

ERICSSON LM TELEPHONE CO
Form 6-K
July 22, 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**

July 22, 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 July 22, 2008 regarding Ericsson reports second quarter results.

SECOND QUARTER REPORT

July 22, 2008

Ericsson reports second

quarter results

Sales SEK 48.5 (47.6) b., 7% growth in constant currencies, SEK 92.7 (89.8) b. first six months

Operating income SEK 4.7 (9.3) b., excl. restructuring charges of SEK 1.8 b., SEK 9.0 (17.4) b. first six months, excl. restructuring charges of SEK 2.6 b.

Operating margin 9.7% (19.4%), excl. restructuring charges of SEK 1.8 b., 9.7% (19.4%) first six months, excl. restructuring charges of SEK 2.6 b.

Cash flow SEK 8.5 (4.2) b., SEK 13.3 (8.8) b. first six months

Net income²⁾ SEK 1.9¹⁾ (6.4) b., incl. restructuring charges of SEK 1.8 b., SEK 4.5 (12.2) b. first six months, incl. restructuring charges of SEK 2.6 b.

Earnings per share²⁾ SEK 0.60¹⁾ (2.02)³⁾, SEK 1.43 (3.85)³⁾ first six months

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

CEO COMMENTS

The overall business activity shows stable development, said Carl-Henric Svanberg, President and CEO of Ericsson (NASDAQ:ERIC). With no major changes in the market environment, we still find it prudent to plan for a flattish mobile infrastructure market in 2008 and our focus on adjusting our cost base remains.

Sales have continued to pick up in the US, Western Europe has remained slow while we see good development in most high-growth markets. The continued decline of the USD impacts sales growth and margins negatively also in this quarter.

Networks showed a sequential margin improvement despite a continued high proportion of buildouts of new networks in high-growth markets, including accelerating volumes to India. Professional Services continues to develop favorably with stable margins and Multimedia shows good growth with a lower operating loss.

In the wireless market, expansions of GSM, buildouts of HSPA and early discussions on LTE continue in parallel and these technologies will coexist for many years. Access to telephony as well as Internet, with multimedia solutions for e-business, e-health, e-learning, e-banking etc, are key elements for sustainable development. This is driving buildouts of mobile communications in high-growth markets as well as the buildout of broadband in mature markets said Carl-Henric Svanberg.

July 22, 2008

FINANCIAL HIGHLIGHTS

Income statement and cash flow

SEK b.	Second quarter			First quarter		Six months		
	2008 ¹⁾	2007	Change	2008 ¹⁾	Change	2008 ¹⁾	2007	Change
Net sales	48.5	47.6	2%	44.2	10%	92.7	89.8	3%
Gross margin	37.0%	43.0%		38.6%		37.8%	43.0%	
EBITDA margin	14.9%	23.9%		14.7%		14.8%	23.8%	
Operating income	4.7	9.3	-49%	4.3	10%	9.0	17.4	-48%
Operating margin	9.7%	19.4%		9.7%		9.7%	19.4%	
Operating margin excl Sony Ericsson	9.7%	16.4%		7.7%		8.7%	16.0%	
Income after financial items	4.7	9.3	-49%	4.5	5%	9.2	17.5	-48%
Net income ³⁾	1.9 ₂₎	6.4	-70%	2.6 ₂₎	-28%	4.5 ₂₎	12.2	-63%
EPS, SEK ³⁾	0.60 ₂₎	2.02 ₄₎	-70%	0.83 ₂₎ ₄₎	-28%	1.43 ₂₎	3.85 ₄₎	-63%
Cash flow from operating activities	8.5	4.2		4.7		13.3	8.8	
Cash flow excl. Sony Ericsson dividend/advances	8.5	1.7		2.5		11.1	2.7	

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

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 growth in constant currencies is estimated to 7% year-over-year. Sales were up 2% year-over-year including negative effects from the continued decline in USD. Effects of acquisitions and divestments equaled out in the quarter.

Gross margin amounted to 37.0% (43.0%) and declined year-over-year, mainly due to the shift in business mix with a high proportion of new network buildouts. Sales related to software and IPRs were back to a more normal level after last quarter's slightly higher level.

Operating expenses amounted to SEK 14.0 (13.1) b. in the quarter. The increase year-over-year is mainly attributable to acquired companies, including amortization of intangibles, and increased R&D investments.

Operating income amounted to SEK 4.7 (9.3) b. in the quarter, including a capital gain of SEK 0.2 b. from the divestment of the enterprise PBX solutions business. Sony Ericsson's pre-tax profit contributed SEK 0.0 (1.5) b. to Group operating income in the quarter.

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

Cash flow from operating activities reached SEK 8.5 (4.2) b. The working capital was flat despite higher sales. Collections have been strong and days sales outstanding have decreased by 3 days to 107 in the quarter. Current liabilities increased significantly during the quarter, some of which are normal fluctuations due to project activities. The increase was mainly due to increased payables, accrued expenses and various other current liabilities. As a result, cash conversion amounted to 193% (35%).

Cash flow from investing activities was SEK -2.0 (-7.9) b. in the quarter, including a positive impact of SEK 0.6 b. from the divestment of the enterprise PBX solutions business.

SECOND QUARTER REPORT

July 22, 2008

Balance sheet and other performance indicators

	Six months 2008	Three months 2008	Full year 2007
SEK b.			
Net cash	27.9	28.3	24.3
Interest-bearing provisions and liabilities	29.2	32.0	33.4
Trade receivables	56.7	56.4	60.5
Days sales outstanding	107	110	102
Inventory	26.6	24.5	22.5
Of which work in progress	16.3	13.8	12.5
Inventory turnover	4.7 ₁₎	4.6 ₁₎	5.2
Payable days	56	57	57
Customer financing, net	2.4	2.7	3.4
Return on capital employed	12% ¹⁾	12% ¹⁾	21%
Equity ratio			