

Contact

M A N A G E M E N T

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The Gellert spa in Budapest, a city of traditions. Hungary, the first country in East Europe to have an Ericsson AXE station, is a bridge to the East Bloc.

Pages 3, 4 and 5



Personal Development

Peter Guiliano gesticulates wildly and breaks off Ericsson's CEO in midstream. Björn Svedberg has 60,000 employees under him, but on this April afternoon it is he who is the student.

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Cellular phone comes to Malaysia

On the fringe of eastern Malaysia's dense jungle, lies the tiny village of Bako in Sarawak, the country's largest state. The village's only phone, a cellular phone powered by solar energy, was supplied by Ericsson Radio Systems as part of a major order Ericsson received several years ago.

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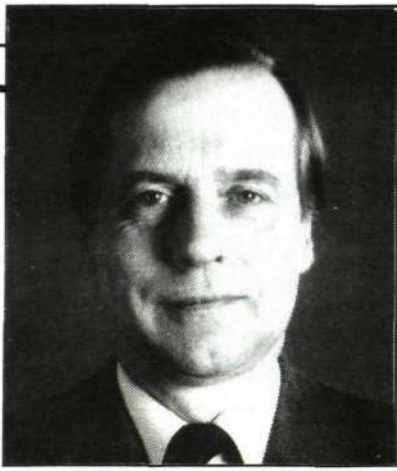


He plays The ERIf flute

Björn Olsson, above, is in marketing with Ericsson Components in Kungens Kurva, outside of Stockholm. And he is also an accomplished flutist. Björn feels the two roles can be combined.

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Plus 609 million in the first quarter • Page 3



On the road with the roadshow

When I was in London talking to investors last year, I drew a picture of Ericsson as a magnificent sailing vessel... one that had successfully sailed through some very turbulent waters, that had lightened its load, trimmed its sails and had set its course squarely for the future.

Europe today is, in particular, the most important geographical area for Ericsson. Last year, we had half of our total sales in Europe, excluding Sweden. We are continuing to strengthen our presence in Europe and not least in several Common Market countries.

We have built up a strong position in the EC, and we certainly do not intend to release our grip on this market after 1992. But there are some dark clouds ahead. But to overcome them lies not in our power; this is in the hands of our politicians.

Politicians must procure for us the same benefits as our competitors. The customs union that is being discussed does not guarantee broad and equitable treatment for all. A customs union takes account of only one of the four free aspects of trade, namely to facilitate moving goods across borders.

It is likewise necessary to be able to move capital across borders, and, above all, it is necessary to see that there is no discrimination in the work force; for example, Swedish qualifications must be recognized over all of Europe. Personnel should be able to move between different countries, not least here to Sweden. Today, it is such that — in light of the tax situation — it is virtually impossible to have employees from our operations in other countries come to work in Sweden.

There are also other political trade problems that perhaps apply especially to our operations. Since we have a relatively large deal of our sales going to state authorities and the public sector, the EC trade regulations will have major significance for our future.

The stipulation that a product have at least fifty percent of its origin in the Common Market can mean an extraordinary shifting of our operations to EC countries.

I particularly advocate that Swedish credentials be valid over all of Europe. This is of vital importance to the education of our future technicians and skilled workers. We foresee many serious problems with the quality of the Swedish educational system. We must all help in making sure that the qualities of our youth are developed in the best way. The area that applies most in our case is higher education in technology.

Key factors within our branch in the coming years are, among others:

- good market presence
- to be able to offer the technology, the systems and the products that the markets demand
- to have stability and endurance

Added to this are other factors, which we cannot ourselves control. Today, Ericsson is one of many Swedish international companies where the bulk of its operations lie beyond Swedish borders.

A new dark cloud over us is, therefore, the proposal for higher wage costs. We have annual wage costs in Sweden of about 4.5 billion kronor — of which more than half is in Stockholm since we are heavily concentrated there.

A general increase in wage costs of two percent and thereafter an additional three percent would inflict us with more than 220 million kronor in additional costs under the proposed period September 1989 to December 1990.

We already have a high wage level in Sweden. Our international customers are not prepared to pay more. If the proposal goes through, we will be rapidly obliged to shift some of our plans for Sweden and instead work more in those countries where we have the bulk of our sales. I think all our employees are aware of this.

Let us, therefore, in every way resist this discrimination against us who have built up industrial operations in Stockholm


Björn Svedberg

our ability to accomplish such an expansion over the past several years.

In radio communications, we have a very strong position on The European Cellular Telephone Systems market. With 75% of all subscribers connected to an Ericsson system we are clearly the market leader.

Our business with the Nordic cellular system, already the most developed in the world, continues to expand. The system we supply here in the U.K. is one of the fastest growing systems today, with 3,000-4,000 new subscribers per week. We expect the total European cellular system market to expand from about 1.4 million subscribers today to about 4 million subscribers by 1991.

We are aggressively positioning ourselves for a big piece of the new digital pan-European cellular network which will begin to be introduced in 1991. We have already won orders for this system in France, The U.K. and Switzerland, and we are optimistic about our future prospects.

Finally, our MD 110 PBX is selling very well in Europe and accounts for about three-quarters of business communications revenues. Ericsson orders rose 33% in 1988, versus only a 2% market growth. We believe we can capture and maintain a market share of 12%, versus the 9% we have today. This would mean, sales of about 600,000 lines annually in Europe alone by 1991.

We have diligently cultivated these markets over many years, now we are reaping the harvest. Thus we can be confident of our outlook for Europe. We will increase our volume, we will expand our base and we intend to capitalize on the clear leadership position we enjoy today.

While we are reaping the harvest in Europe, we are diligently sowing seeds in the U.S. Why, many of you have asked, is this taking so long. The market is soft, with flat shipments for the last two years and flat shipments predicted through 1993.

That may be bad for a couple of our competitors but very good for us. We intend to fully utilize this time to continue to strengthen our position.

Today we're doing business with four of the seven regional holding companies. Our marketing strategy emphasizes building relationships with the RBOCs based on AXE as an attractive "Intelligent Network" family of systems and establishing Ericsson as world class in customer responsiveness and reliability.

Today we have 190,000 AXE lines installed in the U.S. and another 105,000 lines on order. Including cellular telephony, we have close to 900,000 lines of AXE installed or on order in North America.

The cellular market in North America grows rapidly and will continue to grow rapidly for many years. We enjoy today a 25% systems market share, which corresponds to 560,000 subscribers. We expect this figure to be up to about 1.4 million subscribers by 1991. We are the No. 3 supplier in the U.S. and we are well positioned to hold on to, or even improve this standing. One step in this direction was when the U.S. Cellular Telecommunications Industry Association recently adopted our TDMA standard for the new digital cellular system of the 1990's.

In the PBX area, we've developed a

very nice niche for MD110 in large campus-type applications. Our crown jewel so far is our \$30 million contract with the University of Massachusetts to support over 30,000 lines of data and voice connections.

Ericsson North America's sales have stayed at about \$400 million a year over the past several years. We have actually been rapidly expanding our future growth sectors — cellular, PBX and central office sales. Our U.S. activities are steadily improving, and will benefit from \$180 million in tax loss carry forwards. The important investments in technical development that we are making in the U.S. are now being utilized for other large markets around the world.

