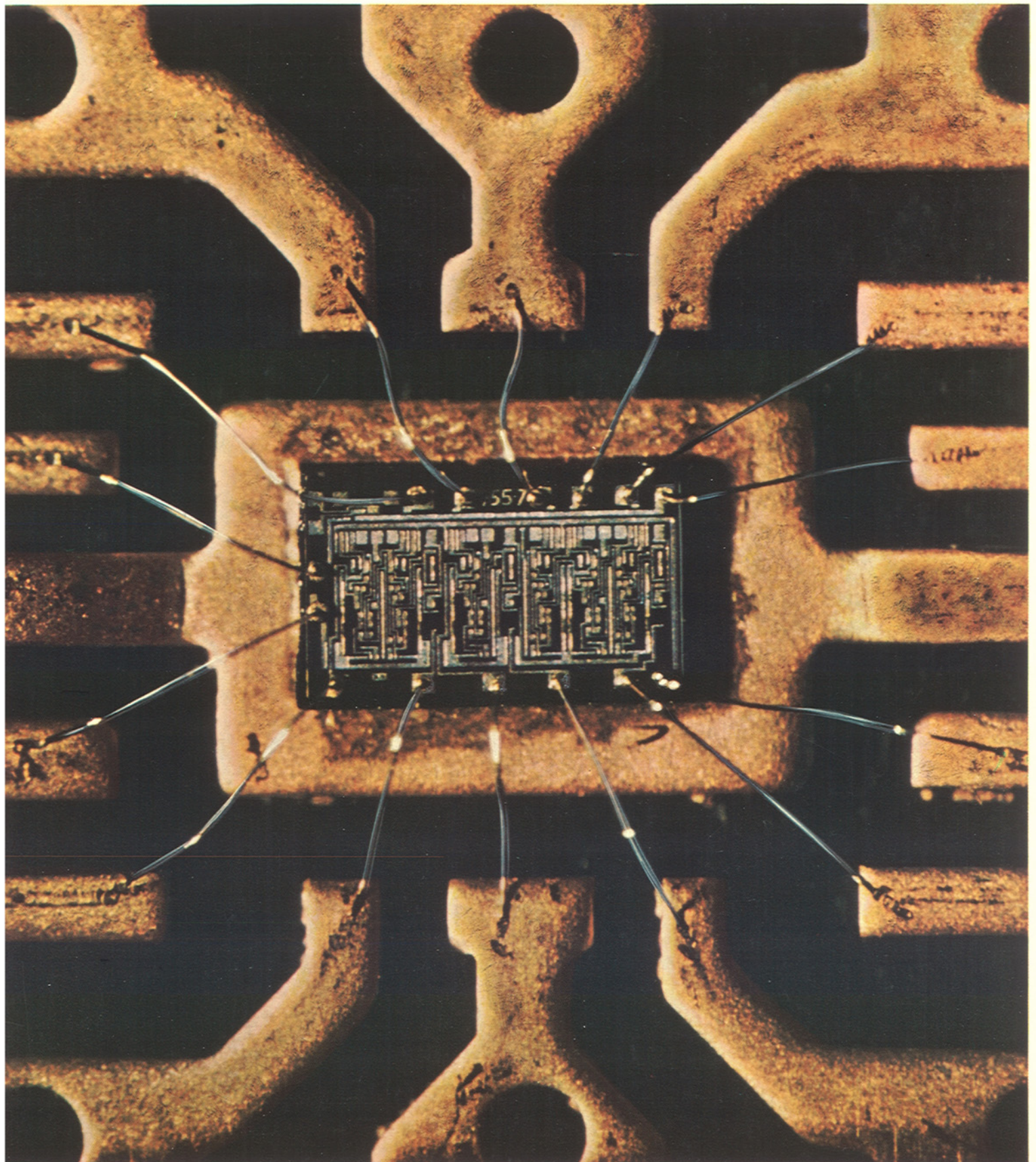


LM ERICSSON
TELEPHONE COMPANY

1970 ANNUAL REPORT
95th YEAR OF OPERATIONS





LM ERICSSON

TELEPHONE COMPANY

1970

ANNUAL REPORT

AND

YEAR'S REVIEW

Page

- 2 Board of Directors and Officers
- 3 Highlights
- 4 Progress Charts 1961-1970
- 5 10-Year Financial Summary
- 6 Consolidated Net Sales by Product Groups and Markets 1970

ANNUAL REPORT OF THE BOARD OF DIRECTORS

- 7 Board Report
- 22 Auditors' Report
- 23 Consolidated Income Statement
- 24 Consolidated Balance Sheet
- 26 Statements of Unappropriated Earnings
- 26 Source and Application of Funds
- 27 Parent Company Income Statement
- 28 Parent Company Balance Sheet
- 30 Investments
- 32 Notes to the Financial Statements

YEAR'S REVIEW

- 35 Sweden
- 36 Europe (excluding Sweden)
- 40 Latin America
- 42 Australia
- 42 Asia
- 42 Africa
- 43 U.S.A. and Canada
- 44 Personnel
- 45 Products Manufactured by the Ericsson Group
- 46 The Ericsson Group, Associated Companies and Representatives

The Annual Meeting of stockholders will be held at the Headquarters Office of the Company in Midsommarkransen, Stockholm, at 10:00 a.m., May 19, 1971.

Cover: Production of complex microcircuits was started at AB Rifa during the year. Photo, magnified more than 40 times, shows one of the first MOS/MSI-circuits produced. It contains 132 transistors among other components.

BOARD OF DIRECTORS

MARCUS WALLENBERG
Chairman

ERIK BOHEMAN
Vice Chairman

LARS-OLOF EKEBERG
RAGNAR WOXÉN

WILHELM SÖDERMAN
SVEN TURE ÅBERG

JAN WALLANDER
BJÖRN LUNDVALL
President

DEPUTY MEMBERS

NILS BERGGREN

LARS-HENNING ZETTERBERG

MARC WALLENBERG JR

OFFICERS

BJÖRN LUNDVALL
President

CHRISTIAN JACOBÆUS
*Executive Vice President
Research and Development*

ARNE MOHLIN
*Executive Vice President
Production*

ARNE STEIN
*Executive Vice President
Sales*

FRED SUNDKVIST
*Executive Vice President
Operations*

GUNNAR SVALLING
*Executive Vice President
Finance*

KARL-AXEL LUNELL
*Vice President
Licensing*

YNGVE ÅKESSON
*Vice President
Operations*

PER AHLSTRÖM
Vice President

OLOF ALSTRÖM
Vice President

STEN ENGSTRÖM
Vice President

SVEN FAGERLIND
Vice President

ERIC LEDIN
Vice President

GÖSTA MATTSSON
Vice President

BERTIL PEHRSSON
Vice President

HANS SUND
Vice President

NILS SVENSSON
Vice President

NILS TENGBERG
Vice President

WORLD HEADQUARTERS

TELEFONAKTIEBOLAGET L M ERICSSON
Midsommarkransen, S-126 11 Stockholm 32, Sweden

U.S. SUBSIDIARIES

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

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

STOCK LISTED ON:

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

A and B shares

B shares

REGISTRAR

L M Ericsson Head Office, Stockholm 32, Sweden

PAYING AGENTS

SWEDEN:
Stockholms Enskilda Bank, Svenska Handelsbanken,
Skandinaviska Banken

U.S.A.:
First National City Bank

ENGLAND:
S. G. Warburg & Co. Ltd.

FRANCE:
Banque de Paris & des Pays-Bas, Crédit Lyonnais,
de Neuflize, Schlumberger, Mallet & Cie

SWITZERLAND:
Pictet & Cie, Swiss Bank Corporation

WEST GERMANY:
Deutsche Bank AG, Berliner Disconto Bank AG, Saar-
ländische Kreditbank AG, Bayerische Vereinsbank, Berlin-
er Handels-Gesellschaft, M. M. Warburg-Brinckmann,
Wirtz & Co., Deutsche Unionbank GmbH, Sal. Oppen-
heim jr. & Cie.

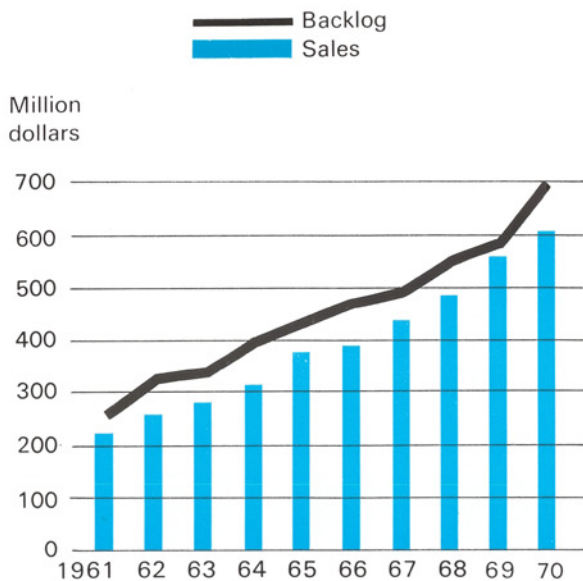


HIGHLIGHTS OF 1970 OPERATIONS

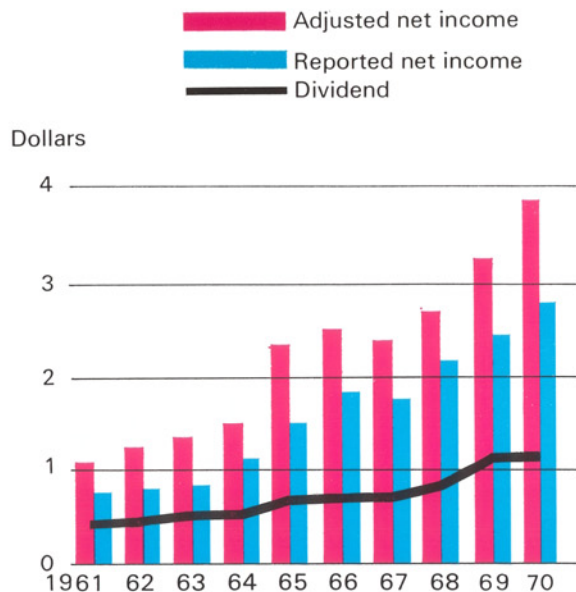
- Consolidated net sales of the Ericsson Group were \$611,127,000. The Group's major markets were: Sweden, 27.2 percent; Europe outside Sweden, 38.5 percent; Latin America, 21.3 percent.
- Income before special adjustments and taxes was \$96,497,000, equal to 15.8 percent of sales.
- Order bookings totaled \$725,900,000.
- The order backlog at year-end was \$698,482,000.
- A cash dividend of \$1.06 per share on the 12,304,094 shares outstanding at year-end is proposed by the Board of Directors.
- The number of Group employees increased to 61,900, of whom 28,600 were located in Sweden.
- Loans totaling \$45,000,000 were negotiated successfully in the European capital market.
- Significant agreements were signed opening up the Spanish market.

THE ERICSSON GROUP

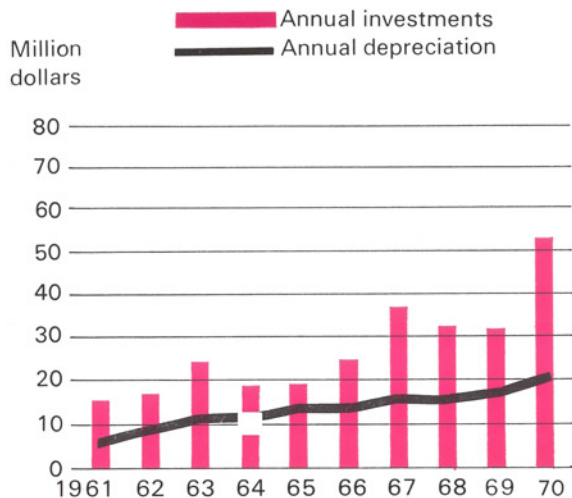
SALES AND BACKLOG



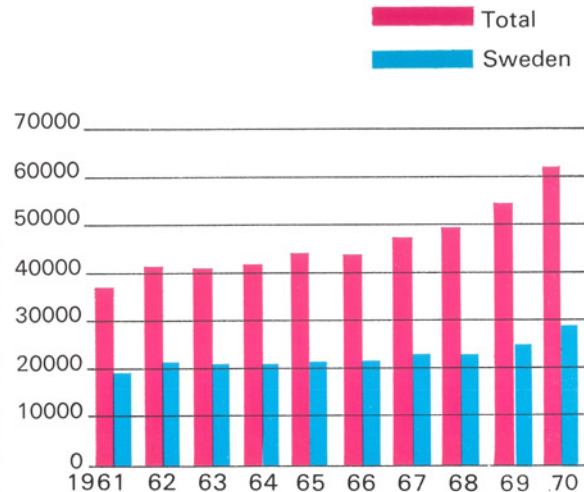
EARNINGS AND DIVIDENDS PER SHARE



CAPITAL EXPENDITURES



NUMBER OF EMPLOYEES



THE ERICSSON GROUP/10-YEAR FINANCIAL SUMMARY

INCOME DATA

Dollar amounts in thousands except per share figures

	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961
Net sales	\$611,127	562,236	487,637	443,057	389,553	385,103	319,763	286,393	265,283	222,147
Income before special adjustments and taxes	\$ 96,497	89,568	70,779	61,816	58,934	60,011	41,600	31,575	29,330	25,502
Per cent of sales	15.8 %	15.9 %	14.5 %	14.0 %	15.1 %	15.6 %	13.0 %	11.0 %	11.1 %	11.5 %
Depreciation	\$ 21,157	17,685	16,523	15,624	13,860	13,709	11,044	10,599	7,970	6,001
Special adjustments	\$ 27,454	20,885	12,434	15,097	15,947	19,962	12,610	10,537	10,792	6,290
Swedish and foreign income taxes	\$ 31,779	36,313	29,664	22,835	17,983	20,279	14,598	10,836	8,972	10,018
Reported net income	\$ 33,865	29,366	26,520	21,414	22,374	18,325	13,579	9,841	8,953	8,700
Per share	\$ 2.75	2.39	2.16	1.74	1.82	1.48	1.10	.87	.80	.78
Adjusted net income per share	\$ 3.83	3.20	2.62	2.33	2.45	2.31	1.47	1.34	1.23	1.08
Dividend	\$ 13,090	13,090	9,916	8,925	8,925	8,264	6,611	6,280	5,108	4,808
Per share	\$ 1.06	1.06	.81	.73	.73	.67	.54	.51	.46	.43
(for 1970 as proposed by the Board of Directors)										

BALANCE SHEET DATA (year-end)

Net working capital	\$355,124	304,795	277,670	228,337	235,337	204,620	185,601	163,886	148,751	130,393
Ratio of current assets to current liabilities	2.2 to 1	2.4 to 1	2.3 to 1	2.2 to 1	2.4 to 1	2.3 to 1	2.3 to 1	2.3 to 1	2.3 to 1	2.4 to 1
Net property, plant and equipment	\$151,569	127,534	115,611	112,737	95,732	94,718	80,957	74,765	67,300	56,058
Long-term debt	\$147,075	100,037	92,520	58,454	60,309	39,072	36,913	30,290	27,782	24,316
Minority interest	\$ 31,203	25,481	22,869	19,778	17,193	15,645	13,703	12,848	11,812	10,177
Stockholders' equity	\$267,658	242,875	223,022	194,505	178,738	154,818	135,610	128,230	109,780	103,760

OTHER DATA (year-end)

