

ERICSSON LM TELEPHONE CO

Form 6-K

October 17, 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 17, 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)**

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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 17, 2008 regarding Sony Ericsson reports third quarter results

**PRESS RELEASE**

October 17, 2008

**Sony Ericsson reports third quarter results****Q3 highlights:****Break even results, excluding restructuring charges, as challenging business conditions continued****C902 Cyber-shot camera phone is hit model of the quarter****First Xperia branded multimedia phone X1 began shipping****Expansion of music service offering with announcement of PlayNow plus**

London, UK - The consolidated financial summary for Sony Ericsson Mobile Communications AB (Sony Ericsson) for the third quarter ended September 30, 2008 is as follows:

	Q3 2008	Q2 2008	Q3 2007
<b>Number of units shipped (million)</b>	25.7	24.4	25.9
<b>Sales (Euro m.)</b>	2,808	2,820	3,108
<b>Gross margin (%)</b>	22%	23%	31%
<b>Operating income (Euro m.)</b>	-33	-2	393
<b>Operating margin (%)</b>	-1%	-0%	13%
Restructuring charges (Euro m.)	35	11	0
Operating income excl. restructuring charges (Euro m.)	2	8	393
Operating margin excl. restructuring charges (%)	0%	0%	13%
<b>Income before taxes (IBT) (Euro m.)</b>	-23	8	384
IBT excl. restructuring charges (Euro m.)	12	19	384
<b>Net income (Euro m.)</b>	-25	6	267
<b>Average selling price (Euro)</b>	109	116	120

Units shipped in the quarter were 25.7 million, a sequential increase but flat year-on-year, while sales for the quarter were Euro 2,808 million, a decrease of 10% compared to the third quarter of 2007. Most of this decrease reflects the impact of exchange rate fluctuations, as well as a shift of the product mix to more lower priced phones. Gross margin also decreased year-on-year and sequentially due to continued price pressure at a time of adverse cost trends in the supplier base. This was partially mitigated by the introduction of new products at the end of the second quarter, such as the C902 Cyber-shot camera phone, which is selling well; however, strong competition continues, particularly in Europe. Income before taxes for the quarter was Euro 12 million, excluding restructuring charges of Euro 35 million, a decrease compared to the third quarter of 2007.

Average selling price (ASP) for Sony Ericsson decreased both sequentially and year-on-year in line with levels seen in previous quarters. This is due to selling more lower priced phones and increased price competition in the market for mid- to high-end phones. Sequentially, market share for the third quarter remained flat and is estimated to be around 8%.

As expected the third quarter has continued to be challenging for Sony Ericsson. We have moved forward with our plans to align operations and resources with the consolidation of R&D facilities into a more agile and cost efficient organisational structure. As previously announced, our target remains to reduce operating expenses by Euro 300 million annually by the end of the second quarter 2009, with the full effects expected to appear in the second half of 2009. These plans are progressing in line with

expectations, said Dick Komiyama, President, Sony Ericsson. We are committed to executing our alignment plan as speedily as possible to ensure we have the right size and organisational structure to return the business to healthy profitability.

During the third quarter Sony Ericsson announced PlayNow plus, the next step in its music service offering. PlayNow plus is a high speed and high quality music download service for both the phone and PC that will launch in the fourth quarter with Telenor in Sweden with a special edition Sony Ericsson W902 Walkman® phone integrated with the PlayNow plus service. Further roll-outs of the service are planned with other network partners around the world in early 2009.

Sony Ericsson also announced a number of new phones in the quarter, including three new Walkman® phones, its first UMA handset (G705u) and the first models with integrated You Tube connectivity (W595, W902, G705). In addition, Sony Ericsson started a major marketing initiative to launch its first multimedia convergence phone under the new sub-brand; Xperia , and started shipping the phone, the Xperia X1, at the end of the quarter.

