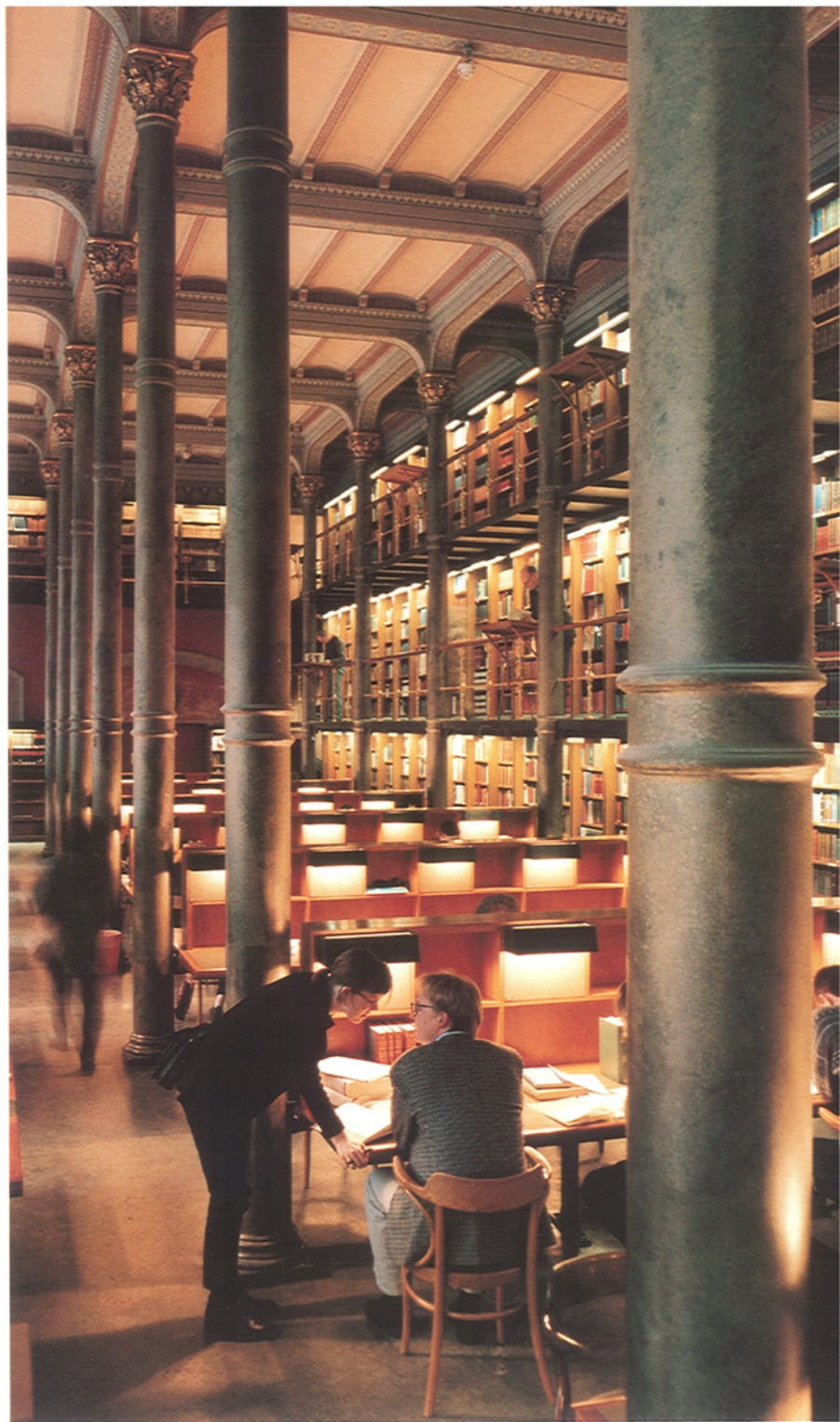
#### ***Success on a small scale***

The Business Area's microelectronics operations were strengthened during the year with the formation of a core unit for system-oriented microelectronics and optoelectronics, in which 200 persons are currently engaged in research and development. These technicians have developed the two specially designed microcircuits that constitute the "brain" in the new system platform for broadband communications being developed by Ellemtel.

