

ERICSSON LM TELEPHONE CO

Form 6-K

October 20, 2008

# **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 20, 2008**

## **LM ERICSSON TELEPHONE COMPANY**

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

**Torshamnsgatan 23, Kista**

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

**(Address of principal executive offices)**

## Edgar Filing: ERICSSON LM TELEPHONE CO - Form 6-K

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 20, 2008 regarding Ericsson reports strong third quarter results.

**THIRD QUARTER REPORT**

**October 20, 2008**

**Ericsson reports strong third quarter results**

Sales SEK 49.2 (43.5) b., 13% growth, SEK 141.9 (133.3) b. first nine months

Operating income SEK 5.7 (5.6) b., excl. restructuring charges of SEK 2.0 b., SEK 14.7<sup>2)</sup> (23.0) b. first nine months, excl. restructuring charges of SEK 4.6 b.<sup>1)</sup>

Operating margin 11.5% (12.9%), excl. restructuring charges, 10.3% (17.3%) first nine months, excl. restructuring charges

Cash flow SEK 3.8 (-1.6) b., SEK 17.0 (7.2) b. first nine months

Net income SEK 2.8 (4.0) b., SEK 7.4<sup>2)</sup> (16.2) b. first nine months

Earnings per share<sup>3)</sup> SEK 0.89 (1.25)<sup>4)</sup>, SEK 2.32<sup>2)</sup> (5.10)<sup>4)</sup> first nine months

- 1) *The restructuring charges include SEK 0.2 b in Sony Ericsson*
- 2) *Includes a capital gain of SEK 0.2 b. from divested enterprise PBX operations in Q208*
- 3) *Attributable to stockholders of the Parent Company, excluding minority interests*
- 4) *A reverse split 1:5 was made in June 2008. Comparable figures restated accordingly*

**CEO COMMENTS**

SALES BY QUARTER 2007 AND 2008 (SEK B)	During the quarter, sales grew by 13% with strong development in all regions except Western Europe, said Carl-Henric Svanberg, President and CEO of Ericsson (NASDAQ:ERIC). Gross margin increased year-over-year and was stable sequentially. We are seeing initial positive effects from our ongoing cost adjustments. Our financial position is strong with healthy net cash and high payment readiness.
---	---

## Edgar Filing: ERICSSON LM TELEPHONE CO - Form 6-K

Our business in the quarter has not been impacted by the financial turmoil. Our customers are generally financially strong. In addition, networks are loaded and traffic shows strong increase. In the present financial turmoil, it is however hard to predict how operators will act and to what extent consumer telecom spending will be affected.

In this environment, we continue to adjust our cost base. Our cost adjustment program is running according to plan. The charges we announced earlier have now been exceeded. However, given the present market conditions, we will continue with cost adjustment activities in the fourth quarter, although at a slightly lower pace.

We have a positive longer-term view for our industry, however, as we look into 2009, we continue to plan for a flattish market, and we have measures in place also for tougher conditions, said Carl-Henric Svanberg.

## THIRD QUARTER REPORT

October 20, 2008

## FINANCIAL HIGHLIGHTS

## Income statement and cash flow

SEK b.	Third quarter			Second quarter		Nine months		
	2008 <sup>1)</sup>	2007	Change	2008 <sup>1)</sup>	Change	2008 <sup>1)</sup>	2007	Change
Net sales	49.2	43.5	13%	48.5	1%	141.9	133.3	6%
Gross margin	37.0%	35.6%		37.0%		37.5%	40.6%	
EBITDA margin	15.3%	17.4%		14.9%		15.0%	21.8%	
Operating income	5.7	5.6	1%	4.7	20%	14.7	23.0	-36%
Operating margin	11.5%	12.9%		9.7%		10.3%	17.3%	
Operating margin excl Sony Ericsson	11.5%	9.0%		9.7%		9.7%	13.7%	
Income after financial items	6.2	5.6	10%	4.7	31%	15.3	23.1	-34%
Net income <sup>3)</sup>	2.8 <sub>2)</sub>	4.0	-28%	1.9 <sub>2)</sub>	50%	7.4 <sub>2)</sub>	16.2	-54%
EPS, SEK <sup>3) 4)</sup>	0.89 <sub>2)</sub>	1.25	-29%	0.60 <sub>2)</sub>	48%	2.32 <sub>2)</sub>	5.10	-55%
Cash flow from operating activities	3.8	-1.6		8.5		17.0	7.2	
Cash flow excl. Sony Ericsson	2.4	-3.0		8.5		13.4	3.2	

1) Excluding restructuring charges of SEK 2.0 b. in the third quarter 2008, SEK 1.8 b. in the second quarter and SEK 0.8 b. in the first quarter

2) Including restructuring charges

3) Attributable to stockholders of the Parent Company, excluding minority interests

4) A reverse split 1:5 was made in June 2008. Comparable figures are restated accordingly

Sales were up 13% year-over-year, mainly driven by healthy growth in Networks across all regions except Western Europe. In constant currencies, growth amounted to some 17%. Acquisitions and divestitures had a limited net effect.

Gross margin, excluding restructuring charges, amounted to 37.0% (35.6%) and was stable sequentially. The year-over-year improvement reflects a better business mix outside Western Europe and improved margins in Professional Services.

Operating expenses, excluding restructuring charges, amounted to SEK 12.9 (12.0) b. in the quarter. Operating expenses decreased sequentially affected by seasonality and some initial effects of the cost adjustments.

Operating income, excluding restructuring charges, amounted to SEK 5.7 (5.6) b. in the quarter. Sony Ericsson showed a small profit, excluding restructuring charges. Excluding Sony Ericsson, Group operating margin improved year-over-year to 11.5% (9.0%).

Financial net amounted to SEK 0.5 (-0.1) b. with positive effects from foreign exchange as well as interest rates.

Cash flow from operating activities reached SEK 3.8 (-1.6) b. in the quarter, including a dividend of SEK 1.4 b. from Sony Ericsson. The increase in working capital reflects the strong sales and customary build-up of inventories ahead of the fourth quarter. The cash conversion rate year-to-date amounted to 102% (30%).

Cash flow from investing activities was SEK -5.5 (-3.6) b. in the quarter of which SEK -4.6 b are related to increased short-term investments.

## THIRD QUARTER REPORT

October 20, 2008

## Balance sheet and other performance indicators

SEK b.	Nine months 2008	Six months 2008	Three months 2008	Full year 2007
Net cash	30.2	27.9	28.3	24.3
Interest-bearing provisions and post-employment benefits	35.4	29.2	32.0	33.4
Trade receivables	62.6	56.7	56.4	60.5
Days sales outstanding	115	107	110	102
Inventory	29.7	26.6	24.5	22.5
Of which work in progress	18.4	16.3	13.8	12.5
Inventory turnover	4.5 <sub>1)</sub>	4.7 <sub>1)</sub>	4.6 <sub>1)</sub>	5.2
Payable days	57	56	57	57
Customer financing, net	2.2	2.4	2.7	3.4
Return on capital employed	13% <sup>1)</sup>	12% <sup>1)</sup>	12% <sup>1)</sup>	21%
Equity ratio	52%	55%	56%	55%

## 1) Excluding restructuring costs

The net cash position increased sequentially to SEK 30.2 (27.9) b. Cash, cash equivalents and short-term investments amounted to SEK 65.6 (57.1) b. This includes effects from a seven-year loan of SEK 4.0 b. with the European Investment Bank to support the development of LTE in Sweden. Of a total debt position of SEK 27.6 b., SEK 5.0 b. matures in the next twelve months.

During the quarter, approximately SEK 1.6 b. of provisions were utilized related to warranty and project commitments and other items, of which SEK 0.3 b. were related to restructuring. Additions of SEK 3.4 b. were made, of which SEK 1.5 b. related to restructuring. Reversals of SEK 0.1 b. were made. The net impact on operating income, excluding restructuring charges, was negative by SEK 1.9 b.

Days sales outstanding increased in the quarter to 115 days due to high business activity, especially in high-growth markets where payment terms are longer. Inventory increased due to customary fourth quarter build-up.

## Cost reductions

In February 2008, a cost reduction plan of SEK 4 b. in annual savings was announced, including estimated charges of the same size. In the quarter, charges of SEK 1.8 b. have been recognized of which SEK 1.5 have been added to provisions. Year-to-date, charges of SEK 4.4 b. have been recognized of which SEK 3.1 b. have been added to provisions. The cost reductions should have full effect from 2009.

Further charges will be taken in the fourth quarter with expected annual savings increasing accordingly. Ericsson's share in Sony Ericsson's restructuring charges were SEK 0.2 b. in the quarter.