	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961
Number of employees	61,900	53,600	48,700	46,400	43,800	44,000	41,700	40,600	41,800	36,600
Number of shares outstanding	12,304,094	12,304,094	10,253,412	10,253,412	8,544,510	8,544,510	6,835,608	6,835,608	6,214,189	6,214,189
Backlog of orders (000s)	\$698,482	583,709	548,555	485,367	475,280	442,578	393,076	336,278	329,325	266,925

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

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

CONSOLIDATED NET SALES

BY PRODUCT GROUPS AND MARKETS

		1970	%	1969	%
GROUP SALES BY PRODUCTS	Telephone exchanges, switchboards and telephone instruments	\$343,341,000	56.2	\$328,114,000	58.4
	Transmission, radio and other telecommunications equipment	63,380,000	10.4	46,066,000	8.2
	Cable, wire and network equipment	123,136,000	20.1	107,191,000	19.1
	Electronic equipment and development projects for the military	19,005,000	3.1	28,738,000	5.1
	Other products	62,265,000	10.2	52,127,000	9.2
	Total	\$611,127,000	100.0	\$562,236,000	100.0
OVERALL GEOGRAPHIC DISTRIBUTION OF SALES	Sweden	\$166,250,000	27.2	\$159,867,000	28.4
	Europe (excluding Sweden)	235,505,000	38.5	192,595,000	34.3
	Latin America	130,028,000	21.3	142,117,000	25.3
	Australia, Asia and Africa	66,975,000	11.0	56,280,000	10.0
	U.S.A. and Canada	12,369,000	2.0	11,377,000	2.0
	Total	\$611,127,000	100.0	\$562,236,000	100.0
DISTRIBUTION OF SALES IN EUROPE (EXCLUDING SWEDEN)	Italy	\$ 53,139,000		\$ 39,316,000	
	France	46,342,000		43,846,000	
	Norway	30,705,000		29,972,000	
	Denmark	26,971,000		24,972,000	
	Finland	19,056,000		15,543,000	
	The Netherlands	12,791,000		12,665,000	
	Other countries	46,501,000		26,281,000	
		\$235,505,000		\$192,595,000	
DISTRIBUTION OF SALES IN LATIN AMERICA	Mexico	\$ 41,568,000		\$ 40,249,000	
	Brazil	39,075,000		64,525,000	
	Argentina	13,590,000		12,135,000	
	Colombia	12,953,000		8,128,000	
	Venezuela	11,155,000		7,440,000	
	Other countries	11,687,000		9,640,000	
		\$130,028,000		\$142,117,000	
DISTRIBUTION OF SALES IN AUSTRALIA, ASIA AND AFRICA	Australia	\$30,036,000		\$23,784,000	
	Asia	24,975,000		24,681,000	
	Africa	11,964,000		7,815,000	
		\$66,975,000		\$56,280,000	

ANNUAL REPORT OF THE BOARD OF DIRECTORS TO THE STOCKHOLDERS



Night view of tower at World Headquarters, Midsommarkransen, Stockholm.

GROUP

Operating Results in Brief

	1970	1969	Change
Order bookings	\$725,900,000	\$603,684,000	+ 20.2 %
Order backlog	698,482,000	583,709,000	+ 19.7 %
Sales	611,127,000	562,236,000	+ 8.7 %
Income before special adjustments and taxes	96,497,000	89,568,000	
Percent of sales	15.8 %	15.9 %	
Reported net income	33,865,000	29,366,000	
Per share	\$2.75	\$2.39	
Adjusted net income	\$ 47,090,000	\$ 39,398,000	
Per share	\$3.83	\$3.20	

Order Bookings

L M Ericsson Telephone Company and its subsidiaries achieved significant sales successes during 1970. Order bookings exceeded those of the preceding year by 20.2 percent (1969: 7.7 %). As indicated in the following table showing the geographical distribution of bookings in the principal market areas, sharp increases occurred in Europe (excluding Sweden) and in Latin America.

	1970	%	1969	%
Sweden	\$179,983,000	24.8	\$158,468,000	26.2
Europe (excl- ding Sweden)	297,268,000	40.9	238,309,000	39.5
Latin America	157,052,000	21.6	115,149,000	19.1
Australia, Asia and Africa	77,421,000	10.7	78,879,000	13.1
U.S.A. and Canada	14,176,000	2.0	12,879,000	2.1
	\$725,900,000	100.0	\$603,684,000	100.0

The economic trend in the industrialized countries of Western Europe was characterized by continued high commercial and industrial activity. There was thus increased demand for traffic-handling capacity and operating quality in the telecommunications service in these countries, with a resulting need for substantial expansions. At the same time, applications for telephone service rose sharply and waiting periods before instruments could be installed were further extended in a number of countries. Investments for telephone service were therefore given higher priority and the rate of expansion of many Western European systems was raised.

In Sweden, where sales to the Swedish Telecommunications Administration had been stagnant for some years, there was a strong increase in order bookings. The expansion of national long distance traffic, which brought a need for new and more advanced national transit exchanges, contributed notably to this development.

In Denmark, new delivery agreements were signed with the telephone administrations covering automatic local and long distance transit exchanges for expansion of the telephone network during the 1970s.

The Norwegian subsidiaries received large orders from the telephone administration under the four-year agreement signed in 1969.

The trend in Finland was marked by increased long distance traffic and the Finnish subsidiary received commensurate orders for transit equipment.

The French government has allocated substantial funds under the current five-year plan to expand telephone service. As a result, there was an increase in the French subsidiary's order bookings for both public and subscriber exchanges.

In Italy, the government's decision to automate national long distance service rapidly, combined with growing numbers of subscribers, resulted in increased orders for the domestic subsidiaries.

The Spanish telecommunications market was penetrated in recent years through contracts for telex and transmission equipment. As a result of agreements signed in 1970, which include provision for local production in a company owned jointly with the Spanish telephone operating company, the market was broadened to include exchanges for local and long distance traffic as well as subscriber exchanges.

In Great Britain, concentration on sales of subscriber exchange systems proved successful and a significant operation has been reestablished within the country.

During the year agreements were signed with the authorities in Czechoslovakia covering deliveries of equipment for the national and international transit exchanges

in Prague. L M Ericsson's crossbar system was thereby introduced in the fourth Eastern European country.

The Ericsson Group was also successful in Latin America. After the leveling off of 1969 orders at the level of the preceding year there was a sharp 36 percent upswing in bookings during 1970. In addition to continuing orders in Brazil and Mexico, the two most important markets, substantial agreements with the telephone administrations in Venezuela and Colombia contributed to the high order bookings. A contract with the Venezuelan administration involves large deliveries of local and transit exchanges to be made during 1971 through 1974.

Further orders were received in Near Eastern countries, despite the hazardous and disturbed political situation in the area. Increasing order bookings were recorded in the Far Eastern markets.

Marketing in Africa did not meet expectations, partly as a result of political unrest in large parts of the continent.

Developments in Australia were marked by continued rapid economic and industrial expansion which created heavy demand for telecommunications services of all types. The rate of expansion of the Australian network is very high and Ericsson's domestic subsidiary is participating successfully in the competition for orders.

The pattern of competitive conditions is largely unchanged from previous years. A number of large international companies turn up for all major projects that are open to competition. Longer-range planning of expansions by customers tends to make projects more attractive because of their magnitude and more decisive with regard to anticipated deliveries in the future. This has caused an intensive struggle for these large contracts. Under such conditions, prices and terms of payment have been under heavy pressure.

Sales

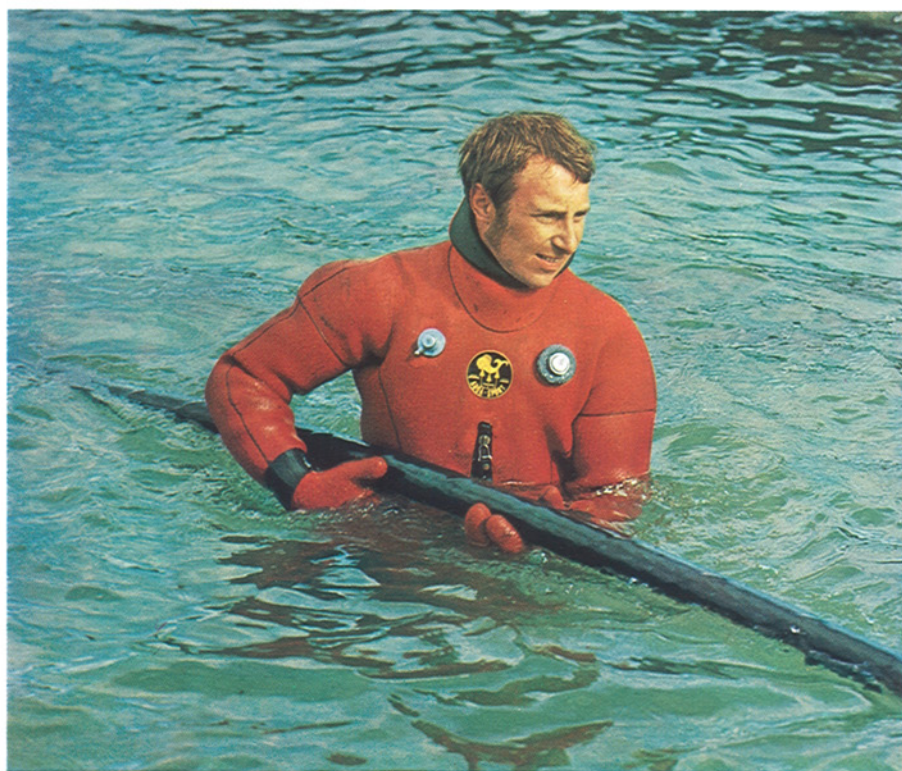
Group sales in 1970 totaled \$611,127,000, about 9 percent higher than 1969 sales of \$562,236,000.

	1970	%	1969	%
Sweden	\$166,250,000	27.2	\$159,867,000	28.4
Europe (excluding Sweden)	235,505,000	38.5	192,595,000	34.3
Latin America	130,028,000	21.3	142,117,000	25.3
Australia, Asia and Africa	66,975,000	11.0	56,280,000	10.0
U.S.A. and Canada	12,369,000	2.0	11,377,000	2.0
	\$611,127,000	100.0	\$562,236,000	100.0

Right: Vote-recording and display equipment in the new Swedish Parliament building is part of a complex telecommunications package supplied by Ericsson.

Lower right: President Urho Kekkonen of Finland is greeted by Dr. Marcus Wallenberg, Ericsson chairman, (left) and Björn Lundvall, president, (middle) at cornerstone-laying ceremonies for a new plant outside Helsinki.

Lower left: Sieverts Kabelverk AB supplied the underwater power cable for the new link between the island of Öland and the Swedish mainland.



The geographical distribution of sales in the principal markets was as follows:

Sales in Europe (excluding Sweden) increased 22 percent during the year. There was a minor decrease in Latin America, resulting primarily from the fact that invoicing in Brazil did not reach the exceptionally high level of 1969.

The distribution of sales by product groups was largely the same as during the preceeding year. Approximately 56 percent of sales consisted of telephone exchanges, subscriber switchboards and telephone instruments. Activities in the military field, comprising electronic material and development projects, continued to reflect a declining share of total Group sales.

Production and employment

After having risen slightly more than \$98,000,000 during the two-year period 1968–1969, the order backlog increased by \$114,773,000 during 1970.

This trend has placed heavy pressure on the Parent Company and subsidiaries to expand various resources. This applies, in the same high degree, to the expansion of delivery capacity and to the strengthening of technical and administrative capabilities. The past year was therefore marked by intensive efforts to meet commitments. A sharp increase is also required during 1971.

Since a large part of Ericsson Group products are technically complex, such an undertaking means that a wide range of special tools, production machinery and test equipment must be produced, which unfortunately requires a considerable amount of time. Similarly, new employees must be instructed and trained.

Possibilities for a rapid increase in facilities were moreover limited by economic conditions in Sweden and the other European countries where the major part of Ericsson operations are located. The boom conditions which set in during 1968 and which did not show signs of easing until the latter part of 1970 created excessive turnover in the labor market and caused shortages of certain important materials and components.

The manpower shortage in the Scandinavian factories was troublesome. On the continent, the plants in The Netherlands, France, Italy and Spain could largely meet their manpower requirements but the Italian company was subjected to repeated strikes in connection with the general disturbances in the labor market and suffered substantial losses in production. The Swedish plants, with a few exceptions, were not affected by the wildcat strikes

early in the year but the general climate of unrest hampered productivity. The Latin American and Australian plants were free of labor disturbances.

Despite the difficult situation in Sweden, deliveries of telecommunications equipment from Parent Company factories increased more than 20 percent, but a large part of the increase consisted of parts and semifinished goods. During the closing months of the year, however, delivery capacity of finished products rose to a comparable degree. The foreign plants were likewise affected by shortages of raw materials and components and also, to a certain extent, by delays in supplying parts from Sweden.

The amount of capital tied up in production rose sharply during the year. While inventories, exclusive of finished goods, increased by \$14,300,000 in 1969, the increase in 1970 amounted to \$68,400,000. This was partly necessary to provide a base for raising production capacity but a portion of the increase represented an undesired growth of inventories as a result of imbalances in production which, in turn, were caused by the disturbances and shortages cited earlier. These imbalances meant, moreover, that deliveries of finished products were hampered, which was a factor in the relatively modest increase in sales during the year.

The cable factories operated with generally satisfactory work loads during the year. The first signs of a tapering off of activity could be discerned toward the end of the year, however.

A substantial increase in capacity will occur both in Sweden and foreign countries during the current year. Additions to plants in Söderhamn, Östersund and Kalmar will be placed in operation, for example. And the large new factories in Finland and Mexico, as well as the substantial plant expansions in Australia, will be completed during the middle of 1971.

Labor turnover in the Scandinavian plants has declined in recent months and newly employed workers have completed much of their training. The supply of raw materials and components has improved markedly. Production capacity can therefore be expected to develop favorably provided that peace prevails in the labor markets.

Factory wages increased an average of 13 percent, compared with an increase of 8 percent in 1969. The sharpest increases occurred in Sweden, Italy, The Netherlands and Denmark.

The following table, which does not include the telephone operating companies in Argentina and Peru, shows the number of employees at year-end 1970 and 1969. As indicated, 80 percent are employed in Group companies in Europe.



Top left: «Centro Ericsson», Ericsson do Brasil's new administration building in São Paulo, houses technical laboratories and a training center.

Top right: This modern building in Rotterdam is the site of the new Ericsson computer-controlled exchange scheduled to be placed in service by The Netherlands telephone administration in 1971.

Left: The Long Distance Division, International Training Center and computer facilities, among others, are located in the new Tellus building in Midsommarkransen.

	Number of employees	
	December 31, 1970	December 31, 1969
Sweden	28,590	24,920
Europe (excluding Sweden)	19,610	16,970
Latin America	7,170	6,590
Australia	3,230	2,230
Other countries	600	420
Total	59,200	51,130

Including the telephone operating companies in Argentina and Peru, the number of employees increased from 53,600 to 61,900.

Group earnings

Total revenues of the Group in 1970 amounted to \$633,336,000, compared with \$584,933,000 in 1969. Invoiced goods and services totaled \$611,127,000 in 1970 as against \$562,236,000 in 1969.

Costs of goods and services invoiced in 1970 amounted to \$321,778,000, or 52.7 percent of sales, compared with 55.6 percent of sales a year earlier.

Sales prices of the Group's principal products could not be raised while wages and costs of material both increased. The increase in profit margins can therefore be attributed primarily to a higher utilization of production facilities and to increased productivity.

