

ERICSSON LM TELEPHONE CO

Form 6-K

July 15, 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**

**July 15, 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 July 15, 2011** regarding Sony Ericsson's second quarter report 2011

**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/ HENRY STÉNSON*  
**Henry Sténson**  
**Senior Vice President**  
**Corporate Communications**

Date: **July 15, 2011**

**PRESS RELEASE****JULY 15, 2011****Sony Ericsson reports second quarter 2011 results****Highlights:****Supply chain constraints from the Japan earthquake significantly impact Q2 results****Smartphones account for more than 70 percent of total sales****Android-based Xperia volume up 150 percent year-on-year**

The consolidated financial summary for Sony Ericsson Mobile Communications AB (Sony Ericsson) for the second quarter ended June 30, 2011 is as follows:

	Q2 2010	Q1 2011	Q2 2011
Number of units shipped (million)	11.0	8.1	<b>7.6</b>
Average selling price (Euro)	160	141	<b>156</b>
Sales (Euro m.)	1,757	1,145	<b>1,193</b>
Gross margin (%)	28%	33%	<b>31%</b>
Operating income (Euro m.)	36	19	<b>-37</b>
Operating margin (%)	2%	2%	<b>-3%</b>
Restructuring charges (Euro m.)	-32		
Operating income excl. restructuring charges (Euro m.)	68	19	<b>-37</b>
Operating margin excl. restructuring charges (%)	4%	2%	<b>-3%</b>
Income before taxes (IBT) (Euro m.)	31	15	<b>-42</b>
IBT excl. restructuring charges (Euro m.)	63	15	<b>-42</b>
Net income (Euro m.)	12	11	<b>-50</b>

Bert Nordberg, President and CEO of Sony Ericsson commented, "Sony Ericsson's second quarter profitability was affected by the March 11 earthquake in Japan. We estimate that the impact of earthquake-related supply chain constraints on our portfolio was close to 1.5 million units, with most of the effect in the early part of the quarter. Our shift to Android-based smartphones continues with smartphone sales accounting for more than 70 percent of our total sales during the quarter. We have shipped more than 16 million Xperia smartphones to date. We have introduced eight new Xperia smartphones this year and we continue to see strong consumer and operator demand across the Xperia smartphone portfolio."

Units shipped during the quarter were 7.6 million, a 31% decrease year-on-year and a 6% decrease sequentially, due to a decrease in volume caused by constrained supply of critical components and an anticipated decline in the number of feature phones shipped.

Average selling price (ASP) for the quarter was Euro 156, a 3% decrease year-on-year but an 11% increase sequentially. The year-on-year decrease is due to product and geographic mix and price erosion. The sequential increase in ASP is attributed to favorable product and geographic mix, more than offsetting price erosion and unfavorable foreign exchange rates.

Sales for the quarter were Euro 1,193 million, a 32% decrease year-on-year and a 4% increase sequentially.

The gross margin percentage for the quarter was 31% with an improvement of 3 percentage points

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year-on-year that included restructuring charges, and a decrease of 2 percentage points from the previous quarter, which included the benefit of some larger than normal items relating to royalty matters and warranty estimates.

Loss before taxes for the quarter was Euro 42 million, compared to an income before taxes of Euro 31 million for the same quarter in the previous year, due to lower volume. Income before taxes for the previous quarter was Euro 15 million. The sequential change was reflective of lower gross margin and higher operating expenses.

The quarter ended in a net loss of Euro 50 million, compared to a net income of Euro 12 million in the same quarter in the previous year, and Euro 11 million in the last quarter. Tax expenses in this quarter included the impact of tax adjustments and the distribution of profits and losses between various jurisdictions.

Cash flow from operating activities during the quarter was negative Euro 224 million, mainly due to increases in accounts receivables and inventories, negative net income and timing of certain payments. New external borrowings of Euro 165 million were made during the quarter to enhance liquidity and growth, resulting in total borrowings of Euro 769 million at the end of the quarter. Total cash balances at June 30, 2011 amounted to Euro 516 million.

Sony Ericsson estimates that its share in the global Android-based smartphone market during the quarter was approximately 11% in volume and 11% in value.

Sony Ericsson maintains its forecast for modest industry growth in total units in the global handset market for 2011.

The liquid identity is a registered trademark of Sony Ericsson Mobile Communications AB. Xperia is a trademark of Sony Ericsson Mobile Communications AB. Sony is a registered trademark of Sony Corporation. Ericsson is a registered trademark of Telefonaktiebolaget LM Ericsson. Any rights not expressly granted herein are reserved and subject to change without prior notice.