	2008			
Restructuring charges Isolated quarters, SEK b.	Accumulated	Q3	Q2	Q1
Cost of sales	-1.4	-0.6	-0.6	-0.2
Research and development expenses	-2.0	-0.3	-1.1	-0.6
Selling and administrative expenses	-1.0	-0.9	-0.1	-0.0
Share in Sony Ericsson	-0.2	-0.2		

<b>Total</b>	<b>-4.6</b>	<b>-2.0</b>	<b>-1.8</b>	<b>-0.8</b>
--------------	-------------	-------------	-------------	-------------



## THIRD QUARTER REPORT

October 20, 2008

## SEGMENT RESULTS

SEK b.	Third quarter			Second quarter		Nine months		
	2008 <sup>1)</sup>	2007	Change	2008 <sup>1)</sup>	Change	2008 <sup>1) 2)</sup>	2007	Change
<b>Networks sales</b>	<b>33.0</b>	<b>28.5</b>	<b>16%</b>	<b>33.3</b>	<b>-1%</b>	<b>96.3</b>	<b>91.5</b>	<b>5%</b>
Of which network rollout	4.7	4.0	17%	4.8	-2%	14.0	12.1	16%
Operating margin	11%	8%		10%		10%	15%	
EBITDA margin	15%	13%		15%		15%	20%	
<b>Professional Services sales</b>	<b>11.8</b>	<b>11.0</b>	<b>7%</b>	<b>11.0</b>	<b>7%</b>	<b>32.8</b>	<b>30.8</b>	<b>7%</b>
Of which managed services	3.5	3.4	3%	3.4	1%	10.0	8.9	13%
Operating margin	16%	15%		14%		15%	15%	
EBITDA margin	19%	17%		16%		17%	16%	
<b>Multimedia sales</b>	<b>4.4</b>	<b>4.0</b>	<b>10%</b>	<b>4.2</b>	<b>5%</b>	<b>12.8</b>	<b>11.0</b>	<b>16%</b>
Operating margin	3%	1%		-1%		-3%	3%	
EBITDA margin	12%	6%		13% <sup>3)</sup>		7% <sup>3)</sup>	7%	
<b>Total sales</b>	<b>49.2</b>	<b>43.5</b>	<b>13%</b>	<b>48.5</b>	<b>1%</b>	<b>141.9</b>	<b>133.3</b>	<b>6%</b>

1) Excluding restructuring costs

2) First quarter 2008 is restated for the transfer of the IPX operations from Professional Services to Multimedia

3) Affected by SEK 0.2 b. due to changed allocation of capitalized development expenses

## Networks

## SEGMENT SALES BY

## QUARTER

2007 AND 2008 (SEK B)

Sales in Networks were up 16% year-over-year and 5% year-to-date. Network rollout services grew in line with equipment sales. Build-out of new networks as well as network expansions across all markets except Western Europe continues with particularly strong growth in India, Indonesia, Russia and Brazil. Margins improved sequentially as well as year-over-year due to improved business mix and lower operating expenses.

Redback shows strong sales growth as a result of increased international sales while sales in the US were down.

## Professional Services

Sales in Professional Services grew by 7% both year-over-year as well as year-to-date. Adjusted for the transfer of IPX and local currencies, sales growth amounted to 11% year-to-date. Operating margin improved sequentially, as a result of efficiency gains and a lower proportion of new managed services contracts in early phase.

Compared to a strong third quarter 2007, managed services sales increased year-over-year by 3% and by 13% year-to-date. During the quarter, six new contracts were signed. The total number of subscribers in managed operations now amount to 225 million, of which 60% are in high-growth

markets.

### **Multimedia**

Sales growth was 10% year-over-year and 16% year-to-date. Organic growth, excluding acquisitions and divestitures, amounted to 23% year-over-year. Revenue management, including LHS, and Tandberg Television showed particularly strong development.

Operating margin showed an encouraging improvement and reached 3% in the quarter. Multimedia is still in its build-up phase and sales and results will fluctuate between quarters.

### **Sony Ericsson Mobile Communications**

## THIRD QUARTER REPORT

October 20, 2008

For information on transactions with Sony Ericsson Mobile Communications, please see Financial statements and Additional information.

EUR m.	Third quarter			Second quarter		Nine months		
	2008	2007	Change	2008	Change	2008	2007	Change
Number of units shipped (m.)	25.7	25.9	-1%	24.4	6%	72.5	72.6	0%
Average selling price (EUR)	109	120	-9%	116	-6%	115	126	-9%
Net sales	2,808	3,108	-10%	2,820	0%	8,330	9,145	-9%
Gross margin	22%	31%		23%		25%	30%	
Operating margin	-1%	13%		0%		2%	12%	
Income before taxes	-23	384		8		179	1,073	
Income before taxes, excl restructuring charges	12	384		19		225	1,073	
Net income	-25	267		6		114	741	

Units shipped in the quarter were 25.7 million, a sequential increase, but a year-on-year decrease. Sales for the quarter were EUR 2,808 million, a decrease of 10% compared to the third quarter 2007. Gross margin decreased year-on-year as well as sequentially due to continued price pressure at a time of adverse cost trends in the supplier base. New products launched, such as the C902 Cyber-shot camera phone, have been well received. Income before taxes for the quarter was EUR 12 (384) million, excluding restructuring charges of EUR 35 million.

The target to reduce operating expenses by EUR 300 million annually by the end of the second quarter 2009 remains, with the full effects expected to appear in the second half of 2009. The plans are progressing in line with expectations.

Ericsson's share in Sony Ericsson's income before tax, excluding restructuring charges, was SEK 0.1 (1.7) b. in the quarter.

## THIRD QUARTER REPORT

October 20, 2008

## REGIONAL OVERVIEW

Sales, SEK b.	Third quarter			Second quarter		Nine months		
	2008	2007	Change	2008	Change	2008	2007	Change
Western Europe	11.6	12.3	-6%	12.1	-4%	35.4	37.3	-5%
Central and Eastern Europe, Middle East and Africa	13.1	12.0	9%	11.2	16%	35.4	34.4	3%
Asia Pacific	14.1	12.0	17%	15.8	-11%	42.8	40.9	5%
Latin America	6.1	4.2	43%	5.0	23%	15.2	11.6	31%
North America	4.3	3.0	44%	4.4	-2%	13.0	9.1	43%

Sales in Western Europe declined by 6% year-over-year and is down 5% year-to-date. Spain, Italy and UK were particularly slow while Germany and the Nordic region showed good development. 3G accelerates while spending on GSM is decreasing.

## REGIONAL SALES BY

QUARTER  
2007 AND 2008 (SEK B)

Sales in Central and Eastern Europe, Middle East and Africa increased 9% year-over-year and by 3% year-to-date. The business activity is increasing throughout the region. Russia and Africa showed particularly good development. Roll out of 2G network coverage in rural areas and deployments of 3G in urban areas characterize the region.

Asia Pacific sales were up 17% year-over-year and 5% year-to-date. The business activity is generally high in the region although there are uncertainties in some countries. India and Indonesia showed particularly strong growth with major new network rollouts. Japan was up strongly after a temporary slow down. China was down sequentially, reflecting the temporary effects of the Beijing Olympics.

Latin American sales were up 43% year-over-year and 31% year-to-date. The development was particularly strong in Brazil, presently leading the rollout of mobile broadband in the region. Mexico and Central America also contributed to the positive development. Professional Services show positive development throughout the region.

North American sales were up 44% year-over-year and 43% year-to-date with sales stabilizing on a higher level. The positive development is a result of the continued build-out and expansion of mobile broadband. Smart phones and other new devices as well as broadband-connected laptops are generating demand for fast and efficient networks.

---

**THIRD QUARTER REPORT**

**October 20, 2008**

**MARKET DEVELOPMENT**

*Growth rates are based on Ericsson and market estimates.*

We believe that the fundamentals for longer-term positive development for our industry are solid. The need for communication continues to grow and plays a vital role for the development for a prosperous society. Ericsson is well positioned to lead this development.

The demand for broadband is strong. We expect traffic in mobile and fixed networks to increase tenfold in the next five years mainly driven by internet applications and the introduction of interactive HD-TV. Data traffic in WCDMA networks measured by Ericsson is now four times the volume of voice versus close to three times in the previous quarter. With major 3G rollouts in Brazil, Russia, China, India and Africa, consumers across the world will soon benefit from broadband services and connection to Internet.

Mobile subscriptions grew by some 178 million in the quarter to a total of 3.8 billion. 260 million are WCDMA subscriptions, up by 24 million in the third quarter. There are 239 WCDMA networks in 101 countries, of which 221 networks are upgraded to HSPA. In the twelve-month period ending June 30, 2008, fixed broadband connections grew by 21% to more than 370 million.

**PLANNING ASSUMPTIONS**

For 2008 we have found it prudent to plan for a flattish global mobile infrastructure market and for good growth of the professional services market.

The major macro economic trends are negative but the present financial turmoil has so far no impact on Ericsson's business. Operators are generally financially sound, networks are loaded and traffic shows strong growth. In the present financial environment, it is however hard to predict how operators will act and to what extent consumer telecom spending will be affected.

