

ERICSSON LM TELEPHONE CO

Form 6-K

July 23, 2010

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# **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 23, 2010**

# **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 July 23, 2010 regarding Ericsson (SE) Ericsson second quarter results.

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SECOND QUARTER REPORT

July 23, 2010

## ERICSSON SECOND QUARTER RESULTS

## CEO COMMENT

Group sales in the quarter declined -8% year-over-year with lower sales in Networks. Sales in Global Services were flat due to decline in network rollout although Professional Services increased 5%, says Hans Vestberg, President and CEO of Ericsson (NASDAQ:ERIC).

Group sales increased sequentially by 6%. Sales for comparable units, adjusted for currency exchange rate effects and hedging declined year-over-year -15%. Operators showed a continued good demand for mobile broadband driven by smartphone and laptop usage. Sales were however impacted by continued industry component shortages and supply chain bottlenecks. We estimate that this had a negative impact on our sales in the quarter by SEK 3-4 b.

Gross margin improved year-over-year and sequentially due to business mix and efficiency gains. Cash flow declined year-over-year, mainly due to increased working capital. Sony Ericsson continued to show improved results and ST-Ericsson's transition program is on track.

Net income improved year-over-year and sequentially, positively impacted by improved earnings in Sony Ericsson.

The market conditions we saw in the second half of 2009 with mixed operator investment behavior prevailed also in the first half of this year. In the quarter all regions, except North America, showed lower year-over-year sales. Meanwhile, sequential sales showed a more mixed picture with growth in regions such as Mediterranean, North America, Northern Europe and Central Asia, as well as Sub-Saharan Africa.

Over the past years, we have gone through major changes with cost reductions and strengthened portfolio and market presence while maintaining our technology leadership. The cost reduction program, initiated in the first quarter 2009 has been completed, reaching its target. Going forward, cost and capital efficiency will remain top of our agenda, concludes Hans Vestberg.

| SEK b.                              | Second quarter |                   |        | First quarter |        | Six months |                    |        |
|-------------------------------------|----------------|-------------------|--------|---------------|--------|------------|--------------------|--------|
|                                     | 2010           | 2009              | Change | 2010          | Change | 2010       | 2009               | Change |
| Net sales                           | 48.0           | 52.1              | -8%    | 45.1          | 6%     | 93.1       | 101.7              | -8%    |
| Gross margin                        | 39%            | 36%               |        | 39%           |        | 39%        | 36%                |        |
| EBITA margin excl JVs <sup>1)</sup> | 14%            | 13% <sup>3)</sup> |        | 13%           |        | 13%        | 13% <sup>3)</sup>  |        |
| Operating income excl JVs           | 5.3            | 6.1 <sup>3)</sup> | -12%   | 4.5           | 17%    | 9.9        | 10.8 <sup>3)</sup> | -9%    |
| Operating margin excl JVs           | 11%            | 12% <sup>3)</sup> |        | 10%           |        | 11%        | 11% <sup>3)</sup>  |        |
| Ericsson's share in earnings in JVs | -0.1           | -2.0              |        | -0.3          |        | -0.4       | -4.2               |        |
| Income after financial items        | 5.1            | 4.8               | 4%     | 4.1           | 23%    | 9.2        | 8.2                | 12%    |
| Net income                          | 2.0            | 0.8               | 154%   | 1.3           | 59%    | 3.3        | 2.6                | 26%    |
| EPS diluted, SEK                    | 0.58           | 0.26              | 123%   | 0.39          | 49%    | 0.98       | 0.79               | 24%    |
| Adjusted cash flow <sup>2)</sup>    | -2.0           | 9.9               |        | 3.0           |        | 1.0        | 8.3                |        |
| Cash flow from operations           | -2.7           | 9.1               |        | 2.3           |        | -0.4       | 6.3                |        |
| Restructuring charges excl JVs      | 2.0            | 3.6               |        | 2.2           |        | 4.2        | 4.3                |        |

All numbers, excl. EPS, Net income and Cash flow from operations, excl. restructuring charges.

<sup>1)</sup> EBITA Earnings before interest, tax, amortizations and write-downs of acquired intangibles.

<sup>2)</sup> Cash flow from operations excl. restructuring cash outlays that have been provided for. Cash outlays in the quarter were SEK 0.7 (0.8) b. For the first quarter, cash outlays amounted to SEK 0.7 b.

<sup>3)</sup> Second quarter 2009 excl. capital gain of SEK 0.8 b from divested TEMS services operation.



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## FINANCIAL HIGHLIGHTS

## Income statement and cash flow

Sales in the quarter were down -8% year-over-year and increased 6% sequentially. Sales for comparable units, adjusted for currency exchange rate effects and hedging, declined -15% year-over-year. The net impact of currency exchange rate effects and hedging was slightly negative. Sales were impacted by continued industry component shortages and supply chain bottlenecks. We estimate that this had a negative impact on our sales in the quarter by SEK 3-4 b.

During the quarter, operators in a number of developing markets were still cautious with investments which impacted sales in Networks, Network Rollout and Multimedia. This was partly offset by increased sales in Professional Services and especially in Managed Services.

Gross margin, excluding restructuring, improved slightly sequentially and improved year-over-year to 39% (36%) due to business mix and efficiency gains.

The cost reduction activities have reduced operating expenses as planned. However, integration of the acquired CDMA and GSM businesses, higher investments in certain R&D areas and growing number of 4G/LTE trials, have resulted in an increase in operating expenses to SEK 13.9 (13.6) b., excluding restructuring charges. Other operating income and expenses were SEK 0.5 (1.6) b. in the quarter. Last year includes a capital gain of SEK 0.8 b. from the divested TEMS services operation.

Operating income, excluding joint ventures and restructuring charges, amounted to SEK 5.3 (6.1) b., including positive contribution from the acquired CDMA and GSM businesses. The year-over-year decline is mainly due to lower sales. Operating margin declined to 11% (12%) for the same reason. Sequentially, the margin improved due to increased sales and efficiency gains. The capital gain of SEK 0.8 b. from the divested TEMS services operation is excluded from the 2009 numbers.

Ericsson's share in earnings of joint ventures, before tax, amounted to SEK -0.1 (-2.0) b. excluding restructuring charges, compared to SEK -0.3 b. in the first quarter. Sequentially, Sony Ericsson improved sales and margins significantly due to efficiency programs and new products. ST-Ericsson's sales declined sequentially, however the loss remained at the same level, positively impacted by efficiency programs. Restructuring charges in joint ventures were SEK 0.2 b. in the quarter.

Financial net was SEK -0.1 (-0.1) b., mainly due to low interest rates and negative currency revaluation effects on financial assets and liabilities.

Net income amounted to SEK 2.0 (0.8) b. and earnings per share were SEK 0.58 (0.26) in the quarter.

Adjusted cash flow was SEK -2.0 (9.9) b. in the quarter, down sequentially from SEK 3.0 b. Cash flow from operations decreased mainly due to increased working capital as a result of tight components supply conditions which led to deliveries late in the quarter.

## Balance sheet and other performance indicators

| SEK b.  | Dec 31<br>2009 | Mar 31<br>2010 | June 30<br>2010 |
|---|----------------|----------------|-----------------|
| Net cash  | 36.1           | 38.5           | 25.8            |
| Interest-bearing liabilities and post-employment benefits | 40.7           | 39.3           | 41.8            |
| Trade receivables   | 66.4           | 62.7           | 69.4            |
| Days sales outstanding                                    | 106            | 117            | 133             |
| Inventory   | 22.7           | 24.1           | 29.4            |
| Of which regional inventory                               | 12.9           | 14.0           | 18.3            |
| Inventory days  | 68             | 75             | 81              |
| Payable days  | 57             | 59             | 61              |
| Customer financing, net                                   | 2.3            | 2.9            | 3.1             |
| Return on capital employed                                | 4%             | 5%             | 6%              |
| Equity ratio  | 52%            | 53%            | 51%             |



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Trade receivables increased sequentially by SEK 6.7 b. to SEK 69.4 (62.7) b. and days sales outstanding (DSO) increased from 117 to 133 days impacted by higher proportion of deliveries late in the quarter and currency exchange effects. The consolidation of the LG-Nortel operation impacted trade receivables by SEK 1.0 b.

Inventory increased sequentially by SEK 5.3 b. to SEK 29.4 (24.1) b. and inventory turnover days increased by six days from 75 to 81 days, impacted by continued component shortages and supply chain bottlenecks. The consolidation of the LG-Nortel operation impacted inventory by SEK 1.0 b.

Cash, cash equivalents and short-term investments amounted to SEK 67.6 (77.9) b. The net cash position decreased sequentially by SEK 12.7 b. to SEK 25.8 (38.5) b., due to pay out of dividend of SEK 6.4 b., the acquisition of Nortel's part of LG-Nortel and negative cash flow from operations as a result of increased working capital.

During the quarter, approximately SEK 1.5 b. of provisions were utilized, of which SEK 0.7 b. related to restructuring. Additions of SEK 2.4 b. were made, of which SEK 1.3 b. related to restructuring. Reversals of SEK 0.3 b. were made.

Cost reduction program

The cost reduction program, initiated in first quarter 2009, has been completed by the second quarter 2010. The total annual savings of the program are estimated to SEK 15-16 b. from the second half of 2010. Of total restructuring charges of SEK 15.5 b., about SEK 6.0 b. is related to cost of sales and SEK 9.5 b. to operating expenses.

In the second quarter, restructuring charges, excluding joint ventures, amounted to SEK 2.0 b. At the end of the quarter, cash outlays of SEK 4.7 b. remain to be made.

|                                      | 2010<br>Q2  | 2010<br>Q1  | 2009<br>Full year |
|--------------------------------------|-------------|-------------|-------------------|
| <b>Restructuring charges, SEK b.</b> |             |             |                   |
| Cost of sales                        | -1.0        | -0.8        | -4.2              |
| Research and development expenses    | -0.6        | -0.3        | -6.1              |
| Selling and administrative expenses  | -0.4        | -1.1        | -1.0              |
| <b>Total</b>                         | <b>-2.0</b> | <b>-2.2</b> | <b>-11.3</b>      |

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## SEGMENT RESULTS

| SEK b.                         | Second quarter |                   |             | First quarter |            | Six months  |                   |             |
|--------------------------------|----------------|-------------------|-------------|---------------|------------|-------------|-------------------|-------------|
|                                | 2010           | 2009              | Change      | 2010          | Change     | 2010        | 2009              | Change      |
| <b>Networks sales</b>          | <b>25.5</b>    | <b>28.8</b>       | <b>-12%</b> | <b>24.7</b>   | <b>3%</b>  | <b>50.2</b> | <b>57.6</b>       | <b>-13%</b> |
| EBITA margin <sup>1)</sup>     | 17%            | 14%               |             | 16%           |            | 16%         | 14%               |             |
| Operating margin               | 13%            | 12%               |             | 12%           |            | 13%         | 12%               |             |
| <b>Global Services sales</b>   | <b>20.1</b>    | <b>20.0</b>       | <b>0%</b>   | <b>18.1</b>   | <b>11%</b> | <b>38.2</b> | <b>37.5</b>       | <b>2%</b>   |
| Of which Professional Services | 14.8           | 14.1              | 5%          | 13.3          | 12%        | 28.1        | 26.9              | 5%          |
| Of which Managed Services      | 5.6            | 4.6               | 23%         | 4.9           | 15%        | 10.5        | 8.8               | 20%         |
| Of which Network Rollout       | 5.2            | 5.9               | -12%        | 4.8           | 8%         | 10.1        | 10.6              | -5%         |
| EBITA margin <sup>1)</sup>     | 12%            | 12% <sup>2)</sup> |             | 12%           |            | 12%         | 11% <sup>2)</sup> |             |
| Of which Professional Services | 15%            | 16% <sup>2)</sup> |             | 16%           |            | 16%         | 16% <sup>2)</sup> |             |
| Operating margin               | 12%            | 12% <sup>2)</sup> |             | 11%           |            | 11%         | 11% <sup>2)</sup> |             |
| Of which Professional Services | 15%            | 16% <sup>2)</sup> |             | 15%           |            | 15%         | 15% <sup>2)</sup> |             |
| <b>Multimedia sales</b>        | <b>2.4</b>     | <b>3.3</b>        | <b>-27%</b> | <b>2.3</b>    | <b>5%</b>  | <b>4.7</b>  | <b>6.6</b>        | <b>-28%</b> |
| EBITA margin <sup>1)</sup>     | -5%            | 15%               |             | -5%           |            | -5%         | 12%               |             |
| Operating margin               | -13%           | 9%                |             | -13%          |            | -13%        | 5%                |             |
| <b>Total sales</b>             | <b>48.0</b>    | <b>52.1</b>       | <b>-8%</b>  | <b>45.1</b>   | <b>6%</b>  | <b>93.1</b> | <b>101.7</b>      | <b>-8%</b>  |

All numbers exclude restructuring charges.

<sup>1)</sup> EBITA Earnings before interest, tax, amortizations and write-downs of acquired intangibles.

<sup>2)</sup> Second quarter 2009 excl. capital gain of SEK 0.8 b from divested TEMS services operation.

## Networks

Networks sales in the quarter declined by -12% year-over-year. Voice related sales, such as 2G access and circuit switched core continued to decline. Increased mobile broadband sales (3G), including radio, backhaul and packet core, partly offset this impact. CDMA continued to develop favorably. Similar to the first quarter segment sales were negatively impacted by continued component shortages and supply chain bottlenecks.

The strong data traffic uptake is creating transmission bottlenecks and demand for microwave based backhaul solutions was strong in the quarter.

EBITA margin in the quarter increased year-over-year to 17% (14%) despite lower sales, positively impacted by continued efficiency gains and business mix with a high proportion of network expansions.

The multi standard radio base station RBS 6000 has been well received by customers and is now shipping in volumes. In the quarter, the world's first commercial 42 Mbit/s HSPA network was launched with Ericsson equipment. There was continued good demand for IP infrastructure based on the SmartEdge platform. The same platform is used in Ericsson's converged packet gateway which is part of the mobile packet core for 4G/LTE.

## Global Services

Global Services sales were flat year-over-year, but increased 11% sequentially. Global services sales account for some 42% of total Group sales. Professional Services sales increased 5% year-over-year and in local currencies growth amounted to 9% year-over-year. Managed Services sales in the quarter increased by 23% year-over-year. Network Rollout sales decreased -12% year-over-year.



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The year-over-year slow-down in growth in Global Services sales is primarily an effect of lower network rollout activity driven by fewer turnkey projects, continued component shortages and supply chain bottlenecks.