Let me highlight a few upcoming markets among others,

- China, where we are today the leading central office supplier and where we expect sales to increase over the next three years. The People's Republic of China has today about 6 million telephone lines for 1 billion people. A tremendous potential!
- The Middle East, a traditional Ericsson stronghold which is re-creating following the collapse in oil prices and the Iran-Iraq conflict.
- And the Pacific Rim of Asia, where we now hold strong positions in the fast-growing economies from Korea in the north to Australia in the south

Finally, let me risk an observation or two on the structure of our industry a few years ahead. We foresee

- Further consolidation in public telecom, with perhaps just half a dozen central office switching systems sharing an increasingly open world market which should expand to about 45 million local lines installed per year by 1991 versus about 39 million last year. Our total market share last year was about 10%. Based on 4 million lines installed in 1988 — up sharply from 3.15 million lines in 1987. And our order intake was 5.4 million lines! So we're picking up market share, growing quite a bit faster than the industry as a whole.
- We foresee further alliances and mergers in the industry to gain market shares and leverage R&D spending.
- We foresee explosive growth in cellular telephony. The cellular business will have a considerably higher growth rate than our public telecommunications business area in the next decade.

With certain exceptions, we foresee the window of opportunity for major shifts in central office market position slowly closing as more and more markets are "captured" by two or perhaps three of the leading suppliers. Either directly or in some form of local partnership.

What about Ericsson's products? What will our products look like three years from now?

I'm happy to say, very much the same as they do today. We will stay tightly focused on our core telecom business, where all three of our key systems — Central Office, Cellular and PBX — are on the forefront of technology, thanks to billions of kronor — and pounds and dollars — and millions of man-hours of R&D investments.

I said then and I repeat now, that doesn't mean smooth sailing ahead. It does mean that the race is on and Ericsson is in it for the duration.

Rather than dwell on past efforts or present activities, I'd like to break some new ground by outlining our goals and expectations for the future.

As you are investors rather than futurists, I'm going to limit my time frame to three years, or a little bit less, because I'm sure that even in Britain you've gotten tired of hearing prophecies for 1992.

Let me organize my vision for Ericsson into three perspectives:

- Its market
- Its products
- Its overall financial objectives

I hasten to add that, especially as far as future financial performance is concerned, I will be discussing goals and targets, rather than making predictions.

Let's start with our markets. In 1988 our geographic sales breakdown was as follows. We expect:

- A further reduction in the developing world's proportional contribution
- Growth in our existing markets in Europe
- Growth also in the industrialized countries of Asia and Pacific Basin
- and in the U.S.

The countries of Europe currently account for over two-thirds of Ericsson's revenue. This is a market that, according to some sources, represents approximately 45% of the total world telecom equipment spending. Europe will remain Ericsson's largest market for years to come.

We are continuing to increase our presence throughout Europe and especially in the European Community. In recent years we have made strategic new investments in France, the U.K. Spain and Italy. We are thus well positioned to capitalize on the more unified and open European telecom market of 1992.

In the public switching sector, thanks to our excellent AXE technology and our century-long experience in international telecommunications marketing and service, we are today the No. 1 or No. 2 supplier in 15 European countries. We have a cumulative market share of 20% of the European public telecom market as measured by number of local lines installed during 1988. Europe thus accounts for about 75% of public telecommunications sales. We expect a continued increase, in sales in these existing markets.

At the same time we will continue to seek ways to further build our market position and volume throughout Europe as events open new existing market opportunities. For example, West Germany and Eastern Europe.

We have effectively demonstrated



An exciting market in sight

On Tuesday, March 7, 1989, telecommunications history was written in Budapest. The first digital telestation was installed in East Europe when Ericsson delivered an AXE station

for international traffic. Hungary can now reach 107 countries around the world through its 6,400 lines.

This is in no way a record order in terms of contract figures or station size. The

48 million SEK cost of the station is often surpassed by other Ericsson deals.

What makes this deal unique is that it is the first AXE station for an East Bloc country. As such, it

has a special background and it gives a special insight on the thinking that is current in many East European countries.

First AXE switch for Hungary - The start of an even greater challenge?

In the early eighties, when Hungary decided to set up digital telestations, competition bids were made for direct supply and local manufacture. The winner was Ericsson. But in 1984, something occurred that put a stop on this project and many others that involved high technology from West to East. The so-called Cocom rules were set up.

It was the United States that decided to forbid the transfer of strategically important technology originating in America. It was a superpower play, with microelectronics as the weapon. The U.S. wanted to put pressure on Moscow for a Soviet withdrawal from Afghanistan.

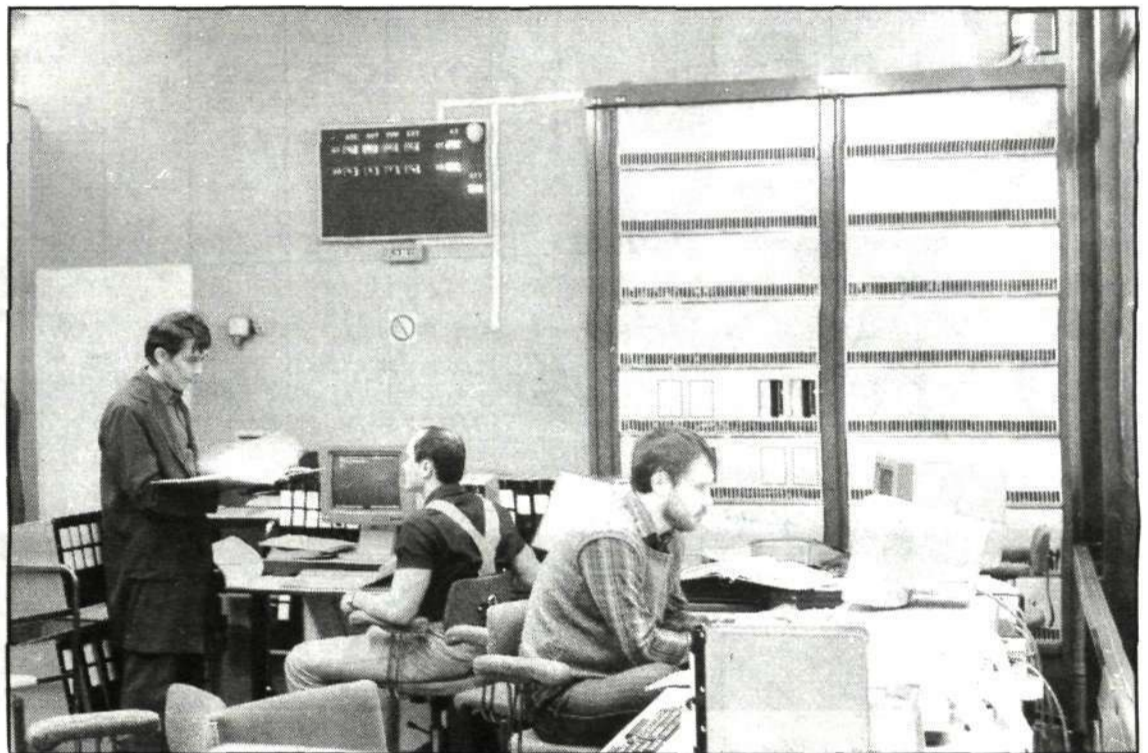
Since a great deal of advanced technology was of American origin, this meant that many companies in the West were forbidden from exporting their latest products to East Europe.

Naturally, these included Ericsson. But in the spring of 1985, Mikhail Gorbachev came to power in the Soviet Union and relations between the superpowers steadily improved. There was glasnost and perestroika in the Soviet and withdrawal from Afghanistan was in the offing.

In the offing, too, was the scrapping of the Cocom rules and with it the possibilities for Ericsson to export AXE to Hungary and other countries in East Europe. Already in December 1986, Ericsson and the Hungarian PTT, Magyar Posta, had written a contract, aware that a solution was in sight.

When permission to extend the high technology equipment came in September 1988, Ericsson was more than ready. Three months later, the station was in place and installed in Budapest.

Installation and inauguration of East Europe's first AXE switch was the culmination of an exciting challenge for Ericsson. And perhaps, too, the beginning of a new and even larger challenge.