In this environment, as we look into 2009, we find it prudent to plan for a flattish development in the global mobile infrastructure market and good growth in the professional services market.

**PARENT COMPANY INFORMATION**

Net sales for the nine-month period amounted to SEK 4.1 (2.5) b. and income after financial items was SEK 17.6 (13.2) b. During the quarter, dividends to the Parent Company have impacted financial net with SEK 8.9 (1.8) b.

Major changes in the Parent Company's financial position for the nine-month period include decreased current and non-current receivables from subsidiaries of SEK 9.0 b. and increased cash and bank and short-term investments of SEK 11.1 b. Current and non-current liabilities to subsidiaries decreased by SEK 9.5 b. and other current liabilities increased by SEK 3.7 b. As per September 30, 2008, cash and bank and short-term investments amounted to SEK 56.7 (45.6) b.

Major transactions and balances with related parties include the following with Sony Ericsson Mobile Communications: revenues of SEK 1.4 (1.8) b.; receivables of SEK 0.5 (0.9) b.; dividend of SEK 3.6 (3.9) b.

In the third quarter, as decided by the Annual General Meeting 2008, a stock issue and a subsequent stock repurchase of 19,900,000 shares was carried out related to Ericsson's Long-Term Variable Compensation Program (LTV) 2008. In accordance with the conditions of the Stock Purchase Plans and Option Plans for Ericsson employees, 1,061,485 shares

---

**THIRD QUARTER REPORT**

**October 20, 2008**

from treasury stock were sold or distributed to employees during the third quarter. The holding of treasury stock at September 30, 2008, was 62,237,216 shares of Class B.

**OTHER INFORMATION**

**Joint venture Ericsson Mobile Platforms and ST-NXP Wireless**

On August 20, Ericsson and STMicroelectronics announced an agreement to merge Ericsson Mobile Platforms and ST-NXP Wireless into a joint venture. The 50/50 joint venture will have the industry's strongest product offering in semiconductors and platforms for mobile applications. Regulatory approvals are still pending.

**Change in number of total shares and votes**

On August 29, Ericsson changed the total number of shares and votes due to the issue of shares to expand the treasury stock as part of the financing of Ericsson's long-term variable compensation program.

**Assessment of risk environment**

Ericsson's operational and financial risk factors and exposures are described under "Risk factors" in our Annual Report 2007. However, the increased activities related to the new Multimedia segment may result in a more volatile quarterly sales pattern. Specific additional risks for the near term are associated with the acquisitions made during 2007, as a timely and effective integration of these is essential to make them accretive as planned.

Risk factors and exposures in focus for the Parent Company and the Ericsson Group for the forthcoming six-month period include: potential negative effects due to the present serious turmoil in the financial markets on operators' willingness to invest in network development, for example due to lack of borrowing facilities, or increased pressure on us to provide financing; unfavorable product mix in the Networks segment with reduced sales of software, upgrades and extensions and an increased proportion of new network build-outs and break-in contracts, which may result in lower gross margins and/or working capital build-up, which in turn puts pressure on our cash conversion rate; variability in the seasonality could make it more difficult to forecast future sales; effects of the ongoing industry consolidation among the Company's customers as well as between our largest competitors, e.g. intensified price competition; changes in foreign exchange rates, in particular USD and EUR; fluctuations in interest rates and the potential effect on operators' willingness to invest in network development; and continued political unrest or instability in certain markets.

Ericsson conducts business in certain countries which are subject to trade restrictions or which are focused on by certain investors. We stringently follow all relevant regulations and trade embargos applicable to us in our dealings with customers operating in such countries. Moreover, Ericsson operates globally in accordance with Group level policies and directives for business ethics and conduct. In no way should our business activities in these countries be construed as supporting a particular political agenda or regime. We have activities in such countries mainly due to that certain customers with multi-country operations put demands on us to support them in all of their markets.

Please refer further to Ericsson's Annual Report 2007, where we describe our risks and uncertainties along with our strategies and tactics to mitigate the risk exposures or limit unfavorable outcomes.

Stockholm, October 20, 2008

**Carl-Henric Svanberg**

President and CEO

Telefonaktiebolaget LM Ericsson (publ)

Date for next report: January 29, 2009



**THIRD QUARTER REPORT**

**October 20, 2008**

**AUDITORS REVIEW REPORT**

We have reviewed this report for the period January 1 to September 30, 2008, for Telefonaktiebolaget LM Ericsson (publ). The board of directors and the CEO are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim financial information based on our review.

We conducted our review in accordance with the Standard on Review Engagements SÖG 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by FAR SRS. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing in Sweden, RS, and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not, in all material respects, in accordance with IAS 34 and the Annual Accounts Act.

Stockholm, October 20, 2008

PricewaterhouseCoopers AB

Bo Hjalmarsson  
*Authorized Public Accountant*  
*Lead partner*  
**EDITOR S NOTE**

Peter Clemedtson  
*Authorized Public Accountant*

To read the complete report with tables, please go to: [www.ericsson.com/investors/financial\\_reports/2008/9month08-en.pdf](http://www.ericsson.com/investors/financial_reports/2008/9month08-en.pdf)

Ericsson invites media, investors and analysts to a press conference at the Ericsson headquarters, Torshamnsgatan 23, Stockholm, at 09.00 (CET), October 20.

An analysts, investors and media conference call will begin at 14.00 (CET).

Live webcasts of the press conference and conference call as well as supporting slides will be available at [www.ericsson.com/press](http://www.ericsson.com/press) and [www.ericsson.com/investors](http://www.ericsson.com/investors).

Video material will be made available during the day on [www.ericsson.com/broadcast\\_room](http://www.ericsson.com/broadcast_room)



**THIRD QUARTER REPORT**

**October 20, 2008**

**FOR FURTHER INFORMATION, PLEASE CONTACT**

Henry Sténson, Senior Vice President, Communications

Phone: +46 8 719 4044

E-mail: [investor.relations@ericsson.com](mailto:investor.relations@ericsson.com) or [press.relations@ericsson.com](mailto:press.relations@ericsson.com)

**Investors**

Gary Pinkham, Vice President,  
Investor Relations

Phone: +46 8 719 0000

E-mail: [investor.relations@ericsson.com](mailto:investor.relations@ericsson.com)

Susanne Andersson,  
Investor Relations

Phone: +46 8 719 4631

E-mail: [investor.relations@ericsson.com](mailto:investor.relations@ericsson.com)

Andreas Hedemyr,  
Investor Relations

Phone: +46 8 404 37 48

E-mail: [investor.relations@ericsson.com](mailto:investor.relations@ericsson.com)

**Telefonaktiebolaget LM Ericsson (publ)**

Org. number: 556016-0680

Torshamnsgatan 23

SE-164 83 Stockholm

Phone: +46 8 719 00 00

[www.ericsson.com](http://www.ericsson.com)

**Media**

Åse Lindskog, Vice President,  
Head of Media Relations

Phone: +46 8 719 9725, +46 730 244 872

E-mail: [press.relations@ericsson.com](mailto:press.relations@ericsson.com)

Ola Rembe, Vice President,

Phone: +46 8 719 9727, +46 730 244 873

E-mail: [press.relations@ericsson.com](mailto:press.relations@ericsson.com)

---

**THIRD QUARTER REPORT**

**October 20, 2008**

**Disclosure Pursuant to the Swedish Securities Markets Act**

Ericsson discloses the information provided herein pursuant to the Securities Markets Act. The information was submitted for publication at 06.45 CET, on October 20, 2008.

**Safe Harbor Statement of Ericsson under the US Private Securities Litigation Reform Act of 1995;**

All statements made or incorporated by reference in this release, other than statements or characterizations of historical facts, are forward-looking statements. These forward-looking statements are based on our current expectations, estimates and projections about our industry, management's beliefs and certain assumptions made by us. Forward-looking statements can often be identified by words such as anticipates, expects, intends, plans, predicts, believes, seeks, estimates, may, will, should, would, potential, continuing, or variations of these words, and include, among others, statements regarding: (i) strategies, outlook and growth prospects; (ii) positioning to deliver future plans and to realize potential for future growth; (iii) liquidity and capital resources and expenditure, and our credit ratings; (iv) growth in demand for our products and services; (v) our joint venture activities; (vi) economic outlook and industry trends; (vii) developments of our markets; (viii) the impact of regulatory initiatives; (ix) research and development expenditures; (x) the strength of our competitors; (xi) future cost savings; (xii) plans to launch new products and services; (xiii) assessments of risks; (xiv) integration of acquired businesses; (xv) compliance with rules and regulations and (xvi) infringements of intellectual property rights of others.

