

**Annual Report 1994**



## Contents

<b>Ericsson in Brief</b>	<b>2</b>
<b>Chief Executive Officer's Comments</b>	<b>4</b>
<b>Group Review</b>	<b>6</b>
<b>New roles for Ericsson</b>	<b>12</b>
<b>Board of Directors' Report</b>	<b>18</b>
<b>Consolidated Income Statement</b>	<b>21</b>
<b>Consolidated Balance Sheet</b>	<b>22</b>
<b>Consolidated Statement of Cash Flows</b>	<b>24</b>
<b>Parent Company Income Statement</b>	<b>25</b>
<b>Parent Company Balance Sheet</b>	<b>26</b>
<b>Parent Company Statement of Cash Flows</b>	<b>28</b>
<b>Notes to the Financial Statements</b>	<b>29</b>
<b>Audit Report</b>	<b>42</b>
<b>Ten-year Summary</b>	<b>43</b>
<b>Radio Communications</b>	<b>46</b>
<b>Public Telecommunications</b>	<b>48</b>
<b>Business Networks</b>	<b>50</b>
<b>Components</b>	<b>52</b>
<b>Microwave Systems</b>	<b>54</b>
<b>Ericsson Share Data</b>	<b>56</b>
<b>Board of Directors, Corporate Management, Auditors</b>	<b>58</b>
<b>Ericsson Worldwide</b>	<b>60</b>
<b>Glossary, Trademarks</b>	<b>64</b>
<b>Annual General Meeting</b>	<b>65</b>
<b>Financial Information</b>	<b>65</b>

Ericsson is an international leader in telecommunications. It is recognized for its advanced systems and products for wired and mobile telecommunications 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 75,000 employees and is active in more than 100 countries.

The share capital of the Parent Company at December 31, 1994 was SEK 2,172,291,180, represented by 217,229,118 shares, each with a par value of SEK 10. Shareholders outside Sweden own approximately 47 percent of the shares. Foreign ownership of shares increased significantly during the year.

Expenditures for research and development (R&D) in 1994 amounted to SEK 13,407 million, equal to 16 percent of net sales. Total technical expenses in 1994, including costs for adapting products to local markets, amounted to SEK 16,412 million, equal to 20 percent of net sales.

Ericsson's production resources are distributed globally among some 40 units, most of them in Sweden and other European countries. Ericsson's product portfolio covers all types of telecommunications equipment, including:

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

*ETNA* – Transport networks.

*TMOS* – Operating support system for telecommunications networks.

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

*Mobile telephones.*

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

*Consono* – Digital systems for business communication, cordless and wire-line networks.

*Eripax* – Data network products.

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

*Mini-Link* – Microwave links.

During 1994, 10.7 million local AXE lines and 2.8 million transit lines were installed. This represented an increase compared with the preceding year. The AXE system is now in 111 countries, with 81.4 million having been installed and an additional 12.5 million lines on order.

Ericsson's mobile telephone systems serve 22 million subscribers in 74 countries. Ericsson, with more than 40 percent of the analog systems and even more of digital systems, continues to be the world leader in this field. Ericsson's mobile telephones also have a strong position in the market.

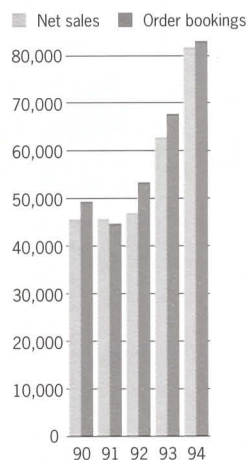
Installations of the MD110 business communications system, which is part of the Consono product family, now total 8.5 million lines. During 1994, 1.3 million lines were ordered. This means that MD110 keeps its strong position in the market.

The Consono family of business communications products also includes the Freeset cordless telephone system. During the year, this system began being sold on a commercially large scale. A total of 3,500 Freeset systems were sold in 27 countries. This means that the Freeset system has a market share of 50 percent of the available market.

<i>Highlights</i>	<b>1994</b> SEK m.	1993 SEK m.	Percent change
Net sales	<b>82,554</b>	62,954	31
Order bookings	<b>84,140</b>	67,693	24
Order backlog at year-end	<b>45,671</b>	45,296	1
Income before taxes	<b>5,610</b>	3,108	81
Adjusted net income per share after current and deferred taxes and after full conversion, SEK	<b>17.89</b>	12.80	40
Dividend per share, SEK	<b>5.50*</b>	4.50	22

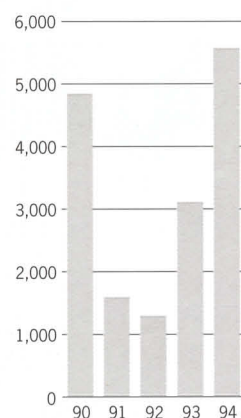
\* For 1994, proposed by the Board of Directors

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



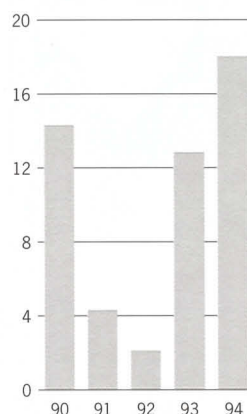
Net sales increased by 31 percent during the year and order bookings by 24 percent.

### Income before taxes, SEK m.



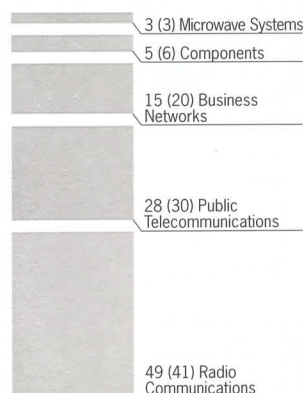
Income improved to SEK 5,610 m. in 1994, an increase of 81 percent compared with 1993.

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



Income per share rose during the year to SEK 17.89, an increase of 40 percent compared with the preceding year.

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

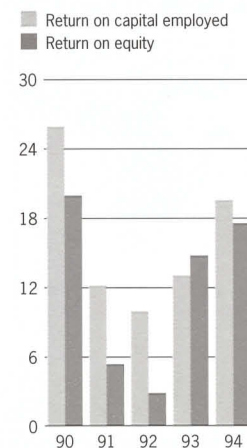


### Geographic distribution of sales, %



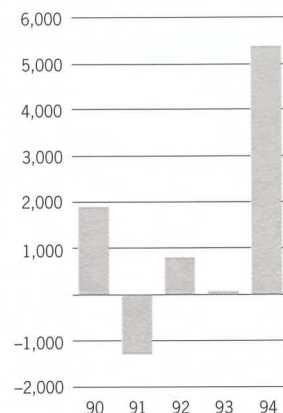
\* of which Sweden 10 (10)

### Return on equity and capital employed, %



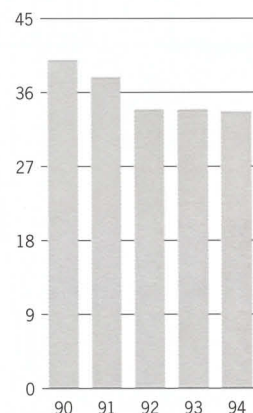
The return on shareholders' equity increased to 17.7 percent in 1994 and the return on capital employed to 18.2 percent.

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



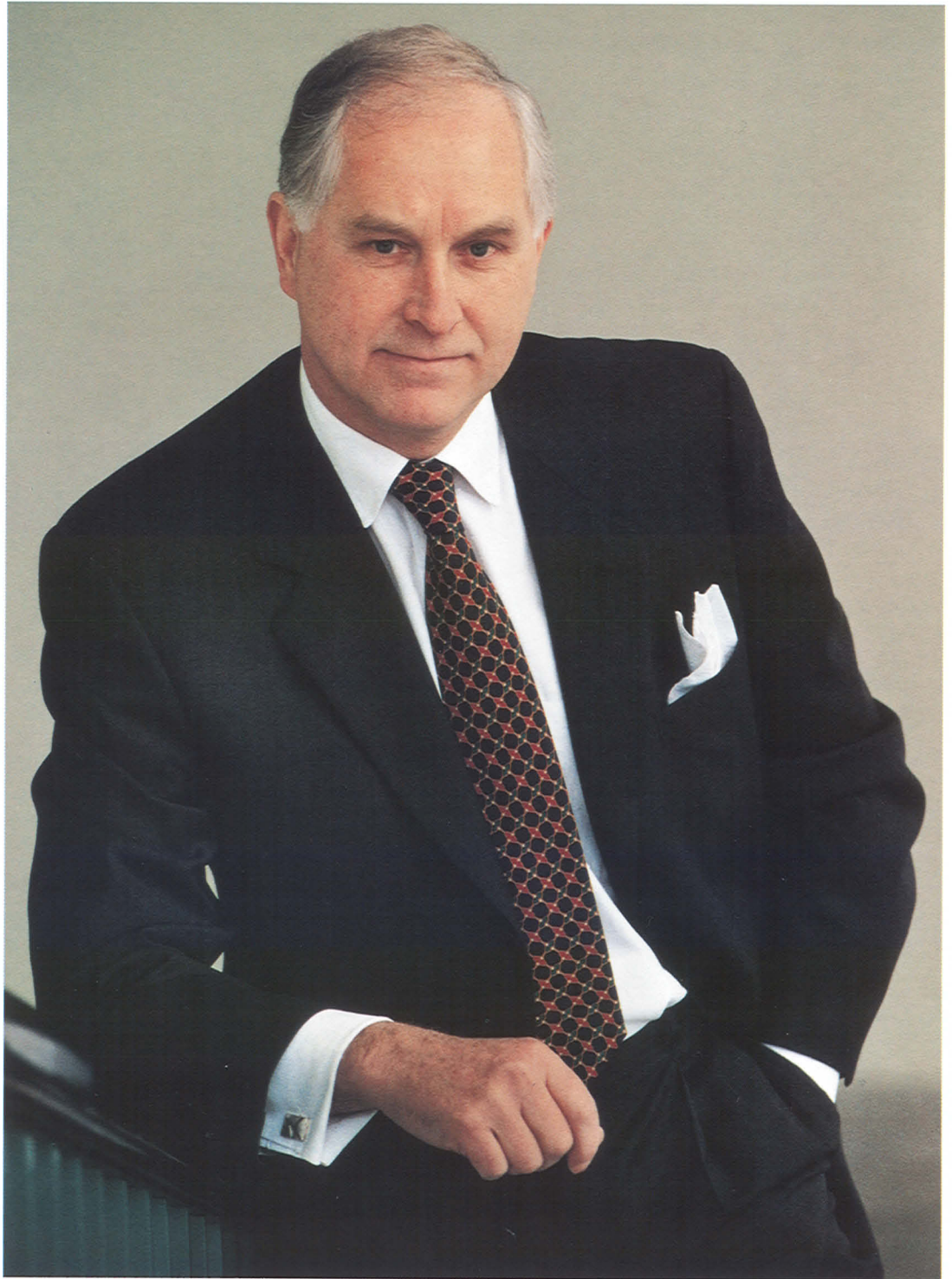
Cash flow during the year was positive SEK 5,340 m. (See note to the financial statements. Accounting principles).

### Equity ratio, %



Ericsson equity ratio was 34.4 (34.5) percent.

Note: ( ) Indicates last year.



With an increase in order bookings for the thirteenth consecutive quarter, a rise in net sales of 30 percent and a profit increase of more than 80 percent, 1994 was truly a successful business year for Ericsson. It is stimulating to be able to report that our strong technical and market investments have now also provided a return in the short term. Without these investments, Ericsson

would be a significantly less successful company today. More than 60 percent of net sales are attributable to products which did not exist on the market three years ago.

As a result of the investments in technical development, we are maintaining as well as strengthening our position as a world leader in mobile telephone systems. Our systems are now

installed in 74 countries and are being used by more than 20 million subscribers. During the year, we continued to deliver analog mobile telephone systems, in increasing volumes, worldwide. Deliveries of GSM and D-AMPS digital systems also increased strongly. We were also successful in the delivery of our first digital mobile telephone system based on the Japanese standard to Tokyo, Osaka and Nagoya. In total, this means that we hold slightly more than 40 percent of the world market. Ericsson's market share for digitals systems is even higher.

Our share of the market for mobile telephones also rose sharply, following a nearly two-fold rise in net sales. Ericsson now supplies advanced telephones for both analog and digital systems. We also deliver dual-mode telephones in the U.S. which can be used in analog and digital systems.

For our total mobile telephone operations, 1994 was a record year. Sales rose 73 percent, and the profit increase was very strong. Despite the addition of an increasing number of competitors in this market, we continue to increase our market shares.

During 1994 we also experienced a major breakthrough for our advanced cordless system for business communications with the lightweight Freeset pocket telephone. More than 3,500 systems were sold in Europe, which means that we are clearly the market leader in this area as well.

In public telecommunications, we continued our major investments in the areas of transport networks (SDH), access networks, ATM broadband, as well as operating and support systems. We strengthened our technology and market positions in the access network area through establishing with Raychem Corporation the jointly owned company Ericsson Raynet in the U.S.

Development of the base system, which comprises the larger and more complex ATM switches, is carried out by Ellemtel, the company owned jointly by Ericsson and Telia. Perhaps it should be noted that Telia's financial contribution during 1994 to Ellemtel is approximately one percent of Ericsson's total technical development.

We also posted a record year for the AXE system with 13.5 million lines delivered. I am particularly proud to report that AXE is the world's best selling telecom system. AXE is now in 111 coun-

tries, with 94 million lines installed or on order.

Business for transport and access network products is increasing, as well as for operating and support systems. We have also supplied and received customer approval for a number of test systems featuring the new ATM technology for public network applications from telecom operators in Italy, Germany, France and Sweden.

We are continuing to strengthen our market positions through cooperation with other companies. Accordingly, in addition to the aforementioned Ericsson Raynet, we have purchased the remaining shares outstanding in the German company Ericsson Fuba Telecom GmbH. We have also established joint ventures for digital GSM mobile telephone systems in China, with the China National Posts and Telecommunications Industry Corporation. Consequently, Ericsson has six joint-venture companies in China.

During 1994 we also scored a true breakthrough in our quality efforts. Ericsson S.A. in Spain received one of the three European Quality Prizes awarded and LM Ericsson A/S, Ericsson Telecommunicatie B.V. and LM Ericsson Data AB received the national Quality Award in Denmark, the Netherlands and Sweden, respectively. It is very satisfying and encouraging to have received these awards, because quality is prerequisite to be able to maintain our customers trust.

I am aware that our competitors are also continually improving their operations. At the same time, I know that within Ericsson we will continue with even more perseverance to sharply improve the price/performance of our products, and that we will continue to focus on further improving our customer relations.

Based on our recognized high quality, our continuing investments in technical development and markets, as well as the favorable order bookings during 1994, it is my opinion that our operations and profit level will continue to develop favorably during 1995.



LARS RAMQVIST



**Freeset is the world's leading system for cordless business communications built to the European DECT standard. Oudenrijn Hospital in Utrecht, the Netherlands, is just one of the public institutions that has solved its communications problems with Ericsson's help.**

There was a striking upturn in investments in telecommunications in 1994. The driving force was the continuing very strong growth in mobile telephony, and the market for wired telecommunications networks also recovered following the relatively low rate of activity in recent years.

The most important factor, apart from the generally improved economic conditions in most of Ericsson's key markets, was the activity in the wake of widespread deregulation measures or in anticipation of such measures. New operators who have entered the telecommunications market are now consolidating their positions, while many large traditional operators are accelerating their investments in order to create the strongest possible positions when their markets are deregulated within a few years.

Ericsson's Radio Communications Business Area continued its sharp expansion during 1994 and is now the Company's largest unit in terms of sales. The growth was greatest in mobile telephony, where sales increased a full 73 percent. Ericsson's mobile telephone systems are now in service in 74 countries.

The AXE exchange system, now the world's leading telecommunications system measured in volume of sales, also continued to be successful during the year. A record number of AXE lines were installed.

#### ***Important business developments during 1994 Europe***

In October, RAM *Belgium* also selected the Mobitex system for the mobile data network that RAM Mobile Data is building in the country. RAM had earlier chosen Mobitex for networks in the United States, Great Britain and the Netherlands. In August, Belgacom placed an order for an ERMES personal paging system.

Early in the year Tele *Danmark* chose Ericsson to supply the nationwide personal paging network based on the ERMES standard that is to be installed in Denmark.

In July, Ericsson's licensee in *Greece*, Intracom, received a contract valued at SEK 680 million over a two-year period from OTE, the Greek telecom operator.

In April, PTT *Netherlands* showed its continuing confidence in Ericsson as a system supplier. The Company will deliver AXE equipment amounting to SEK 800 million over the next few years.

Moscow Cellular Communication (MCC) in *Russia* placed an order with Ericsson covering expansion of MCC's NMT450i system with new software, new base stations and new exchange equipment.

In May, Vimpel Communications (Vimpel-Com) in Moscow ordered an AMPS network for mobile telephony.

In January, an oil and gas combine in the Siberian city of Nizhnevartovsk awarded a contract, valued at SEK 160 million, for a private telecommunications network.

In November, Telefónica in *Spain* signed a framework agreement with Ericsson covering deliveries of AXE during the next few years. The contract is worth more than SEK 4 billion.

In May, Cellnet in *Great Britain*, a company owned by British Telecom (BT), ordered GSM equipment costing SEK 110 million.

During the year, Mercury One-2-One, which operates Great Britain's first personal communications network, ordered additional equipment valued at SEK 1.6 billion from Ericsson.

In December, Vodafone placed a contract calling for the delivery of GSM equipment and trunk switches. The equipment will enable Vodafone to increase the capacity of its British network to 700,000 subscribers.

In December, BT purchased one of its largest international AXE exchanges to date from Ericsson.

The British Broadcasting Corporation (BBC) ordered MD110 equipment to expand its corporate communications network by 3,000 lines. This contract marked the high point of very successful sales efforts in March, when 23,000 lines of MD110 equipment were sold in Great Britain.

Eurobell, a new telecom network operator in Great Britain, awarded a contract for AXE, MD110 and other equipment to be used in a new network serving 240,000 subscribers in southern Devon.

In October, Telstra (UK) Ltd., a subsidiary of Telecom Australia, signed contracts for telecom network equipment for its breakin into the British market.

Telia Mobitel in *Sweden* ordered equipment with which to build an intelligent network for mobile telephony. The order comprises three AXE exchanges.

During the year the Swedish Defense Materiel Administration placed an order for land-based equipment for the Swedish Air Force's new TARAS radio communications system.

In March, Telia signed a contract for the largest private data communications network to date in Sweden. The order, placed on behalf of AB Trav och Galopp (ATG), is worth SEK 300 million.

In September, Gesellschaft für Datenfunk mbH (GfD) in *Germany*, selected Ericsson to

supply the mobile data network for which the consortium had received an operator's license earlier in the year. With this contract, Mobitex captured another important market in Europe.

Contracts were signed during the year with a number of the new operators of local telephone companies in *Hungary*. In February, a contract valued at SEK 300 million was also received from HTC, the Government telecommunications operator in Hungary. The contract was the largest to date for Ericsson in Hungary.

In March, Matav, another Hungarian operator, ordered a RAS1000 system at a cost of SEK 110 million. The system will be used to connect subscribers in the Budapest area to the wired telecommunications network by means of radio technology.

#### *North America*

MFS Communications Company Inc. and





Ericsson in the *United States* signed a global purchasing agreement. Under terms of the agreement, MFS will buy AXE equipment and services costing more than SEK 2.2 billion from Ericsson during the next four to five years. MFS is planning to expand its network to cover 75 cities in many parts of the world.

In March, in the Dallas-Fort Worth area, Ericsson implemented the world's largest single system replacement for Microtel, a subsidiary of McCaw Cellular/LIN Broadcasting.

### *Latin America*

A contract valued at SEK 275 million for AXE equipment was signed with Telecom *Argentina* in March.

In *Brazil*, in March, Companhia Paulista de Força e Luz (CPFL) placed a SEK 235 million order for an EDACS system.