#### **EDITOR S NOTES:**

##### **Financial statements:**

Consolidated income statement

Consolidated income statement isolated quarters

Consolidated balance sheet

Consolidated statement of cash flows

Consolidated statement of cash flows isolated quarters

Net sales by market area by quarter

#### **About Sony Ericsson**

Sony Ericsson celebrates its 10th year as a joint venture between Sony Corporation and Ericsson in October 2011. Over the years Sony Ericsson has brought together the best communication technologies with superior entertainment user experiences to create its Xperia line of the most entertaining smartphones in the mobile handset industry. With its global corporate functions in London, Sony Ericsson has sales and marketing operations in all major regions of the world, as well as manufacturing operations in China, and product development sites in China, Japan, Sweden and Silicon Valley, California. For more information, please visit: [www.sonyericsson.com/press](http://www.sonyericsson.com/press).

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#### **CONTACTS:**

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*This press release contains forward-looking statements that involve inherent risks and uncertainties. Sony Ericsson has identified certain important factors that may cause actual results to differ materially from those contained in such forward-looking statements. For a detailed description of risk factors see Sony's and Ericsson's filings with the US Securities and Exchange Commission, particularly each company's latest published Annual Report on Form 20-F.*

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## Sony Ericsson

## CONSOLIDATED INCOME STATEMENT

EUR million	Apr-Jun			Jan-Jun		
	2010	2011	Change	2010	2011	Change
Net sales	1,757	1,193	-32%	3,162	2,339	-26%
Cost of sales	-1,266	-828	-35%	-2,241	-1,592	-29%
<b>Gross profit</b>	<b>492</b>	<b>365</b>	<b>-26%</b>	<b>921</b>	<b>747</b>	<b>-19%</b>
Gross margin %	28%	31%	3pp	29%	32%	3 pp
Research and development expenses	-191	-184	-4%	-376	-357	-5%
Selling and administrative expenses	-272	-224	-18%	-510	-423	-17%
<b>Operating expenses</b>	<b>-463</b>	<b>-408</b>	<b>-12%</b>	<b>-886</b>	<b>-780</b>	<b>-12%</b>
Other operating income, net	7	6	-14%	21	16	-24%
<b>Operating income</b>	<b>36</b>	<b>-37</b>		<b>57</b>	<b>-17</b>	
Operating margin %	2%	-3%	-5pp	2%	-1%	-3pp
Financial income	2	5	150%	9	8	-11%
Financial expenses	-7	-10	43%	-16	-18	13%
<b>Income before taxes</b>	<b>31</b>	<b>-42</b>		<b>50</b>	<b>-27</b>	
Taxes	-16	-3	-81%	-10	-9	-10%
Minority interest	-4	-5	25%	-7	-4	-43%
<b>Net income</b>	<b>12</b>	<b>-50</b>		<b>33</b>	<b>-40</b>	
Number of units shipped (million)	11.0	7.6	-31%	21.5	15.8	-27%
ASP (EUR)	160	156	-3%	147	148	1%
EUR million	Apr-Jun			Jan-Jun		
Restructuring charges	2010	2011		2010	2011	
Cost of sales	-33			-31		
Research and development expenses	-1			-3		
Selling and administrative expenses	2			-1		
Total	-32			-35		

\* Operating expenses in 2010 have been restated to reflect certain organizational changes.

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## CONSOLIDATED INCOME STATEMENT - ISOLATED QUARTERS

EUR million	2010				2011	
	Q1	Q2	Q3	Q4	Q1	Q2
Net sales	1,405	1,757	1,603	1,528	1,145	1,193
Cost of sales	-975	-1,266	-1,130	-1,069	-763	-828
<b>Gross profit</b>	<b>429</b>	<b>492</b>	<b>473</b>	<b>459</b>	<b>382</b>	<b>365</b>
Gross margin %	31%	28%	30%	30%	33%	31%
Research and development expenses	-185	-191	-179	-191	-173	-184
Selling and administrative expenses	-238	-272	-241	-236	-199	-224
<b>Operating expenses</b>	<b>-423</b>	<b>-463</b>	<b>-420</b>	<b>-427</b>	<b>-372</b>	<b>-408</b>
Other operating income, net	14	7	10	7	10	6
<b>Operating income</b>	<b>20</b>	<b>36</b>	<b>63</b>	<b>39</b>	<b>19</b>	<b>-37</b>
Operating margin %	1%	2%	4%	3%	2%	-3%
Financial income	7	2	7	2	3	5
Financial expenses	-9	-7	-8	-6	-8	-10
<b>Income before taxes</b>	<b>18</b>	<b>31</b>	<b>62</b>	<b>35</b>	<b>15</b>	<b>-42</b>
Taxes	6	-16	-12	-27	-5	-3
Minority interest	-3	-4	-2	0	1	-5
<b>Net income</b>	<b>21</b>	<b>12</b>	<b>49</b>	<b>8</b>	<b>11</b>	<b>-50</b>
Number of units shipped (million)	10.5	11.0	10.4	11.2	8.1	7.6
ASP (EUR)	134	160	154	136	141	156