There is a continued good demand for services targeting the operational efficiency of operators, such as managed services, systems integration and consulting. Operators also show growing interest in network optimization services, driven by mobile broadband build out, as well as revenue assurance services. Services related to 2G voice sales developed unfavorably also this quarter.

EBITA margin for Global Services was flat year-over-year and sequentially at 12% (12%). EBITA margin for Professional Services amounted to 15% (16%) in the quarter and decreased slightly sequentially from 16%. Last year excludes a capital gain of SEK 0.8 b. from the divested TEMS operations.

During the quarter, nine managed services contracts were signed of which six were extensions or expansions of existing customer agreements. Further proof of operators' interest in our services offering is our largest managed services contract in China to date with China Mobile Hebei announced on July 19.

Ericsson provides support for networks that serve more than two billion subscribers worldwide. The total number of subscribers in managed networks is more than 450 million, of which 50% are in high-growth markets.

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## Multimedia

Multimedia sales in the quarter decreased by -27% year-over-year due to continued weak demand for revenue management solutions in regions India, Middle East and Sub-Saharan Africa. Sales grew 5% sequentially, driven by TV and Multimedia Brokering.

The TV business continued to show good development with strong demand for compression technology. EBITA margin declined to -5% (15%) year-over-year as a result of the lower sales.

## Sony Ericsson

| EUR m.  | Second quarter |       |        | First quarter |        | Six months |       |        |
|---|----------------|-------|--------|---------------|--------|------------|-------|--------|
|   | 2010           | 2009  | Change | 2010          | Change | 2010       | 2009  | Change |
| Number of units shipped (m.)                    | 11.0           | 13.8  | -20%   | 10.5          | 5%     | 21.5       | 28.3  | -24%   |
| Average selling price (EUR)                     | 160            | 122   | 31%    | 134           | 19%    | 147        | 121   | 21%    |
| Net sales                                       | 1,757          | 1,684 | 4%     | 1,405         | 25%    | 3,162      | 3,419 | -8%    |
| Gross margin                                    | 28%            | 12%   |        | 31%           |        | 29%        | 10%   |        |
| Operating margin                                | 2%             | -16%  |        | 1%            |        | 2%         | -19%  |        |
| Income before taxes                             | 31             | -283  |        | 18            |        | 50         | -653  |        |
| Income before taxes, excl restructuring charges | 63             | -283  |        | 21            |        | 84         | -640  |        |
| Net income                                      | 12             | -213  |        | 21            |        | 33         | -505  |        |

Units shipped in the quarter were 11 million, a decrease of -20% year-over-year and an increase of 5% sequentially. Sales in the quarter were EUR 1,757 million, an increase of 4% year-over-year and 25% sequentially.

Average selling price in the quarter increased by 31% year-over-year due to improved product and geographical mix, as well as currency effects.

Income before taxes for the quarter, excluding restructuring charges, was a profit of EUR 63 (-283) million, illustrating the positive impact of the cost reduction program and favorable product mix. As of June 30, 2010, Sony Ericsson had a net cash position of EUR 609 million.

Ericsson's share in Sony Ericsson's income before tax was SEK 0.1 (-1.5) b. in the quarter.

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ST-Ericsson

| USD m.                                  | Second quarter |      |        | First quarter |        |
|---|----------------|------|--------|---------------|--------|
|   | 2010           | 2009 | Change | 2010          | Change |
| Net sales                               | 544            | 666  | -18%   | 606           | -10%   |
| Adjusted operating income <sup>1)</sup> | -118           | -165 |        | -114          |        |
| Operating income before taxes           | -148           | -224 |        | -164          |        |
| Net income                              | -139           | -213 |        | -154          |        |

<sup>1)</sup> Operating income adjusted for amortization of acquired intangibles and restructuring charges.

Net sales decreased by -10% sequentially, reflecting the continued portfolio transition, weaker than expected performance in Asia and some supply limitations, which were only partially offset by a positive performance by certain EDGE products.

The adjusted operating loss increased sequentially by USD 4 m. The impact of the lower level of revenues was mitigated by the positive effects of the cost savings generated in the quarter.

Net cash was USD 43 m. at the end of the quarter. During the quarter the company sold trade receivables without recourse, of which USD 67 m. were outstanding at the end of the quarter. The cash outflow was due to the operating loss and payments related to the restructuring.

The restructuring plans, respectively, of USD 230 m., announced on April 29, 2009, and of USD 115 million, announced on December 3, 2009, are on track. The USD 230 m. plan was completed with 87% of the savings realized at the end of the second quarter, and the full effects are expected to come through in the third quarter. The USD 115 m. restructuring plan is expected to start contributing savings from the third quarter of 2010.

ST-Ericsson is reported in US GAAP. Ericsson's share in ST-Ericsson's income before tax, adjusted to IFRS, was SEK -0.4 (-0.6) b. in the quarter, including restructuring charges of SEK -19 (-140) m.

**REGIONAL OVERVIEW**

| Sales, SEK b.                    | Second quarter |             |            | First quarter |           | Six months  |              |            |
|----------------------------------|----------------|-------------|------------|---------------|-----------|-------------|--------------|------------|
|                                  | 2010           | 2009        | Change     | 2010          | Change    | 2010        | 2009         | Change     |
| North America                    | 13.1           | 5.7         | 128%       | 9.5           | 37%       | 22.5        | 10.5         | 115%       |
| Latin America                    | 4.2            | 4.8         | -12%       | 4.0           | 6%        | 8.2         | 9.2          | -11%       |
| Northern Europe and Central Asia | 2.7            | 2.9         | -7%        | 2.3           | 16%       | 5.0         | 5.8          | -14%       |
| Western and Central Europe       | 4.4            | 5.4         | -19%       | 5.2           | -16%      | 9.6         | 10.8         | -11%       |
| Mediterranean                    | 5.6            | 6.8         | -17%       | 5.1           | 11%       | 10.7        | 12.9         | -17%       |
| Middle East                      | 3.8            | 4.7         | -20%       | 3.9           | -4%       | 7.7         | 8.7          | -11%       |
| Sub-Saharan Africa               | 3.0            | 3.6         | -19%       | 2.4           | 22%       | 5.4         | 8.3          | -35%       |
| India                            | 1.4            | 3.7         | -63%       | 2.3           | -41%      | 3.7         | 7.7          | -52%       |
| China and North East Asia        | 4.6            | 7.2         | -36%       | 5.0           | -7%       | 9.6         | 13.0         | -26%       |
| South East Asia and Oceania      | 3.6            | 5.7         | -36%       | 3.5           | 4%        | 7.2         | 10.9         | -34%       |
| Other                            | 1.6            | 1.6         | 3%         | 1.9           | -14%      | 3.5         | 3.9          | -10%       |
| <b>Total</b>                     | <b>48.0</b>    | <b>52.1</b> | <b>-8%</b> | <b>45.1</b>   | <b>6%</b> | <b>93.1</b> | <b>101.7</b> | <b>-8%</b> |

**North America** sales increased 128% year-over-year and 37% sequentially. The strong mobile data growth was further spurred by the launch of smartphones by all leading carriers. This development drives capacity investments in mobile broadband networks. Operators are also working on tiered price plans. In the quarter, Ericsson started volume deliveries of 4G/LTE.

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**Latin America** sales decreased -12% year-over-year and grew 6% sequentially. Operator consolidation is ongoing in the region. Lower cost smartphones has created continuous growth in mobile broadband usage, pushing operators for investments in networks and services. LTE trials are ongoing in the region and additional 3G licenses are still to be auctioned in Costa Rica, Brazil and Mexico.

**Northern Europe and Central Asia** sales decreased by -7% year-over-year and increased 16% sequentially. Sales of mobile network infrastructure increased sequentially, mainly driven by major 2G expansions and 3G build-outs in the Eastern part of the region.

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**Western and Central Europe** sales decreased -19% year-over-year and -16% sequentially due to cautious operator investments in parts of the region. Development in the region showed large variations, parts of Western Europe developed favorably while Central Europe in general was slow. Mobile broadband usage is rapidly increasing in the region and operators are marketing network quality and speed as a differentiator. 4G/LTE and network modernization is high on operators' agendas and new projects will be defined in coming quarters.

Services represented two thirds of the sales in the quarter, and operators' focus on efficiency continued to drive a strong interest in exploring business models such as network sharing and network transformations leading to opportunities both in services and networks.

**Mediterranean** sales decreased -17% year-over-year and increased 11% sequentially. Operator investments in Spain and Greece were low due to overall economic environment. In order to meet demand for mobile broadband services operators continued to focus on network modernization. Operators also have operational efficiency high on the agenda which created good demand for managed services and consulting.

**Middle East** sales decreased -20% year-over-year and by -4% sequentially. Services sales showed a continued growth in the quarter driven by demand for managed services. Services represented 46% of the business in the region this quarter.

Sales development showed large variations across the region but in general operators were cautious with investments. Egypt and Gulf Countries developed favorably, while Turkey and Saudi Arabia were slower. Although 2G is still in operators' focus, 3G related sales are becoming significant.

**Sub-Saharan Africa** sales decreased by -19% year-over-year and increased 22% sequentially. The region continued to be impacted by the global economic downturn with a tight credit environment. Operator consolidation is also taking place in the region, which temporarily reduced investments. Mobile subscriptions are developing positively with net additions for both voice and broadband services. New mobile licenses are being selected in certain countries.

**India** sales decreased -63% year-over-year and -41% sequentially due to cautious operator investments in the lead up to the 3G auctions as well as the ongoing government initiated security clearance process. The decline in business volumes mainly affected mobile infrastructure sales while recurring services business maintained its good development. The auctions for 3G and broadband wireless access operating at 2.3GHz took place in the quarter and deployments are expected to start in the second half of the year in a highly competitive market.

**China and North East Asia** sales decreased -36% year-over-year and by -7% sequentially. The year-over-year decline is related to timing of roll-out for 3G/WCDMA in mainland China. In 2009 a majority of network rollouts took place during the first half of the year. While operators on mainland China are still focused on successful 3G launches, operators across the region also now have 4G/LTE on the agenda. In Japan, demand for mobile broadband has had a positive effect on sales.

On June 30, 2010, the acquisition of Nortel's part of LG-Nortel was completed. This positions Ericsson as a leading vendor in Korea. Another milestone was the showcase of the first complete TD-LTE solution with end-to-end capabilities together with ST-Ericsson in China.

**South East Asia and Oceania** sales decreased -36% year-over-year and increased 4% sequentially. Sales of network equipment were weaker overall due to cautious investment in a number of markets. Highlights include network expansions in Indonesia and Bangladesh. Access to spectrum for 3G and also 4G/LTE remains a limitation in several markets. Overall there is an increasing interest for managed services among operators in several countries.

The region includes a mix of markets focused on long-term government sponsored fiber deployments as well as operator investment in HSPA upgrades and 4G/LTE trials. Other markets in the region are continuing to expand in 2G and 3G mobile networks.

**Other** includes sales of for example embedded modules, cables, power modules as well as licensing and IPR.

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### MARKET DEVELOPMENT

Growth rates are based on Ericsson and market estimates

Operator investment behavior continues to vary across regions and countries. In markets with strong data traffic uptake, network quality and efficiencies are high on operators' agendas.

Ericsson's addressable market was estimated to USD 350 b. in 2009 of which USD 200 b. relates to the core business mobile networks, converged networks, services and multimedia. USD 150 b. relates to platforms and handsets.

While the global mobile infrastructure market declined by more than 10% in 2009 with continued decline in the first quarter 2010, measured in USD, we believe that the fundamentals for longer-term positive development for the industry remain solid. Ericsson is well positioned to drive and benefit from this development.

Mobile broadband is being built-out across the world. However, HSPA still only covers 25% of the world's population.

Ericsson findings based on measurements in live networks show that global mobile data traffic almost doubled between Q109 to Q110. Mobile data traffic is forecasted to double annually over the next five years, primarily driven by 24/7 connectivity and usage of smartphones and laptops.

Voice traffic is still the main revenue source for operators even though data represents an increasing share as more and more consumers use data traffic generating devices, such as smartphones and laptops. For many large operators, mobile data revenues constitute 25% of total service revenues or more. In Japan there are operators whose data revenues account for more than 50% of total revenues. Tiered price plans for mobile broadband are on operators' agendas and in some markets such plans have already been introduced.

From having connected places and currently people, operators are now moving towards connecting things. Ericsson believes that every device that can benefit from connectivity will be connected in the future.

Ericsson envisions that by 2020 50 b. devices will be connected.

Data traffic uptake in mobile as well as fixed networks drives need for higher capacity in areas such as backhaul, aggregation, transport, routing based on IP and Ethernet technologies.

With operators' focus on increased network quality and efficiency, the ability to deal with high data volumes while maintaining telecom grade service levels is key. This also drives demand for services targeting the operational efficiency of operators, such as managed services and consulting.

There is continued good growth in the professional services market. The move toward all-IP and increased network complexity will create further demand for systems integration and consulting.

Mobile subscriptions are estimated to have increased by 190 million in the quarter, returning to higher growth levels. China and India alone accounted for 50% of net additions with 33 and 61 million respectively. Ericsson estimates that the global mobile subscriptions hit the 5 b. mark on July 8, 2010. Global mobile penetration is now 72%. GSM/GPRS/EDGE added 125 of the 190 million net subscription additions in the quarter and will continue to be an important technology for billions of users many years to come.

The global number of new WCDMA subscriptions grew by 40 million in the quarter to a total of 530 million, of which 245 million are estimated to be HSPA. Ericsson estimates that the global mobile broadband subscriptions will amount to more than 3.4 b. by 2015.

Demand for fixed broadband maintained a 3.5% growth rate during Q110 to add 16 million subscriptions for the quarter and reached 474 million. DSL remains the prevailing technology with around 66% of total subscribers. Top 3 countries, China, US and Japan, account for almost 50% of global fixed broadband subscriptions

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### PARENT COMPANY INFORMATION

Net sales for the six-month period amounted to SEK 0.0 (0.3) b. and income after financial items was SEK 4.8 (5.2) b.

Major changes in the Parent Company's financial position for the six-month period include; investments in LG-Ericsson of SEK 1.8 b.; decreased current and non-current receivables from subsidiaries of SEK 5.1 b.; decreased cash, cash equivalents and short-term investments of SEK 7.5 b. and decreased current and non-current liabilities to subsidiaries of SEK 10.6 b.

During the second quarter the dividend payment of SEK 6.4 b., as decided by the Annual General Meeting, has been made. As per June 30, 2010, cash, cash equivalents and short-term investments amounted to SEK 54.9 (62.4) b.

In accordance with the conditions of the long-term variable remuneration program (LTV) for Ericsson employees, 1,316,895 shares from treasury stock were sold or distributed to employees during the second quarter. The holding of treasury stock at June 30, 2010 was 76,385,435 Class B shares.