As communicated previously, Sony Ericsson paid a second dividend to the parent companies totalling Euro 300 million (Euro 150 million each) in the quarter based on 2007 earnings, and at the end of September 2008 Sony Ericsson had net cash of Euro 1.4 billion.

Sony Ericsson forecasts that the global handset market for 2008 will grow at a rate of around 10% from more than 1.1 billion units in 2007, while the industry ASP will continue to decline. The majority of this growth is expected to be in emerging markets where lower priced phones dominate.

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**EDITOR S NOTES:**

**Financial statements and additional information:**

**Financial statements:**

Consolidated income statement (2)

Consolidated income statement isolated quarters

Consolidated balance sheet

Consolidated statement of cash flows (2)

Consolidated statement of cash flows isolated quarters

**Additional information:**

Net sales by market area by quarter

- ENDS -

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*Sony Ericsson is a top, global industry player with sales of over 100 million phones in 2007. Diversity is one of the core strengths of the company, with operations in over 80 countries including manufacturing in China and R&D sites in China, Europe, India, Japan and North America. Sony Ericsson was established as a 50:50 joint venture by Sony and Ericsson in October 2001, with global corporate functions located in London. For more information about Sony Ericsson please visit [www.sonyericsson.com](http://www.sonyericsson.com)*

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*This press release contains forward-looking statements that involve inherent risks and uncertainties. We have 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.*

## Sony Ericsson

## CONSOLIDATED INCOME STATEMENT

EUR million	2008	Jul-Sep 2007	Change
Net sales	2,808	3,108	-10%
Cost of sales	-2,192	-2,154	2%
<b>Gross profit</b>	<b>616</b>	<b>954</b>	<b>-35%</b>
Gross margin %	21.9%	30.7%	-9%
Research and development expenses	-337	-280	20%
Selling and administrative expenses	-303	-280	8%
<b>Operating expenses</b>	<b>-640</b>	<b>-560</b>	<b>14%</b>
Other operating income, net	-8	-1	-586%
<b>Operating income</b>	<b>-33</b>	<b>393</b>	<b>-108%</b>
Operating margin %	-1.2%	12.7%	-14%
Financial income	25	7	274%
Financial expenses	-15	-16	-11%
<b>Income after financial items</b>	<b>-23</b>	<b>384</b>	<b>-106%</b>
Taxes	6	-109	-106%
Minority interest	-8	-8	1%
<b>Net income</b>	<b>-25</b>	<b>267</b>	<b>-109%</b>
Number of units shipped (million)	25.7	25.9	-1%
ASP (EUR)	109	120	-9%

EUR million	Jul-Sep 2008
<b>Restructuring charges</b>	
Cost of sales	0
Research and development expenses	26
Sales and administrative expenses	3
Other operating income, net	6
<b>Total</b>	<b>35</b>

## Sony Ericsson

## CONSOLIDATED INCOME STATEMENT

EUR million	2008	Jan-Sep 2007	Change
Net sales	8,330	9,145	-9%
Cost of sales	-6,274	-6,384	-2%
<b>Gross profit</b>	<b>2,056</b>	<b>2,760</b>	<b>-26%</b>
Gross margin %	24.7%	30.2%	-6%
Research and development expenses	-1,020	-824	24%
Selling and administrative expenses	-883	-885	0%
<b>Operating expenses</b>	<b>-1,903</b>	<b>-1,709</b>	<b>11%</b>
Other operating income, net	-3	2	-239%
<b>Operating income</b>	<b>149</b>	<b>1,055</b>	<b>-86%</b>
Operating margin %	1.8%	11.5%	-10%
Financial income	73	43	72%
Financial expenses	-44	-25	76%
<b>Income after financial items</b>	<b>179</b>	<b>1,073</b>	<b>-83%</b>
Taxes	-50	-306	-84%
Minority interest	-14	-27	-47%
<b>Net income</b>	<b>114</b>	<b>741</b>	<b>-85%</b>
Number of units shipped (million)	72.5	72.6	0%
ASP (EUR)	115	126	-9%