Rationalization measures in the factories were pursued along the same lines as in previous years. The Parent Company plants manufacture parts and semi-finished products not only for their own requirements but also, to a large extent, for the foreign factories. Production volume thus becomes so large that it pays to introduce specially designed machinery and tools, despite the high capital costs involved. Printed circuits for electronic equipment, where volume has increased sharply, can be cited as an example.

The long production runs involved have made possible large scale mechanization of the positioning of components on the cards. Machines for automatic production of jack strips were also designed and placed in service during the year. These machines were developed in conjunction with the design of a new strip and represent substantial savings in production compared with the earlier method. Labor-intensive operations, assembling, wiring

and testing, are increasingly being transferred to plants outside Sweden partly as a response to demands for local production in the respective countries and partly because of the manpower shortage and cost increases in Sweden. This is also in line with international trends for an appropriate division of work between industrialized and developing countries. Labor-saving test robots for relays and crossbar switches and new equipment for automatic testing of transmission equipment, all developed by the Parent Company, were introduced in its factories during the year.

Experience in rationalization work is made available to the Group factories abroad through close cooperation based on study visits and conferences and through programmed material dealing with methods and aids. The establishment of more uniform specifications for measuring performance of various production functions has also been a helpful tool in this work. A substantial volume of special machinery and robot test equipment is produced in Parent Company factories to meet the subsidiaries' requirements.

Growth in the international sector of the Group also imposes sharply increased demands on the Parent Company as a coordinating agency. It cannot be overemphasized that the Ericsson Group is now a closely integrated group of companies in which the various units are highly dependent on each others' performance, not only financially but also in terms of sales, production and technical development.

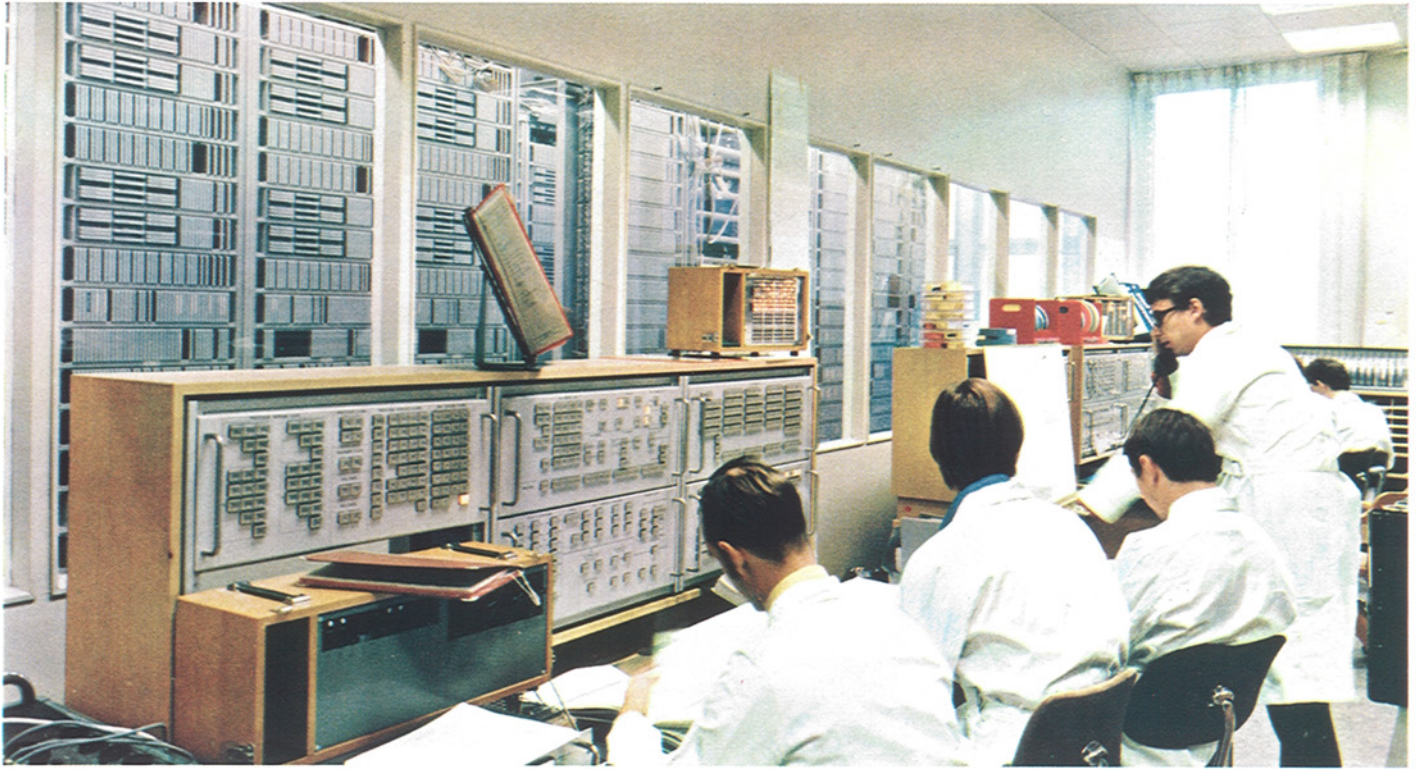
Cooperation and division of work within the Group are thus of vital importance for its continuing growth.

Dividends, interest and other income, as shown in the table below, amounted to \$22,209,000, compared with 1969 income of \$22,697,000. Interest income decreased as a result of the decline in cash.

	1970	1969
Dividends	\$ 921,000	\$ 669,000
Interest	18,071,000	18,691,000
Other	3,217,000	3,337,000
Total	\$22,209,000	\$22,697,000

Selling, technical development and general administrative expenses increased from \$153,357,000 to \$177,867,000, or 16 percent, compared with an increase of 12.8 percent in the preceding year.

Depreciation of property, plant and equipment in 1970 amounted to \$21,157,000 (1969: \$17,685,000). In addition, the sum of \$5,440,000 was charged to the Reserves



Programs for Ericsson's computer-controlled exchange systems are developed and tested in this laboratory at World Headquarters.



A Mexican engineer learns Swedish in the International Training Center's modern language laboratory. Instructions for using the equipment appear on the glass panel in front of him.

for future investments for accelerated depreciation of fixed assets acquired during the year.

Interest charges totaled \$16,037,000, compared with \$11,576,000 in 1969. The excess of interest income over interest expense declined by \$5,081,000 during the year after having increased by \$2,283,000 in 1969.

In accordance with tax regulations in Sweden and other Scandinavian countries, allocations to inventory reserves and reserves for future investments, among others, are deductible for tax purposes. As a result, reported net income is affected by adjustments that are not related to operations. Such special adjustments in 1970 amounted to \$27,454,000 (1969: \$20,885,000).

If the Group's reported net income, \$33,865,000 (1969: \$29,366,000) is increased on the one hand by these special adjustments and reduced on the other hand by the income taxes which would have been paid if the special adjustments had not been made, adjusted net income of the Group in 1970 would amount to \$47,090,000 (1969: \$39,398,000), equal to \$3.83 per share (1969: \$3.20) on the 12,304,094 shares outstanding in both years.

A capital gain in the amount of \$4,249,000 from the sale of shares of Société Française des Téléphones Ericsson was credited to unappropriated earnings and is not included in net income for the year.

The Group's share of earnings of the associated Swedish and foreign cable manufacturing companies totaled \$837,000 (1969: \$1,275,000). Dividends from these companies amounted to \$187,000 (1969: \$96,000) during the year.

Research and Development

Developments in the field of telecommunications technique are increasingly characterized by the fact that required functions and performance characteristics are achieved with electrical circuits based on the use of electronic components. New and technically advanced components are therefore used to a rapidly growing degree in system design. Simultaneously – and closely related to this trend – is the growing use of digital techniques to solve problems in areas where electromechanical components formerly were employed almost exclusively. This development trend has led to wholly new solutions – for example, control of the switching sequence in a telephone

exchange with the aid of computers. It has also resulted in the gradual adaptation of existing systems to new techniques.

The changeover from earlier systems should also be viewed against the background of today's increased demands for speed, flexibility and reliability in rapidly expanding telecommunications networks, as well as an increased awareness of the need to meet other and new performance requirements in the future without having to effect major equipment changes. The expanded international traffic poses even greater technical demands than was the case earlier. The addition of a number of new customer countries outside the Group's traditional markets has also created the need to adapt existing systems to requirements in these countries. This applies to the East European markets, among other areas.

The new techniques require very large investments in development work, not only for equipment design but primarily for basic and detailed projections of a system's future structure and facilities. Such work demands a profound synthesis of know-how in the fields of telephone technique and machine programming and involves high long-range investments.

To meet these increased demands, priority has been given to strengthening the Group's technical facilities. Resources in nearly all technical fields have been expanded and the laboratories and design offices both in Sweden and in the major foreign subsidiaries have been enlarged. Technical development expenses increased no less than 27 percent during the year and amounted to 7 percent of total sales, compared with approximately 6 percent in preceding years.

The Technical Development Councils have taken more definite shape as the coordinating units between the Parent Company and other Group companies and the policy of decentralizing technical work has produced positive results.

Through the joint venture with the Swedish Telecommunications Administration in ELLEMTEL Development Company, the Group is coming into closer contact with the Administration's technical know-how and simultaneously increasing development capacity in Sweden. The cooperation established between Société Française des Téléphones Ericsson and Compagnie Industrielle des Télécommunications within CITEREL for development of computer controlled telephone exchanges will also give the Group access to new technique in this basic field.

Development of the Group's computer-controlled systems has continued. A computer-controlled trunk exchange developed by the Group subsidiary in Australia and designed for field tests of the new »number 6» inter-

L M ERICSSON PUBLIC AUTOMATIC TELEPHONE AND TELEX EXCHANGES

Number of lines cut into service 1970:

TELEPHONE EXCHANGES

Country:	Local exchanges		Transit exchanges
	City exchanges:	Rural exchanges:	
Argentina	4,700	—	—
Australia	209,700	41,225	8,000
Bolivia	600	—	—
Brazil	55,800	—	9,160
Cameroon	4,200	—	—
Canada	—	300	—
Chad	400	—	—
Colombia	33,100	—	640
Costa Rica	1,200	—	—
Denmark	49,600	26,100	6,640
Ecuador	8,000	—	600
Ethiopia	5,200	200	—
Fiji	—	—	400
Finland	16,900	3,540	5,120
France	135,800	156,300	—
Greenland	1,000	900	—
Iceland	1,200	1,060	160
Indonesia	1,000	—	—
Ireland	6,400	4,730	1,500
Italy	97,510	7,400	9,000
Kuwait	15,000	—	—
Lebanon	12,300	400	200
Libya	2,000	—	—
Malawi	1,400	—	—
Malaysia	5,600	—	2,240
Mexico	68,700	—	14,120
The Netherlands	49,000	2,900	2,200
Netherlands' Antilles	1,300	—	—
Niger	400	—	—
Norway	9,400	14,940	4,520
Panama	16,400	—	—
Peru	1,500	—	—
Philippines	—	—	200
Saudi Arabia	4,000	—	300
Singapore	24,000	—	—
Sweden	65,500	—	—
Thailand	3,200	600	1,200
Tunisia	1,200	150	400
UAR (Egypt)	3,400	—	—
USA	112,100	40,020	—
USSR	—	—	7,800
Venezuela	—	—	4,060
Yugoslavia	27,200	11,880	3,320
Zambia	600	—	—
Total	1,056,510	312,645	81,780

Total number of lines cut into service during 1970:

Local exchanges:	1,373,287*
Transit exchanges:	81,780

Total number of LME lines in service:

Local exchanges:	12,664,697
Transit exchanges:	472,430
Computer — controlled exchanges:	9,600 ¹
	1,800 ²

TELEX EXCHANGES

Number of lines in service:

Terminal exchanges: 24,290 (cut over in 1970 = 5,190)
 Transit exchanges: 16,480 (cut over in 1970 = 2,360)

* Includes 4,132 lines of Line Concentrators
¹Subscriber lines ²Transit multiple capacity

national signaling system was placed in operation in Sydney early in 1971. In France, most of the equipment for the computer-controlled Maisons-Laffitte exchange was delivered during the year and programming is expected to be completed during the current year. The development work was executed by the Group's French subsidiary and Compagnie Industrielle des Télécommunications.

A new version of the crossbar system designed for international trunk traffic was completed by the Parent Company. Among other features, this type of exchange makes it possible to route traffic between circuits with different international signaling systems.

Intensive efforts are under way to develop equipment that will permit adaptations of both the 500-line selector system and the crossbar system so that all the traffic facilities planned for computer-controlled systems can also be available in the earlier systems.

Development work completed during the year by the Australian subsidiary in the field of automatic exchanges included rural exchanges with multifrequency code (MFC) signaling. A large new three-step group selector was placed in service by the Australian telephone administration.

Elektrisk Bureau in Norway began development work on a combined subscriber and transit exchange for special networks. It is designed primarily for communications networks connected with power distribution.

Comprehensive work was undertaken at the Parent Company to redesign or develop new designs for existing telephone exchange systems. The objective is, through the use of new circuit designs and components, to achieve more facilities and at the same time make the designs more suitable for increased mechanization of production.

A large new subscriber exchange system with from 300 to 9,000 extensions, with centralized transit switching, was developed during the year. The system, which also includes a transit exchange, has highly advanced traffic facilities. In the French subsidiary, development work is continuing on an electronic subscriber exchange with very large capacity.

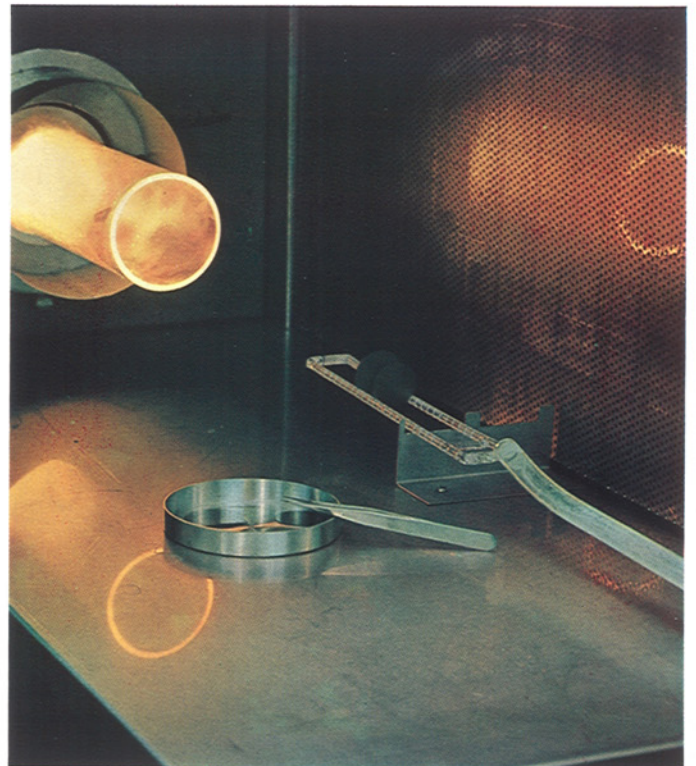
Work continued on the picture telephone and a field test will start during the spring of 1971.

Development of pulse code modulation (PCM) systems in the Parent Company resulted in a system that is to a large extent constructed with integrated circuits. A new type of modem for transmitting data over ordinary telephone lines at speeds of 2,400 baud was developed.

