

**LM ERICSSON**  
TELEPHONE COMPANY

**1971 ANNUAL REPORT**  
96th YEAR OF OPERATIONS





## BOARD OF DIRECTORS

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*Chairman*

ERIK BOHEMAN  
*Vice Chairman*

LARS-OLOF EKEBERG  
RAGNAR WOXÉN

WILHELM SÖDERMAN  
SVEN TURE ÅBERG

JAN WALLANDER  
BJÖRN LUNDVALL  
*President*

## DEPUTY MEMBERS

NILS BERGGREN

GÖRAN BORG

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*President*

CHRISTIAN JACOBÆUS  
*Executive Vice President  
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ARNE MOHLIN  
*Executive Vice President  
Production*

ARNE STEIN  
*Executive Vice President  
Sales*

FRED SUNDKVIST  
*Executive Vice President  
Operations*

GUNNAR SVALLING  
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Finance*

KARL-AXEL LUNELL  
*Vice President  
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PER AHLSTRÖM  
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STEN ENGSTRÖM  
*Vice President*

BERTIL PEHRSSON  
*Vice President*

NILS TENGBERG  
*Vice President*



#### **WORLD HEADQUARTERS**

TELEFONAKTIEBOLAGET L M ERICSSON  
Telefonplan, S-126 25 Stockholm, Sweden

#### **U.S. SUBSIDIARIES**

THE ERICSSON CORPORATION  
100 Park Avenue, New York 10017, N.Y.

ERICSSON CENTRUM, INC.  
16 East 40th Street, New York 10016, N.Y.

#### **STOCK LISTED ON:**

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

#### **REGISTRAR**

L M Ericsson Telephone Company, Head Office, S-126 25  
Stockholm, Sweden

#### **PAYING AGENTS**

##### **SWEDEN:**

Skandinaviska Enskilda Banken, Svenska Handelsbanken

##### **U.S.A.:**

First National City Bank

##### **ENGLAND:**

S.G. Warburg & Co. Ltd.

##### **FRANCE:**

Banque de Paris & des Pays-Bas, Crédit Lyonnais,  
de Neufize, Schlumberger, Mallet S.A.

##### **SWITZERLAND:**

Pictet & Cie, Swiss Bank Corporation

##### **WEST GERMANY:**

Deutsche Bank AG, Berliner Disconto Bank AG, Saar-  
ländische Kreditbank AG, Bayerische Vereinsbank, Berliner  
Handels-Gesellschaft, M. M. Warburg-Brinckmann, Wirtz  
& Co., Deutsche Unionbank GmbH, Sal. Oppenheim jr.  
& Cie.

Cover: A new hands-free Ericsson intercom station to be market-  
ed for the first time in 1972. The system, developed by L M Eric-  
sson Telemateriel AB, offers loudspeaking communication when  
the instrument is standing and conventional privacy when the  
station is picked up.

## **LM ERICSSON TELEPHONE COMPANY**

### **1971**

## **ANNUAL REPORT AND YEAR'S REVIEW**

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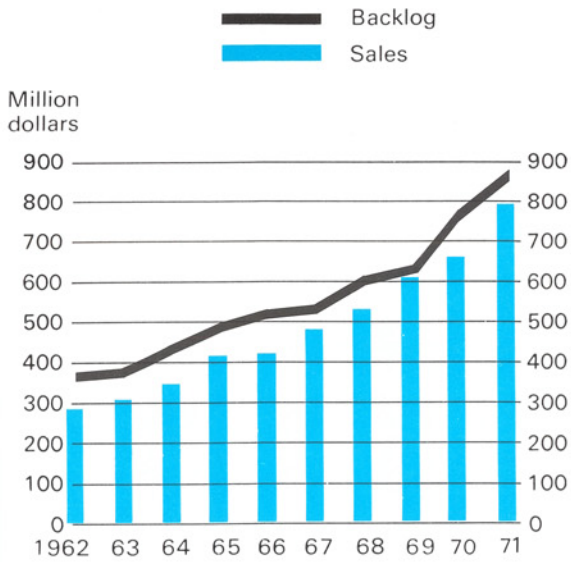
#### **YEAR'S REVIEW**

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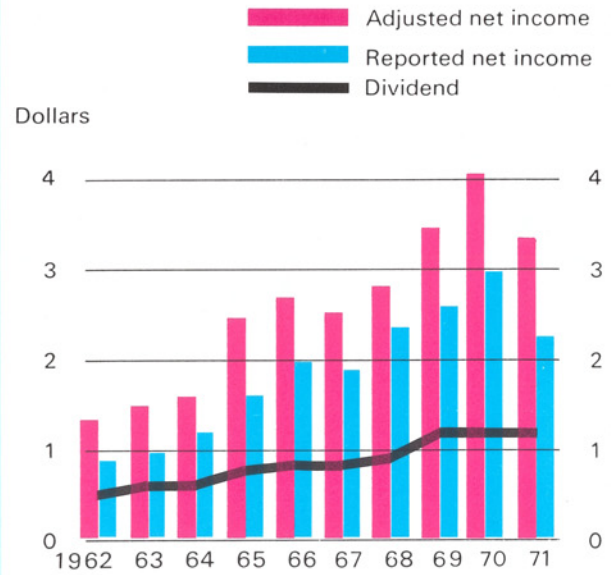
The Annual meeting of stockholders will be held at the  
Headquarters Office of the Company in Midsommar-  
kransen, Stockholm, at 10:00 a.m., May 29, 1972.

## THE ERICSSON GROUP

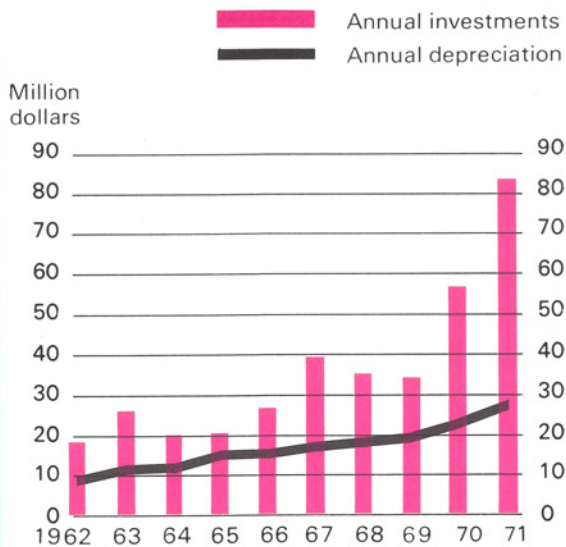
### SALES AND BACKLOG



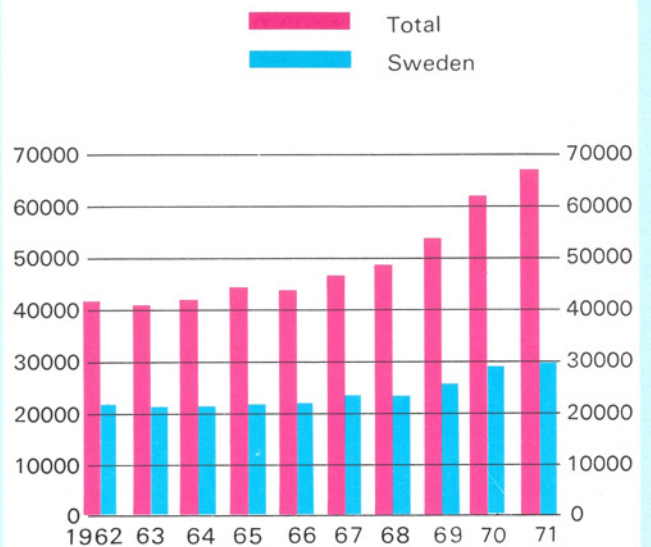
### EARNINGS AND DIVIDENDS PER SHARE



### CAPITAL EXPENDITURES



### NUMBER OF EMPLOYEES





## **HIGHLIGHTS OF 1971 OPERATIONS**

- Consolidated net sales of the Ericsson Group were \$781,524,000. The Group's major markets were: Sweden, 23.3 percent; Europe outside Sweden, 42.2 percent; Latin America, 20.5 percent.
- Income before special adjustments and taxes was \$99,128,000, equal to 12.7 percent of sales.
- Order bookings totaled \$892,661,000.
- The order backlog at year-end amounted to \$852,196,000.
- A cash dividend of \$1.14 per share on the 12,304,094 shares outstanding at year-end is proposed by the Board of Directors.
- The number of Group employees at year-end was 66,900, of whom 29,200 were located in Sweden.
- The world's first computer-controlled transit exchange was cut into service in Rotterdam.
- Operations in new factories in Finland, Malaysia and Mexico got under way in 1971.

## CONSOLIDATED NET SALES

### BY PRODUCT GROUPS AND MARKETS

		1971	%	1970	%
<b>GROUP SALES BY PRODUCTS</b>	Telephone exchanges, switchboards and telephone instruments	\$467,920,000	59.9	\$369,038,000	56.2
	Transmission, radio and other telecommunications equipment	76,287,000	9.8	68,124,000	10.4
	Cable, wire and network equipment	145,244,000	18.6	132,352,000	20.1
	Electronic equipment and development projects for the military	26,039,000	3.3	20,427,000	3.1
	Other products	66,034,000	8.4	66,925,000	10.2
	Total	<u>\$781,524,000</u>	<u>100.0</u>	<u>\$656,866,000</u>	<u>100.0</u>

<b>OVERALL GEOGRAPHIC DISTRIBUTION OF SALES</b>					
	Sweden	\$182,214,000	23.3	\$178,692,000	27.2
	Europe (excluding Sweden)	330,044,000	42.2	253,131,000	38.5
	Latin America	159,974,000	20.5	139,760,000	21.3
	Australia, Asia and Africa	93,355,000	12.0	71,983,000	11.0
	U.S.A. and Canada	15,937,000	2.0	13,295,000	2.0
	Total	<u>\$781,524,000</u>	<u>100.0</u>	<u>\$656,866,000</u>	<u>100.0</u>

<b>DISTRIBUTION OF SALES IN EUROPE (EXCLUDING SWEDEN)</b>		1971	1970
	Italy	\$ 83,251,000	\$ 57,116,000
	France	72,008,000	49,810,000
	Norway	37,891,000	33,003,000
	Denmark	34,770,000	28,990,000
	Finland	30,798,000	20,482,000
	The Netherlands	17,116,000	13,749,000
	Spain	13,428,000	7,654,000
	Great Britain	8,330,000	6,555,000
	Other countries	32,452,000	35,772,000
		<u>\$330,044,000</u>	<u>\$253,131,000</u>

<b>DISTRIBUTION OF SALES IN LATIN AMERICA</b>		1971	1970
	Brazil	\$ 50,318,000	\$ 42,000,000
	Mexico	50,228,000	44,679,000
	Colombia	18,987,000	13,922,000
	Argentina	13,914,000	14,607,000
	Venezuela	12,458,000	11,990,000
	Other countries	14,069,000	12,562,000
		<u>\$159,974,000</u>	<u>\$139,760,000</u>

<b>DISTRIBUTION OF SALES IN AUSTRALIA, ASIA AND AFRICA</b>		1971	1970
	Australia	\$40,071,000	\$32,284,000
	Asia	36,971,000	26,845,000
	Africa	16,313,000	12,859,000
		<u>\$93,355,000</u>	<u>\$71,983,000</u>

All amounts translated at the rate of S.Kr. 4.81 to U.S. \$1.00.



## THE ERICSSON GROUP / 10-YEAR FINANCIAL SUMMARY

### INCOME DATA

Dollar amounts in thousands except per share figures

	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962
Net sales	\$781,524	656,866	604,316	524,133	476,217	418,709	413,926	343,695	307,828	285,138
Income before special adjustments and taxes	\$ 99,128	103,719	96,271	76,077	66,442	63,345	64,503	44,714	33,938	31,526
Per cent of sales	12.7 %	15.8 %	15.9 %	14.5 %	14.0 %	15.1 %	15.6 %	13.0 %	11.0 %	11.1 %
Depreciation	\$ 26,651	22,740	19,008	17,760	16,794	14,897	14,736	11,871	11,393	8,566
Special adjustments	\$ 33,408	29,539	22,443	13,364	16,227	17,141	21,456	13,554	11,326	11,600
Swedish and foreign income taxes	\$ 30,068	34,157	39,031	31,885	24,543	19,329	21,797	15,691	11,647	9,643
Reported net income	\$ 27,506	36,399	31,564	28,504	23,017	24,049	19,696	14,595	10,577	9,623
Per share	\$ 2.24	2.96	2.57	2.32	1.87	1.95	1.60	1.19	.93	.86
Adjusted net income per share	\$ 3.34	4.11	3.44	2.82	2.50	2.64	2.48	1.58	1.44	1.33
Dividend	\$ 14,069	14,069	14,069	10,658	9,593	9,593	8,882	7,106	6,750	5,491
Per share	\$ 1.14	1.14	1.14	.87	.78	.78	.72	.58	.55	.49

(for 1971 as proposed by the Board of Directors)

### BALANCE SHEET DATA (year-end)

Net working capital	\$447,642	381,702	327,608	298,453	245,427	252,951	219,935	199,493	176,152	159,884
Ratio of current assets to current liabilities	2.3 to 1	2.2 to 1	2.4 to 1	2.3 to 1	2.2 to 1	2.4 to 1	2.3 to 1	2.3 to 1	2.3 to 1	2.3 to 1
Net property, plant and equipment	\$206,387	162,913	137,079	124,264	121,175	102,896	101,807	87,017	80,360	72,337
Long-term debt	\$229,387	158,083	107,525	99,445	62,829	64,823	41,996	39,676	32,557	29,861
Minority interest	\$ 50,540	33,538	27,388	24,581	21,258	18,480	16,816	14,729	13,810	12,696
Stockholders' equity	\$301,133	287,691	261,052	239,714	209,063	192,115	166,405	145,759	137,827	117,996

### OTHER DATA (year-end)

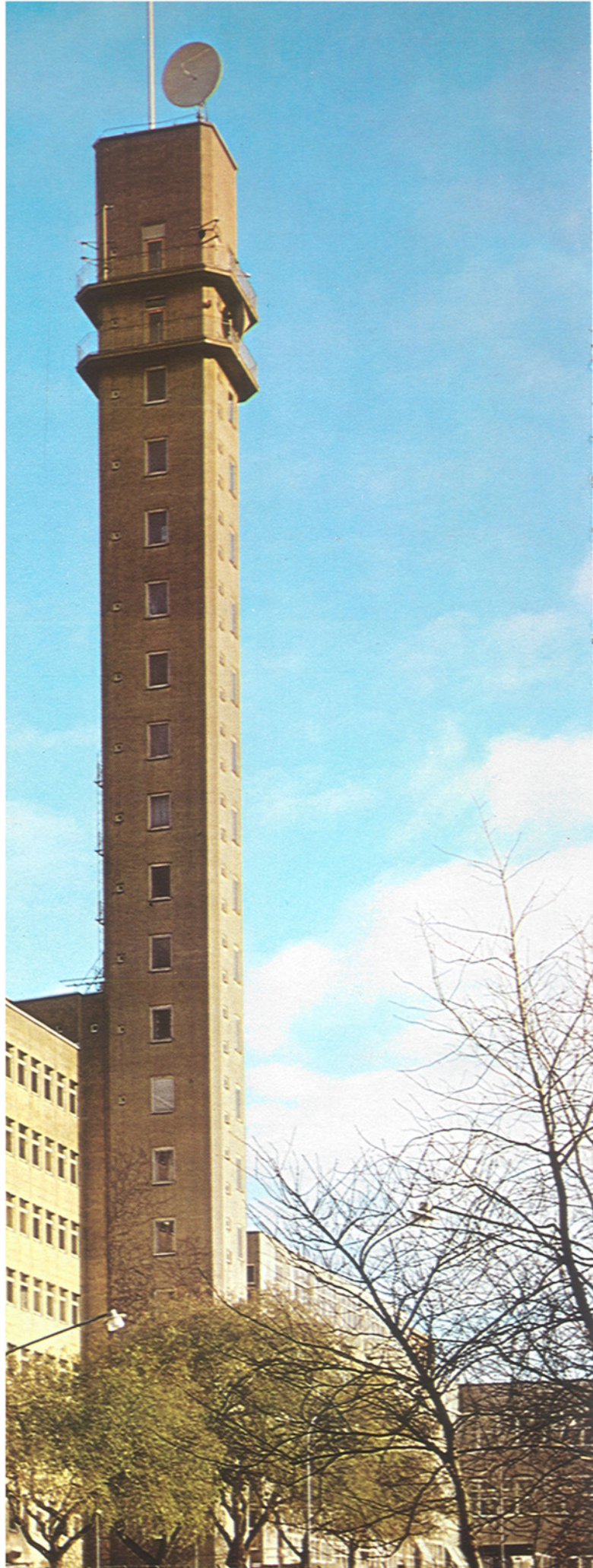
	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962
Capital expenditures for property, plant and equipment (000s)	\$83,630	56,683	33,887	34,919	39,331	26,580	20,181	19,956	25,991	18,272
Number of employees	66,900	61,900	53,600	48,700	46,400	43,800	44,000	41,700	40,600	41,800
Number of shares outstanding	12,304,094	12,304,094	12,304,094	10,253,412	10,253,412	8,544,510	8,544,510	6,835,608	6,835,608	6,214,189
Backlog of orders (000s)	\$852,196	750,759	627,396	589,611	521,694	510,852	475,703	422,495	361,446	353,973

All per share figures are based on the number of shares after stock dividends in 1965 (one for four), 1967 (one for five) and 1969 (one for five).