In many ways, it looks like any Ericsson AXE station around the world. But the international station in the old setting on Mihaly Horvath Square in Budapest is historic. It is East Europe's first AXE station.

Trade links and licenses

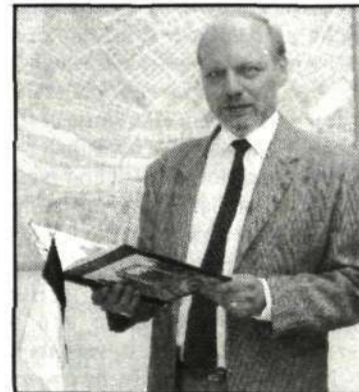
Ericsson has old roots in Hungary. From 1911 to 1937 we had a company in Budapest called Ericsson Ungarische Elektrizitats Aktiengesellschaft, previously Deckert & Homolka. This company is known as BHG and for many years now has been a licensed manufacturer of, among other things, Ericsson's coordinate select products on the telephone station side.

BHG is a large company within the foreign trade group Budacox Telecommunication Foreign Trading Company Ltd. BHG has about 9,000 employees, with six factories, of whom 6,000 are at the main factory in Budapest. Ericsson products are manufactured in the first place at a factory in Debrecen, which is a carbon copy of our Visby factory.



At our licensed manufacturer BHG, one can follow the tide of history. Ericsson bought the then Deckert & Homolka during the old Hapsburg era, when Hungary and Austria formed a common empire. It was sold in 1937. From the right, factory manager Attila Giddai, marketing director Ferenc Tompa, guide and Ericsson expert Gyula Horvath, production manager Tamas Verdö, and in the foreground secretary to the factory manager.

An old hand



Ulf Sandberg is Ericsson Telecom's marketing representative for Hungary and Yugoslavia. Hungary is now his other home, since that is where he met his wife.

Ulf Sandberg is responsible within Ericsson Telecom for our contacts with Hungary and Yugoslavia. He has worked with these countries over many years and he feels that it is very inspiring that we can have our first AXE in East Europe.

"It was a long wait before we received the go-ahead to export to the East. But now the door is open and we can go through. Hungary is putting a lot of emphasis on telecommunications in its 10-year plan and Magyar Posta is organizing itself radically in a way that is more market geared than what many Western countries dare to do. And many of the other East Bloc countries take Hungary as their model."

Hungary is now the focus of international mass media coverage, with its rapid but on the surface undramatic development.

"The development is not going too fast," said some of the Hungarians we met in Budapest at the beginning of April.

"There's no danger."

But indeed, events have moved on since our visit in April. The barbed wire fence between Hungary and Austria was being clipped away at the beginning of May. That signifies in itself a symbolic opening in the old "iron cur-

tain." The border was not really closed off earlier. Hungarians who could afford it could actually go to Austria and shop when they wanted.

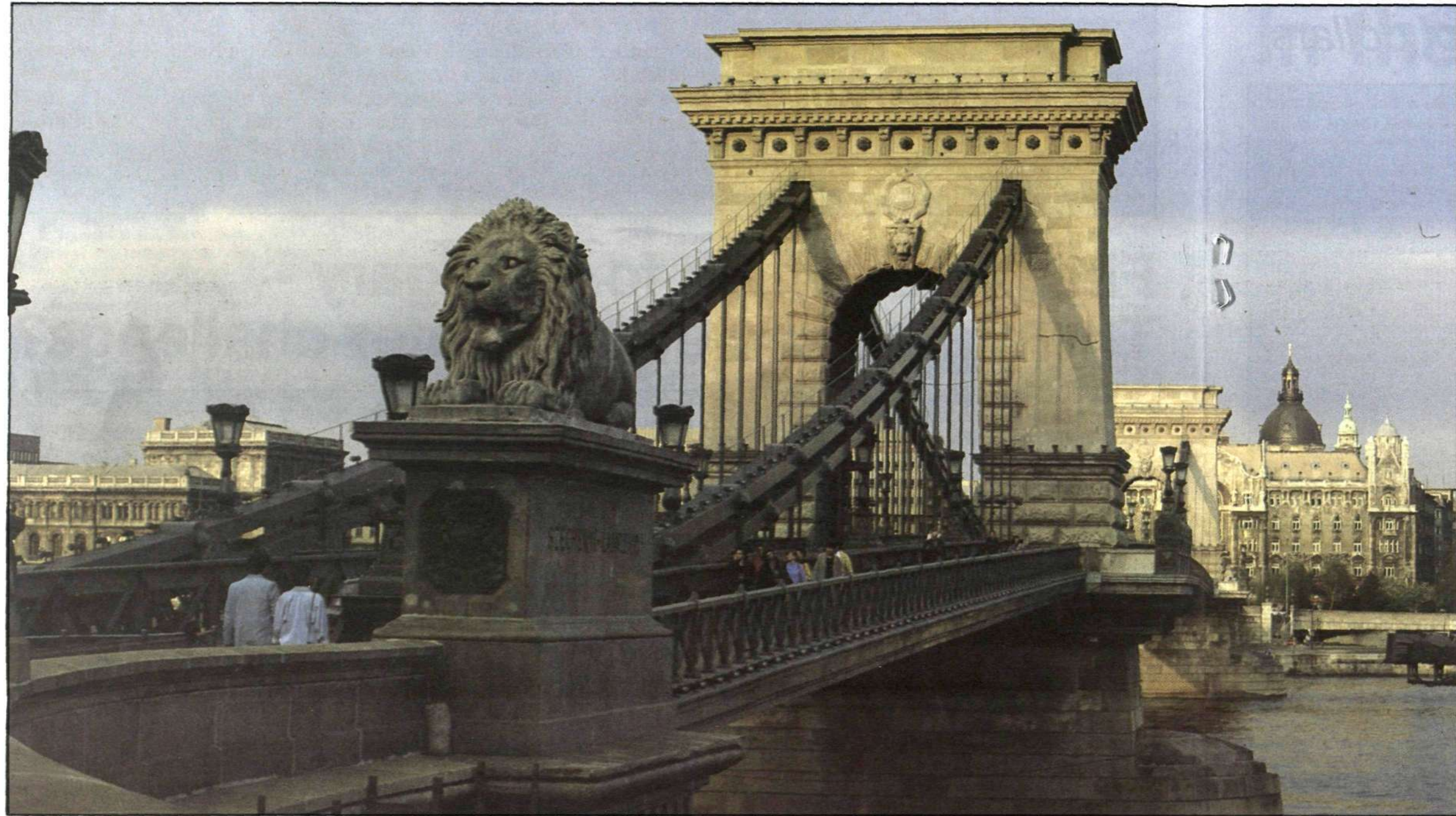
The old party leader Janos Kadar was removed on May 9 from his political position. At the same time, it was an-

nounced that Imre Nagy, who led the 1956 revolution and was removed in 1957, has been rehabilitated. His remains will be moved from an anonymous burial spot to an official one in a state ceremony that will take place 32 years after he was deposed.

But developments have moved at a fast pace earlier. Sometimes it takes the form of trade or culture that binds East and West.

Last year, East Europe's first professional boxing tournament took place in Budapest.

Hungary - a bridge to East Europe



Hungary report:
Bengt Plomgren (text)
Gösta Rising (photos)

From the beginning to the middle of the 1800s, the cities Buda, Obuda and Pest were separated by the mighty Danube. Today, picturesque bridges link the cities to Budapest and its two million inhabitants. The most picturesque is the Chain bridge, which joins the central quarter of Pest to the north with the Palace and the Matthias church in Buda to the south. Toward the end of the Second World War it was bombed but has since been rebuilt.