In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. These forward-looking statements speak only as of the date hereof and are based upon the information available to us at this time. Such information is subject to change, and we will not necessarily inform you of such changes. These statements are not guarantees of future performance and are subject to risks, uncertainties and assumptions that are difficult to predict. Therefore, our actual results could differ materially and adversely from those expressed in any forward-looking statements as a result of various factors. Important factors that may cause such a difference for Ericsson include, but are not limited to: (i) material adverse changes in the markets in which we operate or in global economic conditions; (ii) increased product and price competition; (iii) reductions in capital expenditure by network operators; (iv) the cost of technological innovation and increased expenditure to improve quality of service; (v) significant changes in market share for our principal products and services; (vi) foreign exchange rate or interest rate fluctuations; and (vii) the successful implementation of our business and operational initiatives.

## THIRD QUARTER REPORT

October 20, 2008

## FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION

	Page
<b>Financial statements</b>	
<u>Consolidated income statement</u>	13
<u>Consolidated balance sheet</u>	14
<u>Consolidated statement of cash flows</u>	15
<u>Consolidated statement of recognized income and expense</u>	16
<u>Consolidated income statement - isolated quarters</u>	17
<u>Consolidated statement of cash flows - isolated quarters</u>	18
<u>Parent Company income statement</u>	19
<u>Parent Company balance sheet</u>	19
 <b>Additional information</b>	
<u>Accounting policies</u>	20
<u>Net sales by segment by quarter</u>	21
<u>Operating income and margin by segment by quarter</u>	22
<u>Number of employees</u>	22
<u>EBITDA income and margin by segment by quarter</u>	23
<u>Restructuring costs by quarter</u>	23
<u>Net sales by market area by quarter</u>	24
<u>External net sales by market area by segment</u>	25
<u>Top 15 markets in sales</u>	25
<u>Transactions with Sony Ericsson Mobile Communications</u>	26
<u>Provisions</u>	26
<u>Other information</u>	27
<u>Ericsson planning assumptions for year 2008</u>	27

## THIRD QUARTER REPORT

October 20, 2008

## Consolidated Income Statement

SEK million	Jul - Sep			Jan - Sep		
	2008	2007	Change	2008	2007	Change
Net sales	49,198	43,545	13%	141,905	133,320	6%
Cost of sales	-31,577	-28,050	13%	-90,139	-79,250	14%
<b>Gross income</b>	17,621	15,495	14%	51,766	54,070	-4%
Gross margin %	35.8%	35.6%		36.5%	40.6%	
Research and development expenses	-7,859	-7,229	9%	-25,357	-20,890	21%
Selling and administrative expenses	-6,304	-4,783	32%	-18,681	-15,961	17%
<b>Operating expenses</b>	-14,163	-12,012		-44,038	-36,851	
Other operating income and expenses	332	402	-17%	1,475	953	55%
Share in earnings of JV and associated companies	-131	1,751	-107%	842	4,870	-83%
<b>Operating income</b>	3,659	5,636	-35%	10,045	23,042	-56%
Operating margin %	7.4%	12.9%		7.1%	17.3%	
Financial income	1,099	389		2,267	1,268	
Financial expenses	-618	-442		-1,602	-1,178	
<b>Income after financial items</b>	4,140	5,583	-26%	10,710	23,132	-54%
Taxes	-1,202	-1,629		-3,107	-6,820	
<b>Net income</b>	2,938	3,954	-26%	7,603	16,312	-53%
Net income attributable to:						
Stockholders of the Parent Company	2,842	3,970		7,388	16,194	
Minority interests	96	-16		215	118	
Other information						
Average number of shares, basic (million) <sup>1)</sup>	3,184	3,179		3,182	3,178	
Earnings per share, basic (SEK) <sup>1) 2)</sup>	0.89	1.25		2.32	5.10	
Earnings per share, diluted (SEK) <sup>1) 2)</sup>	0.89	1.24		2.31	5.07	

<sup>1)</sup> Reverse split 1:5 was made in June 2008. Comparable figures are restated accordingly.

<sup>2)</sup> Based on Net income attributable to stockholders of the Parent Company

## THIRD QUARTER REPORT

October 20, 2008

## Consolidated Balance Sheet

SEK million	Sep 30 2008	Jun 30 2008	Dec 31 2007
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets			
Capitalized development expenses	2,675	2,693	3,661
Goodwill	23,026	21,140	22,826
Intellectual property rights, brands and other intangible assets	21,411	21,519	23,958
Property, plant and equipment	9,571	9,288	9,304
Financial assets			
Equity in JV and associated companies	8,251	9,160	10,903
Other investments in shares and participations	1,582	1,625	738
Customer financing, non-current	533	508	1,012
Other financial assets, non-current	2,640	2,412	2,918
Deferred tax assets	14,045	12,799	11,690
	83,734	81,144	87,010
<b>Current assets</b>			
Inventories	29,687	26,580	22,475
Trade receivables	62,624	56,696	60,492
Customer financing, current	1,670	1,842	2,362
Other current receivables	20,057	14,998	15,062
Short-term investments	31,906	26,411	29,406
Cash and cash equivalents	33,702	30,695	28,310
	179,646	157,222	158,107
<b>Total assets</b>	<b>263,380</b>	<b>238,366</b>	<b>245,117</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Stockholders' equity	135,014	129,228	134,112
Minority interests in equity of subsidiaries	989	977	940
	136,003	130,205	135,052
<b>Non-current liabilities</b>			
Post-employment benefits	7,807	7,155	6,188
Provisions, non-current	287	311	368
Deferred tax liabilities	2,620	2,420	2,799
Borrowings, non-current	22,568	17,806	21,320
Other non-current liabilities	1,680	1,866	1,714
	34,962	29,558	32,389

Edgar Filing: ERICSSON LM TELEPHONE CO - Form 6-K

**Current liabilities**

Provisions, current	12,708	10,795	9,358
Borrowings, current	5,028	4,217	5,896
Trade payables	20,273	18,297	17,427
Other current liabilities	54,406	45,294	44,995

	92,415	78,603	77,676
--	--------	--------	--------

<b>Total equity and liabilities</b>	263,380	238,366	245,117
-------------------------------------	---------	---------	---------

Of which interest-bearing liabilities and post-employment benefits	35,403	29,178	33,404
--	--------	--------	--------

Net cash	30,205	27,928	24,312
----------	--------	--------	--------

Assets pledged as collateral	434	303	1,999
------------------------------	-----	-----	-------

Contingent liabilities	874	1,104	1,182
------------------------	-----	-------	-------

## THIRD QUARTER REPORT

October 20, 2008

## Consolidated Statement of Cash Flows

SEK million	Jul - Sep		Jan - Sep		Jan - Dec
	2008	2007	2008	2007	2007
<b>Operating activities</b>					
Net income	2,938	3,954	7,603	16,312	22,135
Adjustments to reconcile net income to cash					
Taxes	-343	-65	-933	1,070	1,119
Earnings/dividends in JV and associated companies	909	209	2,604	620	-1,413
Depreciation, amortization and impairment losses	1,872	1,953	6,615	5,956	8,363
Other	1,257	63	837	-68	-897
	6,633	6,114	16,726	23,890	29,307
<b>Changes in operating net assets</b>					
Inventories	-1,878	-1,563	-6,695	-3,846	-445
Customer financing, current and non-current	137	-76	1,168	-102	365
Trade receivables	-3,776	-2,443	-1,850	-4,519	-7,467
Provisions and post-employment benefits	1,620	-824	3,158	-3,390	-4,401
Other operating assets and liabilities, net	1,027	-2,813	4,530	-4,842	1,851
	-2,870	-7,719	311	-16,699	-10,097
<b>Cash flow from operating activities</b>	3,763	-1,605	17,037	7,191	19,210
<b>Investing activities</b>					
Investments in property, plant and equipment	-997	-871	-2,836	-2,663	-4,319
Sales of property, plant and equipment	428	13	745	90	152
Acquisitions/divestments of subsidiaries and other operations, net	114	-2,444	723	-26,404	-26,208
Product development	-261	-237	-1,016	-694	-1,053
Other investing activities	-156	-92	60	-208	396
Short-term investments	-4,606	67	-1,939	9,244	3,499
<b>Cash flow from investing activities</b>	-5,478	-3,564	-4,263	-20,635	-27,533
<b>Cash flow before financing activities</b>	-1,715	-5,169	12,774	-13,444	-8,323
<b>Financing activities</b>					
Dividends paid	-188	-177	-8,202	-8,125	-8,132
Other financing activities	4,783	241	176	12,136	14,390
<b>Cash flow from financing activities</b>	4,595	64	-8,026	4,011	6,258
Effect of exchange rate changes on cash	127	171	644	91	406
<b>Net change in cash</b>	3,007	-4,934	5,392	-9,342	-1,659
<b>Cash and cash equivalents, beginning of period</b>	30,695	25,561	28,310	29,969	29,969
<b>Cash and cash equivalents, end of period</b>	33,702	20,627	33,702	20,627	28,310