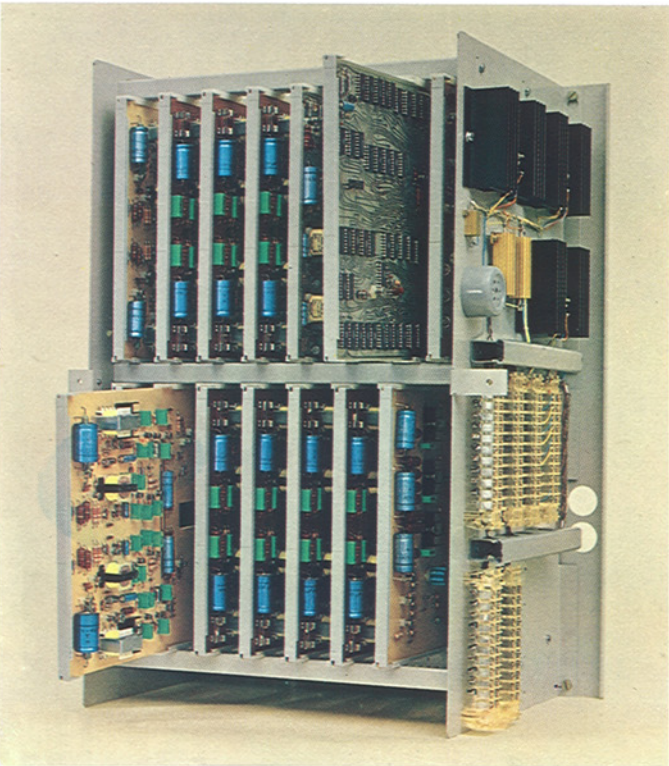
Carrier frequency equipment for the transmission of radio broadcasts and the sound channels for television programs is a new development. It is designed to handle future stereo transmissions. Work is nearing completion



Portable laser range finder developed in the MI Division shown in use under field conditions.



Special high-temperature ovens with glowing cylindrical openings are used in production of integrated circuits at AB Rifa.



The first fully electronic exchange for intercom systems was developed by LM Ericsson Telemateriel AB.



Close-up shows part of the circuitry for a research satellite transmitter developed by Svenska Radio AB.

on the development of microwave links capable of handling 960 telephone channels or a single television transmission.

Research and method development activities in the field of telecommunications traffic were the subjects of a number of papers presented at the Sixth International Telecommunications Traffic conference. The studies, carried out in cooperation with experts of the Swedish Telecommunications Administration, were directed toward charting traffic characteristics in telecommunications installations, with special reference to variations in alternate route networks. Progress is being made in achieving methods for dimensioning telecommunications systems and networks. This project involves ever increasing computerization.

At Dansk Signal Industri A/S (Denmark), work was completed on a prototype installation for a new geographical design system for railway security devices, automatic line blocking and speed control. The installation is being tested by the Danish railway authorities. A prototype system for electronic remote control of diesel locomotives was also produced.

Much greater know-how in the field of Doppler radar was gained during the year. Development work on lasers was broadened and intensified.

Svenska Radio AB's development of medical equipment for monitoring patients resulted in initial deliveries during the year.

Elektrisk Bureau completed development of a new radio beacon which has performed well in operation.

AB Transvertex, acquired around year-end 1969, orients its development program toward high-security electronic systems for ciphered voice communications and has reached the prototype stage for certain very advanced products. Work is under way on equipment for ciphering in data communication and of information stored in computer memories.

Svenska Radio AB participated as the Swedish member of a 10-country consortium concerned with the Intelsat 4 communication satellite. The company produced parts of the command equipment and land-based test equipment for the project. The first of a series of satellites was placed in orbit on schedule in January, 1971.

Developments in the Parent Company's central materials laboratories include prototype circuits for telephone instruments of the future utilizing tantalum thin film for resistance and capacitors. Much effort has been devoted to further development of printed circuits which will comprise an important part of production in the future.

AB Rifa developed a new construction technique for hybrid microcircuits which has undergone sample testing.

Production methods for the new technique have been worked out and a special plant was acquired for series production. Rifa now has the technical capability to develop and produce monolithic microcircuits and a number of special circuits for primary use in telephony have been developed in cooperation with the Parent Company. In order to get into the market quickly with a sufficiently broad line of standardized integrated circuits, the company signed a license agreement with National Semiconductor Corporation in the U.S.A.

Sieverts Kabelverk is continuing development work on SINIPAL, a new nickelplated aluminum conductor. A machine designed for full-scale production was placed in operation during the year. The new product, which is exceptionally promising due to its potential as a substitute for copper as a conductor in many applications, has attracted great interest internationally. A new type of wire with a laminated aluminum-polyethylene jacket was introduced at the end of the year. The new wire has generally better characteristics than earlier types.

The Parent Company Cable Division developed a new type of plastic insulated cable with high anti-moisture reliability that was adopted as standard by the Swedish Telecommunications Administration. Interest in aluminum as a conductor in telecommunications cable is high and development work in this field is continuing.

Outlook for 1971

Order bookings during 1970 were unusually favorable and trends in the Group's markets should result in further high bookings in 1971, however not at the exceptional rate of increase that occurred in 1970, assuming a reasonable degree of political and economic stability throughout the world.

The high order backlog means that operations in the Group's factories are largely assured during 1971.

A sales increase somewhat above the 12 percent average of the past five years should be attainable.

Due to the Group's international operations, among other reasons, income before special adjustments and taxes are affected by so many hard-to-evaluate factors that an estimate cannot be made with any certainty. However, if the expected sales increase can be realized, there appears to be a basis for improved earnings.

Capital expenditures

Investments during the year amounted to \$19,336,000 (1969:\$8,511,000) for property and \$33,400,000 (1969:\$23,017,000) for plant and equipment, or a total of \$52,736,000 (1969:\$31,528,000). Slightly more than half of the investments, which were substantially higher than in any previous year, were made outside Sweden.

In September the corner stone for the new factory and office structure at Kyrkslätt, outside Helsinki, was laid in the presence of the president of Finland. The facilities are expected to be ready for occupancy during the latter half of 1971.

»Centro Ericsson», the new office building in São Paulo, was occupied during the latter part of the year and dedicated in December. In addition to the Brazilian subsidiary's central administration, technical departments and laboratories, the building also houses a large training center.

At year-end the Group's Swedish companies received permission from the government to utilize Reserves for future investments for a capital expenditures program totaling an estimated \$22,631,000 during the years 1971-1975. Including the programs approved at the beginning of 1969 and 1970, for which partial withdrawals from the Reserves have already been made, a total investment program of \$68,665,000 comprising 3,000,000 sq.ft. of construction is involved.

Utilization of the government permits means that a portion of the cash on deposit in the Bank of Sweden is released and that the investments are depreciated by 75 percent through charges to Reserves for future investments.

Capital expenditures for the current year are expected to total approximately \$77,000,000, of which half will be in the foreign sector of the Group where major projects in work or approved involve expansion of facilities in Finland, Norway, France, Spain, Mexico, Australia and Singapore.

Financing

As indicated in the fund statement on page 26, internal generation of funds continued to be satisfactory. In order to finance expanding operations and simultaneously maintain a strong cash position against expected large capital requirements, liquidity was improved through borrowing.

At year-end the Parent Company negotiated a 15-year loan of \$30,000,000 at 9 1/4 percent and a 5-year loan

of \$15,000,000 at 8 3/4 percent in the European capital market. The loans were arranged by a consortium headed by Stockholms Enskilda Bank, Svenska Handelsbanken, S.G. Warburg & Co., Crédit Lyonnais and Credito Italiano. The Parent Company was also granted a loan of \$4,836,000 by AB Svensk Exportkredit. Cash and short-term bank deposits decreased from \$134,563,000 to \$127,966,000 during the year.

Changes within the Group

In April, 1970 an agreement was signed between the Parent Company and the Swedish Telecommunications Administration on the formation of a joint development company - ELLEMTEL Utvecklings Aktiebolag - with a capital stock of 10 million Swedish crowns (\$1,934,000) divided equally between the two partners. The new company will handle development and design work in the fields of automatic exchange systems, digital transmission systems for telecommunications and related subscriber equipment. Simultaneously an agreement on production cooperation, designed to provide opportunities for more profitable operations in the partners' fields of industrial activity, was also signed. ELLEMTEL is now being built up and at year-end 1970 had approximately 70 employees.

The electrical wholesale business which had been handled as a branch office operation within Sieverts Kabelverk was transferred to a separate company which thereafter became a part of a newly formed company, Svenska Elgrossist AB SELGA, in exchange for shares of the latter. SELGA is a holding company for about ten electrical wholesale companies throughout Sweden.

During the year Sieverts Kabelverk acquired all the shares of Thorsmans Industri AB and its subsidiary AB Thorsman & Co. The company develops, manufactures and sells products for electrical installations.

International Computers Limited of England became the sole owner of ICL Data AB (formerly L M Ericsson Data AB) through the sale by the Parent Company of its remaining 25 percent shareholdings.

Sales of telecommunications systems in Great Britain were brought under a single management through the merger of Centrum Electronics Ltd. with Swedish Ericsson Telecommunications Ltd.

At midyear agreements were signed between the French subsidiary, Société Française des Téléphones Ericsson (STE), and Compagnie Industrielle des Télécommunications (CIT) on technical cooperation related primarily to

computer-controlled telephone exchanges for the French telephone administration. As planned, this cooperation will occur through concentration of the work in a joint development company, CITEREL, in which the partners hold equal interests. The agreements include arrangements for production cooperation to achieve more efficient production in STE and CIT. In connection with the agreement, the Parent Company (LME) and CIT's parent company, Compagnie Générale d'Electricité, arranged for the purchase by the French group of 16 percent of STE's capital stock. As a result, 64,785 STE shares were conveyed to the French group at year-end. Following this transaction, LME holds somewhat more than 51 percent of STE's capital stock.

During the year agreements were also signed with the Spanish telephone operating company Compañía Telefónica Nacional de España (CTNE) on joint participation in the Group's Spanish subsidiary, Compañía Española Ericsson S.A. (CEE). CTNE acquired 49 percent of the shares in CEE with an option to increase its holdings at a

later date. The object of the cooperation is a sharp expansion of CEE, including substantial development work.

In view of the major undertakings in Lebanon, operations of the former technical office in that country were transferred to a separate company, Société Libanaise des Téléphones Ericsson, with a capital stock of 50,000 Lebanese pounds.

In Singapore, a jointly owned company was formed with the local telephone administration, the Singapore Telephone Board, for manufacture of public exchanges, subscriber exchanges and other telecommunications equipment. The Board acquired 51 percent of the capital stock (2.5 million Singapore dollars) in the new company, Telephone Industries of Singapore Private Ltd. Operations formerly handled by the Group's local sales subsidiary, Ericsson Telephone Company Private Ltd., were transferred to the new company.

Following a new issue of capital stock totaling 4.4 million pesos by Latinoamericana de Cables, S.A. de C.V.

Approximately 75,000 lines of Ericsson crossbar equipment were installed in Denmark in 1971. Exchange shown is at Viborg, in Jutland.



in Mexico, shares with a par value of 7.3 million pesos were sold to Mexican interests. The Group's holdings in the company thereby declined from 88 percent to 58 percent.

At year-end it was decided to increase the capital stock of Ericsson do Brazil Comércio e Indústria S.A. from 60 million to 80 million cruzeiros through a new stock issue and to offer up to 19 million cruzeiros of the new stock in the Brazilian market. The stock issue was successful and the shares are being introduced on the stock exchanges in São Paulo, Rio de Janeiro, Belo Horizonte and Porto Alegre.

The Colombian cable manufacturing company, Fábricas Colombianas de Materiales Eléctricos Facomec S.A., became a wholly owned subsidiary during the year through the purchase of Phelps Dodge Corporation's 50 percent interest in the company.

The capital stocks of a number of subsidiary companies were increased during the year through stock dividends and new stock issues, as indicated in the following table, without affecting the percentages of the Group's interest in the respective companies.

		Par value of holding 12/31/69	Increase during 1970	Par value of holding 12/31/70
In thousands				
<i>Sweden</i>				
Sieverts Kabelverk AB	S.Kr.	60 000	30 000	90 000
<i>Europe (excluding Sweden)</i>				
Dansk Signal Industri A/S	D.Kr.	6 000	1 000	7 000
L M Ericsson A/S	D.Kr.	25 000	1 000	26 000
O/Y L M Ericsson A/B	Fmk	9 500	3 000	12 500
A/S Telesystemer	N.Kr.	801	800	1 601
A/S Norsk Kabelfabrik	N.Kr.	1 601	1 601	3 202
RIFA S.A.	F.Frs	100	3 000	3 100
SIELTE, Soc. per Az.	Lit	1 025 654	1 025 654	2 051 308
REGE, Soc. per Az.	Lit	51 283	25 641	76 924
Cía Española Ericsson S.A.	Ptas	100 000	200 000	300 000
Ericsson Centrum G.m.b.H.	DM	600	400	1 000
<i>Latin America</i>				
Cía Argentina de Teléfonos S.A.	Arg.P.	11 151	3 345	14 496
Cía Entrerriana de Teléfonos S.A.	Arg.P.	3 940	985	4 925
Cía Ericsson S.A.C.I.	Arg.P.	800	200	1 000
Industrias Eléctricas de Quilmes S.A.	Arg.P.	5 600	2 400	8 000
Ericsson do Brasil Comércio e Indústria S.A.	Cruz.	42 200	17 800	60 000
Teléfonos Ericsson C.A.	Sucr.	1 000	300	1 300
Teleindustria S.A. de C.V.	Mex.P.	15 000	20 000	35 000
Telemontaje S.A. de C.V.	Mex.P.	1 000	2 000	3 000
Cía Ericsson S.A.	Urug.P.	10 000	8 000	18 000

Parent Company

Total revenues of the Parent Company in 1970 amounted to \$310,907,000 compared with \$270,842,000 in 1969. Revenues from invoiced goods and services accounted for \$282,978,000 (1969: \$241,877,000), of which \$188,886,000 (1969: \$156,673,000) was delivered in export markets and \$27,929,000 (1969: \$28,965,000) revenue from the following sources:

	1970	1969
Dividends	\$ 8,169,000	\$ 5,629,000
Interest	15,621,000	17,093,000
Other	4,139,000	6,243,000
Total	\$27,929,000	\$28,965,000

An amount of \$580,000 covering part of development costs incurred during the year for very long-term projects has been capitalized.

Depreciation of property, plant and equipment amounted to \$7,978,000 (1969: \$6,344,000). In addition acquisitions during the year were depreciated by \$4,643,000 (1969: \$680,000) through charges against the Reserve for future investments.

A net amount of \$5,691,000 (1969: \$5,918,000) was allocated to the Special reserve for accounts receivable and \$13,636,000 (1969: \$2,708,000) was transferred to the Special inventory reserve. Subject to approval by the stockholders at the Annual Meeting, \$3,869,000 (1969: \$3,869,000) was transferred to the General reserve.

After the special adjustments noted above totaling \$23,196,000 (1969: \$21,199,000, including an allocation of \$8,704,000 to the Reserve for future investments) and provision for income taxes in the amount of \$14,120,000 (1969: \$16,441,000), reported net income of the Parent Company in 1970 was \$17,588,000, compared with \$16,679,000 in 1969. A capital gain of \$5,485,000 from the sale of shares of Société Française des Téléphones Ericsson was credited directly to the General reserve and is not included in net income for the year.