We have with us a bunch of brochures from the Hungarian Tourist Office in Stockholm. We also have with us "Lantlif i Budapest" ("Rural Life in Budapest") by Stig Slas Claesson, and "Budapest, Europas Hjärta" ("Budapest, Heart of Europe") by Clas Thor.

That and other literature on Hungary and Budapest was nightly reading the week before leaving for Budapest. We read aloud interesting bits for each other on the flight down. We were well briefed. We hoped.

That was true, up to a point; but not completely. Developments in Hungary are moving at a fast pace, so much so that much of the information in the brochures and the books have become outdated. We noticed this immediately.

"I know of no other country in East Europe that has such a large private sector," I said. "Up to 12 employees are allowed, according to what I have read."

The Hungarian host laughed gently. "That may have been last year. Such re-

strictions no longer exist. Recently, a top director in one of our state company groups quit. He founded a private company and took with him 20 qualified colleagues. Of course, that would have been unthinkable a few years ago. But it is happening now. Week after week, in different ways, we are getting new opportunities in economics and business," he says.

This new company, along with others that have followed in rapid stride, was made possible through a new law on joint ventures — commonly owned companies. They are also some of the most significant signs of investment in the "other economy" — complement to the state companies and agricultural collectives.

Previously, the "other economy", was another form of private enterprise, which is very common in Hungary. Now, it is becoming more and more a full-time undertaking in various forms.

It is not only the day-to-day Hungary that is changing. Even historic writings are

being revised. The 1956 revolution has been redefined and has been given a positive rather than negative appraisal. The old party leader Janos Kadar "was removed" in a gentle way at the beginning of the year and has been replaced by the reform-minded Karoly Groz. National composer Bela Bartok's remains are coming to Hungary from the United States under state auspices.

I received a personnel paper from one of the state organizations we visited. High up on the first page there was a quote from Lenin. Our host translated a few lines and then put it down.

"Before, we had a quote from Stalin. They have stopped a few years now. Perhaps, we will no longer have these either. Who knows?" he says.

No, nobody knows. But many are following with interest developments in East Europe's showplace. Are events moving too fast? Can the rapid change be dangerous?

"No, things aren't moving too fast," says another Hungarian host. "Now we have the opportunity to open the window to the West and that opportunity we shall use."

Our Hungarian host have been open all along, accessible and generous. They do not duck questions, but come directly themselves into the inevitable question of relations with the Soviet big brother. Relaxed over small cups of Hungarian espresso coffee and barack palinka — apricot brandy — they give their views about Russian glasnost and perestroika. In the end, we come to the question.

"When did you begin your glasnost?" In 1956, was the immediate response, which was accompanied by hearty laughter from other Hungarians in the locale.

Now it was time for the homeward trip after several intensive days in Budapest. There were visits to state companies and administration during the day. In our spare

time, it was an exciting choice among the fantastic sights of this beautiful city, which, with all its monuments, buildings, bridges, baths and cafes, reflected so much of Central and Eastern Europe's stormy history.

One of the hosts drove us to the airport. He asks if we have bought Tokai to take home with us. Of course, we have.

He says half seriously, half ironically: "I hear that in Sweden you have to buy your wine in special shops. I do not think that is democratic."

In the brief silence, one can sense the answer he wants. He gets it in the same tone as his comment:

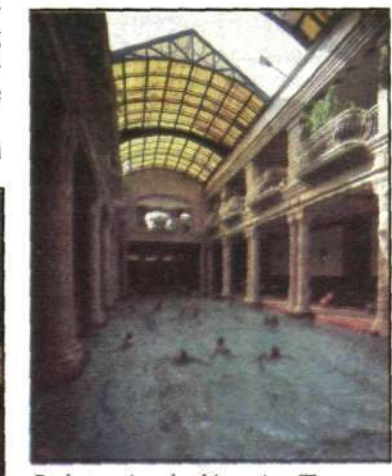
"No. But perhaps we are democratic in other areas instead."

His warm, hearty and perhaps many-sided laughter went with us as a closing vignette from a Hungary that dares to experiment with the future and at the same time see history with new eyes.

Bengt Plomgren



The Matthias church near the Palace on the Buda side. Here, an evening under beaming spotlights during a TV show.



Budapest is a bathing city. There are some 100 so-called thermal baths where warm water comes directly from underground sources. Among the best known is the Gellert cure spa.



Istvan Jenöfi is a big fan of Sweden and Ericsson. Here with a well-known historic Ericsson plate.



Kalman Domjan looks forward to continued cooperation with Ericsson through the new 10-year plan for Hungary's telecommunications.



Endre Kovacs has absolute trust in Ericsson and believes we adhere to our promises.

We have learnt a lot from Ericsson

"We have learned a lot about Ericsson over the past ten years. Now, we want to use this knowledge for the large investments in telecommunications, which are a part of our ten-year plan. Hungarian industry will do as much as possible with that. But, naturally, in cooperation with Ericsson, with whom we have very good relations."

The speaker is Kalman Domjan, investment in Magyar Posta the Hungarian PTT. Starting in 1990, Hungary will be making major investments in telecommunications over the next decade. The Ericsson-built AXE station for international traffic, which was inaugurated on March 7 this year, can be seen as a headstart for investment.

In many ways, Hungary is much more modern than the other East European countries. There is no goods shortage nor food lines. On the contrary. The black market currency exchange exists. But it gives only 10-15 percent above the official rate. The majority of the cars are of East European origin, but young people sport Western-style clothes.

"We are more American than we are Polish," is a classic rejoinder to the preconception of the Western visitor.

But in telecommunications, Hungary is definitely the envy of the rest of East Europe. Delegations from many other East Bloc countries come to look at the AXE station in the old, antiquated building on Mihaly Horvath square.

"That is free publicity for Ericsson," says Istvan Jenöfi, vice director of the state foreign trade company Elektroimpex.

Jenöfi is impressed with Ericsson's fast work in getting the AXE to Hungary.

"We thought Ericsson took a big risk when it projected and began to manufacture the station before permission was received to bring in AXE to Hungary. But in the end it was quite simple, so Ericsson judged the situation correctly," he says.

Jenöfi makes no secret of his hope that Ericsson will have a major role in the coming ten-year plan. He is a keen fan of Ericsson and Sweden.

"Ericsson always deals correctly and honestly. You are even more important for us now, when we have got almost limitless possibilities for doing business," he says.

The limitations could easily be thought to be economic. It is well known that Hungary has heavy foreign debts. But when it comes to telecommunications, it is a matter of budgeted investments that are guaranteed by the Hungarian state and that are paid in cash.

The Hungarian will build three million lines over ten years. This affords boundless opportunities for the well established multinational companies in telecommunications. One of our competitors in the world market is already in place. Northern Telecom, through an Austrian licensed manufacturer, has sold stations for a total of 85,000 lines. One station is housed in the same building as the Ericsson station.

Endre Kovacs, acting director for international communications traffic in Magyar Posta, showed us both stations.

"Previously, we served 350,000 subscribers from 600 square meters.

Now, we serve 800,000 from 200. This is really a big and important step for us. We have the first digital station in all of East Europe. Previously, it was not completely digital but combined," he says.

When Kovacs offered us a conversation linkup with Sweden to demonstrate the station, nothing happened for a long while. But it was not the AXE station that was at fault.

"It is our own local switch that has too little capacity," he explained. "We cannot come through to the international exchange."

He is very particular about underlining that. His trust in Ericsson is solid.

"Ericsson never says OK directly when one talks about business and possibilities. They look at background facts first and then leave a proposal for what they believe possible. That is significantly better than to promise directly and then not be able to deliver on that promise," Kovacs says.

Before the ambitious ten-year plan is put into effect, Magyar Posta is busy with reorganization. It is aiming for more economic flexibility. What has been given priority in telecommunications investment is complete local stations. They have also just invited bids for mobile telephony.