## THIRD QUARTER REPORT

October 20, 2008

## Consolidated Statement of Recognized Income and Expense

SEK million	Jan - Sep 2008	Jan - Sep 2007	Jan - Dec 2007
<b>Income and expense recognized directly in equity</b>			
Actuarial gains and losses related to pensions	-1,731	1,257	1,208
<i>Revaluation of other investments in shares and participations</i>			
Fair value measurement reported in equity	930		2
<i>Cash flow hedges</i>			
Fair value remeasurement of derivatives reported in equity	-1,130	428	584
Transferred to income statement for the period	-1,076	-648	-1,390
Changes in cumulative translation adjustments	2,922	-7	-797
Tax on items reported directly in/or transferred from equity	1,180	-292	-73
<b>Total transactions reported directly in equity</b>	<b>1,095</b>	<b>738</b>	<b>-466</b>
Net income	7,603	16,312	22,135
<b>Total income and expense recognized for the period</b>	<b>8,698</b>	<b>17,050</b>	<b>21,669</b>
Attributable to:			
Stockholders of the Parent Company	8,381	16,949	21,371
Minority interest	317	101	298
<b>Other changes in equity:</b>			
Stock issue, net	100		
Sale of own shares	-20	46	62
Stock Purchase- and Stock Option Plans	395	346	509
Dividends paid			
Stockholders of the Parent Company	-7,954	-7,943	-7,943
Minority interest	-248	-182	-189
Business combinations			
Minority interest	-20	-38	49



## THIRD QUARTER REPORT

October 20, 2008

## Consolidated Income Statement Isolated Quarters

SEK million	Q3	2008 Q2	Q1	Q4	2007 Q3	Q2	Q1
Net sales	49,198	48,532	44,175	54,460	43,545	47,619	42,156
Cost of sales	-31,577	-31,206	-27,356	-34,809	-28,050	-27,166	-24,034
<b>Gross income</b>	17,621	17,326	16,819	19,651	15,495	20,453	18,122
Gross margin %	35.8%	35.7%	38.1%	36.1%	35.6%	43.0%	43.0%
Research and development expenses	-7,859	-8,932	-8,566	-7,952	-7,229	-7,208	-6,453
Selling and administrative expenses	-6,304	-6,271	-6,106	-7,238	-4,783	-5,856	-5,322
<b>Operating expenses</b>	-14,163	-15,203	-14,672	-15,190	-12,012	-13,064	-11,775
Other operating income and expenses	332	704	439	781	402	389	162
Share in earnings of JV and associated companies	-131	62	911	2,362	1,751	1,477	1,642
<b>Operating income</b>	3,659	2,889	3,497	7,604	5,636	9,255	8,151
Operating margin %	7.4%	6.0%	7.9%	14.0%	12.9%	19.4%	19.3%
Financial income	1,099	503	665	510	389	322	556
Financial expenses	-618	-511	-473	-517	-442	-292	-443
<b>Income after financial items</b>	4,140	2,881	3,689	7,597	5,583	9,285	8,264
Taxes	-1,202	-835	-1,070	-1,774	-1,629	-2,776	-2,415
<b>Net income</b>	2,938	2,046	2,619	5,823	3,954	6,509	5,849
Net income attributable to:							
Stockholders of the Parent Company	2,842	1,901	2,645	5,642	3,970	6,409	5,815
Minority interests	96	145	-26	181	-16	100	34
Other information							
Average number of shares, basic (million) <sup>1)</sup>	3,184	3,183	3,181	3,179	3,179	3,178	3,177
Earnings per share, basic (SEK) <sup>1) 2)</sup>	0.89	0.60	0.83	1.77	1.25	2.02	1.83
Earnings per share, diluted (SEK) <sup>1) 2)</sup>	0.89	0.59	0.83	1.77	1.24	2.01	1.79

<sup>1)</sup> Reverse split 1:5 was made in June 2008. Comparable figures are restated accordingly.

<sup>2)</sup> Based on Net income attributable to stockholders of the Parent Company.

## THIRD QUARTER REPORT

October 20, 2008

## Consolidated Statement of Cash Flows Isolated Quarters

SEK million	Q3	2008 Q2	Q1	Q4	2007 Q3	Q2	Q1
<b>Operating activities</b>							
Net income	2,938	2,046	2,619	5,823	3,954	6,509	5,849
Adjustments to reconcile net income to cash							
Taxes	-343	-278	-311	49	-65	1,424	-289
Earnings/dividends in JV and associated companies	909	-41	1,736	-2,033	209	1,915	-1,504
Depreciation, amortization and impairment losses	1,872	2,529	2,214	2,407	1,953	2,140	1,863
Other	1,257	169	-589	-829	63	33	-164
	6,633	4,425	5,669	5,417	6,114	12,021	5,755
<b>Changes in operating net assets</b>							
Inventories	-1,878	-1,906	-2,912	3,401	-1,563	-496	-1,787
Customer financing, current and non-current	137	371	660	467	-76	94	-120
Trade receivables	-3,776	-356	2,282	-2,948	-2,443	-2,276	200
Provisions and post-employment benefits	1,620	967	571	-1,011	-824	-507	-2,059
Other operating assets and liabilities, net	1,027	5,043	-1,540	6,693	-2,813	-4,616	2,587
	-2,870	4,119	-939	6,602	-7,719	-7,801	-1,179
<b>Cash flow from operating activities</b>	3,763	8,544	4,730	12,019	-1,605	4,220	4,576
<b>Investing activities</b>							
Investments in property, plant and equipment	-997	-893	-946	-1,656	-871	-1,024	-768
Sales of property, plant and equipment	428	108	209	62	13	38	39
Acquisitions/divestments of subsidiaries and other operations, net	114	602	7	196	-2,444	-8,264	-15,696
Product development	-261	-422	-333	-359	-237	-251	-206
Other investing activities	-156	12	204	604	-92	-42	-74
Short-term investments	-4,606	-1,392	4,059	-5,745	67	1,654	7,523
<b>Cash flow from investing activities</b>	-5,478	-1,985	3,200	-6,898	-3,564	-7,889	-9,182
<b>Cash flow before financing activities</b>	-1,715	6,559	7,930	5,121	-5,169	-3,669	-4,606
<b>Financing activities</b>							
Dividends paid	-188	-8,008	-6	-7	-177	-7,948	
Other financing activities	4,783	-3,581	-1,026	2,254	241	11,323	572
<b>Cash flow from financing activities</b>	4,595	-11,589	-1,032	2,247	64	3,375	572
Effect of exchange rate changes on cash	127	308	209	315	171	-337	257
<b>Net change in cash</b>	3,007	-4,722	7,107	7,683	-4,934	-631	-3,777
<b>Cash and cash equivalents, beginning of period</b>	30,695	35,417	28,310	20,627	25,561	26,192	29,969
<b>Cash and cash equivalents, end of period</b>	33,702	30,695	35,417	28,310	20,627	25,561	26,192

## THIRD QUARTER REPORT

October 20, 2008

## Parent Company Income Statement

SEK million	Jul - Sep		Jan - Sep	
	2008	2007	2008	2007
Net sales	950	743	4,079	2,453
Cost of sales	-123	-56	-611	-65
<b>Gross income</b>	827	687	3,468	2,388
Operating expenses	-487	-364	-1,708	-1,086
Other operating income and expenses	613	657	1,968	1,800
<b>Operating income</b>	953	980	3,728	3,102
Financial net	9,593	3,918	13,823	10,101
<b>Income after financial items</b>	10,546	4,898	17,551	13,203
Transfers to (-) / from untaxed reserves				
Taxes	-405	-355	-1,291	-1,076
<b>Net income</b>	10,141	4,543	16,260	12,127

## Parent Company Balance Sheet

SEK million	Sep 30	Dec 31
	2008	2007
<b>ASSETS</b>		
<b>Fixed assets</b>		
Intangible assets	2,700	2,989
Tangible assets	664	443
Financial assets	107,466	106,478
	110,830	109,910
<b>Current assets</b>		
Inventories	68	84
Receivables	22,532	28,873
Cash, bank and short-term investments	56,731	45,608
	79,331	74,565
<b>Total assets</b>	<b>190,161</b>	<b>184,475</b>
<b>STOCKHOLDERS EQUITY, PROVISIONS AND LIABILITIES</b>		
<b>Equity</b>		
Restricted equity	47,724	47,624
Non-restricted equity	44,575	35,225

	92,299	82,849
<b>Untaxed reserves</b>	1,339	1,339
<b>Provisions</b>	1,069	1,057
<b>Non-current liabilities</b>	48,771	50,457
<b>Current liabilities</b>	46,683	48,773
<b>Total stockholders' equity, provisions and liabilities</b>	<b>190,161</b>	<b>184,475</b>
Assets pledged as collateral	432	359
Contingent liabilities	12,017	9,650

Accounting Policies

**The Group**

This interim report is prepared in accordance with IAS 34. The term "IFRS" used in this document refers to the application of IAS and IFRS as well as interpretations of these standards as issued by IASB's Standards Interpretation Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC).