### OTHER INFORMATION

Acquisition of Nortel's stake of LG-Nortel completed

On June 30, 2010, Ericsson announced it had completed the acquisition of Nortel's majority shareholding (50%+1 share) in LG-Nortel, the joint venture of LG Electronics and Nortel Networks. The purchase price was USD 242 million on a cash and debt free basis. The acquisition will be accretive to Ericsson's earnings within a year.

LG-Nortel generated approximately USD 650 million of sales in 2009 and had 1,300 employees. LG-Nortel was consolidated by Ericsson as of June 30, 2010 and is included in segment Networks. The new name of the operation is LG-Ericsson.

Nomination committee appointed

On June 16, 2010 Ericsson announced that the nomination committee for the Annual General Meeting of Shareholders (AGM) 2011 had been appointed in accordance with the procedure resolved by the AGM 2010. The committee consists of Jacob Wallenberg (chairman of the nomination committee), Carl-Olof By, Caroline af Ugglas, Marianne Nilsson and Michael Treschow.

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Assessment of risk environment

Ericsson's operational and financial risk factors and uncertainties are described under "Risk factors Assessment of risk environment" in our Annual Report 2009.

Risk factors and uncertainties in focus during the forthcoming six-month period for the Parent Company and the Ericsson Group include:

Potential negative effects on operators' willingness to invest in network development due to a continued uncertainty in the financial markets and a weak economic business environment as well as uncertainty regarding the financial stability of suppliers, for example due to lack of borrowing facilities, or reduced consumer telecom spending, or increased pressure on us to provide financing;

Effects on gross margins and/or working capital of the product mix in the Networks segment between sales of software, upgrades and extensions as well as break-in contracts;

Effects on gross margins of the product mix in the global services segment including proportion of new network build-outs and share of new managed services deals with initial transition costs;

A continued volatile sales pattern in the Multimedia segment or variability in our overall sales seasonality could make it more difficult to forecast future sales;

Effects of the ongoing industry consolidation among our customers as well as between our largest competitors, e.g. with postponed investments and intensified price competition as a consequence;

Changes in foreign exchange rates, in particular USD and EUR;

Political unrest or instability in certain markets;

Effects on production and sales from restrictions with respect to timely and adequate supply of materials, components and production capacity and other vital services on competitive terms;

Natural disasters, effecting production, supply and transportation.

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 their markets.

Please refer further to Ericsson's Annual Report 2009, where we describe our risks and uncertainties along with our strategies and tactics to mitigate risk exposures or limit unfavorable outcomes.

Stockholm, July 23, 2010

Hans Vestberg, President and CEO



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Telefonaktiebolaget LM Ericsson (publ)

Date for next report: October 22, 2010

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BOARD ASSURANCE

The Board of Directors and the CEO certify that the financial report for the first six months gives a fair view of the performance of the business, position and profit or loss of the Company and the Group, and describes the principal risks and uncertainties that the Company and the companies in the Group face.

Stockholm, July 23, 2010

Telefonaktiebolaget LM Ericsson (publ)

Org. Nr. 556016-0680

*Sverker Martin-Löf*  
*Deputy chairman*

*Michael Treschow*  
*Chairman*

*Marcus Wallenberg*  
*Deputy chairman*

*Roxanne S. Austin*  
*Member of the board*

*Sir Peter L. Bonfield*  
*Member of the board*

*Anders Nyrén*  
*Member of the board*

*Börje Ekholm*  
*Member of the board*

*Ulf J. Johansson*  
*Member of the board*

*Nancy McKinstry*  
*Member of the board*

*Carl-Henric Svanberg*  
*Member of the board*

*Michelangelo Volpi*  
*Member of the board*

*Anna Guldstrand*  
*Member of the board*

*Jan Hedlund*  
*Member of the board*  
*Hans Vestberg*

*Karin Åberg*  
*Member of the board*

*Member of the board and*

*President and CEO*

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### AUDITORS' REVIEW REPORT

We have reviewed this report for the period January 1 to June 30, 2010, for Telefonaktiebolaget LM Ericsson (publ). The board of directors and the CEO are responsible for the preparation and presentation of this financial information in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this 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 interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act regarding the Group and with the Swedish Annual Accounts Act regarding the Parent Company.

Stockholm, July 23, 2010

PricewaterhouseCoopers

AB Peter Clemedtson

Authorized Public Accountant

### EDITOR'S NOTE

To read the complete report with tables, please go to: [www.ericsson.com/investors/financial\\_reports/2010/6\\_month10-en.pdf](http://www.ericsson.com/investors/financial_reports/2010/6_month10-en.pdf)

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

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 published during the day on [www.ericsson.com/broadcast\\_room](http://www.ericsson.com/broadcast_room)

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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 07.30 CET, on July 23, 2010.

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.

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## Consolidated Income Statement

| SEK million  | Apr - Jun |         |        | Jan - Jun |         |        |
|--|-----------|---------|--------|-----------|---------|--------|
|  | 2009      | 2010    | Change | 2009      | 2010    | Change |
| Net sales  | 52,142    | 47,972  | -8%    | 101,711   | 93,084  | -8%    |
| Cost of sales  | -34,531   | -30,235 | -12%   | -66,488   | -58,762 | -12%   |
| <b>Gross income</b>  | 17,611    | 17,737  | 1%     | 35,223    | 34,322  | -3%    |
| Gross margin (%)   | 33.8%     | 37.0%   |        | 34.6%     | 36.9%   |        |
| Research and development expenses  | -8,451    | -7,751  | -8%    | -15,531   | -15,277 | -2%    |
| Selling and administrative expenses  | -7,443    | -7,158  | -4%    | -14,306   | -14,166 | -1%    |
| <b>Operating expenses</b>  | -15,894   | -14,909 | -6%    | -29,837   | -29,443 | -1%    |
| Other operating income and expenses  | 1,640     | 500     | -70%   | 1,982     | 802     | -60%   |
| <b>Operating income before shares in earnings of JV and associated companies</b> | 3,357     | 3,328   | -1%    | 7,368     | 5,681   | -23%   |
| Operating margin before shares in earnings of JV and associated companies (%)    | 6.4%      | 6.9%    |        | 7.2%      | 6.1%    |        |
| Shares in earnings of JV and associated companies                                | -2,144    | -308    |        | -4,380    | -680    |        |
| <b>Operating income</b>  | 1,213     | 3,020   |        | 2,988     | 5,001   |        |
| Financial income   | 4         | 470     |        | 1,264     | 748     |        |
| Financial expenses   | -79       | -596    |        | -536      | -1,034  |        |
| <b>Income after financial items</b>  | 1,138     | 2,894   |        | 3,716     | 4,715   |        |
| Taxes  | -341      | -867    |        | -1,086    | -1,414  |        |
| <b>Net income</b>  | 797       | 2,027   |        | 2,630     | 3,301   | 26%    |
| Net income attributable to:  |           |         |        |           |         |        |
| - Stockholders of the Parent Company   | 831       | 1,881   |        | 2,548     | 3,145   |        |
| - Minority interests   | -34       | 146     |        | 82        | 156     |        |
| Other information  |           |         |        |           |         |        |
| Average number of shares, basic (million)  | 3,188     | 3,196   |        | 3,188     | 3,196   |        |
| Earnings per share, basic (SEK) <sup>1)</sup>                                    | 0.26      | 0.59    |        | 0.80      | 0.98    |        |
| Earnings per share, diluted (SEK) <sup>1)</sup>                                  | 0.26      | 0.58    |        | 0.79      | 0.98    |        |
| Statement of Comprehensive Income  |           |         |        |           |         |        |

| SEK million   | Apr - Jun |        | Jan - Jun |        |
|---|-----------|--------|-----------|--------|
|   | 2009      | 2010   | 2009      | 2010   |
| <b>Net income</b>   | 797       | 2,027  | 2,630     | 3,301  |
| <b>Other comprehensive income</b>   |           |        |           |        |
| Actuarial gains and losses, and the effect of the asset ceiling, related to pensions participations | 902       | -242   | -282      | -528   |
| Fair value remeasurement  |           | 9      | -1        | 9      |
| Cash flow hedges  |           |        |           |        |
| Gains/losses arising during the period  | 1,682     | -1,764 | -904      | -1,568 |
| Reclassification adjustments for gains/losses included in profit or loss                            | 1,042     | 334    | 5,444     | 44     |
| Adjustments for amounts transferred to initial carrying amount of hedged items                      |           | -136   | -1,261    | -136   |
| Changes in cumulative translation adjustments   | -1,593    | 3,772  | 1,867     | 3,157  |

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|   |              |              |              |              |
|---|--------------|--------------|--------------|--------------|
| Tax on items relating to components of OCI  | -870         | 476          | -1,026       | 487          |
| <b>Total other comprehensive income</b>     | <b>1,163</b> | <b>2,449</b> | <b>3,837</b> | <b>1,465</b> |
| <b>Total comprehensive income</b>           | <b>1,960</b> | <b>4,476</b> | <b>6,467</b> | <b>4,766</b> |
| Total comprehensive income attributable to: |              |              |              |              |
| - Stockholders of the Parent Company        | 2,054        | 4,232        | 6,380        | 4,491        |
| - Minority interests                        | -94          | 244          | 87           | 275          |

<sup>1)</sup> Based on Net income attributable to stockholders of the Parent Company



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## Consolidated Balance Sheet

| SEK million  | Dec 31<br>2009 | Mar 31<br>2010 | Jun 30<br>2010 |
|--|----------------|----------------|----------------|
| <b>ASSETS</b>  |                |                |                |
| <b>Non-current assets</b>  |                |                |                |
| Intangible assets  |                |                |                |
| Capitalized development expenses                                 | 2,079          | 2,189          | 2,706          |
| Goodwill   | 27,375         | 27,638         | 30,003         |
| Intellectual property rights, brands and other intangible assets | 18,739         | 17,107         | 16,801         |
| Property, plant and equipment                                    | 9,606          | 9,319          | 9,810          |
| Financial assets   |                |                |                |
| Equity in JV and associated companies                            | 11,578         | 11,286         | 11,596         |
| Other investments in shares and participations                   | 256            | 240            | 266            |
| Customer financing, non-current                                  | 830            | 979            | 969            |
| Other financial assets, non-current                              | 2,577          | 1,948          | 2,692          |
| Deferred tax assets  | 14,327         | 14,710         | 16,053         |
|  | 87,367         | 85,416         | 90,896         |
| <b>Current assets</b>  |                |                |                |
| Inventories  | 22,718         | 24,126         | 29,397         |
| Trade receivables  | 66,410         | 62,695         | 69,385         |
| Customer financing, current                                      | 1,444          | 1,885          | 2,132          |
| Other current receivables  | 15,146         | 15,853         | 17,429         |
| Short-term investments   | 53,926         | 56,816         | 51,980         |
| Cash and cash equivalents  | 22,798         | 21,039         | 15,610         |
|  | 182,442        | 182,414        | 185,933        |
| <b>Total assets</b>  | <b>269,809</b> | <b>267,830</b> | <b>276,829</b> |
| <b>EQUITY AND LIABILITIES</b>                                    |                |                |                |
| <b>Equity</b>  |                |                |                |
| Stockholders' equity   | 139,870        | 140,290        | 138,309        |
| Minority interests in equity of subsidiaries                     | 1,157          | 1,163          | 2,115          |
|  | 141,027        | 141,453        | 140,424        |
| <b>Non-current liabilities</b>                                   |                |                |                |
| Post-employment benefits   | 8,533          | 8,061          | 8,498          |
| Provisions, non-current  | 461            | 499            | 513            |
| Deferred tax liabilities   | 2,270          | 2,307          | 2,431          |
| Borrowings, non-current  | 29,996         | 29,257         | 29,491         |
| Other non-current liabilities                                    | 2,035          | 2,200          | 2,296          |
|  | 43,295         | 42,324         | 43,229         |
| <b>Current liabilities</b>                                       |                |                |                |
| Provisions, current  | 11,970         | 11,566         | 12,548         |
| Borrowings, current  | 2,124          | 2,017          | 3,797          |
| Trade payables   | 18,864         | 17,806         | 20,266         |
| Other current liabilities  | 52,529         | 52,664         | 56,565         |
|  | 85,487         | 84,053         | 93,176         |

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|  |         |         |         |
|--|---------|---------|---------|
| <b>Total equity and liabilities</b>                                | 269,809 | 267,830 | 276,829 |
| Of which interest-bearing liabilities and post-employment benefits | 40,653  | 39,335  | 41,786  |
| Net cash   | 36,071  | 38,520  | 25,804  |
| Assets pledged as collateral                                       | 550     | 558     | 579     |
| Contingent liabilities   | 1,245   | 884     | 872     |

