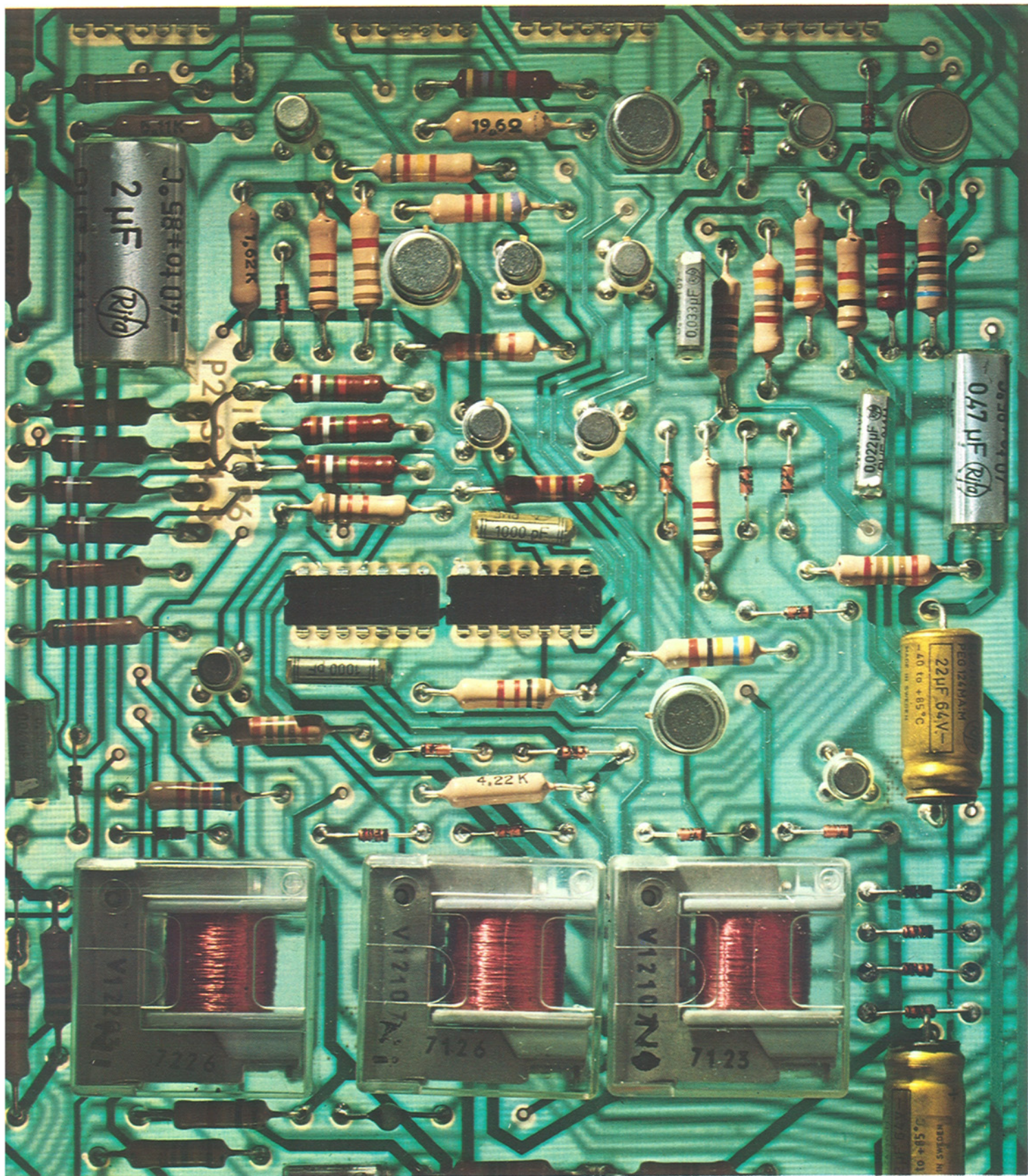


**LM ERICSSON**

TELEPHONE COMPANY

**1972 ANNUAL REPORT**

87th YEAR OF OPERATIONS



## BOARD OF DIRECTORS

MARCUS WALLENBERG  
*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

PETER WALLENBERG

## SENIOR MANAGEMENT

BJÖRN LUNDVALL  
*President*

ARNE STEIN  
*Executive Vice President  
Sales*

GUNNAR SVALLING  
*Executive Vice President  
Finance*

CHRISTIAN JACOBÆUS  
*Executive Vice President  
Research and Development*

FRED SUNDKVIST  
*Executive Vice President  
Operations*

KARL-AXEL LUNELL  
*Vice President  
Licensing*

ARNE MOHLIN  
*Executive Vice President  
Production*

YNGVE ÅKESSON  
*Vice President  
Operations*

## VICE PRESIDENTS

PER AHLSTRÖM  
SVEN FAGERLIND  
HANS SUND

OLOF ALSTRÖM  
GÖSTA MATTSSON  
NILS SVENSSON

STEN ENGSTRÖM  
BERTIL PEHRSSON  
NILS TENGBERG

### 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  
London, Paris, Amsterdam, Frankfurt am Main, Düsseldorf, Hamburg and Oslo Exchanges

A and B shares  
B shares

### REGISTRAR

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

### STOCK DIVIDEND PROPOSAL

Subject to approval of the stockholders at the Annual Meeting of the stock dividend proposal by the Board of Directors and the President, stamping of the old share certificates is expected to begin September 3, 1973. Special notice of the above will be distributed to stockholders at a later date.

### 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, Banque Nationale de Paris, Crédit Lyonnais, de Neufelize, Schlumberger, Mallet S.A.

SWITZERLAND:  
Pictet & Cie, Swiss Bank Corporation, Union de Banques Suisses

WEST GERMANY:  
Deutsche Bank AG, Berliner Disconto Bank AG, Saarländische Kreditbank AG, Bayerische Vereinsbank, Berliner Handels-Gesellschaft, M. M. Warburg-Brinckmann, Wirtz & Co., Deutsche Unionbank GmbH, Sal. Oppenheim jr. & Cie., Westdeutsche Landesbank Girozentrale

The Annual Meeting of stockholders will be held at the S:t Erik's Fair, Mässvägen 1, Älvsjö, at 10:00 a. m., Tuesday June 5, 1973.

## HIGHLIGHTS OF 1972 OPERATIONS

- Group sales amounted to \$892.8 million. The major markets were Sweden, 19 percent; Europe (excluding Sweden), 49 percent, and Latin America, 19 percent.
  
- Income before special adjustments and taxes was \$112.4 million, equal to 12.6 percent of sales.
  
- The Board of Directors proposes an increase of \$32.0 million in the capital stock of the Parent Company, from \$127.9 million to \$159.9 million, through a stock dividend. As proposed, stockholders will receive one new Series B share for each four old Series A and/or B shares held.
  
- The Board proposes a dividend of Swedish kronor 5.00 per share on the new capital stock (through payment of Swedish kronor 6.25 per share on the old shares).
  
- Order bookings totaled \$1,054.0 million.
  
- The backlog at year-end amounted to \$1,013.5 million.
  
- Capital expenditures for property, plant and equipment during the year amounted to \$77.1 million.
  
- The number of employees within the Group at year-end totaled 70,650, of whom 27,400 were in Sweden.

# LM ERICSSON TELEPHONE COMPANY



## ANNUAL REPORT AND YEAR'S REVIEW

### SUMMARIES

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- 3 10-Year Financial Summary
- 4 Consolidated Net Sales by Product Groups and Markets 1972

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### YEAR'S REVIEW

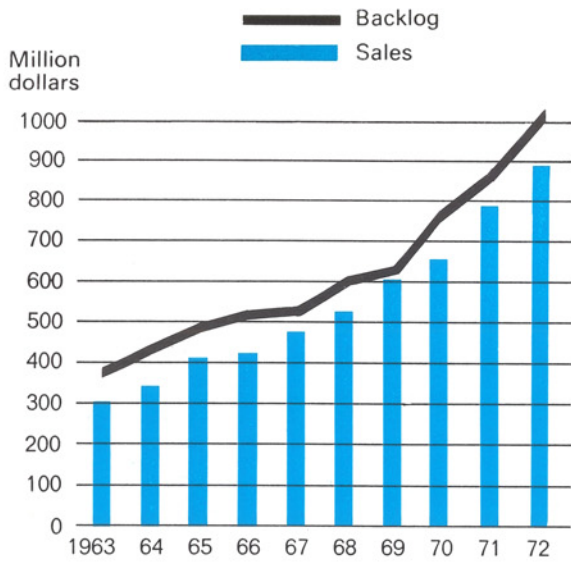
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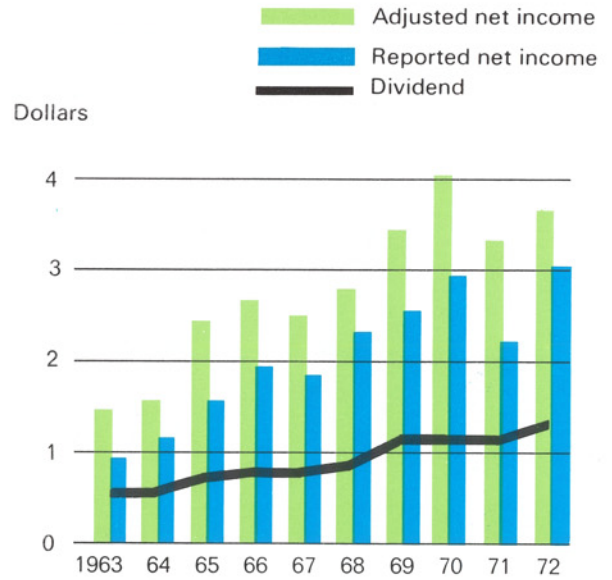
Cover: Section of circuit card used in Ericsson's new electronically controlled "AKK 50" system for rural exchanges.

# THE ERICSSON GROUP

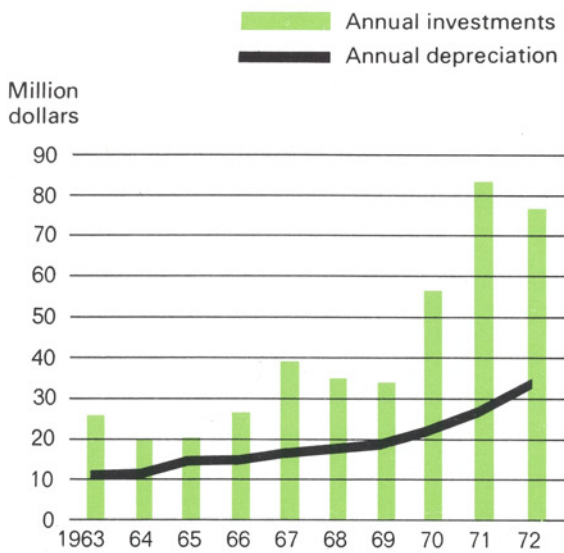
### SALES AND BACKLOG



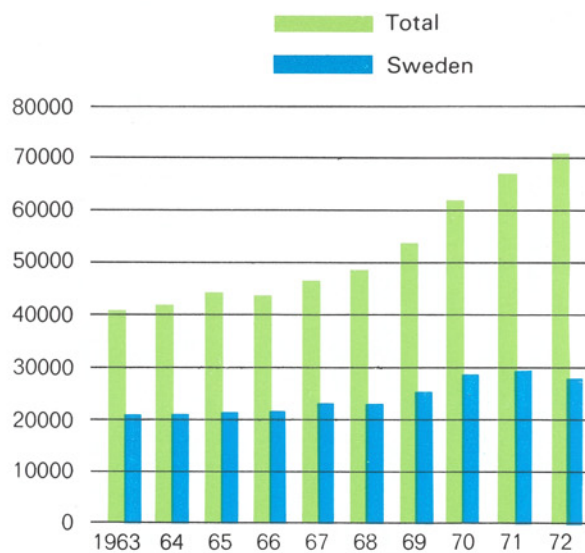
### EARNINGS AND DIVIDENDS PER SHARE



### CAPITAL EXPENDITURES



### NUMBER OF EMPLOYEES



# THE ERICSSON GROUP/10-YEAR FINANCIAL SUMMARY

(As published)

## INCOME DATA

Dollar amounts in thousands except per share figures

	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963
Net sales	\$892,753	781,524	656,866	604,316	524,133	476,217	418,709	413,926	343,695	307,828
Income before special adjustments and taxes	\$112,437	99,128	103,719	96,271	76,077	66,442	63,345	64,503	44,714	33,938
Percent of sales	12.6 %	12.7 %	15.8 %	15.9 %	14.5 %	14.0 %	15.1 %	15.6 %	13.0 %	11.0 %
Depreciation	\$ 33,763	26,651	22,740	19,008	17,760	16,794	14,897	14,736	11,871	11,393
Special adjustments	\$ 19,811	33,408	29,509	22,448	13,364	16,227	17,141	21,456	13,554	11,326
Swedish and foreign income taxes	\$ 43,077	30,068	34,157	39,031	31,885	24,543	19,329	21,797	15,691	11,647
Reported net income	\$ 37,419	27,506	36,399	31,564	28,504	23,017	24,049	19,696	14,595	10,577
Per share	\$ 3.04	2.24	2.96	2.57	2.32	1.87	1.95	1.60	1.19	.93
Adjusted net income per share	\$ 3.72	3.34	4.11	3.44	2.82	2.50	2.64	2.48	1.58	1.44
Dividend	\$ 15,988	14,069	14,069	14,069	10,658	9,593	9,593	8,882	7,106	6,750
Per share	\$ 1.30	1.14	1.14	1.14	.87	.78	.78	.72	.58	.55

(for 1972 as proposed by the Board of Directors)

## BALANCE SHEET DATA (year-end)

Net working capital	\$590,525	447,642	381,702	327,608	298,453	245,427	252,951	219,935	199,493	176,152
Ratio of current assets to current liabilities	2.3 to 1	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
Net property, plant and equipment	\$224,353	206,387	162,913	137,079	124,264	121,175	102,896	101,807	87,017	80,360
Long-term debt	\$340,001	229,387	158,083	107,525	99,445	62,829	64,823	41,996	39,676	32,557
Minority interest	\$ 74,910	50,540	33,538	27,388	24,581	21,258	18,480	16,816	14,729	13,810
Stockholders' equity	\$326,412	301,133	287,691	261,052	239,714	209,063	192,115	166,405	145,759	137,827

## OTHER DATA (year-end)

	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963
Capital expenditures for property, plant and equipment (000s)	\$77,081	83,630	56,683	33,887	34,919	39,331	26,580	20,181	19,956	25,991
Number of employees	70,600	66,900	61,900	53,600	48,700	46,400	43,800	44,000	41,700	40,600
Number of shares outstanding	12,304,094	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
Backlog of orders (000s)	\$1,013,488	852,196	750,759	627,396	589,611	521,694	510,852	475,703	422,495	361,446

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, 1972 of S.Kr. 4.81 to \$1.00.