Adjusted net income per share reflects net income after adding back special adjustments, less amounts equivalent to reduction in current income taxes resulting from such adjustments.

The United States dollar amounts shown in the above summary represent translations from Swedish kronor at the parity exchange rate at December 31, 1971 of S.Kr. 4.81 to \$1.00.





## ANNUAL REPORT OF THE BOARD OF DIRECTORS TO THE SHAREHOLDERS

### GROUP

#### Operating results in brief

	1971	1970	Change
Order bookings . . .	\$892,661,000	\$780,229,000	+14.4%
Order backlog . . .	852,196,000	750,759,000	+13.5%
Sales . . . . .	781,524,000	656,866,000	+19.0%
Income before special adjustments and taxes . . . . .	99,128,000	103,719,000	
Percent of sales . . . . .	12.7%	15.8%	
Reported net income . . . . .	27,506,000	36,399,000	
Per share . . . . .	\$2.24	\$2.96	
Adjusted net income \$ . . . . .	41,119,000	50,614,000	
Per share . . . . .	\$3.34	\$4.11	

#### Order bookings

The high rate of expansion of telephone networks continued in a number of countries during 1971 and L M Ericsson Telephone Company, together with its subsidiaries, participated successfully in the contracts awarded during the year.

The international economic slowdown led to somewhat lower demand for telecommunications equipment purchased and used primarily in the private sector: internal communications systems, mobile radio systems, alarm systems and electronic components. The market for certain types of cable and wire was also affected by the lower rate of economic activity.

Total Group bookings exceeded by 14.4 percent the very high bookings recorded in the preceding year.

The geographical distribution of order bookings in the main market areas was as follows:

	1971	%	1970	%
Sweden	\$179,327,000	20.1	\$193,453,000	24.8
Europe (excluding Sweden)	412,844,000	46.3	319,516,000	40.9
Latin America	194,043,000	21.7	168,807,000	21.6
Australia, Asia and Africa	92,611,000	10.4	83,215,000	10.7
U.S.A. and Canada	13,836,000	1.5	15,238,000	2.0
	<b>\$892,661,000</b>	<b>100.0</b>	<b>\$780,229,000</b>	<b>100.0</b>



The orientation of the Group's business in recent years has been increasingly international. While the percentage of sales in Sweden has been decreasing, sharp growth has occurred in the industrialized countries of Western Europe and in Latin America. The rate of growth in other parts of the world, taken as a whole, has been more moderate.

Sweden has achieved a telephone density that is far higher than that of the major industrial nations, excepting the U.S.A. As a result, the rate of expansion is relatively low. The Parent Company's market for telephone exchange equipment and instruments is further limited by the fact that the Swedish Telecommunications Administration fills most of its requirements from its own factories.

Expansion of telecommunications in the neighboring Scandinavian countries is proceeding at a high rate. In Finland, orders booked from both the national telephone authority and the local operating companies were higher than in any previous years. Developments in Norway and Denmark were also favorable.

The Group's manufacturing companies in France and Italy received very large orders within the framework of long range plans for substantial expansion of the networks for local, national and international telephone traffic in the two countries.

The cooperation agreement reached in 1970 with the Spanish telephone operating company resulted in the first large orders for automatic telephone exchanges for local and transit traffic.

The development of business in Eastern Europe, with few exceptions, did not meet expectations. Modernization of the telephone networks in most of the countries is hampered by a scarcity of foreign currencies.

Group operations in Latin America were carried out successfully. The Brazilian subsidiary maintained its strong market position and order bookings were higher than in any previous year, partly due to large contracts for equipment to handle local and long distance traffic. In Mexico substantial orders resulted from the continuing sharp expansion of telecommunications services. Significant orders from the authorities in Venezuela and Colombia also contributed to the high bookings in Latin America.

The high rate of expansion of Australian telephony which had been under way for several years decreased in 1971. Cuts in appropriations for the Australian telephone administrations will affect the expansion program and the local telephone manufacturing companies. Order bookings by the Group's subsidiaries were appreciably lower than a year earlier.

Market development in the Near and Far East was generally favorable and large orders for telephone ex-

change equipment were received in Saudi Arabia and Thailand, among other countries.

The African market for telecommunications material continues to be limited and growth there is modest.

Competition which is exceptionally stiff for most of the Group's products with respect to both price and payment terms, was responsible for depressed price levels. Japanese competition, increasingly felt in markets where European suppliers have traditionally met telephone requirements, is not the least factor in this regard. The problem was particularly sensitive for the Parent Company which, to a higher degree, must cultivate new markets in order to replace production lost to the Swedish factories as a result of increased manufacturing in subsidiaries within the older foreign markets.

Despite these factors and the sharply higher deliveries during the year, the order backlog rose to a new high, \$852,196,000, compared with \$750,759,000 a year earlier.

## Sales

The large-scale expansion of factories that has taken place during recent years resulted in improved delivery capacity. Sales thus increased significantly, exceeding those of the preceding year by 19 percent.

The geographic distribution of sales in principal markets was as follows:

	1971	%	1970	%
Sweden	\$182,214,000	23.3	\$178,692,000	27.2
Europe (excluding Sweden)	330,044,000	42.2	253,131,000	38.5
Latin America	159,974,000	20.5	139,760,000	21.3
Australia, Asia and Africa	93,355,000	12.0	71,988,000	11.0
U.S.A. and Canada	15,937,000	2.0	13,295,000	2.0
	<b>\$781,524,000</b>	<b>100.0</b>	<b>\$656,866,000</b>	<b>100.0</b>

Sales to customers in Sweden were unchanged but rose by no less than 30 percent in other European markets. The increase in Latin America was 14 percent and in other parts of the world, 28 percent.

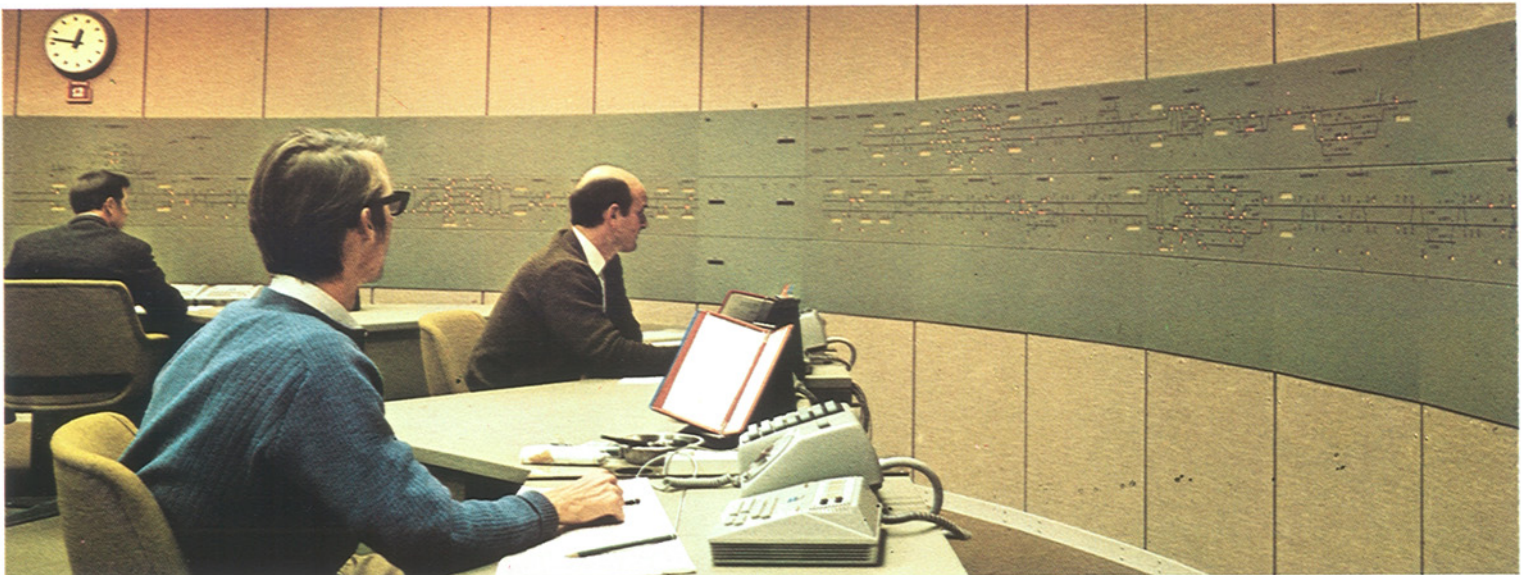
There were no major changes in the distribution of sales by product groups. Approximately 60 percent of



Ericsson's first computer-controlled (AKE 13) telephone exchange for wholly automatic switching of long distance and international traffic was inaugurated in Rotterdam during the year. The exchange can handle more than half a million calls in a 24-hour period. Picture shows racks mounted with circuit cards containing miniature components.



The first installation of an Ericsson-designed new-generation system for Centralized Traffic Control (CTC) went into operation in Stockholm's Central Station in 1971. The system uses computers to monitor and direct railway traffic in the Greater Stockholm area.





sales comprised telephone exchanges, subscriber switchboards and telephone instruments. The percentage attributable to cable, wire and network material decreased slightly, due in part to lower copper prices.

### Production and employment

There has been a sharp rise in the Group's production capacity in Sweden and abroad in order to handle the large increases in the order backlog during 1968 and 1969 and in expectation of continuing large increases in the rate of customer purchases. Capital expenditures for property, plant and equipment thus amounted to \$56,683,000 in 1970 and to \$83,630,000 in 1971 after having averaged \$30,980,000 annually during the preceding five-year period. Production facilities completed by the Group during the year, including two large plants in Finland and Mexico, added 1,800,000 sq. ft. of factory and warehouse space, an increase of 20 percent.

The increase in production capacity during 1969 and 1970 coincided with a high rate of general economic activity which hampered the recruitment of manpower, particularly in the Swedish and Australian factories. Toward year-end 1970 and during 1971, the economy weakened, with an accompanying reduction of pressure on the labor market. Recruiting became easier and personnel turnover declined. The availability of components, which had caused serious problems during the shortages which had prevailed in previous years, also returned to normal. The large build-up of inventories in various stages of production came to an end and better balance was achieved between manufacturing and goods tied up in production.

The volume of factory shipments rose 30 percent during 1971, compared with 1970. Very large increases were achieved in the Swedish, French, Italian and Australian factories. Capital tied up in raw materials, parts and semi-finished goods in the factories increased \$25,829,000 (1970: \$67,576,000) during the year. However, this does represent a partial return to a better balance between production and capital invested, even if this balance was not fully attained.

Employment rates in the Group factories were satisfactory and operations were carried out largely without serious disturbances. The telephone factory in Australia was hit by a strike during the middle of the year and production was halted for about three weeks. Unrest in the Italian labor market intermittently affected production at FATME in Rome.

The number of factory employees in the Group's manufacturing companies increased by 3,100 to 36,000 during the year. The increase, 9.5 percent, was wholly attributable to foreign plants.

The following table shows the number of employees at year-end 1971 and 1970.

	Number of employees December 31	
	1971	1970
Sweden	29,160	28,590
Europe (excluding Sweden)	22,870	19,610
Latin America	7,950	7,170
Other countries	3,830	3,830
	<b>63,810</b>	<b>59,200</b>

Including employees of the telephone operating companies in Argentina and Peru, totals for the years were 66,860 in 1971 and 61,900 in 1970.

### Rationalization measures

Product-oriented work groups have been formed to intensify and coordinate rationalization activities and the resources available for this work have been divided between the design of new production facilities and the improvement of existing ones.

An important element in the program consists of designs for special machinery and test equipment to automate manufacturing processes. This phase is carried out largely in the Parent Company, which is the largest production entity within the Group.

Rationalization of relay coil production, which represents a significant part of the Parent Company's production, has produced good results. Various assembly operations have been combined in the automatic machinery and wholly automatic winding machines manufactured by the Company have been placed in service. At the same time, simplification in coil design has made it possible to reduce the number of work operations and thereby introduce a new production method.

The larger volumes of mechanical parts have made it economically feasible to produce an increasing number of them with advanced hard-metal dies, a development that has speeded up production and reduced tool wear.

New production equipment for the manufacture of high-precision printed circuit boards was installed during the year to meet the new demands imposed in production of printed circuits.

Many projects designed to rationalize production are under way in the foreign factories. Good results have been obtained through the systematic training of employees in accordance with methods developed in Swedish plants. The range of "training packages" is being broadened continuously, along with comprehensive training of engineers and foremen to strengthen the production organization over the long term.

## Group earnings

### Sales and manufacturing costs

Sales in 1971 amounted to \$781,524,000, compared with \$656,866,000 a year earlier, while manufacturing costs in 1971 were \$430,064,000 as against \$345,862 in the preceding year, providing a margin of 45.0 percent in 1971, compared with 47.3 percent in 1970.

During most of the Sixties it was possible to offset most of the wage increases in the Swedish factories through intensive rationalization and other cost reduction measures. Toward the end of the decade, and particularly during the past two years, wage increases were so high that it became more and more difficult to control their cost-raising effect. The most recent collective labor agreement meant an increase of 13 percent in wage costs in the Swedish factories. Manufacturing expenses, which consist largely of wages, paralleled this trend.

Since about 60 percent of Group production still occurs in Swedish plants, consolidated earnings are strongly affected by the increase in production costs in Sweden.

Another cost-raising factor was the necessity to rapidly expand production capacity in the Parent Company and several of the large foreign subsidiaries. This need was particularly striking in France, Italy, Norway and Australia and required extraordinary appropriations to train a large number of new employees and to cover start-up and related expenses in new production units. An accelerated program of this type is extremely demanding in terms of cost.

These circumstances, and the fact that sales prices were largely unchanged during the year, were responsible for the lower margin of sales over production costs in 1971.

## Other revenues

Dividends, interest and other income, as shown in the table below, amounted to \$26,659,000, an increase of \$2,787,000 over comparable revenues in 1970.

	1971	1970
Dividends	\$ 1,171,000	\$ 991,000
Interest	20,552,000	19,424,000
Other	4,936,000	3,457,000
Total	<b>\$26,659,000</b>	<b>\$23,872,000</b>

## Expenses

Selling, technical development and general administrative expenses increased from \$189,195,000 in 1970 to \$220,247,000 in 1971. The rate of increase, 16.4 percent, was slightly higher than the 16.0 percent recorded in the preceding year and is substantially attributable to higher wage costs and continued heavy investments in technical development.

## Depreciation

Depreciation of property, plant and equipment in 1971 amounted to \$26,651,000 (1970: \$22,740,000). In addition, the sum of \$8,158,000 was charged to the reserves for future investments for accelerated depreciation of fixed assets acquired during the year.

## Interest expense

Interest charges totaled \$25,219,000. The excess of interest expense over interest income increased by \$6,853,000 during the year.

## Foreign exchange losses

Following a period of serious disturbances—including floating exchange rates—in the international currency markets, the leading industrial countries agreed at the end of December to introduce new parity exchange rates.





Soldering of relay racks in Ericsson's factory at Kuala Lumpur, Malaysia. The plant, inaugurated in March 1971, produces primarily automatic telephone exchanges.



During the year Ericsson produced its millionth crossbar relay manufactured in Sweden. Nils Palmgren, 84 (left), who helped design the original crossbar, is shown receiving a replica of the historic unit during ceremonies at the Headquarters plant as Director General Bertil Bjurel of the Swedish Telecommunications Administration (right) and Dr. Christian Jacobæus, LME's executive vice president in charge of research, (center) look on.



These rates, which permit deviations of plus or minus 2.25 percent, represent devaluations of the U.S. dollar, in varying amounts, in relation to the currencies of Japan and the Western European countries. The dollar rate relative to the Swedish crown decreased from 5.17 to 4.81. However, the foreign exchange market continues highly unsettled.

Since the Parent Company has substantial dollar receivables, the change in exchange rates affected earnings for the year. The subsidiaries in Latin America also suffered substantial foreign exchange losses, partly as the result of continuing internal devaluations in such countries as Brazil and Argentina and partly because of the close link between these countries' currencies and the dollar.

In view of the size of the foreign exchange losses, \$6,874,000 (1970: \$1,984,000), and the fact that they were to a substantial degree due to extraordinary conditions, they are shown as a special item in the income statements. Further information on the method applied in determining these losses appears in Note 4 of the notes to the financial statements.

