

**LM ERICSSON**  
TELEPHONE COMPANY

**1973 ANNUAL REPORT**  
98th YEAR OF OPERATIONS



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GÖSTA MATSSON  
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NILS TENGBERG

## WORLD HEADQUARTERS

TELEFONAKTIEBOLAGET LM 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  
Amsterdam, Düsseldorf, Frankfurt am Main,  
Geneva, Hamburg, London, Oslo and Paris  
Exchanges

A and B shares

B shares

## REGISTRAR

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

The Annual General Meeting will be held at the S:t Erik's  
Fair, Mässvägen 1, Älvsjö, at 10.00 a.m. Tuesday May 28,  
1974.

The dividend to be resolved by the Annual General Meeting  
will be payable against presentation of coupon No. 47 as  
from Wednesday May 29, 1974.

## PAYING AGENTS

### SWEDEN:

Skandinaviska Enskilda Banken and 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 and de Neuflyze, Schlumberger, Mallet S.A.

### SWITZERLAND:

Pictet & Cie, Swiss Bank Corporation and Union Bank of  
Switzerland

### WEST GERMANY:

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

# LM ERICSSON TELEPHONE COMPANY



## HIGHLIGHTS OF 1973 OPERATIONS

- Group sales amounted to \$1,146 million, of which markets outside Sweden accounted for 82.1 percent
- Income before special adjustments and taxes was \$194 million, equal to 17 percent of sales
- The Board of Directors proposes a dividend of S.kr. 5.50 per share compared with S.kr. 5.00 last year
- Order bookings totaled \$1,559 million, an increase of 39.9 percent. The Swedish market accounted for 13.2 percent. Orders received in Latin America increased by 88.8 percent to \$477 million
- The backlog at year-end amounted to \$1,493 million
- Capital expenditures for property, plant and equipment during the year amounted to \$86 million
- The number of employees within the Group at year-end totaled 75,630, of whom 28,560 were in Sweden

## ANNUAL REPORT AND YEAR'S REVIEW

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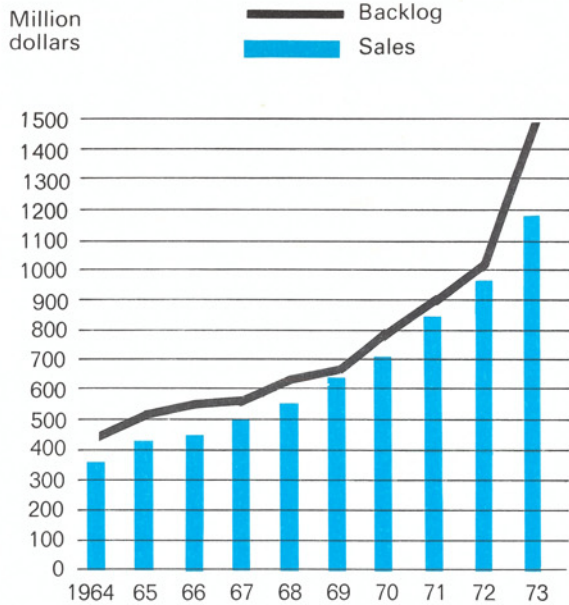
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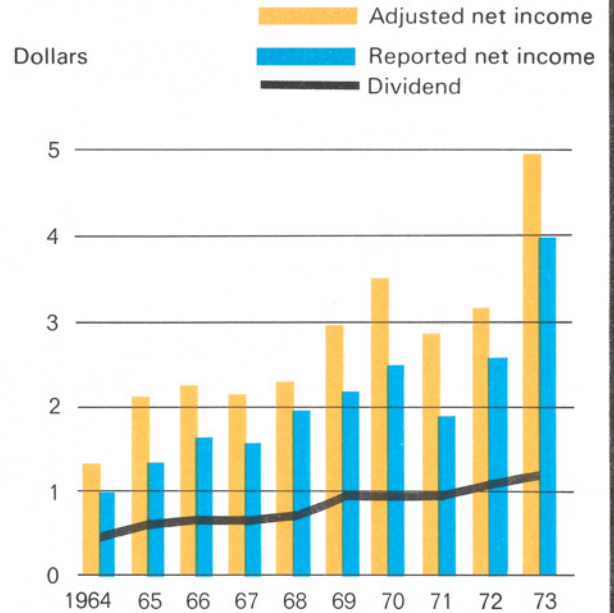
Instructor and student at Centro Ericsson, the Brazilian training center.

# THE ERICSSON GROUP

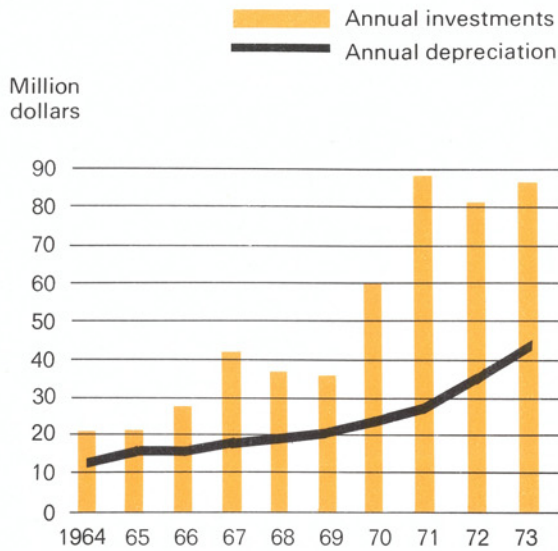
## SALES AND BACKLOG



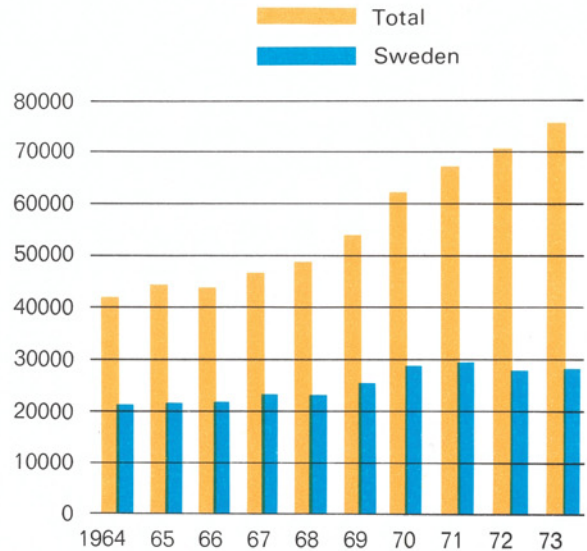
## EARNINGS AND DIVIDENDS PER SHARE



## CAPITAL EXPENDITURES



## NUMBER OF EMPLOYEES



In May, 1973, King Carl XVI Gustaf of Sweden, then Crown Prince, conversed with the Brazilian Minister of Communications, Hygino Caetano Corsetti, over the first picture telephone link between Sweden and Latin America.



## Annual Report of the Board of Directors to the Stockholders

### GROUP

#### Operating results in brief

Millions of dollars (Except per share figures)

	1973	1972	Change
Order bookings . . . . .	\$1,559.1	\$1,114.3	+39.9 %
Order backlog . . . . .	\$1,493.4	\$1,071.4	+39.4 %
Sales . . . . .	\$1,145.6	\$943.8	+21.4 %
Income before special adjustments and taxes . . . . .	\$194.2	\$118.9	
Percent of sales . . . . .	17 %	12.6 %	
Reported net income . . . . .	\$61.5	\$39.6	
Per share . . . . .	\$4.00	\$2.57	
Adjusted net income . . . . .	\$76.0	\$48.3	
Per share . . . . .	\$4.94	\$3.14	

#### Order bookings

Orders booked by the Ericsson Group in 1973 totaled \$1,559.1 million, an increase of 40 percent over orders

received in 1972. Orders in the preceding year had increased 18 percent.

Wiring relay sets at the Ericsson do Brasil factory in São José dos Campos.



The distribution of orders by main product groups was as follows:

(Millions of dollars)	1973	1972	Change
Public telephone exchanges . . . . .	\$ 844.8	\$ 568.6	+49 %
Private exchanges and telephone instruments . . . . .	219.8	172.6	+27 %
Transmission equipment for telecommunications and radio systems . . . . .	85.8	58.5	+47 %
Other systems and components . . . . .	114.8	76.3	+50 %
Military electronics and development projects . . . . .	40.1	47.6	-16 %
Cable, wire and line equipment . . . . .	205.9	146.2	+41 %
Products manufactured by others . . . . .	47.9	44.5	+ 8 %
	<b>\$1,559.1</b>	<b>\$1,114.3</b>	<b>+40 %</b>

High utilization of telecommunications systems characterized the past year in most industrialized countries. The importance of improved telecommunications was also regarded as a prerequisite for continued progress in the developing countries whose economic growth has been good. As a result, the telephone administrations in these countries launched very ambitious capital expenditure programs.

Ericsson's sales program continued to be highly successful and a number of new markets were opened by the Group during the year.

The major part of the orders for public telephone exchanges involved Ericsson's crossbar systems for local and trunk exchanges. The further development of these systems in recent years through the introduction of partial stored program control of exchange functions, utilizing fully electronic registers, attracted substantial interest and resulted in a number of orders. Further important contracts were received for computer-controlled trunk exchanges.

The public exchange product category accounted for 54 (51) percent of total order bookings.

In the private exchange and telephone instrument category, sales of private exchanges were favored by the high rate of economic activity in many countries and orders increased substantially in most markets during the year. New technical developments that broadened the areas in which certain types of customers could use these units were a contributing factor in the higher sales. The French subsidiary received additional contracts for its newly developed "PE-1024" computer-controlled PABX.

A substantial increase in sales was recorded in the field of internal loudspeaking communications systems, where the Group is one of the largest producers. The new ERICOM 30001 loudspeaking telephone fulfilled expectations and attracted substantial demand.

Order bookings for telephone instruments were approximately the same as in recent years.

Capital expenditures for transmission equipment by telephone administrations in many important markets continued to be restrained. Despite this, Group orders increased as the result of the successful cultivation of several new markets.

Sales of mobile radio equipment and other communications radio systems were affected favorably by the economic upturn.

In addition to the product categories described above, Ericsson supplies a broad range of systems and products based on the Group's technical know-how in telecommunications. This includes signaling systems for railway and highway traffic, time-control systems and security systems, and other similar systems. Higher order bookings were recorded for most of these products.

In order to secure its own requirements of certain electronic components, notably capacitors and semiconductors, the Group has developed substantial production in this field, part of which is also sold outside the Group. There was a sharp increase in orders in this area as a consequence of the high demand that developed in the international market for components during the year, and which led to partial shortages.

Lower Swedish orders for telephone cable were offset during the latter part of the year by several large export contracts. The latter made it possible to maintain employment levels in the Parent Company's telephone cable plants. Other Swedish and foreign cable plants recorded satisfactory sales. Cable orders worldwide were affected by higher prices of copper. Group operations in the line construction field resulted in increased orders.

Inauguration of Teleindustria Ericsson's new plant in Tlalnepantla outside Mexico City. The opening ceremony was performed by Mexico's President, Luis Echeverria Alvarez (nearest camera). Extreme left: the Governor of the Federal District of Mexico, Prof. Carlos Hank Gonzales. To the President's right: the Director-General of Teléfonos de México, Carlos Lozano.



New balloting system in the Finnish Parliament was developed, delivered and installed by LM Ericsson Telemateriel AB and Oy LM Ericsson Ab.





The sales successes during the year were achieved in the face of continued hard competition from very strong international companies that normally can base their operations on large and expanding domestic markets. Despite this competition, the Group was able to effect some improvement in price levels in the dominant product fields.

The distribution of order bookings by major market areas is shown in the following table.

(Millions of dollars)	1973	1972	Percent- age in- crease
Sweden	\$ 205.2	\$ 191.4	7
Europe (excluding Sweden)	678.4	544.7	25
Latin America	476.6	252.5	89
Other markets	198.9	125.7	58
	<b>\$1,559.1</b>	<b>\$1,114.3</b>	<b>40</b>

The order backlog at year-end rose to a record high, \$1,493.4 million, compared with \$1,071.4 million a year earlier.

A more detailed description of operations in the individual markets appears in the Group's "Year's Review".

### Production and employment

At year-end 1973 the Group had a combined total of 12.5 million sq. ft. of factory space, including warehouse facilities. The net increase during the year was 720,000 sq. ft.

The number of factory workers was 38,130 (35,260).

The distribution of factory space and workers in the major geographical areas is shown in the following table.

	Factory Space (Thousand sq. ft.)		Factory Workers	
	1973	1972	1973	1972
Sweden	7,450	7,250	19,330	18,070
Western Europe (excluding Sweden)	3,150	2,780	11,990	11,150
Other countries	1,920	1,770	6,810	6,040
	<b>12,520</b>	<b>11,800</b>	<b>38,130</b>	<b>35,260</b>

The expansion of production capacity within Sweden involved primarily the Parent Company and Svenska Radio AB. The largest capital expenditures in the foreign sector occurred in Spain, France and Brazil.

Following a decrease in the number of employees in the Swedish plants in 1972—the result of natural attrition—recruiting increased gradually during the year as a

consequence of the high order bookings in the foreign markets. The current expansion of production in the plants in Italy, Spain and Brazil resulted in increased hiring in those countries.

The favorable trend of sales, coupled with the anticipated continued growth of the Group's markets, have created a need for further expansion of production in Sweden and abroad. Current and approved investments in new plants, several of which are expected to be completed during the current year, will add approximately 1,500,000 sq. ft. of production space.

The Group was largely able to fill its manpower requirements. Labor disturbances caused production shortfalls in several countries. Their effect on the Group as a whole was limited, however.

The strong efforts made in recent years to raise production rapidly have involved the construction of large production units in a number of areas which have no industrial tradition. Employee training and the start-up and running-in of the new factories have been time-consuming and costly but have now begun to produce results. Cooperation between the Parent Company and the foreign manufacturing companies for the exchange of experience in production techniques and methods was further expanded during the year, resulting in substantial increases in the efficiency of manufacturing abroad. Employee turnover in the Swedish plants continued to be low, with a consequent increased stability and cost savings in production.

Efforts to increase efficiency and improve quality through the introduction of new production methods continued during the year and contributed to the favorable production results. Notable examples of this activity include the following.

The manufacture of products built up with electronic components has increased significantly and has warranted increased appropriations to rationalize the production of printed circuit boards. A more rapid flow of production has been obtained through method analyses and line assembly.

Production has also been mechanized to a higher degree through the introduction of machines for programmed assembly of components on printed circuit boards. Computer-controlled equipment for the testing of components and instruments has also been placed in service.

There was continued automation of surface treatment operations through such measures as the purchase of modern equipment and a large facility for dipped electrode lacquering. This method is more acceptable environmentally and provides a higher quality finish.

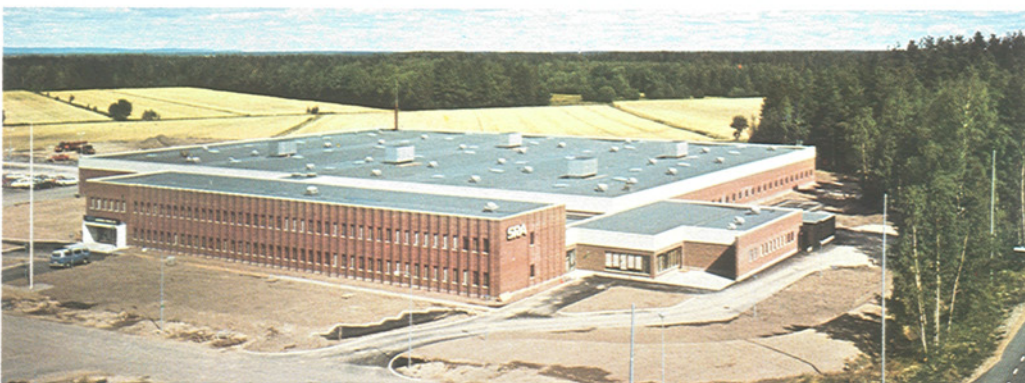
When the ELLEMTEL development company was formed jointly with the Swedish Telecommunications Administration (in 1970), an agreement on production cooperation with the Administration was concluded. This cooperation got under way in 1973 through orders placed with Administration plants for racks, relay sets and cross-bar switches for the Parent Company's account.