Reference is made to the accompanying income statements and balance sheets of the Group and the Parent Company which, together with the notes and supplementary information on pages 32-34, form an integral part of the Annual Report.

Proposed Disposition of Unappropriated Earnings of the Parent Company

As shown in the statement on page 26, the sum of \$27,174,000, exclusive of a General reserve of \$18,830,000, is available for disposition by the stockholders at the Annual Meeting to be held May 19, 1971.

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

To the stockholders Swedish Crowns 5.50 per share against Coupon No. 44	\$13,090,000
To the Special legal reserve	5,551,000
To be retained in the business	8,533,000
	<u>\$27,174,000</u>

At the 1970 Annual Meeting, Vice Admiral Erik Anderberg declined reelection to the Board of Directors for reasons of age. Mr. Anderberg, through his sound knowledge, provided services of great value to the Company over a period of nearly two decades and the Board of Directors hereby wishes to express its appreciation for his contributions.

Stockholm, April 1971

E. BOHEMAN	M. WALLENBERG	
J. WALLANDER	L-O EKEBERG	H. W. SÖDERMAN
	R. WOXÉN	SVEN T. ÅBERG
	B. LUNDVALL	
	<i>President</i>	

Auditors' Report

TO THE STOCKHOLDERS OF TELEFONAKTIEBOLAGET L M ERICSSON

We the undersigned auditors, appointed at the Annual Meeting of Stockholders, present herewith our report for the year 1970.

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

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

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

Net income of the Parent Company has been reduced by the appropriation of \$3,869,000 to a General reserve.

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

As a result of our examination we recommend:

that the Balance Sheet at December 31, 1970, included in the Annual Report, be approved,

that unappropriated earnings in the amount of \$27,174,000, exclusive of the General reserve totaling \$18,830,000, be disposed of according to the proposal of the Board of Directors and the President, and

that the Board of Directors and the President be released from responsibility for their administration during the period covered by the Annual Report.

Stockholm, April 15, 1971.

C. B. James

Chartered Accountant
(Partner in Price Waterhouse & Co.)

N.-A. Frisk

Klas de Vylder

Swedish Authorized Public 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 Crowns.

Consolidated Income Statement

	1970	1969
Net sales	\$611,127,000	\$562,236,000
Dividends, interest and other revenue		
From unconsolidated subsidiary companies	1,575,000	1,462,000
From associated companies	814,000	1,730,000
From others	19,820,000	19,505,000
	<u>633,336,000</u>	<u>584,933,000</u>
Cost of products and services sold	321,778,000	312,747,000
Selling, administrative, research and development expenses	177,867,000	153,357,000
Depreciation (Note 2)	21,157,000	17,685,000
Interest	16,037,000	11,576,000
Income before items below	<u>96,497,000</u>	<u>89,568,000</u>
Special adjustments		
Transfer to Reserve for accounts receivable and investments outside Sweden, \$8,158,000 in 1970 and \$7,095,000 in 1969, net of recovery of previously written off receivables, \$2,174,000 in 1970 and \$1,302,000 in 1969	5,984,000	5,793,000
Transfer to Special inventory reserve (Note 4)	19,574,000	2,411,000
Transfer to Reserves for future investments (Note 5)	1,896,000	12,681,000
	<u>27,454,000</u>	<u>20,885,000</u>
Income before taxes	<u>69,043,000</u>	<u>68,683,000</u>
Taxes on income	31,779,000	36,313,000
	<u>37,264,000</u>	<u>32,370,000</u>
Minority interest	3,399,000	3,004,000
Net income	<u>\$ 33,865,000</u>	<u>\$ 29,366,000</u>

Capital gain of \$4,249,000, resulting from sale of shares of Société Française des Téléphones Ericsson, has been transferred to unappropriated earnings and is not included in net income for the year.

The notes on pages 32 and 33 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 official parity at December 31, 1970 of S. Kr. 5.17 to \$1.00.

Consolidated Balance Sheet

ASSETS

CURRENT ASSETS

	December 31	
	1970	1969
Cash	\$127,966,000	\$134,563,000
Notes and accounts receivable—trade (<i>less provision for doubtful accounts</i> 1970: \$2,202,000; 1969: \$2,526,000)	212,737,000	172,368,000
Inventories (<i>less advance and progress payments</i> 1970: \$49,571,000; 1969: \$45,537,000) (Note 6)	276,232,000	189,428,000
Other current assets	29,268,000	34,124,000
	<u>646,203,000</u>	<u>530,483,000</u>

LONG-TERM ASSETS (Note 7)

Cash on time deposit	17,262,000	16,443,000
Notes and accounts receivable—trade (<i>less provision for doubtful accounts</i> 1970: None; 1969: \$530,000)	109,525,000	87,273,000
Other long-term assets	13,946,000	16,395,000
	<u>140,733,000</u>	<u>120,111,000</u>

INVESTMENTS IN SUBSIDIARY AND ASSOCIATED COMPANIES

Unconsolidated subsidiary companies		
Investments (Note 8)	4,265,000	4,265,000
Accounts receivable	9,776,000	8,201,000
Associated companies		
Investments	14,074,000	7,297,000
Accounts receivable	7,488,000	5,984,000
	<u>35,603,000</u>	<u>25,747,000</u>

INVESTMENT IN TECHNICAL DEVELOPMENT PROJECTS

	580,000	—
--	---------	---

PROPERTY, PLANT AND EQUIPMENT (Note 9)

Cost	299,194,000	254,941,000
Less—Accumulated depreciation	163,691,000	144,332,000
	<u>135,503,000</u>	<u>110,609,000</u>
Revaluation, net	16,066,000	16,925,000
	<u>151,569,000</u>	<u>127,534,000</u>

	1970	1969
Assets pledged to secure indebtedness	\$111,311,000	\$99,504,000
TOTAL ASSETS	<u>\$974,688,000</u>	<u>\$803,875,000</u>

The notes on pages 32 and 33 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 official parity at December 31, 1970 of S. Kr. 5.17 to \$1.00.

LIABILITIES AND STOCKHOLDERS' EQUITY

December 31

CURRENT LIABILITIES**1970****1969**

Bank loans	\$ 63,369,000	\$ 29,482,000
Accounts payable—trade	42,875,000	31,345,000
Advances from customers	67,066,000	54,538,000
Accrued income and other taxes	25,869,000	36,758,000
Other current liabilities	91,900,000	73,565,000
	<u>291,079,000</u>	<u>225,688,000</u>

DEFERRED REVENUE

—

2,443,000**LONG-TERM DEBT**

Debentures (Note 10)	103,420,000	62,337,000
Other long-term liabilities	43,655,000	37,700,000
	<u>147,075,000</u>	<u>100,037,000</u>

PENSION AND SIMILAR PROVISIONS61,872,00053,906,000**SPECIAL RESERVES (Note 11)**

Special reserve for accounts receivable and investments outside Sweden . . .	60,939,000	55,040,000
Special inventory reserve	70,945,000	51,136,000
Reserves for future investments	43,917,000	47,269,000
	<u>175,801,000</u>	<u>153,445,000</u>

MINORITY INTEREST IN STOCKHOLDERS' EQUITY31,203,00025,481,000**STOCKHOLDERS' EQUITY**

Capital stock (Note 12)	118,995,000	118,995,000
Reserves not available for distribution	69,999,000	61,264,000
Unappropriated earnings (see page 26)	78,664,000	62,616,000
	<u>267,658,000</u>	<u>242,875,000</u>

1970**1969**

Contingent liabilities	\$33,291,000	\$17,420,000
----------------------------------	--------------	--------------

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY\$974,688,000\$803,875,000

The United States dollar amounts shown in the above statement represent translations from Swedish kronor at the official parity at December 31, 1970 of S. Kr. 5.17 to \$1.00.

Statements of unappropriated earnings

CONSOLIDATED

Balance at January 1, 1970		\$62,616,000
Deduct: Transfer to Reserves not available for distribution and stock dividends	\$ 8,976,000	
Cash dividend declared by the Parent Company	13,090,000	22,066,000
		<u>40,550,000</u>
Add: Capital gain on sale of stock	\$ 4,249,000	
Net income for 1970	33,865,000	38,114,000
Balance at December 31, 1970		<u>\$78,664,000</u>

The Boards of Directors of the respective companies have proposed that \$6,571,000 of the above balance be appropriated in 1971 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, 1970		\$25,635,000
Deduct: Transfer to the Special legal reserve	\$ 2,959,000	
Cash dividend	13,090,000	16,049,000
		<u>9,586,000</u>
Add: Net income for 1970		17,588,000
Balance at December 31, 1970		<u>\$27,174,000</u>

To this should be added a General reserve of \$18,830,000, which was increased during the year by a total of \$10,127,000 consisting of an appropriation in the amount of \$3,869,000 charged against 1970 earnings, a capital gain of \$5,485,000 from the sale of stock and the transfer of an unnecessary tax reserve of \$773,000.

Source and application of funds — consolidated

SOURCE OF FUNDS

	1970	1969
Net income (including minority interest)	\$ 37,264,000	\$32,370,000
Depreciation	21,157,000	17,685,000
Special adjustments	27,454,000	20,885,000
	<u>85,875,000</u>	<u>70,940,000</u>
Long-term borrowings and increase in pension provision	65,821,000	22,175,000
Sale of stock	6,896,000	—
Other items (net)	2,302,000	677,000
	<u>\$160,894,000</u>	<u>\$93,792,000</u>

APPLICATION OF FUNDS

Increase in long-term receivables	\$ 21,202,000	\$16,914,000
Investments in unconsolidated subsidiaries and associated companies	9,856,000	3,854,000
Property, plant and equipment additions	52,736,000	31,528,000
Amortization of long-term debt	6,898,000	5,824,000
Dividend paid by Parent Company	13,090,000	9,916,000
Increase in working capital	57,112,000	25,756,000
	<u>\$160,894,000</u>	<u>\$93,792,000</u>

The United States dollar amounts shown in the above statement represent translations from Swedish kronor at the official parity at December 31, 1970 of S. Kr. 5.17 to \$1.00.

Parent Company Income Statement

	1970	1969
Net sales	\$282,978,000	\$241,877,000
Dividends, interest and other revenue		
From consolidated subsidiary companies	12,734,000	11,535,000
From unconsolidated subsidiary companies	1,509,000	1,470,000
From associated companies	282,000	1,567,000
From others	13,404,000	14,393,000
	<u>310,907,000</u>	<u>270,842,000</u>
Cost of products and services sold	152,143,000	130,541,000
Selling, administrative, research and development expenses	89,295,000	73,500,000
Depreciation (Note 2)	7,978,000	6,344,000
Interest	6,587,000	6,138,000
Income before items below	<u>54,904,000</u>	<u>54,319,000</u>
Special adjustments		
Transfer to Reserve for accounts receivable and investments outside Sweden, \$6,653,000 in 1970 and \$6,796,000 in 1969, net of recovery of previously written off receivables, \$1,185,000 in 1970 and \$878,000 in 1969, and write-downs of investments in 1970, \$223,000	5,691,000	5,918,000
Transfer to Special inventory reserve (Note 4)	13,636,000	2,708,000
Transfer to Reserve for future investments (Note 5)	—	8,704,000
Transfer to General reserve	3,869,000	3,869,000
	<u>23,196,000</u>	<u>21,199,000</u>
Income before taxes	31,708,000	33,120,000
Taxes on income	14,120,000	16,441,000
Net income	<u>\$ 17,588,000</u>	<u>\$ 16,679,000</u>

Capital gain of \$5,485,000 resulting from sale of shares of Société Française des Téléphones Ericsson has been transferred to the General reserve and is not included in net income for the year.

The notes on pages 32–34 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 official parity at December 31, 1970 of S. Kr. 5.17 to \$1.00.

Parent Company Balance Sheet

ASSETS

December 31

CURRENT ASSETS

	1970	1969
Cash	\$ 88,893,000	\$ 91,241,000
Notes and accounts receivable—trade		
Subsidiary companies	35,724,000	22,897,000
Other (less provision for doubtful accounts 1970: \$409,000; 1969: \$1,084,000)	78,060,000	73,663,000
Inventories (less advance and progress payments 1970: \$6,314,000; 1969: \$7,694,000)	118,197,000	77,010,000
Other current assets	15,570,000	9,856,000
	<u>336,444,000</u>	<u>274,667,000</u>

LONG-TERM ASSETS

Cash on time deposit	11,622,000	10,897,000
Notes and accounts receivable—trade		
Subsidiary companies	19,985,000	8,570,000
Other (less provision for doubtful accounts 1970: None; 1969: \$530,000)	86,612,000	75,469,000
Other long-term assets	2,987,000	2,858,000
	<u>121,206,000</u>	<u>97,794,000</u>

INVESTMENTS IN SUBSIDIARY AND ASSOCIATED COMPANIES

Subsidiary companies		
Investments (see pages 30 and 31)	65,102,000	59,687,000
Accounts receivable	32,665,000	35,770,000
Associated companies		
Investments (see page 31)	3,610,000	4,092,000
Accounts receivable	2,715,000	2,584,000
	<u>104,092,000</u>	<u>102,133,000</u>

INVESTMENT IN TECHNICAL DEVELOPMENT PROJECTS

580,000

—

PROPERTY, PLANT AND EQUIPMENT

Cost	114,321,000	99,383,000
Less—Accumulated depreciation	73,799,000	62,576,000
	40,522,000	36,807,000
Revaluation—net.	9,641,000	10,205,000
	<u>50,163,000</u>	<u>47,012,000</u>

	1970	1969
Assets pledged to secure indebtedness . . .	\$74,340,000	\$66,743,000
TOTAL ASSETS	<u>\$612,485,000</u>	<u>\$521,606,000</u>

The notes on pages 32–34 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 official parity at December 31, 1970 of S. Kr. 5.17 to \$1.00.

LIABILITIES AND STOCKHOLDERS' EQUITY

December 31

CURRENT LIABILITIES**1970****1969**

Bank loans	\$ 380,000	\$ 209,000
Accounts payable—trade	14,763,000	10,081,000
Advances from customers	24,308,000	21,175,000
Accrued income and other taxes	—	6,975,000
Accounts payable to consolidated subsidiary companies	12,752,000	11,214,000
Other current liabilities	49,518,000	41,290,000
	<u>101,721,000</u>	<u>90,944,000</u>

LONG-TERM DEBT

Debentures (Note 10)	98,500,000	57,178,000
Other long-term liabilities	20,292,000	16,013,000
	<u>118,792,000</u>	<u>73,191,000</u>

PROVISION FOR PENSIONS.	<u>35,573,000</u>	<u>31,203,000</u>
--	-------------------	-------------------

SPECIAL RESERVES (Note 11)

Special reserve for accounts receivable	60,728,000	56,375,000
Special inventory reserve	62,739,000	46,943,000
Reserve for future investments	26,695,000	31,338,000
	<u>150,162,000</u>	<u>134,656,000</u>

STOCKHOLDERS' EQUITY

Capital stock (Note 12)	118,995,000	118,995,000
Legal reserve	23,850,000	23,850,000
Special legal reserve	17,388,000	14,429,000
General reserve	18,830,000	8,703,000
Unappropriated earnings (see page 26)	27,174,000	25,635,000
	<u>206,237,000</u>	<u>191,612,000</u>

1970**1969**

Contingent liabilities	\$77,181,000	\$60,211,000
----------------------------------	--------------	--------------

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$612,485,000</u>	<u>\$521,606,000</u>
---	----------------------	----------------------

The United States dollar amounts shown in the above statement represent translations from Swedish kronor at the official parity at December 31, 1970 of S. Kr. 5.17 to \$1.00.

