

ERICSSON LM TELEPHONE CO

Form 6-K

October 14, 2011

# **SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

## **FORM 6-K**

**REPORT OF FOREIGN ISSUER**

**Pursuant to Rule 13a-16 or 15d-16 of**

**the Securities Exchange Act of 1934**

**October 14, 2011**

# **LM ERICSSON TELEPHONE COMPANY**

**(Translation of registrant's name into English)**

**Torshamnsgatan 23, Kista**

**SE-164 83, Stockholm, Sweden**

**(Address of principal executive offices)**

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Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F  Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes  No

Announcement of LM Ericsson Telephone Company, dated **October 14, 2011** regarding **Sony Ericsson reports third quarter 2011 results**

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TELEFONAKTIEBOLAGET LM ERICSSON (publ)

By: /s/ NINA MACPHERSON  
**Nina Macpherson**  
**Senior Vice President and**  
**General Counsel**

By: /s/ HELENA NORRMAN  
**Helena Norrman**  
**Senior Vice President**  
**Corporate Communications**

Date: **October 14, 2011**

**PRESS RELEASE****OCTOBER 14, 2011****Sony Ericsson reports third quarter 2011 results****Highlights:****Income before taxes was Euro 31 million****33 percent increase in sales quarter-on-quarter****Smartphones account for more than 80 percent of total sales**

The consolidated financial summary for Sony Ericsson Mobile Communications AB (Sony Ericsson) for the third quarter ended September 30, 2011 is as follows:

	Q3 2010	Q2 2011	Q3 2011
Number of units shipped (million)	10.4	7.6	<b>9.5</b>
Average selling price (Euro)	154	156	<b>166</b>
Sales (Euro m.)	1,603	1,193	<b>1,586</b>
Gross margin (%)	30%	31%	<b>27%</b>
Operating income (Euro m.)	63	-37	<b>38</b>
Operating margin (%)	4%	-3%	<b>2%</b>
Restructuring charges (Euro m.)	4		
Operating income excl. restructuring charges (Euro m.)	67	-37	38
Operating margin excl. restructuring charges (%)	4%	-3%	2%
Income before taxes (IBT) (Euro m.)	62	-42	<b>31</b>
IBT excl. restructuring charges (Euro m.)	66	-42	31
Net income (Euro m.)	49	-50	<b>0</b>

Bert Nordberg, President and CEO of Sony Ericsson commented, We delivered a solid 73 million Euro improvement in income before taxes as we rebounded from the previous quarter with a 33 percent increase in sales. Android-based Xperia smartphone sales now account for more than 80 percent of sales and we have shipped 22 million Xperia smartphones to date. We will continue to invest in the smartphone market, shifting the entire portfolio to smartphones during 2012.

Units shipped during the quarter were 9.5 million, a 9% decrease year-on-year due to a decline in feature phone shipments, partially offset by an increase in smartphone shipments. The 25% quarter-on-quarter increase was due to the higher volume of smartphones shipped.

Average selling price (ASP) for the quarter was Euro 166, up 8% year-on-year and 6% sequentially. The year-on-year increase was due to the shift to smartphones and geographic mix despite a negative effect from foreign exchange rates. The sequential increase was due to product and geographic mix.

Sales for the quarter were approximately Euro 1.6 billion and essentially flat year-on-year.

The gross margin percentage for the quarter was 27%, a decrease of 3 percentage points year-on-year and 4 percentage points from the previous quarter. The year-on-year decrease in margin is attributed to product and geographic mix. The sequential decrease in margin was due to inventory-related adjustments and product and geographic mix.

Income before taxes for the quarter was Euro 31 million, compared to income before taxes of Euro

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62 million for the same quarter in the previous year. Loss before taxes for the previous quarter was Euro 42 million. The sequential improvement was reflective of higher sales and lower operating expenses, while the year-on-year decline was due to lower gross margin percentage offset by lower operating expenses.

Net income during the quarter improved by Euro 50 million sequentially, while net income decreased by Euro 49 million year-on-year. Income taxes recorded during the quarter reflect the distribution of profits and losses between various jurisdictions and tax adjustments. Minority interest reflects higher net income at a majority-owned joint venture company.

Cash flow from operating activities during the quarter was Euro 53 million. External borrowings of Euro 51 million were repaid during the quarter, resulting in total borrowings of Euro 718 million at the end of the quarter. Total cash balances at September 30, 2011 amounted to Euro 466 million.

Sony Ericsson estimates that its share of the global Android-based smartphone market during the quarter was approximately 12% in volume and 11% in value.

Sony Ericsson maintains its forecast for modest industry growth in total units in the global handset market for 2011.