## CONSOLIDATED NET SALES BY PRODUCT GROUPS AND MARKETS

		1972	%	1971	%
<b>GROUP SALES BY PRODUCTS</b>	Telephone exchanges, switchboards and telephone instruments . . . . .	\$561,315,000	62.9	\$467,920,000	59.9
	Transmission, radio and other telecommunications equipment . . . . .	84,281,000	9.4	76,287,000	9.8
	Cable, wire and network equipment . . . . .	139,767,000	15.6	145,244,000	18.6
	Electronic equipment and development projects for the military . . . . .	30,079,000	3.4	26,039,000	3.3
	Other products . . . . .	77,311,000	8.7	66,034,000	8.4
	Total	<u>\$892,753,000</u>	<u>100.0</u>	<u>\$781,524,000</u>	<u>100.0</u>
<b>OVERALL GEOGRAPHIC DISTRIBUTION OF SALES</b>	Sweden . . . . .	\$168,896,000	18.9	\$182,214,000	23.3
	Europe (excluding Sweden) . . . . .	437,908,000	49.1	330,044,000	42.2
	Latin America . . . . .	168,407,000	18.9	159,974,000	20.5
	Australia, Asia and Africa . . . . .	98,462,000	11.0	93,355,000	12.0
	U.S.A. and Canada . . . . .	19,080,000	2.1	15,937,000	2.0
	Total	<u>\$892,753,000</u>	<u>100.0</u>	<u>\$781,524,000</u>	<u>100.0</u>
<b>DISTRIBUTION OF SALES IN EUROPE (EXCLUDING SWEDEN)</b>	Italy . . . . .	\$133,152,000		\$ 83,251,000	
	France . . . . .	93,627,000		72,008,000	
	Norway . . . . .	45,185,000		37,891,000	
	Denmark . . . . .	38,720,000		34,770,000	
	Finland . . . . .	36,258,000		30,798,000	
	Spain . . . . .	19,365,000		13,428,000	
	The Netherlands . . . . .	16,826,000		17,116,000	
	Great Britain . . . . .	12,392,000		8,330,000	
	Other countries . . . . .	42,383,000		32,452,000	
	Total	<u>\$437,908,000</u>		<u>\$330,044,000</u>	
<b>DISTRIBUTION OF SALES IN LATIN AMERICA</b>	Brazil . . . . .	\$ 62,068,000		\$ 50,318,000	
	Mexico . . . . .	46,176,000		50,228,000	
	Venezuela . . . . .	18,275,000		12,458,000	
	Colombia . . . . .	15,654,000		18,987,000	
	Argentina . . . . .	11,004,000		13,914,000	
	Other countries . . . . .	15,230,000		14,069,000	
	Total	<u>\$168,407,000</u>		<u>\$159,974,000</u>	
<b>DISTRIBUTION OF SALES IN AUSTRALIA ASIA AND AFRICA</b>	Australia . . . . .	\$43,632,000		\$40,071,000	
	Near East . . . . .	20,189,000		17,647,000	
	Asia (Near East excluded) . . . . .	18,530,000		19,324,000	
	Africa . . . . .	16,111,000		16,313,000	
	Total	<u>\$98,462,000</u>		<u>\$93,355,000</u>	

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

View of portion of L M Ericsson's World Headquarters in Midsommarkransen, Stockholm.  
New 11-story building in foreground houses offices and laboratories.



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

### GROUP Operating results in brief

Millions of dollars	1972	1971	Change
Order bookings . . . . .	1,054.0	892.7	+18.1 %
Order backlog . . . . .	1,013.5	852.2	+18.9 %
Sales . . . . .	892.8	781.5	+14.2 %
Income before special adjustments and taxes . . . . .	112.4	100.2	
Percent of sales . . . . .	12.6 %	12.8 %	
Reported net income . . . . .	37.4	28.5	
Per share . . . . .	\$3.04	\$2.32	
Adjusted net income . . . . .	45.7	42.1	
Per share . . . . .	\$3.72	\$3.42	

### Order bookings

Order bookings in 1972 amounted to \$1,054.0 million, exceeding by 18.1 percent the bookings of \$892.7 million recorded in 1971. The increase reflects even more distinctly than formerly the trend in geographical distribution

of orders that has prevailed in recent years. Thus the growth in bookings lies in the markets of Western Europe, excluding Sweden, and in Latin America.

The distribution of order bookings in the Group's main

Robot test equipment is used to check relay sets in Parent Company plant in Visby.





markets is shown in the following table. The changes since 1967 are also shown, to illustrate the trend over a five-year period.

Millions of dollars	1972	%	1971	%	1967	%
Sweden	181.1	17.2	179.4	20.1	168.6	34.7
Europe (excluding Sweden)	515.1	48.9	412.9	46.3	183.6	37.7
Latin America	238.9	22.6	194.0	21.7	92.5	19.0
Australia, Asia and Africa	100.2	9.5	92.5	10.4	34.1	7.0
U.S.A. and Canada	18.7	1.8	13.9	1.5	8.3	1.6
	<b>1,054.0</b>	<b>100.0</b>	<b>892.7</b>	<b>100.0</b>	<b>487.1</b>	<b>100.0</b>

Operations in 1972 were characterized by market conditions that were segmented in terms of geography and products. Demand for equipment for expansion of public telecommunications networks was very strong in a number of the Group's important markets such as Brazil, France, Italy, Mexico and Spain, while demand softened in certain countries with relatively high telephone densities, not least of all Sweden.

Industrial growth in many countries was relatively low, with a resulting negative effect on demand for such equipment as subscriber exchanges and transmission systems. The private sector's willingness to invest in capital projects was restricted for the same reason and this resulted in unsatisfactory order bookings for internal communications and security systems, communications radio equipment for civilian use and other similar telecommunications material.

The restrained industrial investing and decreased residential construction in certain countries had an adverse effect on sales of power cable and wire.

In general, the trend of sales in the major markets was characterized by the following conditions.

The demand for new subscriber connections recorded by the Swedish Telecommunications Administration was very low, as was the increase in long distance traffic. As a result, the Administration's orders were significantly lower than normal. Sales to other Swedish customers were also affected by the weak economic conditions. Marketing in the neighboring Nordic countries developed satisfactorily. In Norway, particularly, there was a substantial increase in order bookings.

The sharp rise in the expansion of the public networks in France and Italy continued and the Group's factories in these countries were heavily engaged in meeting the increased demand.

The Group continued to build up its operations in the Spanish market and a number of large telephone projects are being installed or are in the engineering stage.

Cooperation with the Irish Post and Telegraph Administration was strengthened through an agreement covering substantial deliveries of telephone exchange equipment. Part of the equipment will be manufactured within Ireland and planning is under way for a Group plant there.

A notable order for an international transit exchange in London was received from the Post Office Corporation during the spring. The contract is one of the largest ever received for a single exchange.

Order bookings from Eastern Europe were very modest and operations there consisted primarily of fulfilling earlier contracts.

The markets in Latin America continued to develop favorably. A large delivery agreement was concluded in Brazil covering equipment for 500,000 subscriber lines, to be supplied within a period of four to five years. The Group maintained its leading position in Mexico. Cultivation of the public market in Colombia and Venezuela also produced good results.

The situation of the Group's manufacturing companies in Australia improved during the year. Orders increased in 1972, following a sharp decrease in purchases by the telephone authorities in 1971 which had been caused by a tightening of the government budget.

In recent years the world market for telecommunications equipment has been characterized by the establishment of local production in a number of countries which formerly covered their equipment needs through imports. This applies particularly to automatic switching equipment. The Ericsson Group has participated actively in this trend, as indicated by the fact that during the past five years no fewer than seven new factories have been set up in countries where the Group earlier had not had manufacturing facilities.

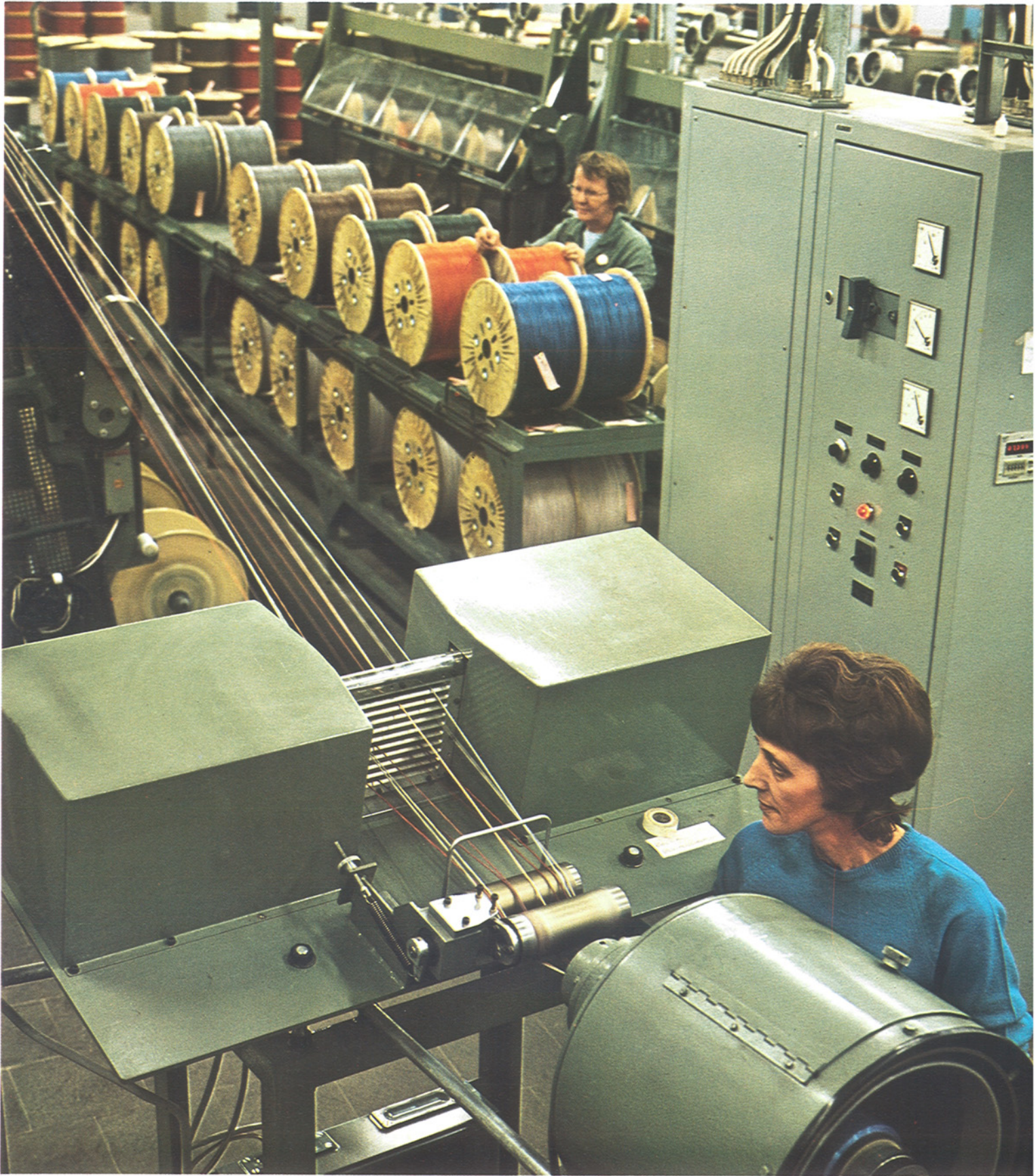
The competition among the leading international telecommunications manufacturers for the markets which lack their own production has therefore been intensified. One consequence in recent years has been sharp pressure on prices, among other factors. The rising costs which have also occurred in those countries where the principal competitors have their production for export now appears to be leading to a certain stabilization of prices.

For the Parent Company, the trend noted above has meant that a substantial part of its sales consists of parts and semi-finished goods delivered to the foreign plants.

Simultaneously, the acquisition of new markets to replace those that are gradually going over to their own production has had—and continues to have—high priority.

The rapid expansion of foreign manufacturing has indeed involved substantial strains on the Parent Company's administrative, technical and financial resources. But the base that has thus been created for the development of markets that are of great significance to the Group's future is considered to be extremely important.

The new cross-stranding method is used in production of telephone cable in the new Ericsson plant in Piteå, Sweden.



The order backlog at year-end 1972 amounted to \$1,013.5 million (\$852.2 million) and thus reached a record high.

#### Sales

Sales for the year amounted to \$892.8 million, exceeding 1971 sales by 14.2 percent. The explanation for the relatively modest increase in sales compared with order bookings is that a large portion of the orders booked have delivery times extending considerably beyond one year.

The geographical distribution of sales in principal markets is shown in the following table which, for purposes of comparison over a longer period, includes 1967 sales figures.

Millions of dollars	1972	%	1971	%	1967	%
Sweden	168.9	18.9	182.2	23.3	166.9	35.0
Europe (excluding Sweden)	437.9	49.1	330.0	42.2	168.0	35.3
Latin America	168.4	18.9	160.0	20.5	90.4	19.0
Australia, Asia and Africa	98.5	11.0	93.4	12.0	38.5	8.1
U.S.A. and Canada	19.1	2.1	15.9	2.0	12.5	2.6
	<b>892.8</b>	<b>100.0</b>	<b>781.5</b>	<b>100.0</b>	<b>476.3</b>	<b>100.0</b>

Sales to customers in Sweden were lower than during 1971. Sales in other European markets were 33 percent higher (1971: 30 %), largely due to the sharp expansion in France and Italy. In Latin America, sales increased 5 percent (14 %) and in other markets, 8 percent (28 %).

The distribution of sales by product groups showed a somewhat higher proportion for telephone exchanges, switchboards and instruments, with corresponding decreases in the cable, wire and network material groups.

#### Production and employment

The geographical and product imbalance in order bookings, noted in an earlier section, affected the utilization of capacity in the Group's factories. Stagnation in the Swedish market, combined with the deferment of certain export orders, made it necessary to adjust deliveries to a lower level. This adjustment was effected largely by reallocating production among the various plants and through a reduction of the work force by natural attrition.

The Australian companies encountered similar problems as a result of the cuts in appropriations to the government telephone administration. A substantial reduction in the work force occurred there also.

The situation was entirely different for many of the Group's foreign companies and many of the larger factories faced demands for substantially higher deliveries.

The French subsidiary succeeded in increasing its production by more than 50 percent by starting up an additional large production facility in the provinces and through production-raising measures in the other factories. The Italian company was successful in its efforts to meet sharply increased delivery requirements, despite unrest in the labor market. Its capacity was also improved through backup deliveries from the Parent Company. The Brazilian subsidiary similarly achieved good production results.

The trend described above, together with the dispersion from the Parent Company of certain technical activities as well, resulted in a further growth in the number of employees in the Group's foreign organization and a corresponding decrease in the Swedish sector. This is illustrated in the following table showing the number of employees at year-end 1972 and 1971.

	Number of employees December 31	
	1972	1971
Sweden	27,390	29,160
Europe (excluding Sweden)	26,630	22,870
Latin America	9,580	7,950
Other countries	3,700	3,830
	<b>67,300</b>	<b>63,810</b>

Including employees of the telephone operating companies in Argentina and Peru, the respective totals are 70,650 and 66,860.