Linear circuits are still the Business Area's largest product in the microelectronics field. Ericsson has become recognized in this area for having the broadest line of products and delivering the best performance in the industry. The linear circuits are used within Ericsson and are also sold to customers in China and the United States, among other countries.

#### ***One of the world's most modern plants***

Pilot production in the highly advanced new plant that Components has constructed in Kista, outside Stockholm, is expected to get under way in July 1994. This so-called mini-plant will manufacture microcircuits with exceptionally low line width, close to 0.35 thousands of a millimeter. The plant is a result of cooperation with Texas Instruments, which gives Ericsson access to the most modern process technology employed in the manufacture of these circuits. When the plant is placed in regular production in 1995, it will enable Ericsson to quickly produce key components for future products and systems.



#### ***Strengthened component distribution***

The Business Area has been involved in the wholesale distribution of components for many years. The aim is to strengthen sales of the proprietary component program with products from other suppliers. Several agencies and businesses were taken over in Sweden, Norway, Finland and Denmark during 1993. This has strengthened Ericsson's position in the Nordic component market, where it holds a 10-percent market share.



The interaction between radar and telecommunications technologies is creating valuable synergies in Ericsson's operations.

Viewed as a whole, the market for defense materiel is continuing to decline, but interest in technically advanced systems in which defense electronics play a key role is increasing. Interest in monitoring and control of a nation's territory is also increasing in many countries.

Ericsson's focus on sensors and telecommunications and counter-measure systems, as well as on command and control systems for these purposes, coincides well with the Swedish Defense Forces' priorities. It is also creating new business opportunities in a changed international environment.

**Interest in radar**

The Swedish Defense Forces have ordered six series-produced PS890 airborne radar systems, known as Erieeye in the export version. This is a radar system offering very high performance at a low price. The PS890 is designed using the latest technology, including a so-called active phased-array antenna. The first system is to be delivered in 1996.

A contract covering development of the Bamse missile system, for which Ericsson is developing the radar and command-and-control systems, was also signed during the year. A large order for infrared equipment for the Swedish Army was also received during the autumn. A number of agreements were signed covering deliveries of radar systems to customers in the Far East, among other regions.

Towards the end of the year an agreement was signed with the Research Institute of the Swedish National Defense (FOA) covering further development and marketing of a completely new type of radar. Known as Carabas, it is based on a totally new radar principle developed at the Insti-

tute. Carabas can detect houses, vehicles and similar objects under dense foliage and can even detect underground structures. Tests flights of the JAS39 Gripen multirole military aircraft were resumed at the end of the year following redesign of certain parts of the flight control system after the well publicized accident in August. Ericsson's share of the JAS project comprises radar, display systems, system computers and parts of the countermeasure system.

**MiniLink sales simply increase**

MiniLink, the Business Area's largest non-military product, is a family of microwave links that has been a real success for Ericsson. The past year was another in which the number of units delivered increased by more than 50 percent, with very good profitability.

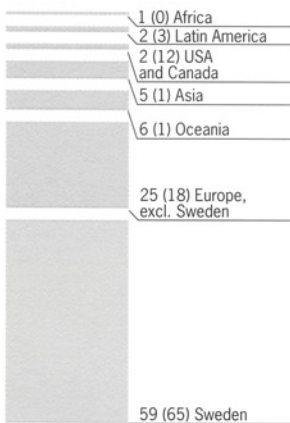
Production during the year amounted to 5,000 units, all manufactured in the Business Area factory in Borås.

MiniLink's success is attributable both to continuing growth in the market and the fact that Ericsson has taken market shares from competitors. Many of the principal competitors are based in hard-currency countries and are finding it difficult to compete on price. Larger volumes have also enabled Ericsson to implement major production-rationalization programs.