The liquid identity is a registered trademark of Sony Ericsson Mobile Communications AB. Xperia is a trademark of Sony Ericsson Mobile Communications AB. Sony is a registered trademark of Sony Corporation. Ericsson is a registered trademark of Telefonaktiebolaget LM Ericsson. Any rights not expressly granted herein are reserved and subject to change without prior notice.

#### **EDITOR S NOTES:**

##### **Financial statements:**

Consolidated income statement

Consolidated income statement    isolated quarters

Consolidated balance sheet

Consolidated statement of cash flows

Consolidated statement of cash flows    isolated quarters

Net sales by market area by quarter

#### **About Sony Ericsson**

Sony Ericsson celebrates its 10th year as a joint venture between Sony Corporation and Ericsson in October 2011. Over the years Sony Ericsson has brought together the best communication technologies with superior entertainment user experiences to create its Xperia line of the most entertaining smartphones in the mobile handset industry. With its global corporate functions in London, Sony Ericsson has sales and marketing operations in all major regions of the world, as well as manufacturing operations in China, and product development sites in China, Japan, Sweden and Silicon Valley, California. For more information, please visit: [www.sonyericsson.com/press](http://www.sonyericsson.com/press).

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*This press release contains forward-looking statements that involve inherent risks and uncertainties. Sony Ericsson has identified certain important factors that may cause actual results to differ materially from those contained in such forward-looking statements. For a detailed description of risk factors see Sony's and Ericsson's filings with the US Securities and Exchange Commission, particularly each company's latest published Annual Report on Form 20-F.*

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## Sony Ericsson

## CONSOLIDATED INCOME STATEMENT

EUR million	2010	Jul-Sep 2011	Change	2010	Jan-Sep 2011	Change
Net sales	1,603	1,586	-1%	4,765	3,924	-18%
Cost of sales	-1,130	-1,159	3%	-3,371	-2,750	-18%
<b>Gross profit</b>	<b>473</b>	<b>427</b>	<b>-10%</b>	<b>1,394</b>	<b>1,174</b>	<b>-16%</b>
Gross margin %	30%	27%	-3 pp	29%	30%	1pp
Research and development expenses	-179	-190	6%	-555	-547	-1%
Selling and administrative expenses	-241	-207	-14%	-750	-630	-16%
<b>Operating expenses</b>	<b>-420</b>	<b>-397</b>	<b>-5%</b>	<b>-1,305</b>	<b>-1,177</b>	<b>-10%</b>
Other operating income, net	10	8	-20%	31	24	-23%
<b>Operating income</b>	<b>63</b>	<b>38</b>	<b>-40%</b>	<b>120</b>	<b>21</b>	<b>-83%</b>
Operating margin %	4%	2%	-2pp	3%	1%	-2pp
Financial income	7	7	0%	16	15	-6%
Financial expenses	-8	-14	75%	-24	-32	33%
<b>Income before taxes</b>	<b>62</b>	<b>31</b>	<b>-50%</b>	<b>112</b>	<b>4</b>	<b>-96%</b>
Taxes	-12	-17	42%	-21	-26	24%
Minority interest	-2	-14	600%	-8	-18	125%
<b>Net income</b>	<b>49</b>	<b>0</b>	<b>-100%</b>	<b>82</b>	<b>-40</b>	
Number of units shipped (million)	10.4	9.5	-9%	31.9	25.3	-21%
ASP (EUR)	154	166	8%	150	155	3%

EUR million	Jul-Sep		Jan-Sep	
	2010	2011	2010	2011
Restructuring charges				
Cost of sales	-3		-34	
Research and development expenses	5		2	
Selling and administrative expenses	-6		-7	
Total	-4		-39	

\* Operating expenses in 2010 have been restated to reflect certain organizational changes.

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## Sony Ericsson

## CONSOLIDATED INCOME STATEMENT - ISOLATED QUARTERS

EUR million	2010				2011		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Net sales	1,405	1,757	1,603	1,528	1,145	1,193	1,586
Cost of sales	-975	-1,266	-1,130	-1,069	-763	-828	-1,159
<b>Gross profit</b>	<b>429</b>	<b>492</b>	<b>473</b>	<b>459</b>	<b>382</b>	<b>365</b>	<b>427</b>
Gross margin %	31%	28%	30%	30%	33%	31%	27%
Research and development expenses	-185	-191	-179	-191	-173	-184	-190
Selling and administrative expenses	-238	-272	-241	-236	-199	-224	-207
<b>Operating expenses</b>	<b>-423</b>	<b>-463</b>	<b>-420</b>	<b>-427</b>	<b>-372</b>	<b>-408</b>	<b>-397</b>
Other operating income, net	14	7	10	7	10	6	8
<b>Operating income</b>	<b>20</b>	<b>36</b>	<b>63</b>	<b>39</b>	<b>19</b>	<b>-37</b>	<b>38</b>
Operating margin %	1%	2%	4%	3%	2%	-3%	2%
Financial income	7	2	7	2	3	5	7
Financial expenses	-9	-7	-8	-6	-8	-10	-14
<b>Income before taxes</b>	<b>18</b>	<b>31</b>	<b>62</b>	<b>35</b>	<b>15</b>	<b>-42</b>	<b>31</b>
Taxes	6	-16	-12	-27	-5	-3	-17
Minority interest	-3	-4	-2	0	1	-5	-14
<b>Net income</b>	<b>21</b>	<b>12</b>	<b>49</b>	<b>8</b>	<b>11</b>	<b>-50</b>	<b>0</b>
Number of units shipped (million)	10.5	11.0	10.4	11.2	8.1	7.6	9.5
ASP (EUR)	134	160	154	136	141	156	166