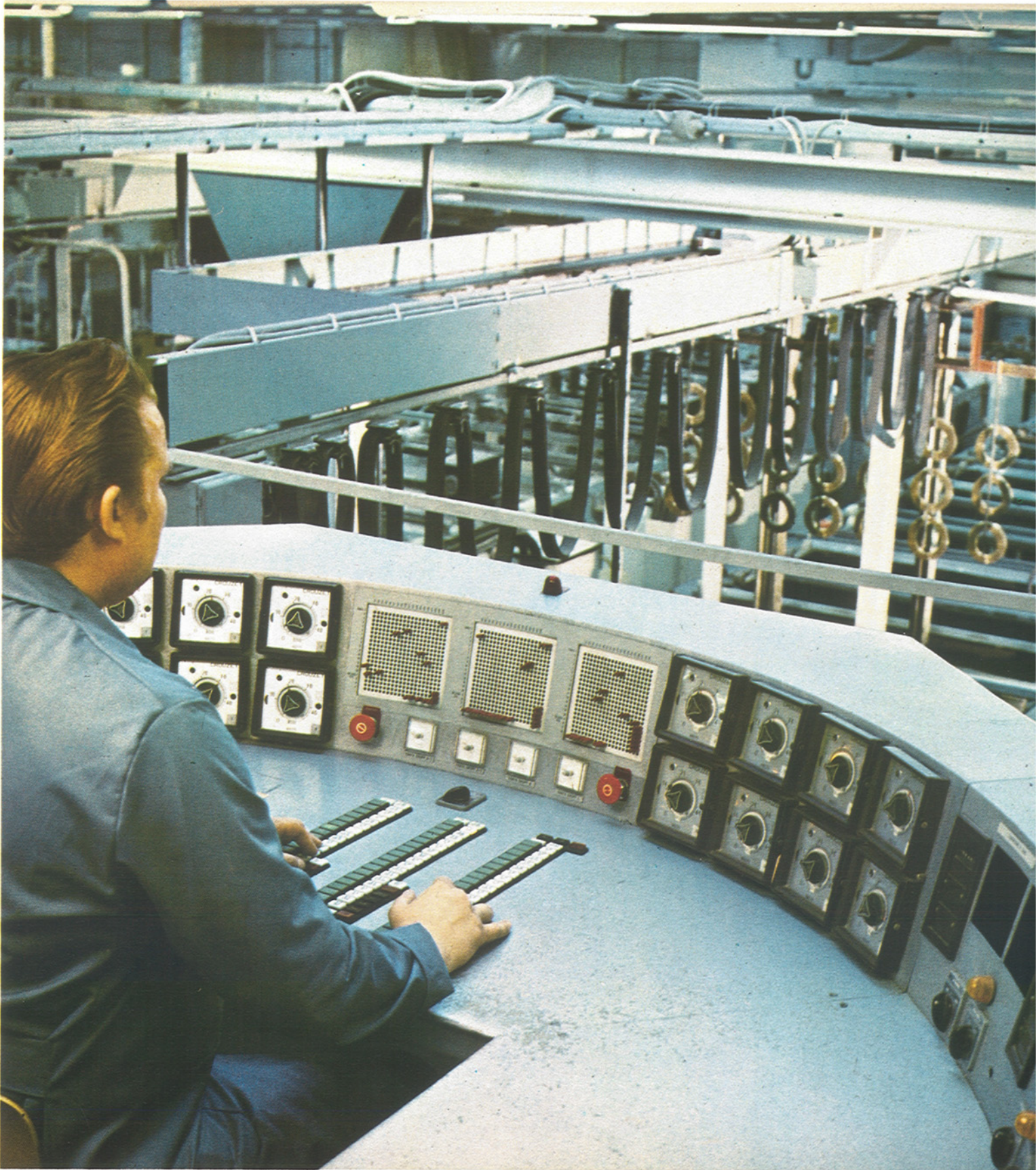
#### Rationalization measures

The Group's production of telecommunications material is marked by a highly refined technique. The trend of wage costs both in Sweden and in the foreign plants, therefore, makes it necessary to apply special efforts to make manual operations more efficient and, where technically feasible and economically advantageous, to convert increasingly to mechanical production. This trend has naturally been under way for a long time but has been given a higher priority in recent years.

Notable projects carried out during the year included new processes for the manufacture of relay parts which involved a simultaneous shift to less expensive materials. Wiring methods for relay sets were further developed, with resulting lower production costs.

Output per employee in the Swedish cable plants has increased substantially as a result of capital investments in new production equipment in recent years, and of work simplification measures. The addition of the new Falun

Control center for materials handling and monitoring of operations in a surface treatment department in Ericsson's main plant in Stockholm.



plant for underground plastic cable has contributed to this trend. From its inception the plant was designed for, and has concentrated on, highly mechanized production.

Broader cooperation was established between the Parent Company and the foreign factories for the exchange of experience in production technique and methods. A better basis has thus been created for evaluating efficiency trends in relation to established norms. Particularly for the production units being built outside Sweden, experience acquired in the Parent Company has been of great significance in developing efficient production beginning with the initial stages of their operations.

#### **Group earnings**

##### **Sales and manufacturing costs**

Sales in 1972 amounted to \$892.8 million, compared with \$781.5 million a year earlier, while manufacturing costs in 1972 were \$498.3 million as against \$430.1 million in the preceding year, providing a margin of 44.2 percent in 1972 and 45.0 percent in 1971. Workers' wages in Sweden, which are determined by a three-year collective agreement terminating at year-end 1973, rose 13 percent (1971: 13 %) during the year. Substantial increases in wage levels also occurred in a number of the larger foreign manufacturing companies, notably in Australia, Brazil, Finland and France. Social costs have increased along with the rising wages. Sharply increased production levels in certain foreign plants, together with the start-up of production in new units, resulted in extra costs of a substantial nature. These were offset, however, by the beneficial effect of rising production volume in other companies and by the fact that earlier start-up problems in new plants had been overcome.

##### **Earnings in unconsolidated subsidiaries and associated companies**

Income from unconsolidated subsidiaries and from associated companies are for the first time reported on "an equity basis". The 1971 financial statements have been restated to reflect the change in accounting principles. As a result of the change, Group net income for 1972 is \$359,000 lower, whereas that for 1971 has increased by \$1.0 million. See Note 3 to the Financial Statements.

##### **Expenses**

Selling, technical development and general administrative expenses increased from \$227.1 million to \$251.4 million. The increase, 10.7 percent, was lower than in the preceding year. Restrained recruiting of personnel and increased rationalization of work in the technical offices and administrative departments contributed to the favorable trend of expenses.

Foreign exchange losses totaling \$3.3 million were charged against operations in 1972, compared with \$6.9 million in 1971. In addition, exchange losses in the amount of \$2.3 million (1971: \$2.5 million) were covered by reserves for accounts receivable.

Receivables and obligations of the Parent Company in foreign currencies falling due in 1973 are valued at exchange rates ruling at the end of 1972. Consistent with the policy of last year, no changes have been made in the valuation of such receivables and obligations which have due dates in 1974 and later years. See also Note 4 to the Financial Statements.

##### **Depreciation**

Depreciation of property, plant and equipment in 1972 amounted to \$33.8 million (1971: \$26.7 million). In addition, the sum of \$19.8 million (1971: \$8.1 million) was charged to the reserve for future investments for accelerated depreciation of fixed assets acquired during the year.

##### **Interest expense**

Interest charges totaled \$32.1 million (1971: \$25.2 million). The excess of interest expense over interest income increased by \$854,000 during the year, as against \$6.9 million in 1971.

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

Group income in 1972 before special adjustments and taxes amounted to \$112.4 million, or 12.6 percent of sales, compared with \$100.2 million, or 12.8 percent of sales in 1971.

##### **Special adjustments**

In accordance with tax regulations in Sweden and other Nordic 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 1972 amounted to \$19.8 million (1971: \$33.4 million).

Ericsson's Pulse Code Modulation (PCM) system is used to boost line capacity between Arendal and Eydehavn in southern Norway. Photo shows one of the amplifiers used along the line.



#### **Reported net income**

After provision for taxes in the amount of \$43.1 million (1971: \$30.1 million) and deduction of \$12.1 million (1971: \$8.1 million) representing minority interest in earnings, reported net income for the Group was \$37.4 million, compared with \$28.5 million in 1971.

#### **Adjusted net income**

If the Group's reported net income, \$37.4 million (1971: \$28.5 million) 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 1972 would amount to \$45.7 million (1971: \$42.1 million), equal to \$3.72 (1971: \$3.42) per share on the 12,304,094 shares outstanding in both years.

#### **Research and development**

Technical development in the telecommunications field has been in a very expansive stage in recent years. The appearance of new and technically much more sophisticated electronic components for memories and logic circuits, among other applications, has created new possibilities for solving classical problems in switching technique in an entirely new way.

Introduction of the new technique requires major investments in development work to evaluate these possibilities and to design equipment. As a result of the introduction of computer-controlled switching technique, programming has also become a highly labor-demanding part of the engineering of new systems. The technical problems, combined with the shift to a new technique in certain areas, have also proved more troublesome than expected and have therefore required extraordinary expenditures.

The first year of operations of the computer-controlled transit exchange in Rotterdam was very satisfactory in terms of reliability. Certain modifications in programming were made in order to simplify maintenance. Experience that will be valuable in the continuing introduction of this type of exchange was acquired. Further refinements of the control equipment, through the introduction of integrated circuits and semiconductor memories in the computer, are under way with a view to increasing the speed of the system.

Work on the introduction of computer control in crossbar systems continued and field tests of the new

equipment got under way during the year.

Good results were achieved in continuing field tests of a new international signaling system in a computer-controlled transit exchange in Sydney, Australia, in cooperation with L M Ericsson Pty. Ltd. This company has also accumulated considerable know-how in the field of telephone exchange systems utilizing digital electronic switching networks. A great deal of work is being done in the Group involving system analyses and laboratory tests to find optimum solutions in this field.

A change in the form of cooperation with the French group Compagnie Générale d'Electricité was made during the year. The objective was to assure Ericsson's French subsidiary, Société Française des Téléphones Ericsson (STE), broader participation in the development of the future French telephone exchange systems which is now under way.

Field tests of an STE-developed computer-controlled subscriber exchange with very large capacity were begun, following the installation of the first exchange at the company's head office in Colombes.

A/S Elektrisk Bureau, Norway, completed development work on a combined subscriber and transit exchange, intended primarily for communications networks in the power distribution field. The first prototypes will be delivered during the current year.

A very large subscriber exchange with sophisticated traffic features was placed in operation at the Group's World Headquarters in Midsommarkransen during the year. The exchange, which is part of a planned network grouping of several Ericsson companies in the Stockholm area, met the anticipated high performance standards.

Design work on a new manual exchange utilizing electronic components was completed during the year.

Work on the picture telephone reached the stage where marketing on a limited scale is possible. The first applications are expected to involve use in private networks in connection with private exchange or intercom systems.

Advanced design work in the field of service observation and maintenance equipment for telephone exchanges was carried out at FATME in Rome.

Further development in the field of pulse code modulation (PCM) was intensified at the Parent Company. With this form of transmission, a number of telephone conversations can be carried simultaneously on a single wire by successively sharing very brief transmission-time intervals which are repeated in a certain sequence. Speech is transmitted in the form of coded digital impulses. The method permits increased utilization of telephone lines and makes it economically possible to solve problems of complicated signaling processes between exchanges in a relatively simple manner.

An agreement was reached with the Norwegian company, NERA BERGEN A/S, covering the development and marketing of radio links and related carrier frequency equipment.

## L M ERICSSON PUBLIC AUTOMATIC TELEPHONE AND TELEX EXCHANGES

### TELEPHONE EXCHANGES

Number of lines cut into service per country during 1972:

	Local exchanges		Transit exchanges
	City	Rural	
Antigua	—	—	600
Argentina	71,000	—	920
Australia	259,000	47,010	19,600
Barbados	—	—	600
Brazil	53,940	—	120
Burma	1,400	—	—
Canada	—	800	200
Colombia	63,900	—	160
Costa Rica	15,200	—	—
Dahomey	1,200	—	—
Denmark	76,600	37,300	10,880
Ecuador	15,000	100	—
El Salvador	2,000	—	—
Ethiopia	10,000	—	—
Fiji	2,400	—	—
Finland	48,600	7,010	7,640
France	247,200	217,300	21,570
Faroe Islands	2,700	860	40
Gabon	1,800	—	—
Greenland	—	400	—
Hungary	14,200	1,660	2,600
Ireland	8,800	4,350	200
Iceland	2,000	1,090	80
Italy	180,160	11,570	14,880
Jamaica	—	—	200
Kuwait	6,000	—	—
Lebanon	20,100	—	1,540
Malagasy	1,600	—	—
Malawi	2,000	—	—
Malaysia	6,200	1,500	1,200
Mexico	85,900	—	15,060
Morocco	—	400	—
Netherlands Antilles	1,500	—	—
Niger	5,500	10,350	1,380
Norway	200	—	—
New Guinea	3,800	1,740	200
Panama	7,000	—	800
Peru	1,500	—	—
Portugal	1,000	—	—
Saudi Arabia	23,000	—	960
Singapore	12,000	—	200
Spain	—	190	2,480
Sweden	31,500	—	—
Thailand	—	—	100
The Netherlands	54,600	1,300	2,000
Tunisia	5,800	510	220
Turkey	9,500	—	—
UAR (Egypt)	7,600	—	—
USA	112,150	35,970	—
USSR	—	—	8,800
Venezuela	6,800	—	7,600
Yugoslavia	67,100	25,200	2,320
<b>Total</b>	<b>1,485,550</b>	<b>406,610</b>	<b>125,150</b>

Number of telephone lines cut into service during 1972:

Local exchanges:	1,892,160
Transit exchanges:	125,150

Total number of telephone lines in service:

Local exchanges:	15,731,885
Transit exchanges:	710,190

### TELEX EXCHANGES

Number of telex lines cut into service during 1972:

Terminal exchanges:	13,500
Transit exchanges:	13,880

Total number of telex lines in service:

Terminal exchanges:	48,680
Transit exchanges:	38,900

In the field of telecommunications traffic research, the analytical methods for dimensioning various types of switching networks were further refined and detailed studies were made of theoretical problems involving data communication networks and telecommunication satellites.

The Group participated actively in work on space satellites directed by the European Space Research Organization (ESRO). The Parent Company also holds an interest in EUROSAT S.A., a newly-formed European company established to acquire, finance and operate commercial satellites.

Further development work on doppler radar for both airborne and ground-based radar systems was carried out with good results within the Parent Company. Design work in the laser field led to series production of range-finders.

A fully electronic street signaling device, which permits complete control of traffic with very good flexibility, was completed during the year. Dansk Signal Industri A/S, the Danish subsidiary, participated in the refinement of traffic and signaling systems.

Svenska Radio AB began deliveries of a new portable radio transmitter, constructed with thin film circuits, that offers a substantial reduction in weight and size, among other features.

L M Ericsson Telemateriel AB completed development work on new alarm and passage-control systems.

A new version of loudspeaking intercom exchanges, based on miniature relay and integrated circuit technique, is expected to offer a good supplement to the present product program.

AB Rifa developed a technique for producing monolithic microcircuits that can be used, without supplementary exterior components, with the battery voltages occurring in telephone systems. The company also developed new types of styrene and tantalum capacitors.

Sieverts Kabelverk designed a new series of machines for producing SINIPAL, the nickel-plated aluminum conductor introduced by the company. The new product, which is attracting increasing international attention, is now ready to be marketed and the first license agreement was signed during the year.

A new design for Sikaten-insulated high tension cables was worked out during the year and, in the field of telephone cables, production of local cables in the new, so-called cross-stranding format got under way. The new plant in Piteå concentrated exclusively on this production.

The tighter labor market in Sweden had a moderating effect on the high turnover that formerly prevailed among salaried personnel. The know-how and efficiency of the large number of technicians recruited in recent years has improved significantly at the same time as the rate of staff expansion has slowed. The fact that personnel involved in such activities as systems and programming operations could be brought together in newly constructed



laboratories and offices in Midsommarkransen also contributed to the increased efficiency. This personnel had earlier been scattered in rented quarters throughout Stockholm.

#### Capital expenditures

Investments during the year were at the same level as during 1971. Thus \$26.0 million (1971: \$33.8 million) was invested in property and \$51.1 million (1971: \$49.8 million) for plant and equipment, or a total of \$77.1 million (1971: \$83.6 million). More than half of the total investment occurred in the Group's foreign subsidiaries.