**Explosive demand anticipated**

An intensive program is currently under way to develop even more compact versions of MiniLink to meet the requirements that will arise when the expansion of networks for personal communications systems takes off in earnest. So-called "Pico links" for PCS and PCN systems are under development. In addition to incorporating even more sophisticated technology, the

Geographic distribution of external sales, percent



**The Business Area in brief**

SEK m. and percentage of Ericsson totals

	1993		1992		1991	
Order bookings, external	3,318	5%	3,575	7%	1,545	3%
Net sales, external	1,901	3%	1,659	4%	1,611	4%
Net sales, internal	418	-	291	-	214	-
Number of employees	2,728	4%	2,696	4%	2,815	4%



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cost of producing these links will have to be much lower.

Now that mobile telephone system networks and networks for PCN and PCS are being built with ever-smaller cells – meaning greater density of radio base stations – there are strong indications that there will be another explosive increase in demand for microwave links.

### ***Strong development program***

Relative to the size of its operations, Defense Systems has by far the largest investment in technical development work of any Ericsson business area. However, much of this work is carried out within the framework of fixed-price development projects for the Swedish Defense Forces and other customers.

Development contracts are of great importance to Ericsson. They clearly help to further strengthen its expertise in such fields as signal processing and high-speed electronics. This expertise is currently being utilized in many of the strategically most important projects, including mobile telephone systems for Japanese customers and the development of new transmission products.

### ***Space technology***

During 1993 the Business Area's expertise in the field of antenna technology for satellites was made available to Inmarsat. This international satellite consortium is working with Ericsson to develop a satellite-based mobile telephone system. Saab Ericsson Space and other companies are involved in this project.

The development work on this system is one more example of the Business Area's importance to Ericsson as a center of expertise in very advanced technical fields.



The share capital of the Parent Company, Telefonaktiebolaget LM Ericsson, amounted at December 31, 1993, to SEK 2,171,628,100, represented by 217,162,810 shares, each with a par value of SEK 10. Of the total number of shares outstanding, 18,642,575 were A shares, each carrying one vote, and 198,520,235 B shares, carrying one thousandth of a vote.

During 1993 a subordinated convertible debenture loan was issued with a par value of SEK 2,171,719,760 and with a term of seven years. Ericsson's shareholders had preferential right to subscribe for the convertibles. At the end of the year debentures had been converted into 13,175 B shares. Should all the remaining debentures be converted, the number of shares would increase further with 7,225,769. All shares may be owned by foreign citizens.

During 1993 the number of shares increased by 10,973,331 through conversion of debentures. During the period between January 1 and February 15, 1994, additional debentures were converted to 7,189 B shares, increasing to 217,169,999 the total number of shares entitled to dividends as of the record date.

#### *Employee ownership of Ericsson shares*

Ericsson employees have purchased the Company's shares via bank loans arranged by the Company. Since 1973, slightly more than 6,800 employees have taken advantage of this opportunity, purchasing a total of approximately 2.5 million shares.

Ericsson's General Savings Fund was started in 1984. The General Savings Fund, which has 1,892 participants, has invested in Ericsson shares and in Ericsson's convertible debenture certificates. At year-end 1993, the holding in this fund amounted to 310,000 shares plus convertible debenture certificates convertible to 43,804 shares.

#### *Stock exchange trading*

Ericsson A and B shares are listed on the Stockholm Stock Exchange. The B shares are also listed on the exchanges in Basel, Düsseldorf, Frankfurt am Main, Geneva, Hamburg, London, Paris and Zurich and are traded in the U.S. in the form of ADRs (American Depositary Receipts) via the NASDAQ electronic quotation system.

Each ADR represents one B share. The most active trading occurs in New York, London and Stockholm.

Approximately 570 million shares were traded during 1993. The turnover was distributed as follows (approximate percentages): 42 percent via NASDAQ, 31 percent on the London Stock Exchange, 26 percent on the Stockholm Stock Exchange, and one percent on other exchanges.