The Parent Company's Tellus plant in Stockholm reflects Ericsson's vigorous growth. In addition to a large laboratory for developing computer-controlled telephone exchanges, this new building houses offices and training facilities.



In Leganés, outside Madrid, Ericsson's Spanish subsidiary Industrias de Telecomunicación S.A. (Intelsa), completed new factory and office buildings covering 42,000 square meters of floor area.



The new Svenska Radio AB plant in Kumla, which makes radio communications equipment and paging systems.

The total number of employees within the Group is shown in the following table.

	December 31	
	1973	1972
Sweden	28,560	27,390
Europe (excluding Sweden)	28,930	26,630
Latin America	11,135	9,580
Other countries	4,035	3,700
	<b>72,660</b>	<b>67,300</b>

Including the telephone operating companies in Argentina, the totals were 75,630 in 1973 and 70,650 in 1972.

### Research and Development

The rapid technical developments in telecommunications demand substantial resources and efforts in order to be able to offer customers products and systems of the first rank technically and economically. Approximately 5,600 persons in the Ericsson Group are involved in the development and design of new products or the modification and modernization of existing products. In round figures, \$80 million, or approximately 7 percent of Group sales, was allocated for this comprehensive and highly sophisticated work during 1973. Within the Parent Company alone, 70,000 sq. ft. of new and well equipped laboratory space has been placed in service during the past two years. Similar expansion is under way in the large foreign subsidiaries.

A very large part of Ericsson's technical resources are currently devoted to automatic switching techniques. Developments in this field are characterized internationally by intensive work to apply computer control to the equipment that handles subscribers' local and trunk traffic. The Group is deeply engaged in this area and has achieved important results. To date, for example, it is the only international manufacturer that has placed in commercial operation large computer-controlled trunk exchanges for national and international traffic. The size and capacity of the computers designed for this purpose are best illustrated by the fact that, in terms of capacity and storage volume, they are equal to the very largest types of computers used for administrative or commercial data processing.

The Group's work in this field is pursued along several lines. A new higher-speed computer with a still larger capacity is being developed for large trunk exchanges in order to meet future needs for very large exchanges. ELLEMTEL is working on the design of a new computer-controlled local exchange.

It has also been considered most important to be able to offer telephone administrations the possibility and means to equip today's crossbar systems with essentially the same functions and services as will be avail-

able in the new generation of equipment. This is being done by introducing partial stored program control in a completely new register built up of electronic components. These systems will thereby be able to handle future demands for new services and traffic handling capacity in an economic and flexible manner. The first exchange of this type was installed during the year in the Mundelstrup (Denmark) area of the Jutland Telephone Company.

A group selector stage, built up with reed switch selectors, was developed to meet the special requirements that arise in very large and complex metropolitan systems. The stage is intended primarily for local exchanges of the crossbar type.

LM Ericsson Pty. Ltd., Australia, continued development work on digital switching systems. A group selector based on PCM (Pulse Code Modulation) technique is being built and will be field-tested in the national telephone system operated by the Australian Post Office.

The French subsidiary, Société Française des Téléphones Ericsson, completed a number of exchange designs, and several new mobile exchanges were placed in service during the year. Work is under way to modify the company's standard "CP 400" system for use in the Paris system. The Maisons-Laffitte stored program controlled exchange was cut into service during the year.

A new research and development center, which will concentrate on digital switching and transmission technique, was established at FATME in Rome. Emphasis within the company's technical department was on the design of special equipment such as toll-ticketing devices for international traffic and equipment for automatic line-testing.

The Seventh International Teletraffic Congress was held in Stockholm in June, at the invitation of the Swedish Telecommunications Administration, the Parent Company and other Swedish telecommunications companies. The conference was devoted to the application of probability theory to traffic research, dimensioning and operations in telephony.

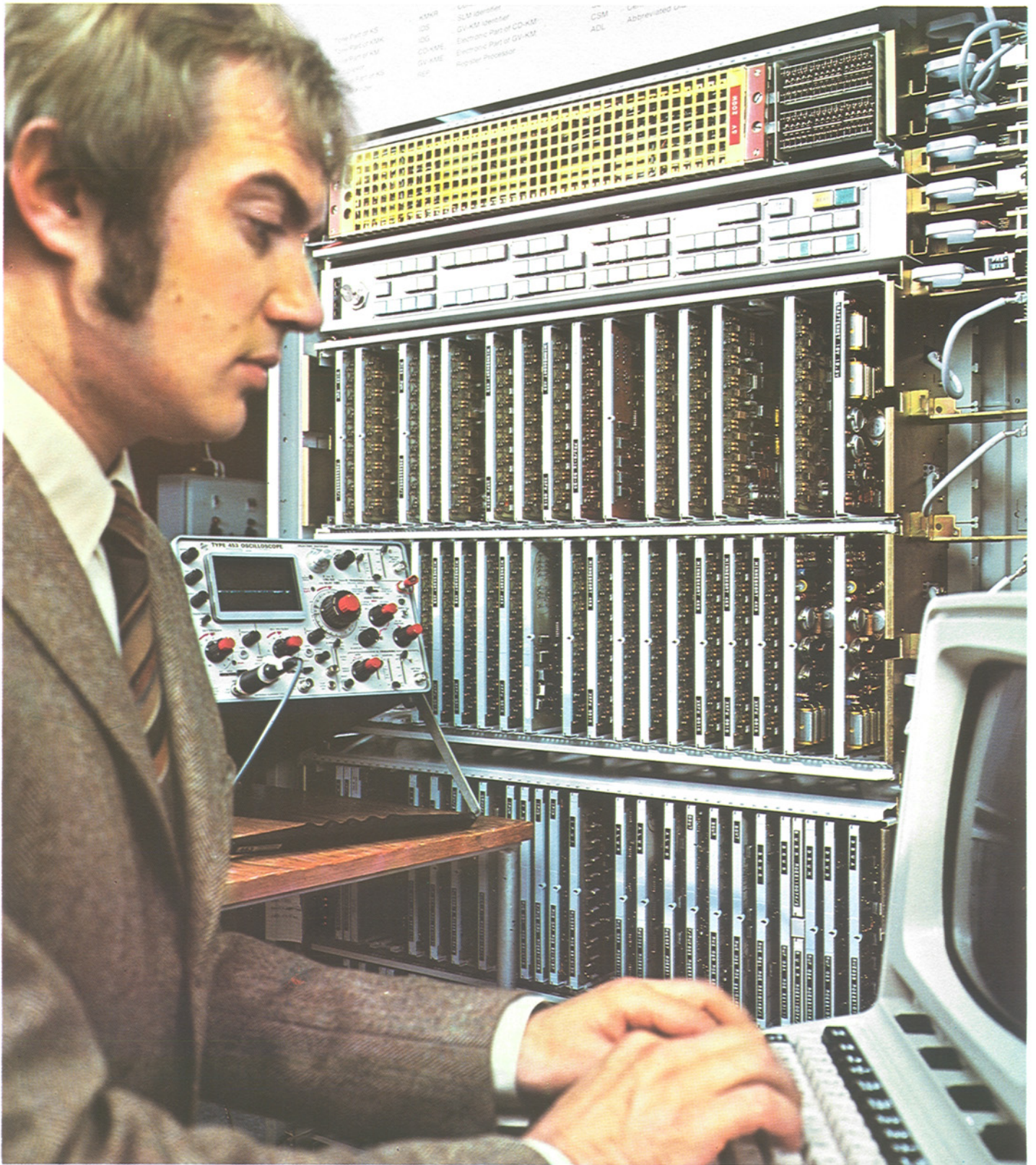
The Parent Company began development of a new generation of h.f. line equipment for coaxial cables. The first unit, for 2,700 channel capacity, was completed. A recently developed hybrid circuit constitutes the main part of the repeater.

The development within the digital transmission field (PCM systems) continued and several equipment designs for matching between telephone switching equipments and PCM transmission systems were produced.

In cooperation with the Swedish Telecommunications Administration and the Parent Company, ELLEMTEL developed equipment for a public data network that will be placed in operation during 1974.

The Parent Company finished design work for a new loudspeaking telephone with improved acoustical characteristics.

An electronic processor system (ANA 30) for controlling cross-bar exchanges is shown undergoing tests. The system offers various facilities that have so far been restricted to stored program control exchanges.



Series production of picture telephones was initiated during the year. The first commercial delivery of 15 units, together with a picture telephone exchange, was made to CTNE, the Spanish national telephone administration.

In connection with the Swedish Technical Week in Brazil, a successful picture telephone conversation via satellite was arranged between Stockholm and São Paulo, attracting substantial attention.

Systematic studies got under way to determine how picture telephones can best be used within industry. A field test at the Parent Company, utilizing a picture telephone network with instruments in such locations as the factory and the planning and drafting offices, has been in progress since the first of the year.

A new PABX exchange for 100 to 600 extensions, equipped with reed switch relays and stored program control, was introduced during the year. The exchange, which was developed by ELLEMTEL, has a completely new console which makes the operator's work much easier.

There has been growing interest in data communication systems combined with PABX's. The first facility of this type was installed during the year in a hospital in Denmark. The data communication functions are used for a number of administrative operations such as registration of data on patients.

Large companies with operations at a number of locations have found that private wire networks are particularly suited for internal and external communications. A number of such installations were made during the year—the largest in England with 200 PBX's with five transit exchanges.

STE, the French subsidiary, continued its development work on the "PE-1024" stored program controlled PABX for a number of new installations.

In the space field, several orders were received from ESRO (European Space Research Organization) for development and production related to the Organization's telecommunications test satellite and to its scientific research satellite.

There was further intensive development work on doppler radar for both aircraft- and ground-based systems. Current advanced development projects include radar for the fighter version of the Viggen aircraft and tracking radar intended for anti-aircraft units of the Swedish Army.

The first stage of the development of a computer-controlled CTC system was undertaken in close cooperation with the Swedish State Railways.

Development work on monolithic microcircuits by AB RIFA, the components company, resulted in a number of special circuits for use in computer-controlled telephone systems. Hybrid microcircuits were designed for use in future telephone instruments, to replace the present transmission circuits utilizing discrete components.

LM Ericsson Telemateriel AB developed a fully elec-

tronic loudspeaking intercom exchange based on so-called time-shared multiplex.

Transvertex, the Group company that develops equipments to provide protection against unauthorized eavesdropping during telephone calls, concentrated primarily on the development of such systems and of equipment for transmitting data at speeds up to 9,600 bits per second.

The continuing work to improve the quality of paper-insulated cable is expected to make this type of cable more attractive and competitive relative to plastic cable.

Sieverts Kabelverk continued its development work on SINIPAL, its nickel-plated aluminum conductor, with special emphasis on production technique. The first approval of SINIPAL for use as interior wiring was received from Underwriters Laboratories in the United States. Manufacturing licensing agreements have been concluded in a number of countries.

## Group earnings

### Sales

Sales in 1973 amounted to \$1,145.6 million, exceeding 1972 sales of \$943.8 million by 21.4 percent. The percentage increase was higher than the average of the five most recent years (13.5 percent), and represents a doubling of sales since 1968.

The distribution of sales in the major geographical regions is shown in the following table.

(Millions of dollars)	1973	1972	Percentage increase
Sweden	\$ 205.4	\$178.6	15
Europe (excluding Sweden)	590.5	462.9	27
Latin America	207.6	178.0	17
Other markets	142.1	124.3	14
	<b>\$1,145.6</b>	<b>\$943.8</b>	<b>21</b>

Deliveries to customers in Sweden accounted for 18 (19) percent of the total. Markets in Europe, excluding Sweden, took 52 (49) percent of the deliveries and customers in Latin America, 18 (19) percent. The remaining 12 (13) percent of sales were to customers in other parts of the world.

The public telephone exchange product group was responsible for 46 (45) percent of total sales during the year. The other product group percentages were also virtually unchanged from the preceding year.

The distribution of sales by markets is shown in more detail on page 40.

Installation of a telephone exchange for international traffic in Mollison House, London. The exchange, based on Ericsson's crossbar technique, is Ericsson's largest installation.



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

The Group's share of earnings of the telephone operating companies in Argentina and of the associated companies amounted, after taxes, to \$6.9 million, compared with \$817,000 a year earlier. The improvement is due partly to the fact that GNT AUTOMATIC A/S, the Danish company, recorded a profit for 1973 whereas in 1972 the company experienced a substantial loss through a restructuring of its product program. The associated cable manufacturing companies also contributed to the improved earnings.

### **Costs of goods and services sold**

Costs of goods and services sold in 1973 amounted to \$609.9 million, compared with \$526.8 million in 1972. The increase was lower than that of sales and the margin (difference between sales and production costs) improved 2.6 percentage points, from 44.2 percent to 46.8 percent.

Wages, salaries and social welfare costs continued to rise. In Sweden, the increase was approximately the same as in the preceding year. Abroad, the rise in labor costs was particularly sharp in Italy, Brazil and Mexico. The average increase for the Group as a whole was approximately 15 percent.

Sharp rises in the costs of certain raw materials and components during the latter part of the year, caused by general shortages in the international market, also affected cost increases. The full impact of these very large price increases will not, however, be felt until the current year.

The higher costs were offset through improved productivity, as described in more detail earlier. Higher selling prices for certain products, also contributed to improved margins.

### **Other costs**

Sales costs and technical and general expenses, exclusive of currency exchange losses, rose from \$262.4 million to \$299.8 million, or 14.2 (12.6) percent. Despite rising labor costs, the increase in general expenses was held within moderate limits through restrained recruiting of new personnel and other cost-saving measures. The number of salaried employees increased 4.5 percent, the same as in the preceding year.

Currency exchange losses in the amount of \$8.1 million (\$3.4 million) were charged against operations. The losses were largely attributable to payments in U.S. dollars of Parent Company receivables created in former years in connection with deliveries made under long term credit agreements.

Receivables and payables of the Parent Company in foreign currencies falling due in 1974 are stated at exchange rates in effect at year-end 1973. The resulting

exchange differences, \$3.8 million (\$2.5 million) have been charged to reserves for accounts receivable. As was the case last year, no changes have been made in the valuation of such receivables and payables which have due dates in 1975 and later years; these are carried at historical exchange rates. See also Note 3 to the Financial Statements.

Depreciation of property, plant and equipment in 1973 amounted to \$44.2 million (\$35.7 million). In addition, the sum of \$10 million (\$20.9 million) was charged against the reserve for future investments for accelerated depreciation of fixed assets acquired during the year.

Interest charges totaled \$38.6 million (\$34 million). The excess of interest expense over interest income increased by \$71,000 (\$903,000).

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

Income before special adjustments and taxes amounted to \$194 million. Of this amount, it is estimated that \$64 million is attributable to the Group's operations in the Nordic countries (Sweden, Finland, Denmark and Norway). It is estimated that income from other countries in Europe totaled \$77 million, and from other markets, \$53 million.