The *Colombian* long-distance operator, Empresa Nacional de Telecomunicaciones (TELECOM) ordered AXE equipment for trunk exchange applications and intelligent networks. The contract was worth SEK 144 million during 1994.

Teléfonos del Noroeste (Telnor) in *Mexico* awarded Ericsson a contract, in the amount of SEK 135 million, to supply and install AXE and SDH equipment.

In *Peru*, Ericsson received an order worth SEK 350 million from Telefónica Peru to deliver AXE equipment.

### *Asia*

In *Bahrain* in March, Bahrain Telecommunications Company (Batelco) ordered a nationwide GSM network that will have a capacity for 15,000 subscribers.

Digitel, in the *Philippines*, in December awarded a contract for a complete telecommunications network for the island of Luzon. The contract is valued at SEK 790 million.

SmarTone Mobile Communication Ltd., the operator in *Hong Kong*, ordered GSM equipment valued at SEK 140 million to expand its network.

In March the Department of Telecommunications in *India* awarded Ericsson a contract covering 100,000 lines of AXE.

Bharti Cellular Ltd. became the first company in India to sign a contract for a mobile telephone network. The network, of the GSM type, is to be supplied by Ericsson and will initially have a capacity of 25,000 subscribers in the state of Delhi.

In Japan, Digital Tu-Ka Kyushu became the

fourth operator in that country to order a digital mobile telephone system from Ericsson. The contract, signed in September, is worth SEK 630 million.

During the autumn Kansai Digital Phone, in Osaka, awarded a contract valued at SEK 500 million to expand the company's mobile network. The flow of subscribers to mobile telephone systems delivered by Ericsson has been very high since the systems were placed in service early in 1994.

In *China*, 1994 was a year of continuing favorable growth for Ericsson. Three large framework agreements were signed with telecom operators in the provinces of Guandong, Sichuan and Liaoning. The agreements cover deliveries totaling SEK 6 billion.

In the beginning of the year Guandong Mobile Communications Corporation (GMCC) awarded Ericsson a contract for continuing expansion of the company's mobile telephone network based on the TACS standard. In May, the same operator also ordered a GSM system from Ericsson and in December it signed a contract to expand this network to be able to serve 100,000 subscribers. GMCC will also operate a personal paging system covering four regions in southern China. This system, which is being delivered by Ericsson, will have a capacity for 730,000 subscribers and is worth SEK 175 million.

In May, Ericsson also received a SEK 200 million contract to expand an ETACS network in Shanghai and a contract, valued at SEK 240 million, to enlarge the TACS network in the province of Hebei.

An order for a digital/analog AMPS system to be installed in the Nanjing region of China was received in June.

In *Laos*, Lao Shinawatra Telecom Co. Ltd. signed a contract in May covering delivery of a GSM network.

In *Lebanon*, in September, F.T.M.L., a mobile telephone operator and the Lebanese Ministry of Telecommunications jointly placed an order for a nationwide GSM network with an initial capacity for 30,000 subscribers.

Earlier in the year the Ministry awarded Ericsson a contract worth SEK 1.2 billion for a major network construction project.

In *Malaysia*, Cellular Communications Network Sdn Bhd (CELCOM) placed an order worth SEK 600 million for radio base stations and AXE exchanges.

In April a framework agreement covering the



**Ericsson in the US has developed a new generation of portable terminals for private mobile radio (EDACS) for rescue services, police and other private networks.**

---

supply of transport network products was signed with Telekom Malaysia. The agreement, which extends for three years, is worth between SEK 300 million and SEK 400 million. In August the same operator placed an order for an RAS1000 system at a cost of SEK 620 million.

Syarikat Telefon Wireless Sdn Bhd (STW) awarded a contract in September covering the supply and installation of a wire-line cellular network based on AMPS/D-AMPS standards. The network will be used to connect subscribers throughout Malaysia to the wired telecommunications network by means of radio technology. In all, Ericsson's deliveries are expected to amount to SEK 3.2 billion.

In *Taiwan*, the National Police Administration (NPA) placed an order in June for an EDACS land mobile radio system costing SEK 840 million. The contract is believed to be the largest in the world up to now for a system of this type.

In *Thailand*, Advanced Info Services Ltd. (AIS) designated Ericsson's Thai company as the principal supplier of GSM equipment. In August this customer also signed a contract, valued at SEK 175 million, covering expansion of its NMT 900 network

In *Singapore*, ST Mobile Data placed an order in June for a Mobitex network that will cover the entire country. This order represented a breakthrough for Mobitex in Asia.

At the end of the year *Sri Lanka Telecom* ordered a turnkey telecommunications network costing SEK 650 million. The contract was the largest to date for a telecommunications project in Sri Lanka.

During the year a number of orders were received from *Vietnam Posts and Telecommunications*, which is now using AXE equipment at all levels of Vietnam's telecommunications: for international, trunk and local traffic.

### *Australia*

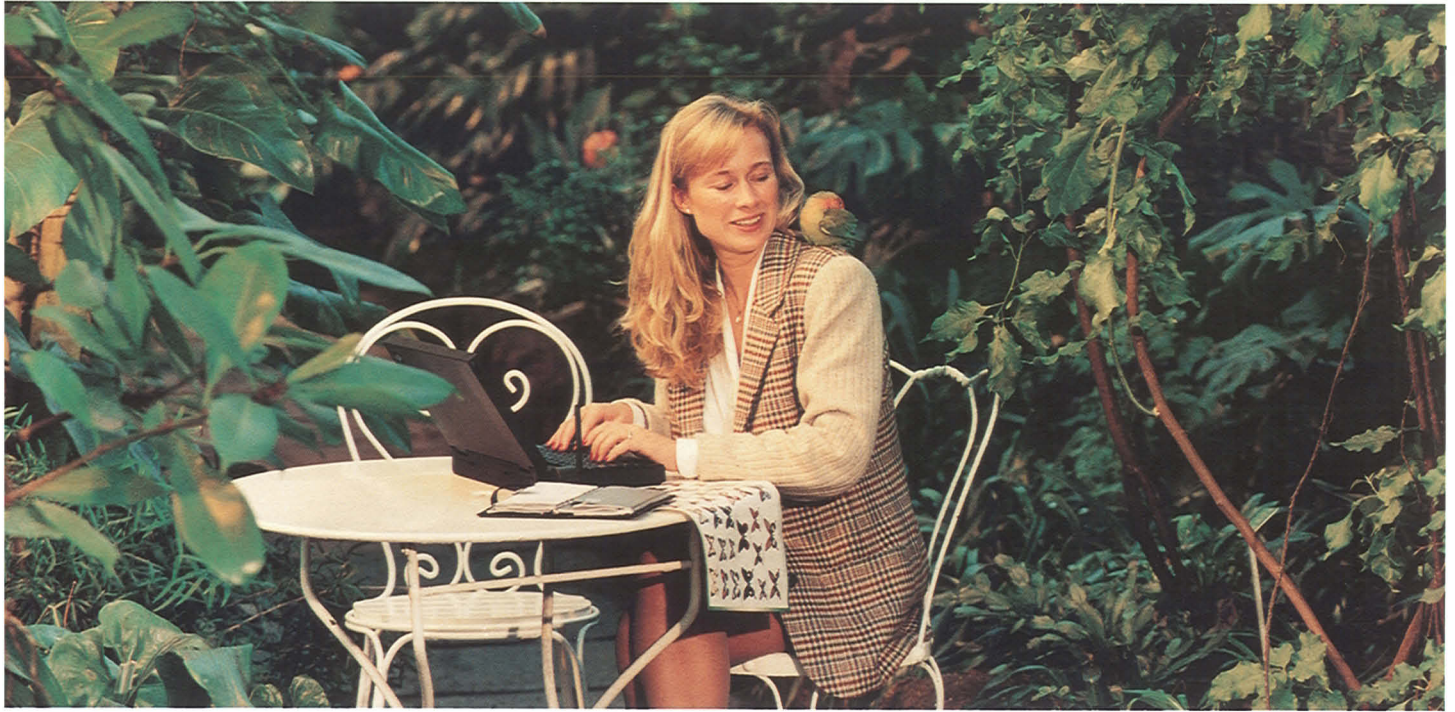
In April, *Telecom Australia* announced that the next generation of its network operating and monitoring systems will be based on Ericsson's TMOS technology. The order placed at that time was worth SEK 290 million.

Telecom Australia continued to expand its analog and digital networks during the year. Contracts signed with Ericsson covered deliveries totaling SEK 612 million. Ericsson, which is the sole supplier of AMPS equipment, accounted for 90 percent of deliveries to Telecom Australia's GSM network in 1994.



### *Africa*

Mobile Telephone Networks (MTN) in *South Africa* signed a contract for GSM equipment in January. The contract covered delivery and installation of GSM equipment for MTN's entire national mobile network that was started up during the year. With the contract, South Africa was added to the long list of markets for Ericsson's AXE exchanges.



**Mobitex, Ericsson's system for mobile data communication, is in operation in public networks in 14 countries. The Mobidem is available as a slide-in modem for portable PC's. It offers secure and rapid data transfer between the mobile user and a computer centre.**

In *Zimbabwe*, the Post and Telecommunication Corporation awarded Ericsson a contract, worth SEK 240 million, to supply and install an AXE system.

#### *Financial management*

A medium-term loan amounting to USD 103 million was raised from the Export and Import Bank of Japan related to the financing of the development of the mobile telephone system for the Japanese market. As a result of Ericsson's positive cash flow during the year, no additional short- or medium-term borrowing was effected. Instead a loan amounting to USD 60 million was redeemed.

Ericsson has several units within its financial management organization. These provide support to the operating companies in the financial area. Export and Project Financing is the most expansive of these units. This is due to the sharp increase in demand for financing, particularly by new operators. The demand to participate in financing is being made increasingly by customers.

During 1994, medium- or long-term financing was arranged for 46 different projects. Traditionally, financing has been necessary in developing countries, but in recent years this has also become an important element in sales to OECD countries. Markets with large financing requirements during 1994 were China, Brazil, Colombia, Pakistan and Venezuela.

Turbulence continued to prevail in finance markets during 1994. The U.S. dollar weakened against most currencies, including the Swedish krona. The krona depreciated even more against a number of other major currencies for Ericsson, for example, the German mark, Japanese yen and the Dutch guilder.

The interest for Swedish five-year treasury bonds rose during 1994 from 6.25 to 10.5 percent and the short-term interest rate rose by 2 percent units. However, the turbulence in currencies and interest rates had no significant impact on Ericsson's earnings. Ericsson Treasury Services AB, which offers in-house banking service to the operating companies, etc., reported favorable earnings for the year.



1994 was the 118th year of Ericsson's history. For more than a century the Company has been one of the leading suppliers in a market that has always experienced very dynamic growth.

Today we speak of the "information society," by which we mean that information technology will characterize both social life and private patterns of living in this new era in human history. Telecommunications and computer technologies are the most important individual technologies and they are now becoming increasingly difficult to distinguish from each other.

It is only since our computers have begun to be used as parts of unified systems that they have been able to fulfill the expectations of increases in productivity that have characterized our view of computer technology since its infancy. And being part of a system requires communication – locally and in a wider perspective. This is where telecommunications enter into the picture as the key technology that paved the way for the true breakthrough of computers.

#### *Key technology*

Telecommunications will be the key technology of the next decade. The interest shown in telecommunications companies in the world's stock markets supports this conclusion. Ericsson is an international supplier in this industry of the future.

Ericsson will be one of the handful of suppliers who will dominate the market in coming decades. The critical factor will be not only the Company's ability to meet the technical challenges that the future offers but, to an equally high degree, how successful Ericsson is in its relations with customers.

#### *New supplier role*

The telecom operators of the future will be entirely different from the customers with whom Ericsson has dealt for more than a century since it was founded. At the same time, the supplier role is being recast. It will be much more multifaceted and complex than it has been. Tomorrow's customer will not be satisfied to merely purchase equipment and services from its supplier, but will demand much closer cooperation.

Throughout the world today the companies

that want to participate in the most lucrative portion of the telecommunications market – the sale of services to corporate and private customers – are mobilizing. These companies are now jostling for the best possible positions in a market that, instead of being a monopoly, is characterized by open and free competition. There are many different types of operators, with different concepts of how they will be able to establish strong positions in different markets.

#### *Many different types of operators*

The type of operator who still dominates the market in most countries is the "traditional" telecom operator. Many of them are formerly monopoly administrations or companies. British Telecom (BT) and AT&T are examples of this privileged category.

Many of the traditional operators are now learning what it is like to be threatened by newcomers in their domestic markets. These newcomers are operators who joined the international competition when the market for telecommunications was opened up in various countries. Unisource – the joint venture of Telia, PTT Netherlands, the Swiss PTT and Telefónica in the market for international telecommunications traffic – is such an operator. Airtouch, the American mobile telephone operator, is another. But – and this is interesting – operators like BT and France Telecom can also perform as newcomers outside their home markets, and are doing so in Sweden, among other countries, where both have established themselves as competitors to Telia.

Another, completely new type of operator, is the company that has developed new ways to tackle the market. MFS Communications in the United States is a good example. The company has built up its own optical fiber networks in about 75 large cities in the U.S. and other countries and is using them to offer customers a new way to access telecommunications networks. British companies in this category include Energinet, a power company, and British Rail.

Companies that are already operating specialized telecommunications networks are now venturing outside their industries. SWIFT is a British company that has built up a network for services used by banks. Another is SITA, which specializ-



**HLM101 is a personal information system developed by Ericsson in the Netherlands. The system can handle data from private PBX's, industrial process control systems, warehouse systems, etc.**

es in networks for aviation telephony. These two companies are examples of yet another type of telecommunications operator with specific interests and needs.

An additional category of new operators consists of companies that have strong positions in other fields and which are now getting into telecommunications. A number of them are doing so based on experience in network construction in a totally different industry. Telivo in Finland and Amsterdam Power in the Netherlands are new telecommunications operators with histories as suppliers of power.

### *Different strategies*

The experience of these different categories of

operators in telecommunications varies widely and they have, in many respects, totally different views of their role in the industry. This means that Ericsson has to develop completely different sales strategies for the various groups. And that a great deal of work is required to document and analyze the supplier resources that best meet the demands of customers in each category.

Regardless of the category of operator with which Ericsson has to deal, the Company has to determine what each one requires in order to succeed in its efforts to sell its services to end-users and present these services in a manner that inspires confidence. Ericsson, with its strong international presence in all types of markets,





has unique marketing know-how upon which to base this planning.

Once the requirements have been established, it is a matter of having the capability to develop attractive solutions that not only meet technical requirements but which are also attractive financially – both for the customer and Ericsson. The Company's heavy investment in technical development in recent years should be viewed, in part, against the background of the market's increased complexity.

Being a successful supplier of telecommunications equipment requires more than the development of systems and products that suit a single category of operator; it often requires alternative approaches that cover many of the categories.

### *Change in supplier role*

The characteristics and attitudes of customers are not the only things that will be different in the telecommunications market of the future. Ericsson will also have to adopt many different roles in its dealings with different categories of customers. When its customers' focus has shifted toward introducing and selling new services to end-users, these customers will need more support from a supplier. A clear pattern is already emerging in which telecom operators of all types want closer cooperation with suppliers. This pattern differs from the one that was foreseen when the industry began to be deregulated.

Prior to deregulation, many observers thought that the result of increased competition in the market would be that the operators – both traditional and newcomers – would buy equipment and services where they could be obtained most cheaply, and that the operators would accordingly not be especially inclined to commit themselves to overly close relationships with individual suppliers. The experience to date has been completely different.

### *Less "remote"*

In deregulated markets such as Australia and Sweden, the "distance" between operator and supplier has shrunk. The operators have faced such tough demands to make new services available in the marketplace that they have turned to their suppliers to obtain their help in various forms in developing – and in some cases even marketing – the new services.

In Australia, Telecom Australia turned to Ericsson, its principal supplier in the exchange sector, and offered a completely new type of cooperation. Ericsson is now sharing with Telecom its knowledge of how various new telecommunications services have succeeded in other markets, is modifying the services Telecom wants to promote in the Australian market, and is then helping to market the services to end-users. Other commitments assumed by Ericsson include training Telecom's sales personnel and producing handbooks.

### *Partnership*

The example of Ericsson and Telecom Australia is one of a number that illustrates how a supplier-customer relationship of many years' standing is now deepening and becoming a partnership that is strategically important for both par-

ties. There are similar examples of closer relationships in other parts of the world. BT, PTT Netherlands, Telefónica and Telia are all large customers who today prefer to speak of Ericsson as more of a partner than merely a supplier.

Among the new operators in the telecommunications arena, there is at least an equally great need to develop close cooperation with suppliers who, like Ericsson, can offer total solutions for network construction and assist in providing advanced services for networks.

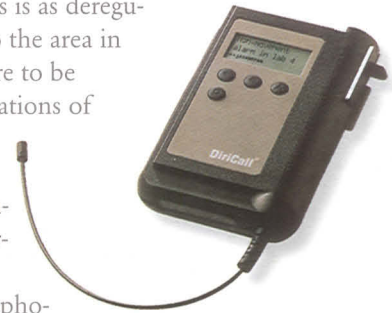
MFS Communications Inc. has been one of the most successful companies in the American market in recent years. The company is now expanding its operations to comprise 75 large cities in the United States, Western Europe and the Far East. Ericsson, which has been deeply involved in the planning of MFS' expansion from the start, is now providing substantial operating support in various ways in areas of the world where networks have been established. During 1994, as a result of this close relationship, MFS signed a global purchasing agreement with Ericsson.

### *Open market for mobile telephony*

No segment of telecommunications is as deregulated as mobile telephony. It is also the area in which most of the new operators are to be found. The latter are often constellations of companies – not infrequently banks without previous experience in the industry and telecommunications operators who are active internationally.

Ericsson's success in mobile telephony is due in large part to the fact that it has succeeded in developing partnerships with such international operators. The cooperation with McCaw/LIN, Cable & Wireless and Vodafone illustrates how a partnership is initially established in one market, becomes closer there, and is then extended to embrace the operator's activity in new markets.

Ericsson can offer these operators its knowledge of the market or markets in which they are interested. There are a number of companies that can build mobile telephone networks but



**Diricall is a cordless system for personal security.**

**It locates, alerts and transfers information about persons who e.g. work alone at night.**







**Ericsson's new generation of mobile telephones can be adapted to the special requirements of operators, and sold under their own name. The phone at the top is for Mannesmann Mobilfunk, and the lower phone is for British Vodafone.**

none has the breadth of international experience Ericsson commands.

#### ***Important limits***

The ability to offer customers financial solutions has become increasingly important in recent years. Like its competitors, Ericsson is also actively engaged in developing this aspect of its marketing. But it differs from most of its competitors in one important respect. Ericsson does not offer to acquire a stake in a network as part of its marketing strategy. There are customers that assign responsibility for network operations to Ericsson – but that is where Ericsson draws the line. Its strategy is clear: Ericsson must not become a competitor to telecom operators.

#### ***International concentration***

Another example of how the role of the supplier is changing in the dynamic telecommunications industry is the partly new pattern that is beginning to emerge in the market for international traffic. Here, there is a sharp decrease in the number of players in the market. This is occurring because the major players are forming a handful of powerful alliances.

It began with Unisource, an operator who offers companies with international activities an opportunity to purchase the solution to their telecommunications needs in many countries from a single location. The concept has proved to be successful. During the year Unisource also formed a new company, Uniworld, in association with AT&T.

A year or so ago BT purchased an interest in MCI, the second-largest company offering international telecommunications traffic in the United States. Last year Deutsche Telekom, France Telecom and Sprint – the third-largest long-distance operator in the U.S. – announced their intention to jointly create yet another one of these “mega operators” for international traffic.

This trend offers attractive opportunities for Ericsson. The owners of Unisource include some of the Company's most important customers. BT is also an important partner that has built up its international network with AXE exchanges. It seems rather natural for such companies to continue their cooperation when they enter markets that are new to them, but well known to Ericsson.