One hopes that in the long run Hungarian industry will be able to meet its own production needs. The old Ericsson licensed manufacturer BHG is naturally in mind. But several licensed manufacturers are possible, since BHG in recent times has become indirectly linked to Northern Telecom through its Austrian licensed manufacturer. And Ericsson, of course, is very much in the picture.



Madame Paprika's stand in the Eiffel design market is a decorative example of the importance attached to vegetables.



As Hungarian as paprika and equally hot is gypsy music. Here, Josef Radics and his orchestra in a restaurant cellar around the Matthias church.



An array of gold ornamented decorations, crystal, marble, brass and other relics that pertain to another era make up the decor of the legendary cafe restaurant New York Hungaria.



Riverboats still ply the Danube with freight and tourist traffic. Right, on the Buda side just above the well-known Gellert Hotel, is the Citadel and the Liberty statue.



From the Citadel, one has a view over the Danube toward the Pest side. Right, the parliament, and left, the Budapest inhabitants own "Djurgården," Margareta island.

'More energy, Björn'

...your speech is worth hundreds of millions of dollars

The following article is excerpted from a personal development column by Jan Hökerberg that appeared in *Veckans Affärer*.

"Trust more in your intuition, Björn. Where is your energy?"

Peter Guiliano gesticulates wildly and breaks off Ericsson's chief executive in midstream. Björn Svedberg has 60,000 employees under him, but on this April afternoon it is he who is the student.

Teacher Peter Guiliano is an expert on communication with his own company, Executive Communications Group, in New York. He is a specialist in helping corporate executives to improve their speech.

His client list includes, besides Ericsson, Chrysler, Corning Glass, the American Exchange, Hoechst and the Federal government.

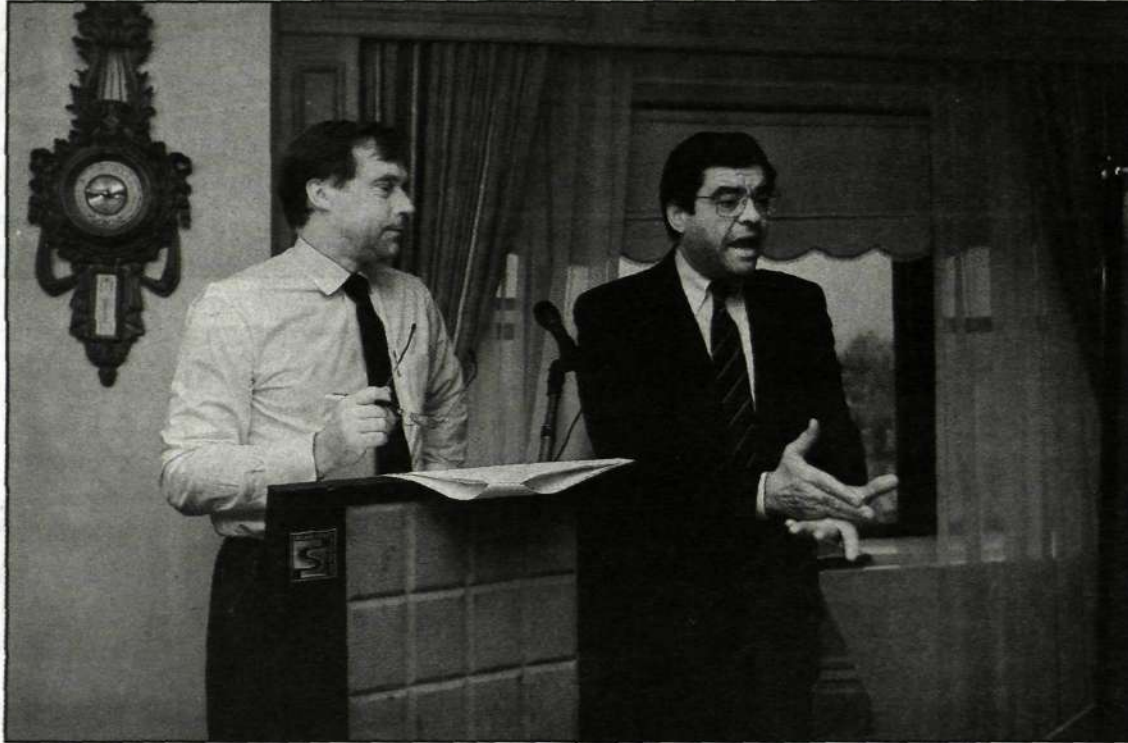
Guiliano has worked with Svedberg many times before and has a high opinion of the Ericsson executive. "He is a good speaker. He has charm, is very intelligent and well-balanced."

The two worked together for the first time in February 1987, when Svedberg was going to be the keynote speaker at the leading telecommunications fair in the United States. Now it is time for Ericsson's financial road show in America and in the following days Svedberg will give what could be his most important speech for 1989. The audience includes 135 Wall Street analysts, a group that holds powerful sway over stock market movements with their recommendations to buy and sell.

Analysts are used to listening to exciting and self-confident American executives and, as such, they put great store in a speaker.

Therefore, this rehearsal is important. To make it as realistic as possible a portable podium with a microphone has been installed on a table in Svedberg's suite at the Park Lane Hotel in New York.

There were listeners indeed: vice presidents Carl Vilhelm Ros and Lars Ramqvist; head of U.S. operations Peter Thomas, as well as Peter Bergenhag of the New York office, who heads investor relations and Kathy Egan, who handles information.



Peter Guiliano, in a training session with Ericsson's CEO Björn Svedberg.

Guiliano has recently been to Stockholm, where he went over the speech. But he isn't too pleased with what he hears. He jumps back and forth, screams, gesticulates, alters the speech. "Express yourself more personally," he advises the Ericsson executive.

The result of the rehearsal is that the speech was edited somewhat, making it is easy to deliver. That has to do more with being able to intone correctly, pause at the right place, have the right inflection, etc.," says Guiliano.

Hence, he attaches a lot of importance to how the speaker uses his body, where he directs his glances, what he does with his hands. To merely read a speech up and down before an audience is to weaken it," Guiliano says.

"A speech should engage the listener directly. At the beginning of the speech, there must be a memorable element that also contains the central theme one wants to project."

Research has been done into how

listeners perceive and comprehend, believe and remember a speech.

The significance of the word amounts to about only 15 percent. Body language is put at 40 percent and voice at 45 percent.

"When I give a talk in Sweden, most times I have only charts and a little text and I move through the text rather freely," Svedberg says. "But as a Swede, I have had solid training in reading from a written text, in being able to project the text so that it appears as if one is not reading it. I am an accustomed speaker, but previously I resented reading written speeches directly," Svedberg says.

To give a speech in English in front of sharp financial analysts means, however, that every word must be carefully weighed. "One can do that when one is speaking his native language. It is far more difficult when one is speaking a foreign language, even if one has a good command of the language."

Guiliano's link with Ericsson goes beyond training executives. Others in the company leadership and salesmen

have had training in how to express themselves in an effective way.

"Certain employees often give presentations that can involve 100 million dollars or more. If they are not well prepared, the chances are that they could fail," says Guiliano.

He is starting now to learn how the Swede is built (Asea, too, has used him). Every seminar that Guiliano conducts begins with each participant relating what he or she is good at. Then, the person should say something positive about all the others in the room.

"Swedes very often have problems expressing themselves positively about themselves and others. Americans find it easier. They tend to think afterwards that it was good to talk about it. Swedes ask themselves if there is really any point in doing so," says Guiliano.

Guiliano recounted a visit to Sweden, where a Swedish participant at a seminar came up to him afterwards and said: "Peter, you do not understand we Swedes. We have no humor, we are not warm and friendly,

we are not outgoing, we do not speak out."