### **Special adjustments and net income**

In accordance with tax regulations in Sweden and other Nordic countries, allocations to inventory reserves and to reserves for future investments, among others, are deductible for tax purposes. See Note 11 to the Financial Statements. These special adjustments, which are not related to operations, amounted to \$37.7 million (\$20.9 million).

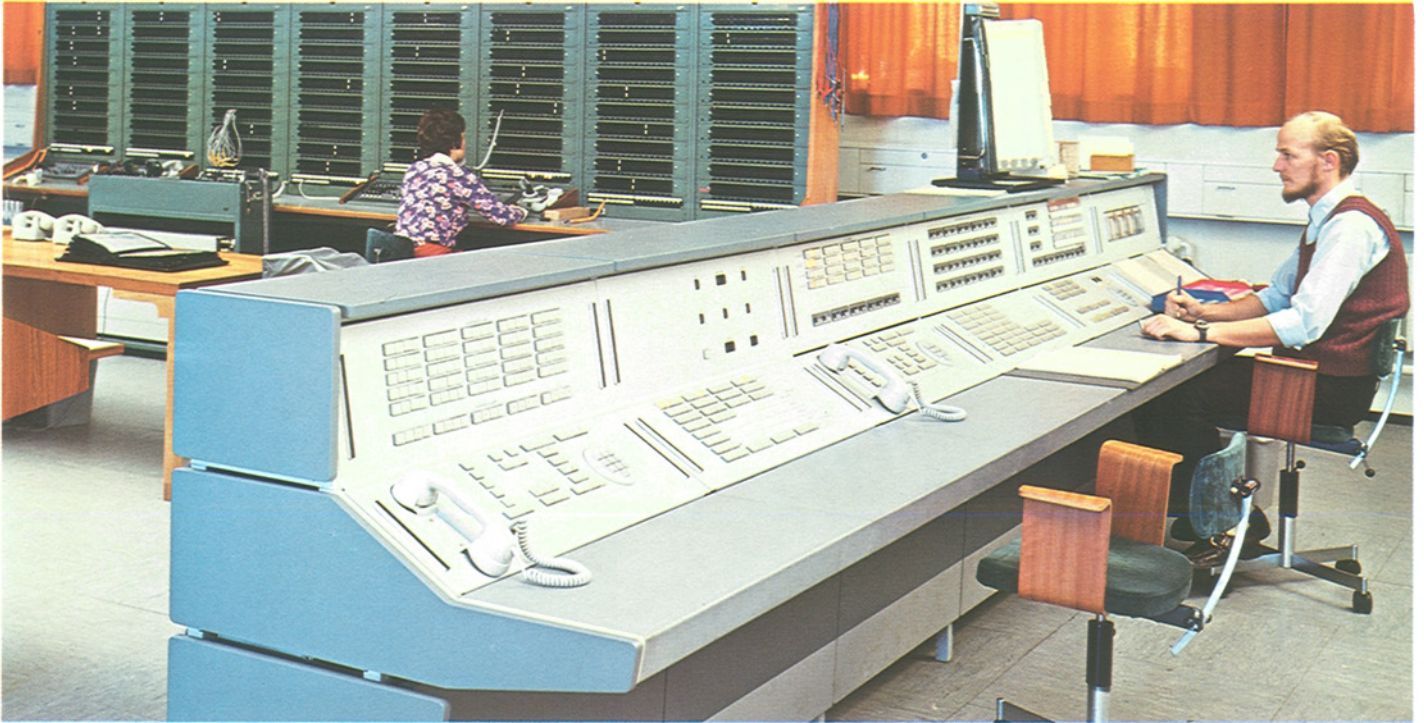
After provision for taxes in the amount of \$76.7 million (\$45.5 million) and deduction of minority interests in earnings, reported net income for the Group was \$61.5 million in 1973, compared with \$39.6 million in 1972.

If the Group's reported net income, \$61.5 million (\$39.6 million), is increased on the one hand by the special adjustments mentioned, and reduced on the other hand by the income taxes that would have been paid if the special adjustments had not been made, adjusted net income of the Group in 1973 would amount to \$76 million (\$48.3 million), equal to \$4.94 (\$3.14) per share on the 15,380,117 shares outstanding following last year's stock dividend.

### **Capital expenditure and financing**

Investments in fixed assets in 1973 amounted to \$85.9 million (\$81.5 million), of which \$27.9 million (\$27.5 million) was for property and \$58 million (\$54 million)

The control room for the international lines at the Telefonhuset complex in Copenhagen. This complex also houses a computer-controlled AKE telephone exchange installed in 1973 as well as Ericsson crossbar exchanges.



This factory in Falun, operated by Sieverts Kabelverk AB, specializes in 1-kilovolt plastic underground power cables.



Extension of a telephone network: cable being spliced under field conditions.





for machinery and equipment. The plans for 1974—1976 call for average investments of nearly \$110 million per year, with somewhat more than half of the expenditures relating to Group companies outside Sweden.

Long-term receivables, consisting largely of Parent Company credits to foreign customers, rose only marginally since customers increasingly adopted other forms of financing for their purchases. This trend can be expected to continue.

The Group's inventory (after deduction of advances from customers for costs incurred), which had increased by \$45.1 million in 1972, rose an additional \$74.8 million as the result of the increased operations. Short-term receivables showed a normal trend relative to sales.

The Group's internally generated funds—net income, plus depreciation of fixed assets and appropriations (including provisions for pensions and similar purposes)—improved sharply as a result of the favorable trend of earnings, rising from \$119.3 million in 1972 to \$178.5 million in 1973.

Due in part to the improved self-financing, it was possible to limit long-term borrowing, which increased \$31.9 million in 1973, compared with \$132.2 million a year earlier.

The Group's liquidity was further strengthened and at year-end the Group's cash amounted to \$271.6 million, compared with \$219.9 million at the beginning of the year.

#### Changes within the Group

At the annual meeting of A/S Elektrisk Bureau in Norway at year-end, the stockholders approved full voting rights, comparable to those of other shares, for the company's B shares, which up to then had had no voting rights. Since the majority of the B shares are in Norwegian hands, the result of the meeting's action was that the value of the Group's voting rights, following the acquisition of a minor number of B shares, declined from 50.4 percent to 43.2 percent of the total voting rights.

As in the past, A/S Elektrisk Bureau and its subsidiaries are included in the 1973 Group accounts as a Group company but effective in 1974 they will be treated as associated companies.

At year-end 1973 an agreement was signed between Thorn Electrical Industries Ltd., England, and LM Ericsson to jointly form an English company to develop the two partners' interests in the rapidly expanding telecommunications market in Great Britain.

The new company, Thorn-Ericsson Telecommunications Ltd., (TEL), was formed at the beginning of 1974 with a share capital of one million pounds, Thorn holding a 51 percent interest and LM Ericsson 49 percent.

Simultaneously, TEL acquired all the shares of the Thorn-owned manufacturing company, Thorn-General Telephone Ltd. and of LM Ericsson's English subsidiary, Swedish Ericsson Telecommunications Ltd. Combined

sales of the two companies in 1973 amounted to 5.2 million pounds and the number of employees was approximately 500.

The Brazilian subsidiary, Ericsson do Brasil Comércio e Indústria S.A., formed a manufacturing subsidiary, Telecomponentes Comérico e Indústria S.A., which will be assigned part of the rapidly expanding production for the public telecommunications market in Brazil.

Sieverts Kabelverk acquired all the shares of Mekanomatik AB, a small company which develops and manufactures machinery for the cable industry.

During the year the Group sold its 25 percent interest in Alambres y Cables Venezolanos C.A., (Alcave), a Venezuelan cable company.

In August, 1973 the Peruvian government expropriated the telephone operating company, Sociedad Telefónica del Perú, S.A., in which LM Ericsson had a majority interest. Compensation, based on a valuation of the company's assets will be negotiated.

The Parent Company transferred 50 percent of its holdings in the wholly-owned Mexican installation company, Telemontaje S.A. de C.V., to Teleindustria Ericsson S.A., also a Mexican company. A further five percent of the shares in the latter company were sold to Mexican interests, whereby the minority interest in the company increased to 25 percent.

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

		Par value of holding 12/31/72	Increase during 1973	Par value of holding 12/31/73
(in thousands)				
<i>Sweden</i>				
Svenska Radio AB	S.Kr.	11,280	3,760	15,040
Sieverts Kabelverk AB	S.Kr.	90,000	18,000	108,000
Thorsman & Co. AB	S.Kr.	1,692	7,808	9,500
<i>Europe (excluding Sweden)</i>				
Dansk Signal Industri A/S	D.Kr.	7,000	3,000	10,000
L M Ericsson A/S	D.Kr.	26,000	14,000	40,000
A/S Norsk Kabelfabrik	N.Kr.	3,234	3,685	6,919
Swedish Ericsson Rentals Ltd.	£	0.1	19.9	20
Swedish Ericsson Telecommunications Ltd.	£	350	250	600
L M Ericsson Ltd.	£	100	80	180
Rifa S.A.	F.Frs	3,500	1,500	5,000
Industrias de Telecomunicación S.A. (Intelsa)	Ptas	255,000	153,000	408,000
<i>Latin America</i>				
Cia Ericsson S.A.C.I.	Arg.P.	1,500	850	2,350
Industrias Eléctricas de Quilmes S.A.	Arg.P.	12,000	8,460	20,460
Ericsson do Brasil Comércio e Indústria S.A.	Cruz.	85,434	21,309	106,743
Latinoamericana de Cables S.A. de C.V.	Mex.P.	25,875	2,300	28,175
Cia Ericsson S.A.	Urug.P.	26,000	4,000	30,000
<i>Other Countries</i>				
Telecommunication Manufacturers (Malaysia) SDN BHD	M\$	1,000	2,000	3,000
A.E.E. Capacitors Pty. Ltd.	A\$	1,200	600	1,800

#### Outlook for 1974

Assuming that no serious economic downturn occurs, order bookings during 1974 are expected to remain at the 1973 level. In view of the backlog on hand, the anticipated order bookings and the Group's rising production capacity, it is expected that sales will increase approximately 15 percent relative to 1973 invoicing.

During the close of 1973 and the beginning of 1974 prices of certain raw materials and components rose sharply. What the price trend will be during the remainder of the year is an open question, as is the question of the degree to which production will be disturbed by temporary shortages. Under these circumstances, any forecast of the extent to which cost increases can be offset by higher prices becomes very uncertain.

#### PARENT COMPANY

Total revenues of the Parent Company in 1973 amounted to \$534.5 million, compared with \$466.4 million a year earlier. Revenues from invoiced goods and services totaled \$492.5 million (\$427.6 million), of which \$380.2 million (\$324.2 million) or 77 (75) percent came from export markets. Revenues from other sources amounted to \$42 million (\$38.8 million), as shown in the following table.

(Millions of dollars)	1973	1972
Dividends	\$10.9	\$10.8
Interest	26.7	24.5
Other	4.4	3.5
	<b>\$42.0</b>	<b>\$38.8</b>

During the year \$1.1 million (\$879,000) was transferred to the account shown in the Balance Sheet as "Investment in Technical Development Projects," which covers part of the development costs of very long-term projects.

Depreciation of property, plant and equipment amounted to \$13.2 million (\$11.6 million). In addition, acquisitions during the year were depreciated by \$3.3 million (\$14.4 million) through charges against the reserve for future investments.

A net amount of \$10.4 million (\$6.4 million) was allocated to the special reserve for accounts receivable and investments in foreign countries. This amount includes write-downs of shares totaling \$396,000 (\$393,000), corresponding to the carrying value of shares in subsidiaries and associated companies which are being liquidated.

The sum of \$18.7 million (\$2.6 million) was transferred to the general inventory reserve and \$11 million (\$13.2 million) was allocated to the reserve for future investments.

After the special adjustments noted above totaling \$40.1 million (\$22.2 million) and provisions for income taxes in the amount of \$21.3 million (\$18 million), reported net income of the Parent Company in 1973 was \$27.6 million, compared with \$22.7 million in 1972.

Reference is made to the accompanying Income Statements and Balance Sheets of the Group and Parent Company which, together with the notes and supplementary information on pages 28—30, form an integral part of the Annual Report.

#### Parent Company stock dividend

The stock dividend proposed in the 1972 Annual Report and approved by the stockholders at the 1973 Annual Meeting, was effected during the year. The capital stock of the Parent Company was thereby increased 25 percent, from \$135.2 million to \$169 million.

**Proposed disposition of unappropriated earnings of the Parent Company**

As shown in the statement on page 22, the sum of \$36,399,000, exclusive of a general reserve of \$21,395,000, is available for disposition by the stockholders at the Annual Meeting to be held May 28, 1974.

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

To the stockholders, Swedish kronor 5.50 per share, against Coupon No. 47 . . . . .	\$18,591,000
To the special legal reserve . . . . .	6,769,000
To be retained in the business . . . . .	11,039,000
	<u>\$36,399,000</u>

Stockholm, April, 1974

MARCUS WALLENBERG

ERIK BOHEMAN

LARS-OLOF EKEBERG

JAN WALLANDER

BJÖRN LUNDVALL

President

HENNING AUGUSTSSON

WILHELM SÖDERMAN

STIAN KVASTAD

RAGNAR WOXÉN

# Auditors' Report

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TO THE STOCKHOLDERS OF TELEFONAKTIEBOLAGET LM ERICSSON

We the undersigned auditors, appointed at the Annual General Meeting of Stockholders, present herewith our report for the year 1973.

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. The regulations covering disclosure of loans to, and contingent liabilities in behalf of, certain persons closely related to the Company have been complied with.

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

The proposed 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, 1973, included in the Annual Report, be approved,

*that* unappropriated earnings in the amount of \$36,399,000, exclusive of the General reserve totaling \$21,395,000, 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, 1974.

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

*N.-A. Frisk*

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

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

## Consolidated Income Statement

	1973	1972
Net sales . . . . .	\$1,145,565,000	\$943,768,000
Share in earnings less losses of unconsolidated subsidiaries and associated companies . . . . .	6,881,000	817,000
Interest income . . . . .	32,665,000	28,119,000
Other revenue . . . . .	9,446,000	8,383,000
	<u>1,194,557,000</u>	<u>981,087,000</u>
Cost of products and services sold . . . . .	609,861,000	526,816,000
Selling, administrative, research and development expenses (Note 3) . . . . .	307,761,000	265,761,000
Depreciation (Note 4) . . . . .	44,168,000	35,693,000
Interest . . . . .	38,572,000	33,955,000
	<u>1,039,362,000</u>	<u>862,225,000</u>
Income before special adjustments and taxes . . . . .	<u>194,195,000</u>	<u>118,862,000</u>
Special adjustments		
Transfer to reserve for accounts receivable and investments outside Sweden, \$13,717,000 in 1973 and \$9,747,000 in 1972, net of recovery of receivables, previously written off, \$3,532,000 in 1973 and \$3,892,000 in 1972 . . . . .	10,185,000	5,855,000
Transfer to (from) special inventory reserve (Note 5) . . . . .	6,603,000	(1,855,000)
Transfer to reserves for future investments (Note 6) . . . . .	20,909,000	16,943,000
	<u>37,697,000</u>	<u>20,943,000</u>
Income before taxes . . . . .	156,498,000	97,919,000
Taxes on income . . . . .	76,682,000	45,538,000
	<u>79,816,000</u>	<u>52,381,000</u>
Minority interest . . . . .	18,267,000	12,823,000
Net income . . . . .	<u>\$ 61,549,000</u>	<u>\$ 39,558,000</u>

The notes on pages 28 and 29 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, 1973 of S.Kr. 4.55 to \$1.00.