#### ***A company in process of change***

Deregulation is creating opportunities for many new operators to become established. At the same time, it is highly likely that a small number of large operators will control an increasingly greater portion of the market. The big challenge for Ericsson as a supplier is to establish the best possible relationships with operators in different categories, and to maintain these relationships over the long term.

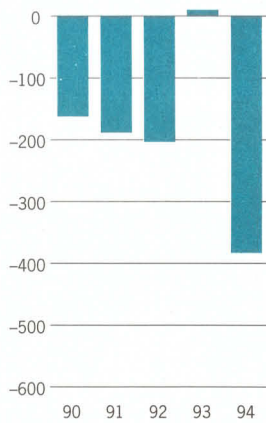
The winners in the battle for the telecommunications market will be the companies that have the best relationships with the large operators, suppliers that have demonstrated that they can provide operators with the new products and services that end-users are demanding. They will be the suppliers that have best been able to handle the new roles that the telecommunications market of the future will assign them. This is one of the reasons why Ericsson has concentrated so hard on Total Quality Management (TQM) in recent years. In TQM, “focus on the customer” is the key concept and continuous improvement is the guiding principle underlying Ericsson's performance.

Ericsson's TQM program is a worldwide project, comprising all of its major companies. The selection of Ericsson S.A. in Spain last October as one of the three winners in the competition for the 1994 European Quality Award confirmed that the organization has made good progress toward total quality. Three other Ericsson companies also received national quality awards last autumn: Ericsson Telecommunicatie in the Netherlands, LM Ericsson A/S in Denmark and Ericsson Data in Sweden.

These national and international quality awards that were won during 1994 are solid evidence that Ericsson is well equipped to handle the new roles that lie ahead. As the market changes and grows, Ericsson will change and grow with it.

<b>Board of Directors' Report</b>	<b>18</b>
<b>Consolidated Income Statement</b>	<b>21</b>
<b>Consolidated Balance Sheet</b>	<b>22</b>
<b>Consolidated State- ment of Cash Flows</b>	<b>24</b>
<b>Parent Company Income Statement</b>	<b>25</b>
<b>Parent Company Balance Sheet</b>	<b>26</b>
<b>Parent Company State- ment of Cash Flows</b>	<b>28</b>
<b>Notes to the Financial Statements</b>	<b>29</b>
<b>Audit Report</b>	<b>42</b>
<b>Ten-year Summary</b>	<b>43</b>

Financial Net, SEK m.

**Sales and order bookings**

Ericsson's net sales in 1994 amounted to SEK 82,554 million, an increase of 31 percent compared with sales of SEK 62,954 m. in the preceding year. Markets outside Sweden accounted for 90 (90) percent of sales, and 31 (36) percent were attributable to countries within the European Union (EU). The U.S. is Ericsson's largest single market. The markets in China and Japan also expanded sharply.

Total exports from Sweden, including sales to foreign subsidiaries, amounted to SEK 41,507 m. (29,263), a 42-percent increase.

Order bookings totaled SEK 84,140 m. (67,693), an increase of 24 percent. The order backlog at year-end amounted to SEK 45,671 m. (45,296).

**Income**

Ericsson's income before taxes rose 81 percent, to SEK 5,610 m. (3,108). Income included a net capital gain of SEK 155 m. after deduction for minority interests, compared with a net capital loss of SEK 36 m. in 1993. The net capital gain includes the divestment of the Mexican cable company Latincasa. All business areas reported improved earnings except Business Networks, which posted a loss. The Radio Communications Business Area reported the highest increase in profits. Ericsson's operating income amounted to SEK 6,553 m. (3,530).

The substantial technical development and investments for plants and technical equipment continued during 1994. The total expenses for technical development were somewhat reduced in relation to the sharply increased net sales. An increasing, and now dominant, portion of Ericsson's sales are attributable to products that were not on the market a few years ago. Consideration has continuously been taken in the accounts in order to meet the increasing risks resulting from these rapid changes in markets and technology.

Other operating revenues and share in earnings of associated companies rose sharply compared with the preceding year. Among Ericsson's associated companies, major improvements in earnings were reported by the companies in Brazil and France. The financial net declined, amounting to an expense of SEK 386 m. compared with income of SEK 8 m. in 1993. Higher interest rates during 1994 accounted for a significant portion of the change. At the same time as business volume rose, the turnover rate of capital employed increased from 1.7 to 2.0 times. This is the highest turnover rate ever reported by Ericsson.

As a result of the improved capital turnover rate and higher profits, Ericsson's cash flow, before financial activities rose sharply and amounted to SEK 5,340 m. compared with SEK 101 m. a year earlier.

Minority interests in income before taxes amounted to SEK 557 m. (430) and reflected mainly the income reported in Ericsson's ventures in Japan and China.

*Radio Communications* now accounts for half of consolidated net sales after a continued very sharp increase. Order bookings also rose correspondingly. In the main area of mobile telephony, net sales of systems and terminals rose 73 percent. Growth was strong in all markets. Specially the markets in the U.S., Great Britain, China, Japan and Australia contributed to the rapid development.

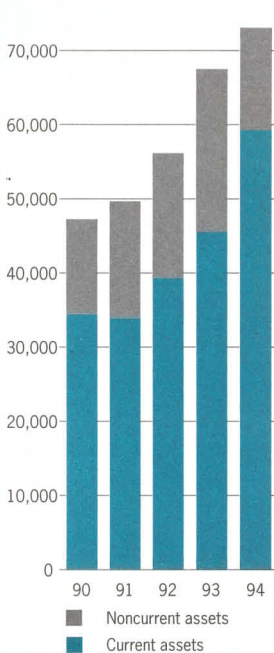
*Public Telecommunications* reports a strong increase in net sales, mainly in Sweden, China, Great Britain, the U.S., Spain and Australia. Order bookings were nearly unchanged. In terms of ordered and delivered lines, 1994 was another record year for the AXE system. At the same time, deliveries of transport network products as well as operating and support systems are also increasing. Systems for tests of the new ATM technology for public networks were delivered to Italy, Germany, Spain, France and Sweden. In February 1995, these system deliveries had been approved in Italy, Germany, France and Sweden.

*Business Networks* reports a strong increase in order bookings, while net sales were unchanged. A comprehensive action program was implemented during the first half of the year. In addition to alignment of the organization and personnel strength, the program involved development of a new, competitive product line. This includes a new series of communications solutions under the brand name Consono, which is based on a new version of the MD110 business communications system. This main product of the business area also facilitates effective mobile communications based on the European standard for cordless business communications – DECT (Digital European Cordless Telecommunications).

*Components* increased order bookings and net sales. A plant of the highest world class for production of microelectronic products was inaugurated during the year. The first chips, on which the smallest circuit components are 0.5 microns, or one half thousandth of a millimeter, have already been produced.

*Microwave Systems* is the new name of the

Assets, SEK m.



Defense Systems Business Area. The name change reflects the increasing proportion of operations in civil markets. Net sales rose sharply, while order bookings declined compared with the preceding year as a result of major orders in 1993.

### Financing

Ericsson's accounts receivable increased during the year but declined as a percentage of sales, from 29 to 25 percent. Inventories declined and amounted to 16 (22) percent of net sales. Ericsson's equity ratio was 34.4 (34.5) percent. Cash rose sharply.

Debentures equal to 66,308 shares were converted during the year. Following the end of the year debentures equal to an additional 643 shares, which carry rights to dividends in 1995, have also been converted.

SEK 2,150 m. of the convertible debenture loan amounting to SEK 2,172 m. issued to Ericsson's shareholders in the summer of 1993 remains unconverted. The debentures 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 1994, debentures corresponding to 59,220 B shares were converted. Upon full conversion of the debentures outstanding, the number of Ericsson's shares will increase by 7,166,352 B shares. 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. Most of this currency hedging is linked directly to commercial contracts. In addition, other budgeted flows are hedged, however, normally for periods of less than 12 months. Ericsson uses the derivative instruments available on the market in its currency and interest-rate risk management activities. These operations, which have become extensive due to the volume of commercial flows, are carried out within strictly stipulated risk limits and under continuous control. Turbulence in the currency market did not have any notable effect on Ericsson's earnings. A certain portion of Ericsson's translation exposure attributable to net assets in foreign currencies is hedged by raising loans and entering into forward currency contracts within parameters governed by 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. The unit reported satisfactory earnings for the year.

During the year, the Parent Company raised a medium-term loan amounting to USD 103 m. The lender is the Export and Credit Bank of Japan and the loan is related to development of mobile telephone systems in accordance with the Japanese standard.

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. Ericsson's exposure attributable to customer financing increased slightly during the year.

Operations in Ericsson's various captive insurance companies developed well, with satisfactory results. These activities comprise direct insurance and reinsurance in many areas related to Ericsson property, products and operations.

### Research and development

The substantial technical development and investments for plants and technical equipment continued during 1994. Ericsson's total costs for research and development, including development costs related to customer orders which are reported as part of the costs of sales of goods and services, amounted to SEK 13,407 m. (10,924), equal to 16 (17) percent of net sales. Total technical costs, which include costs of modifying systems and products for specific markets, amounted to SEK 16,412 m. (13,311), equal to 20 (21) percent of net sales.

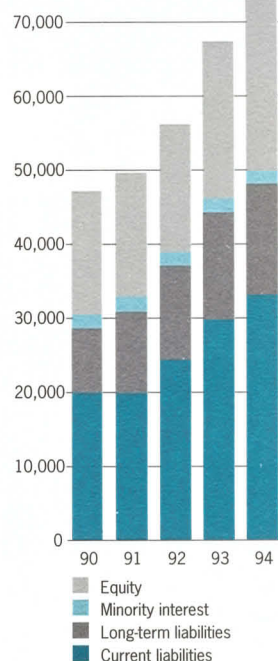
### Capital expenditures

Investments in property, plant and equipment amounted to SEK 5,137 m. (3,805). Capital expenditures in Sweden increased to SEK 3,202 m. (1,981). Of the total amount invested, SEK 713 m. (703) was attributable to projects in countries within the EU.

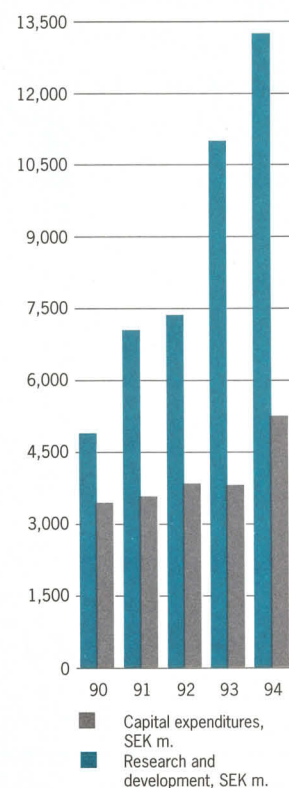
### Personnel

The number of employees rose by 6,547 during the year to 76,144. Most of the increase was in Sweden, and then primarily in the Radio Com-

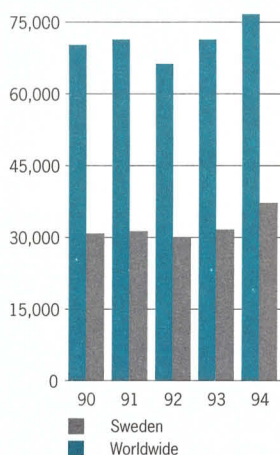
Liabilities and Equity, SEK m.



Research and Development, Capital Expenditures, SEK m.



Number of Employees



munications Business Area. The acquisition of Teli in Sweden added 1,300 persons, while the divestment of Latinca in Mexico resulted in a decline of 1,200. Of the total number of employees, 57,243 persons are in units within the EU, including the new member countries, of which Sweden accounts for 36,984 employees.

Wages, salaries and other remuneration amounted to SEK 17,881 m. (15,467). Net sales per employee amounted to SEK 1,084,000 (905,000). 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.

#### Parent Company

Parent Company net sales amounted to SEK 17,207 m. (12,609). Net income of the Parent Company, after appropriations and taxes, was SEK 1,961 m. (2,541). Earnings available for distribution at year end amounted to SEK 6,108 m. (5,124).

#### Significant changes within Ericsson

Pursuant to an agreement reached in 1993, Ericsson acquired the Teli AB company group from Telia AB.

In China, Ericsson formed two more companies with local partners, one in Beijing in which Ericsson holds a 55-percent interest and one in Guangzhou province in which Ericsson holds a 56-percent interest. In addition, Ericsson in Beijing has formed a wholly owned company assigned the task of coordinating the extensive operations in the country.

Ericsson formed a wholly owned company in Russia, Ericsson Corporatia AO.

In France, Ericsson and the French company SAT formed Eritelcom, in which Ericsson holds a 50-percent interest.

In the U.S., Ericsson acquired half of the Raynet company from Raychem. The company is reported in 1994 as an associated company.

The Mexican cable company, Conductores Latinca S.A. de C.V., owned 51-percent by Ericsson, was divested during the second half of the year.

Effective January 1, 1995, the Defense Systems Business Area changed name to Microwave Systems.

During 1994, the significant operating units in the U.S. were merged into one company, Ericsson Inc. in order to better meet the customers' changing demands in the American market.

Effective January 1, the Italian companies Ericsson Sielte S.p.A. and Ericsson Fatme S.p.A. were merged into Ericsson Telecomunicazioni S.p.A.

#### Outlook

Profits will continue to develop favorably during 1995.

#### Proposed disposition of earnings

The sum of SEK 6,108,108,386 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 5.50 per share be paid to stockholders duly registered on the record date,	SEK	1,194,763,686
<i>That</i>	the remainder be retained in the business,	SEK	4,913,344,700
		SEK	<u>6,108,108,386</u>

#### Proposed split

In addition, the Board of Directors proposes that the par value of the share, after distribution of dividends, be changed from SEK 10 to SEK 2.50 through a 4-for-1 split, whereby four new shares are received for each old share held.

Stockholm, March 1995  
Telefonaktiebolaget LM Ericsson (publ)

Björn Svedberg  
Chairman

Peter Wallenberg  
Deputy Chairman

Tom Hedelius  
Deputy Chairman

Sune Andersson

Bo Berggren

Claes Dahlbäck

Göran Engström

Jan Hedlund

Sverker Martin-Löf

Sven Olving

Clas Reuterskiöld

Sven Ågrup

Lars Ramqvist  
President

## Consolidated Income Statement

*Telefonaktiebolaget LM Ericsson and consolidated subsidiaries*

<i>Years ended December 31, SEK m.</i>	<i>1994</i>	<i>1993</i>	<i>1992</i>
<b>Operating revenues</b>			
Net sales	82,554	62,954	47,020
Other operating revenues <i>note 1</i>	879	485	480
Share in earnings of associated companies	893	79	230
	<b>84,326</b>	<b>63,518</b>	<b>47,730</b>
<b>Operating expenses</b>			
Cost of sales	46,556	34,825	24,448
Selling, research and development, general and administrative expenses	28,213	22,512	19,335
Depreciation <i>note 2</i>	3,004	2,651	2,193
	<b>77,773</b>	<b>59,988</b>	<b>45,976</b>
<b>Operating income after depreciation</b>	<b>6,553</b>	<b>3,530</b>	<b>1,754</b>
Financial income <i>note 3</i>	908	1,390	1,484
Financial expenses <i>note 3</i>	1,294	1,382	1,688
<b>Income after financial income and expenses</b>	<b>6,167</b>	<b>3,538</b>	<b>1,550</b>
Minority interest in income before taxes	-557	-430	-309
<b>Income before taxes</b>	<b>5,610</b>	<b>3,108</b>	<b>1,241</b>
<b>Taxes</b>			
Current taxes <i>note 4</i>	-2,345	-975	-796
Deferred taxes <i>note 4</i>	522	640	-172
Minority interest in taxes	162	62	205
<b>Net income</b>	<b>3,949</b>	<b>2,835</b>	<b>478</b>
Adjusted net income per share, SEK <i>note 6</i>			
– after current and deferred taxes and after full conversion	<b>17.89</b>	12.80	2.32

1992, adjusted for changes in accounting principles. See Notes to the Financial Statements.

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

<i>December 31, SEK m.</i>	<i>1994</i>	<i>1993</i>
<b>Assets</b>		
<b>Current Assets</b>		
Cash, bank deposits and short-term cash investments <i>note 7</i>	11,892	8,800
Notes and accounts receivable – trade <i>note 8</i>	20,666	18,159
Inventories (less advance and progress payments, 4,843, 1994 and 3,273, 1993)	12,805	13,830
Other current assets <i>note 9</i>	5,851	5,933
	<b>51,214</b>	<b>46,722</b>
<b>Investments and other noncurrent assets</b>		
Notes and accounts receivable – trade <i>note 8</i>	320	806
Investments in associated companies, at equity <i>note 22</i>	2,299	1,936
Other investments	720	778
Other noncurrent assets <i>note 12</i>	4,768	4,885
	<b>8,107</b>	<b>8,405</b>
<b>Property, plant and equipment <i>note 13</i></b>		
Cost	28,011	25,198
Accumulated standard depreciation	14,821	13,352
	<b>13,190</b>	<b>11,846</b>
Revaluation adjustments, net of accumulated standard depreciation	488	517
	<b>13,678</b>	<b>12,363</b>
	<b>1994</b>	<b>1993</b>
<b>Assets pledged as collateral</b>	<b>1,465</b>	1,310 <i>note 20</i>
<b>Total assets</b>	<b>72,999</b>	<b>67,490</b>

<i>December 31, SEK m.</i>	<i>1994</i>	<i>1993</i>
<b>Liabilities and stockholders' equity</b>		
<b>Current liabilities</b>		
Accounts payable – trade	7,870	6,221
Advances from customers	3,678	5,651
Accrued taxes	1,943	664
Short-term borrowings <i>note 14</i>	2,598	3,109
Current maturities of long-term debt	271	699
Other current liabilities <i>note 15</i>	16,824	13,317
	<u>33,184</u>	<u>29,661</u>
<b>Long-term liabilities</b>		
Bond loans <i>note 16</i>	2,740	2,773
Convertible debentures <i>note 16</i>	2,151	2,170
Pension liabilities <i>note 17</i>	5,516	5,282
Deferred tax liabilities	1,073	1,469
Other long-term liabilities <i>note 16</i>	3,246	2,835
	<u>14,726</u>	<u>14,529</u>
<b>Minority interest in equity of consolidated subsidiaries</b>	<b>1,787</b>	<b>1,995</b>
<b>Stockholders' equity <i>note 19</i></b>		
Capital stock	2,172	2,172
Reserves not available for distribution	13,660	12,808
	<u>15,832</u>	<u>14,980</u>
Retained earnings	3,521	3,490
Net income	3,949	2,835
	<u>23,302</u>	<u>21,305</u>
<b>Contingent liabilities</b>	<b>3,094</b>	<b>2,743</b> <i>note 21</i>
<b>Total liabilities and stockholders' equity</b>	<b>72,999</b>	<b>67,490</b>



## Consolidated Statement of Cash Flows

<i>Years ended December 31, SEK m.</i>	<i>1994</i>	<i>1993</i>	<i>1992</i>
<b>Operations</b>			
Net income	3,949	2,835	478
Minority interest in net income	395	368	104
<b>Adjustments to reconcile net income to cash</b>			
Depreciation & amortization	3,209	2,824	2,349
Capital gains (-)/losses on sale of property, plant, equipment and shares	-99	2	66
<b>Changes in:</b>			
Inventories	956	-2,909	-406
Accounts receivable & other operating assets	-1,690	-3,807	-1,624
Accounts payable & other operating liabilities	2,731	6,004	2,795
<b>Cash flow from operating activities</b>	<b>9,451</b>	<b>5,317</b>	<b>3,762</b>
<b>Investing activities</b>			
Investments in land, buildings, machinery and equipment	-4,907	-3,805	-3,847
Sales of property, plant and equipment	338	420	1,725
Acquisitions of shares and participations, net	272	-266	114
Net change in capital contributed by minority	122	-88	-347
Other	64	-1,477	-631
<b>Cash flow from investing activities</b>	<b>-4,111</b>	<b>-5,216</b>	<b>-2,986</b>
<b>Cash flow before financing activities</b>	<b>5,340</b>	<b>101</b>	<b>776</b>
<b>Financing activities</b>			
Changes in short-term loans, net	-741	-1,091	477
Proceeds from issuance of long-term debt	745	2,645	1,155
Repayments of long-term debt	-654	-1,357	-285
Dividends paid	-1,188	-940	-834
<b>Cash flow from financing activities</b>	<b>-1,838</b>	<b>-743</b>	<b>513</b>
Effect of exchange rate changes on cash	-410	215	126
<b>Net change in cash</b>	<b>3,092</b>	<b>-427</b>	<b>1,415</b>
<b>Cash, beginning of period</b>	<b>8,800</b>	<b>9,227</b>	<b>7,812</b>
<b>Cash, end of period</b>	<b>11,892</b>	<b>8,800</b>	<b>9,227</b>

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

## Parent Company Income Statement

Telefonaktiebolaget LM Ericsson

Years ended December 31, SEK m.	1994	1993	1992
<b>Operating revenues</b>			
Net sales	17,207	12,609	11,467
Other operating revenues <i>note 1</i>	1,720	1,754	1,603
	<b>18,927</b>	<b>14,363</b>	<b>13,070</b>
<b>Operating expenses</b>			
Cost of sales	11,316	8,482	5,300
Selling, research and development, general and administrative expenses	7,011	5,232	6,676
Depreciation <i>note 2</i>	490	441	422
	<b>18,817</b>	<b>14,155</b>	<b>12,398</b>
<b>Operating income after depreciation</b>	<b>110</b>	<b>208</b>	<b>672</b>
Financial income <i>note 3</i>	2,461	2,495	1,835
Financial expenses <i>note 3</i>	1,062	1,493	1,606
<b>Income after financial income and expenses</b>	<b>1,509</b>	<b>1,210</b>	<b>901</b>
Appropriations to (-)/transfers from untaxed reserves			
Changes in depreciation in excess of standard depreciation <i>note 2</i>	-74	-75	-101
Changes in other untaxed reserves <i>note 18</i>	1,186	-1,424	314
	<b>1,112</b>	<b>-1,499</b>	<b>213</b>
Contributions from/to (-) subsidiary companies	-518	2,943	653
<b>Income before taxes</b>	<b>2,103</b>	<b>2,654</b>	<b>1,767</b>
Income taxes <i>note 4</i>	-142	-113	-135
<b>Reported net income</b>	<b>1,961</b>	<b>2,541</b>	<b>1,632</b>

## Parent Company Balance Sheet

*Telefonaktiebolaget LM Ericsson*

December 31, SEK m.