Guiliano thought a lot about these words as he roamed around Stockholm one beautiful August day. "Everywhere I saw people who were not like that. Out in town, at the cafes and restaurants, there were Swedes chatting with each other, gesticulating, laughing etc. This did not match the description I had earlier and I do not believe it had anything to do with alcohol," he says.

"I think," notes Guiliano, "that you Swedes feel a need to propagate the myth that you are cold and humorless. As soon as I see Swedes sitting in a group, voices are raised, people laugh and speak face to face with each other. But as soon as a stranger enters, the voices fade and the coldness and tension return."

"The Swede is often a little withdrawn, and I respect that for it is part of your charm. But you must also understand what wonderful qualities you in yourselves have," says Guiliano.

Be a Better Speaker

- **Planning.** Think through what the audience looks like, what it wants to hear, what you want to say. Be clear and articulate and stick with your message all the time. You are not giving a speech to inform, but rather to impress those who are listening.
- **Rehearsal.** This is obligatory. Go through the text time and again. Think about your body language and voice inflection.
- **Editing.** Far too many speeches are too long. Think that it can be more effective if it is shorter.
- **Positioning.** Try to find a corner in the room. Go through what is most important in the speech for you. Build up your energy, get the adrenalin going. You will not have a second chance to give a good first impression.

Blend of Music and Marketing

The first ERIfute has been produced by flutist and marketing man Björn Olsson at Ericsson Components in Kungens Kurva. "I have had a lot of help from street music since I came to the marketing side of Ericsson and I have had much help from Ericsson in street music," says Björn.

Interest in this hobby began for real when Björn's brother came home with a traverse flute and began practicing. But when his brother went on a ski vacation, Björn's fingers went to work, pressing and learning. The first noise was sound. Björn has never taken lessons and he plays only "for fun" in the Gotheburger's way.

"The takeoff came seven years ago when a pal and I decided to spend our

vacation in Ireland, playing in the streets and squares. Despite our being amateurs, we got a hearty response. As foreigners, we tried our hands at Irish."

Show business got into Björn. Pop groups, shows, the keyboard all followed in the wake of Ireland. The Old Town and the subways have also been playing grounds for Björn.

Spontaneity in street music has few equals. There is a special aura about playing in the streets and squares.

Flute and cooling

In his daily job, Björn is with the marketing department for cooling equipment in Ericsson Components power division in Kungens Kurva. The cooling system, which is developed within the division, is marketed as Ericool and the cooling section functions as a small company within a company. In the large AXE project, one has to be very active to be in the midst of the business.

The right feeling

"Street music has a lot to do with what I do at Ericsson," says Björn. In both cases it has to do with the right feeling, the right approach, to believe in what one is doing.

In music, it has to do with believing that one can play so that people would enjoy it; in the job, it has to do with having a product that one can really believe in for solving a customer's problem.

"I have had a lot of help from street music since I came to the marketing operations at Ericsson. And I have had a lot of help from marketing knowledge in street music. To draw up a program, make it appealing, make people aware and interested. The areas of interest are not far apart. There are many common threads and a mutual exchange.

Serious performance

"What is it like to stand in the midst of the crowd?"

"The first feeling is always one of nervousness, before I get going. Like a performance in the subway. Can a marketing man pull it off? All the people who stand there listening. Am I really good enough to take up their time?"

"Is my product good enough? What draws you to it?"

"I'm not sure. It's fun, engaging. And it is also more effective to train with a public on the streets and in squares than staying at home."

"I am forced to exert myself. Also for a marketing man, the best training is in the market, not in school."

Are you associated with the summer street musicians in the Old Town?"

"No, not really. I do not often play in the Old Town. The Old Town's uneven buildings and the throngs of people milling about make for bad sound. It disappeared. The subway's straight hard tracks, however, lend to the ambience and the musical adventure."

Year in Cuba

Björn has taken a year's leave of absence to study in Cuba, a country

that has many problems just now. Exports is a priority problem area more than any other.

"I will learn about their export trade, how it looks for exports, management methods, what techniques they use," Björn says.

Havana jazz

But as always for Björn, the driving force is dual. Marketing and music. He has already established contact with a jazz group in Havana. Two previous visits provided him with contacts that he had on music tours at home in Sweden.

A piccola flageolet fipple flute, a quena (an Andean/Peruvian shepherd flute), a pan flute and a traverse flute were part of Björn's luggage to Cuba. What is he going to bring home with him?

Björn doesn't know for sure. The dominant music there is salsa. There are lots of wind instruments — jazz saxophone, trumpet. But interest in the flute is not widespread. It could make an interesting combination. A new instrument for traditional music.

Inger Bengtsson

Plus 609 million in the first quarter

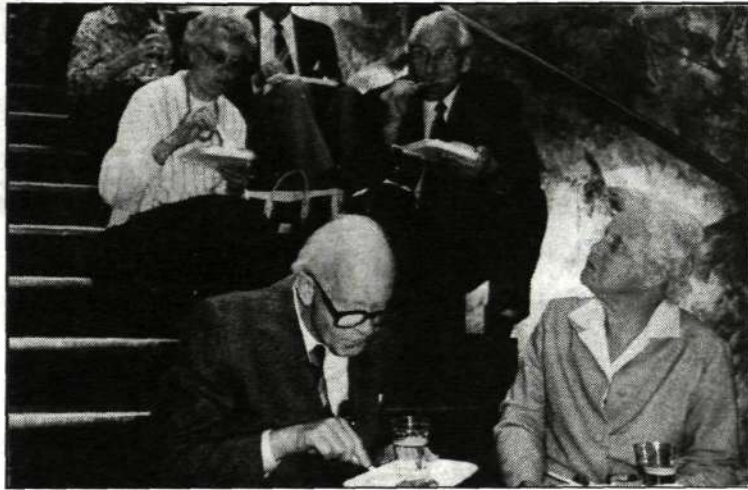
In his speech before the Annual General Meeting on Tuesday May 16, Björn Svedberg, Ericsson's CEO, announced the following first quarter result for 1989:

"Order bookings for the first quarter amounted to SEK 9,300 million, compared with SEK 6,917 million in the same period a year earlier, a 34-percent increase. Net sales amounted to SEK 7,992 million, compared with SEK 5,900 million. Income, before appropriations and taxes was SEK 609 million, an increase from SEK 71 million for the first quarter of 1988. The labor market conflict during the first quarter of 1988 is the main reason for the large difference.

Svedberg confirmed his earlier forecast for continued improvement in both income and profitability during 1989.

On the question of the EC, he expressed his demand that politicians create the same conditions for Ericsson as apply to Ericsson's competitors. He noted that it is not sufficient to be able to move goods across borders:

"It is just as important to be able to move capital across borders and, most significantly, it is necessary to ensure that labor is not discriminated. A diploma or



Some of the 650 shareholders pause for a bite after the general meeting held at Berwaldhallen in Stockholm.

degree from Sweden must be valid throughout Europe. Personnel must have the freedom to relocate to other countries, Sweden in particular. Today, because of the tax burden, it is nearly impossible to get any of our employees from our operations in other countries to move to Sweden to work."

Svedberg also said that he sees major problems in the quality of the Swedish educational system:

"We must all become involved to ensure that the qualities of the young people of Sweden are developed in the best fashion. In Ericsson's case, the most urgent priority is higher-level technical training. It takes time to grow a

forest, but if you don't plant one, you'll never see a tree."

Another factor of uncertainty for Ericsson is the suggested increase in payroll fees, which would deprive the corporation of more than SEK 220 million during the period under discussion. Svedberg noted that Sweden already has a high wage and salary level, and that Ericsson's international customers are not prepared to pay more. "If this proposal is written into law, we must quickly reconsider many of the plans we have in Sweden. In our case, this does not involve relocating people to other areas in Sweden, but to countries in which we have most of our sales."