#### *Shareholders*

Approximately 78 percent of Ericsson's shares are owned by Swedish and international institutional investors. At year-end 1993, about 43 percent of the shares were held by shareholders outside Sweden.

**Trading on the Stockholm Stock Exchange**



<i>Share data</i>	1993	1992	1991	1990*	1989
Exports of shares from Sweden (SEK m.)	21,352	4,245	2,310	777	499
Imports of shares to Sweden (SEK m.)	13,572	3,333	1,218	1,873	1,384
Net imports (-)/exports of shares to Sweden	7,780	912	1,092	-1,096	-885
P/E ratio I, "B" shares <sup>1)</sup>	32.1	57.8	29.3	12.0	15.1
P/E ratio II, "B" shares <sup>2)</sup>	25.8	79.7	25.1	12.4	16.4
Share prices, December 31, Stockholm Stock Exchange (SEK)					
- "A"	410	195	145	245	950
- "B"	341	185	108	184	880
- "B" High for year	469	189	225	280	940
- "B" Low for year	172	97.5	88.5	175	356

<sup>1)</sup> P/E ratio I = Price per share at December 31, divided by profit per share after actual taxes paid.

<sup>2)</sup> P/E ratio II = Price per share at December 31, divided by profit per share after actual and deferred taxes.

\* After 5-for-1 stock split

<i>Changes in capital stock</i>		<i>Number of shares</i>	<i>Capital stock</i>
1982	January 1	21,788,498	1,089,424,900
	1-for-2 stock dividend	10,894,248	544,712,400
1983	Special new issue, USD 62.5	4,000,000	200,000,000
	Conversions	181,677	9,083,850
1984	Conversions	39,049	1,952,450
1985	Conversions	47,789	2,389,450
1986	Conversions	1,211,121	60,556,050
1988	Conversions	52,242	2,612,100
1989	Conversions	2,760,310	138,015,500
1990	Conversions	854,413	8,544,130
1990	5-for-1 stock split	163,899,736	-
1991	Conversions	257,372	2,573,720
1992	Conversions	203,024	2,030,240
1993	Conversions	10,973,331	109,733,310
1993	December 31	217,162,810	2,171,628,100

<i>Distribution of shares, year-end 1993</i>		<i>Shareholders</i>		<i>Number of shares</i>		<i>Number of shares per shareholder</i>
<i>Shareholders' holding</i>	<i>Number</i>	<i>%</i>	<i>of shares</i>	<i>%</i>		
1 - 500	89,019	81.39	13,622,057	6.27		153
501 - 5,000	19,071	17.44	23,598,801	10.87		1,237
5,001 - 20,000	880	0.80	8,266,195	3.81		9,393
20,001 -	402	0.37	171,675,757	79.05		427,054
	109,372	100.00	217,162,810	100.00		1,985

<i>The largest shareholders, ranked by voting rights, were as follows at December 31, 1993</i>	<i>Number of shares</i>	<i>Voting rights percent</i>
AB Industrivärden	5,034,035	26.5
Investor AB	4,690,000	22.2
Knut och Alice Wallenbergs stiftelse	2,651,480	14.1
Svenska Handelsbankens Pensionsstiftelse	1,210,000	5.6
Pensionskassan SHB Försäkringsförening	900,000	4.8
Livförsäkrings AB Skandia	4,002,439	4.7
EB-stiftelsen, S-E-Bankens Pensionsstiftelse	504,390	2.6
Wallanders o Hedelius' stiftelse	450,000	2.4
Wallenbergs stiftelse, Marianne och Marcus	450,000	2.4
Oktogonen, Stiftelsen	550,000	1.6
Svenska Handelsbankens personalstiftelse	280,000	1.5
Trygg-Hansa	3,411,875	0.6
Svenska Handelsbankens aktiefonder	2,550,087	0.4
Fjärde AP-fonden	9,068,126	0.4



## Board of Directors Members

### *Björn Svedberg* [1]

(1937\*)  
Chairman, Honorary Doctor of Technology, President and member of the Board of Skandinaviska Enskilda Banken. Member of the Boards of ASEA, ABB, Volvo, STORA and ABA and SILA. Member since 1977. Shares held: B 15,045. Convertible debentures: 15,000.\*\*