1994

1993

### Assets

#### Current assets

Cash, bank deposits and short-term cash investments <i>note 7</i>	7,990	123
Notes and accounts receivable from subsidiary companies <i>note 10</i>	5,064	8,988
Notes and accounts receivable – trade <i>note 8</i>	2,673	1,923
Inventories (less advance and progress payments, 72, 1994 and 120, 1993)	2,288	2,238
Other current assets <i>note 9</i>	1,533	1,104
	<b>19,548</b>	<b>14,376</b>

#### Investments and other noncurrent assets

Notes and accounts receivable – trade <i>note 8</i>	155	213
Other accounts receivable from subsidiary companies <i>note 10</i>	2,515	1,830
Investments <i>note 11</i>		
Subsidiary companies	10,878	9,582
Associated companies	465	465
Other investments	25	22
Other noncurrent assets <i>note 12</i>	924	501
	<b>14,962</b>	<b>12,613</b>

#### Property, plant and equipment *note 13*

Cost	5,964	5,206
Accumulated standard depreciation	2,729	2,427
	<b>3,235</b>	<b>2,779</b>
Revaluation adjustments, net of accumulated standard depreciation	184	193
	<b>3,419</b>	<b>2,972</b>

	<b>1994</b>	<b>1993</b>	
<b>Assets pledged as collateral</b>	<b>745</b>	<b>532</b>	<i>note 20</i>

<b>Total assets</b>	<b>37,929</b>	<b>29,961</b>
---------------------	---------------	---------------

<i>December 31, SEK m.</i>	<i>1994</i>	<i>1993</i>
<b>Liabilities and stockholders' equity</b>		
<b>Current liabilities</b>		
Accounts payable – trade	1,418	1,105
Advances from customers	694	283
Short-term borrowings <i>note 14</i>	363	5
Current maturities of long-term debt	213	573
Accounts payable to subsidiary companies <i>note 10</i>	8,035	2,281
Other current liabilities <i>note 15</i>	2,853	1,663
	<b>13,576</b>	<b>5,910</b>
<b>Long-term liabilities</b>		
Bond loans <i>note 16</i>	2,740	2,773
Convertible debentures <i>note 16</i>	1,649	1,575
Pension liabilities <i>note 17</i>	2,330	2,155
Payables to subsidiary companies <i>note 10</i>	513	821
Other long-term liabilities <i>note 16</i>	1,815	1,307
	<b>9,047</b>	<b>8,631</b>
<b>Untaxed reserves</b>		
Accumulated depreciation in excess of standard depreciation <i>note 13</i>	1,113	1,039
Other untaxed reserves <i>note 18</i>	1,632	2,818
	<b>2,745</b>	<b>3,857</b>
<b>Stockholders' equity <i>note 19</i></b>		
Capital stock	2,172	2,172
Reserves not available for distribution	4,281	4,267
	<b>6,453</b>	<b>6,439</b>
General reserve	100	100
Retained earnings	4,047	2,483
Reported net income	1,961	2,541
	<b>12,561</b>	<b>11,563</b>
	<i>1994</i>	<i>1993</i>
<b>Contingent liabilities</b>	<b>6,243</b>	7,597 <i>note 21</i>
<b>Total liabilities and stockholders' equity</b>	<b>37,929</b>	<b>29,961</b>

## Parent Company Statement of Cash Flows

<i>Years ended December 31, SEK m.</i>	<i>1994</i>	<i>1993</i>	<i>1992</i>
<b>Operations</b>			
Reported net income	1,961	2,541	1,632
<b>Adjustments to reconcile net income to cash</b>			
Depreciation & amortization	541	454	439
Capital gains (-)/losses on sale of property, plant, equipment and shares	-21	-29	-58
Appropriations to/transfers from (-) untaxed reserves	-1,112	1,499	-213
Unsettled part of contributions from (-)/to subsidiary companies	516	-3,120	-591
<b>Changes in:</b>			
Inventories	-50	-589	316
Accounts receivable & other operating assets	-447	-1,070	-131
Accounts payable & other operating liabilities	1,652	837	1,163
<b>Cash flow from operating activities</b>	<b>3,040</b>	<b>523</b>	<b>2,557</b>
<b>Investing activities</b>			
Investments in land, buildings, machinery and equipment	-1,009	-733	-548
Sales of property, plant and equipment	35	110	112
Acquisitions of shares and participations, net	1,614	-331	-1,835
Lending, net	2,226	-590	-967
Other	-346	-	-63
<b>Cash flow from investing activities</b>	<b>2,520</b>	<b>-1,544</b>	<b>-3,301</b>
<b>Cash flow before financing activities</b>	<b>5,560</b>	<b>-1,021</b>	<b>-744</b>
<b>Financing activities</b>			
Changes in short-term loans, net	3,045	-558	1,324
Proceeds from issuance of long-term debt	1,228	2,548	745
Repayments of long-term debt	-989	-292	-598
Dividends paid	-977	-722	-721
<b>Cash flow from financing activities</b>	<b>2,307</b>	<b>976</b>	<b>750</b>
<b>Net change in cash</b>	<b>7,867</b>	<b>-45</b>	<b>6</b>
<b>Cash, beginning of period</b>	<b>123</b>	<b>168</b>	<b>162</b>
<b>Cash, end of period</b>	<b>7,990</b>	<b>123</b>	<b>168</b>

Comparative years adjusted for change in accounting principles. See 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 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 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 the Parent Company in amounts governed by a policy established by Corporate Management. Related gains and losses on foreign exchange are taken to income in the Parent Company, see Note 3. Translation exposure in integrated consolidated companies is reduced mainly through continuous monitoring with the objective of balancing an individual company's stockholders' equity and its investment in non-monetary assets.

See also Accounting Policies, item (d).

### Accounting Principles

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 Recommendations. 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 subsidiary 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 fair market 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 approxi-

mately 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. Gains and losses 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 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.

As a consequence of the high degree of integration among Ericsson's various products, Recommendation RR2 of the Swedish Financial Accounting Standards

Council regarding information about the composition of inventories is not fulfilled.

**(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 on the 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:

- Current taxes and deferred taxes as reported adjusted for minority interests.

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****SEAS 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, 1993 was credited with SEK 519 m.

**SEAS 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.

When adjusting comparable figures for prior years, shareholders' equity at January 1, 1993, was 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	1992
	Adopt. earlier	Incl. SFAS 106/109
Operating revenues	47,730	47,730
Operating expenses	45,911	45,976
Income before taxes	1,306	1,241
Taxes	-827	-763
Income before taxes	479	478
Adjusted net income per share		
- after current and deferred taxes, and after full conversion, SEK	2.32	2.32

Consolidated Balance Sheet	1992	1992
	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 is 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 affected income before taxes by SEK +189 m., of which SEK +170 m. referred to the Parent Company.

**SEAS 95 "Statement of Cash Flows"**

Effective January 1, 1994, and with adjustments of comparison years, the Group and Parent Company has in substance adopted Recommendation SFAS 95, "Statement of cash flows." Statement of cash flows shows year-end changes in cash position subdivided on the basis of cash generated by operations, investment activities and financial activities. The foreign subsidiaries' transactions are translated at the average exchange rate in effect during the period. When subsidiary companies are purchased and/or sold, the opening balance in the Consolidated Balance Sheet is adjusted to reflect only the purchase amount/selling price, net of cash acquired, as an investment activity.

**Operations on commission basis reported in Parent Company accounts**

At year-end 1993, LM Ericsson Södra Fastighetsförvaltning AB ceased to conduct operations on a commission basis for the Parent Company.

Effective January 1, 1994, Ericsson Treasury Services AB conducts its operations on a commission basis for the Parent Company which, effective the same date, took over all the company's assets and liabilities, with the exception of certain tax-related items. The incorporation of Ericsson Treasury Services' operations has mainly affected items included in net financial expenses in the Parent Company Income Statement and cash, bank deposits and short-term cash investments, as well as short-term transactions with other Ericsson companies included in the Parent Company Balance Sheet.

As previously, Ericsson Telecom AB operates on a commission basis for the Parent Company.



**Note 1 Other Operating Revenues**

<i>Consolidated</i>	1994	1993	1992
Losses on sale of property, plant and equipment	-49	-2	-66
Gains/Losses (-) on sale of investments and operations	204	-43	118
Commissions, license fees and other operating revenues	724	530	428
	879	485	480
<i>Parent Company</i>	1994	1993	1992
Gains/Losses (-) on sale of property, plant and equipment	-22	3	22
Gains on sale of investments	41	26	36
Commissions, license fees and other operating revenues	1,701	1,725	1,545
	1,720	1,754	1,603

**Note 2 Depreciation**

<i>Consolidated</i>	1994	1993	1992
<i>Standard depreciation</i>			
Land improvements	5	5	5
Buildings	159	141	100
Telephone plants	-	-	17
Machinery and equipment	2,820	2,478	2,046
Revaluation adjustments	20	27	25
Total standard depreciation	3,004	2,651	2,193
<i>Parent Company</i>	1994	1993	1992
<i>Standard depreciation</i>			
Land improvements	1	1	1
Buildings	24	23	20
Machinery and equipment	456	408	387
Revaluation adjustments	9	9	14
	490	441	422
Total depreciation	564	516	523
<i>Depreciation in excess of standard depreciation</i>			
Buildings, machinery and equipment	-43	-75	-101
Intangible assets	-31	-	-
	-74	-75	-101

**Note 3 Financial Income and Expenses**

<i>Consolidated</i>	1994	1993	1992
<i>Financial income</i>			
Interest income	882	1,379	1,474
Dividends	26	11	10
Total financial income	908	1,390	1,484
<i>Financial expenses</i>			
Interest expenses	1,459	1,417	1,645
Gains and losses on foreign exchange, net	-199	-73	33
Other financial expenses	34	38	10
Total financial expenses	1,294	1,382	1,688
Financial net	-386	8	-204

<i>Parent Company</i>	1994	1993	1992
<i>Financial income</i>			
Interest income	992	471	485
Dividends from subsidiaries	1,301	1,896	1,260
Dividends from others	168	128	90
Total financial income	2,461	2,495	1,835
<i>Financial expenses</i>			
Interest expenses	1,435	773	674
Gains and losses on foreign exchange, net*	-382	699	924
Other financial expenses	9	21	8
Total financial expenses	1,062	1,493	1,606
Financial net	1,399	1,002	229

\* Of the total amount, SEK -233 m. in 1994, SEK 689 m. in 1993 and SEK 898 m. in 1992 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 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, 1994, the Company has unutilized loss carryforwards totaling SEK 641 m. The final years in which these loss carryforwards can be utilized are shown in the table below. The Parent Company has no unutilized loss carryforwards.

Year of expiration	Amount
1995	74
1996	105
1997	58
1998	103
1999	4
2000 or later	297
	641

Changes during 1994 in Swedish tax regulations regarding tax exemption of withdrawals from tax equalization reserve has led to an increase in the deferred tax liability related to untaxed reserves with SEK 178 m. in the Company.

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

At December 31, 1994, future payment obligations for Leases were distributed as follows:

	<i>Leases</i>
1995	1,118
1996	919
1997	751
1998	660
1999	470
2000 and later	1,937
	<u>5,855</u>

Expenses for the year for leasing of assets amounted to SEK 850 m. (SEK 1,035 m. in 1993 and SEK 1,026 m. in 1992).

**Leasing income**

Certain consolidated companies lease equipment, mainly telephone exchanges, to customers. These leasing contracts vary in length from 1 to 14 years.

Net book value of assets leased to others under Operating leases, after accumulated standard depreciation, amounted to SEK 371 m. at December 31, 1994 (December 31, 1993: SEK 342 m.).

Net investment in Sales-type Leases and Financial Leases amounted to SEK 276 m. at December 31, 1994 (December 31, 1993: SEK 324 m.).

Anticipated future payments for leased equipment are distributed as follows:

	<i>Sales-type and Financial Leases</i>	<i>Operating Leases</i>
1995	111	79
1996	20	72
1997	19	69
1998	19	66
1999	19	63
2000 and later	130	118
	<u>318</u>	<u>467</u>
Less: Interest	42	-
Net investment	<u>276</u>	<u>-</u>

**Note 6 Adjusted Net Income per Share**

<i>Consolidated</i>	<i>1994</i>	<i>1993</i>	<i>1992</i>
Income before taxes	<b>5,610</b>	3,108	1,241
Current taxes	<b>-2,345</b>	-975	-796
Minority interest in current taxes	<b>+82</b>	+142	+149
Deferred taxes	<b>+522</b>	+640	-172
Minority interest in deferred taxes	<b>+80</b>	-80	+56
Interest expenses on convertible debentures net of income taxes	<b>+66</b>	+37	+46
Adjusted net income (after current and deferred taxes)			
after full conversion	<b>4,015</b>	2,872	524
Per share	<b>17.89</b>	12.80	2.32

Number of shares outstanding after full conversion:

1994 - 224,408,362

1993 - 224,408,562

1992 - 217,171,976

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

	<i>Consolidated</i>		<i>Parent Company</i>	
	<i>1994</i>	<i>1993</i>	<i>1994</i>	<i>1993</i>
Cash and bank deposits	<b>5,047</b>	5,095	<b>1,799</b>	123
Short-term cash investments	<b>6,845</b>	3,705	<b>6,191</b>	-
	<b>11,892</b>	8,800	<b>7,990</b>	123

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

	<i>Consolidated</i>		<i>Parent Company</i>	
	<i>1994</i>	<i>1993</i>	<i>1994</i>	<i>1993</i>
<i>Due within 12 months</i>				
Accounts receivable	<b>20,598</b>	17,816	<b>2,660</b>	1,884
Notes receivable	<b>68</b>	343	<b>13</b>	39
	<b>20,666</b>	18,159	<b>2,673</b>	1,923
<i>Due after 12 months</i>				
Accounts receivable	<b>297</b>	556	<b>155</b>	126
Notes receivable	<b>23</b>	250	<b>-</b>	87
	<b>320</b>	806	<b>155</b>	213

The allowance for doubtful accounts amounting to SEK 900 m (826) and SEK 359 m (323) in the Parent Company 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>	
	<i>1994</i>	<i>1993</i>	<i>1994</i>	<i>1993</i>
Prepaid expenses and accrued revenues	<b>885</b>	1,313	<b>292</b>	410
Advances to suppliers	<b>398</b>	360	<b>-</b>	-
Deferred tax assets	<b>977</b>	762	<b>-</b>	-
Other current assets	<b>3,591</b>	3,498	<b>1,241</b>	694
	<b>5,851</b>	5,933	<b>1,533</b>	1,104

**Note 10 Receivables and Payables - Subsidiaries**

<i>Parent Company</i>	<i>1994</i>	<i>1993</i>
<i>Due within 12 months</i>		
Commercial receivables	<b>1,381</b>	1,773
Notes receivable	<b>-</b>	6
Financial receivables	<b>3,683</b>	7,209
	<b>5,064</b>	8,988
<i>Due after 12 months*</i>		
Commercial receivables	<b>-</b>	2
Financial receivables	<b>2,515</b>	1,828
	<b>2,515</b>	1,830
<i>Current liabilities</i>		
Commercial liabilities	<b>467</b>	363
Financial liabilities	<b>7,568</b>	1,918
	<b>8,035</b>	2,281
<i>Long-term liabilities *</i>		
Financial liabilities	<b>513</b>	821

\* Includes noninterest-bearing receivables amounting to SEK 2,451 m. (1,606) and interest-free liabilities amounting to SEK 445 m. (821). Interest-free transactions involving current receivables and liabilities may also arise at times.

### 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.

<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	ELLEMTEL 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	144	
	I	Ericsson Components AB	Sweden	100	SEK	58	60	
	I	Ericsson Microwave Systems AB	Sweden	100	SEK	30	151	
	I	Ericsson Radio Systems AB	Sweden	100	SEK	50	581	
	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	SRA Communication AB	Sweden	100	SEK	47	145	
	IV	Ericsson Treasury Services AB	Sweden	100	SEK	-	2	
		Other		-	SEK	-	841	
	<i>Europe (excluding Sweden)</i>	I	Ericsson Schrack 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	71	ITL	18,323	105	
II		Ericsson Holding International B.V.	The Netherlands	100	NLG	300	995	
I		Ericsson A/S	Norway	100	NOK	156	194	
II		Swedish Ericsson Company Ltd	United Kingdom	100	GBP	74	757	
I		Ericsson Fuba Telecom GmbH	Germany	100	DEM	39	242	
		Other		-	-	-	123	
<i>U.S.A. and Canada</i>		II	Ericsson Holding II, Inc.	United States	75	USD	-	2,554
		I	Ericsson Inc.	United States	20*	USD	-	362
<i>Latin America</i>	I	Cia 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	Cia Anónima Ericsson	Venezuela	100	VEB	10	10	
		Other		-	-	-	130	
<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 Telecommunications Pte. Ltd	Singapore	100	SGD	-	1	
	I	Ericsson Taiwan Ltd	Taiwan	80	TWD	80	19	
	I	Ericsson Telekomunikasyon A.S.	Turkey	99	TRL	8,250	33	
		Other		-	-	-	258	
					Total	-	10,878	
<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	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		
					Total	-	465	
<i>Other Companies</i>	Other		-	-	-	25		
					Total	-	25	

The book value of certain shares were written up by SEK 264 m. Shares in subsidiaries were written down in a corresponding amount.