## Consolidated Balance Sheet

	December 31	
	1973	1972
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash . . . . .	\$ 271,556,000	\$ 219,927,000
Notes and accounts receivable—trade ( <i>less provision for doubtful accounts, 1973: \$4,891,000; 1972: \$4,393,000</i> ) . . . . .	471,915,000	391,917,000
Inventories ( <i>less advance and progress payments, 1973: \$93,356,000; 1972: \$64,940,000</i> ) (Note 7) . . . . .	500,682,000	425,910,000
Other current assets . . . . .	134,783,000	72,250,000
	<u>1,378,936,000</u>	<u>1,110,004,000</u>
<b>LONG-TERM ASSETS (Note 8)</b>		
Cash on time deposit . . . . .	6,049,000	9,109,000
Notes and accounts receivable—trade . . . . .	165,349,000	155,287,000
Other long-term assets . . . . .	17,693,000	20,001,000
	<u>189,091,000</u>	<u>184,397,000</u>
<b>INVESTMENTS IN SUBSIDIARY AND ASSOCIATED COMPANIES</b>		
Investments . . . . .	49,004,000	40,515,000
Accounts receivable . . . . .	15,577,000	19,204,000
	<u>64,581,000</u>	<u>59,719,000</u>
<b>INVESTMENT IN TECHNICAL DEVELOPMENT PROJECTS . . . . .</b>		
	<u>2,593,000</u>	<u>1,978,000</u>
<b>PROPERTY, PLANT AND EQUIPMENT (Note 9)</b>		
Cost . . . . .	558,224,000	484,200,000
Less—Accumulated depreciation . . . . .	305,891,000	262,146,000
	<u>252,333,000</u>	<u>222,054,000</u>
Revaluation, net . . . . .	44,269,000	15,119,000
	<u>296,602,000</u>	<u>237,173,000</u>
<b>ASSETS PLEDGED TO SECURE INDEBTEDNESS</b>		
	1973 \$217,129,000	1972 \$203,522,000
<b>TOTAL ASSETS</b>		
	<u>\$1,931,803,000</u>	<u>\$1,593,271,000</u>

The notes on pages 28 and 29 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, 1973 of S.Kr. 4.55 to \$1.00.

## LIABILITIES AND STOCKHOLDERS' EQUITY

December 31

### CURRENT LIABILITIES

	1973	1972
Bank loans . . . . .	\$ 83,096,000	\$ 68,903,000
Accounts payable—trade . . . . .	72,755,000	51,010,000
Advances from customers . . . . .	241,093,000	169,972,000
Accrued income and other taxes . . . . .	93,315,000	46,189,000
Other current liabilities . . . . .	165,448,000	149,661,000
	<u>655,707,000</u>	<u>485,735,000</u>

### LONG-TERM DEBT

Debentures (Note 10) . . . . .	223,767,000	206,273,000
Other long-term liabilities . . . . .	167,581,000	153,157,000
	<u>391,348,000</u>	<u>359,430,000</u>

<b>PENSION AND SIMILAR PROVISIONS . . . . .</b>	<u>107,310,000</u>	<u>90,485,000</u>
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### SPECIAL RESERVES (Note 11)

Special reserve for accounts receivable and investments outside Sweden . . . . .	98,585,000	92,230,000
Special inventory reserves . . . . .	105,723,000	99,088,000
Reserves for future investments . . . . .	33,178,000	21,169,000
Reserve for investment in inventory . . . . .	20,879,000	20,879,000
	<u>258,365,000</u>	<u>233,366,000</u>

<b>MINORITY INTEREST IN STOCKHOLDERS' EQUITY . . . . .</b>	<u>97,126,000</u>	<u>79,191,000</u>
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### STOCKHOLDERS' EQUITY

Capital stock (Note 12) . . . . .	169,012,000	135,210,000
Reserves not available for distribution . . . . .	117,592,000	100,372,000
Unappropriated earnings (see page 22) . . . . .	135,343,000	109,482,000
	<u>421,947,000</u>	<u>345,064,000</u>

	<b>1973</b>	<b>1972</b>
<b>CONTINGENT LIABILITIES . . . . .</b>	\$64,844,000	\$34,472,000

<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u>\$1,931,803,000</u>	<u>\$1,593,271,000</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, 1973 of S.Kr. 4.55 to \$1.00.

# Statements of unappropriated earnings

## CONSOLIDATED

Balance at January 1, 1973 . . . . .		\$109,482,000
Deduct: Transfer to reserves not available for distribution and stock dividends . . . . .	\$18,787,000	
Cash dividend declared by the Parent Company . . . . .	<u>16,901,000</u>	<u>35,688,000</u>
		73,794,000
Add: Net income for 1973 . . . . .		61,549,000
Balance at December 31, 1973 . . . . .		<u>\$135,343,000</u>

The Boards of Directors of the respective companies have proposed that \$9.1 million of the above balance be appropriated in 1974 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, 1973 . . . . .		\$32,520,000
Deduct: Transfer to the legal reserve . . . . .	\$ 6,814,000	
Cash dividend . . . . .	<u>16,901,000</u>	<u>23,715,000</u>
		8,805,000
Add: Net income for 1973 . . . . .		27,594,000
Balance at December 31, 1973 . . . . .		<u>\$36,399,000</u>

To this should be added a general reserve of \$21,395,000 which was unchanged during the year.

# Source and application of funds — consolidated

## SOURCE OF FUNDS

	1973	1972
Net income (including minority interest) . . . . .	\$ 79,816,000	\$ 52,381,000
Depreciation . . . . .	44,168,000	35,692,000
Special adjustments (including pension and similar provisions, 1973: \$16,825,000; 1972: \$10,251,000) . . . . .	<u>54,522,000</u>	<u>31,194,000</u>
	178,506,000	119,267,000
Sale of stock and minority subscription of new shares . . . . .	2,938,000	15,745,000
Long-term borrowings, net of amortizations . . . . .	31,919,000	132,166,000
Other items (net) . . . . .	<u>1,444,000</u>	<u>3,999,000</u>
	<u>\$214,807,000</u>	<u>\$271,177,000</u>

## APPLICATION OF FUNDS

Property, plant and equipment additions . . . . .	\$ 85,952,000	\$ 81,486,000
Dividend paid (including Parent Company dividend, 1973: \$16,901,000; 1972: \$14,873,000) . . . . .	19,834,000	17,709,000
Increase in working capital (including long-term receivables, 1973: \$10,061,000; 1972: \$4,776,000) . . . . .	<u>109,021,000</u>	<u>171,982,000</u>
	<u>\$214,807,000</u>	<u>\$271,177,000</u>

The United States dollar amounts shown in the above statements represent translations from Swedish kronor at the parity exchange rate at December 31, 1973 of S.Kr. 4.55 to \$1.00.



# Parent Company Income Statement

	1973	1972
Net sales . . . . .	\$492,477,000	\$427,622,000
Dividends . . . . .	10,874,000	10,776,000
Interest income . . . . .	26,658,000	24,501,000
Other revenue . . . . .	4,449,000	3,487,000
	<u>534,458,000</u>	<u>466,386,000</u>
Cost of products and services sold . . . . .	258,398,000	238,485,000
Selling, administrative, research and development expenses . . . . .	152,562,000	133,593,000
Depreciation (Note 4) . . . . .	13,233,000	11,605,000
Interest . . . . .	21,305,000	19,779,000
	<u>88,960,000</u>	<u>62,924,000</u>
	Income before special adjustments and taxes	
Special adjustments		
Transfer to reserve for accounts receivable and investments outside Sweden, \$13,291,000 in 1973 and \$9,773,000 in 1972, net of recovery of receivables previously written off, \$3,309,000 in 1973 and \$3,795,000 in 1972, and write-downs of investments \$396,000 in 1973, and \$393,000 in 1972 . . . . .	10,378,000	6,371,000
Transfer to special inventory reserve (Note 5) . . . . .	18,681,000	2,637,000
Transfer to reserve for future investments (Note 6) . . . . .	10,989,000	13,187,000
	<u>40,048,000</u>	<u>22,195,000</u>
	Income before taxes	48,912,000
		40,729,000
Taxes on income . . . . .	21,318,000	18,022,000
	Net income	\$ 27,594,000
		<u>\$ 22,707,000</u>

The notes on pages 28–30 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, 1973 of S.Kr. 4.55 to \$1.00.

# Parent Company Balance Sheet

<b>ASSETS</b>	December 31	
	<b>1973</b>	<b>1972</b>
<b>CURRENT ASSETS</b>		
Cash . . . . .	\$ 197,375,000	\$156,328,000
Notes and accounts receivable—trade		
Subsidiary companies . . . . .	95,859,000	74,011,000
Other ( <i>less provision for doubtful accounts, 1973: \$542,000; 1972: \$542,000</i> ) . . . . .	113,738,000	114,848,000
Inventories ( <i>less advance and progress payments, 1973: \$8,295,000; 1972: \$7,694,000</i> ) . . . . .	183,695,000	162,902,000
Other current assets . . . . .	23,410,000	17,632,000
	<u>614,077,000</u>	<u>525,721,000</u>
<b>LONG-TERM ASSETS</b>		
Cash on time deposit . . . . .	1,764,000	4,542,000
Notes and accounts receivable—trade		
Subsidiary companies . . . . .	36,636,000	36,200,000
Other . . . . .	123,696,000	122,835,000
Other long-term assets . . . . .	2,160,000	2,367,000
	<u>164,256,000</u>	<u>165,944,000</u>
<b>INVESTMENTS IN SUBSIDIARY AND ASSOCIATED COMPANIES</b>		
Subsidiary companies		
Investments (see pages 26 and 27) . . . . .	122,205,000	106,783,000
Accounts receivable . . . . .	25,854,000	39,140,000
Associated companies		
Investments (see page 27) . . . . .	3,897,000	4,638,000
Accounts receivable . . . . .	891,000	1,120,000
	<u>152,847,000</u>	<u>151,681,000</u>
<b>INVESTMENT IN TECHNICAL DEVELOPMENT PROJECTS</b> . . . . .	2,593,000	1,978,000
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
Cost . . . . .	191,355,000	175,057,000
Less—Accumulated depreciation . . . . .	132,989,000	120,467,000
	58,366,000	54,590,000
Revaluation—net . . . . .	32,460,000	9,673,000
	<u>90,826,000</u>	<u>64,263,000</u>
	<b>1973</b>	<b>1972</b>
<b>ASSETS PLEDGED TO SECURE INDEBTEDNESS</b>	\$142,567,000	\$132,272,000
	<b>TOTAL ASSETS</b>	<b>TOTAL ASSETS</b>
	<u>\$1,024,599,000</u>	<u>\$909,587,000</u>

The notes on pages 28–30 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, 1973 of S.Kr. 4.55 to \$1.00.

## LIABILITIES AND STOCKHOLDERS' EQUITY

December 31

	<b>1973</b>	<b>1972</b>
<b>CURRENT LIABILITIES</b>		
Bank loans . . . . .	\$ 1,851,000	\$ 245,000
Accounts payable—trade . . . . .	20,080,000	13,566,000
Advances from customers . . . . .	46,730,000	41,052,000
Taxes payable . . . . .	7,852,000	—
Accounts payable to consolidated subsidiary companies . . . . .	16,654,000	12,774,000
Other current liabilities . . . . .	88,897,000	84,990,000
	<u>182,064,000</u>	<u>152,627,000</u>
 <b>LONG-TERM DEBT</b>		
Debentures (Note 10) . . . . .	212,626,000	195,146,000
Other long-term liabilities . . . . .	52,275,000	68,095,000
	<u>264,901,000</u>	<u>263,241,000</u>
 <b>PROVISION FOR PENSIONS</b> . . . . .	<u>59,619,000</u>	<u>52,735,000</u>
 <b>SPECIAL RESERVES</b> (Note 11)		
Special reserve for accounts receivable . . . . .	84,777,000	78,635,000
Special inventory reserve . . . . .	111,046,000	92,365,000
Reserve for future investments . . . . .	9,627,000	1,914,000
Reserve for investment in inventory . . . . .	20,879,000	20,879,000
	<u>226,329,000</u>	<u>193,793,000</u>
 <b>STOCKHOLDERS' EQUITY</b>		
Capital stock (Note 12) . . . . .	169,012,000	135,210,000
Legal reserve . . . . .	33,913,000	27,099,000
Special legal reserve . . . . .	30,967,000	30,967,000
General reserve . . . . .	21,395,000	21,395,000
Unappropriated earnings (see page 22) . . . . .	36,399,000	32,520,000
	<u>291,686,000</u>	<u>247,191,000</u>
 <b>CONTINGENT LIABILITIES</b> . . . . .	<b>1973</b> \$113,193,000	<b>1972</b> \$109,502,000
 <b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u>\$1,024,599,000</u>	<u>\$909,587,000</u>

The United States dollar amounts shown in the above statement represent translations from Swedish kronor at the parity exchange rate at December 31, 1973 of S.Kr. 4.55 to \$1.00.

# Investments

## Stocks directly owned by Parent Company

Consolidated Subsidiary Companies		Percentage of ownership (decimals omitted)		Par value of holding (in thousands)	Carrying value of holding	
<b>Sweden</b>						
I	Ericsson Telephone Sales Corp. AB (ESS)	100	S.Kr.	5	\$ —	
I	L M Ericsson Instruktionssteknik AB (ITA)	100		200	22	
I	L M Ericsson Telemateriel AB (LMS)	100		30,000	6,571	
I	AB Rifa (RIF)	100		25,000	5,253	
I	Sievert Kabelverk AB (SKV)	100		108,000	23,736	
I	Svenska Radio AB (SRA)	71		15,040	1,944	
III	Fastighets AB Rådmanen nr 1 (FAR)	100		500	110	
IV	AB Aulis (AUL)	100		2,000	440	
IV	Casa Konsult AB (CAS)	100		500	109	
IV	L M Ericssons Signal AB (SIB)	100		150	—	
IV	Mexikanska Telefon AB Ericsson (MTE)	100		32,400	7,545	
V	ELLEMTEL Utvecklings AB (EUA)	50		5,000	1,319	
<b>Europe excluding Sweden</b>						
I	Oy L M Ericsson Ab (LMF)	100	Finland	Fmk	14,375	3,744
I	A/S Elektrisk Bureau (EBN)	35*	Norway	N.Kr.	5,283	959
I	L M Ericsson A/S (LMD)	100	Denmark	D.Kr.	40,000	5,904
I	Dansk Signal Industri A/S (DSI)	99	Denmark	D.Kr.	10,000	1,629
I	Deutsche Ericsson GmbH Telematerial (EVG)	100	Germany	DM	500	—
I	Ericsson Centrum GmbH (CEH)	100	Germany	DM	4,000	1,331
I	Production Control (Ericsson) Ltd. (PCE)	100	United Kingdom	£	1	—
I	Swedish Ericsson Co. Ltd. (SEL)	100	United Kingdom	£	792	2,513
I	Swedish Ericsson Rentals Ltd. (CRL)	100	United Kingdom	£	20	49
I	Swedish Ericsson Telecommunications Ltd. (SEE)	100	United Kingdom	£	600	1,565
I	L M Ericsson Ltd. (LMI)	100	Ireland	£	180	279
I	Ericsson Telefoonmaatschappij B.V. (ETM)	100	The Netherlands	Fl.	10,000	2,816
I	Société Française des Téléphones Ericsson (STE)	51	France	FF	32,994	16,618
I	RIFA S.A. (RFF)	100	France	FF	5,000	1,029
I	Ericsson AG (EAS)	100	Switzerland	S.Fcs	1,500	414
I	Industrias de Telecomunicación S.A. (Intelsa) (ITS)	49**	Spain	Ptas	400,000	6,302
I	L M Ericsson S.A. (LES)	96**	Spain	Ptas	24,000	384
I	Soc. Ericsson de Portugal, Lda. (SEP)	100	Portugal	Esc.	5,000	80
IV	Elmé, S.A. (LML)	100	Luxembourg	B.Fcs.	50	—
IV	SETEMER Soc. per Az. (STM)	51	Italy	It.L	3,666,714	6,088
<b>U.S.A. and Canada</b>						
I	Ericsson Centrum Inc. (ECI)	100	United States	US\$	400	300
I	The Ericsson Corporation (TEC)	100	United States	US\$	No par value	6
I	L M Ericsson Ltd (LMC)	100	Canada	Can.\$	No par value	542
<b>Latin America</b>						
I	Latinoamericana de Cables S.A. de C.V. (LCM)	47**	Mexico	Mex.P.	23,185	1,896
I	Teléfonos Ericsson S.A. (TEM)	100	Mexico	Mex.P.	5,000	305
I	Teleindustria Ericsson, S.A. (TIM)	75	Mexico	Mex.P.	78,750	6,996
I	Telemontaje S.A. de C.V. (TMM)	50**	Mexico	Mex.P.	3,250	69
I	Teleric Sales Corporation (TSP)	100	Panama	US\$	No par value	1
I	Cía Anónima Ericsson (CEV)	100	Venezuela	Bol.	5,000	1,097
I	Ericsson de Colombia S.A. (EDC)	74**	Colombia	Col.P.	6,869	613
I	Fábricas Colombianas de Materiales Eléctricos Facomec S.A. (FAC)	69**	Colombia	Col.P.	22,336	1,321
I	Teléfonos Ericsson C.A. (TEE)	100	Ecuador	Sucres	1,300	67
I	Cía Ericsson S.A. (CEP)	100	Peru	Soles	2,178	83
I	Ericsson do Brasil Comércio e Indústria S.A. (EDB)	74	Brazil	Cruz.	106,743	1,487
I	Cía Ericsson de Chile S.A. (CEC)	100	Chile	Esc.	600	108

\* Associated companies from 1974. Group ownership 43 %.