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## Consolidated Statement of Cash Flows

| SEK million  | Apr - Jun     |               | Jan - Jun      |               | Jan - Dec      |
|--|---------------|---------------|----------------|---------------|----------------|
|  | 2009          | 2010          | 2009           | 2010          | 2009           |
| <b>Operating activities</b>  |               |               |                |               |                |
| Net income   | 797           | 2,027         | 2,630          | 3,301         | 4,127          |
| Adjustments to reconcile net income to cash                        |               |               |                |               |                |
| Taxes  | -640          | -560          | -1,268         | -726          | -1,011         |
| Earnings/dividends in JV and associated companies                  | 1,718         | 364           | 3,482          | 677           | 6,083          |
| Depreciation, amortization and impairment losses                   | 3,112         | 2,304         | 4,964          | 5,437         | 12,124         |
| Other  | -643          | -260          | -1,266         | -695          | -340           |
| Net income affecting cash  | 4,344         | 3,875         | 8,542          | 7,994         | 20,983         |
| <b>Changes in operating net assets</b>                             |               |               |                |               |                |
| Inventories  | 1,606         | -3,462        | -756           | -4,927        | 5,207          |
| Customer financing, current and non-current                        | -267          | -208          | -268           | -806          | 598            |
| Trade receivables  | 5,017         | -3,816        | 6,827          | 138           | 7,668          |
| Trade payables   | -1,863        | 1,433         | -3,223         | 478           | -3,522         |
| Provisions and post-employment benefits                            | 1,532         | 788           | -1,733         | -270          | -2,950         |
| Other operating assets and liabilities, net                        | -1,238        | -1,317        | -3,116         | -3,020        | -3,508         |
|  | 4,787         | -6,582        | -2,269         | -8,407        | 3,493          |
| <b>Cash flow from operating activities</b>                         | <b>9,131</b>  | <b>-2,707</b> | <b>6,273</b>   | <b>-413</b>   | <b>24,476</b>  |
| <b>Investing activities</b>  |               |               |                |               |                |
| Investments in property, plant and equipment                       | -1,189        | -1,016        | -2,207         | -1,675        | -4,006         |
| Sales of property, plant and equipment                             | 114           | 45            | 139            | 92            | 534            |
| Acquisitions/divestments of subsidiaries and other operations, net | 981           | -868          | -8,510         | -1,948        | -18,082        |
| Product development  | -327          | -724          | -536           | -1,002        | -1,443         |
| Other investing activities   | 886           | -1,819        | -531           | 40            | 2,606          |
| Short-term investments   | 522           | 5,949         | 98             | 2,105         | -17,071        |
| <b>Cash flow from investing activities</b>                         | <b>987</b>    | <b>1,567</b>  | <b>-11,547</b> | <b>-2,388</b> | <b>-37,462</b> |
| <b>Cash flow before financing activities</b>                       | <b>10,118</b> | <b>-1,140</b> | <b>-5,274</b>  | <b>-2,801</b> | <b>-12,986</b> |
| <b>Financing activities</b>  |               |               |                |               |                |
| Dividends paid   | -5,956        | -6,401        | -5,956         | -6,401        | -6,318         |
| Other financing activities   | 8,012         | 1,529         | 9,886          | 1,473         | 4,617          |
| <b>Cash flow from financing activities</b>                         | <b>2,056</b>  | <b>-4,872</b> | <b>3,930</b>   | <b>-4,928</b> | <b>-1,701</b>  |
| Effect of exchange rate changes on cash                            | 441           | 583           | 494            | 541           | -328           |
| <b>Net change in cash</b>  | <b>12,615</b> | <b>-5,429</b> | <b>-850</b>    | <b>-7,188</b> | <b>-15,015</b> |
| <b>Cash and cash equivalents, beginning of period</b>              | <b>24,348</b> | <b>21,039</b> | <b>37,813</b>  | <b>22,798</b> | <b>37,813</b>  |
| <b>Cash and cash equivalents, end of period</b>                    | <b>36,963</b> | <b>15,610</b> | <b>36,963</b>  | <b>15,610</b> | <b>22,798</b>  |

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## Consolidated Statement of Changes in Equity

| SEK million                           | Jan -<br>Jun<br>2009 | Jan -<br>Dec<br>2009 | Jan -<br>Jun<br>2010 |
|---------------------------------------|----------------------|----------------------|----------------------|
| <b>Opening balance</b>                | 142,084              | 142,084              | 141,027              |
| Total comprehensive income            | 6,467                | 4,612                | 4,766                |
| Stock issue                           | 135                  | 135                  |                      |
| Sale / Repurchase of own shares       | -107                 | -60                  | 23                   |
| Stock purchase and stock option plans | 324                  | 658                  | 316                  |
| Dividends paid                        | -5,956               | -6,318               | -6,401               |
| Business combinations                 | -3                   | -84                  | 693                  |
| <b>Closing balance</b>                | <b>142,944</b>       | <b>141,027</b>       | <b>140,424</b>       |

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Consolidated Income Statement Isolated Quarters

| SEK million  | 2009    |         |         |         | 2010    |         |
|--|---------|---------|---------|---------|---------|---------|
|  | Q1      | Q2      | Q3      | Q4      | Q1      | Q2      |
| Net sales  | 49,569  | 52,142  | 46,433  | 58,333  | 45,112  | 47,972  |
| Cost of sales  | -31,957 | -34,531 | -30,455 | -39,335 | -28,527 | -30,235 |
| <b>Gross income</b>  | 17,612  | 17,611  | 15,978  | 18,998  | 16,585  | 17,737  |
| Gross margin (%)   | 35.5%   | 33.8%   | 34.4%   | 32.6%   | 36.8%   | 37.0%   |
| Research and development expenses  | -7,080  | -8,451  | -8,218  | -9,306  | -7,526  | -7,751  |
| Selling and administrative expenses  | -6,863  | -7,443  | -5,279  | -7,323  | -7,008  | -7,158  |
| <b>Operating expenses</b>  | -13,943 | -15,894 | -13,497 | -16,629 | -14,534 | -14,909 |
| Other operating income and expenses  | 342     | 1,640   | 222     | 878     | 302     | 500     |
| <b>Operating income before shares in earnings of JV and associated companies</b> | 4,011   | 3,357   | 2,703   | 3,247   | 2,353   | 3,328   |
| Operating margin before shares in earnings of JV and associated companies (%)    | 8.1%    | 6.4%    | 5.8%    | 5.6%    | 5.2%    | 6.9%    |
| Shares in earnings of JV and associated companies                                | -2,236  | -2,144  | -1,559  | -1,461  | -372    | -308    |
| <b>Operating income</b>  | 1,775   | 1,213   | 1,144   | 1,786   | 1,981   | 3,020   |
| Financial income   | 1,260   | 4       | 296     | 314     | 278     | 470     |
| Financial expenses   | -457    | -79     | -294    | -719    | -438    | -596    |
| <b>Income after financial items</b>  | 2,578   | 1,138   | 1,146   | 1,381   | 1,821   | 2,894   |
| Taxes  | -745    | -341    | -374    | -656    | -547    | -867    |
| <b>Net income</b>  | 1,833   | 797     | 772     | 725     | 1,274   | 2,027   |
| Net income attributable to:  |         |         |         |         |         |         |
| - Stockholders of the Parent Company   | 1,717   | 831     | 810     | 314     | 1,264   | 1,881   |
| - Minority interests   | 116     | -34     | -38     | 411     | 10      | 146     |
| Other information  |         |         |         |         |         |         |
| Average number of shares, basic (million)  | 3,187   | 3,188   | 3,190   | 3,194   | 3,195   | 3,196   |
| Earnings per share, basic (SEK) <sup>1)</sup>                                    | 0.54    | 0.26    | 0.25    | 0.10    | 0.40    | 0.59    |
| Earnings per share, diluted (SEK) <sup>1)</sup>                                  | 0.54    | 0.26    | 0.25    | 0.10    | 0.39    | 0.58    |

<sup>1)</sup> Based on Net income attributable to stockholders of the Parent Company.

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## Consolidated Statement of Cash Flows Isolated Quarters

| SEK million  | 2009           |               |                |               | 2010          |               |
|--|----------------|---------------|----------------|---------------|---------------|---------------|
|  | Q1             | Q2            | Q3             | Q4            | Q1            | Q2            |
| <b>Operating activities</b>  |                |               |                |               |               |               |
| Net income   | 1,833          | 797           | 772            | 725           | 1,274         | 2,027         |
| Adjustments to reconcile net income to cash                        |                |               |                |               |               |               |
| Taxes  | -628           | -640          | -1,137         | 1,394         | -166          | -560          |
| Earnings/dividends in JV and associated companies                  | 1,764          | 1,718         | 1,319          | 1,282         | 313           | 364           |
| Depreciation, amortization and impairment losses                   | 1,852          | 3,112         | 3,268          | 3,892         | 3,133         | 2,304         |
| Other  | -623           | -643          | 978            | -52           | -435          | -260          |
| Net income affecting cash  | 4,198          | 4,344         | 5,200          | 7,241         | 4,119         | 3,875         |
| <b>Changes in operating net assets</b>                             |                |               |                |               |               |               |
| Inventories  | -2,362         | 1,606         | 660            | 5,303         | -1,465        | -3,462        |
| Customer financing, current and non-current                        | -1             | -267          | 394            | 472           | -598          | -208          |
| Trade receivables  | 1,810          | 5,017         | 3,655          | -2,814        | 3,954         | -3,816        |
| Trade payables   | -1,360         | -1,863        | -2,096         | 1,797         | -955          | 1,433         |
| Provisions and post-employment benefits                            | -3,265         | 1,532         | -1,060         | -157          | -1,058        | 788           |
| Other operating assets and liabilities, net                        | -1,878         | -1,238        | -1,076         | 684           | -1,703        | -1,317        |
|  | -7,056         | 4,787         | 477            | 5,285         | -1,825        | -6,582        |
| <b>Cash flow from operating activities</b>                         | <b>-2,858</b>  | <b>9,131</b>  | <b>5,677</b>   | <b>12,526</b> | <b>2,294</b>  | <b>-2,707</b> |
| <b>Investing activities</b>  |                |               |                |               |               |               |
| Investments in property, plant and equipment                       | -1,018         | -1,189        | -690           | -1,109        | -659          | -1,016        |
| Sales of property, plant and equipment                             | 25             | 114           | 99             | 296           | 47            | 45            |
| Acquisitions/divestments of subsidiaries and other operations, net | -9,491         | 981           | -750           | -8,822        | -1,080        | -868          |
| Product development  | -209           | -327          | -245           | -662          | -278          | -724          |
| Other investing activities   | -1,417         | 886           | 3,226          | -89           | 1,859         | -1,819        |
| Short-term investments   | -424           | 522           | -17,847        | 678           | -3,844        | 5,949         |
| <b>Cash flow from investing activities</b>                         | <b>-12,534</b> | <b>987</b>    | <b>-16,207</b> | <b>-9,708</b> | <b>-3,955</b> | <b>1,567</b>  |
| <b>Cash flow before financing activities</b>                       | <b>-15,392</b> | <b>10,118</b> | <b>-10,530</b> | <b>2,818</b>  | <b>-1,661</b> | <b>-1,140</b> |
| <b>Financing activities</b>  |                |               |                |               |               |               |
| Dividends paid   |                | -5,956        | -20            | -342          |               | -6,401        |
| Other financing activities   | 1,874          | 8,012         | 535            | -5,804        | -56           | 1,529         |
| <b>Cash flow from financing activities</b>                         | <b>1,874</b>   | <b>2,056</b>  | <b>515</b>     | <b>-6,146</b> | <b>-56</b>    | <b>-4,872</b> |
| Effect of exchange rate changes on cash                            | 53             | 441           | -1,263         | 441           | -42           | 583           |
| <b>Net change in cash</b>  | <b>-13,465</b> | <b>12,615</b> | <b>-11,278</b> | <b>-2,887</b> | <b>-1,759</b> | <b>-5,429</b> |
| <b>Cash and cash equivalents, beginning of period</b>              | <b>37,813</b>  | <b>24,348</b> | <b>36,963</b>  | <b>25,685</b> | <b>22,798</b> | <b>21,039</b> |
| <b>Cash and cash equivalents, end of period</b>                    | <b>24,348</b>  | <b>36,963</b> | <b>25,685</b>  | <b>22,798</b> | <b>21,039</b> | <b>15,610</b> |

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## Parent Company Income Statement

| SEK million                              | Apr - Jun |       | Jan - Jun |        |
|--|-----------|-------|-----------|--------|
|  | 2009      | 2010  | 2009      | 2010   |
| Net sales                                | 26        | 8     | 264       | 18     |
| Cost of sales                            | -13       | -5    | 9         | -12    |
| <b>Gross income</b>                      | 13        | 3     | 273       | 6      |
| Operating expenses                       | -870      | -564  | -1,583    | -1,880 |
| Other operating income and expenses      | 728       | 681   | 1,473     | 1,293  |
| <b>Operating income</b>                  | -129      | 120   | 163       | -581   |
| Financial net                            | 3,929     | 5,299 | 5,056     | 5,370  |
| <b>Income after financial items</b>      | 3,800     | 5,419 | 5,219     | 4,789  |
| Transfers to (-) / from untaxed reserves |           |       |           |        |
| Taxes                                    | -2        | -136  | -372      | 64     |
| <b>Net income</b>                        | 3,798     | 5,283 | 4,847     | 4,853  |

## Statement of Comprehensive Income

| SEK million  | Apr - Jun |       | Jan - Jun |       |
|--|-----------|-------|-----------|-------|
|  | 2009      | 2010  | 2009      | 2010  |
| <b>Net income</b>  | 3,798     | 5,283 | 4,847     | 4,853 |
| Cash flow hedges   |           |       |           |       |
| Gains/losses arising during the period   |           | 136   | 612       | 136   |
| Adjustments for amounts transferred to initial carrying amount of hedged items |           | -136  | -1,385    | -136  |
| Tax on items reported directly in or transferred from equity                   |           |       | 204       |       |
| <b>Other comprehensive income</b>  |           |       | -569      |       |
| <b>Total comprehensive income</b>  | 3,798     | 5,283 | 4,278     | 4,853 |

## Parent Company Balance Sheet

| SEK million           | Dec 31  | Jun 30  |
|-----------------------|---------|---------|
|                       | 2009    | 2010    |
| <b>ASSETS</b>         |         |         |
| <b>Fixed assets</b>   |         |         |
| Intangible assets     | 2,219   | 1,160   |
| Tangible assets       | 527     | 505     |
| Financial assets      | 101,344 | 99,122  |
|                       | 104,090 | 100,787 |
| <b>Current assets</b> |         |         |

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|                           |                |                |
|---------------------------|----------------|----------------|
| Inventories               | 61             | 43             |
| Receivables               | 23,704         | 22,740         |
| Short-term investments    | 53,926         | 51,980         |
| Cash and cash equivalents | 8,477          | 2,946          |
|                           | 86,168         | 77,709         |
| <b>Total assets</b>       | <b>190,258</b> | <b>178,496</b> |

**STOCKHOLDERS EQUITY, PROVISIONS AND LIABILITIES**

|  |                |                |
|--|----------------|----------------|
| <b>Equity</b>  |                |                |
| Restricted equity  | 47,859         | 47,859         |
| Non-restricted equity  | 41,953         | 40,441         |
|  | 89,812         | 88,300         |
| <b>Untaxed reserves</b>                                      | <b>915</b>     | <b>915</b>     |
| <b>Provisions</b>  | <b>1,069</b>   | <b>1,082</b>   |
| <b>Non-current liabilities</b>                               | <b>57,011</b>  | <b>54,502</b>  |
| <b>Current liabilities</b>                                   | <b>41,451</b>  | <b>33,697</b>  |
| <b>Total stockholders equity, provisions and liabilities</b> | <b>190,258</b> | <b>178,496</b> |
| Assets pledged as collateral                                 | 550            | 579            |
| Contingent liabilities                                       | 13,072         | 15,743         |

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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 IFRS Interpretations Committee. The accounting policies adopted are consistent with those of the annual report for the year ended December 31, 2009, and should be read in conjunction with that annual report.

As from January 1, 2010, the Company has applied the following new or amended IFRS:

#### IFRS 3 Business Combinations (revised)

The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, an expansion of the definition of a business and a business combination, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed as incurred.

#### IAS 27 Consolidated and separate financial statements (revised)

The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains or losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognized in income statement.