The telecommunications industry has taken an extraordinarily major step toward rationalization. West German Siemens and British GEC will buy British Plessey, which means a dramatic change in the competition in one of Ericsson's largest markets.

On April 21, the word was finally received from Britain's Monopolies Commission clearing the way for West Germany's Siemens and Britain's General Electric Company, GEC, to buy Plessey for some 20 billion kronor.

For Ericsson, this means that two of its largest competitors in Europe are coming together and, in the very long term, it could mean that the switching system may know no competition.

The British telephone market is one of the largest in Europe. Today, Ericsson has close to 20 percent of that market alongside System X, the switching system jointly developed and marketed by Plessey and GEC.

In a few years the competition scene has changed radically in Europe. In 1986, the American ITT sold its huge telecommunications operations in Europe to the French Alcatel. Half a year ago, the American AT&T linked up with Italy's Italtel in a bid to penetrate the Italian market. And now, the British are teaming up with West Germany's Siemens.

Monopolies Commission that a venture with a North American manufacturer — and that means surely AT&T or Northern Telecom — would be a faster and cheaper way to modernize Britain's infrastructure for telecommunications.

Why is that?

Because the American manufacturers were more advanced and that Siemens pulled back when the price was not particularly good. British Telecom has invested billions of kronor as a buyer and user of System Z.

Both GEC and Siemens answered, meanwhile, that it is to British Telecom's advantage to develop and support System X "as long as possible." And Siemens explained that it is competitive with the North Americans in both price and quality.

But no one in the telecommunications branch read the criticism between the lines from one of the world's largest and most qualified buyers.

The big question for the future is whether System X will survive as its own system, not least for Ericsson, which is now competing with this system on the huge British market.

When it comes to such difficult questions, the branch is faced with a Catch 22 situation. On the one hand, suppliers naturally must say that present systems must be developed and maintained. Otherwise, they will hear complaints from their customers.

On the other hand, the main motive for mergers in the telecommunications branch is that the future development of telephone systems is so large that partners must concentrate on a common system.

Head of Siemens Telecommunications Hans Baur recently put the question shortly and bluntly: "Can GPT (the consortium between GEC and Plessey for System X) develop a new telephone switch. Can they do that on their own? According to us, the answer is no."

In a few words, there is no doubt that a switching system has to drop out of the market. It is not unthinkable that Siemens and GEC should plan their further development for the international market on the successful System X. It is Siemens technology that would form the base of any future system.

With that, the global competition outlook has dropped a crumb for the 1990-2000 era. Still in the limelight of the telecommunications Division One are Ericsson, Alcatel, Siemens, AT&T, Northern Telecom and Japan's Nippon Electric.

And so, pure competition in European telecommunications in the public area has shrunk to three main rivals: Alcatel, Siemens and Ericsson.

It still is not clear that Plessey has been taken over. The Monopolies Commission has raised no objections. Siemens and GEC can therefore go ahead with their bid. But no one seriously thinks that Plessey shareholders will say no to a price totaling about 20 billion kronor.

The arguments in this case are well known. The arrival of the EC's internal single market in 1992 favors corporate groups that have money and development capacity to meet the massive global competition of the Japanese and the Americans.

Just the need for development capacity was the point made all through discussions with the Monopolies Commission's before it reached its decision. Tom Plessey, who fought bitterly to survive on his own, admitted that some time before the 1990's it would be in System X's best interest to link up with an international partner.

But all was not joy at the merger prospects. For Ericsson, a specially interesting aspect is that BT, British Telecom, the British telecommunications authority, is a purchaser of both System X and Ericsson's AXE, and as such is one of Ericsson's largest customers.

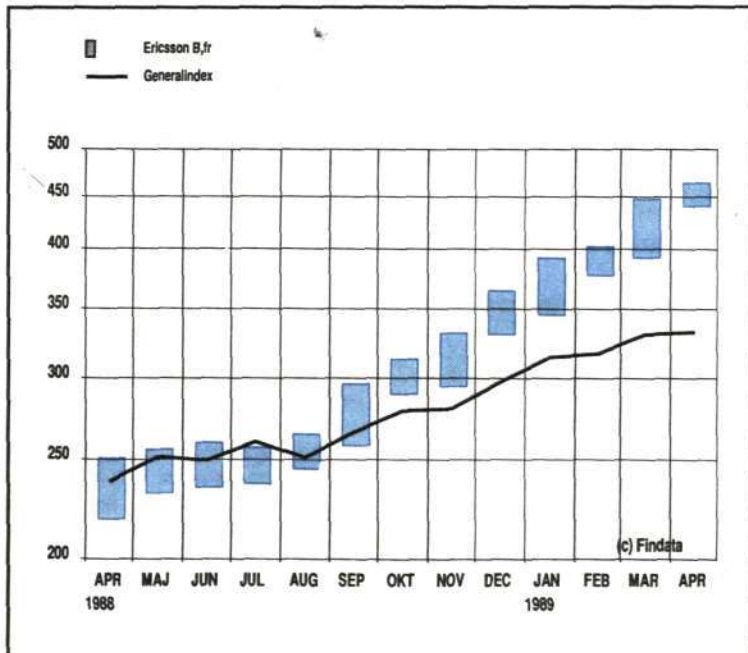
BT's experts explained for the

SHARE TRADING

April finished a mixed month on the Stockholm Stock Exchange, with active share movements in the first half and a sliding toward the close of the month. Ericsson B free shares posted a top price of 469 kronor and fell back some but rose again the last week to about 450. With that, the stock has risen to a full 20 percent up to now this year.

Ericsson B free continues to be one of the most active on the Stockholm Bourse, reaching a volume of 20 million kronor or more on many of the trading days.

Expectations over Ericsson profits are also high. With a price/earnings ratio of 15, the share is "expensive" in relation to the industrial average of about 12. Foreign interest continues to be high also and analysts recommend purchasing in general.



ERICSSON'S SHARE FUNDS

	General Svaings Fund		Share Savings Fund	
	Price (SEK)	Value (SEK million)	Price (SEK)	Value (SEK million)
Dec. 1987	70	27,1	147	31,7
Dec. 1988	135	52,2	343	56,0
Mar. 1989	151	56,3	406	50,9
Apr. 1989	162	59,7	416	50,4

From January 1, 1989, the collective shares in the share savings fund are free. As of April 1, the shares had a value of 15.1 million kronor.