\*\* Through holdings in subsidiaries, the Group owns 51 % of ITS, 58 % of LCM, 88 % of TMM, 42 % of SEB 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.	30,000	\$ 243
I	Cía Ericsson S.A.C.I. (CEA)	Argentina	100	Arg.P.	2,350	568
I	Industrias Eléctricas de Quilmes S.A. (IEQ)	Argentina	100	Arg.P.	20,460	1,298
III	Inmobiliaria Parque Vía S.A. (IPM)	Mexico	100	Mex.P.	2,500	227
III	Inmobiliaria Coapa S.A. (ICM)	Mexico	100	Mex.P.	1,000	138
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	319
IV	Telefonos Ericsson C.A. (TEV)	Venezuela	100	Bol.	700	171

#### Other Countries

I	Ericsson India Ltd. (EII)	India	60	Rup.	740	111
I	Société Marocaine des Téléphones Ericsson (SME)	Morocco	58	Dirham	88	29
I	Ericsson Talipon SDN BHD (ETK)	Malaysia	100	M\$	150	56
I	Telecommunication Manufacturers (Malaysia) SDN BHD (TMK)	Malaysia	100	M\$	3,000	1,199
I	Société Algérienne des Téléphones Ericsson (STA)	Algeria	60	Alg.Din.	12	—
					Total consolidated subsidiary companies	\$118,003

#### Unconsolidated Subsidiary Companies

II	Cía Argentina de Telefonos S.A. (CAT)	Argentina	78	Arg.P.	18,136	\$2,339
II	Cía Entrerriana de Telefonos S.A. (CET)	Argentina	86	Arg.P.	5,913	1,863
					Total unconsolidated subsidiary companies	\$4,202
					Total subsidiary companies	\$122,205

#### Associated Companies

I	ASEA LME Automation AB (ALA)	Sweden	40	S.Kr.	4,000	\$ 879
I	GNT AUTOMATIC A/S (GNT)	Denmark	49	D.Kr.	20,090	460
I	Fios e Cabos Plásticos do Brasil S.A. (Ficap) (FCB)	Brazil	45	Cruz.	20,266	2,529
I	Sielte S.A. Instalações Elétricas e Telefônicas (SEB)	Brazil	7**	Cruz.	175	29
					Total associated companies	\$3,897

### Stocks indirectly owned by Parent Company

(Minor items omitted)

#### Consolidated Subsidiary Companies

I	Thorsman & Co AB. (TCN)	Sweden	100	S.Kr.	9,500	
I	AB Transvertex (TRX)	Sweden	100	S.Kr.	105	
I	A/S Norsk Kabelfabrik (NKD)	Norway	43*	N.Kr.	6,918	
I	A/S Telesystemer (ATN)	Norway	43*	N.Kr.	1,730	
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	A.E.E. Capacitors Pty. Ltd. (AEE)	Australia	100	A\$	1,800	
III	Inmobiliaria Securitas S.A. de C.V. (ISM)	Mexico	75	Mex.P.	2,250	
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.	2,500	
I	Kabeldon AB (KDA)	Sweden	50	S.Kr.	2,500	
I	AB Norrköpings Kabelfabrik (NKF)	Sweden	50	S.Kr.	750	
I	AB Elektrokoppar (EKS)	Sweden	25	S.Kr.	3,750	
I	Svenska Elgrossist AB, SELGA (SEG)	Sweden	33	S.kr.	12,420	
V	Société Lannionnais d'Electronique SLE-CITEREL (SLE)	France	17	FF	1	
I	Conqueror Cables Pty. Ltd. (CCA)	Australia	40	A\$	1,600	

#### 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  
V Development 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. Because of the nature of their operations, these companies are included in the accounts in accordance with the principles applied in reporting the participation in earnings of associated 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 historical rates.

## Note 3 — Foreign exchange differences (Supplementary information on "Other costs", page 13)

The Parent Company's U.S. dollar receivables which are included in the Group accounts and which have due dates during the years 1974 through 1984 amounted to U.S. \$203.2 million and are carried in the accounts at 960.3 million Swedish kronor. Medium and long-term borrowings of the Parent Company with due dates during the years 1975 through 1992 are specified in Note 10, 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	55.6	Swedish kronor	287.5
Deutsche Marks	100.0	Swedish kronor	150.6
Swiss Francs	240.0	Swedish kronor	309.0

## Note 4 — 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 1973 was lower than would otherwise have been recorded. (See Note 11). Depreciation charged against 1973 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 being amortized at a rate of 20 % per year.

## Note 5 — Allocations to special inventory reserve

Swedish tax regulations permit, within certain limits, deduction from taxable income of amounts set aside to inventory reserves. Such inventory reserves may, in principle, amount to 60 % of the lower of cost or market.

## Note 6 — Allocations to reserves for future investments

Allocations to reserves for future investments, which are tax deductible under certain conditions, are considered as appropriations of earnings and not as operating expenses (See Note 11).

## Note 7 — Inventories

	1973	1972
Materials and supplies . . . . .	\$ 74,024,000	\$ 59,163,000
Semi-finished goods . . . . .	238,934,000	190,162,000
Finished goods . . . . .	171,366,000	155,545,000
Contract installations in progress . . . . .	109,714,000	85,980,000
	<u>\$594,038,000</u>	<u>\$490,850,000</u>
Less—Advance and progress payments . . . . .	93,356,000	64,940,000
	<u>\$500,682,000</u>	<u>\$425,910,000</u>

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

## Note 8 — Long-term assets

(a) Long-term bank deposits include funds deposited in special investment accounts with the Bank of Sweden and Bank of Norway amounting to \$5,166,000 (\$7,992,000 in 1972).

(b) Other long-term assets include miscellaneous investments in the amount of \$3,337,000 (\$6,613,000 in 1972).

## Note 9 — Property, plant and equipment

	Cost	Revaluation
Land . . . . .	\$ 26,015,000	\$11,747,000
Buildings . . . . .	187,787,000	44,278,000
Machinery and equipment . . . . .	310,522,000	—
	<u>\$524,324,000</u>	<u>\$56,025,000</u>
Construction in progress . . . . .	33,900,000	—
	<u>\$558,224,000</u>	<u>\$56,025,000</u>
Less—Accumulated depreciation . . . . .	305,891,000	11,756,000
Net book value . . . . .	<u>\$252,333,000</u>	<u>\$44,269,000</u>

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

**Note 10 — Debentures  
Parent Company**

4 1/2 % Debentures of 1944, due 1975 to 1978, S.kr. 5,000,000 . . . . .	\$ 1,099,000
3 1/2 % Debentures of 1950, due July 1, 1980, S.kr. 13,347,000 . . . . .	2,933,000
4 1/2 % Debentures of 1959, due 1975 to 1977, Swiss Francs 15,000,000 . . . . .	3,956,000
6 1/2 % Debentures of 1966, due 1975 to 1986, US \$ 14,400,000 . . . . .	16,362,000
6 1/2 % Debentures of 1968, due 1975 to 1988, S.kr. 61,350,000 . . . . .	13,484,000
5 1/2 % Debentures of 1968, due 1975 to 1983, Swiss Francs 45,000,000 . . . . .	11,868,000
9 1/4 % Debentures of 1970, due 1975 to 1985, US \$ 26,200,000 . . . . .	29,770,000
8 3/4 % Debentures of 1970, due December 1, 1975, US \$ 15,000,000 . . . . .	17,044,000
7 1/2 % Debentures of 1971, due 1975 to 1991, S.kr. 69,400,000 . . . . .	15,253,000
7 1/4 % Debentures of 1972, due 1975 to 1992, S.kr. 71,300,000 . . . . .	15,670,000
6 % Debentures of 1972, due March 15, 1977, Swiss Francs 100,000,000 . . . . .	27,473,000
6 3/4 % Debentures of 1972, due 1978 to 1987, DM 100,000,000 . . . . .	33,099,000
6 % Debentures of 1973, due 1984 to 1988, Swiss Francs 80,000,000 . . . . .	24,615,000

**Subsidiary Company**

Société Française des Téléphones Ericsson	
7 % Debentures of 1968, due 1975 to 1983, F.Frs 11,862,720 . . . . .	2,555,000
7 1/4 % Debentures of 1969, due 1975 to 1988, F.Frs 11,313,025 . . . . .	2,437,000
8 3/4 % Debentures of 1971, due 1977 to 1991, F.Frs 10,000,000 . . . . .	2,154,000
8 3/4 % Debentures of 1972, due 1975 to 1987, F.Frs 18,550,000 . . . . .	3,995,000
	<u>\$223,767,000</u>

The installments of the aforementioned debentures due in 1974 are included under current liabilities, net of debentures held in the treasury.

**Note 11 — 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 1974 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 (1974: approximately 54 %) to the extent that such transfer is not used to cover losses. See Note 5.

(c) The reserves for future investments in Sweden have been created in accordance with a law regarding reserves for the purpose of equalizing fluctuations in business conditions. The allocations, which are government-regulated, are deductible for tax purposes. To the extent that the reserves are used for their intended purpose—the write-down of additions to property, plant and equipment—the corresponding regular depreciation of these assets is not applicable, and taxable income will therefore be higher. Of the amounts provided, a certain portion (46 %) has been deposited in a blocked account with the Bank of Sweden in accordance with current regulations. The inventory investment reserve, established in accordance with the terms above, will become subject to taxation during 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 \$4,552,000 (\$5,355,000 in 1972).

**Note 12 — Capital stock of the Parent Company**

2,485,677	Class A shares . . . . .	\$ 27,315,000
12,894,440	Class B shares . . . . .	141,697,000
<u>15,380,117</u>		<u>\$169,012,000</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

	1973	1972
Average number of:		
Office employees . . . . .	8,274	8,284
Factory employees . . . . .	13,652	13,933
	<u>21,926</u>	<u>22,217</u>

### Fees, salaries and wages:

Board of Directors and Management . . . . .	\$ 2,507,000	\$ 2,318,000
Other office employees . . . . .	79,903,000	74,127,000
Factory employees . . . . .	80,175,000	76,852,000
	<u>\$162,585,000</u>	<u>\$153,297,000</u>

Expenses for fringe benefits, including vacation salaries, pension costs, sickness and accident insurance premiums and other personnel expenses, amounted to approximately 36 % (35 % in 1972) of total salaries and wages paid in 1973 for time worked.

### Income statement data

	1973	1972
Dividends, interest and other income:		
Dividends:		
Subsidiaries . . . . .	\$10,348,000	\$10,728,000
Others . . . . .	526,000	48,000
Interest:		
Subsidiaries . . . . .	5,923,000	6,789,000
Others . . . . .	20,735,000	17,712,000
Other income:		
Subsidiaries . . . . .	2,848,000	3,573,000
Others, including capital gains (or losses) from sales of stock in subsidiary and associated companies; 1973: \$1,605,000; 1972: (\$87,000) . . . . .	1,601,000	(86,000)
	<u>\$41,981,000</u>	<u>\$38,764,000</u>
Interest expense:		
Subsidiaries . . . . .	\$ 250,000	\$ 172,000
Others . . . . .	21,055,000	19,607,000
	<u>\$21,305,000</u>	<u>\$19,779,000</u>
Administrative expenses (approximately) . . . . .	<u>\$7,600,000</u>	<u>\$7,400,000</u>
Depreciation		
Buildings		
Cost . . . . .	\$ 1,191,000	\$ 1,061,000
Revaluation . . . . .	1,719,000	641,000
Machinery and equipment . . . . .	10,323,000	9,903,000
	<u>\$13,233,000</u>	<u>\$11,605,000</u>

In addition, \$3,275,000 of machinery and equipment acquired in 1973 was 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 \$59.3 million (subsidiaries: none)

	Cost	Revaluation	Book value
Property, plant and equipment:			
Land . . . . .	\$ 6,292	\$ 6,433	\$12,725
Improvement to property	893	—	755
Buildings . . . . .	70,471	34,374	44,217
Machinery and equipment	105,014	—	24,444
	<u>182,670</u>	<u>40,807</u>	<u>82,141</u>
Construction in progress . . . . .	8,685	—	8,685
	<u>191,355</u>	<u>40,807</u>	<u>90,826</u>
Less—Accumulated depreciation . . . . .	132,989	8,347	—
Net book value . . . . .	<u>\$58,366</u>	<u>\$32,460</u>	<u>\$90,826</u>

Tax assessment value of land and buildings . . . . . \$72,471

### Fire insurance value of:

Buildings . . . . .	\$142,418
Machinery and equipment . . . . .	233,846
	<u>\$376,264</u>

The provision for pensions includes \$49.9 million for supplementary service pensions to office employees.

### Assets pledged to secure indebtedness:

Mortgages on land and buildings . . . . .	\$ 24,711
Floating charges on other assets . . . . .	42,857
Shares . . . . .	30,934
Accounts receivable . . . . .	42,250
Blocked cash on time deposit . . . . .	1,815
	<u>\$142,567</u>

Contingent liabilities . . . . . \$113,193

### Special loans and commitments

The Company has loans receivable and is committed in connection with the acquisition by employees of houses, automobiles and stock in the Company as follows:

Four loans totaling \$5,618 to board members and managing directors of Group Companies.

Six pledges on assets totaling \$71,538 and ten guarantees totaling \$193,085 as security for loans obtained by board members and managing directors of Group companies.