#### **Income before special adjustments and taxes**

Group income in 1971 before special adjustments and taxes amounted to \$99,128,000, or 12.7 percent of sales, compared with \$103,719,000 or 15.8 percent of sales, a year earlier. The decrease in income is entirely attributable to the increase in foreign exchange losses noted above.

#### **Special adjustments**

In accordance with tax regulations in Sweden and other Scandinavian countries, allocations to inventory reserves and reserves for future investments, among others, are deductible for tax purposes. As a result, reported net income is affected by adjustments that are not related to operations. Such special adjustments in 1971 amounted to \$33,408,000 (1970: \$29,509,000).

#### **Reported net income**

After provision for taxes in the amount of \$30,068,000 (1970: \$34,157,000) and deduction of \$8,146,000 (1970: \$3,654,000) representing minority interests in earnings, reported net income for the Group was \$27,506,000, in 1971, compared with \$36,399,000 in 1970. The decrease was due to the fact that special adjustments were made in larger amounts than in the preceding year and to an increase in minority interests in earnings. This increase

resulted partly from the favorable development of earnings in subsidiaries with substantial minority ownership and partly from the sale to the public during the year of 26 percent of the shares in the formerly wholly owned Brazilian subsidiary.

#### **Adjusted net income**

If the Group's reported net income, \$27,506,000 (1970: \$36,399,000), is increased on the one hand by the special adjustments mentioned and reduced on the other hand by the income taxes which would have been paid if the special adjustments had not been made, adjusted net income of the Group in 1971 would amount to \$41,119,000 (1970: \$50,614,000), equal to \$3.34 per share (1970: \$4.11) on the 12,304,094 shares outstanding in both years. Minority interests are excluded in determining adjusted net income.

In accordance with previously applied accounting principles, dividends for 1970 from the majority owned telephone operating companies in Argentina and Peru, and from the associated companies, are included in Group net income. The Group's share of 1971 net income of these companies, on the other hand, is not included. The same principles have been followed in calculating adjusted net income.

#### **Research and development**

Research and development in telecommunications is currently characterized by very large investments in the field of switching technique. Intensive work is under way on the part of telecommunications administrations and manufacturers to evaluate the optimum technical and economic qualities for automatic telephone exchange systems of the future. This activity is affected both by the introduction of computer control to handle the switching processes and by the increased use of digital transmission systems in telephone networks. It is likely that a number of different solutions will be offered and tested during the first half of the Seventies but that the choice of systems will not occur until later.

Technical development work within the Ericsson Group has increased steadily and during the past decade has required a larger share of expanding resources than was the case earlier. The number of Parent Company employees involved in such work more than doubled during this period. Substantial additional space has been provided for technical offices and laboratories. Paralleling these trends, the subsidiaries have also been equipped with substantially increased technical resources.





Multiple-machine system for winding relay coils in the Group's factory at Eu, France, operated by the French subsidiary, Société Française des Téléphones Ericsson.



Processing of semiconductors in the new section of AB Rifa's Bolimora plant, completed during the year.



A ruby laser is used to develop new welding methods in the manufacture of mechanical components.

Keyboard being assembled on a teleprinter being manufactured at GNT AUTOMATIC A/S in Copenhagen, an associated company.



The "systems approach" has become increasingly important in development work. This activity, which involves the basic studies preceding the actual preparation of designs, includes working out the specifications for the functions to be performed and the main outlines indicating how these specifications can be realized mechanically, electrically or in terms of programming. The systems approach also involves adapting various parts of a design to accommodate economic factors and the demand for compatibility with existing equipment. The explanation for the growing importance of the systems approach lies in the greater complexity of telecommunications equipment and in the increased emphasis on manufacturing economies, operating dependability and ease of maintenance.

ELLEMTEL, the company jointly owned with the Swedish Telecommunications Administration, is an important factor in the field of research and development. Through this organization, in which highly advanced technical know-how has been concentrated, conditions have been created for developing new switching system designs incorporating both operating company and manufacturing viewpoints. The Group's French subsidiary and CIT-ALCATEL are engaged in a similar joint venture, CITEREL.

Ericsson's computer-controlled telephone exchange intended for wholly automatic routing of international and transit traffic was inaugurated at year-end in Rotterdam. The event marked a significant step in the development of telephony and Ericsson is today the only manufacturer in the world that has a computer-controlled transit exchange in service. When fully expanded, this type of exchange uses no fewer than 16 large computers which operate in pairs, distributing the load among them.

Final deliveries of equipment for the computer-controlled telephone exchange in Paris were made during the year and work on program organization and design is proceeding. The exchange is expected to be placed in service during the current year. CITEREL has also begun the basic system work for a new type of computer-controlled local exchange for the French telephone network.

After several years' work, the French subsidiary's development of a computer-controlled subscriber switchboard with a very high capacity reached the point where an initial exchange was installed in the company's head office at Colombes. It will go into service during the first half of 1972.

Design work in the Parent Company's telephone exchange division during the year was very largely oriented toward modifying the computer-controlled systems to meet requirements in various markets. Work continued on the introduction of electronic register processors—a type

of miniature computer—in crossbar systems. The objective is to provide the latter with traffic potentials equivalent to those of computer-controlled systems.

Design work on a new electronically controlled rural exchange system was completed during the year and modification of the system, primarily for the Latin American markets, is under way. The basic development work was a cooperative effort of the Parent Company and the Norwegian subsidiary, Elektrisk Bureau, in Oslo.

The introduction of advanced electronic elements with complex integrated circuits has imposed new demands on the mechanical construction of telephone exchange systems. A new construction method with very good technical characteristics was developed during the year. New types of miniaturized relays designed for use with electronic equipment also went into production.

L M Ericsson Pty. Ltd., in Melbourne, placed in operation a new type of subscriber switchboard designed for very large installations. The new system was designed especially for the Australian telephone administration.

System and instrument development work continued in the field of picture telephony. Field tests during the year demonstrated, in particular, the system's potential for transmitting text and pictures with good legibility. The first transatlantic picture telephone conversation transmitted via satellite occurred during the year with prototype instruments developed by the Parent Company.

The first carrier frequency terminal equipment for a system with a capacity of 10,800 telephone channels over a single pair of coaxial cables was delivered to the Swedish Telecommunications Administration during the year. The equipment was the first of its type in the world to be delivered for commercial use.

Development of a pulse code modulation (PCM) multiplex system was completed by the Parent Company. Tests of installed systems showed very good results.

Marketing of new mobile radio equipment developed by Svenska Radio AB, a Group subsidiary, commenced during the year. The new equipment requires substantially less space than earlier models and its technical specifications have been modified to meet conditions in various export markets.

In the Parent Company's MI Division, development work got under way on radar systems for the pursuit version of the "Viggen" military aircraft.

A system for computer-controlled handling of railway traffic, developed in cooperation with the Swedish State Railways, was placed in service during the fall. The system, which is the first of its type, permits remote control of train operations within the Greater Stockholm area.

A data communications system for Skandinaviska



## L M ERICSSON PUBLIC AUTOMATIC TELEPHONE AND TELEX EXCHANGES

### Number of lines cut into service 1971:

#### TELEPHONE AND TELEX EXCHANGES

Country:	Local exchanges		Transit exchanges
	City	Rural	
Argentina	13,800	—	—
Australia	217,870	39,680	17,500
Bolivia	1,000	—	—
Brazil	49,200	—	11,520
Canada	—	500	—
Cayman Islands	600	—	—
Central African Republic	400	—	—
Chile	80	—	40
Colombia	9,020	—	1,140
Costa Rica	2,800	—	600
Denmark	81,000	38,100	7,700
Ecuador	10,000	600	400
Ethiopia	5,000	—	—
Fiji	2,800	—	200
Finland	32,000	5,820	6,600
Faroe Islands	—	120	280
France	160,600	192,700	—
Greenland	—	900	—
Hungary	13,000	460	3,180
Iceland	800	910	160
Indonesia	1,000	—	—
Ireland	6,120	7,020	600
Italy	123,980	8,880	10,560
Ivory Coast	1,200	—	—
Kuwait	11,000	—	—
Lebanon	13,200	1,440	500
Liberia	—	30	—
Macao	2,000	—	—
Malawi	—	300	—
Malaysia	13,200	1,520	100
Mexico	78,600	400	6,820
Nepal	600	—	—
Netherlands Antilles	1,160	—	—
New Guinea	1,000	930	480
New Zealand	1,600	—	—
Norway	11,000	15,110	3,660
Panama	6,000	—	800
Saudi Arabia	13,000	—	1,400
Singapore	13,600	—	200
Spain	1,730	—	—
Sweden	61,500	—	1,000
The Netherlands	48,000	—	8,320
Tunisia	4,200	—	1,440
UAR (Egypt)	6,800	—	—
USA	104,550	35,670	—
USSR	3,600	—	16,400
Venezuela	35,000	—	2,400
Yugoslavia	20,540	10,380	4,000
<b>Total</b>	<b>1,184,150</b>	<b>361,470</b>	<b>108,000</b>

#### TELEX EXCHANGES (included in the above list)

Terminal exchanges:	10,350
Transit exchanges:	9,340

#### Total number of telephone lines cut into service during 1971:

Local exchanges:	1,535,270
Transit exchanges:	98,660

#### Total number of LME lines in service:

Local and terminal exchanges:	13,966,530
Transit exchanges:	590,370

Enskilda Banken is in process of installation. When fully completed, it will link the bank's network of approximately 400 offices.

AB Rifa, a subsidiary, was allocated increased funds for development work in the field of integrated circuits. Several monolithic microcircuits, including a special relay circuit, were developed and manufactured on a pilot scale. Series production of hybrid microcircuits, for such uses as microphone amplifiers and modulators in carrier frequency systems, started during the year.

At Sieverts Kabelverk, work continued on the further development of SINIPAL, the nickel-plated aluminum conductor. Field tests of various types of applications were positive.

Development work is continuing on new types of power cable for 10 KV transmission and on high voltage cables insulated with "Sikaten," a cross-linked polyethylene.

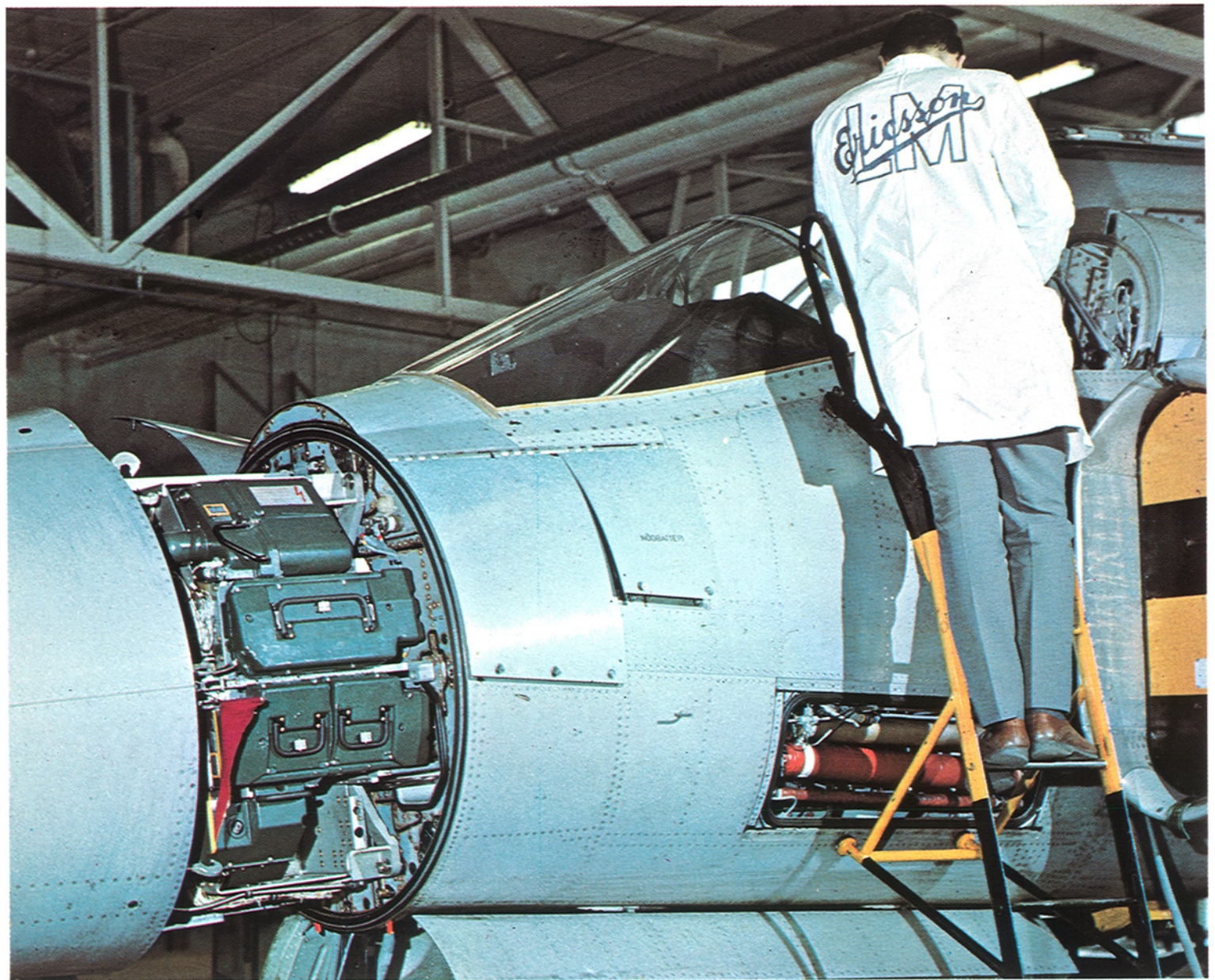
The Parent Company's telephone cable division developed a method of arranging wires in a telephone cable in such a way that substantially lower imbalance occurs during production, with a consequent reduction in "cross talk" when the cable is in use. Production of local cables in the new form got under way during the current year.

#### Outlook for 1972

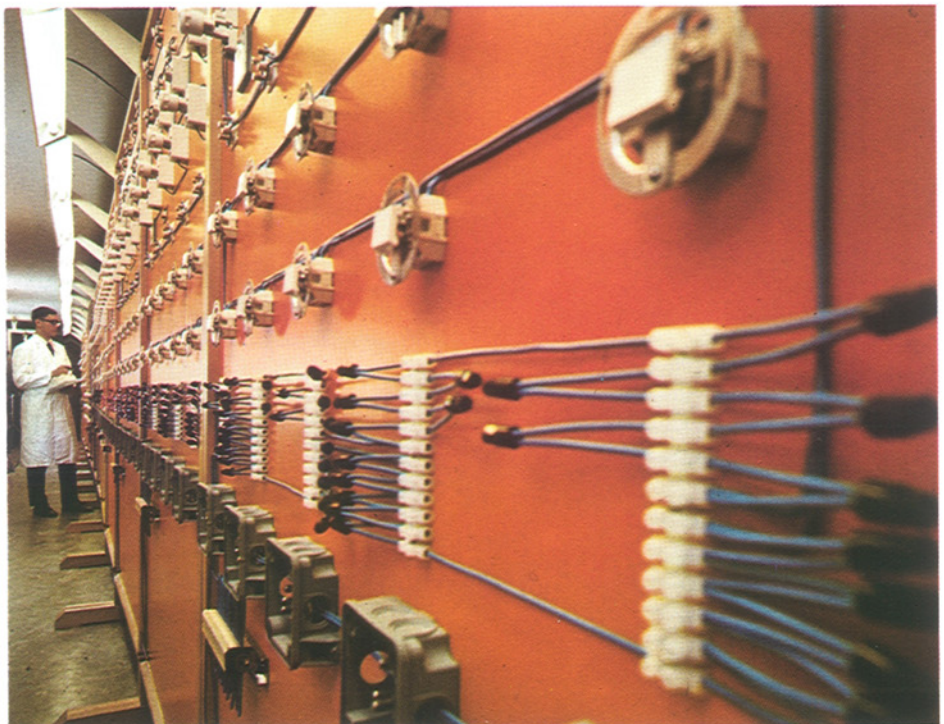
General business conditions in many of the Group's markets are at present characterized by weak economic growth coupled with sharp cost increases. With some exceptions, however, investments in telecommunications networks appear to be continuing at a high rate. In the private sector, lower capital expenditure commitments may affect demand for telecommunications material used primarily in industry and commerce, as well as the demand for wire and cable related to investments in the construction industry. However, since the public sector of the telecommunications market is the dominant one in the Group's operations, order bookings during the current year should not be lower than during 1971.

The backlog of orders on hand means that employment in Group plants is largely assured for 1972 but certain disparities can create problems in individual factories or in some subsidiaries.





The radar and display equipment for Sweden's advanced J 37 «Viggen» fighter aircraft was produced by Ericsson. The first series-produced plane of this type was delivered in June.



At Sieverts Kabelverk the new conductor material, SINIPAL, is tested by connecting it to all types of contacts. SINIPAL is a nickelplated aluminum wire which can replace copper as a conductor in many applications.



A sales increase close to the average increase in recent years appears most probable in 1972.

Foreign exchange problems and persistently rising costs in many countries, not least of all Sweden, make a meaningful forecast of earnings very uncertain.