EUR million	Jan-Sep 2008
<b>Restructuring charges</b>	
Cost of sales	8
Research and development expenses	28
Sales and administrative expenses	4
Other operating income, net	6
<b>Total</b>	<b>46</b>



## Sony Ericsson

## CONSOLIDATED INCOME STATEMENT - ISOLATED QUARTERS

EUR million	2008				2007		
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net sales	2,808	2,820	2,702	3,771	3,108	3,112	2,925
Cost of sales	-2,192	-2,168	-1,914	-2,573	-2,154	-2,192	-2,039
<b>Gross profit</b>	<b>616</b>	<b>653</b>	<b>788</b>	<b>1,198</b>	<b>954</b>	<b>921</b>	<b>886</b>
Gross margin %	21.9%	23.1%	29.2%	31.8%	30.7%	29.6%	30.3%
Research and development expenses	-337	-344	-339	-349	-280	-283	-261
Selling and administrative expenses	-303	-310	-270	-375	-280	-321	-284
<b>Operating expenses</b>	<b>-640</b>	<b>-653</b>	<b>-610</b>	<b>-724</b>	<b>-560</b>	<b>-604</b>	<b>-545</b>
Other operating income, net	-8	-2	6	15	-1	-2	5
<b>Operating income</b>	<b>-33</b>	<b>-2</b>	<b>184</b>	<b>489</b>	<b>393</b>	<b>315</b>	<b>346</b>
Operating margin %	-1.2%	-0.1%	6.8%	13.0%	12.7%	10.1%	11.8%
Financial income	25	25	24	19	7	18	18
Financial expenses	-15	-14	-15	-7	-16	-6	-2
<b>Income after financial items</b>	<b>-23</b>	<b>8</b>	<b>193</b>	<b>501</b>	<b>384</b>	<b>327</b>	<b>362</b>
Taxes	6	0	-57	-118	-109	-97	-100
Minority interest	-8	-3	-3	-10	-8	-10	-9
<b>Net income</b>	<b>-25</b>	<b>6</b>	<b>133</b>	<b>373</b>	<b>267</b>	<b>220</b>	<b>254</b>
Number of units shipped (million)	25.7	24.4	22.3	30.8	25.9	24.9	21.8
ASP (EUR)	109	116	121	123	120	125	134

EUR million	2008	
	Q3	Q2
<b>Restructuring charges</b>		
Cost of sales	0	8
Research and development expenses	26	2
Sales and administrative expenses	3	1
Other operating income, net	6	0
<b>Total</b>	<b>35</b>	<b>11</b>

## Sony Ericsson

## CONSOLIDATED BALANCE SHEET

EUR million	Sep 30 2008	Jun 30 2008	Dec 31 2007	Sep 30 2007
<b>ASSETS</b>				
<b>Total fixed and financial assets</b>	<b>649</b>	<b>590</b>	<b>572</b>	<b>511</b>
<b>Current assets</b>				
Inventories	717	538	437	620
Accounts receivables	1,815	1,905	1,870	1,803
Other assets	527	511	345	544
Other short-term cash investments	918	966	1,431	954
Cash and bank	555	624	724	804
<b>Total current assets</b>	<b>4,532</b>	<b>4,544</b>	<b>4,808</b>	<b>4,725</b>
<b>Total assets</b>	<b>5,180</b>	<b>5,134</b>	<b>5,380</b>	<b>5,236</b>
<b>SHAREHOLDERS EQUITY AND LIABILITIES</b>				
Shareholders equity	1,429	1,684	2,026	1,663
Minority interest	50	35	64	70
<b>Total equity</b>	<b>1,480</b>	<b>1,719</b>	<b>2,090</b>	<b>1,733</b>
<b>Total long-term liabilities</b>				
<b>Total long-term liabilities</b>	<b>39</b>	<b>25</b>	<b>26</b>	<b>22</b>
Accounts payable	1,453	1,436	1,263	1,602
Other current liabilities	2,208	1,954	2,001	1,879
<b>Total current liabilities</b>	<b>3,661</b>	<b>3,390</b>	<b>3,264</b>	<b>3,481</b>
<b>Total shareholders equity and liabilities</b>	<b>5,180</b>	<b>5,134</b>	<b>5,380</b>	<b>5,236</b>
Net cash*	1,374	1,591	2,155	1,758