Pledges on assets in the amount of \$769,231 as security for bank loans obtained by 1,328 Group employees for the purchase of stock in the Company, and loans totaling \$29,652 to these employees, representing part of the interest on said bank loans, in accordance with the Company's "stock loan" offer of 1973.



# Year's Review

## SWEDEN

Orders booked within Sweden rose 7.2 percent during 1973, from \$191.4 million to \$205.2 million.

Lower orders from Government agencies were offset by higher bookings from other customers.

The order backlog at year-end amounted to \$188.1 million, compared with \$187.8 million a year earlier.

The rate of expansion of the Swedish telecommunications system was low, affecting orders for exchange and transmission equipment and for cable.

During the year, the first agreements were signed licensing non-Group companies to manufacture cross-stranded cable.

Orders for transmission equipment include an initial contract for the newly developed second generation of amplify-

ing equipment for coaxial cables, with a capacity of 2,700 channels.

The stored program controlled trunk exchange at Fredhäll, in Stockholm, was delivered towards the end of the year and is now being placed in service.

A number of contracts for equipment were received from the Swedish defense forces, the most important of which involves development work for radar for the fighter version of the Viggen plane.

Svenska Radio AB recorded sharply increased bookings for mobile radio units for use in vehicles and as small portable stations.

The improvement in the economy had a favorable effect on the sale of internal communications systems marketed by LM Ericsson Telemateriel AB. The increase was most marked in the private sector.

During the summer Sieverts Kabelverk AB completed the laying of an 84-kilovolt submarine cable for transmitting electric power from Sweden to Aaland.



Sharply increased demand for electrical components, particularly notable during the latter part of the year, was reflected in AB Rifa's sales, which were substantially higher than during the preceding year.

Sieverts Kabelverk had a good year, thanks to higher capital expenditures by industry which made up for the reduced demand for wire resulting from lower residential construction.

Thorsman & Co. maintained its leading position as a manufacturer of fixing devices, cast-in boxes and electrical skirting systems.

New buildings placed in service during the year included a 144,000 sq.ft. addition to the Parent Company's warehouse at Huddinge, outside Stockholm, and a 100,000 sq.ft. factory at Kumla for Svenska Radio AB's production of mobile radio equipment.

## EUROPE (excluding Sweden)

The sharp rise in order bookings in the Group's European markets outside Sweden continued during the year. Orders booked totaled \$678.4 million, an increase of 25 (25) percent over the preceding year. Sales rose from \$462.9 million to \$590.5 million, or 27 (33) percent. The order backlog at year-end from this market area amounted to \$582.7 million, compared with \$484.3 million a year earlier.

Sales in the major markets were distributed as follows:

Millions of dollars	1973	1972
Italy	\$179.2	\$140.7
France	122.8	99.0
Norway	59.9	47.8
Denmark	51.1	40.9
Finland	42.5	38.3
Spain	38.4	20.5
Great Britain	25.3	13.1
The Netherlands	22.3	17.8
Other Western European countries	39.1	37.5
Eastern Europe	9.9	7.3
	<b>\$590.5</b>	<b>\$462.9</b>

### Italy

The modernization and expansion of the Italian telecommunications system under the direction of SIP, the government telephone operating company, continued at full speed.

The Group's subsidiary FATME, whose operations cover the principal products in the telecommunications field, continued to receive substantial orders and deliveries in-

creased sharply during the year. Supplementing an earlier substantial contract for a stored program controlled trunk exchange for the city of Naples, an order was received for a similar exchange for the city of Palermo.

Operating results recorded by a pilot system for automatic train blocking, developed by FATME, were favorable and prospects for reaching a large market in this rapidly expanding field are considered good.

The new 240,000 sq.ft. plant at Pagani, near Naples, was gradually placed in service during the first quarter of 1974 and is expected to provide employment for about 1,000 persons by the end of the year. Further expansion of FATME's resources in the field of production, as well as in the technical and administrative departments, has been approved. Labor conditions have been peaceful since a new wage agreement was reached in the early part of April, 1973. The agreement resulted in very sharp increases in wages.

SIELTE, the line construction company, continued to develop favorably and participated very actively in the expansion of the telecommunications system.

### France

Société Française des Téléphones Ericsson (STE) received substantial orders within the framework of the major expansion of public telecommunications in France. Deliveries exceeded those of the preceding year but the rate of increase was somewhat lower.

Good results were achieved in the sale of private exchanges and orders were substantially higher than during 1972. Additional contracts were received for the new "PE 1024" stored program controlled exchange.

The new central warehouse at the plant in St. Nicholas was placed in service during the year. A 160,000 sq.ft. plant at Cergy, outside Paris, was completed in the early part of the current year. The move to the new facility is under way. It will be used for production of equipment utilizing electronic components, primarily the "PE 1024" exchange.

Rationalization of production produced good results. Measures adopted included completely new methods for manufacturing miniature relays and other special relays.

### Norway

Reductions in public expenditures affected the Norwegian Telecommunications Administration's purchase of exchange equipment. Orders booked by A/S Elektrisk Bureau in this field were thus lower than in 1972. But the decline was offset by increased contracts in such other product fields as transmission equipment and private exchanges. Orders included a large exchange for the Norwegian broadcasting system.

The first telephone exchanges utilizing the newly developed "AKK 50" electronically controlled rural exchange system were placed in operation at the beginning of the year. Operating results have been very favorable.

Inspecting a section of cable for converting 4 MHz coaxial system lines into 12 MHz. The conversion, which did not interrupt trunk traffic between Lisbon and Porto in Portugal, increased the number of simultaneous telephone circuits from 960 to 2,700.



Exports of mobile carrier frequency equipment increased very satisfactorily.

The first deliveries of a field telephone, developed in close cooperation with the Norwegian defense authorities, were begun during the year.

A/S Norsk Kabelfabrik's sales were somewhat higher than in 1972 as the result of sharply increased demand during the last part of the year. Tests of the first deliveries of a new cable-laying system for field telephone systems, developed for the Norwegian defense authorities, produced good results.

#### **Denmark**

A higher rate of growth in the number of subscribers of the Danish telephone administrations had a favorable impact on orders for telephone exchanges booked by LM Ericsson A/S.

The stored program controlled trunk exchanges in Copenhagen and Aalborg were turned over to the respective administrations to be cut into service at the beginning of the current year. An additional exchange of this type has been ordered for Aarhus.

The last rural exchange in Jutland was automated during the year. Ericsson has now delivered equipment for more than half a million subscriber lines in this part of Denmark.

Cultivation of the market for transmission equipment,

private exchanges and other telecommunications equipment was successful.

Limited appropriations for the Danish State Railways affected orders booked by Dansk Signal Industri A/S. Order bookings as a whole were unchanged, however.

Both Danish subsidiaries were affected by the three-week general strike in Denmark at the beginning of 1973. The new agreements resulted in substantially higher labor costs.

#### **Finland**

The Group subsidiary, Oy LM Ericsson Ab, maintained its strong position in the public telephone market in Finland despite very active competition from several international telephone manufacturers. During the year long-term agreements on deliveries of local exchanges were signed with the telephone administrations in Tampere and Turku.

The Finnish national telephone administration placed a substantial add-on contract to an order placed earlier for a stored program controlled trunk exchange. Expansions of the same type of exchange were also ordered by the administrations in Helsinki and Turku.

An initial order of 60 MHz systems for coaxial cables was received.

The market for private exchanges developed very favorably.

A new vote-recording system with an advanced sound

distribution installation was placed in service in the Finnish Parliament, meeting the high expectations for the facility.

Due to the need for increased production capacity, construction of a new plant was started at Brahestad, on the Finnish west coast.

### Spain

Orders for exchange equipment booked during the year by Compañía Telefónica Nacional de España (CTNE) substantially exceeded those of the preceding year. The country's telecommunications expansion program for the next few years comprises large amounts of equipment for local and trunk traffic.

Installations during the year increased sharply.

The new plant in Leganés, a suburb of Madrid, was occupied during the year. It has 300,000 sq. ft. of floor space, not including office space, lunch rooms, etc. totaling 100,000 sq. ft. The move to a smaller plant at La Coruña also took place during the year.

The number of employees in Industrias de Telecomunicación, S.A. (Intelsa) is now close to 3,000.

LM Ericsson S.A., the subsidiary producing railway signaling equipment for the Spanish State Railways, and which handles the private market for internal telephone systems, took over Intelsa's plant in Getafe. Operations developed favorably.

### Great Britain

Swedish Ericsson Telecommunications Ltd. substantially increased its sales of private exchanges and its order bookings for the year were 80 percent higher than in 1972. As a result of delays in customers' building programs, installations were below the anticipated level.

The installation and testing of the international trunk exchange at Mollison House, London, ordered by the Post Office Corporation, continued according to schedule.

As noted in the Board of Directors' report, cooperation with Thorn Electrical Industries Ltd. was initiated during the year.

### The Netherlands

Appropriations for the Government telephone administration continued to be limited, and orders for public telephone exchanges booked by Ericsson Telefoonmaatschappij B. V. were largely unchanged. Sales of other telecommunications equipment to the same customer increased, however, and total order bookings were 40 percent higher than in the preceding year.

The first expansion of the Rotterdam stored program controlled trunk exchange was cut into service and the administration ordered a second expansion of the system.

A 30,000 sq.ft. addition to the Dutch factory was placed in operation and a new office building of the same size was completed at the beginning of the current year.

### Other European countries

Cooperation with the Irish Post and Telegraph authorities resulted in a substantial increase in orders, which included crossbar equipment for continued automation of exchanges in provincial cities as well as for expansion of local and trunk traffic in Dublin.

Construction of a new factory for the production of telecommunications material in Athlone got under way and the plant will be occupied during the current year. Thorsman & Co AB will erect a plant in Ireland for the manufacture of connectors, fuse boxes and other material used in electrical installations.

The trend of business in other Group markets in Western Europe was generally satisfactory.

## LATIN AMERICA

Order bookings in Latin America rose 89 percent, from \$252.5 million in 1972 to \$476.6 million in 1973. The rate of increase in 1972 had been 23 percent. Sales totaled \$207.6 million, compared with \$178 million a year earlier, an increase of 17 (5) percent. The backlog of order bookings in this market at year-end amounted to \$546 million, as against \$284.2 million at year-end 1972.

The distribution of sales in the major markets was as follows:

Millions of dollars	1973	1972
Brazil	\$ 85.1	\$ 65.6
Mexico	56.4	48.8
Colombia	21.1	16.6
Venezuela	17.2	19.3
Argentina	13.2	11.6
Other countries	14.6	16.1
	<b>\$207.6</b>	<b>\$178.0</b>

### Brazil

The Brazilian government continued its efforts to rapidly expand the country's telecommunications system. During the year, TELEBRAS, the newly formed government telecommunications holding company, took over control of most of the telephone operating companies. The operations of Ericsson do Brasil (EDB) were highly successful, despite intensified competition from a number of the international telephone manufacturers, and the company achieved a very substantial increase in orders.

Delivery orders were received for all equipment specified in the 1972 framework agreement with the telephone administration in São Paulo covering 500,000 lines of subscriber

Telephone exchange equipment being manufactured at the Ericsson subsidiary in Colombia, Ericsson de Colombia S.A.



equipment. Delivery orders were also received for all of the equipment covered in a new framework agreement comprising 300,000 lines that was signed with TELEBRAS during the year.

The largest contracts for crossbar exchanges for local traffic involved the cities of São Paulo, Porto Alegre, Campinas, Salvador, Recife, Fortaleza and Belém.

EMBRATEL, the government company responsible for long distance traffic, placed very large orders for new trunk exchanges and for the expansion of existing exchanges.

Orders for private exchanges, telephone instruments and transmission equipment were higher than in the preceding year.

Production capacity at EDB will be increased substantially in view of the high order bookings and the anticipated trend of the market.

Construction of two plants with a total of 165,000 sq. ft. is under way in the vicinity of the present factory at São José dos Campos. An additional plant with an area of 150,000 sq. ft. is in the planning stage in the same locality.

Construction of two factories, each with an initial floor space of 95,000 sq. ft., has also been approved in the states of Minas Gerais and Rio Grande do Sul.

The new construction program will mean an increase in plant facilities equal to the size of the present factory complex in São José dos Campos. Including an expansion completed during the year, the latter now totals nearly 500,000 sq. ft.

In connection with the major expansion, increased resources will be allocated to train company and customer personnel in the engineering and maintenance of telephone exchanges.

Operations at FICAP, the cable manufacturing company, continued to expand. The product program was broadened during the year with the addition of rubber-insulated power cable and vaseline-filled telephone cable. Level demand and improved materials control resulted in a 30 percent increase in production.

## Mexico

The growth rate of the Mexican telephone system continued to be very high and the number of telephones in the network operated by Teléfonos de México, the national company, increased 14 percent during the year.

Orders received by Teleindustria Ericsson S.A. were the highest recorded to date, comprising substantial quantities of exchange equipment to handle local and trunk traffic, along with transmission systems.

An additional order was received for a stored program controlled trunk exchange, to be installed in the city of Guadalajara. The two exchanges of this type ordered earlier—for Mexico City and Monterrey—will be expanded through add-on contracts. The Mexico City exchange was placed in service during the year.

The first orders were received for a computer controlled "group selector" recently developed by the Parent Company. It is intended for use in large local systems.

The first (AKK 50) rural exchanges, based on a new system with control functions constructed with electronic components, were cut into service during the year.

The new factory and office facilities in Tlalnepantla, a suburb of Mexico City, were inaugurated by the president of Mexico in December. The facilities are being expanded to meet the need for additional space.

The cable manufacturing company, LATINCASA, improved its order bookings and sales. The increase in deliveries of installation wire was most striking. LATINCASA received a notable export order for telephone cable from Venezuela.

#### Colombia

Major orders from the municipal telephone administrations in Colombia covered equipment to expand the local exchange systems in Bogotá and Medellín by 70,000 and 40,000 subscriber lines respectively. An agreement was signed with the government telephone company (ENT) covering expansions of the long distance network linking the major cities.

The cable manufacturing company, FACOMECA, had sharply higher sales of power cable and installation wire as a result of higher capital expenditures by industry and increased residential construction.

#### Venezuela

The Group received a large order for transmission equipment from CANTV, the Venezuelan telephone administration. The project, which is being financed by the World Bank, will involve a doubling of the country's long distance system.

A long strike of installation personnel prevented Compañía Anónima Ericsson from carrying out its installation program. The strike, which also affected CANTV, resulted in a deferment of the administration's expansion plans.

#### Argentina

Economic conditions in Argentina were marked by high inflation and unrest in the labor market. While the Group's telephone operating companies were granted rate increases at mid-year, the new tariffs were inadequate to offset the high rise in labor costs. Orders booked by the cable manufacturing company, Industrias Eléctricas de Quilmes, from the government sector decreased and sales to industrial customers also stagnated during the second half of the year.

Compañía Ericsson S.A.C.I. began limited production of private exchanges and telephone instruments for the local market, where the import of these products in finished form is prohibited.

#### Other countries

Orders for public telephone exchange equipment in the Group's other markets in Latin America included equipment for major expansions in Panama, El Salvador and Ecuador. Orders from the latter country were made under a credit agreement covering equipment requirements for several coming years.

A new market was opened in Haiti through receipt of a contract for local exchanges in the capital city of Port au Prince.

## AUSTRALIA, ASIA AND AFRICA

Combined order bookings in Australia, Asia and Africa rose from \$105.8 million in 1972 to \$178.2 million in 1973. Major orders from customers in Asia, notably in the Near East, accounted for the high rate of increase which amounted to 68 (8) percent.