### *Peter Wallenberg* [2]

(1926\*)  
Deputy Chairman. Honorary Doctor of Economics, First Vice Chairman of the Board of Skandinaviska Enskilda Banken. Chairman of the Boards of ASEA, Atlas Copco, Investor and Knut och Alice Wallenbergs Stiftelse. Co-Chairman of ABB Ltd. Honorary Chairman of STORA. Member since 1972. Shares held: B 28,175. Convertible debentures: 28,175.\*\*

### *Tom Hedelius* [3]

(1939\*)  
Deputy Chairman. Honorary Doctor of Economics. Chairman of the Boards of Handelsbanken and Bergman & Beving. Vice Chairman of AGA. Member of the Boards of Volvo, Industrivärden, SCA and ABA and SILA. Member since 1991. Shares held: B 2,000. Convertible debentures: 2,000.\*\*

### *Lars Ramqvist* [4]

(1938\*)  
President and Chief Executive Officer. Doctor of Philosophy. President and member since 1990. Shares held: B 3,755. Convertible debentures: 21,755.\*\*

### *Sune Andersson* [5]

(1936\*)  
Employee representative. Member of the Board of Sparbanken Stockholm Sydväst. Member since 1990.

### *Carl-Erik Feinsilber* [6]

(1931\*)  
President and CEO of Industrivärden. Vice Chairman of AGA. Member of the Boards of Handelsbanken, Skanska and SCA. Member since 1990.

### *Georg Karnsund* [7]

(1933\*)  
Chairman of the Board of the Swedish Highways Administration. Member of the Boards of Saab-Scania and Atlas Copco. Member since 1987.

### *Claes-Göran Larsson* [8]

(1954\*)  
Employee representative. Member since 1988.

### *Sverker Martin-Löf* [9]

(1943\*)  
President and CEO of SCA. Member of the Boards of AGA, Industrivärden, Federation of Swedish Industries and Swedish Employers' Confederation. Member since 1991.

### *Thomas Olsson* [10]

(1944\*)  
Employee representative. Member since 1985. Shares held: B 250. Convertible debentures: 340.\*\*

### *Sven Olving* [11]

(1928\*)  
Doctor of Science, Professor of Chalmers University of Technology. Chairman of the Board of Volvofinans. Member of the Boards of Electrolux, Celsius Industrier, Bofors and Trelleborg. Member since 1980.

### *Jacob Wallenberg* [12]

(1956\*)  
Deputy Manager of Division Enskilda Corporate of Skandinaviska Enskilda Banken. Vice Chairman of STORA. Member of the Board of Atlas Copco. Member since 1991. Shares held: A 750, B 1,000.

### *Sven Ågrup* [13]

(1930\*)  
Chairman of the Board of AGA. Member of the Boards of Handelsbanken, Sandvik and Tetra Laval. Member since 1983.

<b>Claes Dabläck</b> [14] (1947*) President and member of the Board of Investor. Chairman of Vin och Sprit. Vice Chairman of ASEA. Member of the Boards of ABB, Astra, Electrolux, Incentive, SKF, Saab-Scania and STORA. Member since 1993. Shares held: B 1,000.	<b>Anders Olofsson</b> [15] (1953*) Employee representative. Member since 1990.	<b>Carl Wilhelm Ros</b> [17] (1941*) Executive Vice President. Member since 1986. Shares held: B 10,030. Convertible debentures: 10,030.**	<b>Göthe Söderkvist</b> [19] (1945*) Employee representative. Member since 1989. Shares held: A 10. Convertible debentures: 750.**
	<b>Per Arne Ragnar</b> [16] (1935*) Employee representative. Member since 1992. Shares held: B 625.	<b>Jan Stenberg</b> [18] (1939*) Executive Vice President until March 1994. Member since 1982. Shares held: A 20.	

