

ERICSSON LM TELEPHONE CO

Form 6-K

October 20, 2011

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN ISSUER

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

the Securities Exchange Act of 1934

October 20, 2011

LM ERICSSON TELEPHONE COMPANY

(Translation of registrant's name into English)

Torshamnsgatan 23, Kista

SE-164 83, Stockholm, Sweden

(Address of principal executive offices)

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

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934. Yes No

Announcement of LM Ericsson Telephone Company, dated **October 20, 2011** regarding **ERICSSON REPORTS THIRD QUARTER RESULTS**

SIGNATURES

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

TELEFONAKTIEBOLAGET LM ERICSSON (publ)

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

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

Date: **October 20, 2011**

October 20, 2011

ERICSSON REPORTS THIRD QUARTER RESULTS

SEK b.	Third quarter			Second quarter		Nine months		
	2011 ¹⁾	2010 ²⁾	Change	2011 ¹⁾	Change	2011 ¹⁾	2010 ²⁾	Change
Net sales	55.5	47.5	17%	54.8	1%	163.3	140.6	16%
Gross margin	35.0%	39.0%		37.8%		37.1%	38.9%	
EBITA margin excl JVs	13.4%	15.8%		11.4%		13.0%	14.1%	
Operating income excl JVs	6.3	6.2	2%	5.0	25%	17.6	16.1	10%
Operating margin excl JVs	11.3%	13.0%		9.2%		10.8%	11.4%	
Ericsson's share in earnings in JVs	-0.6	0.0		-0.8		-1.9	-0.4	
Income after financial items	5.9	6.1	-3%	4.6	28%	16.3	15.2	7%
Net income	3.8	3.6	6%	3.2	18%	11.1	6.9	62%
EPS diluted, SEK	1.18	1.14	4%	0.96	23%	3.42	2.12	61%
EPS (Non-IFRS), SEK ³⁾	1.44	1.42	1%	1.21	19%	4.17	3.15	32%
Adjusted operating cash flow ⁴⁾	2.4	12.7		7.0		7.2	13.7	
Cash flow from operations	1.6	11.8		5.8		4.5	11.4	

¹⁾ Numbers for 2011 are stated incl. restructuring charges of SEK 0.4 b. in Q3, SEK 1.7 b. in Q2 and SEK 0.4 b. in Q1

²⁾ All numbers for 2010, excl. EPS, EPS (Non-IFRS), Net income and Cash flow from operations, are stated excl. restructuring charges. For details see section on restructuring under Financial Statements and Additional Information

³⁾ EPS, diluted, excl. amortizations and write-downs of acquired intangible assets

⁴⁾ Cash flow from operations excl. restructuring cash outlays that have been provided for

Group sales in the quarter increased by 17% year-over-year driven by a continued strong demand for mobile broadband as well as increased services revenues, says Hans Vestberg, President and CEO of Ericsson (NASDAQ:ERIC). Sales for comparable units, adjusted for currency and hedging, increased 24% year-over-year. Our performance year-to-date reaffirms our indications of a strengthened global market share. A higher proportion of coverage projects along with accelerating network modernization projects in Europe impacted gross margin negatively. Operating income, excluding joint ventures, was SEK 6.3 (6.2) b. in the quarter and net income amounted to SEK 3.8 (3.6) b., an increase of 6%.

Segment Networks sales grew 25% year-over-year. The sequential decrease of -3% is due to seasonality and reduced CDMA sales in North America. All regions except North America, Northern Europe & Central Asia, Mediterranean and India showed sequential growth in Networks. In the quarter, all remaining effects from the earthquake and tsunami in Japan in March this year on our supply chain have been eliminated and lead times are back to normal. With economic uncertainties in parts of the world, we cannot exclude somewhat more cautious short-term operator spending.

Segment Global Services sales grew 7% year-over-year and sequentially and Professional Services, currency adjusted, grew by 13% year-over-year. Managed services showed good development with increased sales of 12% sequentially, following 24 new managed services contracts reported in the second quarter. Segment Multimedia sales grew 11% year-over-year and 8% sequentially, with good traction also this quarter for revenue management in Middle East and Sub-Saharan Africa.

The quarter was mixed for our joint ventures. Sony Ericsson reported increased sales and improved average selling price. Our share of Sony Ericsson's profit was SEK 0.1 (0.3) b. ST-Ericsson's sales increased sequentially by 7% and revenues from new products continued to grow offsetting continuous decline in legacy products. Our share of ST-Ericsson's loss was SEK -0.7 (-0.4) b.