*New interpretation (IFRIC), endorsed by the EU*

IFRIC 11 IFRS 2 "Group and Treasury Share Transactions" requires a share-based payment arrangement in which a company receives goods or services as consideration for its own equity instruments to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments are obtained. IFRIC 11 is mandatory for the Company's 2008 financial statements, with retrospective application required. It has not had any impact on the consolidated financial statements since the Company is not buying equity instruments from other parties to satisfy its obligations to its employees.

*Renaming of recommendations issued by the Swedish Financial Accounting Standards Council (Rådet för finansiell rapportering)*

The Swedish Financial Accounting Standards Council issues recommendations in relation to matters that are unique for Sweden. These recommendations have from January 1, 2008, been given new names. The content of the renamed recommendations has not been changed.

*Reverse split*

The Annual General Meeting on April 9, 2008 resolved on a reverse split 1:5 of the Company's shares. The reverse split has the effect that five shares of series A and five shares of series B, respectively, are consolidated into one share of series A and one share of series B, respectively. Numbers of shares and Earnings per share for comparison periods have been restated accordingly.

*Changes in financial reporting structure*

Operations related to product area Internet Payment Exchange (IPX) have been transferred from Segment Professional Services to Segment Multimedia as from April 1, 2008. Financial statements for the first quarter 2008 have been restated accordingly. No restate is made for year 2007, as the amounts are not material.

**The Parent Company**

Recommendations issued by the Swedish Financial Accounting Standards Council (Rådet för finansiell rapportering), related to the Parent Company have been renamed. The content of the renamed recommendations has not been changed.

## THIRD QUARTER REPORT

October 20, 2008

## Net Sales by Segment by Quarter

Isolated quarters, SEK million	2008				2007		
	Q3	Q2	Q1 <sup>1)</sup>	Q4	Q3	Q2	Q1
Networks	33,017	33,274	29,992	37,463	28,538	33,666	29,350
Of which Network rollout	4,679	4,776	4,520	6,444	4,002	4,309	3,752
Professional Services	11,750	11,018	10,011	12,134	10,995	10,257	9,516
Of which Managed services	3,458	3,416	3,112	3,318	3,352	2,910	2,592
Multimedia	4,431	4,240	4,172	4,868	4,017	3,650	3,370
Less: Intersegment sales				-5	-5	46	-80
<b>Total</b>	<b>49,198</b>	<b>48,532</b>	<b>44,175</b>	<b>54,460</b>	<b>43,545</b>	<b>47,619</b>	<b>42,156</b>

Sequential change, percent	2008				2007		
	Q3	Q2	Q1 <sup>1)</sup>	Q4	Q3	Q2	Q1
Networks	-1%	11%	-20%	31%	-15%	15%	-25%
Of which Network rollout	-2%	6%	-30%	61%	-7%	15%	-32%
Professional Services	7%	10%	-17%	10%	7%	8%	-10%
Of which Managed services	1%	10%	-6%	-1%	15%	12%	3%
Multimedia	5%	2%	-14%	21%	10%	8%	-26%
<b>Total</b>	<b>1%</b>	<b>10%</b>	<b>-19%</b>	<b>25%</b>	<b>-9%</b>	<b>13%</b>	<b>-22%</b>

Year over year change, percent	2008				2007		
	Q3	Q2	Q1 <sup>1)</sup>	Q4	Q3	Q2	Q1
Networks	16%	-1%	2%	-4%	-2%	7%	5%
Of which Network rollout	17%	11%	20%	16%	14%	26%	-4%
Professional Services	7%	7%	5%	15%	26%	11%	15%
Of which Managed services	3%	17%	20%	32%	50%	21%	11%
Multimedia	10%	16%	24%	7%	31%	6%	19%
<b>Total</b>	<b>13%</b>	<b>2%</b>	<b>5%</b>	<b>0%</b>	<b>6%</b>	<b>6%</b>	<b>7%</b>

Year to date, SEK million	2008				2007		
	0809	0806	0803 <sup>1)</sup>	0712	0709	0706	0703
Networks	96,283	63,266	29,992	129,017	91,554	63,016	29,350
Of which Network rollout	13,975	9,296	4,520	18,507	12,063	8,061	3,752
Professional Services	32,779	21,029	10,011	42,902	30,768	19,773	9,516
Of which Managed services	9,986	6,528	3,112	12,172	8,854	5,502	2,592
Multimedia	12,843	8,412	4,172	15,905	11,037	7,020	3,370
Less: Intersegment sales				-44	-39	-34	-80
<b>Total</b>	<b>141,905</b>	<b>92,707</b>	<b>44,175</b>	<b>187,780</b>	<b>133,320</b>	<b>89,775</b>	<b>42,156</b>

Year to date, year over year change, percent	2008				2007		
	0809	0806	0803 <sup>1)</sup>	0712	0709	0706	0703

Edgar Filing: ERICSSON LM TELEPHONE CO - Form 6-K

Networks	5%	0%	2%	1%	3%	6%	5%
Of which Network rollout	16%	15%	20%	13%	11%	10%	-4%
Professional Services	7%	6%	5%	16%	17%	13%	15%
Of which Managed services	13%	19%	20%	28%	27%	16%	11%
Multimedia	16%	20%	24%	14%	18%	12%	19%
<b>Total</b>	<b>6%</b>	<b>3%</b>	<b>5%</b>	<b>4%</b>	<b>6%</b>	<b>6%</b>	<b>7%</b>

<sup>1)</sup> First quarter 2008 is restated for the transfer of the IPX operations from Professional Services to Multimedia.

## THIRD QUARTER REPORT

October 20, 2008

## Operating Income by Segment by Quarter

Isolated quarters, SEK million	Q3	2008	Q1 <sup>2)</sup>	Q4	2007		
		Q2			Q3	Q2	Q1
Networks	2,454	1,803	1,945	3,836	2,256	6,396	4,910
Professional Services	1,509	1,337	1,274	1,792	1,682	1,515	1,405
Multimedia	9	-172	-509	-439	42	-11	273
Phones	-142	24	895	2,286	1,737	1,464	1,621
Unallocated <sup>1)</sup>	-171	-103	-108	129	-81	-109	-58
<b>Total</b>	<b>3,659</b>	<b>2,889</b>	<b>3,497</b>	<b>7,604</b>	<b>5,636</b>	<b>9,255</b>	<b>8,151</b>

Year to date, SEK million	0809	2008	0803 <sup>2)</sup>	0712	2007		
		0806			0709	0706	0703
Networks	6,202	3,748	1,945	17,398	13,562	11,306	4,910
Professional Services	4,120	2,611	1,274	6,394	4,602	2,920	1,405
Multimedia	-672	-681	-509	-135	304	262	273
Phones	777	919	895	7,108	4,822	3,085	1,621
Unallocated <sup>1)</sup>	-382	-211	-108	-119	-248	-167	-58
<b>Total</b>	<b>10,045</b>	<b>6,386</b>	<b>3,497</b>	<b>30,646</b>	<b>23,042</b>	<b>17,406</b>	<b>8,151</b>

<sup>1)</sup> Unallocated consists mainly of costs for corporate staffs, non-operational capital gains and losses.

<sup>2)</sup> First quarter 2008 is restated for the transfer of the IPX operations from Professional Services to Multimedia.

## Operating Margin by Segment by Quarter

As percentage of net sales, isolated quarters	Q3	2008	Q1 <sup>2)</sup>	Q4	2007		
		Q2			Q3	Q2	Q1
Networks	7%	5%	7%	10%	8%	19%	17%
Professional Services	13%	12%	13%	15%	15%	15%	15%
Multimedia	0%	-4%	-12%	-9%	1%	0%	8%
<b>Total</b>	<b>7%</b>	<b>6%</b>	<b>8%</b>	<b>14%</b>	<b>13%</b>	<b>19%</b>	<b>19%</b>

As percentage of net sales, Year to date	0809	2008	0803 <sup>2)</sup>	0712	2007		
		0806			0709	0706	0703
Networks	6%	6%	7%	13%	15%	18%	17%
Professional Services	13%	12%	13%	15%	15%	15%	15%
Multimedia	-5%	-8%	-12%	-1%	3%	4%	8%
<b>Total</b>	<b>7%</b>	<b>7%</b>	<b>8%</b>	<b>16%</b>	<b>17%</b>	<b>19%</b>	<b>19%</b>

Calculation not applicable for segment Phones and Unallocated.



<sup>2)</sup> First quarter 2008 is restated for the transfer of the IPX operations from Professional Services to Multimedia.