EUR million	2010				2011		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Restructuring charges							
Cost of sales	2	-33	-3	2			
Research and development expenses	-2	-1	5	0			
Selling and administrative expenses	-3	2	-6	-5			
Total	-3	-32	-4	-3			

\* Operating expenses in 2010 have been restated to reflect certain organizational changes.

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## Sony Ericsson

## CONSOLIDATED BALANCE SHEET

EUR million	Sep 30 2010	Dec 31 2010	Jun 30 2011	Sep 30 2011
<b>ASSETS</b>				
<b>Total fixed and financial assets</b>	<b>813</b>	<b>803</b>	<b>819</b>	<b>890</b>
<b>Current assets</b>				
Inventories	457	460	570	656
Accounts receivable	986	836	872	1,090
Other assets	328	295	330	408
Other short-term cash investments	440	276	329	301
Cash and bank	482	329	188	165
<b>Total current assets</b>	<b>2,692</b>	<b>2,196</b>	<b>2,289</b>	<b>2,620</b>
<b>Total assets</b>	<b>3,505</b>	<b>2,999</b>	<b>3,108</b>	<b>3,510</b>
<b>SHAREHOLDERS EQUITY AND LIABILITIES</b>				
Shareholders' equity	480	532	451	507
Minority interest	62	42	43	60
<b>Total equity</b>	<b>541</b>	<b>574</b>	<b>494</b>	<b>567</b>
Borrowing, Non Current	100	100	0	0
Other long-term liabilities	30	32	31	40
<b>Total long-term liabilities</b>	<b>130</b>	<b>132</b>	<b>31</b>	<b>40</b>
Accounts payable	922	769	716	1,050
Borrowing, Current	284	130	769	718
Other current liabilities	1,628	1,394	1,098	1,135
<b>Total current liabilities</b>	<b>2,834</b>	<b>2,293</b>	<b>2,583</b>	<b>2,903</b>
<b>Total shareholders' equity and liabilities</b>	<b>3,505</b>	<b>2,999</b>	<b>3,108</b>	<b>3,510</b>
Net cash*	538	375	-252	-252

\* Net cash is defined as cash and bank deposit plus short-term cash investments less interest-bearing liabilities.

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## CONSOLIDATED STATEMENT OF CASH FLOWS

EUR million	Jul-Sep		Jan-Sep	
	2010	2011	2010	2011
<b>OPERATING</b>				
Net income	49	0	82	-40
Adjustments to reconcile net income to cash	-66	27	-105	-139
	-17	27	-23	-179
Changes in operating net assets	-38	26	-96	-345
<b>Cash flow from operating activities</b>	<b>-54</b>	<b>53</b>	<b>-119</b>	<b>-524</b>
<b>INVESTING</b>				
Investing activities	2	-58	14	-94
<b>Cash flow from investing activities</b>	<b>2</b>	<b>-58</b>	<b>14</b>	<b>-94</b>
<b>FINANCING</b>				
Financing activities	-32	-56	118	485
<b>Cash flow from financing activities</b>	<b>-32</b>	<b>-56</b>	<b>118</b>	<b>485</b>
<b>Net change in cash</b>	<b>-85</b>	<b>-61</b>	<b>12</b>	<b>-133</b>
<b>Cash, beginning of period</b>	<b>1,039</b>	<b>516</b>	<b>878</b>	<b>605</b>
<b>Translation difference in Cash</b>	<b>-33</b>	<b>11</b>	<b>31</b>	<b>-6</b>
<b>Cash, end of period</b>	<b>921</b>	<b>466</b>	<b>921</b>	<b>466</b>