Increased global smart phone penetration, new devices and the introduction of tiered pricing is driving continued mobile data traffic growth. Mobile broadband subscriptions are expected to reach close to one billion by year-end and to reach close to five billion by 2016. 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, concludes Vestberg.

FINANCIAL HIGHLIGHTS

Income statement and cash flow

Sales in the quarter amounted to SEK 55.5 (47.5) b., up 17% year-over-year and 1% sequentially. Sales for comparable units, adjusted for currency exchange rate effects and hedging, increased 24% year-over-year. The strong growth in mobile broadband equipment that we have seen the past quarters, continued also this quarter. In this quarter, we also saw an uptake in the services segment.

Reported numbers for the third quarter 2011 include restructuring charges of SEK 0.4 b., while reported numbers for the third quarter 2010 exclude restructuring charges of SEK 0.9 b. Total estimated restructuring charges for 2011 remains at approximately SEK 3 b.

Gross margin in the quarter was down year-over-year to 35.0% (39.0%), and down from 37.8% sequentially. A higher proportion of coverage projects along with accelerating network modernization projects in Europe impacted gross margin negatively. Sequentially the increased share of services business also had a negative impact.

The network modernization projects in Europe, with their lower margins, will continue to accelerate in the fourth quarter. Average project duration is expected to be 18-24 months.

Total operating expenses amounted to SEK 13.5 (13.0) b. Typically, operating expenses are lower in the third quarter. R&D expenses amounted to SEK 7.8 (7.2) b., an increase of 8% year-over-year. The increase is a result of earlier communicated planned higher investments in radio, such as TD-LTE and IP as well as the acquired LG-Ericsson operations. Selling and general administrative expenses (SG&A) amounted to SEK 5.7 (5.7) b., representing 10% of sales compared to 12% in the third quarter 2010. Other operating income and expenses amounted to SEK 0.4 (0.6) b. in the quarter.

Operating income, excluding joint ventures, increased to SEK 6.3 (6.2) b. in the quarter despite a negative impact from restructuring charges of SEK 0.4 b. Operating margin decreased to 11.3% (13.0%) year-over-year and increased sequentially from 9.2%. In the second quarter operating income was impacted by a one-off restructuring charge of SEK 1.3 b. related to activities in Sweden.

Ericsson's share in earnings of joint ventures, before tax, was SEK -0.6 (0.0) b., compared to SEK -0.8 b. in the second quarter 2011 due to improved results in Sony Ericsson. Ericsson's share in Sony Ericsson's result was SEK 0.1 (0.3) b. and in ST-Ericsson SEK -0.7 (-0.4) b.

Financial net amounted to SEK 0.2 (-0.1) b. in the quarter as a result of positive revaluation effects from lower interest rates. Financial net decreased sequentially from SEK 0.3 b.

Net income improved year-over-year to SEK 3.8 (3.6) b. due to higher sales volumes. Sequentially net income increased from SEK 3.2 b. mainly due to improved operating margin.

Earnings per share were SEK 1.18 (1.14) in the quarter. Earnings per share, Non-IFRS, diluted, i.e. excluding amortizations and write-downs of acquired intangibles, were SEK 1.44 (1.42) in the third quarter, up 1%.

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Adjusted operating cash flow was SEK 2.4 (12.7) b. in the quarter. Cash flow from operations amounted to SEK 1.6 (11.8) b. Last year the quarter was positively impacted by exceptionally good collections. Cash outlays for restructuring amounted to SEK 0.7 (0.9) b. in the quarter. Cash outlays of SEK 1.8 b. remain to be made.

Balance sheet and other performance indicators

	Sept 30	June 30	Mar 31	Dec 31
SEK b.	2011	2011	2011	2010
Net cash	35.4	42.6	48.2	51.3
Interest-bearing liabilities and post-employment benefits	41.5	36.1	34.8	35.9
Trade receivables	65.6	60.2	60.6	61.1
Days sales outstanding	106	99	101	88
Inventory	38.6	35.1	32.1	29.9
Of which regional inventory	24.9	22.5	21.1	18.7
Inventory days	91	89	87	74
Payable days	67	68	70	62
Customer financing, net	4.6	4.0	4.2	4.4
Return on capital employed	13%	13%	13%	10%
Equity ratio	50%	52%	53%	52%

Trade receivables increased sequentially at SEK 65.6 (60.2) b. Days sales outstanding (DSO) increased from 99 to 106 days sequentially due to a higher share of projects with longer payment terms.