## Board of Directors Deputy Members

<b>Lars Ramqvist</b> President and Chief Executive Officer, Telefonaktiebolaget LM Ericsson.	<b>Carl Wilhelm Ros</b> Executive Vice President and Chief Financial Officer.
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## Corporate Executives

<b>Stephan Almqvist</b> Senior Vice President, Corporate Treasury.	<b>Anders Igel</b> Senior Vice President, Corporate Technology.	<b>Nils Ingoar Lundin</b> Senior Vice President, Corporate Relations.	<b>Gerhard Weise</b> Senior Vice President, Corporate Financial Control.
<b>Erling Blommé</b> Senior Vice President and General Counsel, Corporate Legal Affairs.	<b>Harry Johansson</b> Senior Vice President, Corporate Audit and Security.	<b>Britt Reigo</b> Senior Vice President, Corporate Human Resources and Organization.	
<b>Lennart Grabe</b> Senior Vice President, Corporate Business Development.	<b>Bo Landin</b> Senior Vice President, Corporate Markets.		

## Corporate Functions

<b>Lars Berg</b> Senior Vice President, Business Networks. President, Ericsson Business Networks AB.	<b>Kurt Hellström</b> Senior Vice President, Radio Communications. President, Ericsson Radio Systems AB.	<b>Bert Jeppsson</b> Senior Vice President, Components. President, Ericsson Components AB.
<b>Bengt Halse</b> Senior Vice President, Defense Systems. President, Ericsson Radar Electronics AB.	<b>Håkan Jansson</b> Senior Vice President, Public Telecommunications. President, Ericsson Telecom AB.	<b>Ronny Lejdemalm</b> Senior Vice President, Radio Communications. President, Ericsson GE Mobile Communications Inc.

## Business Areas

<b>Statutory Auditors</b>	<b>Nils-Axel Frisk</b> Former Executive Vice President (Finance), Swedish Staff Pension Fund.	<b>Deputy Auditors</b>	<b>Thomas Tbiel</b> Authorized Public.	<b>Auditors</b>
<b>Olof Herolf</b> Authorized Public Accountant, Price Waterhouse.	<b>Carl-Eric Boblin</b> Authorized Public Accountant, Price Waterhouse.	<b>Stephan Tølstoy</b> Authorized Public Accountant, Price Waterhouse.	<b>Lars Eklund</b> Authorized Public Accountant, Price Waterhouse.	

\* Year of birth. \*\* For conversion into one "B" share 30 convertible debentures are needed.

*Parent Company, Subsidiaries, Associated Companies, Regional and Technical Offices***Algeria**

Telefonaktiebolaget  
LM Ericsson  
Bureaux Techniques  
d'Algérie  
El Djazair  
Harald Oberbeck  
  
SITEL – Société Industrielle  
Algérienne  
de Télécommunications  
Tlemcen  
Ibrahim Bensmail

**Argentina**

Compañía Ericsson S.A.C.I.  
Buenos Aires  
Eduardo Restuccia

Ericsson Sielte S.A.  
Buenos Aires  
Ferdinando Raveggi

**Australia**

Ericsson Australia Pty. Ltd.  
Broadmeadows  
Kjell Sörme

Ericsson Defence  
Systems Pty Ltd  
Preston  
Ivan Trayling

Nira Australia Pty. Ltd.  
Sydney  
Brian Fitzgerald

**Austria**

Ericsson Schrack AG  
Vienna  
Lars G. Josefsson

**Bahrain**

Telefon AB LM Ericsson  
Regional Representative  
Office  
Manama  
Anders Snare