### Capital expenditures

Investments during the year amounted to \$33,796,000 (1970: \$20,783,000) for property and \$49,834,000 (1970: \$35,900,000) for plant and equipment, or a total of \$83,630,000 (1970: \$56,683,000). Capital expenditures were higher than in any previous year, with more than half of the total allocated to the foreign sector of the Group.

The large factory and office building at Jorvas, near Helsinki, was completed during the year and inaugurated in February, 1972 with the president of Finland as guest of honor.

In Mexico, the new factory and office complex at Tlalnepantla, outside Mexico City, was completed and occupancy got under way at year-end.

Capital expenditures for the current year are expected to total approximately \$83,000,000, of which slightly more than 50 percent will be in the foreign sector of the Group where projects under way or decided on include plant expansions in France, Italy, Norway and Spain.

### Financing

The Group's liquidity was affected by the current expansion program which required substantial sums for capital investments, long-term customer credits and increases in inventories.

In Sweden, the Parent Company issued 7½ percent bonds in the amount of 75 million Swedish kronor and borrowed 80 million Swedish kronor from AB Svensk Exportkredit during the year. Bank loans in the amounts of 40 million Swiss francs and 25 million Deutsche mark were negotiated outside Sweden.

To further strengthen liquidity in expectation of large capital requirements, the Parent Company early in 1972 issued additional bonds in the amount of 75 million Swedish kronor at 7¼ percent and negotiated a long-term

loan of 100 million Deutsche mark at 6¾ percent, with 25 million DM of this loan being used to retire the 25 million DM borrowing noted above.

### Changes within the Group

ASEA, the large Swedish manufacturer of power equipment, and L M Ericsson formed a jointly owned company, ASEA LME Automation AB, during the year. The company, in which ASEA owns a 60 percent interest and Ericsson 40 percent, is in the fields of computer-based process and production control systems for industry, and materials handling.

The merger of the two companies' operations in these fields is designed to strengthen their competitive force and meet customer requirements more effectively in Sweden and export markets.

During the year the sale of 49 percent of the shares of the Spanish subsidiary, Compañía Española Ericsson, S.A. to Compañía Telefónica Nacional de España was completed. At the same time the name of the subsidiary was changed to Industrias de Telecomunicación, S.A. (Intelsa).

The new stock issue of 20 million cruzeiros in Ericsson do Brasil Comércio e Indústria S.A. (EDB), most of which was subscribed for by the Brazilian public, resulted in a reduction to 74 percent of the Parent Company's interest in EDB.

Shares with a par value of 5.25 million pesos in the Mexican subsidiary Teleindustria S.A. were sold to Mexican interests, leaving the Parent Company with 94 percent of the shares. The sale was in accordance with previous agreements and with Group policy of making it possible, wherever appropriate, for domestic investors to participate in Group operations. Coincident with this transaction, the shares in the Mexican real estate company Inmobiliaria Securitas, S.A. de C.V. were transferred from the Parent Company to Teleindustria S.A.

Activities in India previously handled through a branch office were transferred to a newly formed company, Ericsson India Limited, with a capital stock of one million rupees, 74 percent subscribed for by the Parent Company.

The capital stocks of a number of subsidiary companies were increased during the year through stock dividends and new issues, as indicated in the following table, without affecting the Group's percentage holdings in the respective companies except, as noted above, in the cases of the subsidiaries in Brazil and Mexico.



		Par value of holding 12/31/70	Increase during 1971	Par value of holding 12/31/71
In thousands				
<i>Sweden</i>				
L M Ericsson Instruktions- teknik AB	S.Kr.	100	100	200
AB Rifa	S.Kr.	8,000	8,000	16,000
<i>Europe (excluding Sweden)</i>				
Oy L M Ericsson Ab	FM	12,500	1,875	14,375
Swedish Ericsson Telecommuni- cations Ltd.	£ stg	100	250	350
L M Ericsson Ltd.	£ stg	50	50	100
Ericsson AG	Sfrs	500	1,000	1,500
Ericsson Centrum GmbH	DM	1,000	1,000	2,000
Thorsman & Co. GmbH	DM	5	15	20
<i>United States</i>				
Ericsson Centrum, Inc.	US\$	200	200	400
<i>Latin America</i>				
Cia Argentina de Teléfonos S.A.	Arg.P.	14,496	3,640	18,136
Cia Entrerriana de Teléfonos S.A.	Arg.P.	4,925	988	5,913
Cia Ericsson S.A.C.I.	Arg.P.	1,000	250	1,250
Industrias Eléctricas de Quilmes S.A.	Arg.P.	8,000	4,000	12,000
Ericsson do Brasil Comércio e Industria S.A.	Cruz.	60,000	11,195	71,195
Teleindustria S.A.	Mex.P.	35,000	49,750	84,750
Telemontaje S.A. de C.V.	Mex.P.	3,000	2,500	5,500
Cia Ericsson S.A.	Urug.P.	18,000	5,000	23,000
<i>Other countries</i>				
Telecommunication Manufacturers SDN BHD	M\$	800	200	1,000
A.E.E. Capacitors Pty. Ltd.	A\$	700	500	1,200

## Parent Company

Total revenues of the Parent Company amounted to \$399,651,000 in 1971, compared with \$334,198,000 in the preceding year. Revenues from invoiced goods and services accounted for \$365,877,000 (1970: \$304,157,000), of which \$263,825,000 (1970: \$203,023,000) was delivered in

export markets, and revenues from other sources amounted to \$33,774,000 (1970: \$30,041,000) as shown below:

	1971	1970
Dividends	\$ 8,884,000	\$ 8,781,000
Interest	19,337,000	16,790,000
Other	5,553,000	4,470,000
	<b>\$33,774,000</b>	<b>\$30,041,000</b>

During the year \$831,600 was transferred to the account shown in the balance sheet as "Investment in Technical Development Projects," which covers part of the development costs incurred for very long-term projects.

Depreciation of property, plant and equipment amounted to \$10,093,000 (1970: \$8,575,000). In addition, acquisitions during the year were depreciated by \$5,967,000 (1970: \$ 4,990,000) through charges against the reserve for future investments.

A net amount of \$9,248,000 (1970: \$6,118,000) was allocated to the special reserve for accounts receivable and \$17,443,000 (1970: \$14,657,000) was transferred to the special inventory reserve.

After total special adjustments in the amount of \$26,691,000 (1970: \$24,933,000, including a transfer of \$4,158,000 to the general reserve) and provision for income taxes in the amount of \$5,821,000 (1970: \$15,176,000), reported net income of the Parent Company in 1971 was \$18,816,000, compared with \$18,904,000 in 1970.

The sum of \$9,356,000 was transferred to a reserve for inventory investments from the reserve for future investments.

Reference is made to the accompanying income statements and balance sheets of the Group and the Parent Company, which together with the notes and supplementary information on pages 30—32, form an integral part of the Annual Report.

## Proposed disposition of unappropriated earnings of the Parent Company

As shown in the statement on page 24, the sum of \$27,988,000, exclusive of a general reserve of \$20,239,000, is available for disposition by the stockholders at the Annual Meeting to be held May 29, 1972.

The Board of Directors and the President propose that the above amount be distributed as follows:

To the stockholders Swedish kronor 5.50 per share against coupon No. 45 . . . . .	\$14,069,000
To the special legal reserve . . . . .	4,636,000
To be retained in the business . . . . .	9,283,000
	<b>\$27,988,000</b>



Marc Wallenberg Jr., a deputy member of the Board of Directors since 1957, passed away on November 19, 1971. His death is a great loss to the Company. Through his exceptional knowledge in such fields as finance and through his widespread and solid international relationships, he made significant contributions to the Company. He was well acquainted, through personal experience, with the problems and difficulties encountered in large foreign operations and provided wise counsel on the Company's activities in foreign markets.

In recalling the many valuable services Marc Wallenberg Jr. rendered the Company, the Board honors his memory with deep appreciation

Stockholm, April 1972

E. BOHEMAN  
J. WALLANDER

M. WALLENBERG  
L-O EKEBERG  
R. WOXÉN  
B. LUNDVALL  
*President*

H.W. SÖDERMAN  
SVEN T. ÅBERG



# Auditors' Report

TO THE STOCKHOLDERS OF TELEFONAKTIEBOLAGET L M ERICSSON

We the undersigned auditors, appointed at the Annual Meeting of Stockholders, present herewith our report for the year 1971.

We have examined the Annual Report of the Board of Directors and the President, the Consolidated Statements, the minutes and other documents which give information about the financial position and results and the administration of the Company and of the Group, and have carried out such other auditing procedures as we considered necessary.

The requirements of the law regarding consolidated statements and information in respect of stockholdings have been complied with.

Our examination has revealed no reason for criticism, either with respect to the accounts and documents presented to us, the Company's accounting procedures, the inventory taken of the Company's assets, or the administration of the Company.

The proposed disposal of the unappropriated earnings includes transfers to legal reserves of the amounts prescribed by law and the proposed dividend is not contrary to sound business practice considering the financial position of the Group and the results of its operations.

As a result of our examination we recommend:

- that* the Balance Sheet at December 31, 1971, included in the Annual Report, be approved,
- that* unappropriated earnings in the amount of \$27,988,000, exclusive of the General reserve totaling \$20,239,000, be disposed of according to the proposal of the Board of Directors and the President, and
- that* the Board of Directors and the President be released from responsibility for their administration during the period covered by the Annual Report.

Stockholm, April 14, 1972.

*Klas de Vylder*  
Swedish Authorized Public Accountant  
(Partner in Price Waterhouse & Co.)

*N.-A. Frisk*

*John Mackinlay Boyd*  
Chartered Accountant  
(Partner in Price Waterhouse & Co.)

**It should be understood that the report set out above is a translation of the original report in Swedish relating to the examination of the annual report and financial statements expressed in Swedish kronor.**



## Consolidated Income Statement

	1971	1970
Net sales . . . . .	\$781,524,000	\$656,866,000
Dividends, interest and other revenue		
From unconsolidated subsidiary companies . . . . .	1,379,000	1,694,000
From associated companies . . . . .	1,732,000	875,000
From others . . . . .	23,548,000	21,303,000
	<u>808,183,000</u>	<u>680,738,000</u>
Cost of products and services sold . . . . .	430,064,000	345,862,000
Selling, administrative, research and development expenses . . . . .	220,247,000	189,195,000
Depreciation (Note 3) . . . . .	26,651,000	22,740,000
Interest . . . . .	25,219,000	17,238,000
	<u>106,002,000</u>	<u>105,703,000</u>
Foreign exchange losses (Note 4) . . . . .	6,874,000	1,984,000
	<u>99,128,000</u>	<u>103,719,000</u>
Special adjustments		
Transfer to reserve for accounts receivable and investments outside Sweden, \$12,673,000 in 1971 and \$8,769,000 in 1970, net of recovery of previously written off receivables, \$3,540,000 in 1971 and \$2,337,000 in 1970 . . . . .	9,133,000	6,432,000
Transfer to special inventory reserve (Note 5) . . . . .	19,340,000	21,039,000
Transfer to reserves for future investments (Note 6) . . . . .	4,935,000	2,038,000
	<u>33,408,000</u>	<u>29,509,000</u>
	<u>65,720,000</u>	<u>74,210,000</u>
Taxes on income . . . . .	30,068,000	34,157,000
	<u>35,652,000</u>	<u>40,053,000</u>
Minority interest . . . . .	8,146,000	3,654,000
	<u>\$ 27,506,000</u>	<u>\$ 36,399,000</u>

The notes on pages 30 and 31 are an integral part of the Consolidated Income Statement.

The United States dollar amounts shown in the above statement represent translations from Swedish kronor at the parity exchange rate at December 31, 1971 of S. Kr. 4.81 to \$1.00.



## Consolidated Balance Sheet

	December 31	
	1971	1970
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash . . . . .	\$ 104,263,000	\$ 137,543,000
Notes and accounts receivable—trade ( <i>less provision for doubtful accounts, 1971: \$3,345,000; 1970: \$2,367,000</i> ) . . . . .	275,202,000	228,660,000
Inventories ( <i>less advance and progress payments, 1971: \$60,432,000; 1970: \$53,281,000</i> ) (Note 7) . . . . .	360,239,000	296,906,000
Other current assets . . . . .	39,861,000	31,458,000
	<u>779,565,000</u>	<u>694,567,000</u>
<b>LONG-TERM ASSETS</b> (Note 8)		
Cash on time deposit . . . . .	14,770,000	18,554,000
Notes and accounts receivable—trade . . . . .	142,375,000	117,722,000
Other long-term assets . . . . .	12,431,000	14,990,000
	<u>169,576,000</u>	<u>151,266,000</u>
<b>INVESTMENTS IN SUBSIDIARY AND ASSOCIATED COMPANIES</b>		
Unconsolidated subsidiary companies		
Investments (Note 9) . . . . .	4,591,000	4,584,000
Accounts receivable . . . . .	11,479,000	10,508,000
Associated companies		
Investments . . . . .	18,209,000	15,127,000
Accounts receivable . . . . .	9,653,000	8,049,000
	<u>43,932,000</u>	<u>38,268,000</u>
<b>INVESTMENT IN TECHNICAL DEVELOPMENT PROJECTS</b>		
	<u>1,331,000</u>	<u>624,000</u>
<b>PROPERTY, PLANT AND EQUIPMENT</b> (Note 10)		
Cost . . . . .	392,955,000	321,587,000
Less—Accumulated depreciation . . . . .	202,449,000	175,943,000
	<u>190,506,000</u>	<u>145,644,000</u>
Revaluation, net . . . . .	15,881,000	17,269,000
	<u>206,387,000</u>	<u>162,913,000</u>
	<b>1971</b>	<b>1970</b>
Assets pledged to secure indebtedness . . . . .	\$142,717,000	\$119,642,000
	<b>TOTAL ASSETS</b>	<b>TOTAL ASSETS</b>
	<u>\$1,200,791,000</u>	<u>\$1,047,638,000</u>

The notes on pages 30 and 31 are an integral part of the Consolidated Balance Sheet.

The United States dollar amounts shown in the above statement represent translations from Swedish kronor at the parity exchange rate at December 31, 1971 of S. Kr. 4.81 to \$1.00.



**LIABILITIES AND STOCKHOLDERS' EQUITY**

December 31

**CURRENT LIABILITIES****1971**                      **1970**

Bank loans . . . . .	\$ 63,422,000	\$ 68,112,000
Accounts payable—trade . . . . .	44,707,000	46,084,000
Advances from customers . . . . .	88,844,000	72,086,000
Accrued income and other taxes . . . . .	24,201,000	27,805,000
Other current liabilities . . . . .	110,749,000	98,778,000
	<u>331,923,000</u>	<u>312,865,000</u>

**LONG-TERM DEBT**

Debentures (Note 11) . . . . .	124,145,000	111,161,000
Other long-term liabilities . . . . .	105,242,000	46,922,000
	<u>229,387,000</u>	<u>158,083,000</u>

**PENSION AND SIMILAR PROVISIONS . . . . .**75,898,000                      66,503,000**SPECIAL RESERVES** (Note 12)

Special reserve for accounts receivable and investments outside Sweden . . . . .	72,442,000	65,500,000
Special inventory reserve . . . . .	95,487,000	76,255,000
Reserves for future investments . . . . .	34,625,000	47,203,000
Reserve for inventory investments . . . . .	9,356,000	—
	<u>211,910,000</u>	<u>188,958,000</u>

**MINORITY INTEREST IN STOCKHOLDERS' EQUITY**50,540,000                      33,538,000**STOCKHOLDERS' EQUITY**

Capital stock (Note 13) . . . . .	127,901,000	127,901,000
Reserves not available for distribution . . . . .	83,379,000	75,239,000
Unappropriated earnings (see page 24) . . . . .	89,853,000	84,551,000
	<u>301,133,000</u>	<u>287,691,000</u>

	<b>1971</b>	<b>1970</b>
Contingent liabilities . . . . .	\$30,844,000	\$35,782,000

**TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY**    \$1,200,791,000                      \$1,047,638,000

The United States dollar amounts shown in the above statement represent translations from Swedish kronor at the parity exchange rate at December 31, 1971 of S. Kr. 4.81 to \$1.00.



# Statements of unappropriated earnings

## CONSOLIDATED

Balance at January 1, 1971 . . . . .		\$84,551,000
Deduct: Transfer to reserves not available for distribution and stock dividends . . . . .	\$ 8,135,000	
Cash dividend declared by the Parent Company . . . . .	14,069,000	22,204,000
		<u>62,347,000</u>
Add: Net income for 1971 . . . . .		27,506,000
Balance at December 31, 1971 . . . . .		<u>\$89,853,000</u>

The Boards of Directors of the respective companies have proposed that \$5,911,000 of the above balance be appropriated in 1972 to reserves not available for distribution.

In evaluating the consolidated financial position, it should be noted that:

- (1) Unappropriated earnings in certain foreign subsidiaries will become subject to Swedish taxes if and when such earnings are transferred to the Parent Company, and,
- (2) In certain countries currency restrictions apply to transfer of dividends.