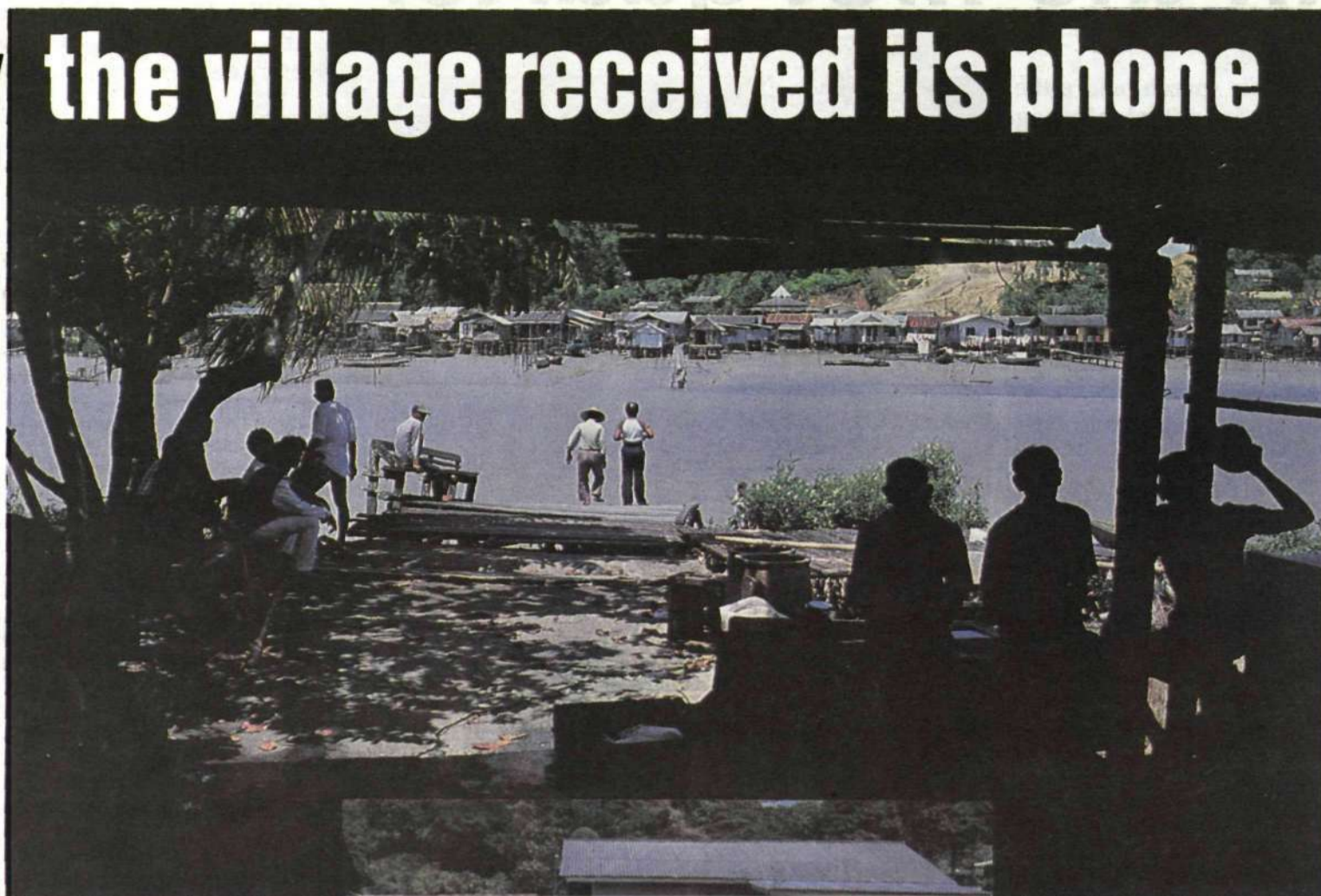
The value increase of the share volume thus compared to a considerable extent for shares sold. The net reduction in the fund's value stood at 5.6 million kronor.

The day the village received its phone

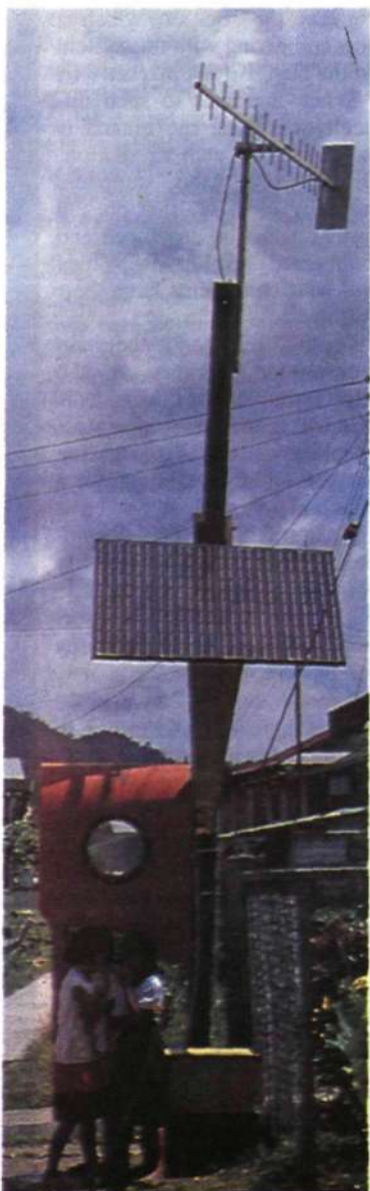
Borneo's hot tropical sun beamed down from a clear-blue sky. The equator is a little less than 100 kilometers away. Here, on the fringe of Eastern Malaysia's dense, green jungle, lies the tiny village of Bako in Sarawak, the country's largest state.



Text & photos : Thord Andersson



View over the Sarawak River from Teo Song Hing's shop.



The solar collector charges the batteries that run one of Malaysia's pay phones.

The village is divided by a branch of the Sarawak River, which flows into the South China Sea. The crocodile "Bujang Senang" just scored his 13th victim - a fisherman - only a few days ago. Malays, Chinese and Dajaks inhabit the village.

There is an open area in the middle of a cluster of small houses with banana-leaf roofs. A young Malay, Khalil bin Kasar, is making a call on the village's only public telephone, a cellular phone powered by solar energy that was supplied by Ericsson Radio Systems as part of a major order Ericsson received several years ago. The contract included 500 pay telephones with solar batteries that were installed in rural areas of Malaysia.

"Having access to a phone is extremely important," explains Khalil, who had just called a public authority in Kuching, the capital of Sarawak. "Before the phone was installed, we had to drive to the city,



Houses in Borneo are usually built on wooden poles to withstand down-pours during the rainy season.

which was an expensive and long journey."

"Now we can call the hospital when something happens," he continues. "The villagers receive the help they need, thanks to the phone."

Cost-effective service

For the time being, it is too expensive to install a conventional telephone system in Malaysia.

"In certain applications, where there are not enough potential users to justify a proper network, cellular radio may be the best solution," said the executive chairman of the Syarikat Telecom Malaysia, Berhad Tan Sri Dr. Mohd. Rashdan Baba, at the 1989 Asia Telecom conference. He was recently quoted in an article in *The Borneo Post*.

In the article, Tan Sri Rashdan states that cellular radio has been considered a cost-effective means for providing telecommunication service in Malaysia's rural areas, particularly when it is combined with mobile users in urban areas. Tan Sri Rashdan said that the key features of cellular radio, which made it an attractive alternative to a conventional cable network in Malaysia, were "flexibility of design, ease and speed of implementation, low start-up cost, minimum opera-

tional and maintenance requirement and large service areas".

Malaysia calls its system the Automatic Telephone Using Radio (ATUR) cellular system. The service was introduced in 1985 and has been expanded to most of the populated areas. Malaysia thereby became the first Asian country with a complete, automatic mobile telephone system with full nationwide roaming capability.

'Mini phone company'

Let's return to Bako. A single pay phone will probably not be enough in the long run for this small village of 1,000. A number of shops on the other side of the river sell anything a person needs for the bare necessities of life. The Chinese run most of these businesses. Teo Song Hing, proprietor of the largest and best-stocked store, stands inside his shop talking on an Ericsson HotLine phone. He's in the middle of an important business call. Teo scribbles a few Chinese characters on a note pad and quickly makes a few calculations on his abacus.

"Now I can call directly to my suppliers in Kuching," Teo says. "I also lend the phone to other merchants for a small fee. The phone is used for about 20 calls a day. In a



Teo Song Hing with his HotLine that he also "rents" to other local merchants.

way it functions like a 'mini telephone company'."

Southeast Asia is developing at a rapid pace and the number of phones and phone lines is increasingly dramatically each year. "The growth in services in Malaysia has been very encouraging," concludes the article in *The Borneo Post*, which notes that the subscriber figure rose by 23,000 over a period of three and a half years. "Although very small in absolute numbers, ours is still one of the most successful cellular systems in the world."