Inventory increased sequentially by SEK 3.5 b. to SEK 38.6 (35.1) b. In the quarter, we had good progress in normalizing the supply chain, however, there were remaining effects from the earlier mitigating activities taken in connection to the events in Japan. Inventory was also negatively impacted by a weaker SEK and a higher share of projects. Inventory turnover days increased from 89 to 91 days.

Goodwill increased SEK 1.4 b. to SEK 27.7 (26.3) b. due to a weaker SEK.

Cash, cash equivalents and short-term investments amounted to SEK 76.9 (78.7) b. The net cash position decreased sequentially by SEK 7.2 b. to SEK 35.4 (42.6) b. The post-employment benefits in Sweden has been recalculated due to lower discount rates resulting in a negative effect on net cash position of SEK -5.0 b. Furthermore, Ericsson's acquisition cost for Nortel's remaining patents and patent applications was close to SEK 2 b.

During the quarter approximately SEK 1.5 b. of provisions were utilized, of which SEK 0.7 b. related to restructuring. Additions of SEK 0.6 b. was made, of which nothing related to restructuring. Reversals of SEK 0.6 b. were made.

Total number of employees at the end of the quarter amounted to 100,890 (88,060), an increase by 2,961 from June 30, 2011, mainly related to our services business, primarily in India, China, Brazil and Italy.

SEGMENT RESULTS

Networks

SEK b.	Third quarter			Second quarter		Nine months		
	2011 ¹⁾	2010 ²⁾	Change	2011 ¹⁾	Change	2011 ¹⁾	2010 ²⁾	Change
Networks sales	32.5	26.1	25%	33.4	-3%	99.1	76.3	30%
EBITA margin ³⁾	16%	21%		16%		17%	18%	
Operating margin	13%	17%		14%		15%	14%	

¹⁾ All numbers for 2011 are stated incl. restructuring charges of SEK 0.1 b in Q3, SEK 1.0 b. in Q2 and SEK 0.2 b. in Q1

²⁾ All numbers for 2010 are stated excl. restructuring charges of SEK 0.6 b in Q3, SEK 0.9 b. in Q2 and SEK 1.5 b. in Q1

³⁾ EBITA Earnings before interest, tax, amortizations and write-downs of acquired intangibles

Networks sales in the quarter were SEK 32.5 (26.1) b., negatively impacted by the strong SEK year-over-year. The increase of 25% year-over-year was an effect of continued high sales in mobile broadband related equipment including packet core, IP routers and microwave based backhaul. The sequential decrease of -3% is due to seasonality and reduced CDMA sales in North America. All regions except North America, Northern Europe & Central Asia, Mediterranean and India showed sequential growth in Networks. In India 3G rollouts peaked in the second quarter.

Regions Latin America and Sub Saharan Africa developed favorably with especially strong growth in Brazil and Nigeria where operators invested in mobile broadband coverage. Japan also showed strong development in the quarter with a high degree of capacity investments. China had a somewhat slower quarter due to seasonality. In the quarter, all remaining effects from the earthquake and tsunami in Japan in March this year on our supply chain have been eliminated and lead times are back to normal. With economic uncertainties in parts of the world, we cannot exclude somewhat more cautious short-term operator spending.

EBITA margin in the quarter decreased year-over-year to 16% (21%) and was flat sequentially. In the second quarter 2011, margins were negatively impacted by one-off restructuring charges in Sweden. In the network modernization projects in Europe the old GSM- and WCDMA-radio base stations are now starting to be replaced with the new multi-standard radio.

Global Services

SEK b.	Third quarter			Second quarter		Nine months		
	2011 ¹⁾	2010 ²⁾	Change	2011 ¹⁾	Change	2011 ¹⁾	2010 ²⁾	Change
Global Services sales	20.4	19.1	7%	19.0	7%	56.9	57.3	-1%
Of which Professional Services	14.7	13.7	7%	13.5	9%	40.8	41.8	-3%
<i>Of which Managed Services</i>	<i>5.3</i>	<i>5.2</i>	<i>1%</i>	<i>4.7</i>	<i>12%</i>	<i>15.0</i>	<i>15.8</i>	<i>-5%</i>
Of which Network Rollout	5.7	5.3	7%	5.6	3%	16.1	15.4	5%
EBITA margin ³⁾	9%	12%		6%		8%	12%	
Of which Professional Services	14%	16%		13%		13%	16%	
Operating margin	9%	11%		5%		7%	11%	
Of which Professional Services	14%	16%		12				