<i>Shares owned by the subsidiaries</i>		<i>Percentage of ownership</i>	
<i>Subsidiaries</i>			
<i>Sweden</i>	I Svenska Elgrossist AB, SELGA	Sweden	67
<i>Europe</i>	I Ericsson Business Communications NV/SA	Belgium	100
<i>(excluding Sweden)</i>	I LM Ericsson Ltd	Ireland	100
	I Ericsson Telecomunicazioni S.p.A.	Italy	71
	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>U.S.A. and Canada</i>	I Ericsson Communications Inc.	Canada	100
	I Ericsson Inc.	USA	80
	II Ericsson Holding Inc.	USA	80
<i>Other Countries</i>	I Ericsson Australia Pty. Ltd.	Australia	100

## Key to functions of companies:

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

**Note 12 Other Noncurrent Assets**

<i>Consolidated</i>	<i>1994 1993</i>		<i>Consolidated</i>	<i>Parent Company</i>	
	<i>1994</i>	<i>1993</i>		<i>1994</i>	<i>1993</i>
<i>Goodwill</i>					
Balance, January 1	<b>1,605</b>	1,198			
Acquisitions/divestments	<b>7</b>	407			
Balance, December 31	<b>1,612</b>	1,605			
<i>Accumulated amortization</i>					
Balance, January 1	<b>498</b>	345			
Amortization	<b>189</b>	173			
Divestments	<b>-19</b>	-20			
Balance, December 31	<b>668</b>	498			
Goodwill, net	<b>944</b>	1,107			
Long-term deferred tax assets	<b>624</b>	1,153			
Other noncurrent assets	<b>3,200</b>	2,467			
	<b>4,768</b>	4,727			
<i>Parent Company</i>	<i>1994</i>	<i>1993</i>			
Other noncurrent assets	<b>592</b>	463			
<i>Intangible assets</i>					
Cost	<b>408</b>	63			
Accumulated standard depreciation	<b>76</b>	25			
Net carrying value*	<b>332</b>	38			
	<b>924</b>	501			
			<i>Cost</i>		
			Land	<b>318</b>	255
			Land improvements	<b>104</b>	97
			Buildings	<b>4,314</b>	4,328
			Machinery and equipment	<b>22,341</b>	19,653
			Construction in progress	<b>934</b>	865
				<b>28,011</b>	25,198
			<i>Accumulated standard depreciation</i>		
			Land improvements	<b>48</b>	43
			Buildings	<b>1,317</b>	1,214
			Machinery and equipment	<b>13,456</b>	12,095
				<b>14,821</b>	13,352
			<i>Net carrying value</i>	<b>13,190</b>	11,846
			<i>Accumulated total depreciation</i>		
			Land improvements	-	-
			Buildings*	-	-
			Machinery and equipment	-	-
			Construction in progress	-	-
				-	-
				<b>3,811</b>	3,466
			<i>Accumulated depreciation in excess of standard depreciation</i>		
			Buildings, machinery and equipment	-	-
			Intangible assets, see Note 12	-	-
				-	-
				<b>1,082</b>	1,039
				<b>31</b>	-
				<b>1,113</b>	1,039
			<i>*) After transfer of accumulated depreciation in excess of standard depreciation to Revaluation reserve of</i>		
				-	-
				<b>303</b>	303

\* For Accumulated depreciation in excess of standard depreciation, see Note 13.

**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.

\*) After transfer of accumulated depreciation in excess of standard depreciation to Revaluation reserve of

<i>Revaluation adjustments</i>				
Land and land improvements	190	190	147	147
Buildings	728	746	325	325
Machinery and equipment	64	75	-	-
	<b>982</b>	<b>1,011</b>	<b>472</b>	<b>472</b>
<i>Accumulated depreciation</i>				
Land improvements	2	2	-	-
Buildings	428	413	288	279
Machinery and equipment	64	79	-	-
	<b>494</b>	<b>494</b>	<b>288</b>	<b>279</b>
<i>Net carrying value</i>	<b>488</b>	<b>517</b>	<b>184</b>	<b>193</b>
<i>Tax assessment values (Sweden)</i>				
Land and land improvements	376	500	232	322
Buildings	2,255	1,450	1,272	854

#### 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 2,817 m. In addition, the Parent Company had unused long-term lines of credit amounting to SEK 373 m.

#### Note 15 Other Current Liabilities

	<i>Consolidated</i>		<i>Parent Company</i>	
	<b>1994</b>	<b>1993</b>	<b>1994</b>	<b>1993</b>
Accrued expenses and prepaid revenues	10,189	7,473	2,210	1,211
Deferred tax liabilities	5	801	-	-
Other	6,630	5,043	643	452
	<b>16,824</b>	<b>13,317</b>	<b>2,853</b>	<b>1,663</b>

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

	<i>Consolidated</i>		<i>Parent Company</i>	
	<b>1994</b>	<b>1993</b>	<b>1994</b>	<b>1993</b>
Bond loans (maturing from 1996-1999)	2,740	2,773	2,740	2,773
Convertible debentures (maturing from 2000-2002)	2,151	2,170	1,649	1,575
<i>Other long-term liabilities:</i>				
Mortgage loans and other secured loans (maturing from 1996-2014)	669	859	107	220
Other long-term loans (maturing from 1996-2013)	2,203	1,642	1,707	1,086
Other long-term liabilities	374	334	1	1
	<b>3,246</b>	<b>2,835</b>	<b>1,815</b>	<b>1,307</b>

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

1996	2,025
1997	1,245
1998	80
1999	594
2000	2,912
2001 and thereafter through 2014	907
	<b>7,763</b>

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 debentures are convertible up to and including February 1, 2002 at a conversion price of SEK 65 per B share. During 1994 debentures in the amount of CHF 0.1 m. were converted to 7,088 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 1994 debentures in the amount of SEK 17.8 m. were converted to 59,220 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 capital discount is charged to income during the maturity of the loan.

The number of shares increased by 66,308 as a result of conversions during 1994. The share capital was thereby SEK 2,172 m. and the number of shares increased to 217,229,118.

Upon conversion of all outstanding debentures, there would be a further increase of 7,179,244 in the number of shares.

During the period beginning January 1 through February 15, 1995 additional debentures were converted to 643 B shares; as a result the number of shares carrying rights to dividends as of the record date is 217,229,761.

#### Note 17 Pension Liabilities

The pension liabilities, SEK 5,516 m., include the Parent Company's and the Swedish companies' obligations in the amount of SEK 3,719 m. in 1994 and SEK 3,780 m. in 1993 in accordance with an agreement with the Pension Registration Institute (PRI).

The Parent Company's pension liabilities, SEK 2,330 m., include an obligation in the amount of SEK 2,222 m. in 1994 and SEK 2,049 m. in 1993 in accordance with its agreement with PRI.

**Note 18 Untaxed Reserves**

	Jan.1	Alloca- tions/ With- drawals(-)	Dec.31
<i>Parent Company 1994</i>			
Tax equalization reserve	2,301	-1,538	763
Reserve for doubtful receivables	517	214	731
Income deferral reserve	-	138	138
	2,818	-1,186	1,632

Of the withdrawal from tax equalization reserve in 1994 is SEK 95 m. tax exempt. Changes in other untaxed reserves in the Parent Company in 1993 consisted of the following: withdrawal of deferred amount for Inventory reserve, etc., SEK 424 m. (826); allocation to Tax equalization reserve, SEK 1,348 m. (953), allocation to reserve for doubtful receivables, SEK 500 m. (withdrawal 319); withdrawal from Investment reserve, SEK 0 m. (36); and withdrawal from Foreign exchange reserve, SEK 0 m. (86).

**Note 19 Stockholders' Equity****Capital Stock**

Capital Stock at December 31, 1994 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)	198,586,543	1,986
	217,229,118	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 1994 include earnings in associated companies amounting to SEK 507 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. (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, 1994	2,172	12,808	6,325	21,305
Conversion of debentures		18		18
Dividends			-977	-977
Transfer from available retained earnings		1,827	-1,827	
Changes in cumulative translation adjustments		-993		-993
Net income for 1994			3,949	3,949
Balance December 31, 1994	2,172	13,660	7,470	23,302

Of retained earnings, SEK 134 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 +57 m. in 1994 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, 1994	2,172	4,267	5,124	11,563
Conversion of debentures	-	14	-	14
Dividends	-	-	-977	-977
Net income for 1994	-	-	1,961	1,961
Balance, December 31, 1994	2,172	4,281	6,108	12,561

#### Note 20 Assets Pledged as Collateral

	Consolidated		Parent Company	
	1994	1993	1994	1993
Real estate mortgages	723	653	152	152
Other mortgages	447	379	160	160
Bank deposits	197	143	-	-
Shares	98	135	-	-
Other	-	-	433	220
	1,465	1,310	745	532

At December 31, 1994, 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

	Consolidated		Parent Company	
	1994	1993	1994	1993
Bills discounted	2	14	-	-
Guarantees for customer project financing	1,623	1,508	1,623	1,508
Unrecorded pension commitments	36	45	-	-
Other guarantees	1,433	1,176	4,620	6,089
	3,094	2,743	6,243	7,597

Of the guarantees assumed by the Parent Company, SEK 3,975 m. in 1994 and SEK 5,225 m. in 1993 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 160 m. (167) 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 264 m. in 1994, SEK 170 m. in 1993 and SEK 122 m. in 1992.

Undistributed earnings of associated companies included in consolidated equity were SEK 871 m. in 1994 and SEK 718 m. in 1993.

#### Note 23 Accounting Principles Generally Accepted in the United States

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) 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.

##### (c) 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 3,395 m. (SEK 3,068 m. in 1993) has increased income and depreciation amounting to SEK 2,391 m. (SEK 1,992 m. in 1993) was charged against income for the period when calculating income in accordance with U.S. 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 in 1993 the amount of SEK 497 m.

##### (d) Business Combination Adjustments

In accordance with Swedish accounting practice, the Company shows negative goodwill as a deferred credit which is released as income over a period not exceeding ten years (also see 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.

**(e) 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.

**(f) Sale of Property**

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

According to generally accepted accounting policies in the United States, the gain on the sales during 1987 is considered a financing arrangement and the proceeds are there-fore 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.

**(g) 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. 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.

In years before 1993, 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 for 1993 been affected in the amount of SEK 1,681 m.

**(h) 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 has for 1993 been charged with SEK 202 m.

**(i) 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 adminis-

tered by an institution jointly established for Swedish industry (PRI) 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.

**(j) Net Income per Share**

Net income per share has been calculated on the number of shares outstanding after full conversion of outstanding convertible debentures if these are considered to be Common Stock equivalents in accordance with accounting principles generally accepted in the United States (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.

	1994	1993	1992
Net income as reported in the consolidated income statements	3,949	2,835	479
Items increasing reported income:			
Depreciation on revaluation adjustments including effect on sale	-	48	23
Capitalization of development expenses	1,004	1,076	1,073
Capitalization of interest expenses	16	11	19
Pensions	112	-20	6
Income taxes on undistributed earnings of associated companies	-	10	-27
	1,132	1,125	1,094
Items decreasing reported income:			
Deferred income taxes	190	515	264
Business combination adjustments	14	13	13
	204	528	277
Net increase in net income	928	597	817
Approximate net income in accordance with accounting principles generally accepted in the United States, before effect of change in accounting principles	4,877	3,432	1,296
Approximate net income per share in accordance with accounting principles generally accepted in the United States, before effect of change in accounting principles	22.03	15.46	6.29



	1994	1993	1992
Accumulated effect of change in accounting principles on:			
- deferred taxes	-	1,681	-
- postretirement 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	4,877	4,911	1,296
Approximate net income per share in accordance with accounting principles generally accepted in the United States, after effect of change in accounting principles	22.03	22.05	6.29

#### (k) Stockholders' Equity

Approximate stockholders' equity in accordance with accounting principles generally accepted in the United States	25,695	22,762	16,831
---	--------	--------	--------

#### Supplementary Information Required under the Swedish Companies Act

##### Average Number of Employees and Remuneration in 1994

	Average number of employees		Remuneration
	Men	Women	
<i>Consolidated</i>			
Sweden	24,793	10,038	7,857
Other countries	30,354	8,911	10,024
	55,147	18,949	17,881
<i>Parent Company</i>			
Sweden	9,269	4,452	4,107
Other countries	500	110	91
	9,769	4,562	4,198
Paid to Board of Directors, President and Corporate Executive Vice Presidents			19

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 13 Swedish municipalities and has operations in 20 countries. On a consolidated basis there are 37 operational units in Sweden and operations in 47 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 17,207 m. (SEK 12,609 m.), of which exports accounted for 74 (80) percent. Consolidated companies were customers for 57 (58) percent of the Parent Company's sales, while 51 (45) 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 200 employees for the purchase of shares in LM Ericsson's Share Saving Fund.

The Parent Company has guaranteed up to an amount of SEK 7 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 500,000 during the year. This fee was determined by the Board of Directors within the total amount of Board fees as per the decision 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 11,018,975 during the year, of which half was salary and the remainder was for bonus earned for the 1992 and 1993 fiscal years and most of the bonus for 1994.

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

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 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 condition for respective positions is equated with notice of termination served by the company. 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, supplemented by portion of salary exceeding ITP, from age 65. In addition, the employee has the right to leave with pension benefits at the earliest when the employee reaches 60 years of age, whereby the pen-

sion is based on the current salary at retirement and amounts to 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.

**Publications for Investors**

Financial publications, including the annual report, interim reports and Form 20-F (filed with The Securities and Exchange Commission, U.S. 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 1994 in accordance with generally accepted auditing standards.

The annual report and the consolidated financial statements present the financial position, the results of operations and cash flows 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 finan-

cial 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 1994.

*Stockholm, March 9, 1995*

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

Thomas Thiel  
*Swedish Authorized  
Public Accountant*

Olof Herolf  
*Swedish Authorized  
Public Accountant  
Price Waterhouse*

## Ten-year Summary

SEK m.	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985
<b>Results for Year</b>										
Net sales	<b>82,554</b>	62,954	47,020	45,793	45,702	39,549	31,297	32,400	31,644	32,496
Operating income <sup>4)</sup>	<b>6,553</b>	3,530	1,754	2,282	5,694	4,557	2,678	2,185	2,295	1,671
Financial net	<b>-386</b>	8	-204	-189	-163	-431	-553	-895	-1,180	-952
Income before taxes <sup>4)</sup>	<b>5,610</b>	3,108	1,241	1,595	4,855	3,715	1,840	1,108	911	878
<b>Year-end Position</b>										
Total assets <sup>4)</sup>	<b>72,999</b>	67,490	56,637	50,080	47,167	40,856	34,625	33,282	34,232	37,122
Working capital	<b>20,899</b>	20,869	20,063	17,497	16,965	14,975	12,944	13,880	14,724	16,707
Property, plant and equipment, net	<b>13,678</b>	12,363	11,093	10,477	9,058	7,776	6,679	6,778	6,835	7,549
Long-term liabilities <sup>1) 4)</sup>	<b>14,726</b>	14,529	12,796	11,211	8,795	9,008	9,945	10,864	11,163	8,566
Untaxed reserves										4,794
Stockholders' equity <sup>1) 2) 4)</sup>	<b>23,302</b>	21,305	17,720	17,050	16,753	13,996	10,909	9,897	9,694	9,298
- after full conversion <sup>1) 2) 4)</sup>	<b>25,519</b>	23,512	18,349	17,690	17,398	14,721	12,450	11,512	9,695	9,501
<b>Other Information</b>										
Adjusted net income per share, SEK										
- after current and deferred taxes, and after full conversion <sup>4)</sup>	<b>17.89</b>	12.80	2.32	4.31	14.24	10.24	5.56	3.82	3.43	3.00
Net income per share in accordance with U.S. GAAP, SEK <sup>3) 5)</sup>	<b>22.03</b>	15.46	6.29	7.53	16.45	10.54	6.43	3.44	3.44	3.98
Adjusted stockholders' equity per share, SEK <sup>1) 2) 3) 4)</sup>	<b>114</b>	105	85	81	80	68	57	53	51	50
Cash dividends per share <sup>3)</sup>	<b>5.50 *</b>	4.50	3.50	3.50	3.50	2.80	2.10	1.80	1.80	1.80
Shares outstanding - average (in thousands) <sup>3)</sup>	<b>217,191</b>	214,534	206,066	205,874	205,372	200,135	190,834	190,810	190,055	184,755
Additions to property, plant and equipment	<b>5,137</b>	3,805	3,847	3,583	3,448	2,672	1,739	1,592	1,643	2,677
Depreciation	<b>3,004</b>	2,651	2,193	1,863	1,572	1,294	971	1,213	1,133	1,308
Research and development - expenses	<b>13,407</b>	10,924	7,377	7,054	4,901	4,329	3,529	3,204	3,117	2,798
- in percent of net sales	<b>16.2</b>	17.4	15.7	15.4	10.7	10.9	11.3	9.9	9.9	8.6
<b>Ratios</b>										
Return on equity, percent <sup>1) 4)</sup>	<b>17.7</b>	14.5	2.8	5.3	20.4	17.5	11.5	7.5	6.9	6.1
Return on capital employed, percent <sup>1) 4)</sup>	<b>18.2</b>	12.9	9.6	12.0	25.9	23.7	16.0	13.1	13.1	11.3
Equity ratio, percent <sup>1) 4)</sup>	<b>34.4</b>	34.5	34.5	38.1	39.3	37.8	33.9	32.0	30.5	26.5
Debt-equity ratio <sup>1) 4)</sup>	<b>0.7</b>	0.7	0.8	0.7	0.5	0.6	0.8	1.0	1.1	1.5
Current ratio	<b>2.0</b>	1.6	1.6	1.7	1.7	1.8	1.9	2.0	1.9	1.6
<b>Year-end Statistics</b>										
Backlog of orders	<b>45,671</b>	45,296	38,050	28,777	30,415	29,426	26,876	24,171	23,625	23,055
Number of employees worldwide	<b>76,144</b>	69,597	66,232	71,247	70,238	69,229	65,138	70,893	72,575	78,159
Sweden	<b>36,984</b>	31,796	29,979	31,244	30,817	32,226	32,094	37,386	38,559	40,172

\* For 1994, proposed by the Board of Directors

<sup>1)</sup> 1985-1989 adjusted for change in accounting principles

<sup>2)</sup> 1985-1986, adjusted stockholders' equity as stated in prior annual reports

<sup>3)</sup> 1985-1989 adjusted for 5-for-1 stock split

<sup>4)</sup> 1991-1992 adjusted for change in accounting principles.

See Notes to the Financial Statements.

<sup>5)</sup> 1993, before 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 1985–1986. 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 current 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 non interest-bearing debts and deferred taxes. For the years 1985–1986, reduced by 50 percent on untaxed reserves. For the year 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 1985–1986, 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 1985–1986, 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.

<b>Radio Communications</b>	<b>46</b>
<b>Public Telecommunications</b>	<b>48</b>
<b>Business Networks</b>	<b>50</b>
<b>Components</b>	<b>52</b>
<b>Microwave Systems</b>	<b>54</b>
<b>Ericsson Share Data</b>	<b>56</b>
<b>Board of Directors, Corporate Management, Auditors</b>	<b>58</b>
<b>Ericsson Worldwide</b>	<b>60</b>
<b>Glossary, Trademarks</b>	<b>64</b>
<b>Annual General Meeting</b>	<b>65</b>
<b>Financial Information</b>	<b>65</b>

**Ericsson's new compact radio base station for Mobitex weighs 18 kg and is just slightly bigger than an ordinary briefcase. It can be put into operation in less than one hour.**



The growth of mobile telephony is a global phenomenon that is exceeding all forecasts. During 1994 the number of subscribers in mobile telephone systems increased by 66 percent, or 22 million in absolute figures. Ericsson strengthened its position as a world leader in this expansive market during the year.

The very favorable trend of sales of Ericsson's mobile telephone instruments also continued during 1994. The new products in the 200-gram configuration sold very well and are now available for most of the important analog and digital standards. The capacity was expanded substantially to handle a doubling of production during the year and another doubling anticipated in 1995. Despite the very rapid growth in the market, Ericsson increased its share. Its share of the market for digital pocket telephones is estimated to a full 25 percent which is in the same rank as Motorola and Nokia.