A/S Elektrisk Bureau occupied its new plant at Billingstad, outside Oslo, during the year. The facilities cover approximately 350,000 sq. ft. and house offices as well as the factory.

Société Française des Téléphones Ericsson placed in service a new provincial factory at Brest, where more than 700 persons were employed at year-end.

Investments in fixed assets in the Swedish sector of the Group are expected to decline in 1973. Outside Sweden they will continue to increase, primarily in Brazil, France, Ireland and Spain. The total capital expenditure program for 1973 amounts to \$79.0 million, of which nearly two-thirds is earmarked for the foreign sector.

#### Financing

To maintain good liquidity during the current expansion of the Group's operations, the Parent Company early in 1972 negotiated a Swedish bond loan of 75 million kronor (\$15.6 million), at 7<sup>1</sup>/<sub>4</sub> percent, a long-term loan of 100 million Deutsche Mark (\$31.3 million) at 6<sup>3</sup>/<sub>4</sub> percent and a medium-term loan of 100 million Swiss Francs (\$26.0 million) at 6 percent. In addition, the Parent Company received loans totaling 125 million kronor (\$26.0 million) from AB Svensk Exportkredit in connection with exports.

Société Française des Téléphones Ericsson placed a debenture loan of 20 million French Francs (\$3.9 million) at 8<sup>3</sup>/<sub>4</sub> percent in the French capital market.

At year-end the Group's cash amounted to \$208.0 million, compared with \$104.3 million at the beginning of the year.

#### Changes within the Group

In order to increase the resources for the production of cable sleeves, cable boxes and other cable accessories, AB Liljeholmens Kabelfabrik and Sieverts Kabelverk formed a jointly-owned company with a capital stock of \$1.0 million, in which each partner has a 50 percent interest. The new company, Kabeldon AB, took over the activities formerly handled in this field by Sieverts Kabelverk.

A desire to rationalize and broaden the development work on the future French telephone exchange system resulted in the following: Société Française des Téléphones Ericsson (STE) and the French CIT-ALCATEL, owned by Compagnie Générale d'Electricité (CGE), agreed to concentrate all their development work in this field in a jointly-owned company, Société Lannionnaise d'Électronique (SLE), also owned by CGE. In this connection, STE acquired 33 percent of the capital stock of SLE. The changes involve a modification of the forms of cooperation among the companies in connection with the technical development that is taking place in association with the French telecommunications administration.

The Parent Company and the Italian subsidiary, SIELTE, S.p.A., together with Brazilian interests, formed a line construction company in Brazil. The company, Sielte S.A. Instalações Elétricas e Telefônicas, in São Paulo, has a capital stock of 1.3 million Cruzeiros.

Since the telephone administration in Singapore (Singapore Telephone Board) decided to fill its future requirements for public telephone exchanges through imports, the conditions for continued participation with the Group in a local manufacturing company no longer exist. Telephone Industries of Singapore Private Ltd., established for this purpose in 1970, and in which the telephone administration held 51 percent and L M Ericsson 49 percent of the capital stock, is therefore being liquidated.

The Mexican subsidiary, Teleindustria Ericsson, S.A., increased its capital stock from 90 to 105 million Pesos through additional paid-in capital. Following this transaction, shares with a total par value of 14.9 million Pesos were sold to Mexican interests, as a result of which the Group's holding in the company decreased from 94 percent to 80 percent.

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



Société Française des Téléphones Ericsson produces subscriber equipment in this new plant at Brest.



Prime Minister Giulio Andreotti of Italy participates in cornerstone-laying for the new FATME plant at Pagani, near Naples.



New office and factory building of the Norwegian subsidiary, A/S Elektrisk Bureau, at Billingstad, outside Oslo.



New cable plant completed recently by Sieverts Kabelverk AB at Falun, Sweden, for the production of underground plastic cable.

		Par value of holding 12/31/71	Increase during 1972	Par value of holding 12/31/72
<i>Sweden</i>				
L M Ericsson Telemateriel AB	S.Kr.	16 000	14 000	30 000
AB Rifa	S.Kr.	16 000	9 000	25 000
<i>Europe (excluding Sweden)</i>				
Rifa S.A.	F.Frs	3 100	400	3 500
Société Française des Téléphones Ericsson	F.Frs	15 466	17 528	32 994
Société Immobilière Vega	F.Frs	26	178	204
FATME Soc. per Az. Ericsson Telefoonmaat- schappij B.V.	It. L.	3 589 789	512 827	4 102 616
Ericsson Telefoonmaat- schappij B.V.	Dfl	8 500	1 500	10 000
Industrias de Telecomuni- cación S.A. (Intelsa)	Ptas	153 000	102 000	255 000
L M Ericsson S.A.	Ptas	1 000	24 000	25 000
Ericsson Centrum GmbH	DM	2 000	2 000	4 000
<i>Latin America</i>				
Cía Ericsson S.A.C.I.	Arg.P.	1 250	250	1 500
Ericsson do Brasil Comércio e Indústria S.A.	Cruz.	71 195	14 239	85 434
Cía Ericsson de Chile S.A.	Esc.	400	200	600
Ericsson de Colombia S.A.	Col.P.	5 000	4 280	9 280
Fábricas Colombianas de Materiales Eléctricos Facomec S.A.	Col.P.	20 000	12 336	32 336
Latinoamericana de Cables S.A. de C.V.	Mex.P.	12 880	12 995	25 875
Teléfonos Ericsson S.A.	Mex.P.	2 500	2 500	5 000
Telemontaje S.A. de C.V.	Mex.P.	5 500	1 000	6 500
Teleindustria Ericsson, S.A.	Mex.P.	84 750	(750)	84 000
Cía Ericsson S.A.	Soles	2 000	178	2 178
Cía Ericsson S.A.	Urug.P.	23 000	3 000	26 000

### Outlook for 1973

Order bookings are expected to develop favorably but at a lower rate than during 1972.

Taking into account the current backlog, expected order bookings and the increased production capacity, it is estimated that Group sales will rise approximately 14 to 16 percent compared with 1972.

This estimate is based on the assumption that the present improvement in economic conditions does not fall off and that no serious disturbances occur in the labor and foreign exchange markets.

### PARENT COMPANY

Total revenues of the Parent Company in 1972 amounted to \$441.2 million compared with \$399.7 million in 1971. Revenues from invoiced goods and services accounted for \$404.5 million (1971: \$365.9 million), of which \$306.7 million (1971: \$263.8 million) from export

markets. Revenues from other sources amounted to \$36.7 million (1971: \$33.8 million), as shown in the following table.

Millions of dollars	1972	1971
Dividends	10.2	8.9
Interest	23.2	19.3
Other	3.3	5.6
	<b>36.7</b>	<b>33.8</b>

During the year \$832,000 (1971: \$832,000) was transferred to the account shown in the balance sheet as "Investment in Technical Development Projects," which covers part of the development costs for very long-term projects.

Depreciation of property, plant and equipment amounted to \$11.0 million (1971: \$10.1 million). In addition, acquisitions during the year were depreciated by \$13.6 million (1971: \$6.0 million) through charges against the reserve for future investments.

A net amount of \$6.0 million (1971: \$9.2 million) was allocated to the special reserve for accounts receivable and investments in foreign countries. This amount includes write-downs of shares totaling \$372,000, corresponding to the carrying value of shares in subsidiaries and associated companies which are being liquidated.

The sum of \$2.5 million (1971: \$17.4 million) was transferred to the inventory reserve and \$12.5 million was allocated to the reserve for future investments.

After the special adjustments noted above totaling \$21.0 million (1971: \$26.7 million) and provision for income taxes in the amount of \$17.0 million (1971: \$5.8 million), reported net income of the Parent Company in 1972 was \$21.5 million (1971: \$18.8 million).

The sum of \$10.4 million (1971: \$9.4 million) was transferred to a reserve for inventory investments from the reserve for future investments.

Due to uncertainties relating to the value of the Parent Company's investment in GNT AUTOMATIC A/S, Denmark, the carrying value of the shares in this company has been fully written down in the amount of \$2.7 million, against a corresponding write-up of the shares of Sieverts Kabelverk AB.

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 stock dividend and disposition of unappropriated earnings of the Parent Company**

In view of the expansion of operations and in order to achieve a better relationship between statutory capital and total assets, the Board of Directors proposes that the present capital stock of the Company, \$127,901,000, represented by shares recorded as fully paid, be increased by \$31,975,000 to \$159,876,000 through a stock dividend of 3,076,023 Series B shares, the stockholders receiving one new share for each four Series A and/or Series B shares held. It is proposed that the new shares carry dividend rights effective as from the fiscal year 1972.

It is proposed that this increase of the capital stock be effected by writing up assets and shares with the following amounts:

a) Land and buildings . . . . .	\$23,181,000
b) Shares in wholly-owned subsidiaries, Sieverts Kabelverk AB and Ericsson Telefoonmaatschappij B. V., The Netherlands . . . . .	8,794,000
	<u>\$31,975,000</u>

It is proposed that the stamp tax for the new shares be paid by the Company.

As shown in the statement on page 24, the sum of \$30,762,000, exclusive of a general reserve of \$20,239,000, is available for disposition by the stockholders at the Annual General Meeting to be held June 5, 1973.

The Board of Directors proposes that the above amount be distributed as follows:

To the stockholders, Swedish kronor 5.00 per share on the new capital stock, (through payment of Swedish kronor 6.25 per share on the old shares), against Coupon No. 46 . . . . .	\$15,988,000
To the legal reserve . . . . .	6,445,000
To be retained in the business . . . . .	8,329,000
	<u>\$30,762,000</u>

If the above proposals relating to the stock dividend and disposition of earnings are accepted, the stockholders' equity, as shown in the balance sheet, will consist of the following:

Capital stock . . . . .	\$159,876,000
Legal reserve . . . . .	32,079,000
Special legal reserve . . . . .	29,293,000
General reserve . . . . .	20,239,000
Unappropriated earnings . . . . .	8,329,000
	<u>\$249,816,000</u>

Stockholm, April 1973

E. BOHEMAN  
J. WALLANDER

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

H.W. SÖDERMAN  
SVEN T. ÅBERG

Microcircuits are produced by AB Rifa in these new facilities in Solna, near Stockholm.



Electronically controlled "AKK 50" telephone exchange undergoing field tests at Aremark, Norway.



The first exchange installed under a substantial delivery agreement in Spain was cut into service in Logroño during 1972.



# Auditors' Report

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TO THE STOCKHOLDERS OF TELEFONAKTIEBOLAGET L M ERICSSON

We the undersigned auditors, appointed at the Annual General Meeting of Stockholders, present herewith our report for the year 1972.

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 of its operations 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.

We have no objection to the write-up of property and stockholdings amounting to \$31,975,000 in connection with the proposed stock dividend.

The proposed appropriations 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, 1972, included in the Annual Report, be approved,

*that* unappropriated earnings in the amount of \$30,762,000, exclusive of the General reserve totaling \$20,239,000, be disposed of according to the proposal of the Board of Directors 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 18, 1973.

*Klas de Vylder*

Swedish Authorized Public Accountant  
(Partner in Price Waterhouse & Co.)

*N.-A. Frisk*

Chartered Accountant  
(Partner in Price Waterhouse & Co.)

*John M. Boyd*

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

	1972	1971
Net Sales . . . . .	\$892,753,000	\$781,524,000
Share in earnings less losses of unconsolidated subsidiaries and associated companies (Note 3)	773,000	2,042,000
Interest income . . . . .	26,599,000	20,552,000
Other revenue . . . . .	7,930,000	5,108,000
	<u>928,055,000</u>	<u>809,226,000</u>
Cost of products and services sold . . . . .	498,340,000	430,064,000
Selling, administrative, research and development expenses (Note 4) . . . . .	251,395,000	227,121,000
Depreciation (Note 5) . . . . .	33,763,000	26,651,000
Interest . . . . .	32,120,000	25,219,000
	<u>795,618,000</u>	<u>711,055,000</u>
Income before special adjustments and taxes . . . . .	<u>112,437,000</u>	<u>100,171,000</u>
Special adjustments		
Transfer to reserve for accounts receivable and investments outside Sweden, \$9,220,000 in 1972 and \$12,673,000 in 1971, net of recovery of receivables, previously written off, \$3,681,000 in 1972 and \$3,540,000 in 1971 . . . . .	5,539,000	9,133,000
Transfer to (from) special inventory reserve (Note 6) . . . . .	(1,755,000)	19,340,000
Transfer to reserves for future investments (Note 7) . . . . .	16,027,000	4,935,000
	<u>19,811,000</u>	<u>33,408,000</u>
Income before taxes . . . . .	92,626,000	66,763,000
Taxes on income . . . . .	43,077,000	30,112,000
	<u>49,549,000</u>	<u>36,651,000</u>
Minority interest . . . . .	12,130,000	8,146,000
Net income . . . . .	<u>\$ 37,419,000</u>	<u>\$ 28,505,000</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, 1972 of S.Kr. 4.81 to \$1.00.

## Consolidated Balance Sheet

ASSETS	December 31	
	1972	1971
<b>CURRENT ASSETS</b>		
Cash . . . . .	\$ 208,040,000	\$ 104,263,000
Notes and accounts receivable—trade ( <i>less provision for doubtful accounts, 1972: \$4,156,000; 1971: \$3,345,000</i> ) . . . . .	370,733,000	275,202,000
Inventories ( <i>less advance and progress payments, 1972: \$61,430,000; 1971: \$60,432,000</i> ) (Note 8) . . . . .	402,887,000	360,239,000
Other current assets . . . . .	68,344,000	39,861,000
	<u>1,050,004,000</u>	<u>779,565,000</u>
<b>LONG-TERM ASSETS</b> (Note 9)		
Cash on time deposit . . . . .	8,617,000	14,770,000
Notes and accounts receivable—trade . . . . .	146,893,000	142,375,000
Other long-term assets . . . . .	18,920,000	12,431,000
	<u>174,430,000</u>	<u>169,576,000</u>
<b>INVESTMENTS IN SUBSIDIARY AND ASSOCIATED COMPANIES</b>		
Investments (Note 3) . . . . .	38,325,000	35,652,000
Accounts receivable . . . . .	18,165,000	21,820,000
	<u>56,490,000</u>	<u>57,472,000</u>
<b>INVESTMENT IN TECHNICAL DEVELOPMENT PROJECTS</b> . . . . .	<u>1,871,000</u>	<u>1,331,000</u>
<b>PROPERTY, PLANT AND EQUIPMENT</b> (Note 10)		
Cost . . . . .	458,027,000	392,955,000
Less—Accumulated depreciation . . . . .	247,976,000	202,449,000
	<u>210,051,000</u>	<u>190,506,000</u>
Revaluation, net . . . . .	14,302,000	15,881,000
	<u>224,353,000</u>	<u>206,387,000</u>
<b>ASSETS PLEDGED TO SECURE INDEBTEDNESS</b>	<b>1972</b> \$192,521,000	<b>1971</b> \$142,717,000
	<b>TOTAL ASSETS</b>	
	<u>\$1,507,148,000</u>	<u>\$1,214,331,000</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, 1972 of S.Kr. 4.81 to \$1.00.