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## CONSOLIDATED STATEMENT OF CASH FLOWS - ISOLATED QUARTERS

EUR million	Q1	2010		Q4	Q1	2011	
		Q2	Q3			Q2	Q3
<b>OPERATING</b>							
Net income	21	12	49	8	11	-50	0
Adjustments to reconcile net income to cash	-44	4	-66	-50	-137	-29	27
	<b>-23</b>	<b>16</b>	<b>-17</b>	<b>-42</b>	<b>-127</b>	<b>-79</b>	<b>27</b>
Changes in operating net assets	-72	13	-38	-86	-226	-145	26
<b>Cash flow from operating activities</b>	<b>-94</b>	<b>29</b>	<b>-54</b>	<b>-128</b>	<b>-353</b>	<b>-224</b>	<b>53</b>
<b>INVESTING</b>							
Investing activities	27	-15	2	-18	-14	-21	-58
<b>Cash flow from investing activities</b>	<b>27</b>	<b>-15</b>	<b>2</b>	<b>-18</b>	<b>-14</b>	<b>-21</b>	<b>-58</b>
<b>FINANCING</b>							
Financing activities	150	0	-32	-178	375	165	-56
<b>Cash flow from financing activities</b>	<b>150</b>	<b>0</b>	<b>-32</b>	<b>-178</b>	<b>375</b>	<b>165</b>	<b>-56</b>
<b>Net change in cash</b>	<b>83</b>	<b>15</b>	<b>-85</b>	<b>-324</b>	<b>8</b>	<b>-80</b>	<b>-61</b>
<b>Cash, beginning of period</b>	<b>878</b>	<b>980</b>	<b>1,039</b>	<b>921</b>	<b>605</b>	<b>599</b>	<b>516</b>
<b>Translation difference in Cash</b>	<b>19</b>	<b>45</b>	<b>-33</b>	<b>7</b>	<b>-14</b>	<b>-3</b>	<b>11</b>
<b>Cash, end of period</b>	<b>980</b>	<b>1,039</b>	<b>921</b>	<b>605</b>	<b>599</b>	<b>516</b>	<b>466</b>

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## NET SALES BY MARKET AREA BY QUARTER

EUR million	2010				2011		
Isolated quarters	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Europe, Middle East & Africa *	711	876	837	795	485	435	480
Americas	201	223	222	205	151	193	121
Asia	493	659	544	528	509	565	985
<b>Total</b>	<b>1,405</b>	<b>1,757</b>	<b>1,603</b>	<b>1,528</b>	<b>1,145</b>	<b>1,193</b>	<b>1,586</b>
* of which Western Europe	525	668	632	569	307	323	313
Sequential change (%)	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Europe, Middle East & Africa *	-26%	23%	-4%	-5%	-39%	-10%	10%
Americas	-9%	11%	0%	-8%	-26%	28%	-37%
Asia	-12%	34%	-17%	-3%	-4%	11%	74%
<b>Total</b>	<b>-20%</b>	<b>25%</b>	<b>-9%</b>	<b>-5%</b>	<b>-25%</b>	<b>4%</b>	<b>33%</b>
* of which Western Europe	-23%	27%	-5%	-10%	-46%	5%	-3%
Year over year change (%)	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Europe, Middle East & Africa *	-27%	-6%	-4%	-18%	-32%	-50%	-43%
Americas	1%	14%	-4%	-8%	-25%	-13%	-45%
Asia	-12%	17%	6%	-6%	3%	-14%	81%
<b>Total</b>	<b>-19%</b>	<b>4%</b>	<b>-1%</b>	<b>-13%</b>	<b>-19%</b>	<b>-32%</b>	<b>-1%</b>
* of which Western Europe	-27%	-1%	-1%	-16%	-42%	-52%	-50%
Year to date	1003	1006	1009	1012	1103	1106	1109
Europe, Middle East & Africa *	711	1,587	2,424	3,219	485	919	1,399
Americas	201	424	646	851	151	345	466
Asia	493	1,152	1,695	2,224	509	1,075	2,060
<b>Total</b>	<b>1,405</b>	<b>3,162</b>	<b>4,765</b>	<b>6,294</b>	<b>1,145</b>	<b>2,339</b>	<b>3,925</b>
* of which Western Europe	525	1,193	1,825	2,393	307	630	943
YTD year over year change (%)	1003	1006	1009	1012	1103	1106	1109
Europe, Middle East & Africa *	-27%	-17%	-13%	-14%	-32%	-42%	-42%
Americas	1%	7%	3%	0%	-25%	-19%	-28%
Asia	-12%	3%	4%	1%	3%	-7%	22%
<b>Total</b>	<b>-19%</b>	<b>-8%</b>	<b>-5%</b>	<b>-7%</b>	<b>-19%</b>	<b>-26%</b>	<b>-18%</b>
* of which Western Europe	-27%	-15%	-10%	-12%	-42%	-47%	-48%

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