**Many reasons for success**

Ericsson's success in mobile telephony is based on the very farsighted and advanced development work in the field of radio that was begun at an early stage within Ericsson Radio Systems. The pioneer work of the Nordic telecommunications administrations in developing specifications for open systems – first NMT and then GSM – was of great importance in this context. With this work as a foundation, Ericsson has been able to benefit from expertise and resources available within the Company.

– Ericsson was able to offer AXE exchanges as a basis for system solutions. AXE is a very powerful telecommunications exchange with the capacity to handle a large number of subscribers; it is also used more widely throughout the world than any other digital exchange.

– The business area has a long tradition and well-documented knowledge in the field of radio technology. It has been able to utilize its experience gained from military radio systems to a

high degree in the development of digital mobile telephone systems.

– Ericsson's geographical coverage and its knowledge of market conditions in all parts of the world has been important for mobile telephone operators who wanted to expand beyond their traditional domestic markets.

**PCS in the starting blocks**

The auctioning in the U.S. of operators' licenses for Personal Communications Services (PCS) has created a large new market for digital systems. Ericsson is offering the PCS market ready-made system solutions based on a number of standards and adapted to customers' specifications. The Company's substantial knowledge of different system solutions is a major asset in the development of the new systems.

In the beginning of 1995 Ericsson introduced a system solution that enables operators to integrate PCS facilities in existing digital mobile telephone networks. This makes it possible to build up a PCS system rapidly and in a cost-effective manner by supplementing existing systems with radio base stations for 1900 MHz – the frequency used for PCS – and new network software. The advantage this solution offers the subscriber is that he or she can use the PCS terminal in both the local PCS network and in other digital mobile telephone systems throughout the United States.

**Three large markets**

The battle for contracts to supply PCS systems should be viewed against the background that North America is Ericsson's third largest market for mobile telephone systems, accounting for approximately 20 percent of the business area's sales. In North America Ericsson has a cooperation with General Electric, which 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 March 31, 2000.

Europe, the largest market, accounts for 36

**Geographic distribution of external sales, percent**



**The Business Area in brief**

SEK m. and percentage of Ericsson totals

	1994		1993		1992	
Order bookings, external	42,506	51%	27,023	40%	17,280	32%
Net sales, external	40,500	49%	25,700	41%	14,962	32%
Net sales, internal	440	-	256	-	85	-
Number of employees	20,938	27%	16,486	24%	12,979	20%



percent and Asia, in second place, for 30 percent.

Asia is the fastest-growing market right now. During 1994 Ericsson received orders for both analog and digital systems of several different standards from customers in this region. China accounts for a large part of the growth, along with Japan. 1994 was the year when Ericsson's investment in marketing in Japan really began to pay-off results in sales. The country is now the business area's third-largest in terms of sales.

#### ***Radio in wired networks***

"Radio in the Local Loop" (RLL) is a sector of radio communications that is growing strongly. "RLL" is a collective term for network systems in which radio technology is used to link the subscriber to the wired telecommunications network. The technology makes it possible to expand a wired network rapidly and relatively inexpensively.

Ericsson can offer a number of different versions of RLL. RAS1000, which is based on cellular

technology, is a system that has been delivered earlier to a customer in Hungary, for example. DECT-based systems have been delivered in Finland and Norway, among other countries.

In September the business area received a very large order in Malaysia for a system for a so-called wired cellular network. This network, which is based on AMPS/D-AMPS standards, will be used in areas which do not yet have any wired telecommunications network.

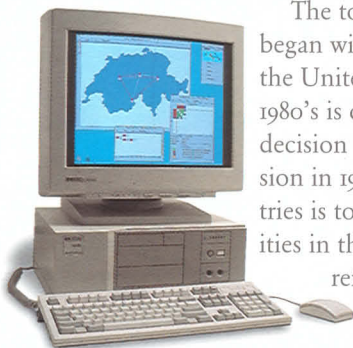
#### ***Mobile telephony dominates***

Following growth of 73 percent in 1994, mobile telephony accounts for 85 percent of Radio Communications' operations and is continuing to grow in importance. The business area's other operations – land mobile radio, personal paging systems and mobile data – also showed favorable growth, although on a more modest scale.

During the year it was decided to transfer the division for military radio communications to the Microwave Business Area.



Telecommunications via wired networks is an area that is experiencing very dynamic growth at the present time. For Ericsson's Public Telecommunications Business Area, this development involves major changes in two areas: marketing and technology.



Advanced operation and maintenance systems are required for modern, complex telecom networks. The TMOS support system is being further developed and marketed by Ericsson Hewlett-Packard.

The total reshaping of the market that began with the first major deregulations in the United States and Great Britain in the 1980's is continuing. In accordance with a decision of the European Union Commission in 1993, all voice telephony in EU countries is to be deregulated by 1998 and activities in the European market during 1994 reflected this move to a high degree.

Technically, there is an increasingly sharp focus on new and more efficient technologies for transport networks and on systems that also make it possible to distribute multimedia signals via telecommunications networks. All major suppliers – Ericsson included – are working hard to develop the technologies of the future in these areas. But the commercial breakthrough is still not expected to occur for several years.

**The world's best-selling telecommunications system**

Ericsson's most important system platform, the AXE exchange, is now the world's best-selling telecommunications system. AXE, which is in service in 111 countries, will play a key role in the Company's marketing program well into the next century. The system has been upgraded continuously over the years. It is in a stage of dynamic development and may be likened most appropriately to a computer platform that, by being equipped with advanced software, acquires the ability to perform new and previously impossible functions. The greater part of the development work is taking place in the software field. As a result, Ericsson today is one of the world's largest software companies, employing thousands of software experts.

A very large percentage of Ericsson's total development costs are allocated for further enhancement of AXE. During 1994 the business

area introduced a new processor for AXE, among other products. The installed base of 81 million lines of AXE constitutes an important source of revenue when such improvements are introduced in the market.

Another major project involves the work on Ericsson's broadband system which, is based largely on completely new technical solutions. When these solutions are fully available in the market, the Company will be able to offer its customers a powerful system platform for public broadband applications in both wired and mobile networks.

**Long-term broadband strategy**

Ericsson's program in the market for broadband is based on a long-term strategy in which this technology will in a few years constitute the base for systems and products offered. In a shorter perspective, the business area can offer a wide selection of broadband products made by Ericsson companies or companies with whom Ericsson is cooperating. Ericsson Raynet, which was formed in 1994, is developing and marketing fiber-optical access products for broadband and other applications. Ericsson has also sold access products for broadband applications that were developed by Ascom, its Swiss joint-venture partner.

As the market for broadband develops, Ericsson will have new solutions to offer in most areas that can be foreseen today.

It should be emphasized that the success of today's AXE systems has made it possible to adopt this long-term strategy for the gradual introduction of broadband systems.

**Transport networks**

SDH technology poses the second major technical challenge in public telecommunications. SDH is the technology upon which transport networks of the future will be based. It offers much higher capacity in these networks, greater traffic-control capabilities and improved reliability.

During the year Ericsson experienced certain delays in system deliveries of SDH equipment, due partly to the general complexity of such networks.

Geographic distribution of external sales, percent



**The Business Area in brief**

SEK m. and percentage of Ericsson totals	1994		1993		1992	
Order bookings, external	20,823	25%	21,721	32%	18,404	34%
Net sales, external	22,678	28%	18,982	30%	16,702	35%
Net sales, internal	3,253	–	2,824	–	2,401	–
Number of employees	30,524	40%	28,069	40%	27,578	42%



ETNA is the name of Ericsson's complete product portfolio in the transport network field. At year-end 1994, the Company had 17 SDH contracts with 14 telecom operators throughout the world. In all cases these are still initial orders, prior to the future volume deliveries.

During 1994 Ericsson received contracts for SDH in Mexico, Malaysia, Italy and Finland. A number of large framework agreements in China that included SDH as one of the components represented a breakthrough for Ericsson's new transport network technology in this important market.

A number of joint ventures are under way in the transport network field. These programs are strengthening Ericsson's total offering of SDH systems.

#### ***Quality secures markets***

The market for public telecommunications is still dominated by the large traditional telecom operators. These operators will continue to play a large role in most markets even after the latter have been deregulated. Ericsson strengthened its positions with many of these telecom customers in 1994, partly as a result of its very ambitious quality-improvement program in recent years.

The selection of Ericsson S.A. in Spain as one of three companies that won the European Quality Award last autumn was due in large part to the intensive quality-improvement project conducted jointly with Telefónica, the Spanish telecom operator. In November the company was rewarded by the customer in the form of a

large framework agreement covering deliveries of AXE equipment for the next five years. The agreement substantially strengthens the position of AXE in the Spanish market.

In the beginning of the year PTT Netherlands designated Ericsson as one of two system suppliers for public telecommunications exchanges. In this instance, too, success can be attributed to a much improved and closer relationship between Ericsson and the customer resulting from an ambitious quality-assurance program in which the customer participated.

In April, BT in Great Britain named Ericsson as the winner of its 1993 quality award for network products. AXE is now the leader in the market for public telecommunications exchanges in this country.

#### ***New operators, new challenges***

The traditional telecom operators are now concentrating heavily on expanding their international operations. Many of the large traditional operators are entering new markets and then having Ericsson follow them as their system supplier. Telefónica, BT, STET, Telia and Telecom Australia are typical examples.

Many of the large telecom operators are forming alliances to cultivate the market for international traffic. "Concert" – in which BT and MCI, the American company, are part-owners – is one such alliance. "Concert" has based its international network on AXE exchanges supplied by Ericsson.

**Ericsson's ATM switch is included in the broadband tests being conducted by operators in France, Italy, Spain, Sweden and Germany.**

The second year of operations of the Business Networks Business Area was characterized by an unsatisfactory trend of sales and profitability. This was due primarily to continuing very strong pressure on prices in the market for subscriber exchanges, while the upturn in the international economy did not have any real impact on demand.

The environment in some of Ericsson's key markets, e.g. Italy, continued to be marked by restraint, but successes were recorded in other large markets.

France is a new outlet for Ericsson's subscriber exchanges. There, the business area had already achieved a 10-percent share of the market in its first year of operations, due in part to sales by a company owned jointly with SAT, a French firm. Sales in Great Britain and Sweden increased substantially during the year. Ericsson Schrack's marketing of the MD110 system in Eastern Europe is also beginning to yield good results.

Ericsson continues to occupy a strong position in China, where it has close to a 30-percent share of the market for large subscriber exchanges. A new majority-owned joint venture company, Beijing Ericsson Communication Systems Company, which will produce and market subscriber exchanges, was established during the year.

#### Upgrading important

Generally speaking, growth in the market in industrialized countries is limited. One important reason is that most companies in these countries have already invested in modern subscriber exchanges. Expansion in these markets is accordingly mainly a matter of taking market shares from competitors. By improving the efficiency of its operations Ericsson has been able to reduce production costs and has thereby created the prerequisite for effective price competition.

When the market for new systems becomes sluggish, upgradings of systems installed earlier

become increasingly important. The installed base of MD110 systems is now close to 8.5 million lines, a substantial source of revenue when new functions are introduced in the exchanges. During 1994, the work of an improved version of MD110 was finalized. Based on this, a new series of communication solutions, under the brand-name Consono were introduced in the beginning of 1995.

#### Strong position for cordless systems

The business area invests heavily to introduce new products in the market. The past year saw the true commercial breakthrough for Ericsson's cordless communications system, Freeset, which is based on the European DECT standard. As a result of solid sales in a number of markets in Europe, Freeset has achieved a very strong position. It now has a 50-percent share of the market and demand for this new type of product is very good. Freeset is also sold through joint-venture agreements with Siemens and Mitel, a British company.

The growth potential for Freeset is highly promising. The DECT standard has been adopted in 14 countries and there are prospects that its use will spread outside Europe, following the same pattern as GSM. DECT systems are distinguished by their ability to handle high traffic volumes and by the quality of their sound, which is comparable to that of wired systems. The technology is thus suitable not only as a supplement to subscriber exchanges but for radio access in wired telecommunications networks. Systems of the latter type have been built in Helsinki and Tylösand, outside Halmstad, and discussions are under way with public telecom operators in many other locations.

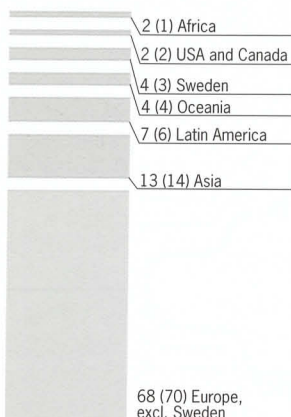
#### Mobility in exchanges

"Mobility" does not necessarily mean cordless telephony exclusively. It may also be a matter of a person's ability to move from one location to another without becoming difficult to reach by



**The second generation of Ericsson's cordless Freeset telephones weighs only 130 grams. It is the smallest and lightest DECT terminal on the market today.**

#### Geographic distribution of external sales, percent



#### The Business Area in brief

SEK m. and percentage of Ericsson totals	1994		1993		1992	
	Value	%	Value	%	Value	%
Order bookings, external	14,357	17%	11,717	17%	11,121	21%
Net sales, external	12,617	15%	12,521	20%	10,354	22%
Net sales, internal	344	-	399	-	299	-
Number of employees	15,060	20%	15,155	22%	15,467	23%



telephone. Ericsson's Mobility Server makes it possible, via a subscriber exchange, to reroute telephone calls to a subscriber located anywhere in the private network, the wired public network or the mobile network. The subscriber obtains a personal telephone number that he or she can control completely.

The Mobility Server function is available as an important feature of the new version of MD110 and can also be obtained as an add-on to older systems.

#### ***First with multimedia***

There is substantial interest in multimedia in the business world.

At the 1994 Ce-Bit trade show in Hannover, Germany, Ericsson was the first company to demonstrate multimedia transmission based on the iso-ENET standard. Using this technology, which was developed in cooperation with National Semiconductor in the United States, multimedia applications can be transmitted between local data networks by linking them to MD110. In cooperation with Microsoft and others, the business area is developing the circuit boards for personal computers that are required when using this technology.

Eripax, Ericsson's system for data communications, is one of the leading systems for nationwide data networks. An Eripax network comprises data switches and various access products controlled by an operating support system.

More than 250 customers in 36 countries have installed Eripax. The total number of network nodes exceeds 6,000, of which 1,000 were delivered during 1994.

#### ***New subscriber exchange***

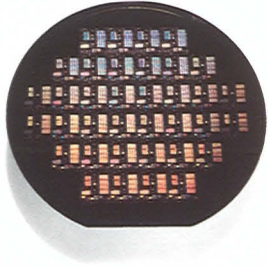
Ericsson-Schrack introduced the BusinessPhone 250 subscriber exchange during the year. This exchange, which has the capability for an ISDN connection to the public exchange, employs the same system telephone instruments as the MD110. The introduction of BusinessPhone 250 strengthens Ericsson's position in the market for small and medium-size subscriber exchanges.

The sector of Ericsson-Schrack's operations involving fire alarm systems was sold during the year.

#### ***Successful network operations***

An increasing number of telecom operators are now electing to contract out their construction of networks in order to shorten construction periods and reduce costs. As a result, the business area's network construction operations are expanding sharply. During 1994 a large number of contracts for major network construction projects were obtained in Lebanon, Oman, the Philippines, Sri Lanka and other countries. At the same time a number of projects were completed for Telia in the Swedish market. Telia has announced a number of large network construction projects to be implemented during the next few years as a result of its decision to complete the digitalization of the Swedish telecommunications network more rapidly than planned earlier.

**BBC is one of many large corporations to adopt Ericsson's MD110 private branch exchange, which is included in the Consono product line.**



Ericsson is a large consumer of electronic micro-components. Their percentage of the total cost of the Company's products is increasing steadily and amounts today to many billions of kronor per year. While most components are purchased from outside suppliers, the strategic components are such that Ericsson develops them itself. Ericsson's ability to develop these strategic microcircuits on its own is vitally important. This development work is an important activity of the Components Business Area.

Integrated semiconductor circuits have been an important part of Ericsson's operations since the first production unit was opened in the early 1970s. Through its own development program and through leading companies in the semiconductor industry, the Company has access to a large fund of collective knowledge in the field. Today, it is designing and manufacturing microcircuits and opto-components for telecommunications applications in many different processes. These products are sold to other telecom companies as well as Ericsson companies.

In 1994, when its new so-called Sub-My facility for microcomponents was placed in service in August, the business area took its place among the very best in the world in the field of microelectronics. In this facility Ericsson can produce components with line-widths as small as 0.35 thousandths of a millimeter – the most advanced technology available today. The company gained access to this technology through the joint venture that has been conducted for many years with Texas Instruments, one of the world leaders in microelectronics.

With its new facility, Ericsson has ensured its ability to design and produce strategic components for its systems and products of the future.

### Competitive advantage

The importance of having access to the new technology cannot be overestimated. Software today accounts for an increasing percentage of the content of telecommunications systems, the prerequisites for future improvements are a

continuous improvement in the hardware segment.

Despite many years of explosive development work in microelectronics this has not meant that we have today reached the ultimate limits of what the technology can achieve. Development work will proceed even more rapidly in the future. With its new Sub-My plant, Ericsson is assured of access to strategic silicon chips.

Being in the forefront of development work in microelectronics is a highly important competitive advantage for Ericsson. It means that Ericsson can always construct systems and products using state-of-the-art technology. In addition, more and more of the functions in modern electronic products are being incorporated in the silicon chips themselves. When increasingly advanced programming technology is employed, the need for advanced microcircuits also increases. Meanwhile, demands are being imposed on microcircuits for telecommunications purposes today, requiring the capacity to handle signals for voice, images, video and sound simultaneously.

### Total solutions for power and cooling

While the focus was on the business area's operations in microelectronics during the past year, growth in its other fields was also positive. The volume of business and profitability of all the business units developed very favorably. Sales to both Ericsson companies and outside customers increased.

The business unit for energy systems markets total system solutions for power and cooling applications, as well as operating support for these functions. During the year large contracts were signed with customers in the United States, Malaysia and Italy, among other countries. A new generation of small power modules was also introduced. These modules, which are suitable for automated assembly on circuit boards, were received very well in the market and are now being produced in substantial volumes.

Geographic distribution of external sales, percent



### The Business Area in brief

SEK m. and percentage of Ericsson totals	1994		1993		1992	
Order bookings, external	4,126	5%	3,701	5%	2,773	5%
Nets sales, external	4,073	5%	3,605	6%	3,070	7%
Net sales, internal	2,244	–	1,994	–	1,409	–
Number of employees	4,746	6%	5,436	8%	5,241	8%

### ***Strong cable business***

The product line offered in the cable business was further refined. This applied in particular to fiber-optical telecommunications cable operations, where a more environmentally compatible submarine cable – with copper sheathing rather than the traditional lead sheathing – was developed and marketed.

An optical cable for mounting on power lines is another attractive new product. It is being sold to new telecom operators in a number of countries through Erifocas AB, a joint-venture company.

Birla Ericsson Optical Ltd., the joint-venture company in India, made its first deliveries during the year. Yet another joint-venture company, Opcom Cables Sdn Bhd, was formed in Malaysia. It will manufacture and market optical cable in country, with initial deliveries scheduled during 1995.

Despite the weak construction market in Sweden, SELGA developed favorably during the year

in terms of both volume and earnings. SELGA is one of the country's leading electrical wholesalers, and one of Ericsson Cables' most important distributors.

Latincasa, the business area's Mexican Cable Company, was sold during the year.

### ***Coordinated Nordic distribution operations***

The business area's distribution operations for electronic components have increased substantially in recent years, both through acquisitions and internal growth. During the year these operations were coordinated in a new company, Ericsson Electronic Distribution AB. The various companies included in this business have common systems for inventory control and logistics, as well as common administrative systems.

During 1994 Ericsson was named the Nordic distributor for IBM Microelectronics, a fine endorsement of the business area's operations by one of the world's leading manufacturers.