# Number of Employees

Year to Date	2008			2007			
	0809	0806	0803	0712	0709	0706	0703
Western Europe <sup>1)</sup>	41,800	42,000	42,100	41,500	40,300	39,600	38,050
Central & Eastern Europe, Middle East & Africa	8,350	8,000	7,700	7,350	6,850	6,200	6,600
Asia Pacific	14,100	13,700	13,450	13,100	12,350	11,650	11,000
Latin America	7,450	6,600	6,250	6,550	6,000	5,050	4,600
North America	5,650	5,500	5,500	5,500	5,450	5,000	4,900
<b>Total</b>	<b>77,350</b>	<b>75,800</b>	<b>75,000</b>	<b>74,000</b>	<b>70,950</b>	<b>67,500</b>	<b>65,150</b>

<sup>1)</sup> Of which Sweden	20,250	20,250	20,200	19,800	19,450	19,300	18,900
-------------------------------	--------	--------	--------	--------	--------	--------	--------

## THIRD QUARTER REPORT

October 20, 2008

## EBITDA by Segment by Quarter

Isolated quarters, SEK million	Q3	2008	Q1 <sup>2)</sup>	Q4	2007		
		Q2 <sup>1)</sup>			Q3	Q2	Q1
Networks	3,628	3,510	3,690	5,767	3,846	8,183	6,643
Professional Services	1,811	1,589	1,480	1,988	1,828	1,689	1,494
Multimedia	403	400	-246	-159	260	167	314
Phones	-142	24	895	2,286	1,737	1,464	1,621
Unallocated <sup>3)</sup>	-171	-103	-108	129	-81	-109	-58
<b>Total</b>	<b>5,529</b>	<b>5,420</b>	<b>5,711</b>	<b>10,011</b>	<b>7,590</b>	<b>11,394</b>	<b>10,014</b>

Year to date, SEK million	0809	2008	0803 <sup>2)</sup>	0712	2007		
		0806			0709	0706	0703
Networks	10,828	7,200	3,690	24,439	18,672	14,826	6,643
Professional Services	4,880	3,069	1,480	6,999	5,011	3,183	1,494
Multimedia	557	154	-246	582	741	481	314
Phones	777	919	895	7,108	4,822	3,085	1,621
Unallocated <sup>3)</sup>	-382	-211	-108	-119	-248	-167	-58
<b>Total</b>	<b>16,660</b>	<b>11,131</b>	<b>5,711</b>	<b>39,009</b>	<b>28,998</b>	<b>21,408</b>	<b>10,014</b>

<sup>1)</sup> Second quarter 2008 for Multimedia is effected by SEK 156 m. due to changed allocation of capitalized development expenses.

<sup>2)</sup> First quarter 2008 is restated for the transfer of the IPX operations from Professional Services to Multimedia.

<sup>3)</sup> Unallocated consists mainly of costs for corporate staffs, non-operational capital gains and losses.

## EBITDA Margin by Segment by Quarter

As percentage of net sales, isolated quarters	Q3	2008	Q1 <sup>2)</sup>	Q4	2007		
		Q2 <sup>1)</sup>			Q3	Q2	Q1
Networks	11%	11%	12%	15%	13%	24%	23%
Professional Services	15%	14%	15%	16%	17%	16%	16%
Multimedia	9%	9%	-6%	-3%	6%	5%	9%
<b>Total</b>	<b>11%</b>	<b>11%</b>	<b>13%</b>	<b>18%</b>	<b>17%</b>	<b>24%</b>	<b>24%</b>

As percentage of net sales, Year to date	0809	2008	0803 <sup>2)</sup>	0712	2007		
		0806 <sup>1)</sup>			0709	0706	0703
Networks	11%	11%	12%	19%	20%	24%	23%
Professional Services	15%	15%	15%	16%	16%	16%	16%
Multimedia	4%	2%	-6%	4%	7%	7%	9%

Edgar Filing: ERICSSON LM TELEPHONE CO - Form 6-K

**Total** 12% 12% 13% 21% 22% 24% 24%

*Calculation not applicable for segment Phones and Unallocated.*

<sup>1)</sup> *Second quarter 2008 for Multimedia is effected by SEK 156 m. due to changed allocation of capitalized development expenses.*

<sup>2)</sup> *First quarter 2008 is restated for the transfer of the IPX operations from Professional Services to Multimedia.*  
Restructuring costs by Quarter

Isolated quarters, SEK million	Q3	2008 Q2	Q1
Networks	-1,330	-1,519	-692
Professional Services	-374	-170	-88
Multimedia	-141	-138	-10
Phones	-165		
Unallocated	-8		
<b>Total</b>	<b>-2,018</b>	<b>-1,827</b>	<b>-790</b>

Year to Date, SEK million	0809	2008 0806	0803
Networks	-3,541	-2,211	-692
Professional Services	-632	-258	-88
Multimedia	-289	-148	-10
Phones	-165		
Unallocated	-8		
<b>Total</b>	<b>-4,635</b>	<b>-2,617</b>	<b>-790</b>

*No restructuring charges recognized during 2007.*

## THIRD QUARTER REPORT

October 20, 2008

## Net Sales by Market Area by Quarter

Isolated quarters, SEK million	2008				2007		
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Western Europe <sup>1)</sup>	11,629	12,125	11,681	15,396	12,341	12,440	12,508
Central & Eastern Europe, Middle East & Africa	13,069	11,253	11,123	14,256	11,957	11,468	10,980
Asia Pacific	14,114	15,785	12,908	13,734	12,027	16,616	12,252
Latin America	6,083	4,956	4,154	6,750	4,240	4,083	3,310
North America	4,303	4,413	4,309	4,324	2,980	3,012	3,106
<b>Total <sup>2)</sup></b>	<b>49,198</b>	<b>48,532</b>	<b>44,175</b>	<b>54,460</b>	<b>43,545</b>	<b>47,619</b>	<b>42,156</b>

<sup>1)</sup> Of which Sweden 2,191 2,308 1,993 2,453 1,946 2,055 1,941

<sup>2)</sup> Of which EU 13,059 13,427 12,744 17,575 13,643 13,977 13,783

Sequential change, percent	2008				2007		
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Western Europe <sup>1)</sup>	-4%	4%	-24%	25%	-1%	-1%	-27%
Central & Eastern Europe, Middle East & Africa	16%	1%	-22%	19%	4%	4%	-23%
Asia Pacific	-11%	22%	-6%	14%	-28%	36%	-12%
Latin America	23%	19%	-38%	59%	4%	23%	-31%
North America	-2%	2%	0%	45%	-1%	-3%	-22%
<b>Total <sup>2)</sup></b>	<b>1%</b>	<b>10%</b>	<b>-19%</b>	<b>25%</b>	<b>-9%</b>	<b>13%</b>	<b>-22%</b>

<sup>1)</sup> Of which Sweden -5% 16% -19% 26% -5% 6% -15%

<sup>2)</sup> Of which EU -3% 5% -27% 29% -2% 1% -26%

Year-over-year change, percent	2008				2007		
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Western Europe <sup>1)</sup>	-6%	-3%	-7%	-10%	6%	-3%	9%
Central & Eastern Europe, Middle East & Africa	9%	-2%	1%	-1%	10%	-3%	16%
Asia Pacific	17%	-5%	5%	-2%	3%	32%	26%
Latin America	43%	21%	25%	41%	1%	7%	-9%
North America	44%	47%	39%	9%	3%	-19%	-41%
<b>Total <sup>2)</sup></b>	<b>13%</b>	<b>2%</b>	<b>5%</b>	<b>0%</b>	<b>6%</b>	<b>6%</b>	<b>7%</b>

<sup>1)</sup> Of which Sweden 13% 12% 3% 7% 3% 2% 19%

<sup>2)</sup> Of which EU -4% -4% -8% -6% 5% -6% 11%

Year to date, SEK million	2008				2007		
	0809	0806	0803	0712	0709	0706	0703
Western Europe <sup>1)</sup>	35,435	23,806	11,681	52,685	37,289	24,948	12,508
Central & Eastern Europe, Middle East & Africa	35,445	22,376	11,123	48,661	34,405	22,448	10,980
Asia Pacific	42,807	28,693	12,908	54,629	40,895	28,868	12,252
Latin America	15,193	9,110	4,154	18,383	11,633	7,393	3,310

Edgar Filing: ERICSSON LM TELEPHONE CO - Form 6-K

North America	13,025	8,722	4,309	13,422	9,098	6,118	3,106
<b>Total <sup>2)</sup></b>	<b>141,905</b>	<b>92,707</b>	<b>44,175</b>	<b>187,780</b>	<b>133,320</b>	<b>89,775</b>	<b>42,156</b>