The combined order backlog from these market areas at year-end was \$171.6 million (\$109.7 million).

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

Millions of dollars	1973	1972
Australia	\$ 54.3	\$ 46.1
Near East	25.6	21.3
Asia, excluding Near East	20.3	19.6
Africa	21.2	17.1
	<b>\$121.4</b>	<b>\$104.1</b>

#### Australia

LM Ericsson Pty. Ltd. (EPA), which had been forced to reduce production in 1972 due to limited government appropriations for the telecommunications administration, received higher orders for the 1973/74 budget year. Production was thus again raised to a more satisfactory level. Disturbances in the labor market, including repeated strikes at power plants and in the transport sector, made operations difficult.

The first exchanges in a major communications system for the Australian State Railways in New South Wales were turned over to the customer during the year. The international telex exchange in Auckland, New Zealand, was also placed in service.

A.E.E. Capacitors Pty. Ltd. recorded increased sales as a result of the sharply increased demand for capacitors.

#### Asia

The telephone administration in Malaysia placed orders for local and trunk exchanges to handle approximately 50,000 subscriber lines. The equipment is being delivered from the

Telephone operators in Antigua, West Indies, working a new switchboard for international and national telephone traffic.



Group's local manufacturing company, Telecommunication Manufacturers (Malaysia) SDN BHD. The company's production was more fully integrated during the year and an expansion of the factory is planned.

The first agreement covering the supply of public telephone exchanges in India was signed with the administration in that country. The contract covers equipment for 10,000 subscriber lines in New Delhi.

Substantial contracts were signed with the authorities in Kuwait, Iraq, Saudi Arabia and Oman.

The Group has already supplied equipment to the first three countries. The new agreements cover expansions of existing telephone exchanges in Kuwait and Saudi Arabia, together with deliveries of cable. In Iraq the Group will supply substantial quantities of cable and line equipment.

The order from Oman is the first for the Group. It comprises equipment for a country-wide telephone system, with deliveries of exchange equipment, telephone instruments, cable and transmission equipment.

### **Africa**

The Group was the winner in competitive bidding in Egypt to supply railway signaling equipment. The project, largely financed through the World Bank, involves electronic remote control and train describer systems for the Cairo region.

Algeria became a new market for the Group's telephone exchange systems through the receipt of an order for exchange equipment, including certain transmission material, to handle 53,000 subscriber lines. The equipment will be installed in Oran and in surrounding cities.

In Libya, an agreement was signed covering installations of cable. Similar work will also be performed in connection with the current expansion of the telephone system in Zambia.

## **UNITED STATES AND CANADA**

Ericsson Centrum Inc. (ECI), in the United States, increased its order bookings substantially. During the year MCI Communications Corporation took deliveries of carrier frequency equipment under the framework agreement noted in last year's Annual Report. The equipment is included in MCI's telecommunications network for voice and data communication between a number of major cities in the U.S.

## **PERSONNEL**

Both the Parent Company and the Swedish subsidiaries strengthened their manpower resources during the year and the total number of employees in Sweden increased by nearly 1,200.

The need for increased personnel in Sweden resulted largely from rising demand in countries where the Group has its own plants but where supplementary deliveries from Sweden are required as part of the finished product manufactured locally. Expansion in foreign markets was thus the primary factor contributing to the creation of new jobs in the Swedish sector of the Group.

In many places it was difficult to meet the need for skilled workers to the degree desired. These shortages were relieved to a substantial degree, however, through supplementary internal training of personnel.

LM Ericsson Pty. Ltd. in Australia received a citation from the state of Victoria for the company's contribution to the decentralization of industry and employment in the state. The citation was based on the decentralization of the plant at Morwell where 500 jobs were opened up for women and where substantial training of unskilled manpower has taken place.

### **Consultation and cooperation**

Various forms of cooperation and consultation involving employees were further developed in many companies throughout the Group.

In the Swedish sector of the Group, employee representatives began to participate in meetings of boards of directors, in accordance with the law that became effective during the year. Similar legislation also began to apply in Norway and will come into effect in Denmark during 1974.

A new law became effective in Sweden during the year under which corporations and public authorities are required to regularly and systematically exchange information on planning in such areas as capital investments and employment. The Management-Labor Councils participated in the consultations relating to the planning information that was transmitted.

### **Health care**

The Company's health and safety program—designed to safeguard employees' health and to create working conditions and methods designed to prevent accidents and ill health—was further expanded and developed throughout the entire Group.

The exchange of experience between Group companies on health and safety matters was further expanded through contact activities and the assembling of data.

### **Funds**

Substantial disbursements were made from the special funds and assistance programs to assist needy persons in cases of illness occurring throughout the Group. Disbursements from the "Dr. Marcus Wallenberg fund" were the largest to date.

### **Training**

The comprehensive program at Ericsson's "International Training Center" in Midsommarkransen, where employees of foreign customers and Group companies are trained, continued unchanged during the year. A new program was



In the fall, the union for blue-collar workers at Ericsson's main factory in Stockholm celebrated its 75th anniversary. Arne Mohlin, Ericsson's Executive Vice President in charge of Production (left), is seen presenting a model-1892 telephone to union chairman Henning Augustsson (right) and union vice chairman Stanley Oscarsson.



started in the Parent Company for training in the planning and management of technical and administrative work.

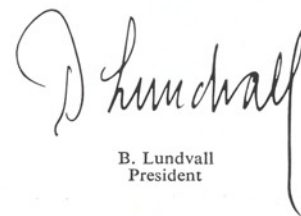
A new law, which came into effect in Sweden during the year, gives immigrant employees the right to training in the Swedish language during working hours with no loss in wages. The law affects a substantial number of Ericsson employees and an agreement on the arrangements for this instruction was reached with the unions at the end of the year.

Training activities increased significantly at the Group's two large training centers outside Sweden: "Centro Ericsson" in Brazil and "Centro de Entrenamiento Latinoamericano Ericsson" in Mexico. Comprehensive training programs were also carried out at other subsidiaries.

Many employees carry on their studies outside the Group with the aid of grants. In Sweden, for example, 79 such grants were made and 28 were made by the Dutch subsidiary. In the Spanish subsidiary, the sum of \$16,500 was distributed to employees who wish to continue their studies away from their jobs.

The Ericsson Group achieved a substantial improvement in profits during 1973, to which virtually all units within the Group contributed. This was accomplished thanks to determined efforts and an atmosphere of trust and cooperation among employees in the various Group companies. The combination of skill and capacity to cooperate across national boundaries, which is a distinguishing quality of the Group's employees, provides a sound basis for continuing favorable growth.

Stockholm, April, 1974

  
B. Lundvall  
President

## CONSOLIDATED NET SALES BY PRODUCT GROUPS AND MARKETS

		1973	%	1972	%
GROUP SALES BY PRODUCTS	Public telephone exchanges . . . . .	\$ 529,321,000	46.2	\$427,707,000	45.3
	Private exchanges and telephone instruments . . . . .	193,364,000	16.9	165,683,000	17.5
	Transmission equipment for telecommunications and radio systems . . . . .	82,753,000	7.2	65,554,000	7.0
	Other systems and components . . . . .	87,586,000	7.7	70,458,000	7.5
	Military electronics and development projects . . . . .	36,957,000	3.2	31,798,000	3.4
	Cable, wire and line equipment . . . . .	173,198,000	15.1	147,754,000	15.6
	Products manufactured by others . . . . .	42,386,000	3.7	34,814,000	3.7
	Total	<u>\$1,145,565,000</u>	<u>100.0</u>	<u>\$943,768,000</u>	<u>100.0</u>

OVERALL GEOGRAPHIC DISTRIBUTION OF SALES		1973	%	1972	%
Sweden . . . . .	\$ 205,365,000	17.9	\$178,547,000	18.9	
Europe (excluding Sweden) . . . . .	590,491,000	51.6	462,932,000	49.1	
Latin America . . . . .	207,587,000	18.1	178,030,000	18.9	
Australia, Asia and Africa . . . . .	121,420,000	10.6	104,089,000	11.0	
U.S.A. and Canada . . . . .	20,702,000	1.8	20,170,000	2.1	
Total	<u>\$1,145,565,000</u>	<u>100.0</u>	<u>\$943,768,000</u>	<u>100.0</u>	

DISTRIBUTION OF SALES IN EUROPE (EXCLUDING SWEDEN)		1973	1972
Italy . . . . .	\$179,233,000	\$140,760,000	
France . . . . .	122,743,000	98,977,000	
Norway . . . . .	59,903,000	47,767,000	
Denmark . . . . .	51,123,000	40,933,000	
Finland . . . . .	42,466,000	38,330,000	
Spain . . . . .	38,425,000	20,472,000	
Great Britain . . . . .	25,344,000	13,100,000	
The Netherlands . . . . .	22,265,000	17,788,000	
Other countries . . . . .	48,989,000	44,805,000	
	<u>\$590,491,000</u>	<u>\$462,932,000</u>	

DISTRIBUTION OF SALES IN LATIN AMERICA		1973	1972
Brazil . . . . .	\$ 85,108,000	\$ 65,614,000	
Mexico . . . . .	56,431,000	48,814,000	
Colombia . . . . .	21,060,000	16,549,000	
Venezuela . . . . .	17,218,000	19,319,000	
Argentina . . . . .	13,229,000	11,633,000	
Other countries . . . . .	14,541,000	16,101,000	
	<u>\$207,587,000</u>	<u>\$178,030,000</u>	

DISTRIBUTION OF SALES IN AUSTRALIA ASIA AND AFRICA		1973	1972
Australia . . . . .	\$ 54,327,000	\$ 46,125,000	
Near East . . . . .	25,608,000	21,343,000	
Asia (Near East excluded) . . . . .	20,262,000	19,589,000	
Africa . . . . .	21,223,000	17,032,000	
	<u>\$121,420,000</u>	<u>\$104,089,000</u>	

All amounts translated at the rate of S.Kr. 4.55 to U.S. \$1.00.

## THE ERICSSON GROUP/10-YEAR FINANCIAL SUMMARY

### INCOME DATA

Dollar amounts in thousands except per share figures

	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964
Net sales	\$1,145,565	943,768	826,182	694,401	638,849	554,084	503,430	442,635	437,579	363,335
Income before special adjustments and taxes	\$ 194,195	118,862	104,792	109,646	101,773	80,424	70,239	66,965	68,189	47,269
Percent of sales	17.0 %	12.6 %	12.7 %	15.8 %	15.9 %	14.5 %	14.0 %	15.1 %	15.6 %	13.0 %
Depreciation	\$ 44,168	35,693	28,174	24,040	20,095	18,775	17,753	15,748	15,578	12,549
Special adjustments	\$ 37,697	20,943	35,317	31,195	23,731	14,128	17,154	18,120	22,682	14,329
Swedish and foreign income taxes	\$ 76,682	45,538	31,786	36,109	41,261	33,707	25,946	20,433	23,043	16,587
Reported net income	\$ 61,549	39,558	29,078	38,479	33,368	30,133	24,332	25,423	20,822	15,429
Per share	\$ 4.00	2.57	1.89	2.50	2.17	1.96	1.58	1.65	1.35	1.00
Adjusted net income per share	\$ 4.94	3.14	2.82	3.48	2.91	2.38	2.11	2.23	2.10	1.34
Dividend	\$ 18,591	16,901	14,873	14,873	14,873	11,267	10,141	10,141	9,390	7,512
Per share	\$ 1.21	1.10	.97	.97	.97	.73	.66	.66	.61	.49
(for 1973 as proposed by the Board of Directors)										

### BALANCE SHEET DATA

(year-end)

Net working capital	\$723,229	624,269	473,221	403,514	346,328	315,507	259,451	267,405	232,502	210,892
Ratio of current assets to current liabilities	2.1 to 1	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
Net property, plant and equipment	\$296,602	237,173	218,181	172,222	144,912	131,364	128,099	108,776	107,625	91,989
Long-term debt	\$391,348	359,430	242,495	167,116	113,669	105,127	66,419	68,527	44,396	41,943
Minority interest	\$ 97,126	79,191	53,427	35,454	28,953	25,986	22,473	19,536	17,777	15,571
Stockholders' equity	\$421,947	345,064	318,340	304,130	275,969	253,412	221,009	203,093	175,914	154,088

### OTHER DATA

(year-end)

Capital expenditures for property, plant and equipment	\$85,952	81,486	88,409	59,922	35,824	36,915	41,578	28,099	21,334	21,096
Number of employees	75,600	70,600	66,900	61,900	53,600	48,700	46,400	43,800	44,000	41,700
Number of shares outstanding	15,380,117	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
Backlog of orders	\$1,493,440	1,071,429	900,879	793,626	663,297	623,297	551,429	540,000	502,857	446,593

All per share figures are based on the number of shares after stock dividends in 1965 (one for four), 1967 (one for five), 1969 (one for five) and 1973 (one for four)

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, 1973 of S.Kr. 4.55 to \$1.00.

# THE ERICSSON GROUP with associated companies\* and representatives

	SWEDEN	EUROPE (excluding Sweden)	
<b>SALES COMPANIES WITH MANUFACTURING</b>	<p><b>Stockholm</b> Telefonaktiebolaget LM Ericsson AB Rifa Sieverts Kabelverk AB Svenska Radio AB AB Transvertex Mekanomatik AB</p> <p><b>Nyköping</b> Thorsman &amp; Co AB</p> <p><b>Kungsbacka</b> *P Boréns Fabriks AB</p> <p><b>Alingsås</b> *Kabeldon AB</p> <p><b>Malmö</b> *Bjurhagens Fabrikers AB</p> <p><b>Norrköping</b> *AB Norrköpings Kabelfabrik</p>	<p><b>DENMARK Copenhagen</b> Dansk Signal Industri A/S *GNT AUTOMATIC A/S</p> <p><b>FINLAND Jorvas</b> Oy LM Ericsson Ab</p> <p><b>FRANCE</b> <b>Boulogne sur Mer</b> RIFA S.A.</p> <p><b>Paris</b> Société Française des Téléphones Ericsson</p> <p><b>IRELAND Dublin</b> LM Ericsson Ltd.</p> <p><b>ITALY Rome</b> FATME Soc. per Az.</p>	<p><b>THE NETHERLANDS Rijen</b> Ericsson Telefoonmaatschappij B.V.</p> <p><b>NORWAY</b> <b>Drammen</b> *A/S Norsk Kabelfabrik</p> <p><b>Oslo</b> *A/S Elektrisk Bureu</p> <p><b>SPAIN Madrid</b> Industrias de Telecomunicación S.A. (Intelsa) LM Ericsson S.A.</p> <p><b>UNITED KINGDOM London</b> *Thorn-Ericsson Telecommunications (Mfg) Ltd.</p>
<b>SALES AND INSTALLATION COMPANIES</b>	<p><b>Stockholm</b> LM Ericsson Telemateriel AB *Svenska Elgrossist AB SELGA *Holm &amp; Ericsons Elektriska AB *SELGA Mellansverige AB</p> <p><b>Gothenburg</b> *SELGA Västsverige AB</p> <p><b>Malmö</b> *SELGA Sydsverige AB</p> <p><b>Norrköping</b> *SELGA Östsverige AB</p> <p><b>Sundsvall</b> *SELGA Norrland AB</p>	<p><b>DENMARK</b> <b>Copenhagen</b> LM Ericsson A/S</p> <p><b>FRANCE</b> <b>Paris</b> Thorsmans S.A.R.L.</p> <p><b>Marseille</b> Etablissements Ferrer-Auran S.A.</p> <p><b>ITALY</b> <b>Rome</b> SIELTE Soc. per Az.</p> <p><b>NORWAY</b> <b>Oslo</b> SRA Radio A/S *A/S Telesystemer *A/S Industrikontroll</p> <p><b>PORTUGAL</b> <b>Lisbon</b> Sociedade Ericsson de Portugal Lda</p> <p><b>SWITZERLAND</b> <b>Zurich</b> Ericsson AG</p>	<p><b>UNITED KINGDOM</b> <b>Chorley</b> Thorsman &amp; Co. Ltd.</p> <p><b>Horsham</b> *Swedish Ericsson Telecommunication Ltd. Swedish Ericsson Company Ltd. Swedish Ericsson Rentals Ltd.</p> <p><b>London</b> *EB Marine Communications Ltd. *EB Marine Leasing Ltd.</p> <p><b>WEST GERMANY</b> <b>Hamburg</b> *EB Marine Nachrichtentechnik GmbH</p> <p><b>Hanover</b> Ericsson Centrum GmbH</p> <p><b>Lüdenscheid</b> Thorsman &amp; Co GmbH</p>
<b>REPRESENTATIVES</b>		Austria, Belgium, Greece, Iceland, Luxemburg, Yugoslavia	
<b>OTHER COMPANIES</b>	<p><b>Stockholm</b> ELLEMETEL Utvecklings AB</p>	<p><b>ITALY</b> <b>Rome</b> SETEMER Soc. per Az.</p>	<p><b>UNITED KINGDOM</b> <b>London</b> *Thorn-Ericsson Telecommunications Ltd.</p>
<b>TECHNICAL OFFICES</b>		<p><b>POLAND</b> <b>Warsaw</b> Telefonaktiebolaget LM Ericsson</p>	

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ASIA OCEANIA****USA  
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 Cía Ericsson S.A.C.I.  
 Industrias Eléctricas de Quilmes S.A.