The following new or amended standards and interpretations have also been adopted:

#### IFRIC17, Distributions of Non-Cash Assets to Owners (Issued November 27, 2008)

#### IFRS 2, amendment, Group Cash-settled Share-based Payment Transactions (issued June 18, 2009)

#### Improvements to IFRSs (Issued April 16, 2009)

None of the new or amended standards and interpretations has had any significant impact on the financial result or position of the Company. There is no difference between IFRS effective as per June 30, 2010 and IFRS as endorsed by the EU. However, the impact on business combination accounting due to the revised IFRS 3 Business Combinations is dependent on type and size of any future arrangement involving business combination.

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Accounting Policies (cont.)

### **Changes in external reporting**

#### **Change in segments**

As of January 1, 2010, Ericsson reports the following segments: Networks, Global Services, Multimedia, Sony Ericsson and ST- Ericsson. The only change compared to previous years is that Network Rollout is now included in Global Services instead of Networks. All other segments are unchanged. With this change the external reporting is aligned with the new internal reporting structure.

Segments as of January 1, 2010:

Networks

Global Services

*Of which Professional Services*

*Of which Managed Services*

*Of which Network Rollout*

Multimedia

Sony Ericsson

ST-Ericsson

#### **Change in geographical break down**

As of January 1, 2010, the geographical reporting structure is changed. Instead of five geographical areas, ten regions are reported, mirroring the new internal geographical organization. A part called "Other" is also reported, consisting of business not reported in the geographical structure, e.g. embedded modules, cables, power modules as well as intellectual property rights and licenses.

Regions as of January 1, 2010:

North America

Latin America

North Europe and Central Asia

Western and Central Europe

Mediterranean

Middle East

Sub-Saharan Africa

India

China and Northeast Asia

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South East Asia and Oceania

Other

In 2008 and 2009 Ericsson reported top 15 countries. As of January 1, 2010, top five countries are reported.

### EBITA replaces EBITDA

As of January 1, 2010, EBITA and EBITA margin for segments are reported. This is also reported for Network Rollout and Professional Services in Global Services. For the Managed Services sales figures are reported. EBITA is defined as Earnings Before Interest, Tax, Amortizations and write-downs of acquired intangibles. EBITA margin is defined as Earnings Before Interest, Taxes, Amortizations and write-downs of acquired intangibles, as a percentage of Net Sales. Previous years, Ericsson has reported EBITDA. The shift to EBITA is done to better reflect the underlying business.

Numbers have been restated for 2009 accordingly.

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## Net Sales by Segment by Quarter

Since the segments Sony Ericsson and ST-Ericsson are reported in accordance with the equity method, their sales are not included below. Net sales related to these segments are disclosed under SEGMENT RESULTS. Net sales related to other segments are set out below.

| Isolated quarters, SEK million        | 2009          |               |               |               | 2010          |               |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
|                                       | Q1            | Q2            | Q3            | Q4            | Q1            | Q2            |
| Networks <sup>1)</sup>                | 28,842        | 28,795        | 24,504        | 31,844        | 24,704        | 25,472        |
| Global Services <sup>1)</sup>         | 17,486        | 20,019        | 18,578        | 23,137        | 18,098        | 20,080        |
| <i>Of which Professional Services</i> | <i>12,799</i> | <i>14,077</i> | <i>12,780</i> | <i>16,466</i> | <i>13,251</i> | <i>14,838</i> |
| <i>Of which Managed Services</i>      | <i>4,178</i>  | <i>4,587</i>  | <i>3,570</i>  | <i>5,098</i>  | <i>4,888</i>  | <i>5,642</i>  |
| <i>Of which Network Rollout</i>       | <i>4,687</i>  | <i>5,942</i>  | <i>5,798</i>  | <i>6,671</i>  | <i>4,847</i>  | <i>5,242</i>  |
| Multimedia                            | 3,241         | 3,328         | 3,351         | 3,352         | 2,310         | 2,420         |
| <b>Total</b>                          | <b>49,569</b> | <b>52,142</b> | <b>46,433</b> | <b>58,333</b> | <b>45,112</b> | <b>47,972</b> |

| Sequential change, percent            | 2009        |            |             |            | 2010        |            |
|---------------------------------------|-------------|------------|-------------|------------|-------------|------------|
|                                       | Q1          | Q2         | Q3          | Q4         | Q1          | Q2         |
| Networks <sup>1)</sup>                | -25%        | 0%         | -15%        | 30%        | -22%        | 3%         |
| Global Services <sup>1)</sup>         | -26%        | 14%        | -7%         | 25%        | -22%        | 11%        |
| <i>Of which Professional Services</i> | <i>-21%</i> | <i>10%</i> | <i>-9%</i>  | <i>29%</i> | <i>-20%</i> | <i>12%</i> |
| <i>Of which Managed Services</i>      | <i>-2%</i>  | <i>10%</i> | <i>-22%</i> | <i>43%</i> | <i>-4%</i>  | <i>15%</i> |
| <i>Of which Network Rollout</i>       | <i>-38%</i> | <i>27%</i> | <i>-2%</i>  | <i>15%</i> | <i>-27%</i> | <i>8%</i>  |
| Multimedia                            | -17%        | 3%         | 1%          | 0%         | -31%        | 5%         |
| <b>Total</b>                          | <b>-26%</b> | <b>5%</b>  | <b>-11%</b> | <b>26%</b> | <b>-23%</b> | <b>6%</b>  |

| Year over year change, percent        | 2009       |            |            |             | 2010       |             |
|---------------------------------------|------------|------------|------------|-------------|------------|-------------|
|                                       | Q1         | Q2         | Q3         | Q4          | Q1         | Q2          |
| Networks <sup>1)</sup>                | 13%        | 1%         | -13%       | -17%        | -14%       | -12%        |
| Global Services <sup>1)</sup>         | 20%        | 27%        | 13%        | -3%         | 3%         | 0%          |
| <i>Of which Professional Services</i> | <i>28%</i> | <i>28%</i> | <i>9%</i>  | <i>2%</i>   | <i>4%</i>  | <i>5%</i>   |
| <i>Of which Managed Services</i>      | <i>37%</i> | <i>37%</i> | <i>-1%</i> | <i>19%</i>  | <i>17%</i> | <i>23%</i>  |
| <i>Of which Network Rollout</i>       | <i>4%</i>  | <i>24%</i> | <i>24%</i> | <i>-12%</i> | <i>3%</i>  | <i>-12%</i> |
| Multimedia                            | 25%        | 23%        | -4%        | -14%        | -29%       | -27%        |
| <b>Total</b>                          | <b>12%</b> | <b>7%</b>  | <b>-6%</b> | <b>-13%</b> | <b>-9%</b> | <b>-8%</b>  |

| Year to date, SEK million             | 2009          |                |                |                | 2010          |               |
|---------------------------------------|---------------|----------------|----------------|----------------|---------------|---------------|
|                                       | Jan-Mar       | Jan-Jun        | Jan-Sep        | Jan-Dec        | Jan-Mar       | Jan-Jun       |
| Networks <sup>1)</sup>                | 28,842        | 57,637         | 82,141         | 113,985        | 24,704        | 50,176        |
| Global Services <sup>1)</sup>         | 17,486        | 37,505         | 56,083         | 79,220         | 18,098        | 38,178        |
| <i>Of which Professional Services</i> | <i>12,799</i> | <i>26,876</i>  | <i>39,656</i>  | <i>56,122</i>  | <i>13,251</i> | <i>28,089</i> |
| <i>Of which Managed Services</i>      | <i>4,178</i>  | <i>8,765</i>   | <i>12,335</i>  | <i>17,433</i>  | <i>4,888</i>  | <i>10,530</i> |
| <i>Of which Network Rollout</i>       | <i>4,687</i>  | <i>10,629</i>  | <i>16,427</i>  | <i>23,098</i>  | <i>4,847</i>  | <i>10,089</i> |
| Multimedia                            | 3,241         | 6,569          | 9,920          | 13,272         | 2,310         | 4,730         |
| <b>Total</b>                          | <b>49,569</b> | <b>101,711</b> | <b>148,144</b> | <b>206,477</b> | <b>45,112</b> | <b>93,084</b> |

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| Year to date, year over year change, percent | 2009       |            |           |            | 2010       |            |
|--|------------|------------|-----------|------------|------------|------------|
|  | Jan-Mar    | Jan-Jun    | Jan-Sep   | Jan-Dec    | Jan-Mar    | Jan-Jun    |
| Networks <sup>1)</sup>                       | 13%        | 7%         | 0%        | -5%        | -14%       | -13%       |
| Global Services <sup>1)</sup>                | 20%        | 24%        | 20%       | 12%        | 3%         | 2%         |
| <i>Of which Professional Services</i>        | 28%        | 28%        | 21%       | 15%        | 4%         | 5%         |
| <i>Of which Managed Services</i>             | 37%        | 37%        | 24%       | 22%        | 17%        | 20%        |
| <i>Of which Network Rollout</i>              | 4%         | 14%        | 18%       | 7%         | 3%         | -5%        |
| Multimedia                                   | 25%        | 24%        | 13%       | 5%         | -29%       | -28%       |
| <b>Total</b>                                 | <b>12%</b> | <b>10%</b> | <b>4%</b> | <b>-1%</b> | <b>-9%</b> | <b>-8%</b> |

<sup>1)</sup> For 2009 Networks and Global Services are restated in accordance with the change in segments.

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## Operating Income by Segment by Quarter

| Isolated quarters, SEK million                                    | 2009          |               |               |               | 2010         |              |
|---|---------------|---------------|---------------|---------------|--------------|--------------|
|   | Q1            | Q2            | Q3            | Q4            | Q1           | Q2           |
| Networks <sup>1)</sup>  | 3,067         | 1,265         | 1,138         | 2,128         | 1,540        | 2,507        |
| Global Services <sup>1)</sup>                                     | 1,520         | 2,249         | 1,426         | 1,076         | 1,325        | 1,377        |
| <i>Of which Professional Services</i>                             | <i>1,749</i>  | <i>2,265</i>  | <i>1,628</i>  | <i>1,347</i>  | <i>1,419</i> | <i>1,331</i> |
| <i>Of which Network Rollout</i>                                   | <i>-229</i>   | <i>-16</i>    | <i>-202</i>   | <i>-271</i>   | <i>-94</i>   | <i>46</i>    |
| Multimedia  | 44            | 18            | 330           | 263           | -335         | -479         |
| Unallocated <sup>2)</sup>   | -77           | -323          | -168          | -287          | -158         | -128         |
| <i>Subtotal Segments excluding Sony Ericsson and ST- Ericsson</i> | <i>4,554</i>  | <i>3,209</i>  | <i>2,726</i>  | <i>3,180</i>  | <i>2,372</i> | <i>3,277</i> |
| Sony Ericsson   | -2,070        | -1,543        | -1,036        | -1,044        | 76           | 134          |
| ST-Ericsson <sup>3)</sup>   | -709          | -453          | -546          | -351          | -467         | -391         |
| <i>Subtotal Sony Ericsson and ST-Ericsson</i>                     | <i>-2,779</i> | <i>-1,996</i> | <i>-1,582</i> | <i>-1,395</i> | <i>-391</i>  | <i>-257</i>  |
| <b>Total</b>  | <b>1,775</b>  | <b>1,213</b>  | <b>1,144</b>  | <b>1,785</b>  | <b>1,981</b> | <b>3,020</b> |

| Year to date, SEK million   | 2009          |               |               |               | 2010         |              |
|---|---------------|---------------|---------------|---------------|--------------|--------------|
|   | Jan-Mar       | Jan-Jun       | Jan-Sep       | Jan-Dec       | Jan-Mar      | Jan-Jun      |
| Networks <sup>1)</sup>  | 3,067         | 4,332         | 5,470         | 7,598         | 1,540        | 4,047        |
| Global Services <sup>1)</sup>                                     | 1,520         | 3,769         | 5,195         | 6,271         | 1,325        | 2,702        |
| <i>Of which Professional Services</i>                             | <i>1,749</i>  | <i>4,015</i>  | <i>5,643</i>  | <i>6,990</i>  | <i>1,419</i> | <i>2,750</i> |
| <i>Of which Network Rollout</i>                                   | <i>-229</i>   | <i>-246</i>   | <i>-448</i>   | <i>-719</i>   | <i>-94</i>   | <i>-48</i>   |
| Multimedia  | 44            | 62            | 392           | 655           | -335         | -814         |
| Unallocated <sup>2)</sup>   | -77           | -400          | -568          | -855          | -158         | -286         |
| <i>Subtotal Segments excluding Sony Ericsson and ST- Ericsson</i> | <i>4,554</i>  | <i>7,763</i>  | <i>10,489</i> | <i>13,669</i> | <i>2,372</i> | <i>5,649</i> |
| Sony Ericsson   | -2,070        | -3,613        | -4,649        | -5,693        | 76           | 210          |
| ST-Ericsson <sup>3)</sup>   | -709          | -1,162        | -1,708        | -2,059        | -467         | -858         |
| <i>Subtotal Sony Ericsson and ST-Ericsson</i>                     | <i>-2,779</i> | <i>-4,775</i> | <i>-6,357</i> | <i>-7,752</i> | <i>-391</i>  | <i>-648</i>  |
| <b>Total</b>  | <b>1,775</b>  | <b>2,988</b>  | <b>4,132</b>  | <b>5,917</b>  | <b>1,981</b> | <b>5,001</b> |

## Operating Margin by Segment by Quarter

| As percentage of net sales, isolated quarters            | 2009       |            |            |            | 2010       |           |
|--|------------|------------|------------|------------|------------|-----------|
|  | Q1         | Q2         | Q3         | Q4         | Q1         | Q2        |
| Networks <sup>1)</sup>                                   | 11%        | 4%         | 5%         | 7%         | 6%         | 10%       |
| Global Services <sup>1)</sup>                            | 9%         | 11%        | 8%         | 5%         | 7%         | 7%        |
| <i>Of which Professional Services</i>                    | <i>14%</i> | <i>16%</i> | <i>13%</i> | <i>8%</i>  | <i>11%</i> | <i>9%</i> |
| <i>Of which Network Rollout</i>                          | <i>-5%</i> | <i>0%</i>  | <i>-3%</i> | <i>-4%</i> | <i>-2%</i> | <i>1%</i> |
| Multimedia   | 1%         | 1%         | 10%        | 8%         | -15%       | -20%      |
| <b>Subtotal excluding Sony Ericsson and ST- Ericsson</b> | <b>9%</b>  | <b>6%</b>  | <b>6%</b>  | <b>5%</b>  | <b>5%</b>  | <b>7%</b> |

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| As percentage of net sales, Year to date                 | 2009      |           |           |           | 2010      |           |
|--|-----------|-----------|-----------|-----------|-----------|-----------|
|  | Jan-Mar   | Jan-Jun   | Jan-Sep   | Jan-Dec   | Jan-Mar   | Jan-Jun   |
| Networks <sup>1)</sup>                                   | 11%       | 8%        | 7%        | 7%        | 6%        | 8%        |
| Global Services <sup>1)</sup>                            | 9%        | 10%       | 9%        | 8%        | 7%        | 7%        |
| <i>Of which Professional Services</i>                    | 14%       | 15%       | 14%       | 12%       | 11%       | 10%       |
| <i>Of which Network Rollout</i>                          | -5%       | -2%       | -3%       | -3%       | -2%       | 0%        |
| Multimedia   | 1%        | 1%        | 4%        | 5%        | -15%      | -17%      |
| <b>Subtotal excluding Sony Ericsson and ST- Ericsson</b> | <b>9%</b> | <b>8%</b> | <b>7%</b> | <b>7%</b> | <b>5%</b> | <b>6%</b> |

<sup>1)</sup> For 2009 Networks and Global Services are restated in accordance with the change in segments.