## LIABILITIES AND STOCKHOLDERS' EQUITY

December 31

### CURRENT LIABILITIES

	1972	1971
Bank loans . . . . .	\$ 65,179,000	\$ 63,422,000
Accounts payable—trade . . . . .	48,252,000	44,707,000
Advances from customers . . . . .	160,784,000	88,844,000
Accrued income and other taxes . . . . .	43,693,000	24,201,000
Other current liabilities . . . . .	141,571,000	110,749,000
	<u>459,479,000</u>	<u>331,923,000</u>

### LONG-TERM DEBT

Debentures (Note 11) . . . . .	195,123,000	124,145,000
Other long-term liabilities . . . . .	144,878,000	105,242,000
	<u>340,001,000</u>	<u>229,387,000</u>

PENSION AND SIMILAR PROVISIONS . . . . .	<u>85,594,000</u>	<u>75,898,000</u>
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### SPECIAL RESERVES (Note 12)

Special reserve for accounts receivable and investments outside Sweden . . . . .	87,245,000	84,054,000
Special inventory reserves . . . . .	93,732,000	95,487,000
Reserves for future investments . . . . .	20,024,000	34,625,000
Reserve for inventory investments . . . . .	19,751,000	9,356,000
	<u>220,752,000</u>	<u>223,522,000</u>

MINORITY INTEREST IN STOCKHOLDERS' EQUITY . . . . .	<u>74,910,000</u>	<u>50,540,000</u>
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### STOCKHOLDERS' EQUITY

Capital stock (Note 13) . . . . .	127,901,000	127,901,000
Reserves not available for distribution . . . . .	94,946,000	83,869,000
Unappropriated earnings (see page 24) . . . . .	103,565,000	91,291,000
	<u>326,412,000</u>	<u>303,061,000</u>

CONTINGENT LIABILITIES . . . . .	1972	1971
	\$32,609,000	\$30,844,000

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$1,507,148,000</u>	<u>\$1,214,331,000</u>
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The United States dollar amounts shown in the above statement represent translations from Swedish kronor at the parity exchange rate at December 31, 1972 of S.Kr. 4.81 to \$1.00.

# Statements of unappropriated earnings

## CONSOLIDATED

Balance at January 1, 1972, (restated) . . . . .		\$ 91,291,000
Deduct: Transfer to reserves not available for distribution and stock dividends . . . . .	\$11,076,000	
Cash dividend declared by the Parent Company . . . . .	<u>14,069,000</u>	<u>25,145,000</u>
		66,146,000
Add: Net income for 1972 . . . . .		<u>37,419,000</u>
Balance at December 31, 1972 (including share of unappropriated earnings in associated companies \$3,094,000)		<u>\$103,565,000</u>

The Boards of Directors of the respective companies have proposed that \$11.4 million of the above balance be appropriated in 1973 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, 1972 . . . . .		\$ 27,988,000
Deduct: Transfer to the Special legal reserve . . . . .	\$ 4,636,000	
Cash dividend . . . . .	<u>14,069,000</u>	<u>18,705,000</u>
		9,283,000
Add: Net income for 1972 . . . . .		<u>21,479,000</u>
Balance at December 31, 1972 . . . . .		<u>\$ 30,762,000</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

	1972	1971
Net income (including minority interest) . . . . .	\$ 49,549,000	\$ 36,651,000
Depreciation . . . . .	33,763,000	26,651,000
Special adjustments (including pension and similar provisions, 1972: \$9,696,000; 1971: \$9,395,000) . . . . .	<u>29,507,000</u>	<u>42,803,000</u>
	112,819,000	106,105,000
Long-term borrowings . . . . .	140,818,000	87,100,000
Sale of stock and minority subscription of new shares. . . . .	14,894,000	10,999,000
Other items (net) . . . . .	<u>3,783,000</u>	<u>2,694,000</u>
	<u>\$272,314,000</u>	<u>\$206,898,000</u>

## APPLICATION OF FUNDS

Investments in unconsolidated subsidiaries and associated companies . . . . .	\$ —	\$ 6,663,000
Property, plant and equipment additions . . . . .	77,081,000	83,630,000
Amortization of long-term debt . . . . .	15,796,000	11,627,000
Dividend paid (including Parent Company dividend, 1972: \$14,069,000; 1971: \$14,069,000). . . . .	16,751,000	15,854,000
Increase in working capital (including long-term receivables, 1972: \$5,395,000; 1971: \$19,017,000) . . . . .	<u>162,686,000</u>	<u>89,124,000</u>
	<u>\$272,314,000</u>	<u>\$206,898,000</u>

The United States dollar amounts shown in the above statements represent translations from Swedish kronor at the parity exchange rate at December 31, 1972 of S.Kr. 4.81 to \$1.00.

## Parent Company Income Statement

	1972	1971
Net sales . . . . .	\$404,507,000	\$365,877,000
Dividends, interest and other revenue		
From consolidated subsidiary companies . . . . .	18,408,000	16,245,000
From unconsolidated subsidiary companies . . . . .	1,543,000	1,005,000
From associated companies . . . . .	95,000	189,000
From others . . . . .	16,623,000	16,335,000
	<u>441,176,000</u>	<u>399,651,000</u>
Cost of products and services sold . . . . .	225,594,000	214,340,000
Selling, administrative, research and development expenses . . . . .	126,372,000	111,847,000
Depreciation (Note 5) . . . . .	10,978,000	10,093,000
Interest . . . . .	18,710,000	12,043,000
	<u>59,522,000</u>	<u>51,328,000</u>
Special adjustments		
Transfer to reserve for accounts receivable and investments outside Sweden, \$9,244,000 in 1972 and \$12,353,000 in 1971, net of recovery of receivables, previously written off, \$3,590,000 in 1972 and \$3,105,000 in 1971, and write-downs of investments in 1972, \$372,000 . . . . .	6,026,000	9,248,000
Transfer to special inventory reserve (Note 6) . . . . .	2,495,000	17,443,000
Transfer to reserve for future investments (Note 7) . . . . .	12,474,000	—
	<u>20,995,000</u>	<u>26,691,000</u>
	Income before taxes	38,527,000
		24,637,000
Taxes on income . . . . .	17,048,000	5,821,000
	<u>\$ 21,479,000</u>	<u>\$ 18,816,000</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, 1972 of S.Kr. 4.81 to \$1.00.

# Parent Company Balance Sheet

## ASSETS

December 31

### CURRENT ASSETS

	1972	1971
Cash . . . . .	\$147,878,000	\$ 67,523,000
Notes and accounts receivable—trade		
Subsidiary companies . . . . .	70,010,000	51,495,000
Other ( <i>less provision for doubtful accounts, 1972: \$512,000; 1971: \$194,000</i> ) . . . . .	108,640,000	99,234,000
Inventories ( <i>less advance and progress payments, 1972: \$7,278,000; 1971: \$4,658,000</i> ) . . . . .	154,096,000	149,006,000
Other current assets . . . . .	16,679,000	28,423,000
	<u>497,303,000</u>	<u>395,681,000</u>

### LONG-TERM ASSETS

Cash on time deposit . . . . .	4,297,000	10,338,000
Notes and accounts receivable—trade		
Subsidiary companies . . . . .	34,243,000	32,568,000
Other . . . . .	116,195,000	108,699,000
Other long-term assets . . . . .	2,239,000	3,416,000
	<u>156,974,000</u>	<u>155,021,000</u>

### INVESTMENTS IN SUBSIDIARY AND ASSOCIATED COMPANIES

Subsidiary companies		
Investments (see pages 28 and 29) . . . . .	101,011,000	76,470,000
Accounts receivable . . . . .	37,024,000	43,351,000
Associated companies		
Investments (see page 29) . . . . .	4,388,000	6,957,000
Accounts receivable . . . . .	1,059,000	1,263,000
	<u>143,482,000</u>	<u>128,041,000</u>

### INVESTMENT IN TECHNICAL DEVELOPMENT PROJECTS

. . . . .	1,871,000	1,331,000
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### PROPERTY, PLANT AND EQUIPMENT

Cost . . . . .	165,595,000	148,762,000
Less—Accumulated depreciation . . . . .	113,955,000	93,367,000
	51,640,000	55,395,000
Revaluation—net . . . . .	9,150,000	9,756,000
	<u>60,790,000</u>	<u>65,151,000</u>

	1972	1971
ASSETS PLEDGED TO SECURE INDEBTEDNESS	\$125,122,000	\$98,931,000

<b>TOTAL ASSETS</b>	<u>\$860,420,000</u>	<u>\$745,225,000</u>
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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, 1972 of S.Kr. 4.81 to \$1.00.

## LIABILITIES AND STOCKHOLDERS' EQUITY

December 31

	<b>1972</b>	<b>1971</b>
<b>CURRENT LIABILITIES</b>		
Bank loans . . . . .	\$ 231,000	\$ 242,000
Accounts payable—trade . . . . .	12,833,000	14,949,000
Advances from customers . . . . .	38,833,000	33,189,000
Accounts payable to consolidated subsidiary companies . . . . .	12,083,000	14,349,000
Other current liabilities . . . . .	80,396,000	62,474,000
	<u>144,376,000</u>	<u>125,203,000</u>
 <b>LONG-TERM DEBT</b>		
Debentures (Note 11) . . . . .	184,598,000	117,127,000
Other long-term liabilities . . . . .	64,414,000	52,555,000
	<u>249,012,000</u>	<u>169,682,000</u>
 <b>PROVISION FOR PENSIONS</b> . . . . .	<u>49,885,000</u>	<u>43,855,000</u>
 <b>SPECIAL RESERVES</b> (Note 12)		
Special reserve for accounts receivable . . . . .	74,384,000	72,463,000
Special inventory reserve . . . . .	87,372,000	84,877,000
Reserve for future investments . . . . .	1,811,000	13,370,000
Reserve for inventory investments . . . . .	19,751,000	9,356,000
	<u>183,318,000</u>	<u>180,066,000</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 . . . . .	29,293,000	24,657,000
General reserve . . . . .	20,239,000	20,239,000
Unappropriated earnings (see page 24) . . . . .	30,762,000	27,988,000
	<u>233,829,000</u>	<u>226,419,000</u>
 <b>CONTINGENT LIABILITIES</b> . . . . .	<b>1972</b> \$103,583,000	<b>1971</b> \$106,543,000
 <b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u>\$860,420,000</u>	<u>\$745,225,000</u>

The United States dollar amounts shown in the above statement represent translations from Swedish kronor at the parity exchange rate at December 31, 1972 of S.Kr. 4.81 to \$1.00.

# 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		30,000	6,216
I	AB Rifa (RIF)	100		25,000	4,969
I	Sieverts Kabelverk AB (SKV)	100		90,000	15,138
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

#### Europe excluding Sweden

I	Oy L M Ericsson Ab (LMF)	Finland	100	Fmk	14,375	3,542
I	A/S Elektrisk Bureau (EBN)	Norway	32*	N.Kr.	4,860	571
I	L M Ericsson A/S (LMD)	Denmark	100	D.Kr.	26,000	4,015
I	Dansk Signal Industri A/S (DSI)	Denmark	99	D.Kr.	6,997	1,075
I	Deutsche Ericsson GmbH Telemateriel (EVG)	Germany	100	DM	500	—
I	Ericsson Centrum GmbH (CEH)	Germany	100	DM	4,000	1,259
I	Production Control (Ericsson) Ltd. (PCE)	United Kingdom	100	£	1	—
I	Swedish Ericsson Co. Ltd. (SEL)	United Kingdom	100	£	792	2,377
I	Swedish Ericsson Rentals Ltd. (CRL)	United Kingdom	100	£	—	—
I	Swedish Ericsson Telecommunications Ltd. (SEE)	United Kingdom	100	£	350	903
I	L M Ericsson Ltd. (LMI)	Ireland	100	£	100	264
I	Ericsson Telefoonmaatschappij B.V. (ETM)	The Netherlands	100	Fl.	10,000	1,185
I	Société Française des Téléphones Ericsson (STE)	France	51	FF	32,994	15,720
I	RIFA S.A. (RFF)	France	100	FF	3,500	680
I	Ericsson AG (EAS)	Switzerland	100	S.Fcs	1,500	391
I	Industrias de Telecomunicación S.A. (Intelsa) (ITS)	Spain	49**	Ptas	247,000	3,624
I	L M Ericsson S.A. (LES)	Spain	96**	Ptas	24,000	363
I	Soc. Ericsson de Portugal, Lda. (SEP)	Portugal	100	Esc.	5,000	76
IV	Elmé, S.A. (LML)	Luxembourg	100	B.Fcs.	50	—
IV	SETEMER Soc. per Az. (STM)	Italy	51	It.L	3,666,714	5,759

#### U.S.A. and Canada

I	Ericsson Centrum Inc. (ECI)	United States	100	US\$	400	283
I	The Ericsson Corporation (TEC)	United States	100	US\$	No par value	5
I	L M Ericsson Ltd (LMC)	Canada	100	Can.\$	No par value	512

#### Latin America

I	Latinoamericana de Cables S.A. de C.V. (LCM)	Mexico	48**	Mex.P.	21,475	1,686
I	Teléfonos Ericsson S.A. (TEM)	Mexico	100	Mex.P.	5,000	289
I	Teleindustria Ericsson, S.A. (TIM)	Mexico	80	Mex.P.	84,000	7,059
I	Telemontaje S.A. de C.V. (TMM)	Mexico	100	Mex.P.	6,500	130
I	Teleric Sales Corporation (TSP)	Panama	100	US\$	No par value	1
I	Cia Anónima Ericsson (CEV)	Venezuela	100	Bol.	5,000	1,038
I	Ericsson de Colombia S.A. (EDC)	Colombia	74**	Col.P.	6,869	580
I	Fábricas Colombianas de Materiales Eléctricos Facomec S.A. (FAC)	Colombia	69**	Col.P.	22,336	1,250
I	Teléfonos Ericsson C.A. (TEE)	Ecuador	100	Sucres	1,300	63
I	Cia Ericsson S.A. (CEP)	Peru	100	Soles	2,178	79
I	Ericsson do Brasil Comércio e Indústria S.A. (EDB)	Brazil	74	Cruz.	85,434	1,407
I	Cia Ericsson de Chile S.A. (CEC)	Chile	100	Esc.	600	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 LES, EDC and FAC.

		Percentage of Ownership Decimals omitted		Par Value of Holding (in thousands)	Carrying Value of Holding	
I	Cía Ericsson S.A. (CEU)	Uruguay	100	Ur.P.	26,000	\$ 230
I	Cía Ericsson S.A.C.I. (CEA)	Argentina	100	Arg.P.	1,500	538
I	Industrias Eléctricas de Quilmes S.A. (IEQ)	Argentina	100	Arg.P.	12,000	1,066
III	Inmobiliaria Parque Vía S.A. (IPM)	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	—
					Total consolidated subsidiary companies	<u>\$96,661</u>

#### Unconsolidated Subsidiary Companies

II	Cía Argentina de Telefonos S.A. (CAT)	Argentina	78	Arg.P.	18,136	\$2,212
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	<u>\$4,350</u>
					Total subsidiary companies	<u>\$101,011</u>

#### 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.	17,150	—
I	Alambres y Cables Venezolanos C.A. (ALCAVE) (ACV)	Venezuela	25	Bol.	3,700	1,150
I	Fios e Cabos Plásticos do Brasil S.A. (Ficap) (FCB)	Brazil	45	Cruz.	12,159	2,392
I	Sielte S.A. Instalações Elétricas e Telefônicas (SEB)	Brazil	7	Cruz.	88	15
					Total associated companies	<u>\$4,388</u>

#### Stocks indirectly owned by Parent Company

(Minors 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.	3,234	
I	A/S Telesystemer (ATN)	Norway	40	N.Kr.	1,617	
I	Etablissements Ferrer-Auran S.A. (FAF)	France	49	FF	3,721	
I	FATME Soc. per Az. (FAT)	Italy	51	It.L	4,102,616	
I	SIELTE Soc. per Az. (SEI)	Italy	51	It.L	2,051,308	
I	Société Libanaise des Téléphones Ericsson (STL)	Lebanon	100	L £	50	
I	L M Ericsson Pty. Ltd. (EPA)	Australia	73	A\$	4,360	
I	AEE Capacitors Pty. Ltd. (AEE)	Australia	100	A\$	1,200	
III	Inmobiliaria Securitas S.A. de C.V. (ISM)	Mexico	80	Mex.P.	2,400	
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.	1,500	
I	Kabeldon AB (KDA)	Sweden	50	S.Kr.	2,500	
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\$	680	

#### 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. See Note 3 for further details regarding the above mentioned companies.