**BRAZIL**  
**São Paulo**  
 Ericsson do Brasil Comércio e Indústria S.A.

**Rio de Janeiro**  
 Fios e Cabos Plásticos do Brasil S.A.

**São José dos Campos**  
 Telecomponentes Comércio e Indústria S.A.

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 Ericsson de Colombia S.A.

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 Telefonaktiebolaget LM Ericsson Installation Branch

**UNITED STATES**  
**New York, N.Y.**  
 Ericsson Centrum, Inc.

**CANADA**  
**Montreal**  
 LM Ericsson Ltd.

\*\* Branch office

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United Arab Emirates, Bahrain, Bangladesh, Burma, New Caledonia, Cambodia, Cameroon, Central African Republic, Chad, People's Republic of the Congo, Cyprus, Dahomey, Ethiopia, French Territory of the Afar and Issa, Gabon, Guinea, Hong Kong, Iran, Iraq, Ivory Coast, Jordan, Kenya, Kuwait, Liberia, Libya, Macao, Malagasy, Malawi, Mali, Mauretania, Mozambique, Namibia, Nepal, New Zealand, Niger, Nigeria, Oman, Pakistan, Réunion, Saudi Arabia, Senegal, Republic of South Africa, Sri Lanka, Sudan, Syria, Tahiti, Taiwan, Tanzania, Tunisia, Uganda, Republic of Vietnam, Upper Volta, Zaïre

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 The Ericsson Corporation

**COSTA RICA**  
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**EL SALVADOR**  
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**ALGERIA** **Algiers**  
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**EGYPT** **Cairo**  
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**ETHIOPIA** **Addis Ababa**  
 Telefonaktiebolaget LM Ericsson

**IRAN** **Teheran**  
 Ericsson Telephone Sales Corporation AB

**IRAQ** **Baghdad**  
 Telefonaktiebolaget LM Ericsson

**KUWAIT** **Kuwait**  
 Telefonaktiebolaget LM Ericsson

**TUNISIA** **Tunis**  
 Telefonaktiebolaget LM Ericsson

# Products and systems

## **PUBLIC TELEPHONE EXCHANGES**

Ericsson is one of the world's leading manufacturers of automatic telephone exchanges for public networks. Ericsson systems are used to handle national, international and inter-continental traffic in many parts of the world. The company's automatic telephone exchanges have proved their reliability over a half-century of continuous service.

The Ericsson crossbar system, which dates from the early 1950's and is approved as standard equipment in many countries, ranks among the most economical and reliable telecommunications systems ever developed. Today these exchanges can also be computer-controlled.

The latest generation of Ericsson automatic telephone exchanges draws upon a specially developed computer technology that permits unusual flexibility in meeting present and foreseeable user and subscriber requirements. Ericsson is the only manufacturer in the world to have installed computer-controlled telephone exchanges for local traffic (1968) as well as national and international trunk traffic (1971).

## **TRANSMISSION EQUIPMENT**

Ericsson is recognized for the high quality of its tele-transmission technology. The most important products in this field are terminal equipment for conventional carrier frequency systems and for PCM (Pulse Code Modulated) systems; radio link equipment, and amplifiers for various transmission systems.

## **CABLE AND WIRE**

Sieverts Kabelverk AB, a subsidiary, and the Parent Company's Cable Division, which manufactures telecommunications cable, put the Ericsson Group in the forefront of cable manufacturers in northern Europe. Sieverts produce both high- and low-voltage power cable as well as cable accessories, wire and related materials. "Cross-stranding", a new production technique developed by the Cable Division, has attracted worldwide attention.

## **SUBSCRIBER EQUIPMENT**

Ericsson manufactures two basic types of telephone exchanges for subscriber use. PABX, which interconnects with the public network, handles calls to the subscriber's own extensions and internally between them. PABX is used in offices, hospitals, factories etc. The other basic type, PAX, is used in internal telephone systems which are not connected with the public network.

The Ericsson subscriber equipment covers a wide range of needs and requirements, from a few up to 9,000 extensions.

Ericsson also produces special telephone systems for schools, hotels and railways, together with conference, entrance telephone and monitoring systems.

## **TELEPHONE INSTRUMENTS**

The world's first desk telephone instrument was introduced by Ericsson in 1892. Since then each new pioneering instrument designed by the Company has further enhanced Sweden's reputation abroad as a "telephone country."

Ericsson is also identified with other types of special purpose instruments, notably loudspeaking telephones. An Ericsson version of the picture telephone is now undergoing field tests in Sweden.

## **NETWORK**

Examples of products in this area are cable cabinets, terminal boxes, protector equipment, jointing material and special purpose tools and machines. Activities in this sector also include the planning of networks through the use of advanced computer programs and the implementation of network projects.

## **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 and is also responsible for Ericsson's sales of automatic telex exchanges.

## **INTERCOM SYSTEMS**

A subsidiary, LM Ericsson Telemateriel AB, is a leading manufacturer of loudspeaking (hands-free) intercom systems capable of serving instruments at from five to more than 5,000 locations. This subsidiary also markets such products as personal paging systems, time-recording systems and various types of security systems.

## **DEFENSE ELECTRONICS**

Ericsson plays a significant role in the development of specialized electronic systems for military defense purposes. The MI Division develops and manufactures various products in this sector, including radar, laser and infrared systems, and radar data extractors. Svenska Radio AB, a subsidiary, is similarly engaged in the development and production of electronic equipment for space and aeronautical applications.

## **RAILWAY AND STREET SIGNALING**

The Parent Company's MI Division develops Centralized Traffic Control (CTC) and Automatic Train Control (ATC) systems, marshaling yard equipment, interlocking plants, automatic and manual block systems and train-describer systems. The MI Division also designs and manufactures road traffic signaling systems ranging from the simplest devices for street intersections to the most complex systems for entire sections of a city.

## **RADIO COMMUNICATIONS**

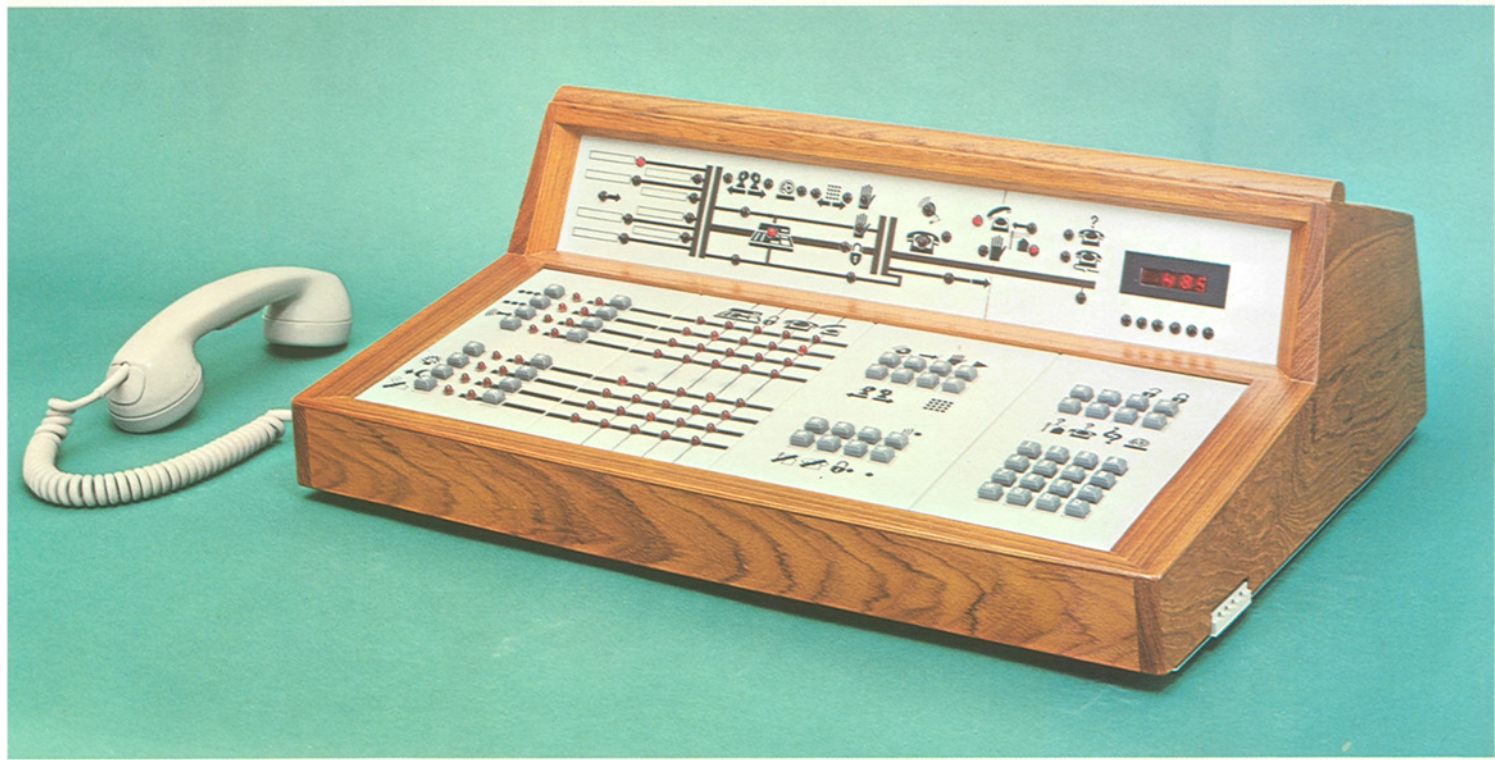
Through Svenska Radio AB and Group affiliates, Ericsson is developing a broad array of radio communications systems, including mobile radio equipment for various civilian and military purposes, marine radio equipment, etc.

## **COMPONENTS**

The Ericsson Group develops and manufactures electronic components on a large scale, mainly through its subsidiary, AB Rifa, Scandinavia's leading manufacturer in this field.

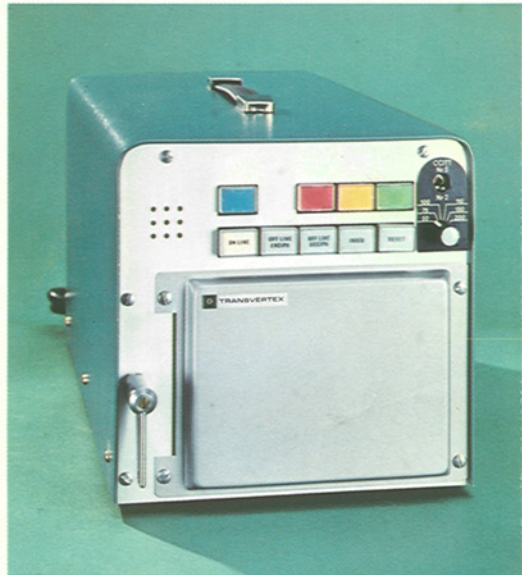
## **OTHER PRODUCTS**

Examples under this heading include power supply equipment, measuring instruments and cryptography equipment.

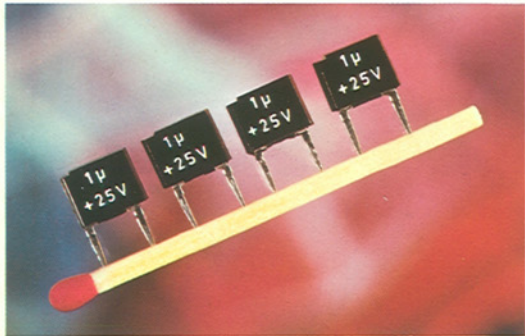


This operator's console for stored program control subscriber exchanges is being design-engineered at ELLEMTEL, a development company jointly owned by Ericsson and the Swedish Telecommunications Administration.

**Some new products**

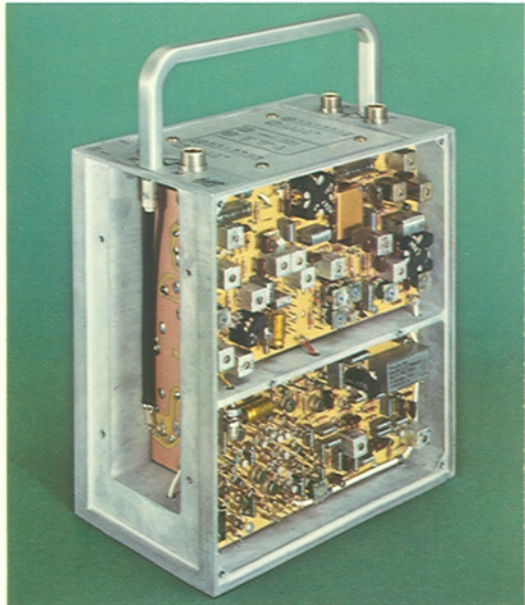


From AB Transvertex: electronic equipment for safeguarding the secrecy of teleprinter traffic or data communication.

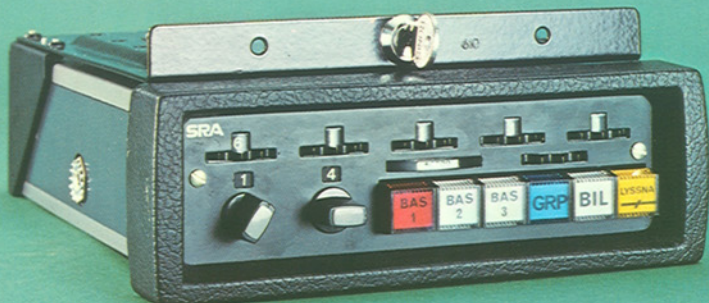


These tantalum capacitors, made by AB Rifa, permit a space saving of about 70 percent compared with conventional capacitors.

From the Parent Company's Long Distance Division: amplifier for the transmission of 2,700 telephone calls by coaxial cable.



From Svenska Radio AB: a new mobile radio station with comprehensive automatic facilities.



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

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