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

Sony Ericsson

## CONSOLIDATED STATEMENT OF CASH FLOWS

EUR million	Jul-Sep	
	2008	2007
<b>OPERATIONS</b>		
Net income	-25	267
Adjustments to reconcile net income to cash	39	32
	<b>15</b>	<b>299</b>
Changes in operating net assets	88	88
<b>Cash flow from operating activities</b>	<b>102</b>	<b>387</b>
<b>INVESTMENTS</b>		
Investing activities	-55	-53
<b>Cash flow from investing activities</b>	<b>-55</b>	<b>-53</b>
<b>FINANCING</b>		
Financing activities	- 238	- 300
<b>Cash flow from financing activities</b>	<b>-238</b>	<b>-300</b>
<b>Net change in cash</b>	<b>-191</b>	<b>34</b>
<b>Cash, beginning of period</b>	<b>1,591</b>	<b>1,730</b>
<b>Translation difference in Cash</b>	<b>74</b>	<b>-6</b>
<b>Cash, end of period</b>	<b>1,473</b>	<b>1,758</b>

Sony Ericsson

## CONSOLIDATED STATEMENT OF CASH FLOWS

EUR million	Jan-Sep	
	2008	2007
<b>OPERATIONS</b>		
Net income	114	741
Adjustments to reconcile net income to cash	109	90
	<b>223</b>	<b>831</b>
Changes in operating net assets	-155	-349
<b>Cash flow from operating activities</b>	<b>68</b>	<b>482</b>
<b>INVESTMENTS</b>		
Investing activities	-105	-138
<b>Cash flow from investing activities</b>	<b>-105</b>	<b>-138</b>
<b>FINANCING</b>		
Financing activities	-708	-849
<b>Cash flow from financing activities</b>	<b>-708</b>	<b>-849</b>
<b>Net change in cash</b>	<b>-745</b>	<b>-504</b>
<b>Cash, beginning of period</b>	<b>2,155</b>	<b>2,273</b>
<b>Translation difference in Cash</b>	<b>62</b>	<b>-11</b>
<b>Cash, end of period</b>	<b>1,473</b>	<b>1,758</b>

Sony Ericsson

## CONSOLIDATED STATEMENT OF CASH FLOWS - ISOLATED QUARTERS

EUR million	2008				2007		
	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar
<b>OPERATIONS</b>							
Net income	-25	6	133	373	267	220	254
Adjustments to reconcile net income to cash	39	40	31	17	32	30	28
	<b>15</b>	<b>46</b>	<b>164</b>	<b>390</b>	<b>299</b>	<b>250</b>	<b>282</b>
Changes in operating net assets	88	-142	-101	44	88	16	-454
<b>Cash flow from operating activities</b>	<b>102</b>	<b>-96</b>	<b>64</b>	<b>434</b>	<b>387</b>	<b>266</b>	<b>-172</b>
<b>INVESTMENTS</b>							
Investing activities	-55	-29	-22	-27	-53	-31	-53
<b>Cash flow from investing activities</b>	<b>-55</b>	<b>-29</b>	<b>-22</b>	<b>-27</b>	<b>-53</b>	<b>-31</b>	<b>-53</b>
<b>FINANCING</b>							
Financing activities	- 238	- 8	- 462	0	- 300	- 548	- 1
<b>Cash flow from financing activities</b>	<b>-238</b>	<b>-8</b>	<b>-462</b>	<b>0</b>	<b>-300</b>	<b>-548</b>	<b>-1</b>
<b>Net change in cash</b>	<b>-191</b>	<b>-133</b>	<b>-421</b>	<b>408</b>	<b>34</b>	<b>-312</b>	<b>-226</b>
<b>Cash, beginning of period</b>	<b>1,591</b>	<b>1,711</b>	<b>2,155</b>	<b>1,758</b>	<b>1,730</b>	<b>2,045</b>	<b>2,273</b>
<b>Translation difference in Cash</b>	<b>74</b>	<b>13</b>	<b>-24</b>	<b>-10</b>	<b>-6</b>	<b>-3</b>	<b>-2</b>
<b>Cash, end of period</b>	<b>1,473</b>	<b>1,591</b>	<b>1,711</b>	<b>2,155</b>	<b>1,758</b>	<b>1,730</b>	<b>2,045</b>