<sup>2)</sup> Unallocated consists mainly of costs for corporate staffs, non-operational capital gains and losses.

<sup>3)</sup> First quarter 2009 includes a loss of SEK 0.5 b for January for Ericsson Mobile Platforms operations which as from February 1, 2009, are reported in ST-Ericsson. Second quarter 2009 includes a capital gain of SEK 0.1 b related to Ericsson Mobile Platforms. Fourth quarter 2009 includes a gain of SEK 0.1 b related to Ericsson Mobile Platforms.

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## EBITA by Segment by Quarter

| Isolated quarters, SEK million                                    | 2009          |               |               |               | 2010         |              |
|---|---------------|---------------|---------------|---------------|--------------|--------------|
|   | Q1            | Q2            | Q3            | Q4            | Q1           | Q2           |
| Networks <sup>1)</sup>  | 3,604         | 3,071         | 3,064         | 4,268         | 3,052        | 3,355        |
| Global Services <sup>1)</sup>                                     | 1,606         | 2,334         | 1,671         | 1,259         | 1,770        | 1,523        |
| <i>Of which Professional Services</i>                             | <i>1,825</i>  | <i>2,339</i>  | <i>1,863</i>  | <i>1,503</i>  | <i>1,764</i> | <i>1,449</i> |
| <i>Of which Network Rollout</i>                                   | <i>-219</i>   | <i>-5</i>     | <i>-192</i>   | <i>-244</i>   | <i>6</i>     | <i>74</i>    |
| Multimedia  | 249           | 226           | 468           | 514           | -123         | -262         |
| Unallocated <sup>2)</sup>   | -73           | -327          | -162          | -284          | -158         | -127         |
| <i>Subtotal Segments excluding Sony Ericsson and ST- Ericsson</i> | <i>5,386</i>  | <i>5,304</i>  | <i>5,041</i>  | <i>5,757</i>  | <i>4,541</i> | <i>4,489</i> |
| Sony Ericsson   | -2,070        | -1,543        | -1,036        | -1,044        | 76           | 134          |
| ST-Ericsson <sup>3)</sup>   | -709          | -453          | -546          | -351          | -467         | -391         |
| <i>Subtotal Sony Ericsson and ST-Ericsson</i>                     | <i>-2,779</i> | <i>-1,996</i> | <i>-1,582</i> | <i>-1,395</i> | <i>-391</i>  | <i>-257</i>  |
| <b>Total</b>  | <b>2,607</b>  | <b>3,308</b>  | <b>3,459</b>  | <b>4,362</b>  | <b>4,150</b> | <b>4,232</b> |

| Year to date, SEK million   | 2009          |               |               |               | 2010         |              |
|---|---------------|---------------|---------------|---------------|--------------|--------------|
|   | Jan-Mar       | Jan-Jun       | Jan-Sep       | Jan-Dec       | Jan-Mar      | Jan-Jun      |
| Networks <sup>1)</sup>  | 3,604         | 6,675         | 9,739         | 14,007        | 3,052        | 6,407        |
| Global Services <sup>1)</sup>                                     | 1,606         | 3,940         | 5,611         | 6,870         | 1,770        | 3,293        |
| <i>Of which Professional Services</i>                             | <i>1,825</i>  | <i>4,165</i>  | <i>6,028</i>  | <i>7,531</i>  | <i>1,764</i> | <i>3,213</i> |
| <i>Of which Network Rollout</i>                                   | <i>-219</i>   | <i>-225</i>   | <i>-417</i>   | <i>-661</i>   | <i>6</i>     | <i>80</i>    |
| Multimedia  | 249           | 475           | 943           | 1,457         | -123         | -385         |
| Unallocated <sup>2)</sup>   | -73           | -400          | -562          | -846          | -158         | -285         |
| <i>Subtotal Segments excluding Sony Ericsson and ST- Ericsson</i> | <i>5,386</i>  | <i>10,690</i> | <i>15,731</i> | <i>21,488</i> | <i>4,541</i> | <i>9,030</i> |
| Sony Ericsson   | -2,070        | -3,613        | -4,649        | -5,693        | 76           | 210          |
| ST-Ericsson <sup>3)</sup>   | -709          | -1,162        | -1,708        | -2,059        | -467         | -858         |
| <i>Subtotal Sony Ericsson and ST-Ericsson</i>                     | <i>-2,779</i> | <i>-4,775</i> | <i>-6,357</i> | <i>-7,752</i> | <i>-391</i>  | <i>-648</i>  |
| <b>Total</b>  | <b>2,607</b>  | <b>5,915</b>  | <b>9,374</b>  | <b>13,736</b> | <b>4,150</b> | <b>8,382</b> |

## EBITA Margin by Segment by Quarter

| As percentage of net sales, isolated quarters            | 2009       |            |            |            | 2010       |            |
|--|------------|------------|------------|------------|------------|------------|
|  | Q1         | Q2         | Q3         | Q4         | Q1         | Q2         |
| Networks <sup>1)</sup>                                   | 13%        | 11%        | 13%        | 13%        | 12%        | 13%        |
| Global Services <sup>1)</sup>                            | 9%         | 12%        | 9%         | 5%         | 10%        | 8%         |
| <i>Of which Professional Services</i>                    | <i>14%</i> | <i>17%</i> | <i>15%</i> | <i>9%</i>  | <i>13%</i> | <i>10%</i> |
| <i>Of which Network Rollout</i>                          | <i>-5%</i> | <i>0%</i>  | <i>-3%</i> | <i>-4%</i> | <i>0%</i>  | <i>1%</i>  |
| Multimedia   | 8%         | 7%         | 14%        | 15%        | -5%        | -11%       |
| <b>Subtotal excluding Sony Ericsson and ST- Ericsson</b> | <b>11%</b> | <b>10%</b> | <b>11%</b> | <b>10%</b> | <b>10%</b> | <b>9%</b>  |



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| As percentage of net sales, Year to date                 | 2009       |            |            |            | 2010       |            |
|--|------------|------------|------------|------------|------------|------------|
|  | Jan-Mar    | Jan-Jun    | Jan-Sep    | Jan-Dec    | Jan-Mar    | Jan-Jun    |
| Networks <sup>1)</sup>                                   | 13%        | 12%        | 12%        | 12%        | 12%        | 13%        |
| Global Services <sup>1)</sup>                            | 9%         | 11%        | 10%        | 9%         | 10%        | 9%         |
| <i>Of which Professional Services</i>                    | 14%        | 16%        | 15%        | 13%        | 13%        | 11%        |
| <i>Of which Network Rollout</i>                          | -5%        | -2%        | -3%        | -3%        | 0%         | 1%         |
| Multimedia   | 8%         | 7%         | 10%        | 11%        | -5%        | -8%        |
| <b>Subtotal excluding Sony Ericsson and ST- Ericsson</b> | <b>11%</b> | <b>11%</b> | <b>11%</b> | <b>10%</b> | <b>10%</b> | <b>10%</b> |

<sup>1)</sup> For 2009 Networks and Global Services are restated in accordance with the change in segments.

<sup>2)</sup> Unallocated consists mainly of costs for corporate staffs, non-operational capital gains and losses.

<sup>3)</sup> First quarter 2009 includes a loss of SEK 0.5 b for January for Ericsson Mobile Platforms operations which as from February 1, 2009, are reported in ST-Ericsson. Second quarter 2009 includes a capital gain of SEK 0.1 b related to Ericsson Mobile Platforms. Fourth quarter 2009 includes a gain of SEK 0.1 b related to Ericsson Mobile Platforms.

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## Net Sales by Region by Quarter

| Isolated quarters, SEK million                  | 2009          |               |               |               | 2010          |               |
|---|---------------|---------------|---------------|---------------|---------------|---------------|
|   | Q1            | Q2            | Q3            | Q4            | Q1            | Q2            |
| North America                                   | 4,762         | 5,734         | 3,980         | 9,436         | 9,498         | 13,050        |
| Latin America                                   | 4,376         | 4,797         | 4,993         | 5,859         | 3,964         | 4,200         |
| Northern Europe & Central Asia <sup>1) 2)</sup> | 2,889         | 2,884         | 2,709         | 3,499         | 2,300         | 2,679         |
| Western & Central Europe <sup>2)</sup>          | 5,387         | 5,437         | 5,494         | 6,141         | 5,235         | 4,414         |
| Mediterranean <sup>2)</sup>                     | 6,131         | 6,797         | 5,181         | 7,052         | 5,060         | 5,630         |
| Middle East                                     | 3,956         | 4,750         | 4,503         | 5,041         | 3,948         | 3,796         |
| Sub Saharan Africa                              | 4,677         | 3,643         | 3,190         | 3,831         | 2,418         | 2,951         |
| India   | 4,025         | 3,653         | 4,156         | 3,428         | 2,303         | 1,351         |
| China & North East Asia                         | 5,790         | 7,171         | 5,600         | 7,399         | 4,950         | 4,607         |
| South East Asia & Oceania                       | 5,209         | 5,679         | 4,790         | 5,171         | 3,517         | 3,643         |
| Other <sup>1) 2)</sup>                          | 2,367         | 1,597         | 1,837         | 1,476         | 1,919         | 1,651         |
| <b>Total</b>                                    | <b>49,569</b> | <b>52,142</b> | <b>46,433</b> | <b>58,333</b> | <b>45,112</b> | <b>47,972</b> |

|                               |        |        |        |        |        |        |
|-------------------------------|--------|--------|--------|--------|--------|--------|
| <sup>1)</sup> Of which Sweden | 1,197  | 1,091  | 1,076  | 732    | 1,047  | 996    |
| <sup>2)</sup> Of which EU     | 12,604 | 12,595 | 11,033 | 13,081 | 11,065 | 10,384 |

| Sequential change, percent                      | 2009        |           |             |            | 2010        |           |
|---|-------------|-----------|-------------|------------|-------------|-----------|
|   | Q1          | Q2        | Q3          | Q4         | Q1          | Q2        |
| North America                                   | 3%          | 20%       | -31%        | 137%       | 1%          | 37%       |
| Latin America                                   | -44%        | 10%       | 4%          | 17%        | -32%        | 6%        |
| Northern Europe & Central Asia <sup>1) 2)</sup> | -44%        | 0%        | -6%         | 29%        | -34%        | 16%       |
| Western & Central Europe <sup>2)</sup>          | -21%        | 1%        | 1%          | 12%        | -15%        | -16%      |
| Mediterranean <sup>2)</sup>                     | -37%        | 11%       | -24%        | 36%        | -28%        | 11%       |
| Middle East                                     | -26%        | 20%       | -5%         | 12%        | -22%        | -4%       |
| Sub Saharan Africa                              | -4%         | -22%      | -12%        | 20%        | -37%        | 22%       |
| India   | -13%        | -9%       | 14%         | -18%       | -33%        | -41%      |
| China & North East Asia                         | -32%        | 24%       | -22%        | 32%        | -33%        | -7%       |
| South East Asia & Oceania                       | -20%        | 9%        | -16%        | 8%         | -32%        | 4%        |
| Other <sup>1) 2)</sup>                          | -17%        | -33%      | 15%         | -20%       | 30%         | -14%      |
| <b>Total</b>                                    | <b>-26%</b> | <b>5%</b> | <b>-11%</b> | <b>26%</b> | <b>-23%</b> | <b>6%</b> |

|                               |      |     |      |      |      |     |
|-------------------------------|------|-----|------|------|------|-----|
| <sup>1)</sup> Of which Sweden | -50% | -9% | -1%  | -32% | 43%  | -5% |
| <sup>2)</sup> Of which EU     | -31% | 0%  | -12% | 19%  | -15% | -6% |

| Year-over-year change, percent                  | 2009 |     |      |      | 2010 |      |
|---|------|-----|------|------|------|------|
|   | Q1   | Q2  | Q3   | Q4   | Q1   | Q2   |
| North America                                   | 63%  | 46% | -2%  | 104% | 99%  | 128% |
| Latin America                                   | 7%   | -2% | -18% | -25% | -9%  | -12% |
| Northern Europe & Central Asia <sup>1) 2)</sup> | -5%  | -9% | -23% | -32% | -20% | -7%  |
| Western & Central Europe <sup>2)</sup>          | 11%  | 14% | 9%   | -10% | -3%  | -19% |
| Mediterranean <sup>2)</sup>                     | -4%  | 3%  | -23% | -28% | -17% | -17% |
| Middle East                                     | -5%  | 12% | 10%  | -6%  | 0%   | -20% |
| Sub Saharan Africa                              | 47%  | 5%  | -17% | -21% | -48% | -19% |
| India   | 42%  | -5% | 7%   | -26% | -43% | -63% |

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|                                      |            |           |            |             |            |            |
|--------------------------------------|------------|-----------|------------|-------------|------------|------------|
| China & North East Asia              | 27%        | 38%       | 50%        | -14%        | -15%       | -36%       |
| South East Asia & Oceania            | 29%        | 15%       | -13%       | -20%        | -32%       | -36%       |
| Other <sup>1) 2)</sup>               | -42%       | -53%      | -33%       | -48%        | -19%       | 3%         |
| <b>Total</b>                         | <b>12%</b> | <b>7%</b> | <b>-6%</b> | <b>-13%</b> | <b>-9%</b> | <b>-8%</b> |
| <sup>1)</sup> <i>Of which Sweden</i> | -40%       | -53%      | -51%       | -69%        | -13%       | -9%        |
| <sup>2)</sup> <i>Of which EU</i>     | -1%        | -6%       | -16%       | -29%        | -12%       | -18%       |

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## Net Sales by Region by Quarter (cont.)