## 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 — Participation in earnings of unconsolidated subsidiaries and associated companies

The Parent Company's share of earnings from unconsolidated subsidiaries includes earnings from the telephone operating companies in Argentina but earnings from the operating company Sociedad Telefónica del Perú, S.A. are excluded due to uncertainties regarding ownership of this company in the future. Nationalization of the company has been approved in principle by the Peruvian Government.

The associated companies include GNT AUTOMATIC A/S (GNT), Denmark. In connection with the 1967 joint venture of Det Store Nordiske Telegraf-Selskab A/S and L M Ericsson, GNT took over the teleprinter business of Det Store Nordiske. Depressed economic conditions during 1971 and 1972 in the most important markets for teleprinters resulted in a decrease in new telex subscribers and conditions necessary for continued operations in GNT are no longer considered to exist. It has therefore been decided to close down this segment of its operations. In this connection a charge has been made against 1972 operations also for liquidation costs which are estimated to be incurred during 1973 and 1974. GNT thus incurred a substantial loss in 1972, of which the Group's share was 49 percent, or \$2.1 million.

The changeover to reporting earnings from unconsolidated subsidiaries and associated companies involves an annual revaluation of holdings in these companies. A nonrecurring revaluation, in the amount of \$11.6 million, of the shares in the telephone operating companies in Argentina, relating to the years prior to 1971, has been transferred to the special reserve for accounts receivable and investments outside Sweden.

## Note 4 — Foreign exchange differences (Supplementary information on "Expenses", page 11)

The Parent Company's US dollar receivables which are included in the Group accounts and which have due dates during the years 1973 through 1984 amounted to US \$204.0 million and are carried in the accounts at 1,008.6 million Swedish kronor. Medium and long-term borrowings of the Parent Company with due dates during the years 1974 through 1987 are specified in Note 11, which shows both the nominal value in the respective loan currencies and the

amount at which these obligations are carried in the accounts. Loan amounts and their carrying value, in millions, are as follows:

U.S. Dollars	58.1	Swedish kronor	300.1
Deutsche Marks	100.0	Swedish kronor	150.6
Swiss Francs	210.0	Swedish kronor	259.0

## Note 5 — 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 1972 was lower than would otherwise have been recorded. (See Note 12). Depreciation charged against 1972 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.

"Investment in technical development projects" is depreciated at a rate of 20 % per year.

## Note 6 — 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.

## Note 7 — 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 8 — Inventories

	1972	1971
Materials and supplies . . . . .	\$ 55,964,000	\$ 64,668,000
Semi-finished goods . . . . .	179,883,000	153,543,000
Finished goods . . . . .	147,137,000	124,394,000
Contract installations in progress . . . . .	81,333,000	78,066,000
	<u>\$464,317,000</u>	<u>\$420,671,000</u>
Less—Advance and progress payments . . . . .	61,430,000	60,432,000
	<u>\$402,887,000</u>	<u>\$360,239,000</u>

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



**Note 9 — Long-term assets**

(a) Long-term bank deposits include funds deposited in special investment accounts with the Bank of Sweden and Bank of Norway amounting to \$7,560,000 (\$13,663,000 in 1971).

(b) Other long-term assets include miscellaneous investments in the amount of \$6,255,000 (\$2,931,000 in 1971).

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

	<i>Cost</i>	<i>Revaluation</i>
Land . . . . .	\$ 17,197,000	\$ 5,649,000
Buildings . . . . .	167,840,000	17,737,000
Machinery and equipment . . . . .	251,381,000	—
	<u>\$436,418,000</u>	<u>\$23,386,000</u>
Construction in progress . . . . .	21,609,000	—
	<u>\$458,027,000</u>	<u>\$23,386,000</u>
Less—Accumulated depreciation . . . . .	247,976,000	9,084,000
Net book value . . . . .	<u>\$210,051,000</u>	<u>\$14,302,000</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 1974 to 1978, S.kr. 6,250,000 . . . . .	\$ 1,299,000
3 ½ % Debentures of 1950, due July 1, 1980, S.kr. 13,347,000 . . . . .	2,775,000
4 ½ % Debentures of 1959, due 1974 to 1977, Swiss Francs 20,000,000* . . . . .	4,990,000
6 ½ % Debentures of 1966, due 1974 to 1986, US \$15,600,000 . . . . .	16,767,000
6 ½ % Debentures of 1968, due 1974 to 1988, S.kr. 64,000,000 . . . . .	13,306,000
5 ½ % Debentures of 1968, due 1974 to 1983, Swiss Francs 50,000,000* . . . . .	12,474,000
9 ¼ % Debentures of 1970, due 1974 to 1985, US \$27,450,000 . . . . .	29,505,000
8 ¾ % Debentures of 1970, due December 1, 1975, US \$15,000,000 . . . . .	16,123,000
7 ½ % Debentures of 1971, due 1974 to 1991, S.kr. 71,400,000 . . . . .	14,844,000
7 ¼ % Debentures of 1972, due 1974 to 1992, S.kr. 73,200,000 . . . . .	15,218,000
6 % Debentures of 1972, due March 15, 1977, Swiss Francs 100,000,000* . . . . .	25,987,000
6 ¾ % Debentures of 1972, due 1978 to 1987, DM 100,000,000 . . . . .	31,310,000

\* Long-term liabilities, in addition to these debentures in Swiss Francs, include a loan of Swiss Francs 40.0 million with a carrying value of Swedish Kronor 50.0 million.

**Subsidiary Company**

Société Française des Téléphones Ericsson	
7 % Debentures of 1968, due 1974 to 1983, F.Frs 12,856,640 . . . . .	2,513,000
7 ¼ % Debentures of 1969, due 1974 to 1988, F.Frs 11,691,805 . . . . .	2,285,000
8 ¾ % Debentures of 1971, due 1977 to 1991, F.Frs 10,000,000 . . . . .	1,954,000
8 ¾ % Debentures of 1972, due 1974 to 1987, F.Frs 19,305,500 . . . . .	3,773,000
	<u>\$195,123,000</u>

The installments of the aforementioned debentures due in 1973 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 1973 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 (1973: approximately 54 %) to the extent that such transfer is not used to cover losses. See Note 6.

(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 \$10,395,000 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 in 1973. The reserve for inventory investments will be transferred back to income and become subject to taxation not later than 1974/1975.

Norway also has regulations concerning tax-free allocations to similar investment reserves. Included in the consolidated financial statements are such reserves amounting to \$5,066,000 (\$5,492,000 in 1971).

**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

	1972	1971
Average number of:		
Office employees . . . . .	8,284	8,219
Factory employees . . . . .	13,933	14,583
	<u>22,217</u>	<u>22,802</u>
Fees, salaries and wages:		
Board of Directors and Management . . . . .	\$ 2,193,000	\$ 1,915,000
Other office employees . . . . .	70,120,000	64,075,000
Factory employees . . . . .	72,698,000	70,426,000
	<u>\$145,011,000</u>	<u>\$136,416,000</u>

Expenses for fringe benefits, including vacation salaries, pension costs, sickness and accident insurance premiums and other personnel expenses, amounted to approximately 35 % (34 % in 1971) of total salaries and wages paid in 1972 for time worked.

### Income statement data

	1972	1971
Dividends, interest and other income:		
Dividends:		
Subsidiaries . . . . .	\$10,149,000	\$ 8,782,000
Others . . . . .	45,000	103,000
Interest:		
Subsidiaries . . . . .	6,422,000	4,983,000
Others . . . . .	16,754,000	14,353,000
Other income:		
Subsidiaries . . . . .	3,380,000	3,485,000
Others, including capital gains (or losses) from sales of stock in subsidiary and associated companies; 1972: (\$83,000); 1971: \$1,351,000	(81,000)	2,068,000
	<u>\$36,669,000</u>	<u>\$33,774,000</u>
Interest expense:		
Subsidiaries . . . . .	\$ 163,000	\$ 156,000
Others . . . . .	18,547,000	11,887,000
	<u>\$18,710,000</u>	<u>\$12,043,000</u>
Administrative expenses (approximately) . . . . .	<u>\$7,000,000</u>	<u>\$6,300,000</u>

	1972	1971
Depreciation		
Buildings		
Cost . . . . .	\$ 1,004,000	\$ 1,042,000
Revaluation . . . . .	606,000	606,000
Machinery and equipment . . . . .	9,368,000	8,445,000
	<u>\$10,978,000</u>	<u>\$10,093,000</u>

In addition, \$13,638,000 of machinery and equipment acquired in 1972 were written off completely through charges against the reserve for future investments.

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

Notes and accounts receivable—trade include notes in the amount of \$58.4 million (subsidiaries: \$270,000).

	Cost	Revaluation	Book value
Property, plant and equipment:			
Land . . . . .	\$ 2,704	\$ 3,295	\$ 5,999
Improvement to property . . . . .	836	—	738
Buildings . . . . .	63,212	12,125	23,754
Machinery and equipment . . . . .	90,502	—	21,958
	<u>157,254</u>	<u>15,420</u>	<u>52,449</u>
Construction in progress . . . . .	8,341	—	8,341
	<u>165,595</u>	<u>15,420</u>	<u>60,790</u>
Less—Accumulated depreciation . . . . .	113,955	6,270	—
Net book value . . . . .	<u>\$ 51,640</u>	<u>\$ 9,150</u>	<u>\$60,790</u>
Assessment value of land and buildings . . . . .			<u>\$59,251</u>
Fire insurance value of:			
Buildings . . . . .			\$120,998
Machinery and equipment . . . . .			186,362
			<u>\$307,360</u>

The provision for pensions includes \$41.2 million for supplementary service pensions to office employees.

### Assets pledged to secure indebtedness:

Mortgages on land and buildings . . . . .	\$ 24,120
Floating charges on other assets . . . . .	34,303
Shares in subsidiary companies . . . . .	16,977
Accounts receivable . . . . .	49,722
	<u>\$125,122</u>
Contingent liabilities . . . . .	\$103,583



## SWEDEN

Order bookings from customers in Sweden amounted to \$181.1 million and were virtually unchanged from 1971 bookings of \$179.4 million. Sales decreased from \$182.2 million to \$168.9 million.

The order backlog at year-end amounted to \$177.8 million, compared with \$165.5 million a year earlier.

The lower order bookings from the Swedish Telecommunications Administration also involved telecommunications cable and this created problems in maintaining employment in the Parent Company's telephone cable plants, particularly during the last half of the year.

A carrier frequency system for 10,800 simultaneous connections via a single pair of coaxial tubes was placed in operation between the cities of Västerås and Örebro during the year. The Parent Company developed the terminal equipment for the new system which is the first of its size in commercial use. Additional orders for this equipment were received from the Telecommunications Administration for delivery during the years 1974 through 1978. The Administration also placed the first large order for pulse code modulation (PMC) equipment, covering more than 3,500 two-way connections.

A/S Elektrisk Bureau, Norway, will deliver carrier frequency equipment for the transmission of speech and data over power lines. This order is part of a large National Swedish Power Administration project covering an information system for coordination and control of power production in Sweden and neighboring countries.

Military orders were larger than in the preceding year and mainly involved development projects for the fighter version of the "Viggen" aircraft. The Parent Company will develop pulse doppler radars and Svenska Radio AB will produce related display equipment for the aircraft.

Weak economic conditions had an adverse effect on Svenska Radio AB's sales of mobile radio systems. Sales of internal telecommunication systems produced by L M Ericsson Telemateriel were lower than a year earlier, for the same reason. Ericom 30001, the new intercom system with both loudspeaking and "privacy" features, was introduced on the market and was well received.

Sieverts Kabelverk experienced a stagnating demand for power cable and wire and in addition had to face strong import competition from Eastern European cable manufacturers.

Construction projects completed during the year included two laboratory and office buildings at the Midsommarkransen headquarters. Their total floor space is approximately 400,000 sq. ft.

A 90,000 sq. ft. expansion of the plant, warehouse and offices at the Ingelsta factory in Norrköping was completed. The new 95,000 sq. ft. cable factory in Piteå was also placed in service during the year. A new 64,000 sq. ft. production facility at Nyköping was finished for Thorman & Co, to meet increasing demand for the company's products.

Construction of a new plant for Svenska Radio AB at Kumla got under way during the year. Completion is scheduled for the middle of the current year.

## EUROPE (excluding Sweden)

### Summary

The sharp rise in order bookings in European countries outside of Sweden continued during the year. Orders booked totaled \$515.1 million, an increase of 25 percent (1971: 29 %) over bookings of \$412.9 million in 1971. Sales increased 33 percent (1971: 30 %), from \$330.0 million to \$437.9 million. The year-end order backlog in this region amounted to \$458.2 million, compared with \$380.8 million a year earlier.

Sales in the major markets were distributed as follows:

Millions of dollars	1972	1971
Italy	133.2	83.2
France	93.6	72.0
Norway	45.2	37.9
Denmark	38.7	34.8
Finland	36.3	30.8
Spain	19.4	13.4
The Netherlands	16.8	17.1
Other Western European countries	47.8	32.3
Eastern Europe	6.9	8.5
	<b>437.9</b>	<b>330.0</b>

### Italy

The public telecommunications network in Italy continued to expand at a high rate and the number of subscribers rose slightly more than 8 percent. In southern Italy, where most of FATME's deliveries are made, there is a government investment program that is expected to result in a 60 percent increase in the number of subscriber lines during the 1972—1976 five-year period.

FATME's order bookings for equipment for local and transit traffic were substantially larger than earlier. In the railway signaling field, an interesting initial order was received from the Italian state railways for a pilot system for automatic train blocking.

Deliveries from the Italian factory increased sharply despite production problems caused by strikes.

The new factory at Pagani, near Naples, is under construction and employee training is under way in temporary locations. The main plant in Rome will be expanded through the addition of office and warehouse facilities.

The line construction company, SIELTE, increased its order bookings and sales by more than 20 percent.

### France

The current five-year plan in France involves large investments for expansion of the telecommunications network.

As in the preceding year, Société Française des Téléphones Ericsson received substantial orders, primarily for equipment to be used in local and rural exchanges.

Restrained capital expenditures by industry affected sales of subscriber exchanges during the first half of the year but a recovery was noted during the last six months. The newly designed PE 1024 subscriber exchange was successfully introduced on the market.

Intensive efforts were made to increase production in the company's factories, and deliveries of exchange equipment to the telecommunications administration rose substantially. The new plant in Brest contributed to the improved deliveries.

The rapid raising of production levels in recent years has been costly. A slower rate of rise in production during the current years is expected to give the company an opportunity to intensify production rationalization measures now in progress.

Production increased at the capacitor factory of Rifa S.A. at Boulogne-sur-Mer but the company is still in a build-up period.

### Norway

A/S Elektrisk Bureau's order bookings were good and sales exceeded those of the preceding year by nearly 30 percent. Large contracts included one for a computer-controlled transit exchange to handle national and international traffic in Oslo.

The number of telephone instruments manufactured by the company since its founding in 1882 passed the two million mark during the year.

With the addition of the new factory and office complex at Billingstad, the transfer of the company's operations from the center of Oslo is virtually complete.