## PARENT COMPANY

Balance at January 1, 1971 . . . . .		\$29,208,000
Deduct: Transfer to the Special legal reserve . . . . .	\$ 5,967,000	
Cash dividend . . . . .	14,069,000	20,036,000
		<u>9,172,000</u>
Add: Net income for 1971 . . . . .		18,816,000
Balance at December 31, 1971 . . . . .		<u>\$27,988,000</u>

To this should be added a general reserve of \$20,239,000 which was unchanged during the year.

## Source and application of funds — consolidated

### SOURCE OF FUNDS

	1971	1970
Net income (including minority interest) . . . . .	\$ 35,652,000	\$ 40,053,000
Depreciation . . . . .	26,651,000	22,740,000
Special adjustments (including pension and similar provisions, 1971: \$9,395,000; 1970: \$8,562,000) . . . . .	42,803,000	38,070,000
	<u>105,106,000</u>	<u>100,863,000</u>
Long-term borrowings . . . . .	87,100,000	62,186,000
Sale of stock . . . . .	7,298,000	7,412,000
Other items (net) . . . . .	4,610,000	2,475,000
	<u>\$204,114,000</u>	<u>\$172,936,000</u>

### APPLICATION OF FUNDS

Investments in unconsolidated subsidiaries and associated companies . . . . .	\$ 5,664,000	\$ 10,594,000
Property, plant and equipment additions . . . . .	83,630,000	56,683,000
Amortization of long-term debt . . . . .	11,627,000	7,414,000
Dividend paid by Parent Company . . . . .	14,069,000	14,069,000
Increase in working capital (including long-term receivables, 1971: \$19,017,000; 1970: \$22,789,000) . . . . .	89,124,000	84,176,000
	<u>\$204,114,000</u>	<u>\$172,936,000</u>

The United States dollar amounts shown in the above statement represent translations from Swedish kronor at the parity exchange rate at December 31, 1971 of S. Kr. 4.81 to \$1.00.



# Parent Company Income Statement

	<b>1971</b>	<b>1970</b>
Net sales . . . . .	\$365,877,000	\$304,157,000
Dividends, interest and other revenue		
From consolidated subsidiary companies . . . . .	16,245,000	13,688,000
From unconsolidated subsidiary companies . . . . .	1,005,000	1,622,000
From associated companies . . . . .	189,000	304,000
From others . . . . .	16,335,000	14,427,000
	<u>399,651,000</u>	<u>334,198,000</u>
Cost of products and services sold . . . . .	214,340,000	163,531,000
Selling, administrative, research and development expenses . . . . .	109,564,000	95,979,000
Depreciation (Note 3) . . . . .	10,093,000	8,575,000
Interest . . . . .	12,043,000	7,079,000
Foreign exchange losses (Note 4). . . . .	2,283,000	21,000
Income before items below	<u>51,328,000</u>	<u>59,013,000</u>
Special adjustments		
Transfer to reserve for accounts receivable and investments outside Sweden, \$12,353,000 in 1971 and \$7,151,000 in 1970, net of recovery of previously written off receivables, \$3,105,000 in 1971 and \$1,273,000 in 1970, and write-downs of investments in 1971, \$240,000 . . . . .	9,248,000	6,118,000
Transfer to special inventory reserve (Note 5) . . . . .	17,443,000	14,657,000
Transfer to general reserve . . . . .	—	4,158,000
	<u>26,691,000</u>	<u>24,933,000</u>
Income before taxes	24,637,000	34,080,000
Taxes on income . . . . .	5,821,000	15,176,000
Net income	<u>\$ 18,816,000</u>	<u>\$ 18,904,000</u>

The notes on pages 30–32 are an integral part of the Income Statement.

The United States dollar amounts shown in the above statement represent translations from Swedish kronor at the parity exchange rate at December 31, 1971 of S. Kr. 4.81 to \$1.00.



# Parent Company Balance Sheet

<b>ASSETS</b>	December 31	
	<b>1971</b>	<b>1970</b>
<b>CURRENT ASSETS</b>		
Cash . . . . .	\$ 67,523,000	\$ 95,546,000
Notes and accounts receivable—trade		
Subsidiary companies . . . . .	51,495,000	38,397,000
Other ( <i>less provision for doubtful accounts, 1971: \$194,000; 1970: \$440,000</i> ) . . . . .	99,234,000	83,903,000
Inventories ( <i>less advance and progress payments, 1971: \$4,658,000; 1970: \$6,787,000</i> ) . . . . .	149,006,000	127,043,000
Other current assets . . . . .	28,423,000	16,735,000
	<u>395,681,000</u>	<u>361,624,000</u>
<b>LONG-TERM ASSETS</b>		
Cash on time deposit . . . . .	10,338,000	12,492,000
Notes and accounts receivable—trade		
Subsidiary companies . . . . .	32,568,000	21,481,000
Other . . . . .	108,699,000	93,094,000
Other long-term assets . . . . .	3,416,000	3,210,000
	<u>155,021,000</u>	<u>130,277,000</u>
<b>INVESTMENTS IN SUBSIDIARY AND ASSOCIATED COMPANIES</b>		
Subsidiary companies		
Investments (see pages 28 and 29) . . . . .	76,470,000	69,975,000
Accounts receivable . . . . .	43,351,000	35,110,000
Associated companies		
Investments (see page 29) . . . . .	6,957,000	3,880,000
Accounts receivable . . . . .	1,263,000	2,918,000
	<u>128,041,000</u>	<u>111,883,000</u>
<b>INVESTMENT IN TECHNICAL DEVELOPMENT PROJECTS</b>	1,331,000	624,000
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
Cost . . . . .	148,762,000	122,878,000
Less—Accumulated depreciation . . . . .	93,367,000	79,323,000
	55,395,000	43,555,000
Revaluation—net. . . . .	9,756,000	10,363,000
	<u>65,151,000</u>	<u>53,918,000</u>
	<b>1971</b>	<b>1970</b>
Assets pledged to secure indebtedness . . . . .	\$98,931,000	\$79,904,000
	<b>TOTAL ASSETS</b>	<b>\$745,225,000</b>
		<b>\$658,326,000</b>

The notes on pages 30–32 are an integral part of the Balance Sheet.

The United States dollar amounts shown in the above statement represent translations from Swedish kronor at the parity exchange rate at December 31, 1971 of S. Kr. 4.81 to \$1.00.

## LIABILITIES AND STOCKHOLDERS' EQUITY

December 31

	1971	1970
<b>CURRENT LIABILITIES</b>		
Bank loans . . . . .	\$ 242,000	\$ 409,000
Accounts payable—trade . . . . .	14,949,000	15,867,000
Advances from customers . . . . .	33,189,000	26,127,000
Accounts payable to consolidated subsidiary companies . . . . .	14,349,000	13,706,000
Other current liabilities . . . . .	62,474,000	53,225,000
	<u>125,203,000</u>	<u>109,334,000</u>
<b>LONG-TERM DEBT</b>		
Debentures (Note 11) . . . . .	117,127,000	105,872,000
Other long-term liabilities . . . . .	52,555,000	21,811,000
	<u>169,682,000</u>	<u>127,683,000</u>
<b>PROVISION FOR PENSIONS.</b> . . . . .	<u>43,855,000</u>	<u>38,236,000</u>
<b>SPECIAL RESERVES</b> (Note 12)		
Special reserve for accounts receivable . . . . .	72,463,000	65,273,000
Special inventory reserve . . . . .	84,877,000	67,435,000
Reserve for future investments . . . . .	13,370,000	28,693,000
Reserve for inventory investments . . . . .	9,356,000	—
	<u>180,066,000</u>	<u>161,401,000</u>
<b>STOCKHOLDERS' EQUITY</b>		
Capital stock (Note 13) . . . . .	127,901,000	127,901,000
Legal reserve . . . . .	25,634,000	25,634,000
Special legal reserve . . . . .	24,657,000	18,690,000
General reserve . . . . .	20,239,000	20,239,000
Unappropriated earnings (see page 24) . . . . .	27,988,000	29,208,000
	<u>226,419,000</u>	<u>221,672,000</u>
	<b>1971</b>	<b>1970</b>
Contingent liabilities . . . . .	\$106,543,000	\$82,958,000
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u>\$745,225,000</u>	<u>\$658,326,000</u>

The United States dollar amounts shown in the above statement represent translations from Swedish kronor at the parity exchange rate at December 31, 1971 of S. Kr. 4.81 to \$1.00.

With reference to the Auditors' Report submitted by us today, we certify that the above Balance Sheet and Income Statement are in agreement with the Company's accounting records examined by us.

Stockholm, April 14, 1972

Klas de Vylder

N.-A. Frisk

John Mackinlay Boyd



# Investments

## Stocks directly owned by Parent Company Consolidated Subsidiary Companies

Sweden		Percentage of Ownership Decimals omitted		Par Value of Holding (in thousands)	Carrying Value of Holding
I	Ericsson Telephone Sales Corp. AB (ESS)	100	S. Kr	5	\$ —
I	L M Ericsson Instruktionsteknik AB (ITA)	100		200	21
I	L M Ericsson Telemateriel AB (LMS)	100		16,000	3,306
I	AB Rifa (RIF)	100		16,000	3,098
I	Sievert's Kabelverk AB (SKV)	100		90,000	12,474
I	Svenska Radio AB (SRA)	71		11,280	1,839
III	Fastighets AB Rådmannen nr 1 (FAR)	100		500	104
IV	AB Aulis (AUL)	100		2,000	416
IV	Casa Konsult AB (CAS)	100		500	103
IV	L M Ericssons Signal AB (SIB)	100		150	—
IV	Mexikanska Telefon AB Ericsson (MTE)	100		32,400	7,138
	ELLEMTEL Utvecklings AB (EUA)	50		5,000	1,247
<b>Europe excluding Sweden</b>					
I	Oy L M Ericsson AB (LMF)	100	Fmk	14,375	3,542
I	A/S Elektrisk Bureau (EBN)	32*	N. Kr.	4,800	521
I	L M Ericsson A/S (LMD)	100	D. Kr.	26,000	4,015
I	Dansk Signal Industri A/S (DSI)	99	D. Kr.	6,997	1,075
I	Deutsche Ericsson GmbH Telematerial (EVG)	100	DM	500	107
I	Ericsson Centrum GmbH (CEH)	100	DM	2,000	643
I	Production Control (Ericsson) Ltd. (PCE)	100	£	1	—
I	Swedish Ericsson Co. Ltd. (SEL)	100	£	792	2,377
I	Swedish Ericsson Rentals Ltd. (CRL)	100	£	—	—
I	Swedish Ericsson Telecommunications Ltd. (SEE)	100	£	350	903
I	L M Ericsson Ltd. (LMI)	100	£	100	264
I	Ericsson Telefoonmaatschappij N.V. (ETM)	100	Fl.	8,500	1,185
I	Société Française des Téléphones Ericsson (STE)	51	FF	15,466	3,355
I	RIFA S.A. (RFF)	100	FF	3,100	600
I	Ericsson AG (EAS)	100	S.Fcs	1,500	391
I	Industrias de Telecomunicación S.A. (Intelsa) (ITS)	48**	Ptas	145,000	2,045
I	Soc. Ericsson de Portugal Lda. (SEP)	100	Esc.	5,000	76
IV	Elmé, S.A. (LML)	100	B. Fcs.	50	—
IV	SETEMER, Soc. per Az. (STM)	51	It. L	3,666,714	5,759
<b>U.S.A. and Canada</b>					
I	Ericsson Centrum Inc. (ECI)	100	US\$	400	283
I	The Ericsson Corporation (TEC)	100	US\$	No par value	5
I	L M Ericsson Ltd (LMC)	100	Can.\$	No par value	512
<b>Latin America</b>					
I	Latinoamericana de Cables S.A. de C.V. (LCM)	38**	Mex. P.	8,480	661
I	Teléfonos Ericsson S.A. (TEM)	100	Mex. P.	2,500	89
I	Teleindustria S.A. de C.V. (TIM)	95	Mex. P.	84,750	7,184
I	Telemontaje S.A. de C.V. (TMM)	100	Mex. P.	5,500	130
I	Teleric Sales Corporation (TSP)	100	US\$	No par value	1
I	Cía Anónima Ericsson (CEV)	100	Bol.	5,000	1,038
I	Ericsson de Colombia S. A. (EDC)	95	Col. P.	4,729	481
I	Fábricas Colombianas de Materiales Eléctricos Facomec S.A. (FAC)	50**	Col. P.	10,000	663
I	Teléfonos Ericsson C.A. (TEE)	100	Sucres	1,300	63
I	Cía Ericsson S.A. (CEP)	100	Soles	2,000	79
I	Ericsson do Brasil Comércio e Indústria S.A. (EDB)	74	Cruz.	71,195	1,407
I	Cía Ericsson de Chile S.A. (CEC)	100	Esc.	400	102

\* Parent Company and wholly owned subsidiary have voting majority.

\*\* Through holdings in subsidiaries, the Group owns 51% of ITS, 58% of LCM and 100% of FAC.

		Percentage of Ownership	Par Value of Holding	Carrying Value of Holding	
		Decimals omitted	(in thousands)		
I	Cía Ericsson S.A. (CEU) . . . . .	Uruguay	100	Ur. P. 23,000	230
I	Cía Ericsson S.A.C.I. (CEA) . . . . .	Argentina	100	Arg. P. 1,250	538
I	Industrias Eléctricas de Quilmes S.A. (IEQ) . . . . .	Argentina	100	Arg. P. 12,000	699
III	Edificio Ericsson S.A. (EEM) . . . . .	Mexico	100	Mex. P. 2,500	215
III	Inmobiliaria Coapa S.A. (ICM) . . . . .	Mexico	100	Mex. P. 1,000	130
IV	Empresa Sul Americana de Telefones S.A.(EST) . . . . .	Brazil	100	Cruz. 2	—
IV	Mextron S.A. de C.V. (MSM) . . . . .	Mexico	100	Mex. P. 1,000	301
IV	Telefonos Ericsson C. A. (TEV) . . . . .	Venezuela	100	Bol. 700	162

#### Other Countries

I	Ericsson India Ltd (EII) . . . . .	India	74	Rup. 740	105
I	Société Marocaine des Téléphones Ericsson (SME)	Morocco	58	Dirham 88	27
I	Ericsson Talipon SDN BHD (ETK) . . . . .	Malaysia	100	M\$ 150	53
I	Telecommunication Manufacturers (Malaysia) SDN BHD (TMK) . . . . .	Malaysia	100	M\$ 1,000	355
I	Société Algérienne des Téléphones Ericsson (STA)	Algeria	60	Alg. Din. 12	3
				Total consolidated subsidiary companies	\$72,120

#### Unconsolidated Subsidiary Companies

II	Cía Argentina de Telefonos S.A. (CAT) . . . . .	Argentina	78	Arg. P. 18,136	\$2,012
II	Cía Entrerriana de Telefonos S.A. (CET) . . . . .	Argentina	86	Arg. P. 5,913	1,763
II	Sociedad Telefónica del Perú, S.A. (STP) . . . . .	Peru	55	Soles 34,804	375
				Total unconsolidated subsidiary companies	\$4,350

Total subsidiary companies \$76,470

#### Associated Companies

I	ASEA LME Automation AB (ALA) . . . . .	Sweden	40	S. Kr. 4,000	831
I	GNT AUTOMATIC A/S (GNT) . . . . .	Denmark	49	D. Kr. 14,700	\$2,315
I	Alambres y Cables Venezolanos C.A. (Alcave) (ACV) . . . . .	Venezuela	25	Bol. 3,700	1,150
I	Fiose Cabos Plásticos do Brasil S.A. (Ficap)(FCB)	Brazil	45	Cruz. 9,551	2,399
I	Telephone Industries of Singapore Private Ltd. (TIS) . . . . .	Singapore	49	S\$ 735	262
				Total associated companies	\$6,957

#### Stocks indirectly owned by Parent Company

(Minor items omitted)

#### Consolidated Subsidiary Companies

I	AB Thorsman & Co. (TCN) . . . . .	Sweden	100	S. Kr. 50	
I	AB Transvertex (TRX) . . . . .	Sweden	100	S. Kr. 105	
I	A/S Norsk Kabelfabrik (NKD) . . . . .	Norway	40	N. Kr. 3,202	
I	A/S Telesystemer (ATN) . . . . .	Norway	40	N. Kr. 1,601	
I	Etabl <sup>is</sup> . . . . .	France	49	FF 3,721	
	E, Soc. per Az. (FAT) . . . . .	Italy	51	It. L. 3,589,789	
I	SIELTE, Soc. per Az. (SEI) . . . . .	Italy	51	It. L. 2,051,308	
I	L M Ericsson S. A. (LES) . . . . .	Spain	100	Ptas 1,000	
I	Société Libanaise des Téléphones Ericsson (STL)	Lebanon	100	L. £ 50	
I	L M Ericsson Pty Ltd. (EPA) . . . . .	Australia	73	A \$ 4,360	
I	A.E.E. Capacitors Pty Ltd. (AEE) . . . . .	Australia	100	A \$ 1,200	
III	Inmobiliaria Securitas S.A. de C.V. (ISM) . . . . .	Mexico	94	Mex. P. 2,825	
IV	Teleric Pty Ltd. (TLA) . . . . .	Australia	100	A \$ 1,996	

#### Associated Companies

I	Bjurhagens Fabrikers AB (BFA) . . . . .	Sweden	50	S. Kr. 5,000	
I	P. Boréns Fabriks AB (BOF) . . . . .	Sweden	50	S. Kr. 1,000	
I	AB Norrköpings Kabelfabrik (NKF) . . . . .	Sweden	50	S. Kr. 500	
I	AB Elektrokoppar (EKS) . . . . .	Sweden	25	S. Kr. 3,750	
I	Conqueror Cables Pty Ltd. (CCA) . . . . .	Australia	40	A \$ 280	

#### KEY TO FUNCTIONS OF COMPANIES

I Manufacturing and distributing companies  
II Telephone operating companies

III Real estate companies

IV Holding and other non-operating companies



# Notes to the financial statements

## Note 1 — Principles of consolidation

The consolidated financial statements include the accounts of the Parent Company and all subsidiaries with the exception of the telephone operating companies in Argentina and Peru which are excluded due to the special nature of their activities.