| Year to date, SEK million                       | 2009          |                |                |                | 2010          |               |
|---|---------------|----------------|----------------|----------------|---------------|---------------|
|   | Jan-Mar       | Jan-Jun        | Jan-Sep        | Jan-Dec        | Jan-Mar       | Jan-Jun       |
| North America                                   | 4,762         | 10,496         | 14,476         | 23,912         | 9,498         | 22,548        |
| Latin America                                   | 4,376         | 9,173          | 14,166         | 20,025         | 3,964         | 8,164         |
| Northern Europe & Central Asia <sup>1) 2)</sup> | 2,889         | 5,773          | 8,482          | 11,981         | 2,300         | 4,979         |
| Western & Central Europe <sup>2)</sup>          | 5,387         | 10,824         | 16,318         | 22,459         | 5,235         | 9,649         |
| Mediterranean <sup>2)</sup>                     | 6,131         | 12,928         | 18,109         | 25,161         | 5,060         | 10,690        |
| Middle East                                     | 3,956         | 8,706          | 13,209         | 18,250         | 3,948         | 7,744         |
| Sub Saharan Africa                              | 4,677         | 8,320          | 11,510         | 15,341         | 2,418         | 5,369         |
| India   | 4,025         | 7,678          | 11,834         | 15,262         | 2,303         | 3,654         |
| China & North East Asia                         | 5,790         | 12,961         | 18,561         | 25,960         | 4,950         | 9,557         |
| South East Asia & Oceania                       | 5,209         | 10,888         | 15,678         | 20,849         | 3,517         | 7,160         |
| Other <sup>1) 2)</sup>                          | 2,367         | 3,964          | 5,801          | 7,277          | 1,919         | 3,570         |
| <b>Total</b>                                    | <b>49,569</b> | <b>101,711</b> | <b>148,144</b> | <b>206,477</b> | <b>45,112</b> | <b>93,084</b> |

<sup>1)</sup> Of which Sweden 1,197 2,288 3,364 4,096 1,047 2,043

<sup>2)</sup> Of which EU 12,604 25,199 36,232 49,313 11,065 21,449

| Year to date, year-over-year change, percent    | 2009       |            |           |            | 2010       |            |
|---|------------|------------|-----------|------------|------------|------------|
|   | Jan-Mar    | Jan-Jun    | Jan-Sep   | Jan-Dec    | Jan-Mar    | Jan-Jun    |
| North America                                   | 63%        | 53%        | 33%       | 54%        | 99%        | 115%       |
| Latin America                                   | 7%         | 2%         | -6%       | -13%       | -9%        | -11%       |
| Northern Europe & Central Asia <sup>1) 2)</sup> | -5%        | -7%        | -13%      | -19%       | -20%       | -14%       |
| Western & Central Europe <sup>2)</sup>          | 11%        | 13%        | 11%       | 4%         | -3%        | -11%       |
| Mediterranean <sup>2)</sup>                     | -4%        | -1%        | -8%       | -15%       | -17%       | -17%       |
| Middle East                                     | -5%        | 4%         | 6%        | 2%         | 0%         | -11%       |
| Sub Saharan Africa                              | 47%        | 25%        | 10%       | 0%         | -48%       | -35%       |
| India   | 42%        | 15%        | 12%       | 0%         | -43%       | -52%       |
| China & North East Asia                         | 27%        | 33%        | 37%       | 18%        | -15%       | -26%       |
| South East Asia & Oceania                       | 29%        | 21%        | 8%        | -1%        | -32%       | -34%       |
| Other <sup>1) 2)</sup>                          | -42%       | -47%       | -44%      | -45%       | -19%       | -10%       |
| <b>Total</b>                                    | <b>12%</b> | <b>10%</b> | <b>4%</b> | <b>-1%</b> | <b>-9%</b> | <b>-8%</b> |

<sup>1)</sup> Of which Sweden -40% -47% -48% -54% -13% -11%

<sup>2)</sup> Of which EU -1% -4% -8% -14% -12% -15%

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## External Net Sales by Region by Segment

Since the segments Sony Ericsson and ST-Ericsson are reported in accordance with the equity method, their sales are not included below. Net sales related to these segments are disclosed under SEGMENT RESULTS. Net sales related to other segments are set out below.

## Isolated quarter, SEK million

| <b>Q2 2010</b>                 | <b>Networks</b> | <b>Global Services</b> | <b>Multimedia</b> | <b>Total</b>  |
|--------------------------------|-----------------|------------------------|-------------------|---------------|
| North America                  | 8,218           | 4,538                  | 294               | <b>13,050</b> |
| Latin America                  | 2,233           | 1,825                  | 142               | <b>4,200</b>  |
| Northern Europe & Central Asia | 1,444           | 1,084                  | 151               | <b>2,679</b>  |
| Western & Central Europe       | 1,544           | 2,613                  | 257               | <b>4,414</b>  |
| Mediterranean                  | 2,483           | 2,782                  | 365               | <b>5,630</b>  |
| Middle East                    | 1,707           | 1,760                  | 329               | <b>3,796</b>  |
| Sub Saharan Africa             | 1,202           | 1,401                  | 348               | <b>2,951</b>  |
| India                          | 637             | 657                    | 57                | <b>1,351</b>  |
| China & North East Asia        | 2,880           | 1,599                  | 128               | <b>4,607</b>  |
| South East Asia & Oceania      | 1,746           | 1,754                  | 143               | <b>3,643</b>  |
| Other                          | 1,378           | 67                     | 206               | <b>1,651</b>  |
| <b>Total</b>                   | <b>25,472</b>   | <b>20,080</b>          | <b>2,420</b>      | <b>47,972</b> |
| Share of Total                 | 53%             | 42%                    | 5%                | 100%          |

## Year to date, SEK million

| <b>Jan - Jun 2010</b>          | <b>Networks</b> | <b>Global Services</b> | <b>Multimedia</b> | <b>Total</b>  |
|--------------------------------|-----------------|------------------------|-------------------|---------------|
| North America                  | 14,164          | 7,844                  | 540               | <b>22,548</b> |
| Latin America                  | 4,487           | 3,300                  | 377               | <b>8,164</b>  |
| Northern Europe & Central Asia | 2,607           | 2,048                  | 324               | <b>4,979</b>  |
| Western & Central Europe       | 3,819           | 5,340                  | 490               | <b>9,649</b>  |
| Mediterranean                  | 4,912           | 5,150                  | 628               | <b>10,690</b> |
| Middle East                    | 3,701           | 3,464                  | 579               | <b>7,744</b>  |
| Sub Saharan Africa             | 2,121           | 2,667                  | 581               | <b>5,369</b>  |
| India                          | 2,053           | 1,334                  | 267               | <b>3,654</b>  |
| China & North East Asia        | 5,966           | 3,346                  | 245               | <b>9,557</b>  |
| South East Asia & Oceania      | 3,374           | 3,538                  | 248               | <b>7,160</b>  |
| Other                          | 2,972           | 147                    | 451               | <b>3,570</b>  |
| <b>Total</b>                   | <b>50,176</b>   | <b>38,178</b>          | <b>4,730</b>      | <b>93,084</b> |
| Share of Total                 | 54%             | 41%                    | 5%                | 100%          |

## Top 5 Countries in Sales

| <b>Country</b> | <b>Q2 2009</b> | <b>Q2 2010</b> | <b>Jan - Jun 2009</b> | <b>Jan - Jun 2010</b> |
|----------------|----------------|----------------|-----------------------|-----------------------|
| United States  | 10%            | 26%            | 9%                    | 22%                   |
| China          | 11%            | 6%             | 9%                    | 6%                    |
| Italy          | 5%             | 5%             | 5%                    | 4%                    |

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|                |    |    |    |    |
|----------------|----|----|----|----|
| United Kingdom | 4% | 3% | 4% | 4% |
| Japan          | 2% | 4% | 3% | 4% |

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## Provisions

| Isolated quarters, SEK million                     | 2009          |               |               |               | 2010          |               |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
|  | Q1            | Q2            | Q3            | Q4            | Q1            | Q2            |
| <b>Opening balance</b>                             | <b>14,350</b> | <b>12,592</b> | <b>13,957</b> | <b>12,386</b> | <b>12,431</b> | <b>12,064</b> |
| Additions  | 1,672         | 3,710         | 2,169         | 3,591         | 1,777         | 2,416         |
| Utilization/Cash out                               | -3,052        | -1,982        | -3,083        | -2,612        | -1,565        | -1,498        |
| <i>Of which restructuring</i>                      | <i>-1,179</i> | <i>-753</i>   | <i>-1,241</i> | <i>-1,075</i> | <i>-677</i>   | <i>-701</i>   |
| Reversal of excess amounts                         | -287          | -146          | -121          | -1,193        | -498          | -346          |
| Reclassification, translation difference and other | -91           | -217          | -536          | 259           | -81           | 425           |
| <b>Closing balance</b>                             | <b>12,592</b> | <b>13,957</b> | <b>12,386</b> | <b>12,431</b> | <b>12,064</b> | <b>13,061</b> |

| Year to date, SEK million                          | 2009          |               |               |               | 2010          |               |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
|  | Jan-Mar       | Jan-Jun       | Jan-Sep       | Jan-Dec       | Jan-Mar       | Jan-Jun       |
| <b>Opening balance</b>                             | <b>14,350</b> | <b>14,350</b> | <b>14,350</b> | <b>14,350</b> | <b>12,431</b> | <b>12,431</b> |
| Additions  | 1,672         | 5,382         | 7,551         | 11,142        | 1,777         | 4,193         |
| Utilization/Cash out                               | -3,052        | -5,034        | -8,117        | -10,729       | -1,565        | -3,063        |
| <i>Of which restructuring</i>                      | <i>-1,179</i> | <i>-1,932</i> | <i>-3,173</i> | <i>-4,248</i> | <i>-677</i>   | <i>-1,378</i> |
| Reversal of excess amounts                         | -287          | -433          | -554          | -1,747        | -498          | -844          |
| Reclassification, translation difference and other | -91           | -308          | -844          | -585          | -81           | 344           |
| <b>Closing balance</b>                             | <b>12,592</b> | <b>13,957</b> | <b>12,386</b> | <b>12,431</b> | <b>12,064</b> | <b>13,061</b> |

## Number of Employees

| End of period                                | 2009          |               |               |               | 2010          |               |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
|  | Mar 31        | Jun 30        | Sep 30        | Dec 31        | Mar 31        | Jun 30        |
| North America                                | 5,447         | 5,284         | 11,199        | 11,222        | 13,450        | 13,857        |
| Latin America                                | 8,031         | 7,858         | 5,721         | 6,055         | 6,134         | 6,150         |
| Northern Europe & Central Asia <sup>1)</sup> | 21,410        | 21,200        | 22,103        | 21,993        | 21,813        | 21,806        |
| Western & Central Europe                     | 11,615        | 11,822        | 11,701        | 11,622        | 11,418        | 11,174        |
| Mediterranean                                | 10,013        | 10,061        | 10,019        | 9,509         | 10,884        | 10,857        |
| Middle East                                  | 3,945         | 3,867         | 3,778         | 3,744         | 3,598         | 3,568         |
| Sub Saharan Africa                           | 1,832         | 1,853         | 2,202         | 2,104         | 2,044         | 1,944         |
| India  | 3,375         | 3,614         | 3,798         | 4,184         | 4,726         | 5,408         |
| China & North East Asia                      | 6,029         | 6,409         | 6,773         | 6,894         | 7,400         | 7,668         |
| South East Asia & Oceania                    | 5,223         | 5,280         | 5,232         | 5,166         | 5,070         | 4,981         |
| <b>Total</b>                                 | <b>76,920</b> | <b>77,248</b> | <b>82,526</b> | <b>82,493</b> | <b>86,537</b> | <b>87,413</b> |

<sup>1)</sup> *Of which Sweden*

18,812 18,605 18,311 18,217 18,082 18,070

Information on investments in assets subject to depreciation, amortization, impairment and write-downs

| SEK million                      | 2009  |       |     |       | 2010 |       |
|----------------------------------|-------|-------|-----|-------|------|-------|
|                                  | Q1    | Q2    | Q3  | Q4    | Q1   | Q2    |
| Additions                        |       |       |     |       |      |       |
| Property, plant and equipment    | 1,018 | 1,189 | 690 | 1,110 | 659  | 1,016 |
| Capitalized development expenses | 209   | 327   | 245 | 662   | 278  | 724   |

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|   |              |              |              |              |              |              |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
| IPR, brands and other intangible assets               | 7            | 50           | 438          | 5,941        | 622          | 521          |
| <b>Total</b>  | <b>1,234</b> | <b>1,566</b> | <b>1,373</b> | <b>7,713</b> | <b>1,559</b> | <b>2,261</b> |
| Depreciation, amortization and impairment losses      |              |              |              |              |              |              |
| Property, plant and equipment                         | 817          | 844          | 776          | 1,065        | 796          | 901          |
| Capitalized development expenses                      | 202          | 173          | 177          | 251          | 168          | 192          |
| IPR, brands and other intangible assets <sup>1)</sup> | 833          | 2,095        | 2,315        | 2,575        | 2,169        | 1,211        |
| <b>Total</b>  | <b>1,852</b> | <b>3,112</b> | <b>3,268</b> | <b>3,891</b> | <b>3,133</b> | <b>2,304</b> |
| <sup>1)</sup> <i>Of which restructuring costs</i>     |              | <i>1,275</i> | <i>1,509</i> | <i>1,471</i> | <i>945</i>   |              |

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## Other Information

|   | Apr - Jun |       | Jan - Jun |       | Jan - Dec |
|---|-----------|-------|-----------|-------|-----------|
|   | 2009      | 2010  | 2009      | 2010  | 2009      |
| <b>Number of shares and earnings per share</b>                        |           |       |           |       |           |
| Number of shares, end of period (million)                             | 3,273     | 3,273 | 3,273     | 3,273 | 3,273     |
| of which class A-shares (million)                                     | 262       | 262   | 262       | 262   | 262       |
| of which class B-shares (million)                                     | 3,011     | 3,011 | 3,011     | 3,011 | 3,011     |
| Number of treasury shares, end of period (million)                    | 84        | 76    | 84        | 76    | 79        |
| Number of shares outstanding, basic, end of period (million)          | 3,189     | 3,197 | 3,189     | 3,197 | 3,194     |
| Numbers of shares outstanding, diluted, end of period (million)       | 3,210     | 3,221 | 3,210     | 3,221 | 3,216     |
| Average number of treasury shares (million)                           | 76        | 77    | 68        | 77    | 75        |
| Average number of shares outstanding, basic (million)                 | 3,188     | 3,196 | 3,188     | 3,196 | 3,190     |
| Average number of shares outstanding, diluted (million) <sup>1)</sup> | 3,210     | 3,221 | 3,209     | 3,220 | 3,212     |
| Earnings per share, basic (SEK)                                       | 0.26      | 0.59  | 0.80      | 0.98  | 1.15      |
| Earnings per share, diluted (SEK) <sup>1)</sup>                       | 0.26      | 0.58  | 0.79      | 0.98  | 1.14      |

<sup>1)</sup> Potential ordinary shares are not considered when their conversion to ordinary shares would increase earnings per share.