Stagnating demand resulted in an unchanged level of sales for A/S Norsk Kabelfabrik. The first trial deliveries of new equipment for field telephone cable were made to the Norwegian defense authorities. The equipment has also attracted interest outside Norway.

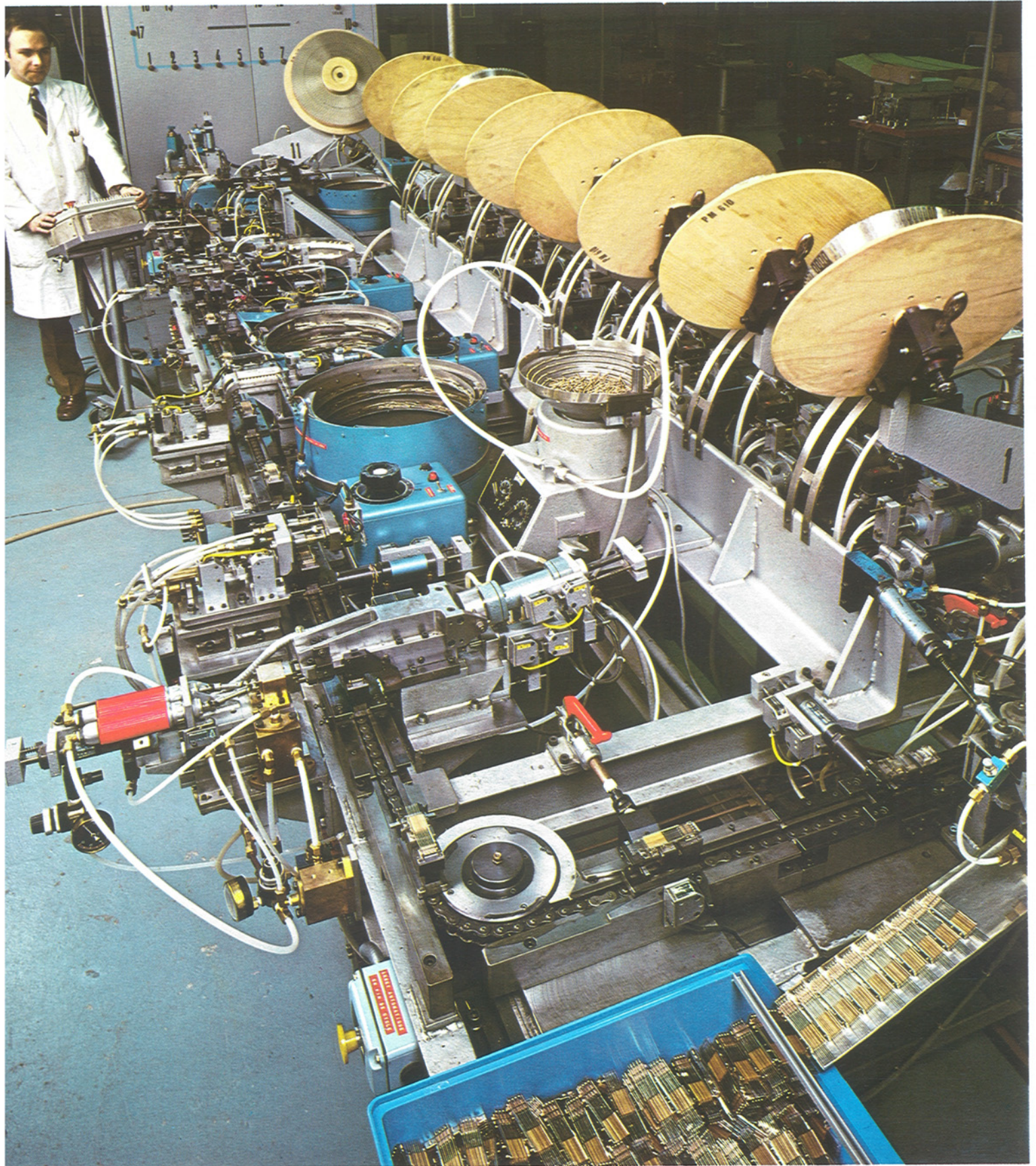
### Denmark

The increase in the number of subscribers served by the Danish telecommunications administrations was slightly larger than in the preceding year.

Orders for exchange equipment were generally in accordance with the framework agreement signed in 1970. In addition, the Danish subsidiary received a contract for expansion of the computer-controlled transit exchange at Odense. Orders for subscriber exchanges were higher than in the preceding year, despite increased competition.

Dansk Signal Industri A/S increased both order bookings and sales. The company made the first deliveries of equipment for a computer-controlled railway traffic system in the Copenhagen local traffic area. The system was developed by the Parent Company in association with the Danish subsidiary.

Contact relay groups are assembled with special equipment in a plant of the French subsidiary.



## Finland

The Finnish subsidiary, Oy L M Ericsson Ab, maintained its strong position in the public telephony market. Long-term contracts were signed with the administrations in Turku and Tampere, among others, for substantial expansions of local exchanges. A long-term agreement covering the delivery of telephone instruments, similar to the agreement made earlier with the Helsinki Telephone Co., was signed with the purchasing agency of the Turku and Tampere administrations. Substantial orders were received for terminal equipment for coaxial systems for 2,700 circuits.

Order bookings for subscriber exchanges did not increase at the rate prevailing in the preceding years, due to a decline in demand.

Significantly improved efficiency was achieved in the new factory at Jorvas which, however, is still being run-in.

## Spain

A very sharp increase in the number of subscriber lines occurred within Compañía Telefónica Nacional de España (CTNE), the Spanish telephone company. There is however, a continuing steep rise in demand for telephones.

Orders from CTNE covered substantial quantities of exchange equipment for delivery within the next few years, including an order for an initial Ericsson exchange in Madrid.

The first delivery to CTNE was completed early in September with the cut-over of a transit exchange in the provincial capital city of Logroño.

To date, production at Industrias de Telecomunicación S.A. (Intelsa) has taken place in the old plant at Getafe, outside Madrid. Production resources will now be increased significantly following the beginning of the move to the newly erected plant at Leganés, a suburb of Madrid. The new factory at La Coruña will also be placed in operation by stages during the current year. The technical departments within Intelsa have been strengthened considerably and will have access to modern laboratories in the new plant.

The subsidiary L M Ericsson S.A., whose operations include production of railway signaling equipment, received larger orders than ever before from the Spanish state railways.

## The Netherlands

Cuts in the Government budget resulted in a temporary decline in orders from the Netherlands' telephone administration, as well as deferred delivery times for orders on hand.

Telephone instruments with pushbuttons in place of dials will be introduced in the public telephone system following a large order for this type of instrument to Ericsson Telefoonmaatschappij B.V. from the telephone administration. The administration has also ordered an expansion of the computer-controlled exchange in Rotterdam.

## Great Britain

As noted earlier in the Board of Directors' report, the Parent Company received a large and noteworthy order from the Post Office Corporation for equipment and installation of a transit exchange in London.

Swedish Ericsson Telecommunications Ltd. recorded lower orders for subscriber exchanges, due in part to a reduced interest in capital expenditures on the part of industry. A number of large subscriber exchanges were placed in service during the year. During 1972, the company moved to new quarters at Horsham, south of London.

## Other European countries

Coincident with the signing of an agreement with the Irish post and telegraph authorities calling for the delivery of exchange equipment for 220,000 subscriber lines, an agreement was reached with Ireland's Industrial Development Authority whereby the Group will construct a factory for the manufacture of telecommunications equipment within the country. The new plant, now in the design stage, will be located at Athlone, about 60 miles from Dublin.

An agreement was reached with the Portuguese telephone administration covering the delivery of transmission equipment for a number of large transit exchanges.

Other markets in Western Europe, among them Switzerland and Iceland, were cultivated with generally good results.

In Moscow, a subscriber exchange, the largest of its type in the Soviet Union, was installed in the headquarters of the Marine Ministry.

# LATIN AMERICA

Group order bookings in Latin America rose 23 percent (1971: 15 %), from \$194.0 million to \$238.9 million. Sales totaled \$168.4 million (1971: \$160.0 million), 5 percent (1971: 14 %) higher than a year earlier. The order backlog at the year-end amounted to \$268.8 million (1971: \$198.4 million).

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

Millions of dollars	1972	1971
Brazil	62.0	50.3
Mexico	46.2	50.2
Venezuela	18.3	12.5
Colombia	15.7	19.0
Argentina	11.0	13.9
Other countries	15.2	14.1
	<b>168.4</b>	<b>160.0</b>

## **Brazil**

TELEBRAS, a government holding company for telecommunications operations, was formed in Brazil following a decision to more closely coordinate the many operating companies in the country. The objective is to combine the large number of units into approximately 25 regional operating companies, under TELEBRAS' supervision.

Ericsson do Brasil Comércio e Indústria S.A. (EDB) maintained its position in the Brazilian market. Order bookings were higher than in the preceding year.

A first step was taken in the major telecommunications development program in Brazil with the signing of a general agreement covering equipment for 500,000 subscriber lines between EDB and Companhia Telefônica Brasileira (CTB).

EMBRATEL, the national telephone administration, placed large contracts for new transit exchanges and for the expansion of existing exchanges of this type in Rio de Janeiro, São Paulo and Brasília, among other cities.

Both order bookings and sales of subscriber exchanges and internal communication systems were higher than a year earlier.

CTB placed an order for a modern coaxial system, the first of its type in Brazil.

Employment in the factory at São José dos Campos increased sharply during the year. A further expansion of the plant was started in order to meet future capacity requirements.

Operations of the cable company, FICAP, expanded substantially and demand for both power cable and telecommunications cable was good. The company's production is increasingly concentrated on products with a high degree of processing, and this has had a favorable result on earnings.

## **Mexico**

The high rate of expansion of the Mexican telephone system continued and the Group received large orders for equipment for local and transit exchanges from Teléfonos de México S.A. A rather large order for a newly developed electronically controlled rural exchange was received for the continuing automation of telecommunications in outlying areas. Order bookings for terminal equipment for carrier systems were good.

During the year Teleindustria Ericsson, S.A. moved into the newly constructed factory and office complex at Tlalne-pantla, on the outskirts of Mexico City. At year-end the company employed 1,550 persons.

The decline in orders for telephone cable from Teléfonos de México, together with a general decline in orders from other customers due to economic conditions, had an adverse effect on the operations of LATINCASA, the cable company. Production of enamelled wire was begun in a new facility.

## **Venezuela**

CANTV, the government telephone administration, ordered substantial quantities of equipment for local and transit exchanges, based on the general agreement signed in 1970. The Group's position in this market was further strengthened through an agreement with the administration covering deliveries for an expansion program extending to 1980.

The local subsidiary, Cía Anónima Ericsson, has been engaged on production in Venezuela for some years. The company acquired additional production resources through enlargement of its factory.

## **Colombia**

New contracts were signed with municipal telephone authorities in Medellín and Barranquilla. After stiff competition, the Group also received an order from the government telephone company (ENT) covering four long distance exchanges for Bogotá, Cali, Medellín and Ibagué.

FACOMECA, the cable manufacturing company, failed to achieve the same sales volume as in 1971 as a result of weak demand for cable and wire in industry and in residential construction. The situation improved during the latter part of the year.

## **Argentina**

The Argentine economy deteriorated further during the year.

The rate increase of approximately 60 percent granted to the Group's telephone operating companies at the beginning of the year could not offset rising wages and costs resulting from devaluation of the peso. The companies' earnings should improve during the current year, following the granting of additional rate increases at the end of 1972. At year-end the companies had 136,000 subscribers.

Operations of the cable company, Industrias Eléctricas de Quilmes, were satisfactory despite the prevailing unfavorable economic conditions in the country. A good market is anticipated for aerial cable and underground cable with a specially shaped conductor and insulated with cross-linked polyethylene. These two new products were introduced during the year.

In the early part of 1972 Compañía Ericsson S.A.C.I. received an order from the police authorities in Buenos Aires for a subscriber exchange that is one of the largest ever sold in Latin America.

## **Other countries**

The level of orders from customers in Ecuador was unchanged. The markets in Costa Rica and El Salvador were cultivated with favorable results. Cable and Wireless Ltd (London) ordered new exchanges and expansions of former contracts for a number of installations in the Caribbean area.

# AUSTRALIA, ASIA AND AFRICA

## Summary

Combined order bookings from these areas increased 8 percent, from \$92.6 million to \$100.2 million. Orders had increased 10 percent in 1971. The order backlog at year-end amounted to \$103.7 million, compared with \$102.1 million a year earlier.

The distribution of sales in the respective areas was as follows:

Millions of dollars	1972	1971
Australia	43.7	40.1
Near East	20.2	17.7
Asia (Near East excluded)	18.5	19.3
Africa	16.1	16.3
	<b>98.5</b>	<b>93.4</b>

## Australia

In the years since 1959, when the Australian telephone administration decided that the country's telephone system should be automated on the basis of the Ericsson crossbar system, equipment for two million subscriber lines has been produced by the Group subsidiary, L M Ericsson Pty. Ltd. (EPA), and by the two domestic licensees.

Cuts in the administration's orders, resulting from lower government appropriations, affected employment in the Group's telephone factories and the work force was gradually reduced during the year. The administration's requirements, however, will increase during the budget year 1973—1974.

A subscriber exchange developed by EPA and modified for the Australian market was well received at its introduction.

An initial order for an international telex exchange, for the city of Auckland, was booked in New Zealand.

The capacitor company, A.E.E. Capacitors Pty. Ltd., has gradually eliminated older types of capacitors and replaced them by new products. Order bookings increased sharply but sales were insignificantly higher than in the preceding year.

## Asia

Within the framework of its 1972 general agreement, the telephone administration in Malaysia placed orders for local and transit exchanges equivalent to approximately 45,000 subscriber lines. Part of the material will be produced in the Group's local factory. Svenska Radio AB received a rather large order for radio links, the transmission equipment

for which will be delivered by A/S Elektrisk Bureau, Norway.

Additional orders were received in Thailand for local and transit exchanges to be used for automation of service in rural areas.

A large contract was signed with the administration in Saudi Arabia covering exchange equipment for more than 70,000 subscriber lines, along with telephone instruments and line materiel. In Lebanon, the telephone administration also ordered additional materiel for the expansion of existing exchanges and for 14 new exchanges.

## Africa

The development of telecommunications in Africa is proceeding slowly but the Group nonetheless succeeded in achieving a notable increase in order bookings, compared with 1971. The administration in Tunisia placed orders for exchange equipment to expand existing Ericsson exchanges and for new local and transit exchanges with a capacity of 24,000 subscriber lines.

In Zambia, a major purchase involving exchange equipment for 24,000 subscriber lines and 600 transit lines was also decided in the Group's favor.

# U.S.A. AND CANADA

Ericsson Centrum Inc. (ECI) in the U.S.A. and MCI Communications Corporation signed a general agreement covering the delivery of carrier frequency equipment valued at \$6.2 million. The equipment, to be produced in the Group's Swedish factories, will be used in a private telecommunications network, for speech and data transmission, linking a number of major cities in the United States.

ECI succeeded in increasing its order bookings for subscriber exchanges and intercom equipment despite very stiff market competition.

During the year ECI opened "Ericsson Centrum Tele Center" on Long Island. The facility will be used for centralized warehousing and distribution, technical functions and demonstrations, and training.

In Canada, L M Ericsson Ltd. had a good year, with increased sales of subscriber equipment and other Group products.



Students learn modern telecommunications technique at Centro Ericsson, Group training center in São Paulo, Brazil.



Jointing of telecommunications cable at Kerbala, Iraq.



Testing subscriber lines in the automatic telephone exchange at Nuzha, Kuwait.