**Belgium**

Ericsson Business  
Communications NV/SA  
Brussels  
Göran Schlyter

Ericsson European  
Affairs Office  
Brussels  
P-O Åkerberg

Nira Communication  
Systems N.V.  
Ternat

**Brazil**

Ericsson  
Telecomunicações S.A.  
São Paulo  
Carlos de Paiva Lopes

Ericsson Sistemas de Energia  
Ltda  
São Paulo  
Luis Tobias

**Bulgaria**

LM Ericsson International AB  
Representative Office  
Sofia  
Roland Engman

**Canada**

Ericsson  
Communications Inc.  
Toronto  
Ronny Lejdemalm

**Chile**

Compañía Ericsson  
de Chile S.A.  
Santiago  
Pär Waller

**China,  
People's Republic of**

LM Ericsson International AB  
Representative Office  
Beijing  
Hans Ekström

Dalian Ericsson Co Ltd  
Dalian  
Bernt Söderström

Guangdong Ericsson  
Engineering Co Ltd  
Guangdong  
Jan Hågne

Guangzhou Ericsson  
Communication Co Ltd  
Guangzhou  
Sören Boman

Nanjing Ericsson Communi-  
cations Company Ltd  
Nanjing  
P-O Kjellvard

**Colombia**

Ericsson de Colombia S.A.  
Bogotá  
Hector Pérez

**Costa Rica**

Ericsson de Costa Rica S.A.  
San José  
Alejandro Guerrero

**Croatia**

LM Ericsson International AB  
Representative Office  
Zagreb  
Gunnar Forsgren

**Czech Republic**

Schrack – Ericsson spol.s.r.o.  
Prague  
Sepp Leimgruber

**Denmark**

LM Ericsson A/S  
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*This glossary has been prepared to broaden the understanding of the terms used in this Annual Report. Brief definitions of such terms cannot, however, provide complete explanations.*

#### **ATM**

Asynchronous Transfer Mode. A technology for broadband transmission (used in transmitting telecommunications signals with high capacities). ATM, in addition to enabling high capacities in signal transmission, is also a reliable index of flexibility since the capacity in a linked connection can be adapted to specific requirements.

#### **Cellular mobile telephone system**

A mobile telephone system consisting of radio base stations linked by telephone exchanges. Each base station covers a geographical area, or "cell." When a subscriber moves within the area covered by a cellular mobile telephone system, the telephone call is transferred automatically from cell to cell.

#### **D-AMPS**

Digital Advanced Mobile Phone System. American standard for digital mobile telephony which is used in North America and other countries, mainly in Southeast Asia.

#### **DECT**

Digital European Cordless Telecommunications. A common European standard for cordless personal telephony adopted by ETSI, a European standardization organization for telecommunications technology. The DECT standard has become the guiding norm for development of systems for cordless business communications.

#### **Digital technology**

Handling of information that has been converted to a digital code using the binary number notation system consisting solely of ones and zeros. Conversion to and from continuous signals takes place in special converter circuits, encoders and decoders.

#### **ERMES**

European Radio Messaging System. European digital standard for Wide Area paging systems. Such systems are being successively introduced in a number of European countries.

#### **ETNA**

Ericsson Transport Network Architecture. A collection of systems and products used to build transport networks based on Ericsson's latest technology for fiber-optical transmission and signal handling. ETNA includes systems for supervision and operation of transport networks.

#### **ETSI**

European Telecommunications Standards Institute is a standardization institution created and supported by the EU Commission. ETSI is unique in that manufacturers of telecommunications equipment and telcom operators are joined in a common standardization body.

#### **Fiber optics**

A technique for transmitting light signals via glass or plastic fibers. Fiber-optical cables are used to transmit digital signals representing voice, images or data. The light source is often a laser. Fibers permit high transmission capacity.

#### **Gigabit/s (Gbit/s)**

A measurement of the transmission capacity of, for example, a transmission line. A line with a capacity of 2.5 Gbits/s can carry more than 30,000 telephone calls simultaneously.

#### **GSM**

Global System for Mobile telecommunications. Developed initially as the pan-European standard for digital cellular mobile telephone systems, it has been accepted in many parts of the world.

#### **Intelligent network**

A telecommunications network in which certain types of services can be introduced by the operating company and made quickly available to users.

#### **ISDN**

Integrated Services Digital Network. A digital communications network in which various types of information (voice, data, images) can be transmitted to the subscriber via a common local line.