**Ericsson's new micro-electronics plant in Stockholm, gives the company access to the latest chip technology. This one hundred million dollar investment ensures that Ericsson will have the most advanced microcircuits for future systems and products.**



In January 1995 the name of Ericsson's Defense Systems Business Area was changed to "Microwave Systems." The new name reflects the increasing importance of commercial operations in the business area.



Defense electronics is still the dominant business, however. As regards foreign sales of the business area's products, the new War Materiel Act means that permits will now be required for exports to a larger number of countries. This will not affect the more important present export markets, but will still involve a restriction on future transactions.

### *Breakthrough in the air*

As a result of political developments throughout the world, an increasing number of countries are interested in monitoring their territory. This trend is creating new business opportunities for Ericsson and for the business area's EriEye airborne tracking radar system in particular.

EriEye is unique in terms of price and performance, and thus highly attractive for countries that cannot afford to invest in the alternatives now available. More than ten countries have expressed interest in the system.

Test flights of the JAS 39 Gripen continued during the year. Ericsson's share of the project comprises radar, display systems, system computers and parts of the countermeasure system. Most of the components have undergone extensive testing during the year and were found to fulfill stipulated specifications.

### *Record year for land radar*

The past year was a record one in terms of the production volume of land radar systems. Large deliveries were made to customers in a number of countries, including the Norwegian Defense Forces.

### *Expanded product program*

At year-end 1994 the business area took over the military radio operations formerly handled in the Radio Communications Business Area. These operations employ 300 persons, including 150 in Kista.

With this reinforcement, the business area's expertise and product line now cover all the more important sectors of modern defense electronics. At the same time, technical synergies can be exploited and benefits of coordination can be achieved in production. The manufacturing of military radio is now being transferred to the business area's plant in Borås.

### *Continued success for MiniLink*

The business area's major commercial product is MiniLink, a family of microwave links for telecommunications networks. MiniLink has been highly successful in recent years, due in part to the sharp increase in number of mobile telephone networks. MiniLink is used in these networks to link radio base stations with the wired telecommunications network, providing a cost-effective solution for telecom operators.

Sales of MiniLink systems amounted to approximately 1 billion kronor in 1994 and production is increasing sharply. By hiring additional employees and investing in expanded production facilities, the rate of production has been increased to slightly more than 900 microwave links per month.

### *Antenna know-how*

The importance of the business area as a center of expertise within Ericsson has increased in recent years. As radio frequencies and the high technical level of commercial mobile telephone systems approach those of military radio systems, Ericsson's many years of experience in high-speed electronics and microwave systems will be particularly valuable. Business area engi-

**Geographic distribution of external sales, percent**

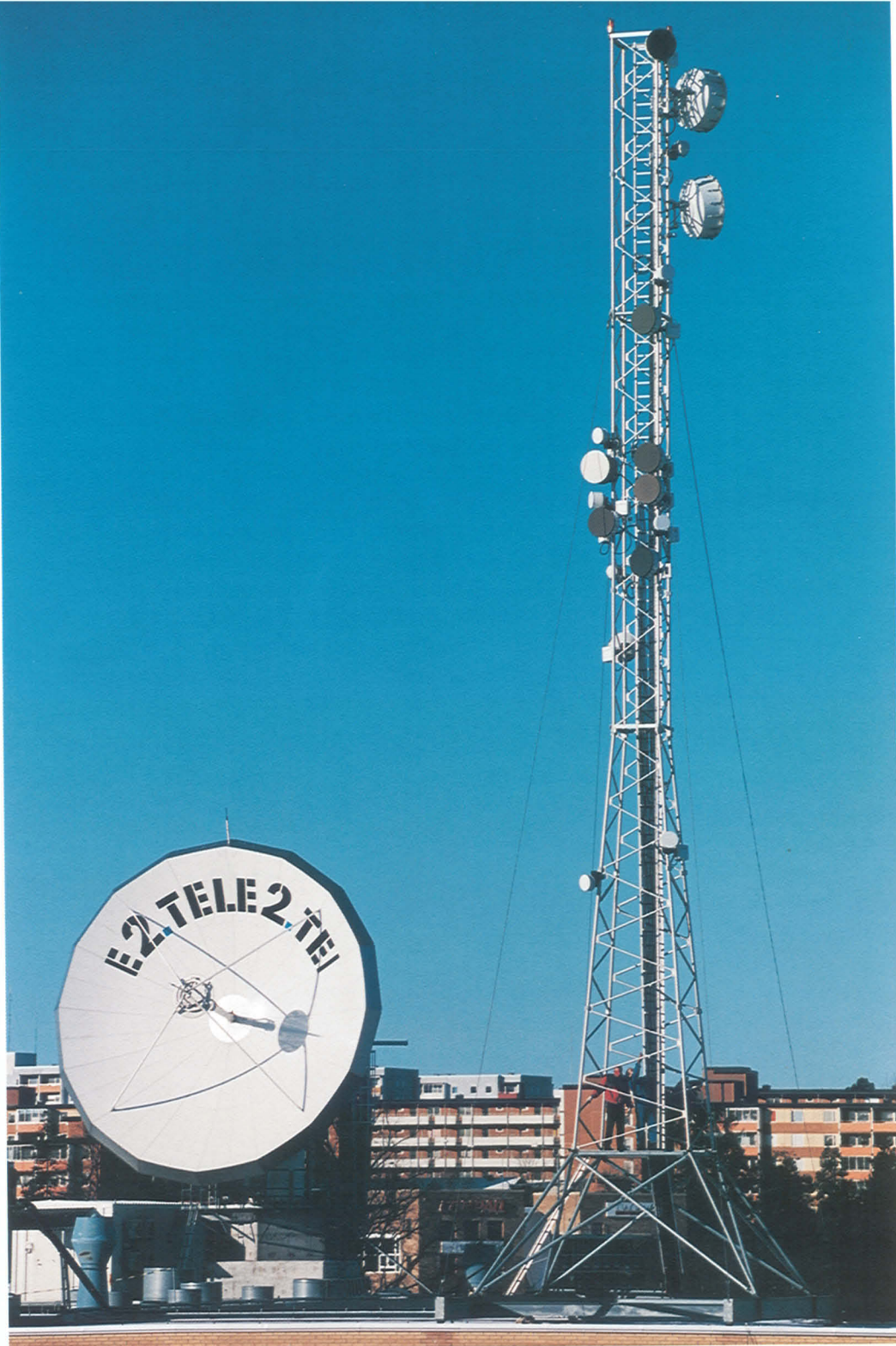


### **The Business Area in brief**

SEK m. and percentage of Ericsson totals

	1994		1993		1992	
Order bookings, external	2,122	2%	3,318	5%	3,575	7%
Net sales, external	2,441	3%	1,901	3%	1,659	4%
Net sales, internal	479	-	418	-	291	-
Number of employees	2,978	4%	2,728	4%	2,696	4%

**Microwave links offer a cost efficient alternative when expanding wired and mobile networks. Mini-Link from Ericsson has been a market success, specially among the new operators and when extending mobile networks.**



neers are playing a key role in the continuing development of Ericsson's mobile telephone system based on the Japanese PDC standard, and in the Company's programs involving transmission systems for wired networks.

Today the focus is to a large degree on expertise in the area of antenna systems, where intensive work is under way to develop a new generation of antennas for mobile telephone systems

and personal communications networks (PCN). The technology currently being used in EriEye tracking radar and in space antennas is being used to construct so-called active antennas for commercial use. Among other features, these antennas permit greatly increased capacity in radio systems.



***The share capital***

The share capital of the Parent Company, Telefonaktiebolaget LM Ericsson, amounted at December 31, 1994, to SEK 2,172,291,180, represented by 217,229,118 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 198,586,543 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. During 1994 debentures have been converted into 59,220 B shares. At the end of the year 1994 debentures had been converted to a total of 72,395 B shares. Should all remaining debentures be converted, the number of B shares would increase further with 7,166,352. All shares may be owned by foreign citizens.

During 1994 the number of shares increased by 66,308 through conversion of debentures. During the period between January 1 and February 15, 1995, additional debentures were converted to 643 B shares, increasing to 217,229,761 the total number of shares entitled to dividends as of the record date.

***Employee ownership of Ericsson shares***

Ericsson's General Savings Fund was started in 1984. The General Savings Fund, which has 1,267 participants, has invested in Ericsson shares. At year-end 1994, the holding in this fund amounted to 190,000 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.

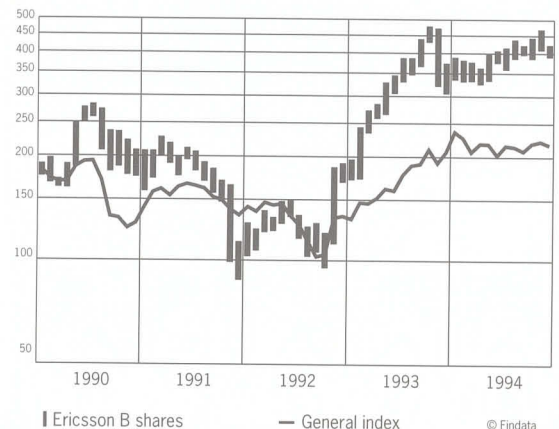
Each ADR represents one B share. The most active trading occurs in Stockholm, New York and London.

At NASDAQ, ADDs (American Depositary Debentures) are also being traded.

Approximately 470 million shares were traded during 1994. The turnover was distributed as follows (approximate percentages): 39 percent on the Stockholm Stock Exchange, 38 percent via NASDAQ, 22 percent on the London Stock Exchange and 1 percent on other exchanges.

***Shareholders***

Approximately 84 percent of Ericsson's shares are owned by Swedish and international institutional investors. At year-end 1994, about 47 percent of the shares were held by shareholders outside Sweden.

**Trading on the Stockholm Stock Exchange**

<i>Share data</i>	1994	1993	1992	1991	1990*
Exports of shares from Sweden (SEK m.)	24,656	21,352	4,245	2,310	777
Imports of shares to Sweden (SEK m.)	22,360	13,572	3,333	1,218	1,873
Net imports (-)/exports of shares to Sweden	2,296	7,780	912	1,092	-1,096
P/E ratio, "B" shares <sup>1)</sup>	22.6	25.8	79.7	25.1	12.4
Share prices, December 31, Stockholm Stock Exchange (SEK)					
- "A"	420	410	195	145	245
- "B"	410	341	185	108	184
- "B" High for year	461.5	469	189	225	280
- "B" Low for year	334	172	97.5	88.5	175

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

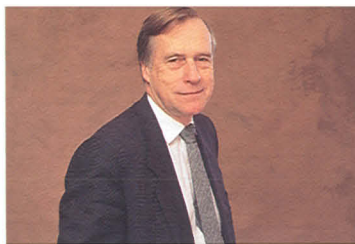
\* After 5-for-1 stock split

<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
1994	Conversions	66,308	663,080
1994	December 31	217,229,118	2,172,291,180

<i>Distribution of shares, year-end 1994</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	80,167	84.33	11,330,468	5.22	141
501 - 5,000	13,740	14.45	17,271,953	7.95	1,257
5,001 - 20,000	736	0.77	7,115,746	3.27	9,668
20,001 -	423	0.45	181,510,951	83.56	429,104
	95,066	100.00	217,229,118	100.00	2,285

<i>The largest shareholders, ranked by voting rights, were as follows at December 31, 1994:</i>	<i>Number of shares</i>	<i>Voting rights percent</i>
AB Industrivärden	4,984,035	26.5
Investor AB	4,855,000	22.2
Knut och Alice Wallenbergs stiftelse	2,651,480	14.1
Svenska Handelsbankens Pensionsstiftelse	1,210,000	5.6
Livförsäkrings AB Skandia	3,663,490	5.0
Pensionskassan SHB Försäkringsförening	900,000	4.8
EB-stiftelsen, S-E-Bankens Pensionsstiftelse	460,000	2.4
Wallanders och Hedelius' stiftelse	450,000	2.4
Wallenbergs stiftelse, Marianne och Marcus	450,000	2.4
Oktagonen, Stiftelsen	500,000	1.6
Svenska Handelsbankens personalstiftelse	280,000	1.5
Trygg-Hansa	4,181,875	1.3
Fjärde AP-fonden	9,174,693	1.1
Svenska Handelsbankens aktiefonder	2,253,174	0.4

*Björn Svedberg  
Göran Engström  
Peter Wallenberg  
Tom Hedelius  
Bo Berggren*



*Jan Hedlund  
Lars Ramqvist  
Claes Dahlbäck  
Sune Andersson  
Per Lindb  
Sven Ågrup*



*Sverker Martin-Löf  
Sven Olving  
Christer Åkerlind  
Clas Reuterskiöld  
Carl Wilhelm Ros  
Christer Binning*



## Board of Directors Members

### ***Björn Svedberg***

(1937\*)  
Chairman. Honorary Doctor of Technology. President and CEO of Skandinaviska Enskilda Banken. Member of the Boards of ASEA, ABB, Volvo, STORA and ABA/SILA. Member since 1977. Shares held: B 9,045. Convertible debentures: 15,000.\*\*

### ***Peter Wallenberg***

(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***

(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/SILA. Member since 1991. Shares held: B 2,000. Convertible debentures: 2,000.\*\*

### ***Lars Ramqvist***

(1938\*)  
President and Chief Executive Officer. Doctor of Philosophy. Member since 1990. Member of the Boards of Astra and SCA. Shares held: B 130. Convertible debentures: 21,755.\*\*

### ***Sune Andersson***

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

### ***Bo Berggren***

(1936\*)  
Honorary Doctor of Technology. Chairman of the Board of STORA, Astra, ABA/SILA and SAS. Deputy Chairman of Investor. Member of the Boards of Skandinaviska Enskilda Banken, Federation of Swedish Industries and Danisco A/S. Member since 1994. Shares held: B 500

### ***Claes Dahlbäck***

(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.

### ***Göran Engström***

(1948\*)  
Employee representative. Member since 1994. Shares held: B 454. Convertible debentures: 625.\*\*

### ***Jan Hedlund***

(1946\*)  
Employee representative. Member since November 1994.

### ***Sverker Martin-Löf***

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

### ***Sven Olving***

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

### ***Clas Reuterskiöld***

(1939\*)  
President and CEO of Industrivärden. Member of the Boards of AGA, Handelsbanken and SCA. Member since 1994. Shares held: B 1,000.

### ***Sven Ågrup***

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

<b>Christer Binning</b> (1946*) Employee representative. Member since November 1994. Convertible debentures: 75.**	<b>Carl Wilhelm Ros</b> (1941*) Executive Vice President. Member of the Boards of LKAB, Trygg-Hansa and NCC. Member since 1986. Shares held: B 5,000. Convertible debentures: 10,030.**	<b>Christer Åkerlind</b> (1950*) Employee representative. Member since November 1994. Shares held: B 10.
<b>Per Lindb</b> (1957*) Employee representative. Member since 1994.		

## 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.
--	--

## Corporate Executives

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

## Corporate Functions

<b>Ragnar Bäck</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, Microwave Systems. President, Ericsson Microwave Systems AB	<b>Anders Igel</b> Senior Vice President, Public Telecommunications. President, Ericsson Telecom AB.	

## Business Areas

<b>Statutory Auditors</b>	<b>Olof Herolf</b> Authorized Public Accountant, Price Waterhouse.	<b>Deputy Auditors</b>	<b>Stephan Tolstoy</b> Authorized Public Accountant.	<b>Auditors</b>
	<b>Carl-Eric Boblin</b> Authorized Public Accountant, Price Waterhouse.		<b>Lars Eklund</b> Authorized Public Accountant, Price Waterhouse.	
	<b>Thomas Thiel</b> Authorized Public Accountant.			

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

\*\*\* Effective from 95-04-01 Jan-Åke Kark.

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

**Algeria**

*Telefonaktiebolaget  
LM Ericsson  
Bureaux Techniques  
d'Algérie  
El Djazair*

*SITEL – Société Industrielle  
Algérienne  
de Télécommunications  
Tlemcen*

**Argentina**

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

*Ericsson Redes Argentina S.A.  
Buenos Aires  
Ferdinando Raveggi*

**Australia**

*Ericsson Australia Pty. Ltd.  
Broadmeadows  
Kjell Sörme*

*Ericsson Data  
Australia Pty Ltd  
Melbourne  
Lars Löfberg*

*Ericsson Defence  
Systems Pty. Ltd.  
Preston  
John Scanlon*

*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  
Chris Berger*

**Brazil**

*Ericsson  
Telecomunicações S.A.  
São Paulo  
Olavo Monteiro de Carvalho*

*Ericsson Sistemas de Energia  
Ltda  
São Paulo  
Luis Tobias*

**Bulgaria**

*Ericsson Telecommunications  
Bulgaria E00D  
Sofia  
Roland Engman*

**Canada**

*Ericsson  
Communications Inc.  
Toronto  
Bernt Högberg*

**Chile**

*Compañía Ericsson  
de Chile S.A.  
Santiago  
Pär Waller*

**China,  
People's Republic of**

*Ericsson China Company Ltd  
Beijing  
Olle Lenneman*

*Beijing Ericsson Mobile  
Communication Co Ltd  
Beijing*

*Beijing Ericsson  
Communication Co  
Beijing  
Gunnar Wennerberg*

*Dalian Ericsson Engineering  
Co Ltd  
Dalian  
Bernt Söderström*

*Guangdong Ericsson  
Engineering Co Ltd  
Guangzhou  
Jan Hågne*

*Guangzhou Ericsson  
Communication Co Ltd  
Guangzhou  
Sören Boman*

*Nanjing Ericsson  
Communications Company  
Ltd  
Nanjing  
Lars Edvardsson*

**Colombia**

*Ericsson de Colombia S.A.  
Bogotá  
Hector Pérez*

**Costa Rica**

*Ericsson de Costa Rica S.A.  
San José  
Olle Lundstedt*

**Croatia**

*LM Ericsson International AB  
Representative Office  
Zagreb  
Gunnar Forsgren*

**Czech Republic**

*Ericsson spol.s.r.o.  
Prague  
Sepp Leimgruber*

**Denmark**

*LM Ericsson A/S  
Copenhagen  
Björn Olsson*

*LM Ericsson Finans A/S  
Copenhagen  
Stig Christensen*

*LM Ericsson  
International A/S  
Copenhagen  
Bo Stokholm*

*Cabelco Aps.  
Virum  
Jørgen Dinesen*

*DLAX  
Telecommunications A/S  
Struer  
Thomas Lundin*

*TERMA Elektronik AS  
Lystrup  
Johannes Jacobsen*

**Ecuador**

*Telefonos Ericsson C.A.  
Quito  
Björn Magnusson*

**Egypt**

*Telefonaktiebolaget  
LM Ericsson  
Egypt Branch  
Cairo  
Robert Andersson*

**El Salvador**

*Telefonaktiebolaget  
LM Ericsson  
Sucursal El Salvador  
San Salvador  
Jorge Guevara*

**Estonia**

*Oy LM Ericsson AB  
Representative Office  
Tallinn  
Veiko Sepp*

**Finland**

*Oy LM Ericsson Ab  
Jorvas/Helsinki  
Jan-Mikael von Schantz*

*Oy Ericsson  
Radiopuhelin AB  
Helsinki  
Robert Serén*

*Viikinkaapeli OY  
Espoo/Helsinki  
Kalervo Ulander*

**France**

*Ericsson S.A.  
Guyancourt/Paris  
Gilles Pichon*

*MET Communications S.A.  
Massy/Paris  
Jacques Payer/Lars Jarnryd*

*Ericsson Hewlett-Packard  
Telecommunications S.A.R.L.  
Grenoble  
Claude Perrigault*

*Nira S.A.  
Nanterre  
Jacques François*

*Eritelcom  
Malakoff Cedex  
Gilles Pichon*

**Germany**

*Ericsson GmbH  
Düsseldorf  
Manfred Buchmayer*

*Ericsson Netzbau GmbH  
Greifswald  
Manfred Buchmayer*

*Ericsson Eurolab  
Deutschland GmbH  
Herzogenrath  
Jarl-Eric Nylund*

*Ericsson Fuba Telecom GmbH  
Hildesheim  
Günther Begemann*

*Ericsson Private Systems GmbH  
Ratingen  
Dick Sougé*

**Greece**

*Ericsson Hellas  
Telecommunications  
Equipment S.A.  
Athens  
Lars Björkenor*