## Sony Ericsson

## NET SALES BY MARKET AREA BY QUARTER

EUR million

Isolated quarters	2008				2007		
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Europe, Middle East & Africa *	1,427	1,386	1,494	2,251	1,715	1,729	1,598
Americas	703	740	486	636	573	499	365
Asia	678	694	722	884	820	885	961
<b>Total</b>	<b>2,808</b>	<b>2,820</b>	<b>2,702</b>	<b>3,771</b>	<b>3,108</b>	<b>3,112</b>	<b>2,925</b>

* of which Western Europe	947	900	979	1,569	1,103	1,102	1,078
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Sequential change (%)	2008				2007		
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Europe, Middle East & Africa *	3%	-7%	-34%	31%	-1%	8%	-26%
Americas	-5%	52%	-24%	11%	15%	37%	-34%
Asia	-2%	-4%	-18%	8%	-7%	-8%	-11%
<b>Total</b>	<b>0%</b>	<b>4%</b>	<b>-28%</b>	<b>21%</b>	<b>0%</b>	<b>6%</b>	<b>-23%</b>

* of which Western Europe	5%	-8%	-38%	42%	0%	2%	-27%
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Year over year change (%)	2008				2007		
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Europe, Middle East & Africa *	-17%	-20%	-7%	5%	7%	59%	55%
Americas	23%	48%	33%	15%	37%	52%	46%
Asia	-17%	-21%	-25%	-18%	-8%	4%	35%
<b>Total</b>	<b>-10%</b>	<b>-9%</b>	<b>-8%</b>	<b>0%</b>	<b>7%</b>	<b>37%</b>	<b>47%</b>

* of which Western Europe	-14%	-18%	-9%	6%	-1%	47%	60%
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Year to date	2008				2007		
	0809	0806	0803	0712	0709	0706	0703
Europe, Middle East & Africa *	4,324	2,879	1,494	7,293	5,042	3,328	1,598
Americas	1,930	1,226	486	2,072	1,436	864	365
Asia	2,076	1,416	722	3,550	2,666	1,846	961
<b>Total</b>	<b>8,330</b>	<b>5,522</b>	<b>2,702</b>	<b>12,916</b>	<b>9,145</b>	<b>6,037</b>	<b>2,925</b>

* of which Western Europe	2,826	1,879	979	4,852	3,283	2,179	1,078
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YTD year over year change (%)	2008				2007		
	0809	0806	0803	0712	0709	0706	0703
Europe, Middle East & Africa *	-14%	-13%	-7%	24%	36%	57%	55%
Americas	34%	42%	33%	34%	44%	49%	46%
Asia	-22%	-23%	-25%	0%	8%	18%	35%

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<b>Total</b>	<b>-9%</b>	<b>-9%</b>	<b>-8%</b>	<b>18%</b>	<b>27%</b>	<b>42%</b>	<b>47%</b>
* of which Western Europe	-14%	-14%	-9%	21%	29%	53%	60%

**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 17, 2008