## Note 2 — Basis for translation of statements of foreign subsidiaries

Property, plant and equipment and related depreciation provisions, as well as stockholders' equity, have been recorded at exchange rates in effect at dates of acquisition. Other assets and liabilities have been translated at year-end exchange rates, except for the inventory of the Brazilian subsidiary and that company's advances from customers, which have been translated at acquisition date rates.

## Note 3 — Depreciation

The Parent Company and its Swedish subsidiaries generally depreciate buildings at a rate of 2 % to 4 % and machinery and equipment at 20 %, based on cost. In addition, that portion of any revaluation that pertains to buildings is depreciated at a rate of 5 % per year. Subsidiary companies outside Sweden follow depreciation methods adapted to local practices.

As a result of special write-downs charged against reserves for future investments, depreciation in 1971 was lower than would otherwise have been recorded. (See Note 12). Depreciation charged against 1971 operations corresponds closely to that calculated for costing purposes. The latter is based on the estimated replacement cost and life of the property, plant and equipment.

## Note 4 — Foreign exchange losses

The Group incurred losses totaling \$9,473,000 (1970: \$1,984,000) resulting from changes in foreign exchange rates during the year. Of this amount, \$2,474,000 was covered by reserves for accounts receivable, \$125,000 by profits on foreign exchange and \$6,874,000 was charged against operations for the year.

In calculating the unrealized exchange losses of the Parent Company at year-end, U.S. dollar receivables due in 1972 have been translated at the year-end exchange rate and the resulting losses are included in the total amount above. Receivables and obligations of the Parent Company in foreign currencies, which have due dates after 1972, have not been translated. See also Note 2.

## Note 5 — Allocations to special inventory reserve

Swedish tax regulations permit, within certain limits, deduction from taxable income of amounts set aside to inventory reserves. Such inventory reserves may, in principle, amount to 60 % of the lower of cost or market. Following Swedish practice, Swedish companies to a greater or lesser extent avail themselves of this advantage, and stated net income is affected accordingly.

## Note 6 — Allocations to reserves for future investments

Allocations to reserves for future investments, which are tax deductible under certain conditions, are considered as appropriations of earnings and not as operating expenses. (See Note 12).

## Note 7 — Inventories

	1971	1970
Materials and supplies . . . . .	\$ 64,668,000	\$ 59,312,000
Semi-finished goods . . . . .	153,543,000	133,070,000
Finished goods . . . . .	124,394,000	94,717,000
Contract installations in progress . . . . .	78,066,000	63,088,000
	<u>\$420,671,000</u>	<u>\$350,187,000</u>
Less—Advance and progress payments . . . . .	60,432,000	53,281,000
	<u>\$360,239,000</u>	<u>\$296,906,000</u>

Inventories are generally valued at standard cost, which approximates cost on a first-in, first-out basis, not in excess of market.

## Note 8 — Long-term assets

(a) Long-term bank deposits include funds deposited in the special investment accounts with the Bank of Sweden and Bank of Norway amounting to \$13,663,000 (\$17,381,000 in 1970).

(b) Other long-term assets include miscellaneous investments in the amount of \$2,931,000 (\$3,374,000 in 1970).

## Note 9 — Investments in unconsolidated subsidiaries

	Argentina	Peru
The Group's equity in net assets at December 31, 1971 . . . . .	\$7,318,000	\$1,026,000

The equity has been computed on the basis of year-end rates of exchange, viz. 12 cents per Peso and 2.3 cents per Sol.

The telephone operating companies concerned have revalued their fixed assets in prior years and the resultant excess value over cost has been treated as equity.

**Note 10 — Property, plant and equipment**

	<i>Cost</i>	<i>Revaluation</i>
Land . . . . .	\$ 14,457,000	\$ 5,877,000
Buildings . . . . .	134,348,000	18,093,000
Machinery and equipment . . . . .	209,249,000	—
	<u>\$358,054,000</u>	<u>\$23,970,000</u>
Construction in progress . . . . .	34,901,000	—
	<u>\$392,955,000</u>	<u>\$23,970,000</u>
Less—Accumulated depreciation . . . . .	202,449,000	8,089,000
Net book value . . . . .	<u>\$190,506,000</u>	<u>\$15,881,000</u>

The revaluations arose in connection with stock dividends declared in prior years by the Parent Company and Sieverts Kabelverk AB, and in no case do the restated values exceed the assessment values of the properties.

**Note 11 — Debentures  
Parent Company**

4 ½ % Debentures of 1944, due 1973 to 1978, S.kr. 7,500,000 . . . . .	\$ 1,559,000
3 ½ % Debentures of 1950, due July 1, 1980, S.kr. 13,347,000 . . . . .	2,775,000
4 ½ % Debentures of 1959, due 1973 to 1977, Swiss Francs 25,000,000 . . . . .	6,237,000
6 ½ % Debentures of 1966, due 1973 to 1986, US \$16,800,000 . . . . .	18,057,000
6 ½ % Debentures of 1968, due 1973 to 1988, S.kr. 66,500,000 . . . . .	13,825,000
5 ½ % Debentures of 1968, due 1974 to 1983, Swiss Francs 50,000,000 . . . . .	12,474,000
9 ¼ % Debentures of 1970, due 1973 to 1985, US \$28,700,000 . . . . .	30,848,000
8 ¾ % Debentures of 1970, due December 1, 1975, US \$15,000,000 . . . . .	16,123,000
7 ½ % Debentures of 1971, due 1973 to 1991, S.kr. 73,250,000 . . . . .	15,229,000

**Subsidiary Companies**

Société Française des Téléphones Ericsson	
7 % Debentures of 1968, due 1973 to 1983, F.Frs 13,789,000 . . . . .	2,695,000
7 ¼ % Debentures of 1969, due 1973 to 1988, F.Frs 12,045,000 . . . . .	2,354,000
8 ¾ % Debentures of 1971, due 1977 to 1991, F.Frs 10,000,000 . . . . .	1,954,000
Industrias Eléctricas de Quilmes S.A.	
16 ½ % Debentures of 1968, due 1973 Arg. P. 120,000 . . . . .	15,000
	<u>\$124,145,000</u>

The instalments of the aforementioned debentures due in 1972 are included under current liabilities, net of debentures held in the treasury.

**Note 12 — Special reserves**

(a) The special reserve for accounts receivable and investments outside Sweden consists mainly of write-downs of receivables, which are tax-deductible in Sweden. Amounts recovered are subject to tax at the rate prevailing when the amount is received. (The effective rate of income tax for 1972 is approximately 54 %).

(b) With respect to the special inventory reserve, the rule in force requires that the portion thereof which is transferred back to income be taxed at prevailing rates (1972: approximately 54 %) to the extent that such transfer is not used to cover losses. See Note 5.

(c) The reserves for future investments in Sweden have been created in accordance with a law regarding reserves for the purpose of equalizing fluctuations in business conditions. The allocations, which are government-regulated, are deductible for tax purposes. To the extent that the reserves are used for their intended purpose—the write-down of additions to property, plant and equipment—the corresponding regular depreciation of these assets is not applicable, and taxable income will therefore be higher. Of the amounts provided, a certain portion (46 %) has been deposited in a blocked account with the Bank of Sweden in accordance with current regulations. Pursuant to the aforementioned law, the Parent Company received permission to transfer \$9,356,000 from the reserve for future investments to a reserve for inventory investments. The 46 percent of this amount on deposit with the Bank of Sweden was withdrawn early in 1972. The reserve for inventory investments will be transferred back to income and become subject to taxation not later than 1974.

Norway also has regulations concerning tax-free allocations to similar investment reserves. Included in the consolidated financial statements are such reserves amounting to \$5,492,000 (\$4,580,000 in 1970).

**Note 13 — Capital stock of the Parent Company**

2,485,677	Class A shares . . . . .	\$ 25,839,000
9,818,417	Class B shares . . . . .	102,062,000
<u>12,304,094</u>		<u>\$127,901,000</u>

All shares, each with a par value of Swedish kronor 50, carry equal rights to participation in the net assets and profits of the Company. Class A shares are entitled to cast one vote and Class B shares are entitled to cast one 1/1000 of a vote at stockholders' meetings.



## Supplementary information to the Parent Company's financial statements as required by the Swedish Stock Corporation Act

### Number of employees and remuneration

	1971	1970
Average number of:		
Office employees . . . . .	8,219	7,414
Factory employees . . . . .	14,583	12,891
	<u>22,802</u>	<u>20,305</u>

### Fees, salaries and wages:

Board of Directors and Management . . . . .	\$ 1,915,000	\$ 1,737,000
Other office employees . . . . .	64,075,000	55,006,000
Factory employees . . . . .	70,426,000	57,169,000
	<u>\$136,416,000</u>	<u>\$113,912,000</u>

Expenses for fringe benefits, including vacation salaries, pension costs, sickness and accident insurance premiums and other personnel expenses, amounted to approximately 34 % (33 % in 1970) of total salaries and wages paid in 1971 for time worked.

### Income statement data

	1971	1970
Dividends, interest and other income		
Dividends:		
Subsidiaries . . . . .	\$ 8,782,000	\$ 8,713,000
Others . . . . .	103,000	68,000
Interest:		
Subsidiaries . . . . .	4,983,000	3,403,000
Others . . . . .	14,353,000	13,387,000
Other income:		
Subsidiaries . . . . .	3,485,000	3,194,000
Others (including capital gain from sale of stock in subsidiary and associated companies; 1971: \$1,351,000; 1970: \$1,163,000) . . . . .	2,068,000	1,276,000
	<u>\$33,774,000</u>	<u>\$30,041,000</u>
Interest expense:		
Subsidiaries . . . . .	\$ 156,000	\$ 327,000
Others . . . . .	11,887,000	6,752,000
	<u>\$12,043,000</u>	<u>\$7,079,000</u>
Administrative expenses (approximately) . . . . .	<u>\$6,300,000</u>	<u>\$5,900,000</u>

Depreciation	1971	1970
Buildings		
Cost . . . . .	\$ 1,042,000	\$ 988,000
Revaluation . . . . .	606,000	606,000
Machinery and equipment . . . . .	8,445,000	6,981,000
	<u>\$10,093,000</u>	<u>\$8,575,000</u>

In addition, \$5,967,000 of machinery and equipment acquired in 1971 were written off completely and charged against the reserve for future investments.

### Balance sheet data (in thousands of dollars)

Notes and accounts receivable—trade include notes in the amount of \$58.2 million.

	Cost	Revaluation	Book value
Property, plant and equipment:			
Land . . . . .	\$ 2,674	\$ 3,295	\$ 5,969
Improvement to property . . . . .	632	—	632
Buildings . . . . .	50,457	12,125	62,582
Machinery and equipment . . . . .	79,467	—	79,467
	<u>133,230</u>	<u>15,420</u>	<u>148,650</u>
Construction in progress . . . . .	15,532	—	15,532
	<u>148,762</u>	<u>15,420</u>	<u>164,182</u>
Less—Accumulated depreciation . . . . .	93,367	5,664	99,031
Net book value . . . . .	<u>\$ 55,395</u>	<u>\$ 9,756</u>	<u>\$ 65,151</u>
Assessment value of land and buildings . . . . .			\$53,798
Fire insurance value of:			
Buildings . . . . .			\$102,911
Machinery and equipment . . . . .			106,653
			<u>\$209,564</u>
The provision for pensions includes \$35.5 million for supplementary service pensions to office employees.			
Assets pledged to secure indebtedness:			
Mortgages on land and buildings . . . . .			\$24,182
Floating charges on other assets . . . . .			32,225
Shares in subsidiary companies . . . . .			14,313
Accounts receivable . . . . .			28,211
			<u>\$98,931</u>
Contingent liabilities (including notes discounted, \$78) . . . . .			<u>\$106,543</u>

### SWEDEN

Orders booked in Sweden during 1971 amounted to \$179,327,000, somewhat lower than bookings of \$193,453,000 in the preceding year. The decrease is attributable primarily to the fact that orders from the Swedish Telecommunications Administration did not reach 1970 levels. Orders from other governmental agencies were unchanged while bookings from non-governmental customers declined slightly due to the economic slowdown and, in the case of cable and wire, were affected by lower copper prices.

Sales totaled \$182,214,000, compared with \$178,692,000 a year earlier and the order backlog in Sweden at year-end amounted to \$165,506,000.

The Telecommunications Administration's orders for exchange equipment were at the same level as during the years immediately preceding 1970 and much of the equipment ordered is intended for the expansion of existing exchanges. Orders for telephone instruments were significantly lower than the year before.

The Swedish Air Force Materiel Administration ordered three additional computer-controlled telephone exchanges for the national defense telecommunications network.

In the transmission field, the Telecommunications Administration placed substantial orders for carrier frequency equipment to expand the long distance network. The deliveries, amounting to approximately \$16,600,000, will be made over a three-year period.

The amount of military business was the same as a year earlier. Orders for electronic material included a large order for export to Finland.

Orders for signaling equipment from the Swedish State Railways decreased but demand for street signaling equipment rose.

The Parent Company Telephone Cable Division experienced a substantial decrease in Administration purchases of cable. Sieverts Kabelverk's market for power cable was good but larger low-price imports from Eastern European countries became increasingly troublesome. Sales of electric wiring were affected by low activity in the construction field.

L M Ericsson Telemateriel AB felt the effects of the economic turndown in reduced sales of internal communications systems. The market for security and time recording systems was cultivated successfully, however, and the company's total order bookings were virtually unchanged.

AB Rifa's sales of capacitors and other electronic components to customers outside the Group were lower due to the depressed economic conditions, which hit the international components industry particularly hard.

During the year Svenska Radio AB delivered radio equipment for the Telecommunications Administration's nationwide mobile radio network. The same customer also took delivery of equipment for a car telephone network utilizing a manual exchange. Development of this network has to date been concentrated in the Lake Mälaren area in and around Stockholm, but expansion to cover the entire country is planned.

The production capacity of the Parent Company increased, primarily through expansion of the factories in Visby, Östersund, Katrineholm and Vedeby. Sieverts Kabelverk's new plant at Falun, for production of plastic-insulated underground cable, was placed in service during the year.



## EUROPE (excluding Sweden)

### Summary

Order bookings in Europe outside Sweden continued to rise sharply during 1971, amounting to \$412,844,000 compared with \$319,516,000 in 1970, an increase of 29 percent (1970: 25 percent). Particularly large increases were recorded in Italy, France, Finland, Spain and Great Britain.

Shipments were up sharply, with sales totaling \$330,044,000, compared with \$253,131,000 in 1970, an increase of 30 percent (1970: 22 percent). The order backlog at year-end was \$380,763,000, as against \$298,459,000 a year earlier.

Sales in the major markets were distributed as follow:

	1971	1970
Italy	\$ 83,251,000	\$ 57,116,000
France	72,008,000	49,810,000
Norway	37,891,000	33,003,000
Denmark	34,770,000	28,990,000
Finland	30,798,000	20,482,000
The Netherlands	17,116,000	13,749,000
Spain	13,428,000	7,654,000
Other Western		
European countries	32,269,000	24,969,000
Eastern Europe	8,513,000	17,358,000
<b>Total</b>	<b>\$330,044,000</b>	<b>\$253,131,000</b>

### Italy

The Group's operations in Italy were sharply affected by the increased capital expenditures for the telephone system. The country's telecommunications are being greatly expanded and modernized in order to meet the need for improved telephone service and the government also plans large capital expenditures for this purpose in the next few years.

FATME, the Group's Italian manufacturing subsidiary, maintained its position as one of the nation's leading telephone manufacturers and attained order bookings 23 percent higher than a year earlier. Orders included a computer-controlled trunk exchange, the first of its type in

Italy, that will handle traffic between the Naples district and other parts of the country.