<sup>1)</sup> *Of which Sweden* 6,492 4,301 1,993 8,395 5,942 3,996 1,941

<sup>2)</sup> *Of which EU* 39,230 26,171 12,744 58,978 41,403 27,760 13,783

	2008				2007		
Year to date, year-over-year change, percent	0809	0806	0803	0712	0709	0706	0703
Western Europe <sup>1)</sup>	-5%	-5%	-7%	-1%	4%	2%	9%
Central & Eastern Europe, Middle East & Africa	3%	0%	1%	5%	7%	6%	16%
Asia Pacific	5%	-1%	5%	14%	21%	29%	26%
Latin America	31%	23%	25%	12%	0%	-1%	-9%
North America	43%	43%	39%	-15%	-24%	-32%	-41%
<b>Total <sup>2)</sup></b>	<b>6%</b>	<b>3%</b>	<b>5%</b>	<b>4%</b>	<b>6%</b>	<b>6%</b>	<b>7%</b>

<sup>1)</sup> *Of which Sweden* 9% 8% 3% 8% 8% 10% 19%

<sup>2)</sup> *Of which EU* -5% -6% -8% 0% 3% 2% 11%

## THIRD QUARTER REPORT

October 20, 2008

## External Net Sales by Market Area by Segment

SEK, million Jul - Sep 2008	Networks	Professional Services	Multimedia	Total
Western Europe	5,664	4,285	1,680	11,629
Central & Eastern Europe, Middle East & Africa	9,313	2,411	1,345	13,069
Asia Pacific	10,822	2,518	774	14,114
Latin America	4,456	1,303	324	6,083
North America	2,762	1,233	308	4,303
<b>Total</b>	<b>33,017</b>	<b>11,750</b>	<b>4,431</b>	<b>49,198</b>

Share of Total	67%	24%	9%	100%
----------------	-----	-----	----	------

SEK, million Year to date 2008	Networks	Professional Services	Multimedia	Total
Western Europe	17,028	13,020	5,387	35,435
Central & Eastern Europe, Middle East & Africa	25,648	6,331	3,466	35,445
Asia Pacific	33,805	6,794	2,208	42,807
Latin America	10,711	3,540	942	15,193
North America	9,091	3,094	840	13,025
<b>Total</b>	<b>96,283</b>	<b>32,779</b>	<b>12,843</b>	<b>141,905</b>

Share of Total	68%	23%	9%	100%
----------------	-----	-----	----	------

First quarter 2008 is restated for the transfer of the IPX operations from Professional Services to Multimedia.

## Top 15 Markets in Sales

Market	Year to date Share of total sales	Q3 Share of iso. total sales
India	7%	8%
United States	7%	8%
China	7%	5%
Italy	5%	4%
Sweden	5%	4%
Indonesia	4%	5%
Brazil	4%	5%
Spain	4%	3%
United Kingdom	3%	3%
Japan	2%	2%
Germany	2%	2%
Canada	2%	1%
Nigeria	2%	2%
Australia	2%	2%
Russian Federation	2%	2%



## THIRD QUARTER REPORT

October 20, 2008

## Transactions with Sony Ericsson Mobile Communications

SEK million	2008				2007		
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenues from Sony Ericsson	1,470	1,271	1,547	1,930	1,242	1,411	1,160
Purchases from Sony Ericsson	19	20	170	39	11	232	51
Receivables from Sony Ericsson	952	927	1,097	932	132	178	116
Liabilities to Sony Ericsson	237	186	330	204	1,357	2,464	3,720
Dividends from Sony Ericsson	1,407		2,220		1,388	2,561	

## Provisions

Isolated quarters, SEK million	2008				2007		
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
<b>Opening balance</b>	<b>11,106</b>	<b>10,056</b>	<b>9,726</b>	<b>10,357</b>	<b>11,675</b>	<b>12,291</b>	<b>13,882</b>
Additions	3,418	2,724	2,019	1,710	874	1,056	1,519
Utilization/Cash out	-1,595	-1,343	-781	-1,215	-1,341	-1,276	-2,476
Reversal of excess amounts	-117	-244	-622	-1,401	-668	-1,006	-675
Reclassification, translation difference and other	183	-87	-286	275	-183	610	41
<b>Closing balance</b>	<b>12,995</b>	<b>11,106</b>	<b>10,056</b>	<b>9,726</b>	<b>10,357</b>	<b>11,675</b>	<b>12,291</b>

Year to date, SEK million	2008				2007		
	0809	0806	0803	0712	0709	0706	0703
<b>Opening balance</b>	<b>9,726</b>	<b>9,726</b>	<b>9,726</b>	<b>13,882</b>	<b>13,882</b>	<b>13,882</b>	<b>13,882</b>
Additions	8,161	4,743	2,019	5,159	3,449	2,575	1,519
Utilization/Cash out	-3,719	-2,124	-781	-6,308	-5,093	-3,752	-2,476
Reversal of excess amounts	-983	-866	-622	-3,750	-2,349	-1,681	-675
Reclassification, translation difference and other	-190	-373	-286	743	468	651	41
<b>Closing balance</b>	<b>12,995</b>	<b>11,106</b>	<b>10,056</b>	<b>9,726</b>	<b>10,357</b>	<b>11,675</b>	<b>12,291</b>



## THIRD QUARTER REPORT

October 20, 2008

## Other Information

	Jul - Sep		Jan - Sep		Jan - Dec
	2008	2007	2008	2007	2007
<b>Number of shares and earnings per share <sup>1)</sup></b>					
Number of shares, end of period (million)	3,246	3,226	3,246	3,226	3,226
of which A-shares (million)	262	262	262	262	262
of which B-shares (million)	2,984	2,964	2,984	2,964	2,964
Number of treasury shares, end of period (million)	62	48	62	48	46
Number of shares outstanding, basic, end of period (million)	3,184	3,179	3,184	3,179	3,180
Numbers of shares outstanding, diluted, end of period (million)	3,202	3,194	3,202	3,194	3,195
Average number of treasury shares (million)	56	48	48	49	48
Average number of shares outstanding, basic (million)	3,184	3,179	3,182	3,178	3,178
Average number of shares outstanding, diluted (million) <sup>2)</sup>	3,201	3,194	3,200	3,193	3,193
Earnings per share, basic (SEK)	0.89	1.25	2.32	5.10	6.87
Earnings per share, diluted (SEK) <sup>2)</sup>	0.89	1.24	2.31	5.07	6.84
<b>Ratios</b>					
Equity ratio, percent			51.6%	56.4%	55.1%
Capital turnover (times)	1.2	1.1	1.1	1.2	1.2
Trade receivable turnover (times)	3.3	3.1	3.1	3.3	3.4
Inventory turnover (times)	4.5	4.5	4.6	4.5	5.2
Return on equity, percent	8.6%	12.4%	7.3%	17.3%	17.2%
Return on capital employed, percent	11.5%	15.0%	9.7%	21.2%	20.9%
Days Sales Outstanding			115	115	102
Payable days	56	54	57	59	57
Payment readiness, end of period			74,255	51,580	64,678
Payment readiness, as percentage of sales			39.2%	29.0%	34.4%
<b>Exchange rates used in the consolidation</b>					
SEK / EUR - average rate			9.45	9.22	9.24
- closing rate			9.79	9.21	9.45
SEK / USD - average rate			6.23	6.84	6.74
- closing rate			6.84	6.49	6.43
<b>Other</b>					
Additions to property, plant and equipment	997	871	2,836	2,663	4,319
of which in Sweden	316	247	1,112	884	1,250
Additions to capitalized development expenses	261	237	1,016	694	1,053
Capitalization of development expenses, net	-18	-372	-986	-1,042	-1,334
<i>Depreciation, amortization and impairment losses</i>					
Development expenses	279	609	2,002	1,736	2,387
Property, plant and equipment and other intangible assets	1,593	1,344	4,613	4,220	5,976
<b>Total</b>	<b>1,872</b>	<b>1,953</b>	<b>6,615</b>	<b>5,956</b>	<b>8,363</b>
Export sales from Sweden	26,160	23,956	78,596	73,087	102,486

<sup>1)</sup> Reverse split 1:5 was made in June 2008. Comparable figures are restated accordingly.

## Edgar Filing: ERICSSON LM TELEPHONE CO - Form 6-K

<sup>2)</sup> *Potential ordinary shares are not considered when their conversion to ordinary shares would increase earnings per share.*  
Ericsson Planning Assumptions for Year 2008

### **Research and development expenses**

We estimate R&D expenses for the full year to be at about the same runrate level as in the second half of 2007. The estimate includes amortizations/write-downs of intangible assets related to major acquisitions previously made and excludes restructuring. However, currency effects may cause this to change.

### **Tax rate**

We estimate the tax rate for the full year 2008 to be around 28%.

### **Capital expenditures**

Excluding acquisitions, the capital expenditures in relation to sales are not expected to be significantly different in 2008, remaining at roughly two percent of sales.

### **Utilization of provisions**

Expected utilization of provisions for year 2008 is stated in the Annual report, note C18.

**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/ CARL OLOF BLOMQVIST  
**Carl Olof Blomqvist**  
**Senior Vice President and**  
**General Counsel**

By: /s/ HENRY STÉNSON  
**Henry Sténson**  
**Senior Vice President**  
**Corporate Communications**

Date: October 20, 2008