#### **Land-mobile radio**

Traditional mobile radio communications used by trucking firms, police and rescue services, etc., in which each system has its own radio base station.

#### **Megabits/s (Mbp/s)**

A measurement of the transmission capacity of, for example, a transmission line. A capacity of two Mbp/s is adequate to transmit more than 30 calls simultaneously.

#### **Microwave technology**

The technology of generating, processing and transmitting signals by means of radio waves in the frequency range of 1,000 to 25,000 MHz. The technology is applied in radio and telecommunications via radio links and satellite systems.

#### **Mobile data**

Use of radio technology to communicate data between, for example, a company's data base and mobile terminals.

#### **Mobitex**

A system for mobile data communications developed by Ericsson for a broad range of applications. Mobitex uses a technology that facilitates transmission of large amounts of data in a short time and with high reliability. Public networks for Mobitex are being built up in many parts of the world.

#### **Multimedia**

Transmission of information involving use of several different media. A multimedia encyclopedia, for example, can contain, text, images, video and sound. The information is transferred via data media or lines with high capacity. A computer is required to access the information.

#### **PCN**

Personal Communications Network. This is a service provided in the public telecommunications network for lightweight and inexpensive cordless telephones, so-called personal telephones.

#### **PCS**

Personal Communications System. An American system comparable to the European PCN. (See above.) During the spring of 1994 the American licensing authorities will auction off licenses for local and regional PCS networks throughout the United States.

#### **PDC**

Pacific Digital Cellular is the Japanese standard for digital mobile telephony. As yet, the standard is used solely in Japan, but may be spread to other countries.

#### **Semiconductor technology**

The technology used in constructing electronic microcircuits on silicon chips. Semiconductor technology makes it possible to build in millions of transistors for computer memories on a chip the size of a thumbnail.

#### **SDH**

Synchronous Digital Hierarchy. A European standard for digital signal transmission in telecommunications networks. It was developed to meet demands for higher transmission speeds.

#### **TMOS**

Telecommunications Management and Operating Support. TMOS comprises a family of products for computerized operation and supervision of public telecommunications networks.

#### **UPT**

Universal Personal Telecommunications. A conceptual future standard for personal telephony in which the subscriber has only one telephone number. It would be possible to use this number regardless of the type of access to the network being used by the subscriber, for example, cordless, via mobile telephony or a wired network.

The Annual General Meeting will be held at the Victoriahallen, Stockholmsmässan, Stockholm, at 5 p.m. Tuesday, May 10, 1994.

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 29, 1994.

Shareholders, whose shares are registered in the name of an agent, must temporarily be entered in the share register not later than April 29, 1994, in order to participate in the Meeting.

In addition to the above-mentioned requirements, shareholders shall give notice of attendance to:

Telefonaktiebolaget LM Ericsson,  
Corporate Legal Affairs,  
S-126 25 Stockholm, Sweden, tel nos:  
+46 8 719 3444 or +46 8 719 4498 between 10  
a.m. and 4 p.m. daily, not later than May 5,  
1994 at 4 p.m.

**Proxy**

In order to attend and to vote as proxy on behalf of a shareholder at the Meeting, a power of attorney must be presented.

**Dividend**

The Board of Directors has proposed May 16, 1994 as the record date for payment of dividends. Provided this proposal is approved, the dividend is expected to be paid by Värdepapperscentralen VPC AB on May 24, 1994.

**Change of addresses**

Shareholders who have changed their names or mailing addresses should as soon as possible notify Värdepapperscentralen VPC AB, S-171 18 Solna, Sweden.

**Financial Information from Ericsson**

Interim report January–March	May 10, 1994
Interim report January–June	August 18, 1994
Interim report January–September	November 17, 1994
Preliminary results 1994	February 9, 1995
Results 1994	March 9, 1995
Annual report 1994	mid April, 1995

Financial reports are available from:  
Telefonaktiebolaget LM Ericsson,  
S-126 25 Stockholm, Sweden  
Tel: +46 8 719 0000

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