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

Stockholm, April 15, 1971

C. B. James

N.-A. Frisk

Klas de Vylder

Investments

Stocks directly owned by Parent Company Consolidated Subsidiary Companies

Sweden		Percentage of Ownership Decimals omitted		Par Value of Holding (in thousands)	Carrying Value of Holding
I	Ericsson Telephone Sales Corp. AB (ESS)	100	S. Kr	5	\$ —
I	L M Ericsson Instruktions teknik AB (ITA)	100		100	—
I	L M Ericsson Telemateriel AB (LMS)	100		16,000	3,075
I	AB Rifa (RIF)	100		8,000	1,335
I	Sievert Kabelverk AB (SKV)	100		90,000	11,605
I	Svenska Radio AB (SRA)	71		11,280	1,710
III	Fastighets AB Rådmannen nr 1 (FAR)	100		500	97
IV	AB Erifon (ERI)	100		5	—
IV	AB Aulis (AUL)	100		2,000	387
IV	Casa Konsult AB (CAS)	100		500	96
IV	L M Ericssons Signal AB (SIB)	100		150	—
IV	Mexikanska Telefon AB Ericsson (MTE)	100		32,400	6,641
	ELLEMTEL Utvecklings AB (EUA)	50		5,000	1,161
Europe excluding Sweden					
I	O/Y L M Ericsson AB (LMF)	100	Fmk	12,500	2,847
I	A/S Elektrisk Bureau (EBN)	32*	N. Kr.	4,800	485
I	L M Ericsson A/S (LMD)	100	D. Kr.	26,000	3,735
I	Dansk Signal Industri A/S (DSI)	99	D. Kr.	6,997	1,001
I	Deutsche Ericsson GmbH Telematerial (EVG)	100	DM	500	100
I	Ericsson Centrum GmbH (CEH)	100	DM	1,000	307
I	Production Control (Ericsson) Ltd. (PCE)	100	£	1	—
I	Swedish Ericsson Co. Ltd. (SEL)	100	£	792	2,211
I	Centrum Rentals Ltd. (CRL)	100	£	—	—
I	Swedish Ericsson Telecommunications Ltd. (SEE)	100	£	100	240
I	L M Ericsson Ltd. (LMI)	100	£	50	126
I	Ericsson Telefoonmaatschappij N.V. (ETM)	100	Fl.	8,500	1,102
I	Société Française des Téléphones Ericsson (STE)	51	FF	15,466	3,121
I	Ericsson AG (EAS)	100	S.Fcs	500	116
I	Cía Española Ericsson S.A. (CEE)	97	Ptas	292,000	3,832
I	Soc. Ericsson de Portugal Lda. (SEP)	100	Esc.	5,000	71
IV	Elmé, S.A. (LML)	100	B. Fcs.	50	—
IV	SETEMER, Soc. per Az. (STM)	51	It. L	3,666,714	5,358
U.S.A. and Canada					
I	Ericsson Centrum Inc. (ECI)	100	US\$	200	70
I	The Ericsson Corporation (TEC)	100	US\$	No par value	5
I	L M Ericsson Ltd (LMC)	100	Can.\$	No par value	477
Latin America					
I	Latinoamericana de Cables S.A. de C.V. (LCM)	38**	Mex. P.	8,480	615
I	Teléfonos Ericsson S.A. (TEM)	100	Mex. P.	2,500	83
I	Teleindustria S.A. de C.V. (TIM)	100	Mex. P.	35,000	2,824
I	Telemontaje S.A. de C.V. (TMM)	100	Mex. P.	3,000	121
I	Teleric Sales Corporation (TSP)	100	US\$	No par value	1
I	Cía Anónima Ericsson (CEV)	100	Bol.	5,000	966
I	Ericsson de Colombia S. A. (EDC)	100	Col. P.	5,000	447
I	Fábricas Colombianas de Materiales Eléctricos Facomec S.A. (FAC)	50**	Col. P.	10,000	617
I	Teléfonos Ericsson C.A. (TEE)	100	Sucres	1,300	59
I	Cía Ericsson S.A. (CEP)	100	Soles	2,000	\$ 74
I	Ericsson do Brasil Comércio e Indústria S.A. (EDB)	100	Cruz.	60,000	952
I	Cía Ericsson de Chile S.A. (CEC)	100	Esc.	400	94

* Parent Company and wholly owned subsidiary have voting majority.

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

			Percentage of Ownership		Par Value of Holding	Carrying Value of Holding
			Decimals omitted		(in thousands)	
I	Cía Ericsson S.A. (CEU)	Uruguay	100	Ur. P.	18,000	214
I	Cía Ericsson S.A.C.I. (CEA)	Argentina	100	Arg. P.	1,000	500
I	Industrias Eléctricas de Quilmes S.A. (IEQ) . . .	Argentina	100	Arg. P.	8,000	650
III	Edificio Ericsson S.A. (EEM)	Mexico	100	Mex. P.	2,500	200
III	Inmobiliaria Coapa S.A. (ICM)	Mexico	100	Mex. P.	1,000	121
III	Inmobiliaria Securitas S.A. de C.V. (ISM) . . .	Mexico	100	Mex. P.	3,000	442
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	280
IV	Telefonos Ericsson C. A. (TEV)	Venezuela	100	Bol.	700	150
Other Countries						
I	Société Marocaine des Téléphones Ericsson (SME)	Morocco	58	Dirham	88	25
I	Ericsson Talipon SDN BHD (ETK)	Malaysia	100	M\$	150	49
I	Telecommunication Manufacturers (Malaysia) SDN BHD (TMK)	Malaysia	100	M\$	800	264
I	Société Algérienne des Téléphones Ericsson (STA)	Algeria	60	Alg. Din.	12	3
Total consolidated subsidiary companies						\$61,062
Unconsolidated Subsidiary Companies						
II	Cía Argentina de Telefonos S.A. (CAT)	Argentina	77	Arg. P.	14,496	\$2,052
II	Cía Entrerriana de Telefonos S.A. (CET)	Argentina	86	Arg. P.	4,925	1,639
II	Sociedad Telefónica del Perú, S.A. (STT)	Peru	55	Soles	34,804	349
Total unconsolidated subsidiary companies						\$4,040
Total subsidiary companies						\$65,102
Associated Companies						
I	GNT AUTOMATIC A/S (GNT)	Denmark	49	D. Kr.	9,800	\$1,477
I	Alambres y Cables Venezolanos C.A. (Alcave) (ACV)	Venezuela	25	Bol.	3,700	1,070
I	Fiose Cabos Plásticos do Brasil S.A. (Ficap)(FCB)	Brazil	43	Cruz.	4,940	1,014
I	Telephone Industries of Singapore Private Ltd. (TIS)	Singapore	49	S\$	147	49
Total associated companies						\$3,610

Stocks indirectly owned by Parent Company

(Minor items omitted)

Consolidated Subsidiary Companies

I	AB Thorsman & Co. (TCN)	Sweden	100	S. Kr.	50
I	Transvertex (TRX)	Sweden	100	S. Kr.	105
I	A/S Norsk Kabelfabrik (NKD)	Norway	40	N. Kr.	3,202
I	A/S Telesystemer (ATN)	Norway	40	N. Kr.	1,600
I	RIFA S. A. (RFF)	France	100	FF	3,100
I	Etablissements Ferrer-Auran (FAF)	France	49	FF	3,704
I	FATME, Soc. per Az. (FAT)	Italy	51	It. L	3,589,789
I	SIELTE, Soc. per Az. (SEI)	Italy	51	It. L	2,051,308
I	L M Ericsson S. A. (LES)	Spain	100	Ptas	1,000
I	Société Libanaise des Téléphones Ericsson (STL)	Lebanon	100	L. £	50
I	L M Ericsson Pty Ltd. (EPA)	Australia	73	A \$	4,360
I	A.E.E. Capacitors Pty Ltd. (AEE)	Australia	100	A \$	700
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 S.A. (BOF)	Sweden	50	S. Kr.	1,000
I	AB Norrköpings Kabelfabrik (NKF)	Sweden	50	S. Kr.	2
I	AB Elektrokoppar (EKS)	Sweden	25	S. Kr.	3,750
I	Conqueror Cables Pty Ltd. (CCA)	Australia	40	A \$	280

KEY TO FUNCTIONS OF COMPANIES

- I Manufacturing and distributing companies
- II Telephone operating companies

- III Real estate companies
- IV Holding and other non-operating companies

Notes to the financial statements

Note 1 — Principles of consolidation

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

Note 2 — Depreciation

The Parent Company and its Swedish subsidiaries generally depreciate buildings at a rate of 3 % 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 1970 was lower than would otherwise have been recorded. (See Note 11). Depreciation charged against 1970 operations corresponds closely to that calculated for costing purposes. The latter is based on replacement cost and estimated life of the property, plant and equipment.

Note 3 — Basis for translation of foreign currencies

The financial statements of the foreign subsidiaries have been translated on the following basis:

Property, plant and equipment and related depreciation provisions have been translated at exchange rates in effect at dates of acquisition. Other assets and liabilities have been translated at year-end exchange rates. Income, costs and expenses (except for depreciation on property, plant and equipment) have been translated at the average rates in effect during the year.

Note 4 — Allocations to Special Inventory Reserve

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

Note 5 — 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 6 — Inventories

	1970	1969
Materials and supplies . . .	\$ 55,182,000	\$ 36,697,000
Semi-finished goods . . .	123,804,000	79,419,000
Finished goods . . .	88,122,000	65,667,000
Contract installations in progress . . .	58,695,000	53,182,000
	<u>\$325,803,000</u>	<u>\$234,965,000</u>
Less—Advance and progress payments . . .	49,571,000	45,537,000
	<u>\$276,232,000</u>	<u>\$189,428,000</u>

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

Note 7 — Long-term Assets

(a) Long-term bank deposits include funds deposited to the special investment account with the Bank of Sweden and Bank of Norway amounting to \$16,171,000 (\$15,165,000 in 1969).

(b) Other long-term assets include miscellaneous investments in the amount of \$3,137,000 (\$9,253,000 in 1969).

Note 8 — Investments in Unconsolidated Subsidiaries

	Argentina	Peru
The Group's equity in net assets at December 31, 1970 . . .	\$15,555,000	\$1,027,000

The equity has been computed on the basis of year-end rates of exchange, viz. .25 cent per Peso and 2.3 cents per Sol.

The telephone operating companies concerned have revalued their fixed assets in 1970 and prior years and the resultant excess value over cost has been treated as equity.

Note 9 — Property, Plant and Equipment

	Cost	Revaluation
Land . . .	\$ 11,890,000	\$ 5,468,000
Buildings . . .	106,928,000	17,162,000
Machinery and equipment . . .	163,895,000	—
	<u>\$282,713,000</u>	<u>\$22,630,000</u>
Construction in progress . . .	16,481,000	—
	<u>\$299,194,000</u>	<u>22,630,000</u>
Less—Accumulated depreciation . . .	163,691,000*	6,564,000
Net book value . . .	<u>\$135,503,000</u>	<u>\$16,066,000</u>

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

Note 10 — Debentures
Parent company

4 1/2 % Debentures of 1944, due 1972 to 1978, S.kr. 8,750,000	\$ 1,692,000
3 1/2 % Debentures of 1950, due July 1, 1980, S.kr. 13,347,000	2,582,000
4 1/2 % Debentures of 1959, due 1972 to 1977, Swiss Francs 30,000,000	6,963,000
6 1/2 % Debentures of 1966, due 1972 to 1986, US \$18,000,000	18,000,000
6 1/2 % Debentures of 1968, due 1972 to 1988, S.kr. 68,800,000	13,308,000
5 1/2 % Debentures of 1968, due 1974 to 1983, Swiss Francs 50,000,000	11,605,000
9 1/4 % Debentures of 1970, due 1972 to 1985, US \$29,350,000	29,350,000
8 3/4 % Debentures of 1970, due December 1, 1975, US \$15,000,000	15,000,000

Subsidiary companies

Société Française des Téléphones Ericsson	
7 % Debentures of 1968, due 1972 to 1983, F.Frs 14,682,000	2,641,000
7 1/4 % Debentures of 1969, due 1972 to 1988, F.Frs 12,375,000	2,226,000
Industrias Eléctricas de Quilmes S.A.	
16 1/2 % Debentures of 1968, due 1972 to 1973, Arg. P. 210,000	53,000
	<u>\$103,420,000</u>

The instalments of the aforementioned debentures due in 1971 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 1971 is approximately 52 %.)

(b) With respect to the Special inventory reserve see Note 4.

(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.

Norway also has regulations concerning tax-free allocations to similar investment reserves. Included in the consolidated financial statements are such reserves amounting to \$4,261,000 (\$4,092,000 in 1969).

Note 12 — Capital stock of the Parent Company

2,485,677	Class A shares	\$ 24,039,000
9,818,417	Class B shares	94,956,000
<u>12,304,094</u>		<u>\$118,995,000</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.

* This amount includes write-downs by charges to Reserves for future investments, of which \$21,730,000 is to be considered as accelerated depreciation (See Note 11).

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

Number of employees and remuneration

	1970	1969
Average number of:		
Office employees	7,414	6,815
Factory employees	12,891	11,163
	<u>20,305</u>	<u>17,978</u>

Fees, salaries and wages:

Board of Directors and		
Management	\$ 1,616,000	\$ 1,341,000
Other office employees	51,176,000	43,178,000
Factory employees	53,188,000	41,791,000
	<u>\$105,980,000</u>	<u>\$86,310,000</u>

Expenses for fringe benefits, including vacation salaries, pension costs, sickness and accident insurance premiums and other personnel expenses, amounted to approximately 33 % (33 % in 1969) of total salaries and wages paid in 1970 for time worked.

Income statement data

	1970	1969
Dividends, interest and other income		
Dividends:		
Subsidiaries	\$ 8,106,000	\$ 5,641,000
Others	63,000	—12,000
Interest:		
Subsidiaries	3,166,000	3,118,000
Others	12,455,000	13,975,000
Other income:		
Subsidiaries	2,971,000	4,246,000
Others	1,168,000	1,997,000
	<u>\$27,929,000</u>	<u>\$28,965,000</u>
Interest expense:		
Subsidiaries	\$ 305,000	\$ 453,000
Others	6,282,000	5,685,000
	<u>\$6,587,000</u>	<u>\$6,138,000</u>
Administrative expenses (approximately)	\$5,500,000	\$7,000,000

Depreciation:

	1970	1969
Buildings		
Cost	\$ 919,000	\$ 912,000
Revaluation	564,000	564,000
Machinery and equipment	6,495,000	4,868,000
	<u>\$7,978,000</u>	<u>\$6,344,000</u>

In addition, \$ 4,643,000 of machinery and equipment acquired in 1970 were written off completely and charged against the Reserve for future investments.

Balance sheet data (in thousands of dollars)

Notes and accounts receivable—trade include notes in the amount of \$46.5 million.