**Guatemala**

*Ericsson de Guatemala S.A.  
Guatemala City  
Ignacio Gonzáles*





### **Hong Kong**

*Ericsson Communications  
(Hong Kong) Ltd.*  
Hong Kong  
John Gilbertson

### **Hungary**

*Ericsson Kft*  
Budapest  
Istvan Fodor  
  
*Schnack Telecom Rt*  
Budapest  
Andrea Nagy

### **India**

*Ericsson Telecommunications  
Pvt Ltd*  
New Delhi  
Bo Almlöf  
  
*Ericsson Telephone Corporation  
India AB*  
India Branch  
New Delhi  
Tommy Eriksson  
  
*Birla Ericsson Optical Ltd*  
Rewa  
D.R. Bansal  
  
*Ericsson India Ltd*  
New Delhi  
G.S. Bains

### **Indonesia**

*Erindo Utama PT*  
Jakarta  
F Siddik

### **Iran**

*Telefonaktiebolaget  
LM Ericsson*  
Iranian Branch  
Tehran  
Wadih Skaf

### **Ireland**

*LM Ericsson Holdings Ltd.*  
Dublin  
Vincent Daly  
  
*Ericsson Business  
Communications Ltd.*  
Dublin  
John L. Kennedy  
  
*Ericsson Systems  
Expertise Ltd.*  
Athlone  
Diarmuid O'Colmain

*LM Ericsson Ltd.*  
Dublin  
Ian Cahill

*Broadcom Eirann  
Research Ltd.*  
Dublin  
Gerhard Cahill

### **Italy**

*Ericsson S.p.A.*  
Rome  
Gian Luigi Tosato  
Aurelio Renna  
  
*Ericsson Telecomunicazioni  
S.p.A.*  
Rome  
Giovanni De Guzzis

### **Japan**

*Nippon Ericsson KK*  
Tokyo  
Morgan Bengtsson  
  
*Ericsson Toshiba  
Telecommunication  
Systems K.K.*  
Yokohama  
Thomas Hilläs

### **Korea, Republic of**

*Ericsson Korea Ltd.*  
Seoul  
Bengt Forss

### **Kuwait**

*Telefonaktiebolaget  
LM Ericsson*  
Technical Office  
Kuwait  
Bo Zaine

### **Latvia**

*LM Ericsson International AB*  
Representative Office  
Riga  
Ilkka Jäntti

### **Lebanon**

*Société Libanaise des  
Téléphones Ericsson S.A.R.L.*  
Beyrouth  
Riad Daher

### **Libya**

*Telefonaktiebolaget  
LM Ericsson*  
Libya Branch  
Tripoli  
Lars Davidsson

### **Lithuania**

*LM Ericsson  
International A/S*  
Representative Office  
Vilnius  
Mogens Faurholt

### **Malaysia**

*Ericsson Telecommunications  
Sdn Bhd*  
Shah Alam, Selangor  
Olle Ulvenholm



*Perwira Ericsson Sdn Bhd*  
Shah Alam, Selangor  
Kamaludin bin Abdul Kadir

### **Mexico**

*Teleindustria*  
*Ericsson S.A.*  
Mexico D.F.  
Gerhard Skladal

*Ericsson Radio Systems S.A.*  
Mexico, D.F.  
Per Fredén

*Empresa Tecnológica*  
*Ericsson S.A. de C.V.*  
Mexico, D.F.  
Rolf Hansén

*Sistemas Ericsson S.A.*  
Mexico, D.F.  
Roberto Rosales

*Telemontaje Ericsson*  
*S.A. de C.V.*  
Mexico, D.F.  
Roberto Rosales

### **Morocco**

*Telefonaktiebolaget*  
*LM Ericsson*  
Délégation Technique du  
Projet au Maroc  
Rabat-Agdal  
Harald Oberbeck

### **Netherlands**

*Ericsson*  
*Telecommunicatie B.V.*  
Rijen  
Haijo Pietersma

*Ericsson Holding*  
*International B.V.*  
Rijen  
Leo de Hoon

*Ericsson Business Mobile*  
*Networks B.V.*  
Amsterdam  
Albert Jokubaitis

*Ericsson Radio Systems B.V.*  
Emmen  
Gerrit Koning

*Ericsson Data Services*  
*Nederland B.V.*  
Rijen  
Philip Jörding

*Comnet Design B.V.*  
Veenendaal  
Kees Pannekoek

*Nira Nederland B.V.*  
Utrecht  
Anton Hoogerwaard

### **Netherlands Antilles**

*Telefonaktiebolaget*  
*LM Ericsson*  
Technical Office  
Curaçao  
Roger Lennartsson

### **New Zealand**

*Ericsson*  
*Communications Ltd.*  
Wellington  
Torbjörn Smith

*Ericsson Cellular Ltd.*  
Auckland  
Fiona Green

### **Nigeria**

*LM Ericsson (Nigeria) Ltd.*  
Lagos  
John Erik Vesterlund

### **Norway**

*Ericsson A/S*  
Billingstad  
Steinar Tveit

*Ericsson Radar A/S*  
Billingstad  
Knut Trovaag

*NFT Ericsson*  
*Communications ANS*  
Billingstad  
Tor Frydenberg

*Forslid A/S*  
Oslo  
Torbjörn Sundkvist

### **Oman**

*Telefonaktiebolaget*  
*LM Ericsson*  
Technical Office Oman  
Muscat  
Sune Larsson

### **Pakistan**

*Ericsson Pakistan Ltd*  
Islamabad  
Lars-Åke Andersson

### **Panama**

*Telefonaktiebolaget*  
*LM Ericsson*  
Technical Office  
Panama  
Daniel Holder

### **Peru**

*Compañía Ericsson S.A.*  
Lima  
Román de los Martínéz

### **Philippines**

*Ericsson Telecommunications*  
*Inc.*  
Manila  
Per Pedersen

*Philnet Ericsson Inc.*  
Manila  
Per Pedersen

### **Poland**

*Ericsson Sp.z.oo*  
Warsaw  
Jerzy Gryn

### **Portugal**

*Ericsson de Portugal Lda*  
Carnaxida/Lisbon  
Peter Källberg

### **Romania**

*Ericsson Telecommunications*  
*Romania S.R.L.*  
Bucharest  
Lars Christofferson

### **Russia**

*Ericsson Corporatia AO*  
Moscow  
Yngve Redling

*LM Ericsson International AB*  
Representative Office  
Moscow  
Yngve Redling

### **Saudi Arabia**

*Telefonaktiebolaget*  
*LM Ericsson*  
Saudi Arabia Branch  
Riyadh

*Saudi Ericsson Comm. Co Ltd*  
Riyadh  
Lennart Kalling

### **Singapore**

*Ericsson Telecommunications*  
*Pte. Ltd.*  
Singapore  
Hans Ekström

### **Slovakia**

*Schrack - Ericsson spol.s.r.o.*  
Bratislava  
Vladimir Kanich

### **South Africa**

*Ericsson South Africa Pty Ltd.*  
Johannesburg  
Christer Hohenthal

### **Spain**

*Ericsson S.A.*  
Leganes/Madrid  
Raimo Lindgren

*Ericsson Radio S.A.*  
Leganes/Madrid  
Ingemar Naeve

*Ericsson Redes S.A.*  
Madrid  
Carlos Alvaro

*Ericsson Sistemas*  
*Avanzados S.A.*  
Leganes/Madrid  
Ingemar Naeve

*Constel S.A.*  
Burgos  
Jesus de Román

*Tenel S.A.*  
Madrid  
Carlos Alvaro

### **Sri Lanka**

*Ericsson Telecommunications*  
*Lanka (Pvt) Ltd.*  
Colombo  
Lars Silfverling

### **Sweden**

*Telefonaktiebolaget*  
*LM Ericsson*  
Stockholm  
Lars Ramqvist

*Ericsson Telecom AB*  
Stockholm  
Anders Igel

*Ericsson Radio Systems AB*  
Stockholm  
Kurt Hellström

*Ericsson Business*  
*Networks AB*  
Stockholm  
Ragnar Bäck

*Ericsson Components AB*  
Stockholm  
Bert Jeppsson

*Ericsson Microwave Systems*  
Mölnådal/Gothenburg  
Jan-Åke Kark

*ELLEMTEL*  
*Utvecklings AB*  
Stockholm  
Gunnar Eriksson

*AB LM Ericsson Finans*  
Stockholm  
Gösta Ståhlberg

*AU-System Radio AB*  
Lund  
Anders Cedervall

*E-P Consulting Group AB*  
Karlskrona

*Ericsson Anslutnings-*  
*system AB*  
Skellefteå  
Peter Heedman

*Ericsson Cables AB*  
Hudiksvall  
Janne Sjödén

*Ericsson Emergency  
Control Systems AB*  
Gothenburg  
Lennart Nilsson

*Ericsson Hewlett-Packard  
Telecommunications AB*  
Stockholm  
Anders Engvall

*Ericsson Infocom Consultants  
Sweden AB*  
Karlstad  
Göran Frödin

*Ericsson Mobile  
Communications AB*  
Stockholm  
Johan Siberg

*Ericsson Network  
Constructions AB*  
Stockholm  
Bertil Strid

*Ericsson Paging Systems AB*  
Stockholm  
Ingemar Blomqvist

*Ericsson Radio Access AB*  
Stockholm  
Ulf Mimer

*Ericsson Radio Messaging AB*  
Stockholm  
Rudi Omholt

*Ericsson Radio Systems,  
Sverige AB*  
Stockholm  
Bengt Bergvall

*Ericsson Electronic Distr. AB*  
Stockholm  
Janåke Viklund

*Ericsson Treasury Services AB*  
Stockholm  
Vidar Mohammar

*Erifocus AB*  
Stockholm  
Alan Atkins

*Erisoft AB*  
Luleå  
Sture Johansson

*ERITEL AB*  
Göteborg  
Åke Johansson

*Erlang Systems AB*  
Stockholm

*Forslid & Co AB*  
Stockholm  
Torbjörn Sundkvist

*Industrigruppen JAS AB*  
Stockholm

*John Mårtensson  
Elmaterial AB*  
Helsingborg  
Christer Wahlberg

*LM Ericsson  
Data AB*  
Stockholm  
Bengt Bolin

*LM Ericsson Fastigheter AB*  
Stockholm  
Per Palmberg

*Mellansvenska  
Elektriska AB*  
Stockholm  
Christer B Andersson

*Objectory AB*  
Stockholm  
Roland Wester

*Scancables AB*  
Norrköping  
Torbjörn Sundkvist

*Svenska Elgrossist AB  
SELGA*  
Stockholm  
Göran Brodin

*Zonex AB*  
Uppsala  
Rolf Blom

#### **Switzerland**

*Ericsson AG*  
Brütisellen/Zürich  
Peter Kunz

*Ericsson Ascom  
Telecom AG*  
Bern  
Rudolf Fischer

#### **Taiwan**

*Ericsson Taiwan Ltd.*  
Taipei  
Mats H Olsson

#### **Thailand**

*Ericsson Communications  
(Thailand) Ltd.*  
Bangkok  
Rolf Granström

*Ericsson Telephone  
Corporation Far East AB*  
Bangkok  
Rolf Granström

*Ericsson Thai Networks  
Company Ltd.*  
Bangkok  
Jan Eckerud

#### **Tunisia**

*Telefonaktiebolaget  
LM Ericsson*  
Bureaux Techniques  
de Tunisie  
Tunis  
Lars Johansson

*Ericsson Tunisie S.A.*  
Tunis  
Lars Johansson  
*STITELE S.p.A.*  
Tunis  
Mohamed Hachicha

#### **Turkey**

*Ericsson  
Telekomünikasyon A.S.*  
Istanbul  
Johan Bruce

*Ericsson - Cukurova  
Telekom A.S.*  
Ankara  
Johan Bruce

#### **Ukraine**

*LM Ericsson International AB  
Representative Office*  
Kiev  
Leif Edwall

#### **United Arab Emirates**

*Telefonaktiebolaget  
LM Ericsson*  
Technical Office UAE  
Abu Dhabi  
Morgan Bergemar

#### **United Kingdom**

*Ericsson Ltd.*  
Burgess Hill  
Nils Grimsmo

*Camtec Electronics Ltd.*  
Leicester  
John Pragnell

*Componedex Ltd*  
Milton Keynes  
Peter Lagesse

*Orbitel Mobile  
Communications Ltd.*  
Basinstoke  
David Sims

*Ericsson Data UK*  
Burgess Hill  
Philip Jourding

#### **Uruguay**

*Compania Ericsson*  
Uruguay, S.A.  
Montevideo  
Peter Axell

#### **USA**

*Ericsson Inc.*  
Richardson, TX.  
Bo Hedfors

*Ericsson Messaging  
Systems Inc.*  
Woodbury, N.Y.  
Leif Holm

*The Ericsson Corporation*  
Washington, D.C.  
Torbjörn Ihre

*Ericsson-Raynet*  
Menlo Park CA  
Robert Kelsch

#### **Venezuela**

*Compañía Anónima  
Ericsson*  
Caracas  
Stig Johansson  
*Sistemas Ericsson C.A.*  
Caracas  
Alvaro Cifuentes

#### **Vietnam**

*LM Ericsson  
International AB*  
Representative Office  
Hanoi  
Per Karlberg

#### **Zimbabwe**

*LM Ericsson International AB*  
Representative Office  
Harare  
Olav Thorsen





*This glossary has been prepared to broaden the understanding of the terms used in this Annual Report. However, brief definitions of these terms cannot provide complete explanations.*

#### **ATM**

Asynchronous Transfer Mode. A technology for broadband transmission – transmission of high-capacity telecommunications signals. In addition to high-capacity signal transmission, ATM also provides a considerable flexibility, for instance, through the individual subscriber being able to adapt the capacity of a switched connection to current requirements.

#### **Cellular mobile telephony**

Mobile telephone systems consisting of radio base stations which are linked by telephone exchanges. Each radio base station covers a geographical area, a cell. When a subscriber moves within the area covered by a cellular mobile telephone system, the call is moved automatically from cell to cell. See also microcells and picocells.

#### **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 as stipulated by ETSI, a European standardization organization for telecommunications technology. Among other applications, DECT is the guideline for the development of systems for cordless business communications.

#### **Digital technology**

The processing of information in digital form by means of the binary numeration system, that is, using only 1's and 0's. The conversion to and from continuous signals is by means of special converter circuits, encoders and decoders.

#### **ERMES**

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

#### **ETNA**

Ericsson Transport Network Architecture. An arrangement of systems and products for establishing transport networks, which are based on Ericsson's latest advances in fiber-optical transmission and signal processing technology. A key element in ETNA is FMAS (Facility Management Application System), a system for supervision and operation of transport networks.

#### **GSM**

Global System for Mobile Telecommunications, originally developed as a pan-European standard for digital mobile telephony, but has now been implemented in many other parts of the world.

#### **Intelligent network**

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

#### **ISDN**

Integrated Services Digital Network. A digital communications network in which various information types (voice, data, images) can be conveyed simultaneously to a 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.

#### **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.

#### **Mobitex**

A system for mobile data communication developed by Ericsson for a broad application area. Mobitex uses a technology that facilitates transmission of large amounts of data, in a short time, with high reliability. Public networks for Mobitex are being established in many locations worldwide.

#### **NMT**

Nordic Mobile Telephony. The general Nordic standard for analog mobile telephony as established by the telecommunications administrations in Sweden, Norway, Finland and Denmark in the early 80's. Systems adhering to this standard have been installed in a number of countries outside the Nordic region.

#### **PCN**

Personal Communications Network is a radio-based telecommunications network which enables the use of lightweight, inexpensive cordless telephones, so-called personal telephones.

#### **PCS**

Personal communications Services is an American term corresponding to PCN in Europe.

#### **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.

#### **POCSAG**

An analog international standard for paging systems. As with mobile telephony, this standard is being increasingly replaced by digital solutions.

#### **Radio in the Local Loop, RLL**

RLL is a collective term pertaining to network solutions in which radio technology is used to link the subscriber to the wire-line telecommunications network. This technology provides possibilities for a rapid, and comparatively inexpensive, expansion of the wire-line network.

#### **SDH**

Synchronous Digital Hierarchy is a European standard for digital signal transmission within telecommunications networks. The standard was devised to meet the demand for greater transmission reliability and flexibility.

#### **TMOS**

Telecommunications Management and Operations Support. TMOS is a system and applications platform common to various network applications, computerized operation and monitoring of telecommunications networks.

#### **Trademarks**

*A number of trademarks are mentioned in this annual report. The following trademarks are owned by Ericsson*

AXE™  
BusinessPhone™  
Consono™  
EDACS™  
Ericsson Mobility Server™  
EriEye™  
ETNA™  
Freeset™  
DCS1800™  
MD110™  
Mobitex™  
PCS1900™  
RAS1000™  
TMOS™

*Trademarks not belonging to Ericsson are the following:*  
ATG™ – owned by AB Trav och Galopp in Sweden  
Concert™ – owned by BT and MCI  
iso-ENET™ – owned by National Semiconductor

## Annual General Meeting

---

The Annual General Meeting will be held at the Victoria Hall, Stockholmsmässan, Stockholm, at 5 p.m. Wednesday, May 10, 1995.

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 28, 1995.

Shareholders, whose shares are registered in the name of an agent, must temporarily be entered in the share register not later than April 28, 1995, 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, 1995 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 15, 1995 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 22, 1995.

### *Stock split*

At the Annual General Meeting, the Board of Directors will propose, following payment of the dividend, the shares be split so that four new shares replace each "old" share outstanding.

### *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, 1995
Interim report January–June	August 17, 1995
Interim report January–September	November 15, 1995
Preliminary results 1995	February 8, 1996
Results 1995	March 7, 1996
Annual report 1995	mid April, 1996

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

The Ericsson Corporation,  
100 Park Avenue, Suite 2705,  
New York, N.Y. 10017, U.S.A.  
Tel: +1 212 685 4030

### *Investor relations*

Karin Almqvist Liwendahl, Manager  
Investor Relations, Corporate Relations,  
Telefonaktiebolaget LM Ericsson,  
S-126 25 Stockholm, Sweden  
Tel: +46 8 719 0000,  
Telefax: +46 8 719 1976

Lars Jonsteg, Vice President,  
The Ericsson Corporation,  
100 Park Avenue, Suite 2705,  
New York, NY 10017, U.S.A.  
Tel: +1 212 685 4030, Telefax: +1 212 213 0159

## Annual General Meeting

---

The Annual General Meeting will be held at the Victoria Hall, Stockholmsmässan, Stockholm, at 5 p.m. Wednesday, May 10, 1995.

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 28, 1995.

Shareholders, whose shares are registered in the name of an agent, must temporarily be entered in the share register not later than April 28, 1995, 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, 1995 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 15, 1995 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 22, 1995.

### *Stock split*

At the Annual General Meeting, the Board of Directors will propose, following payment of the dividend, the shares be split so that four new shares replace each "old" share outstanding.

### *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, 1995
Interim report January–June	August 17, 1995
Interim report January–September	November 15, 1995
Preliminary results 1995	February 8, 1996
Results 1995	March 7, 1996
Annual report 1995	mid April, 1996

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

The Ericsson Corporation,  
100 Park Avenue, Suite 2705,  
New York, N.Y. 10017, U.S.A.  
Tel: +1 212 685 4030

### *Investor relations*

Karin Almqvist Liwendahl, Manager  
Investor Relations, Corporate Relations,  
Telefonaktiebolaget LM Ericsson,  
S-126 25 Stockholm, Sweden  
Tel: +46 8 719 0000,  
Telefax: +46 8 719 1976

Lars Jonsteg, Vice President,  
The Ericsson Corporation,  
100 Park Avenue, Suite 2705,  
New York, NY 10017, U.S.A.  
Tel: +1 212 685 4030, Telefax: +1 212 213 0159