As the largest employer in Rome, FATME was unusually exposed to the labor disturbances in Italy and production was interrupted, particularly during the latter part of the year, by daily strikes. Wages in the metalworking industry increased during the year about 12 percent compared with 1970.

The Rome factory will not be adequate to meet estimated future demand and a new factory and office facility with a total floor space of 300,000 sq.ft. is under construction at Pagani in the vicinity of Naples.

SIELTE, the non-manufacturing subsidiary, continued to expand and the company received a number of substantial orders for network construction projects.

### France

Government capital expenditure programs for the 1971 - 1975 period include large allocations to expand telephone service in France. Société Française des Téléphones Ericsson's orders from the telephone administration were higher than in previous years. The material ordered comprises primarily equipment for local and rural exchanges.

The market for subscriber exchanges closely parallels the expansion rate of the public network and sales of these exchanges developed favorably.

Factory shipments were sharply higher and the new plant at Brest, part of which became operational early in the current year, will further improve delivery capacity.

RIFA's capacitor plant at Boulogne-sur-Mer was completed during the past year and small-scale operations got under way.

### Norway

Elektrisk Bureau received more orders from the Norwegian Telecommunications Administration for exchange and carrier frequency equipment than had been anticipated under the current long-term agreement. One result of these orders will be the introduction of the Group's pulse code modulation (PCM) multiplex system in Norway. The first large export shipment of the mobile carrier system developed by the Norwegian company was made with good results. A new system for voice and data transmission over power lines, also developed by Elektrisk Bureau, was put into production during the year.

Svenska Radio AB's new mobile radio system was marketed successfully and a rather large order was received from the police authorities in Oslo.

Elektrisk Bureau's production capacity was increased with the completion of new facilities with a combined total of 200,000 sq.ft. at Hisøy and Billingstad. Parts of the new





The radio installation aboard the new English cruise ship, «Cunard Adventurer,» was developed and installed by the Group's Norwegian subsidiary, A/S Elektrisk Bureau.

Control room of the computer-controlled (AKE 13) Ericsson exchange for long distance traffic in Sydney, Australia. The exchange has been used in a field test of a new international signaling system.

An automatic local exchange based on Ericsson's crossbar system is shown during installation at Medellín, Colombia. The exchange has facilities for 26,000 subscriber lines.





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facilities began operations during the year. The number of telephone instruments delivered exceeded an annual rate of 100,000 for the first time.

Operations at A/S Norsk Kabelfabrik developed favorably. New types of vaseline-filled plastic-insulated telephone cables were delivered. During the year a plant expansion totaling 23,000 sq.ft. and a 31,000-sq.ft. enlargement of the warehouse were completed.

### **Denmark**

Orders from the Danish Telephone Administrations during the year were based on the delivery agreement signed in 1970. Contracts for transmission equipment and subscriber exchanges were also high. The first orders for PCM multiplex systems were received.

The Danish subsidiary, L M Ericsson A/S, obtained much needed additional office and warehouse space through the acquisition of a 100,000-sq.ft. building in Copenhagen.

Toward the end of the year Ericsson crossbar equipment delivered in Denmark passed the millionth subscriber line mark.

Dansk Signal Industri A/S had lower order bookings as a result of the tight credit and monetary policies that, among other things, restricted municipal purchases of street signaling equipment. Sales of railway signaling equipment also decreased.

### **Finland**

Selling efforts in Finland were productive. The national telephone authority placed large orders for long distance transit exchanges and the Parent Company's newly developed terminal equipment for carrier frequency systems was introduced successfully. The Helsinki Telephone Association signed an agreement with Oy L M Ericsson Ab, the Group subsidiary, for deliveries of substantial amounts of exchange equipment over a five-year period beginning in 1973. This customer plans to cover its telephone instrument requirements from the subsidiary.

Expansion of the telephone network in many other areas of the country, including Tammerfors and Uleåborg, led to significant orders. This expansion also created strong demand for subscriber switchboards, as a result of which the Finnish subsidiary successfully maintained its position in this field.

The Finnish Parliament will be equipped with a vote recording and display system and a sound distribution system offering the same facilities available in the installations Ericsson developed for the Swedish Parliament.

### **The Netherlands**

Order bookings in The Netherlands were largely unchanged. The telephone administration's orders comprised primarily equipment for local exchanges and 120,000 instruments to be delivered during 1972. Incoming orders for subscriber switchboards were also high.

Ericsson Telefoonmaatschappij N.V. celebrated its 50th anniversary during the year. The subsidiary will increase production capacity by enlarging its factory and also plans to construct a new office building.

### **Spain**

Operations in Spain are expanding sharply and efforts are concentrated on carrying out the plans laid down when the Ericsson manufacturing subsidiary established a jointly owned manufacturing company, Industrias de Telecomunicación S.A. (Intelsa), with Compañía Telefónica Nacional de España, the national operating company.

In addition to large orders for local and transit exchanges, Intelsa received further orders expanding an earlier contract with the Spanish Post and Telegraph agency covering telex equipment.

The technical resources of Intelsa are being built up substantially and large-scale training of Spanish technicians is under way. Large investments have been made in production in order to increase volume in stages.

Construction of a new factory and office building with nearly 400,000 sq.ft. of space got under way at year-end near the present plant outside Madrid. It is expected to be ready for occupancy during the first half of 1973. An additional 60,000-sq.ft. plant will be built in northern Spain.

### **Great Britain**

The sales program for subscriber switchboards continued to be productive and order bookings were higher than a year earlier. The exchange for the Greater London Council was placed in service during the year.

Swedish Ericsson Telecommunications Ltd., the major British subsidiary, requires more space and will move to new quarters south of London during the current year.

### **Other countries**

Automation of the telephone system in Ireland is proceeding at a fast pace and orders were received for major deliveries of equipment for local and transit exchanges.

A contract was signed with the Portuguese authorities covering additional deliveries of transmission equipment for the long distance network.



In Poland, a licensing agreement was signed with the ELEKTRIM organization providing for the manufacture of Ericsson's railway safety signaling system in Polish factories.

The telephone administration in Yugoslavia placed orders for telephone and telex transit exchanges for use in international traffic.

Other activities included continuing operations to fulfill contracts received in Eastern Europe in prior years. Three more of the long distance transit exchanges ordered by the Soviet Union were placed in service during the year.

## LATIN AMERICA

### Summary

Orders from customers in Latin America totaled \$194,043,000, 15 percent higher than 1970 bookings of \$168,807,000, and accounted for 22 percent of total Group bookings.

Sales also reached a record high, \$159,974,000, an increase of 14 percent over \$139,760,000 in the preceding year. At year-end the value of undelivered orders was \$198,403,000 (1970: \$172,309,000).

The distribution of sales in the most important markets was as follows:

	1971	1970
Brazil	\$ 50,318,000	\$ 42,000,000
Mexico	50,228,000	44,679,000
Colombia	18,987,000	13,922,000
Argentina	13,914,000	14,607,000
Venezuela	12,458,000	11,990,000
Other countries	14,069,000	12,562,000
<b>Total</b>	<b>\$159,974,000</b>	<b>\$139,760 000</b>

### Brazil

Economic conditions developed favorably in Brazil and the rate of inflation further decreased.

The development program proposed by the government provides scope for a substantial expansion of the country's telephone system.

Despite a marked increase in competition—from Japanese manufacturers, among others—Ericsson do Brasil

Comércio e Indústria S.A. (EDB) was successful in its selling efforts, with order bookings that were higher than in the preceding year.

EMBRATEL, the national telephone administration, placed significant orders for the expansion of existing transit exchanges and the construction of new ones.

Large amounts of exchange equipment for installation in São Paulo and Belo Horizonte will be delivered to Companhia Telefônica Brasileira (CTB), the telephone operating company, along with additional transit exchanges under long-term contracts signed earlier.

Orders for subscriber exchanges and internal telecommunications systems were higher than in the preceding year.

The production capacity of FICAP, the cable manufacturing company, was increased following its move to a new plant. Order bookings for power and telephone cables were good and shipments during the year were 25 percent higher than in 1970.

### Mexico

Public telecommunications continued to expand at a high rate in accordance with the long-term program developed by Teléfonos de México S.A. Group orders for equipment for local and transit exchanges were higher than a year earlier. The market for rural exchanges opened up with interesting orders for newly developed systems, and large contracts for transmission equipment were also received.

Production at Teleindustria S.A. is being increased. The first deliveries of carrier frequency systems produced by the company were made during the year. The new office building at Tlalnepantla came into use and the transfer of production to the same location is expected to be completed during the first half of 1972. A laboratory for testing computer-controlled telephone systems was set up to serve the technical departments.

As a consequence of the lower construction activity in Mexico, Latincasa, the cable manufacturing subsidiary, did not obtain the volume of orders for electric wiring that had been expected. Sales of telephone cable to Teléfonos de México were satisfactory and an initial substantial export order was received.

### Colombia

The Group maintained its share of the market for public telecommunications systems and products in Colombia despite very stiff competition.

An agreement was signed with the telephone administration in Bogotá covering equipment to expand local exchanges by 70,000 subscriber lines. The administrations in Medellín and Barranquilla also ordered equipment to expand existing local exchanges.





A new factory and office complex for Teleindustria S.A., a Mexican subsidiary, was completed during the year. The complex, which includes a training center, is located at Tlalnepantla, a suburb of Mexico City. The factory unit covers 160,000 sq.ft.

Ericsson's Finnish subsidiary, Oy L M Ericsson Ab, occupied its new factory and office facilities at Jorvas, near Helsinki, during 1971. The plant is designed for 800 factory employees and the office section for 350.





The Group subsidiary, Ericsson de Colombia S.A., successfully cultivated the private market for subscriber switchboards. The company plant was enlarged and began to assemble and test telephone equipment.

The market for electric wiring, supplied by FACOMECA, the cable manufacturing subsidiary, was good during the first half of the year but weakened thereafter due to a decline in construction activity. New investments in machinery to manufacture paper-insulated, lead-sheathed telephone cable will broaden the production program.

#### Argentina

Argentina's economy deteriorated markedly in 1971. Inflation was high and the peso was devalued sharply. The imposition of temporary bans on imports, along with currency restrictions, had adverse effects on economic conditions.

Capital expenditures on power, telecommunications and other public sectors were substantial, however, resulting in high order bookings at Industrias Eléctricas de Quilmes, the cable manufacturing subsidiary. Expansion of the plant was completed and the machine hall is being equipped, enabling the company to double its production capacity over 1970. The first marine cable manufactured in South America with polythene as the insulating agent was delivered during the year.

Sales of Cia Ericsson S.A.C.I., the marketing subsidiary, were satisfactory, considering the depressed economic conditions.

The Group's telephone operating companies were granted rate increases at the beginning of the year but the new tariffs were not adequate to offset higher labor costs, customs duties and other cost increases. Large exchange losses resulting from devaluation of the peso constituted an additional negative factor. As a result, earnings were appreciably below those of the preceding year. At year-end 1971 there were 128,000 subscribers. Slightly more than 14,000 new subscriber lines were installed during the year.

Higher telephone rates were put into effect on January 1, 1972, making it possible to expect an improvement in earnings during the current year.

#### Venezuela

The 1970 framework agreement with CANTV, the government telephone authority, was expanded substantially and a new agreement covering delivery of local exchange equipment for 25,000 subscriber lines was also signed. Orders received under the framework agreement included equipment for automatic toll-ticketing of international traffic.

Production at Compañía Anónima Ericsson, the Group subsidiary, is being expanded.

#### Other countries

The telephone administrations in Costa Rica and El Salvador placed orders for exchange equipment to expand local and transit traffic. The orders from El Salvador also include telex and transmission equipment and network construction work.

## AUSTRALIA, ASIA AND AFRICA

#### Summary

Orders booked in Australia were lower than a year earlier as a result of reduced purchases by the telephone administration for its 1972—1973 budget year.

Sales to customers in the Near East and the rest of Asia rose 45 percent. Order bookings in Africa were somewhat higher than in 1970 but are still modest in size.

Combined order bookings in these regions amounted to \$92,611,000 compared with \$83,215,000 a year earlier. The backlog at year-end was virtually unchanged, at \$102,116,000.

The distribution of sales was as follows:

	1971	1970
Australia	\$40,071,000	\$32,284,000
Asia	36,971,000	26,845,000
Africa	16,313,000	12,859,000
Total	\$93,355,000	\$71,988,000

#### Australia

The rapidly expanding rate of public telephone service has leveled off. To keep the economy from overheating, the government budget was reduced, which has drastically affected appropriations for the telephone administration. Order bookings for L M Ericsson Pty. Ltd. were therefore substantially lower than earlier. In addition, delivery dates for certain equipment ordered in prior years were deferred to future dates.

The Overseas Telecommunications Commission placed an order for a computer-controlled transit exchange for intercontinental traffic, partly via satellite. It will be equipped with a new international signaling system which was field-tested in a Sydney exchange delivered by the Parent Company.



Expansions of the plants at Broadmeadows and Coburg were completed, adding 140,000 sq.ft. of manufacturing space.

AEE Capacitors Pty. Ltd., another subsidiary, received lower orders from the telephone manufacturers and also experienced the general cutback in purchases by other customers.

The market for Conqueror Cables Pty. Ltd, in Sydney, in which the Group holds a 40 percent interest, has developed favorably and the factory was enlarged to meet the demand for higher deliveries of telephone cable. The build-up of facilities for modern power cable production was virtually completed.

#### **Asia**

Within the framework of an earlier delivery agreement, the telephone administration in Malaysia ordered equipment for 30,000 subscriber lines and for transit exchanges. New orders included contracts for telex exchanges to be used in national and international traffic. Production of exchange equipment in the new factory at Kuala Lumpur proceeded satisfactorily.

In Thailand, after several years of limited activity, the Group received substantial orders for local and transit exchange equipment as well as a contract for an international telex exchange in Bangkok.

In the Near East major orders were recorded for the expansion of exchanges delivered earlier in Kuwait and Saudi Arabia. In Iraq, orders were received for network construction and related material.

## **U.S.A. AND CANADA**

Ericsson Centrum, Inc., the Group sales subsidiary in the U.S.A., was successful in the market for privately owned subscriber switchboards. Some of the switchboards ordered will be supplied by the Group's French subsidiary, Société Française des Téléphones Ericsson. Competition has turned keener as more and more suppliers appear on the market. Total orders increased 40 percent, covering equipment for nearly 40,000 lines compared with 30,000 in 1970.

Operations in Canada are oriented primarily toward the sale of subscriber switchboards to telephone operating companies. Order bookings rose 40 percent despite increased competition and sales increased at the same rate.

## **PERSONNEL**

The substantial increase in the number of Group employees which has occurred in recent years continued during 1971. The increased volume of business in the Group's foreign entities resulted in a high rate of hirings outside Sweden while recruitment of new employees at home was limited.

The most substantial increases in personnel occurred in the major subsidiaries in France, Italy, Mexico, Norway and Spain. Overall, the number of employees outside Sweden increased by nearly 4,400, compared with an increase of slightly more than 600 in Sweden.

New employee requirements of the foreign subsidiaries were met without difficulty. The expansion of personnel in these companies has involved primarily factory workers while the need for new office employees has been more limited.

The Group continued its comprehensive program for training employees at all levels of operations. The total number of student hours recorded in the Group's "International Training Center" at Midsommarkransen exceeded half a million during 1971, with foreign students accounting for more of this time than Swedes. A significant development in the training program during the year was the inauguration of the television studio, used for taping instructional courses as a means of better utilizing teaching staff resources.

Training at the "Center" is supplemented by corresponding programs carried out on a substantial scale in the Brazilian and Mexican subsidiaries. In Brazil, for example, more than 1,000 students, twice as many as in the preceding year, received instruction at "Centro Ericsson," the subsidiary's headquarters in São Paulo. In Mexico, where Spanish-speaking students from other Latin American countries are also trained, the program has been established in specially-designed quarters in connection with the move to Teleindustria's new facilities at Tlalnepantla. This move has made it possible to broaden the program substantially. Comprehensive personnel development and training also

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occurs in such other Group countries as Australia, France and The Netherlands.

Considerable attention continued to be devoted to company health and medical services. In all the Swedish units and at many locations in the foreign sector of the Group employees have access to well developed departments whose medical and preventive services are continuously being expanded and strengthened.

The addition of a new building at Group Headquarters in Midsommarkransen gives employees at that location health facilities with the most modern equipment, as well as new dining areas. Comparable facilities are also part of the new Group plants in Finland and Mexico.

Under the direction of the Headquarters medical department, a project was initiated during the year to analyze work sites and job requirements in order to provide a basis for improving working conditions and for making jobs easier. Over a period of time, the results of these studies will be applicable in many sectors of the Group.

Mutual goodwill to achieve constructive results characterized the cooperation within the 37 Management-Labor Councils in Sweden and in comparable units in foreign subsidiaries. Many project committees and other subcommittees are active in the Swedish Councils and their work has contributed significantly to the good results.

Various forms of support were given, as in the past, to sports and other leisure-time organizations. Such activities are highly developed in many parts of the Group.