	Cost	Revaluation	Book value
Property, plant and equipment:			
Land	\$ 1,950	\$ 3,065	\$ 5,015
Improvement to property	574	—	534
Buildings	41,555	11,281	21,717
Machinery and equipment	62,884	—	15,539
	<u>106,963</u>	<u>14,346</u>	<u>42,805</u>
Construction in progress	7,358	—	7,358
	<u>114,321</u>	<u>14,346</u>	<u>50,163</u>
Less—Accumulated depreciation	73,799	4,705	—
Net book value	<u>\$ 40,522</u>	<u>\$ 9,641</u>	<u>\$50,163</u>
Assessment value of land and buildings			\$48,228
Fire insurance value of:			
Buildings			\$ 85,687
Machinery and equipment			88,008
			<u>\$173,695</u>
The provision for pensions includes \$28.3 million for supplementary service pensions to office employees.			
Assets pledged to secure indebtedness:			
Mortgages on land and buildings			\$22,498
Floating charges on other assets			29,981
Shares in subsidiary companies			13,316
Accounts receivable			8,545
			<u>\$74,340</u>

SWEDEN

The sales increase in the Swedish market was relatively small, from \$159,867,000 in 1969 to \$166,250,000 in 1970. Order bookings reflected a substantial increase in comparison with the preceding year, rising from \$158,468,000 to \$179,983,000, or nearly 14 percent. Government agencies accounted for 64 percent of the orders, as against 60 percent in 1969.

Orders for exchange equipment from the Swedish Telecommunications Administration were higher than in any preceding year. Larger orders included three computer-controlled transit exchanges, two of them for the Stockholm area and one for Gothenburg. Contracts were also received for subscriber switchboards and for 236,000 Dialog telephones as well as for a large number of Ericofons and dials.

The Royal Swedish Air Force also placed further orders for new computer-controlled telephone exchanges and for the expansion of previously delivered installations.

During the year exchange equipment was delivered for a total of 68,000 subscriber lines for new and existing local exchanges and for the expansion of a number of long distance exchanges. An additional 3,200 subscriber lines were supplied for the computer-controlled exchange at Tumba.

Orders placed with the Parent Company by the Administration include a new carrier frequency system for transmission of broadcast radio and television sound signals and equipment for the new national exchange at Fredhäll, Stockholm.

Elektrisk Bureau, the Norwegian subsidiary, received a large order from the Swedish defense authorities for mobile carrier frequency equipment.

In the area of radar and missile technique, orders involving the Draken and Viggen classes of military aircraft were substantially larger than a year earlier. Deliveries

during 1970 included the first radar stations for the Viggen and laser equipment for the Royal Swedish Navy.

Order bookings for signaling equipment for the Swedish State Railways were good. Including deliveries during the year, the railway administration is operating more than 1,300 track miles equipped with the Group's Centralized Traffic Control (CTC) remote blocking system.

Telecommunications cable requirements were slightly higher than in the preceding year. Demand for power cable and wire from Sieverts Kabelverk was good during the first half of the year but showed a weakening tendency during the latter part. Deliveries were about the same as a year earlier.

L M Ericsson Telemateriel AB had higher order bookings for internal telecommunications and security systems. This subsidiary was responsible for all the "teletechnical" installations in the new Swedish Parliament building, including the notable new vote-recording system.

AB Rifa increased deliveries of capacitors and other electrical components by approximately 30 percent. Demand for the company's products, which are used largely in electronic equipment with high reliability requirements, continued to be good.

Svenska Radio AB felt the effects of reduced orders for military electronic material from government agencies. Efforts to expand in civilian markets resulted, among other developments, in increased sales of communications radio equipment and of a new type of marine radio station, mostly outside Sweden.

The third stage of the Cable Division's building expansion in Hudiksvall was carried out during the year. A warehouse for L M Ericsson Telemateriel AB was completed in Oskarshamn. The structure makes it possible to centralize warehousing and handle goods more efficiently.

EUROPE

(Excluding Sweden)

Summary

Within Europe (excluding Sweden) Group order bookings totaled \$297,268,000 in 1970, compared with \$238,309,000 in 1969, an increase of 25 percent, as against a 16 percent rise a year earlier. The rate of increase was particularly high in Italy, Finland, The Netherlands, Spain and Great Britain.

Efforts to broaden the Group's market in Europe have produced favorable results in recent years. During the five-year period 1966-1970 sales quadrupled—from \$11,262,000 to \$46,501,000—in what might be described as new markets. In Europe as a whole (excluding Sweden), Group sales rose 80 percent during the same period.

Total sales were \$235,505,000, an increase of 22 percent over sales of \$192,595,000 in 1969, which were 8 percent higher than 1968 invoicing. The backlog at year-end amounted to \$277,677,000 (1969: \$215,914,000).

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

	1970	1969
Italy	\$ 53,139,000	\$ 39,316,000
France	46,342,000	43,846,000
Norway	30,705,000	29,972,000
Denmark	26,971,000	24,972,000
Finland	19,056,000	15,543,000
The Netherlands	12,791,000	12,665,000
Other countries	46,501,000	26,281,000
Total	\$235,505,000	\$192,595,000

Italy

As a result of strong demand for telephone service, public telecommunications in Italy are being expanded extensively and the authorities anticipate a significant increase in investments for this purpose in the next few years.

The Group's Italian subsidiary, FATME, one of the larger domestic telephone manufacturers, has in recent years received substantial orders for automatic local exchanges, transit exchanges and long distance equipment. Orders booked in 1970 were 50 percent higher than a year earlier.

Political and union unrest continued to disturb the labor market and FATME was affected by the strikes that hit Italian industries, losing at least 750,000 factory man-hours. A large portion of the lost production was recovered during the latter part of the year through increases in the work force and overtime work. Agreements with the labor unions resulted in sharp wage increases.

SIELTE, a second Italian subsidiary, continued its expansion and invoicing covering network service contracts and telecommunications equipment for the private sector rose substantially.

France

Large orders were placed during the year with the Group's French subsidiary, Société Française des Téléphones Ericsson. They included equipment for 155,000 subscriber lines for automatic local exchanges and rural exchanges, for delivery beginning in 1972. The authorities' orders for telephone instruments were lower than during 1969.

Order bookings for subscriber exchanges continued to rise, topping the preceding year by 40 percent. The orders included a large exchange for the Hôtel Matignon, chancellery of the French prime minister.

Delivery delays occurred during the first half year, partly due to a shortage of electrical components. The situation improved during the last six months and it was possible to hold closely to sales forecasts.

In order to increase production capacity, a 220,000-

sq. ft. plant, the company's third provincial factory, is being constructed in Brest. Manufacturing will get under way there in leased facilities during the current year.

In Boulogne-Sur-Mer a factory is under construction for production of capacitors and other electronic components for RIFA S.A., a subsidiary of AB Rifa.

Norway

In addition to contracts for automatic telephone exchanges, subscriber exchanges and telephone instruments

under a 1969 agreement, large orders were received covering long distance equipment for the Norwegian national network. Marine radio equipment developed by Elektrisk Bureau was introduced on the market, resulting in substantial orders for export.

Shortages of qualified manpower and of electrical components caused delays in deliveries. The company will acquire additional manufacturing capacity toward the end of the current year in a 150,000-sq.ft. factory and office structure at Billingstad.

Demand for cable and wire was good and A/S Norsk Kabelfabrik increased its sales.



Spain is an expanding market for Ericsson systems and products. Picture shows wiring operations at Group factory in Getafe, near Madrid.

Denmark

Substantial delivery agreements were signed with the Danish telephone administrations covering exchange equipment for 525,000 subscriber lines. In addition, Jydsk Telefon A/S intends to fill its requirements for subscriber exchanges over the next few years through purchases from the Group.

During the year local and rural exchanges totaling nearly 76,000 lines and transit exchanges for 6,600 incoming circuits were placed in service. The changeover from manual to automatic operations in Zealand was completed with the inauguration of a new exchange in Nakskov.

Dansk Signal Industri A/S signed a very important delivery agreement with Danske Statsbaner, the Danish railway system, covering equipment for remote control and automation of railway signaling installations in Copenhagen's local traffic area. Portions of the deliveries, including computers and certain safety devices, will come from Sweden. When the installation is complete, it will provide remote control of 80 stations from Copenhagen's Central Station.

Finland

Order bookings by O/Y L M Ericsson AB for public telephone exchanges were significantly higher than in the past, surpassing those of the preceding year by 50 percent. A substantial part involved long distance transit exchanges for the Post and Telegraph Administration. A contract was signed with the Helsinki telephone company for a computer-controlled transit exchange with 2,000 incoming circuits. Annual production of telephone instruments exceeded 100,000 for the first time.

The Netherlands

Orders for automatic telephone exchanges and telephone instruments were the largest ever awarded the Group's Dutch manufacturing company in a single year. Bookings doubled, compared with 1969, and included equipment for 80,000 subscriber lines and 100,000 telephone instruments. Local exchanges with a capacity of 52,000 lines were delivered during the year. Production of telephone instruments exceeded a rate of 100,000 per year.

Spain

The agreement signed during the year with the Spanish telephone operating company, Compañía Telefónica Na-

cional de España (CTNE), means a definite breakthrough for the Group in the telephone market in Spain. Through the joint operation with CTNE the Group will participate substantially in the current rapid expansion of the country's telecommunications. Production will initially be oriented toward manufacture of automatic telephone exchanges for local and long distance traffic, subscriber exchanges and long distance material.

In accordance with agreed plans, delivery capacity will be increased by stages to a volume comparable to that currently prevailing in the Group's French or Italian companies.

Production facilities must be expanded substantially and detailed plans have been worked out for a new plant outside Madrid.

During the year the Group received an initial large order for carrier frequency equipment and supplementary contracts for telex equipment, primarily to handle transit traffic.

Production of railway signaling equipment and sales to the private sector, formerly handled by the now jointly owned company, were transferred to another Spanish subsidiary.

Great Britain

Marketing of subscriber exchanges in Great Britain was successful, with new orders totaling \$5,000,000. The large 6,000-line exchange for the Greater London Council will be turned over to the customer during the first half of the current year.

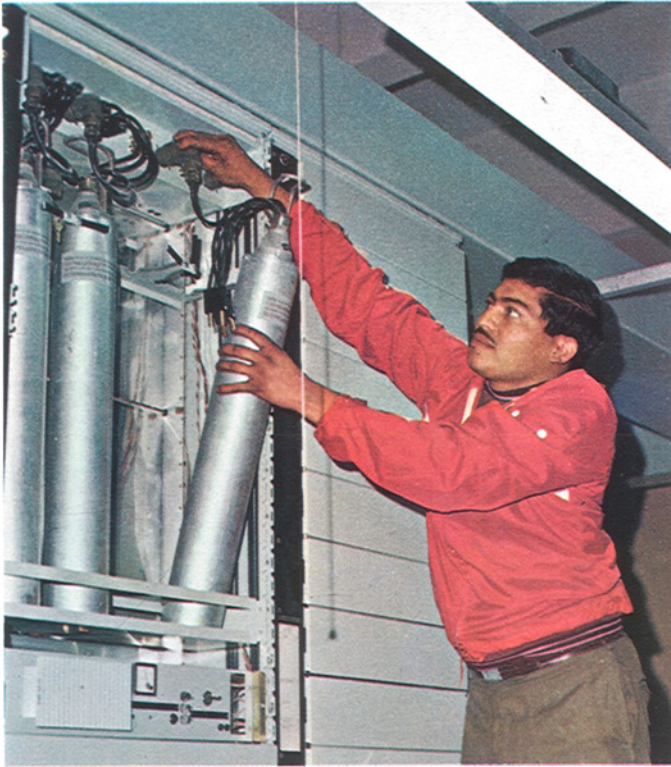
Elektrisk Bureau, the Norwegian subsidiary, booked additional orders for its new version of a marine transmitter, including units for 15 Cunard Line ships.

Other countries

In Portugal, contracts were received for carrier frequency equipment for use in a substantial expansion of the country's long distance network. In Switzerland, the Group booked additional orders for radar equipment.

The authorities in Czechoslovakia have decided to construct a very large telecommunication center in Prague that will include switching equipment for national and international telephone and telex traffic. After prolonged studies, the Group's crossbar system was selected for this project.

The first of five long distance transit exchanges was partially cut into service in Kiev in the Soviet Union. The exchange has 7,800 incoming circuits and is thus the largest Ericsson transit exchange ever installed at one time.



Transmission equipment from the Long Distance Division being installed in a telephone exchange in Mexico.



Testing in a telephone exchange in São Paulo



Workman checks the gauge of cable being manufactured in the Group plant at Quilmes, Argentina.

LATIN AMERICA

Summary

Latin America accounted for a fifth of total Group order bookings. Contracts signed during 1970 amounted to \$157,052,000, 36 percent higher than 1969 bookings of \$115,149,000. Sales amounted to \$130,028,000, somewhat lower than the \$142,117,000 recorded a year earlier. The heavy order bookings raised the year-end backlog to \$160,311,000, compared with \$133,287,000 in 1969.

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

	1970	1969
Mexico	\$ 41,568,000	\$ 40,249,000
Brazil	39,075,000	64,525,000
Argentina	13,590,000	12,135,000
Colombia	12,953,000	8,128,000
Venezuela	11,155,000	7,440,000
Other countries	11,687,000	9,640,000
	\$130,028,000	\$142,117,000

Mexico

Expansion of the telephone network in Mexico through Teléfonos de Mexico, S.A. (Telmex) is continuing at a rapid pace. Telmex placed larger orders for automatic exchanges for local and long distance traffic than in the preceding year. The orders included a computer-controlled transit exchange for Monterrey and the first semi-electronic rural exchanges based on the Ericsson system.

Substantial orders were received for carrier frequency equipment for a large number of terminals in the long distance network. Order bookings for subscriber exchanges were also high.

Local exchanges for nearly 70,000 subscriber lines and a number of transit exchanges were installed during the

year. Subscriber-dialed automatic traffic with the U.S.A. was inaugurated in certain parts of the country.

Domestic production was increased by utilizing temporary facilities in the large factory and office structure being erected in Tlalnepantla, north of Mexico City. The plant is expected to be ready for occupancy during the fall of 1971.

Latincasa, the cable manufacturing company, was affected adversely by reduced orders for telephone cable from Telmex during the latter part of the year.

Brazil

The telephone authorities started plans for many new projects during the year but relatively few new contracts were signed. The Group was successful in those cases where final decisions were reached. Ericsson do Brasil Comércio e Indústria S.A. (EDB) signed large contracts with the telephone administrations in Fortaleza and in the State of Goiás and with the private operating company Cía Telefónica da Borda do Campo, among others. A delivery agreement covering local exchanges for 100,000 subscriber lines was concluded with the administration in Recife.

Demand for Dialog telephone instruments could not be met, due to shortages of components at the factory. Despite this, EDB delivered more instruments than in any previous year. Order bookings for subscriber exchanges and internal communications systems were satisfactory.

Final deliveries under contracts for local exchanges were made in São Paulo during the year. Embratel, the national telephone administration, officially inaugurated the large and complex transit exchanges in São Paulo, Curitiba and Belo Horizonte.

FICAP, the cable manufacturing company, successfully introduced a power cable utilizing vulcanized polyethylene

as insulating material. Production capacity for both telephone and power cable was increased. Manufacture of power cable was shifted to the new plant during the year, thereby restricting delivery capacity temporarily.

Argentina

Sales of the cable manufacturing company, Industrias Eléctricas de Quilmes, were somewhat higher than in 1969. Equipment for the production of telephone cable with an anti-moisture jacket was placed in production and the first deliveries of this type of cable occurred during the year. Earnings were lower than a year earlier due to production problems of a technical nature and to exchange losses resulting from devaluation of the peso. Production capacity will rise through an addition to the plant that is expected to be completed during 1971.

Wiring and testing of racks and relay sets was started in the Group subsidiary, Cía Ericsson S.A.C.I.