**Ratios**

|   |      |      |        |        |        |
|---|------|------|--------|--------|--------|
| Days sales outstanding                    |      |      | 121    | 133    | 106    |
| Inventory turnover days                   | 79   | 81   | 78     | 81     | 68     |
| Payable days                              | 55   | 57   | 59     | 61     | 57     |
| Equity ratio (%)                          |      |      | 50.8%  | 50.7%  | 52.3%  |
| Return on equity (%)                      | 2.3% | 5.4% | 3.6%   | 4.5%   | 2.6%   |
| Return on capital employed (%)            | 2.6% | 7.7% | 4.6%   | 6.3%   | 4.3%   |
| Capital turnover (times)                  | 1.1  | 1.1  | 1.1    | 1.0    | 1.1    |
| Payment readiness, end of period          |      |      | 87,270 | 79,290 | 88,960 |
| Payment readiness, as percentage of sales |      |      | 42.9%  | 42.6%  | 43.1%  |

**Exchange rates used in the consolidation**

|                        |  |  |       |      |       |
|------------------------|--|--|-------|------|-------|
| SEK/EUR - average rate |  |  | 10.89 | 9.82 | 10.63 |
| - closing rate         |  |  | 10.82 | 9.52 | 10.30 |
| SEK/USD - average rate |  |  | 8.09  | 7.38 | 7.63  |
| - closing rate         |  |  | 7.66  | 7.75 | 7.18  |

**Other**

|                          |        |        |        |        |        |
|--------------------------|--------|--------|--------|--------|--------|
| Export sales from Sweden | 25,698 | 23,477 | 48,014 | 44,186 | 94,829 |
|--------------------------|--------|--------|--------|--------|--------|

Ericsson Planning Assumptions for Year 2010

**Research and development expenses**

We estimate R&D expenses for the full year 2010 to be at around SEK 28-30 b. The estimate includes amortizations/write-downs of intangible assets related to major acquisitions previously made and excludes restructuring charges. However, currency effects may cause this to change.

**Capital expenditures**

Excluding acquisitions, the capital expenditures in relation to sales are not expected to be significantly different in 2010, remaining at roughly two percent of sales.

**Utilization of provisions**

The expected utilization of provisions for year 2010 is stated in the Annual Report 2009.

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## Consolidated Operating Income excl. Restructuring Charges

| SEK million   | 2009         |              |              |              | 2010         |              |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
|   | Q1           | Q2           | Q3           | Q4           | Q1           | Q2           |
| Net sales   | 49,569       | 52,142       | 46,433       | 58,333       | 45,112       | 47,972       |
| Cost of sales   | -31,585      | -33,215      | -29,623      | -37,675      | -27,727      | -29,258      |
| <b>Gross income</b>   | 17,984       | 18,927       | 16,810       | 20,658       | 17,385       | 18,714       |
| Gross margin (%)  | 36.3%        | 36.3%        | 36.2%        | 35.4%        | 38.5%        | 39.0%        |
| Research and development expenses   | -6,802       | -6,761       | -6,418       | -7,029       | -7,265       | -7,133       |
| Selling and administrative expenses   | -6,809       | -6,886       | -5,164       | -7,014       | -5,881       | -6,752       |
| <b>Operating expenses</b>   | -13,611      | -13,647      | -11,582      | -14,043      | -13,146      | -13,885      |
| Other operating income and expenses   | 342          | 1,640        | 222          | 878          | 302          | 500          |
| <b>Operating income before share in earnings of JV and associated companies</b> | <b>4,715</b> | <b>6,920</b> | <b>5,450</b> | <b>7,493</b> | <b>4,541</b> | <b>5,329</b> |
| Operating margin before share in earnings of JV and associated companies (%)    | 9.5%         | 13.3%        | 11.7%        | 12.8%        | 10.1%        | 11.1%        |
| Share in earnings of JV and associated companies                                | -2,170       | -1,997       | -1,480       | -431         | -260         | -142         |
| <b>Operating income</b>   | 2,545        | 4,923        | 3,970        | 7,062        | 4,281        | 5,187        |
| Earnings per share, basic (SEK) excl. JV s and ass. comp                        | 1.19         | 1.53         | 1.21         | 1.37         | 0.96         | 1.10         |
| Earnings per share, diluted (SEK) <sup>1)</sup> excl. JV s and ass. comp        | 1.19         | 1.52         | 1.20         | 1.36         | 0.96         | 1.09         |

<sup>1)</sup> Potential ordinary shares are not considered when their conversion to ordinary shares would increase earnings per share.

## Restructuring Charges by Function

| SEK million  | 2009        |               |               |               | 2010          |               |
|--|-------------|---------------|---------------|---------------|---------------|---------------|
|  | Q1          | Q2            | Q3            | Q4            | Q1            | Q2            |
| <b>Isolated quarters, SEK million</b>                            | <b>Q1</b>   | <b>Q2</b>     | <b>Q3</b>     | <b>Q4</b>     | <b>Q1</b>     | <b>Q2</b>     |
| Cost of sales  | -371        | -1,317        | -832          | -1,660        | -800          | -977          |
| Research and development expenses                                | -278        | -1,690        | -1,800        | -2,277        | -261          | -619          |
| Selling and administrative expenses                              | -53         | -558          | -115          | -308          | -1,127        | -404          |
| <i>Subtotal Ericsson excluding Sony Ericsson and ST-Ericsson</i> | -702        | -3,565        | -2,747        | -4,245        | -2,188        | -2,000        |
| Share in Sony Ericsson charges                                   | -66         | -5            | -9            | -797          | -15           | -147          |
| Share in ST-Ericsson charges                                     | -2          | -140          | -70           | -233          | -97           | -19           |
| <i>Subtotal Sony Ericsson and ST-Ericsson</i>                    | -68         | -145          | -79           | -1,030        | -112          | -166          |
| <b>Total</b>   | <b>-770</b> | <b>-3,710</b> | <b>-2,826</b> | <b>-5,275</b> | <b>-2,300</b> | <b>-2,166</b> |

## Restructuring Charges by Segment

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| SEK million  | 2009        |               |               |               | 2010          |               |
|--|-------------|---------------|---------------|---------------|---------------|---------------|
| Isolated quarters, SEK million                                   | Q1          | Q2            | Q3            | Q4            | Q1            | Q2            |
| Networks   | -502        | -2,283        | -2,407        | -3,166        | -1,450        | -885          |
| Global Services  | -190        | -982          | -311          | -951          | -680          | -954          |
| <i>Of which Professional Services</i>                            | -175        | -767          | -252          | -850          | -588          | -830          |
| <i>Of which Network Rollout</i>                                  | -15         | -215          | -59           | -101          | -92           | -124          |
| Multimedia   | -10         | -277          | -28           | -70           | -45           | -153          |
| Unallocated  |             | -23           | -1            | -58           | -13           | -8            |
| <i>Subtotal Ericsson excluding Sony Ericsson and ST-Ericsson</i> | -702        | -3,565        | -2,747        | -4,245        | -2,188        | -2,000        |
| Sony Ericsson  | -66         | -5            | -9            | -797          | -15           | -147          |
| ST-Ericsson  | -2          | -140          | -70           | -233          | -97           | -19           |
| <i>Subtotal Sony Ericsson and ST-Ericsson</i>                    | -68         | -145          | -79           | -1030         | -112          | -166          |
| <b>Total</b>   | <b>-770</b> | <b>-3,710</b> | <b>-2,826</b> | <b>-5,275</b> | <b>-2,300</b> | <b>-2,166</b> |

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## Operating Income by Segment excl. Restructuring Charges

| Isolated quarters, SEK million                                   | 2009          |               |               |              | 2010         |              |
|--|---------------|---------------|---------------|--------------|--------------|--------------|
|  | Q1            | Q2            | Q3            | Q4           | Q1           | Q2           |
| Networks <sup>1)</sup>   | 3,569         | 3,548         | 3,545         | 5,294        | 2,990        | 3,392        |
| Global Services <sup>1)</sup>                                    | 1,710         | 3,231         | 1,737         | 2,027        | 2,005        | 2,331        |
| <i>Of which Professional Services</i>                            | <i>1,924</i>  | <i>3,032</i>  | <i>1,880</i>  | <i>2,197</i> | <i>2,007</i> | <i>2,161</i> |
| <i>Of which Network Rollout</i>                                  | <i>-214</i>   | <i>199</i>    | <i>-143</i>   | <i>-170</i>  | <i>-2</i>    | <i>170</i>   |
| Multimedia   | 54            | 295           | 358           | 333          | -290         | -326         |
| Unallocated <sup>2)</sup>  | -77           | -300          | -167          | -229         | -145         | -119         |
| <i>Subtotal Ericsson excluding Sony Ericsson and ST-Ericsson</i> | <i>5,256</i>  | <i>6,774</i>  | <i>5,473</i>  | <i>7,425</i> | <i>4,560</i> | <i>5,278</i> |
| Sony Ericsson  | -2,004        | -1,538        | -1,027        | -247         | 91           | 281          |
| ST-Ericsson <sup>3)</sup>  | -707          | -313          | -476          | -118         | -370         | -372         |
| <i>Subtotal Sony Ericsson and ST-Ericsson</i>                    | <i>-2,711</i> | <i>-1,851</i> | <i>-1,503</i> | <i>-365</i>  | <i>-279</i>  | <i>-91</i>   |
| <b>Total</b>   | <b>2,545</b>  | <b>4,923</b>  | <b>3,970</b>  | <b>7,060</b> | <b>4,281</b> | <b>5,187</b> |

## Operating Margin by Segment excl. Restructuring Charges

| As percentage of net sales, isolated quarters            | 2009       |            |            |            | 2010       |            |
|--|------------|------------|------------|------------|------------|------------|
|  | Q1         | Q2         | Q3         | Q4         | Q1         | Q2         |
| Networks <sup>1)</sup>                                   | 12%        | 12%        | 14%        | 17%        | 12%        | 13%        |
| Global Services <sup>1)</sup>                            | 10%        | 16%        | 9%         | 9%         | 11%        | 12%        |
| <i>Of which Professional Services</i>                    | <i>15%</i> | <i>22%</i> | <i>15%</i> | <i>13%</i> | <i>15%</i> | <i>15%</i> |
| <i>Of which Network Rollout</i>                          | <i>-5%</i> | <i>3%</i>  | <i>-2%</i> | <i>-3%</i> | <i>0%</i>  | <i>3%</i>  |
| Multimedia   | 2%         | 9%         | 11%        | 10%        | -13%       | -13%       |
| <b>Subtotal excluding Sony Ericsson and ST- Ericsson</b> | <b>11%</b> | <b>13%</b> | <b>12%</b> | <b>13%</b> | <b>10%</b> | <b>11%</b> |

## EBITA by Segment excl. Restructuring Charges

| Isolated quarters, SEK million                                   | 2009         |              |              |              | 2010         |              |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
|  | Q1           | Q2           | Q3           | Q4           | Q1           | Q2           |
| Networks <sup>1)</sup>   | 4,106        | 4,079        | 3,962        | 5,963        | 3,869        | 4,240        |
| Global Services <sup>1)</sup>                                    | 1,796        | 3,316        | 1,982        | 2,210        | 2,176        | 2,477        |
| <i>Of which Professional Services</i>                            | <i>2,000</i> | <i>3,106</i> | <i>2,115</i> | <i>2,353</i> | <i>2,150</i> | <i>2,276</i> |
| <i>Of which Network Rollout</i>                                  | <i>-204</i>  | <i>210</i>   | <i>-133</i>  | <i>-143</i>  | <i>26</i>    | <i>201</i>   |
| Multimedia   | 259          | 503          | 496          | 584          | -116         | -109         |
| Unallocated <sup>2)</sup>  | -73          | -304         | -161         | -226         | -145         | -119         |
| <i>Subtotal Ericsson excluding Sony Ericsson and ST-Ericsson</i> | <i>6,088</i> | <i>7,594</i> | <i>6,279</i> | <i>8,531</i> | <i>5,784</i> | <i>6,489</i> |
| Sony Ericsson  | -2,004       | -1,538       | -1,027       | -247         | 91           | 281          |
| ST-Ericsson <sup>3)</sup>  | -707         | -313         | -476         | -118         | -370         | -372         |

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*Subtotal Sony Ericsson and ST-Ericsson* -2,711 -1,851 -1,503 -365 -279 -91

**Total** 3,377 5,743 4,776 8,166 5,505 6,398

EBITA Margin by Segment excl. Restructuring Charges

| As percentage of net sales, isolated quarters           | 2009       |            |            |            | 2010       |            |
|---|------------|------------|------------|------------|------------|------------|
|   | Q1         | Q2         | Q3         | Q4         | Q1         | Q2         |
| Networks <sup>1)</sup>                                  | 14%        | 14%        | 16%        | 19%        | 16%        | 17%        |
| Global Services <sup>1)</sup>                           | 10%        | 17%        | 11%        | 10%        | 12%        | 12%        |
| <i>Of which Professional Services</i>                   | 16%        | 22%        | 17%        | 14%        | 16%        | 15%        |
| <i>Of which Network Rollout</i>                         | -4%        | 4%         | -2%        | -2%        | 1%         | 4%         |
| Multimedia  | 8%         | 15%        | 15%        | 17%        | -5%        | -5%        |
| <b>Subtotal excluding Sony Ericsson and ST-Ericsson</b> | <b>12%</b> | <b>15%</b> | <b>14%</b> | <b>15%</b> | <b>13%</b> | <b>14%</b> |

<sup>1)</sup> For 2009 Networks and Global Services are restated in accordance with the change in segments.

<sup>2)</sup> Unallocated consists mainly of costs for corporate staffs, non-operational capital gains and losses.

<sup>3)</sup> First quarter 2009 includes a loss of SEK 0.5 b for January for Ericsson Mobile Platforms operations which as from February 1, 2009, are reported in ST-Ericsson. Second quarter 2009 includes a capital gain of SEK 0.1 b related to Ericsson Mobile Platforms. Fourth quarter 2009 includes a gain of SEK 0.1 b related to Ericsson Mobile Platforms.

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**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 BLOMQUIST  
**Carl Olof Blomqvist**  
**Senior Vice President and**  
**General Counsel**

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

Date: July 23, 2010