During the year contributions were made to the usual extent from the Workers Assistance Fund. Substantial grants were awarded by the foundations for study travel,

training and research. Grants from the Dr. Marcus Wallenberg Fund for employees of Telefonaktiebolaget L M Ericsson with long service records provided valuable assistance to many veteran employees.

The sharp expansion that has characterized operations in recent years, and not least of all during 1971, has given the Ericsson Group a large number of new employees. This imposes a heavy responsibility on all those whose job it is to introduce their new Ericsson colleagues to their work assignments and environment. This involves not only helping them to work harmoniously with colleagues in their own company but also with those in other Ericsson companies in other countries.

Unity and an effort to achieve common goals through wise distribution of operations among the Group's companies are the forces needed in a period filled with unforeseeable problems.

During the past year many fine contributions by individuals and work teams moved the Ericsson Group one more step forward in a telecommunications world that is experiencing rapid and dynamic development.

Stockholm, March 1972



Björn Lundvall  
President



# THE ERICSSON GROUP

Associated companies and representatives

## SWEDEN

### Stockholm

- Telefonaktiebolaget L M Ericsson
- L M Ericsson Telemateriel AB
- L M Ericsson Instruktionssteknik AB
- AB Rifa
- Sieverts Kabelverk AB
- Svenska Radioaktiebolaget
- \*\* ELLEMTEL Utvecklings AB
- AB Transvertex
- Svenska Elgrossist AB SELGA

### Nyköping

- AB Thorsman & Co

### Kungsbacka

- P. Boréns Fabriks AB

### Malmö

- Bjurhagens Fabriks AB

### Norrköping

- AB Norrköpings Kabelfabrik

### Västerås

- ASEA LME Automation AB

## EUROPE (Outside Sweden)

### DENMARK

#### Copenhagen

- L M Ericsson A/S
- Dansk Signal Industri A/S
- GNT AUTOMATIC A/S

### FINLAND

#### Jorvas

- Ab L M Ericsson Oy

### FRANCE

#### Paris

- Société Française des Téléphones Ericsson

#### Boulogne

- RIFA S.A.

#### Marseille

- Etablissements Ferrer-Auran S.A.

### IRELAND

#### Dublin

- L M Ericsson Ltd.

### ITALY

#### Rome

- \* SETEMER, Soc. per Az.
- SIELTE, Soc. per Az.
- FATME, Soc. per Az.

### THE NETHERLANDS

#### Rijen

- Ericsson Telefoonmaatschappij N.V.

## NORWAY

### Oslo

- A/S Elektrisk Bureau
- Radiocom A/S
- A/S Telesystemer
- A/S Industrikontroll

### Drammen

- A/S Norsk Kabelfabrik

## POLAND

### Warsaw

- ▲ Telefonaktiebolaget L M Ericsson

## PORTUGAL

### Lisbon

- Sociedade Ericsson de Portugal, Lda.

## SPAIN

### Madrid

- Industrias de Telecomunicación S.A. (Intelsa)

## SWITZERLAND

### Zurich

- Ericsson AG

## UNITED KINGDOM

### London

- Swedish Ericsson Rentals Ltd.
- Swedish Ericsson Company Ltd.
- Swedish Ericsson Telecommunications Ltd.
- Production Control (Ericsson) Ltd.

## WEST GERMANY

### Düsseldorf

- Deutsche Ericsson GmbH Telematerial

### Salzkotten

- Thorsman & Co GmbH

### Hannover

- Ericsson Centrum GmbH

### Representatives in:

Austria, Belgium, Greece, Iceland, Luxembourg, Yugoslavia

## LATIN AMERICA

## ARGENTINA

### Buenos Aires

- Cía Ericsson S.A.C.I.
- △ Cía Argentina de Teléfonos S.A.
- △ Cía Entrerriana de Teléfonos S.A.
- Industrias Eléctricas de Quilmes S.A.

## BRAZIL

### São Paulo

- Ericsson do Brasil Comércio e Indústria S.A.

### Rio de Janeiro

- Fios e Cabos Plásticos do Brasil S.A. (FICAP)

## CHILE

### Santiago

- Cía Ericsson de Chile S.A.

## COLOMBIA

### Bogotá

- Ericsson de Colombia S.A.

### Cali

- Fábricas Colombianas de Materiales Eléctricos Facomec S.A.

## COSTA RICA

### San José

- ▲ Telefonaktiebolaget L M Ericsson

## ECUADOR

### Quito

- Teléfonos Ericsson C.A.

## MEXICO

### Mexico D.F.

- Latinoamericana de Cables S.A. de C.V.
- Teléfonos Ericsson S.A.
- Teleindustria, S.A.
- Telemontaje, S.A. de C.V.

## PANAMA

### Colón

- Teleric Sales Corp.

## PERU

### Lima

- Cía Ericsson S.A.

### Arequipa

- △ Soc. Telefónica del Perú, S.A.



**EL SALVADOR**  
San Salvador

- ▲ Telefonaktiebolaget L M Ericsson

**URUGUAY**

Montevideo

- Cía Ericsson S.A.

**VENEZUELA**

Caracas

- Cía Anónima Ericsson
- Alambres y Cables Venezolanos C.A. (ALCAVE)

**Representatives in:**

Bahama Islands, Bolivia, Costa Rica, Dominican Republic, Guadeloupe, Guatemala, Guyana, Honduras, Netherlands Antilles, Nicaragua, Panama, Paraguay, El Salvador, Surinam, Trinidad.

**AFRICA**

**ALGERIA**

Algiers

- Société Algérienne des Téléphones Ericsson

**EGYPT**

Cairo

- ▲ Telefonaktiebolaget L M Ericsson

**ETHIOPIA**

Addis Ababa

- ▲ Telefonaktiebolaget L M Ericsson

**MOROCCO**

Casablanca

- Société Marocaine des Téléphones Ericsson

**TUNISIA**

Tunis

- ▲ Telefonaktiebolaget L M Ericsson

**ZAMBIA**

Lusaka

- Ericsson Telephone Sales Corporation AB

**Representatives in:**

Cameroon, Central African Republic, Congo (Brazzaville), Chad, Dahomey, Ethiopia, Gabon, Guinea, Ivory Coast, Kenya, Liberia, Libya, Malagasy, Malawi, Mali, Mauretania, Mozambique, Namibia, Niger, Réunion, Senegal, Sudan, Tanzania, Uganda, Upper Volta, Zaïre.

**ASIA**

**INDIA**

Calcutta

- Ericsson India Limited

**INDONESIA**

Djakarta

- Ericsson Telephone Sales Corporation AB

**IRAQ**

Baghdad

- ▲ Telefonaktiebolaget L M Ericsson

**KUWAIT**

Kuwait

- ▲ Telefonaktiebolaget L M Ericsson

**LEBANON**

Beyrouth

- Société Libanaise des Téléphones Ericsson

**MALAYSIA**

Kuala Lumpur

- Ericsson Talipon SDN BHD
- Telecommunication Manufacturers (Malaysia) SDN BHD

**PAKISTAN**

Karachi

- ▲ L M Ericsson Telephone Company

**SINGAPORE**

Singapore

- Telephone Industries of Singapore Private Ltd.

**THAILAND**

Bangkok

- Ericsson Telephone Corporation Far East AB

**TURKEY**

Ankara

- Ericsson Türk Ticaret Ltd. Şirketi

**Representatives in:**

Bahrein, Burma, Cambodia, Ceylon, Cyprus, Hong Kong, Iran, Iraq, Jordan, Kuwait, Lebanon, Macao, Nepal, Pakistan, Philippines, Saudi Arabia, Syria, Taiwan, Republic of Vietnam.

**UNITED STATES and CANADA**

**UNITED STATES**

New York, N. Y.

- The Ericsson Corporation
- Ericsson Centrum, Inc.

**CANADA**

Montreal

- L M Ericsson Ltd.

**AUSTRALIA and OCEANIA**

Melbourne

- L M Ericsson Pty. Ltd.
- A.E.E. Capacitors Pty. Ltd.
- \* Teleric Pty. Ltd.

Sydney

- Conqueror Cables Pty. Ltd.

**Representatives in:**

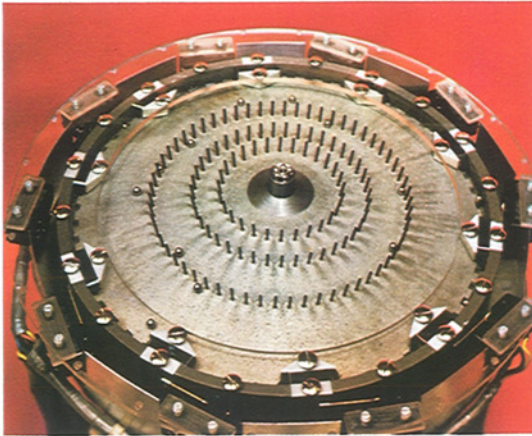
New Zealand  
New Caledonia  
Tahiti

- Manufacturing and sales subsidiary
- Sales subsidiary
- Associated company: manufacturing and sales
- Associated company: sales
- ▲ Technical office
- △ Telephone operating company

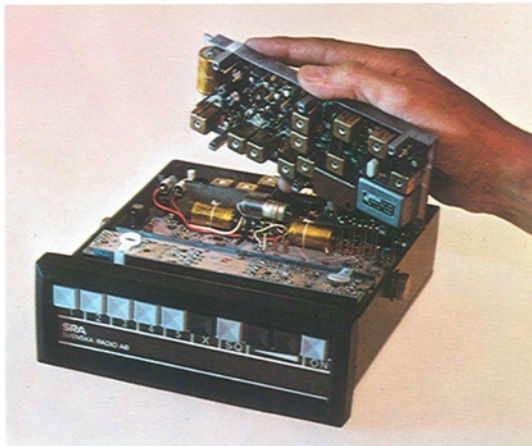
- \* Holding Company
- \*\* Development Company



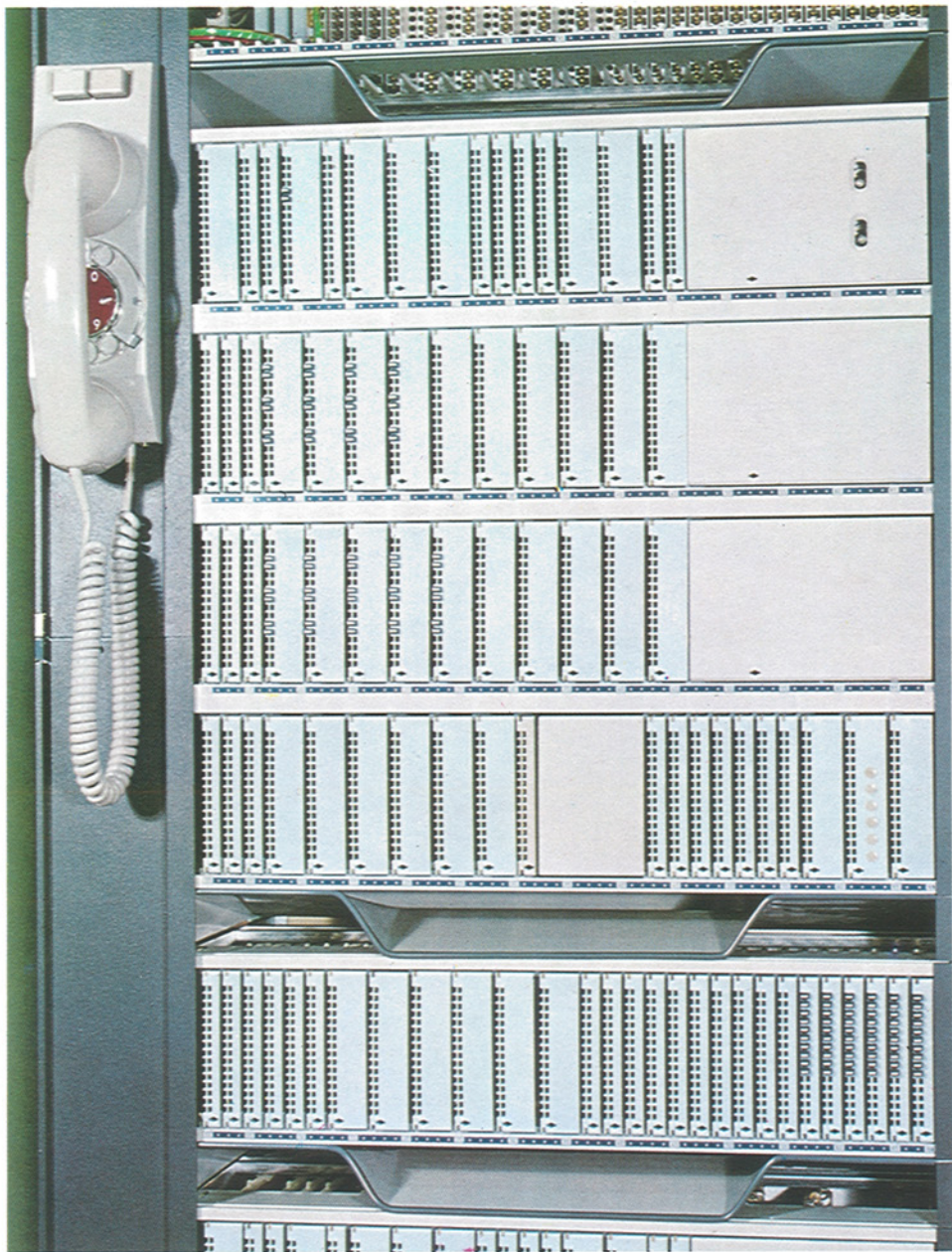
The »roulette» in the so-called random choice generator used in aligning wire pairs in the manufacture of »random» cable in the Parent Company plant at Alvsjö.



The new C-500 mobile radio set developed by Svenska Radio AB features the controls and the transmitter/receiver in a single compact unit.



Ericsson's 60 Mhz carrier frequency system permits up to 10,800 simultaneous telephone conversations over a single pair of cables. The first equipment of this type in the world was delivered to the Swedish Telecommunications Administration in the spring of 1971.



Ericsson's well-known Dialog telephone can now be supplied with supplementary equipment — the Dialog Secretarial AVH 100 — that permits executive-secretarial links and internal connections involving two or three persons.





# Products manufactured by the Ericsson Group

## **PUBLIC TELEPHONE EXCHANGES**

Public automatic telephone exchanges for national, international and inter-continental traffic  
Net group exchanges for railway telephony  
Line concentrators  
Manual public exchanges

## **SYSTEMS FOR INTERNAL USE**

Private automatic branch exchanges  
Private automatic exchanges  
Hotel exchanges  
Loudspeaking and other intercom systems  
Conference telephone systems  
Hospital and school telephone systems  
Selective calling telephone systems  
Entrance telephone systems  
Secretarial monitoring systems

## **TELEPHONE INSTRUMENTS**

Telephones for automatic and manual systems  
Hotel telephones  
Office telephones  
Watertight telephones  
Loudspeaking telephones  
Home telephones

## **TRANSMISSION EQUIPMENT**

Carrier systems for open wire lines, pair cables, coaxial cables, radio links and power lines.  
PCM (Pulse Code Modulation) system  
Broadcast distribution systems  
V.F. telegraphy systems  
V.F. signaling equipment  
V.F. amplifiers  
Loading coils  
Radio link equipment

## **DATA COMMUNICATION EQUIPMENT**

Equipment for public and private data communications networks  
Public automatic telex exchanges  
Data terminal equipment  
Data modem equipment

## **ELECTRONICS FOR MILITARY DEFENSE SYSTEMS**

Electronic weapon systems  
Radar, laser and infrared systems  
Automatic radar data extractors

## **TRAFFIC SIGNALS**

Interlocking plants  
Automatic and manual block systems  
A.T.C. (Automatic Train Control)  
C.T.C (Centralized Traffic Control)  
Train describer systems  
Marshaling yard signaling equipment  
Highway crossing signals and lifting gates  
Street traffic signal systems

## **TELESIGNALING MATERIAL**

Electric bells and hooters  
Security systems  
Production control equipment  
Office signaling systems  
Hospital signaling systems  
Paging systems  
Time systems  
Sound distribution systems

## **RADIO COMMUNICATION EQUIPMENT**

Land mobile radio equipment  
Marine radio equipment  
Radio equipment for military purposes  
Radio paging systems

## **LINE MATERIAL**

Cable cabinets  
Terminal boxes  
Protector equipment  
Pressurization equipment  
Jointing material  
Tools  
Special purpose machines

## **CABLES AND WIRES**

Telephone cables  
Power cables for low and high voltage  
Coaxial cable  
Rubber and plastic insulated wire and cables for all purposes  
Enameled wire  
Cable accessories

## **COMPONENTS**

Switches  
Relays  
Long life tubes  
Semi-conductors and thickfilm circuits  
Capacitors  
CR-units for contact protection  
Overvoltage protectors  
Dry reed switches

## **OTHER PRODUCTS**

Measuring instruments  
Instruction systems  
Power supply equipment  
Cryptography equipment  
Micro manipulators





**LM ERICSSON TELEPHONE COMPANY**

**1971**