The Group's telephone operating companies were granted a higher rate schedule. Together with a larger subscriber base and increased long distance traffic, this resulted in a 30 percent gain in billings which, however, was offset by wage increases and exchange losses on foreign loans. Despite these latter factors, the companies continued to show a favorable earnings trend. At year-end 153,000 instruments were connected to their networks. Substantial investments now being made to automate long distance service are expected to show results during 1971.

Colombia

An agreement was signed with the telephone administration in Bogotá for the delivery of local exchanges

with a capacity of 92,200 subscriber lines. According to the agreement, which also includes options for an additional 51,400 lines of equipment, four local transit exchanges will also be installed. The order was won in stiff competition with other manufacturers, primarily the Japanese.

A large contract was also concluded with the telephone administration in Medellín covering local exchange equipment for 28,200 subscriber lines. Part of the production for the two orders will be handled by the Group's domestic subsidiary, Ericsson de Colombia S.A.

Operations at FACOMECE, the cable manufacturing company in Cali, developed favorably.

Venezuela

CANTV, the government telephone authority in Venezuela, concluded a delivery agreement for 162,000 lines of local exchange equipment and for the expansion of transit exchanges delivered earlier. An initial order under the agreement, covering deliveries during 1971 and 1972, was placed during the year. The agreement is part of the Venezuelan administration's long-term plan to expand telephone service within the country.

The Group's subsidiary in Venezuela will participate in production of the orders.

Other countries

In Panama and Ecuador order bookings under current credit agreements were approximately the same as during the preceding year. In Costa Rica the Group established itself in the current program to automate rural telephone service through orders for 18,600 lines of local exchange equipment and for transit exchanges.

AUSTRALIA, ASIA AND AFRICA

Summary

Group order bookings in Australia increased 7 percent. Bookings were up 23 percent in Asian markets, primarily as a result of higher orders from telephone administrations in Singapore, Malaysia and Lebanon. Cultivation of the markets in Africa did not result in any major contract decisions, with the consequence that bookings were substantially lower than in 1969. For Australia, Asia and Africa as a whole, orders received totaled \$77,421,000 as against \$78,879,000 in 1969. At year-end, the order backlog amounted to \$96,683,000 (1969: \$86,237,000).

The geographical distribution of sales was as follows:

	1970	1969
Australia	\$30,036,000	\$23,784,000
Asia	24,975,000	24,681,000
Africa	11,964,000	7,815,000
	\$66,975,000	\$56,280,000

Australia

Including deliveries from the two non-Group Australian companies which manufacture Ericsson crossbar systems under licensing agreements, exchanges with a capacity of more than one-quarter million subscriber lines were placed in service during the year. About one third of the deliveries were from the Group's subsidiary, L M Ericsson Pty. Ltd. (EPA).

EPA's bookings included orders from Papua and New Guinea for the first stage of a fully automated telephone network. A computer controlled exchange for experimental use with a new type of international signaling system

was installed by the Overseas Telecommunications Commission.

Production increased substantially at EPA and deliveries from the factories were 37 percent higher despite supply problems involving parts and components during the early part of the year. Good results were obtained from the continuing program to rationalize production.

The company's technical development and production resources were both strengthened significantly.

An addition to the plant at Morwell was completed at the beginning of 1970 and current expansions at Broadmeadows and Coburg will give the company approximately 120,000 sq.ft. of space in new facilities during the current year. The number of employees rose sharply and now totals more than 3,000.

The Group's technical and production knowhow in the field of capacitors has been introduced gradually at A.E.E. Capacitors Pty. Ltd. in Melbourne since the company was acquired in 1968. The objective is to direct operations toward products that are both technically more advanced and more profitable. Only an insignificant part of the original product line has been retained.

Conqueror Cables Pty. Ltd. in Sydney, in which the Group has a 40 percent interest, increased both sales and earnings.

Asia

Singapore

During the year a delivery agreement was signed with the Singapore Telephone Board covering the Board's total needs for telephone exchanges over the next ten years.

UNITED STATES AND CANADA

Part of the production will take place within the country in a jointly owned company, Telephone Industries of Singapore Private Ltd., in which the Board holds a 51 percent interest. In connection with this move, Group sales in Singapore have been taken over by the new company.

A 50,000 sq.ft. plant which is also designed for production of subscriber exchanges is under construction and is expected to be completed by year-end 1971.

Telecommunications facilities in Singapore are being expanded sharply and the number of subscribers increased 17 percent during the year. The Telephone Board placed orders for equipment for 56,000 subscriber lines in 1970.

Malaysia

The factory on the outskirts of Kuala Lumpur was completed during the last half of the year and production of automatic exchange equipment got under way around the end of the year.

Other countries

Cable and Wireless Ltd, London, placed an order for an intercontinental trunk exchange with an initial capacity of 2,000 incoming circuits and 675 junction lines to be installed in Hong Kong. It will be one of the largest exchanges of its type ever delivered by the Group. In Asia similar Ericsson trunk exchanges were installed earlier in Malaysia, Singapore and the Philippines.

Additional orders for railway signaling equipment were received in Taiwan (Formosa).

In Lebanon the telephone administration signed a large contract covering exchange equipment for 39,000 subscriber lines. Under the terms of the contract the Group will handle the installation of the newly ordered material as well as that of equipment purchased earlier.

U. S. A.

The market for privately owned subscriber exchanges has expanded greatly in the U.S.A. since it has become possible to connect them to the public network. Ericsson Centrum, Inc., the Group subsidiary in New York, was successful in its sales program for these exchanges and received orders for 30,000 lines of equipment. Sales of loudspeaking internal communications systems were also good and the company's total order bookings exceeded those of the preceding year by 40 percent. Sales were up 37 percent during the year.

Comprehensive cooperation is continuing with North Electric Company of Galion, Ohio to modify the Group's computer-controlled transit exchange system for introduction in the United States, where North Electric has received an initial important order.

Canada

The first large so-called multi-PABX subscriber exchanges, for common use by up to 30 different subscribers, were placed in service during the year. An agreement was reached with one of the major telephone operating companies to supply a large number of subscriber exchanges during the next few years.

PERSONNEL

In the systematic program of personnel training that is gradually being introduced within the Group, substantial attention has been devoted to employee development, replacement planning and executive development.

The improved selection and employee relations programs which are used in the Swedish companies have successively been applied in the international sector as well.

A comprehensive training program is conducted for managers at various levels in the Swedish sector of the Group. The training is administered by the Group's central training department and takes place primarily at L M Ericsson's International Training Center in Stockholm. Nearly 300 persons have thus far participated in this continuing program. Technical and other special training has been expanded. In Brazil a new training center with a capacity of 150 students in various courses is in operation. Including the training center in Mexico, facilities have thus been created for additional training of technicians from Latin American markets.

Company medical services have continued to expand in the Group's Swedish companies. Facilities required for medical welfare programs conforming to guidelines established by the Swedish employer and employee associations now exist in nearly all Group plants. Increased attention has also been directed to health programs in the foreign factories, for example in Mexico where a modern medical department is planned for the new plant.

Work in the Management-Labour Councils in the Swedish factories has been carried out in an atmosphere of good cooperation. Study sessions involving Council members have focused on personnel matters.

A large number of subcommittees have been formed with a view to strengthening the work of the Councils. Such committees may be permanent or established solely for such specific assignments as participation in the dis-

cussions concerning the planning of new office buildings or plants. Forms of management-labor cooperation similar to those in Sweden have begun to be applied in the foreign sector of the Group.

Grants from the "Dr. Marcus Wallenberg Fund", for employees of the Parent Company with long service records, proved exceptionally helpful in many instances.

Substantial grants were distributed by the Workers' Assistance Fund and the foundations for study travel, training and research.

In recent years many promising new markets have opened to the Group. Simultaneously, in a number of places in long established markets, there has been a continuing expansion of resources in terms of personnel, technical activity and production. Techniques and production methods are changing rapidly. Competition for markets is stiffening, not least because the number of competitors is increasing.

All this has posed—and will continue to pose—new demands for initiative, ingenuity and the flexibility to cope with new situations. But, above all, it is a challenge to all within the Group to be able to work together productively.

It is a source of satisfaction and confidence for the future to confirm that this cooperation is being realized to a degree that matches the Group's dynamic expansion.

Stockholm, April 1971



Björn Lundvall
President

Products manufactured by the Ericsson Group

PUBLIC TELEPHONE EXCHANGES

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

SYSTEMS FOR INTERNAL USE

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

TELEPHONE INSTRUMENTS

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

TRANSMISSION EQUIPMENT

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

DATA COMMUNICATION EQUIPMENT

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

MILITARY AND INDUSTRIAL ELECTRONICS

Electronic weapon systems
Radar, laser and infrared systems
Data collection and production control systems
Control systems for materials handling
Automatic testing equipment
Automatic Radar Data Extractors

TELESIGNALING MATERIAL

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

TRAFFIC SIGNALS

Interlocking plants
Automatic and manual block systems
A.T.C. (Automatic Train Control)
C.T.C. (Centralized Traffic Control)
Train describer systems
Marshaling yard signaling equipment
Highway crossing signals and lifting gates
Street traffic signal systems with or without computer control

COMMUNICATION RADIO EQUIPMENT

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

LINE MATERIAL

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

CABLES AND WIRES

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

COMPONENTS

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

OTHER PRODUCTS

Industrial automatic control devices
Measuring instruments
Instruction systems
Power supply equipment
Cryptography equipment
Micro manipulators

THE ERICSSON GROUP

Associated companies and representatives



SWEDEN

Stockholm

Telefonaktiebolaget L M Ericsson

- L M Ericsson Telematerial AB
- L M Ericsson Instruktions teknik AB
- AB Rifa
- Sieverts Kabelverk AB
- Svenska Radio AB
- * ELLEMTEL Utvecklings Aktiebolag
- AB Transvertex
- Svenska Elgrossistaktiebolaget SELGA

Nyköping

- AB Thorsman & Co

Kungsbacka

- P. Boréns Fabriks AB

Malmö

- Bjurhagens Fabriks AB

Norrköping

- Norrköpings Kabelfabrik AB
- * Development Company

EUROPE (Outside Sweden)

DENMARK Copenhagen

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

FINLAND Helsinki

- O/Y L M Ericsson A/B

FRANCE Paris

- Société Française des Téléphones Ericsson

Boulogne

- RIFA S.A.

Marseille

- Etablissements Ferrer-Auran

IRELAND

Dublin

- L M Ericsson Ltd.

ITALY

Rome

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

THE NETHERLANDS

Rijen

- Ericsson Telefoonmaatschappij N.V.

NORWAY

Oslo

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

Drammen

- A/S Norsk Kabelfabrik

POLAND

Warsaw

- ▲ Telefonaktiebolaget L M Ericsson

PORTUGAL

Lisbon

- Sociedade Ericsson de Portugal, Lda.

SWITZERLAND

Zurich

- Ericsson AG

SPAIN

Madrid

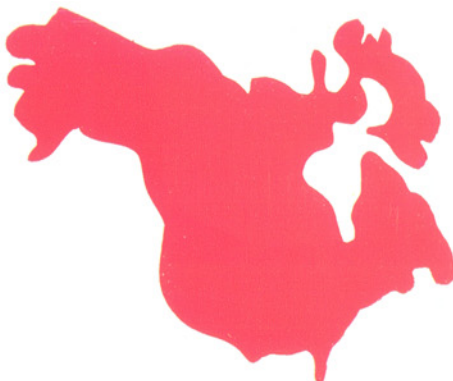
- Cía Española Ericsson S.A.
- L M Ericsson S.A.

UNITED KINGDOM

London

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

- * Holding Company



WEST GERMANY

Düsseldorf

- Deutsche Ericsson GmbH Telematerial

Hannover

- Ericsson Centrum GmbH

Representatives in:

Austria, Belgium, Greece, Iceland, Yugoslavia

LATIN AMERICA

ARGENTINA

Buenos Aires

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

BRAZIL

São Paulo

- Ericsson do Brasil Comércio e Indústria S.A.

Rio de Janeiro

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

CHILE

Santiago

- Cía Ericsson de Chile S.A.

COLOMBIA

Bogotá

- Ericsson de Colombia S.A.

Cali

- Fábricas Colombianas de Materiales Eléctricos Facomec S.A.

COSTA RICA

San José

- ▲ Telefonaktiebolaget L M Ericsson

ECUADOR

Quito

- Teléfonos Ericsson C.A.

- Manufacturing and Sales subsidiary
- Sales subsidiary

- Associated company: Manufacturing and sales
- Associated company: sales

- ▲ Technical office
- △ Telephone operating company

MEXICO

Mexico D.F.

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

PANAMA

Colón

- Teleric Sales Corp.

PERU

Lima

- Cía Ericsson S.A.

Arequipa

- Soc. Telefónica del Perú, S.A.

EL SALVADOR

San Salvador

- Telefonaktiebolaget L M Ericsson

URUGUAY

Montevideo

- Cía Ericsson S.A.

VENEZUELA

Caracas

- Cía Anónima Ericsson
- Alambres y Cables Venezolanos C.A.
- Representatives in:
Bahama Islands, Bolivia, Costa Rica, Dominican Republic, Guatemala, Guyana, Honduras, Netherlands Antilles, Nicaragua, Panama, Paraguay, El Salvador, Surinam, Trinidad.

AFRICA

ALGERIA

Algiers

- Société Algérienne des Téléphones Ericsson

EGYPT

Cairo

- Telefonaktiebolaget L M Ericsson



ETHIOPIA

SUDAN

Addis Ababa, Ethiopia

- ▲ Telefonaktiebolaget L M Ericsson

LIBYA

Tripoli

- ▲ Telefonaktiebolaget L M Ericsson

MALAWI

Blantyre

- Ericsson Telephone Sales Corporation AB

MOROCCO

Casablanca

- Société Marocaine des Téléphones Ericsson

TUNISIA

Tunis

- ▲ Telefonaktiebolaget L M Ericsson

ZAMBIA

Lusaka

- Ericsson Telephone Sales Corporation AB

Representatives in:
Ethiopia, Ghana, Kenya, Liberia, Libya, Mozambique, Sudan, Southwest Africa, Tanzania, Uganda

ASIA

INDIA

Calcutta

- Ericsson India Private Limited

INDONESIA

Djakarta

- Ericsson Telephone Sales Corporation AB

IRAQ

Baghdad

- ▲ Telefonaktiebolaget L M Ericsson

KUWAIT

Kuwait

- ▲ Telefonaktiebolaget L M Ericsson

LEBANON

Beyrouth

- Société Libanaise des Téléphones Ericsson

MALAYSIA

Petaling Jaya

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

PAKISTAN

Karachi

- ▲ L M Ericsson Telephone Company

SINGAPORE

Singapore

- Telephone Industries of Singapore Private Ltd.

THAILAND

Bangkok

- Ericsson Telephone Corporation Far East AB

TURKEY

Ankara

- Ericsson Türk Ticaret Ltd. Şirketi

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

UNITED STATES and CANADA

UNITED STATES

New York, N. Y.

- * The Ericsson Corporation
- Ericsson Centrum, Inc.

CANADA

Montreal

- L M Ericsson Ltd.
- * Technical liaison company

AUSTRALIA

Melbourne

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

Sydney

- Conqueror Cables Pty. Ltd.

Representative in:
New Zealand



- * Holding Company



Typical Ericsson Subscriber Equipment

DIALOG®, standard handset with pushbuttons.



ERICOFON®, first commercially successful one-piece instrument.



DIRIVOX®, station for loudspeaking intercom system.



CONSOLE for PABX (Private Automatic Branch Exchange) systems.



LM ERICSSON
TELEPHONE COMPANY

1970 ANNUAL REPORT