## PERSONNEL

More than 60 percent of the Group's employees are now outside Sweden. The shift in emphasis in the personnel area from Sweden to the foreign sector reflects the foreign markets' growing importance to the Group.

The most substantial increases in personnel during the year occurred in the subsidiaries in Brazil, France, Italy, Mexico and Spain. Personnel changes in the other foreign subsidiaries were modest.

Overall, the number of employees outside Sweden increased by 5,550 while there was a decrease of 1,770 in Sweden.

The depressed economic conditions in Sweden naturally eased recruiting in the Swedish plants. Lower labor turnover resulted in higher productivity and reduced "introduction" and training expenses. There was some continuing shortage of skilled workers, but not to the degree experienced in recent years.

Personnel requirements in the technical and administrative area could largely be filled in most of the European countries where the Group operates. An exception was France, where the availability of personnel in these categories improved somewhat during the year but where there is a scarcity of graduate engineers and qualified administrators, among others.

Outside Europe, the availability of qualified personnel was generally satisfactory although in Brazil, among other countries, there was stiff competition for such employees among the country's various companies in the telecommunications field.

### Training

Continuing attention was devoted to training and the Group's "International Training Center" at Midsommarkransen expanded its physical resources and its capacity during the year.

Substantial investments in improved personnel training at various levels were made in a number of the foreign companies. Nearly 1,400 employees in the French subsidiary, STE, for example, participated in various forms of training in 1972. In Finland, a trade school accommodating 35 students, was established by the Group subsidiary and began operations. The Dutch subsidiary now has a special training department which provided internal courses for more than 70 employees during the year. Training of personnel for FATME's new factory at Pagani, Italy, got under way. Male and female students are accepted for the training at Pagani, which normally lasts three months, following special aptitude tests. In view of the scarcity of manpower with industrial experience and tradition in the Naples area, this training is an important prerequisite for a smooth running-in of the new plant during 1973.

At "Centro Ericsson" in Brazil, where training programs

have been provided since 1971, the internal training has been of great importance in making it possible to meet requirements for well-trained telecommunications engineers. A current program at Ericsson do Brasil is designed to train personnel with practical experience, but no theoretical knowledge, to handle assignments previously carried out only by engineers.

The training center in the Mexican subsidiary, Teleindustria Ericsson, is used not only for the company's own employees but by students from other Spanish-speaking countries in Latin America. A program to train technicians for assembly work was started in Argentina.

In addition to the internal training, external courses are also widely sponsored throughout the Group through study grants and payment of external course fees. Contributions for these purposes increased 60 percent at Ericsson do Brasil, compared with 1971. In Mexico, grants are made to employees and to their children. More than 30 grants for training purposes were distributed during 1972 in the Dutch subsidiary. In Sweden, the Group's travel and study foundations and research foundations awarded grants to a total of more than 75 employees.

### Health care

Health care facilities are extensive in all the Swedish units. Both the preventive and the technical aspects, in the form of job safety and work simplification measures are continually strengthened.

There are well-developed company health departments in most of the Group's foreign units. The Finnish subsidiary, for example, opened a health center with a doctor, physiotherapist and nurses in attendance. There are also company health centers in such countries as The Netherlands, Mexico and Australia. Periodic health check-ups are made in most of the major Group companies.

### Consultation and cooperation

Consultation and cooperation between management and employees occurs in various forms within Group companies, and is constantly being expanded. Operations of the Management-Labor Councils in Sweden are now well developed, with a rich network of subcommittees. Ways in which work is to be performed are often discussed in the Councils. As a result of legislation designed to promote employment of older and handicapped persons, new joint committees were established during the year, outside the framework of the Councils' activities. The new, so-called "adaptation groups" include representatives of management, unions and labor exchanges.

New legislation covering representation for employees on Boards of Directors goes into effect in Norway, as in Sweden, during 1973. To prepare for this, two Elektrisk Bureau employee representatives participated in Board meetings during 1972.

Special consultative committees were established at the departmental level in the Dutch subsidiary. In Australia, Management-Labor Councils are now functioning in the Group's three subsidiaries. Suggestion systems based on the Swedish pattern were introduced.

Active recreational time programs were carried out throughout the Group. Sports programs were particularly intensive, with competitions being arranged between plants within and between various countries.

Within the Group, there are various forms of financial assistance in the event of illness or death. In Mexico, a new form of life insurance became effective during the year. Similar assistance is available in Brazil and Spain, among other countries.

The Workers Assistance Fund, which covers the Swedish sector of the Group, paid out a total of \$125,000 during the year, double the amount distributed three years earlier. The Dr. Marcus Wallenberg Fund for L M Ericsson employees with long service records, in operation since 1969, has now distributed a total of \$52,000 to needy employees.

Ericsson Group operations cover a large number of countries. In recent years new factories have been established in many places where there was no previous production. Many of the older foreign companies are now so large that their delivery capacity equals that of the Swedish factories in the mid-Fifties.

Two factors, among many, have played a significant role in carrying out this great expansion which certainly did not occur without many difficulties.

Ericsson Group technique remained a unified technique, despite the modifications to meet various requirements in many markets. This has meant that development and production technicians in the various companies "speak the same language" and make use of a common fund of knowledge and experience. New developments and innovations can thus not only be shared promptly with all companies but can also be applied and adapted quickly.

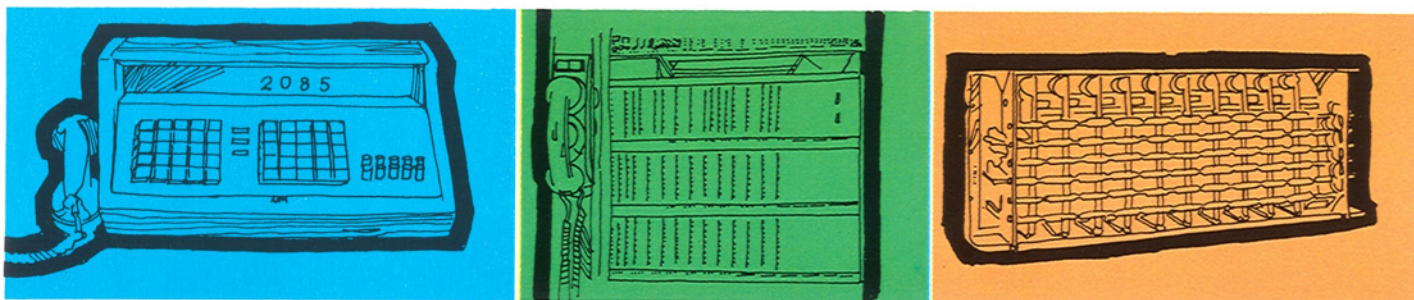
Full utilization of this advantage requires, however, that Group employees communicate freely with one another, without being hampered by differences in training, education and background, and with full understanding of the requirements existing in each place of work. Ericsson Group employees have come a long way in this close cooperation, between employees and between companies within the Group, that is so exceptionally important to meet the stiff competition in the field of telecommunications, in which developments are now moving very fast.

Stockholm, March 1973



B. Lundvall  
President

# Systems, products and services



## PUBLIC EXCHANGE SYSTEMS

Ericsson is a recognized leader in the design and manufacture of automatic telephone exchanges for use in public networks. The company's exchange systems are used for national, international and intercontinental traffic in many parts of the world and many of its first automatic exchanges have proved their durability during half a century of continuous service.

Ericsson crossbar exchanges, introduced in the Fifties, have been approved as standard equipment in a large number of countries and have proved to be among the most reliable and economical systems developed in the telecommunications industry.

The latest generation of Ericsson exchanges uses specially developed computer techniques that permit unusual flexibility in meeting present and foreseeable subscriber requirements. Ericsson is the first manufacturer that has installed computer-controlled exchanges to handle both local traffic (1968) and high-density national and international trunk traffic (1971). A substantial number of Ericsson computer-controlled exchanges have been installed or are on order in nine countries.

## TRANSMISSION EQUIPMENT

Ericsson is a leader in the design, manufacture and installation of the equipment required to transmit a telephone signal over long and short distances. The most important product areas are terminal equipment for conventional carrier frequency systems, for PCM (Pulse Code Modulation) systems and for radio link systems. Amplifiers for carrier systems are another important product.

In association with another manufacturer, Ericsson was the first to develop a 60 MHz carrier frequency system capable of handling 10,800 simultaneous telephone conversations over a single pair of coaxial cables.

## CABLE AND WIRE

Through Sieverts Kabelverk AB — a major subsidiary — and the Cable Division of the Parent Company, the Ericsson Group is the largest supplier of cable in Northern

Europe. In addition to many types of telephone cables, the product line includes power cables for high and low voltages, cable accessories, wire and related materials. The Cable Division has developed a radically new production technique, cross-stranding, that has attracted international interest. Sieverts Kabelverk AB has been responsible for a number of high-voltage links utilizing submarine cables and has also introduced a new conductor, SINIPAL, that uses nickel-plated aluminum wire in place of copper.

## SUBSCRIBER EQUIPMENT

Ericsson designs and manufactures two basic types of subscriber exchanges. One is the so-called PABX exchange (Private Automatic Branch Exchange), which serves primarily as the connecting link between the public network and the subscriber's instruments in large offices, institutions, commercial establishments and similar multiple-instrument locations. The other is the PAX (Private Automatic Exchange) used for "internal" telephone systems that are not linked to the public network.

Ericsson's subscriber exchanges cover a wide range of requirements and can serve a few lines or up to 9,000 connections.

Ericsson also manufactures special telephone systems for schools, hotels and railways, conference systems, entrance telephone systems and secretarial monitoring systems, among others.

## TELEPHONE INSTRUMENTS

The first telephone handset, introduced in 1892, was an Ericsson development. Since that time a number of pioneering instrument designs have helped to make Sweden well known as "a telephone country".

More than two million copies of the ERICOFON, the first commercially successful instrument to combine microphone, receiver and dial in a single attractive unit, have been produced. The DIALOG, a light-weight conventional instrument of classic design, has been adopted as standard by many telephone administrations. Both instruments can be equipped with push-buttons in place of

conventional dials. Push-button telephones open up possibilities for future uses of telephones for additional services and as data terminals. Ericsson also manufactures loudspeaking telephones and a number of other instruments for special uses. Picture telephones developed by Ericsson are currently being field-tested in Sweden and were used in the first picture telephone conversation over the Atlantic via satellite.

## NETWORK

A separate department within the Parent Company specializes in the production of network materials. Typical products manufactured include cable cabinets, terminal boxes, protector equipment, jointing material and special purpose tools and machines. Activities in this area also include the planning of networks through the use of advanced computer programs and the implementation of network projects in various parts of the world.

## DATA COMMUNICATIONS

Ericsson has applied its experience and know-how in the field of telephony to the development of data communication equipment for a variety of purposes. The Data Communications Department markets equipment for both public and private communications networks, as well as data modem equipment. It is also responsible for Ericsson's sales of automatic telex exchanges.

## INTERCOM SYSTEMS

An Ericsson subsidiary, L M Ericsson Telemateriel AB, is one of the largest producers of loudspeaking intercom equipment in the world. Its advanced systems are capable of serving instruments at from five to more than 5,000 locations. Recent developments in this field include the introduction of the first fully electronic exchange for intercom systems and the marketing of the ERICOM, a compact instrument with unique loudspeaking and privacy features. The company also markets personal paging systems, time recording systems and various types of security systems.

## ELECTRONICS FOR MILITARY DEFENSE SYSTEMS

Ericsson plays a significant role in the development of specialized electronic systems for military use. The Parent

Company's MI Division develops and manufactures radar, laser and infrared systems and automatic radar data extractors. The division supplied the radar equipment for the "Viggen" aircraft of the Royal Swedish Air Force. Svenska Radio AB, a major subsidiary, develops and produces electronic equipment for both space and aeronautical projects, including the display system for the "Viggen" and advanced robot electronics.

## RAILWAY AND STREET SIGNALING SYSTEMS

The Parent Company's MI Division develops and markets Centralized Traffic Control (CTC) and Automatic Train Control (ATC) systems for railways. An advanced computer-controlled CTC system developed by Ericsson is in operation in Stockholm's Central Station. Other railway signaling systems and equipment include marshaling yard equipment, train describer systems, interlocking plants and automatic and manual block systems. There is continuing development work in the field of highway and street traffic signaling systems. A number of different systems are marketed, from the simplest devices for street intersections to the most complicated systems for traffic control in entire sections of a city.

## RADIO COMMUNICATIONS

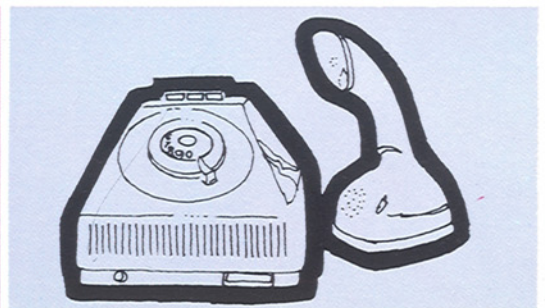
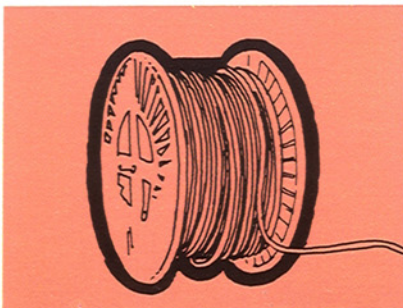
Svenska Radio AB and other companies within the Group produce a broad range of radio communication systems and equipment. This includes land mobile radio equipment for various uses, marine radio equipment and transmitters and receivers for military use.

## COMPONENTS

Substantial development and production of electronic components occurs within the Ericsson Group, primarily through a Group subsidiary, AB Rifa, the largest Scandinavian manufacturer in this field. Rifa's product program includes capacitors, diodes, integrated circuits, transient voltage protectors and reed switches.

## OTHER PRODUCTS

Other Group products linked with telecommunications include power supply equipment, measuring instruments and cryptography equipment.



## Some new products

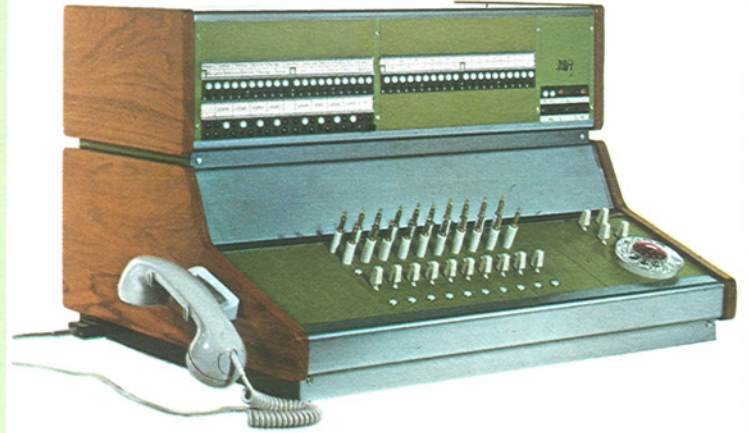


Electronic control equipment for street traffic signaling systems is developed in the MI Division of the Parent Company.

"Passage control" equipment manufactured by L M Ericsson Telemateriel AB.



New manual electronic subscriber exchange developed within the Telephone Exchange Division of the Parent Company.



AB Transvertex produces devices to safeguard privacy in radio telephony. Unit shown here is being used with a mobile radio system developed by Svenska Radio AB.



Equipment for measuring telephone traffic, developed by FATME, the Italian subsidiary.



**LM ERICSSON**  
**TELEPHONE COMPANY**

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