EUR million	2010				2011	
	Q1	Q2	Q3	Q4	Q1	Q2
Restructuring charges						
Cost of sales	2	-33	-3	2		
Research and development expenses	-2	-1	5	0		
Selling and administrative expenses	-3	2	-6	-5		
Total	-3	-32	-4	-3		

\* Operating expenses in 2010 have been restated to reflect certain organizational changes.

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## CONSOLIDATED BALANCE SHEET

EUR million	Jun 30 2010	Dec 31 2010	Mar 31 2011	Jun 30 2011
<b>ASSETS</b>				
<b>Total fixed and financial assets</b>	<b>836</b>	<b>803</b>	<b>791</b>	<b>819</b>
<b>Current assets</b>				
Inventories	467	460	510	570
Accounts receivable	1,063	836	755	872
Other assets	412	295	304	330
Other short-term cash investments	477	276	417	329
Cash and bank	562	329	182	188
<b>Total current assets</b>	<b>2,981</b>	<b>2,196</b>	<b>2,168</b>	<b>2,289</b>
<b>Total assets</b>	<b>3,817</b>	<b>2,999</b>	<b>2,959</b>	<b>3,108</b>
<b>SHAREHOLDERS EQUITY AND LIABILITIES</b>				
Shareholders equity	510	532	496	451
Minority interest	66	42	38	43
<b>Total equity</b>	<b>575</b>	<b>574</b>	<b>534</b>	<b>494</b>
Borrowing, Non Current	101	100	0	0
Other long-term liabilities	40	32	30	31
<b>Total long-term liabilities</b>	<b>141</b>	<b>132</b>	<b>30</b>	<b>31</b>
Accounts payable	973	769	701	716
Borrowing, Current	329	130	604	769
Other current liabilities	1,798	1,394	1,090	1,098
<b>Total current liabilities</b>	<b>3,101</b>	<b>2,293</b>	<b>2,394</b>	<b>2,583</b>
<b>Total shareholders equity and liabilities</b>	<b>3,817</b>	<b>2,999</b>	<b>2,959</b>	<b>3,108</b>
Net cash*	609	375	-5	-252

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

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**CONSOLIDATED STATEMENT OF CASH FLOWS**

EUR million	Apr-Jun		Jan-Jun	
	2010	2011	2010	2011
<b>OPERATING</b>				
Net income	12	-50	33	-40
Adjustments to reconcile net income to cash	4	-29	-40	-166
	<b>16</b>	<b>-79</b>	<b>-6</b>	<b>-206</b>
Changes in operating net assets	13	-145	-58	-371
<b>Cash flow from operating activities</b>	<b>29</b>	<b>-224</b>	<b>-65</b>	<b>-577</b>
<b>INVESTING</b>				
Investing activities	-15	-21	12	-36
<b>Cash flow from investing activities</b>	<b>-15</b>	<b>-21</b>	<b>12</b>	<b>-36</b>
<b>FINANCING</b>				
Financing activities	0	165	150	541
<b>Cash flow from financing activities</b>	<b>0</b>	<b>165</b>	<b>150</b>	<b>541</b>
<b>Net change in cash</b>	<b>15</b>	<b>-80</b>	<b>97</b>	<b>-72</b>
<b>Cash, beginning of period</b>	<b>980</b>	<b>599</b>	<b>878</b>	<b>605</b>
<b>Translation difference in Cash</b>	<b>45</b>	<b>-3</b>	<b>64</b>	<b>-17</b>
<b>Cash, end of period</b>	<b>1,039</b>	<b>516</b>	<b>1,039</b>	<b>516</b>

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## CONSOLIDATED STATEMENT OF CASH FLOWS - ISOLATED QUARTERS

EUR million	2010				2011	
	Q1	Q2	Q3	Q4	Q1	Q2
<b>OPERATING</b>						
Net income	21	12	49	8	11	-50
Adjustments to reconcile net income to cash	-44	4	-66	-50	-137	-29
	<b>-23</b>	<b>16</b>	<b>-17</b>	<b>-42</b>	<b>-127</b>	<b>-79</b>
Changes in operating net assets	-72	13	-38	-86	-226	-145
<b>Cash flow from operating activities</b>	<b>-94</b>	<b>29</b>	<b>-54</b>	<b>-128</b>	<b>-353</b>	<b>-224</b>
<b>INVESTING</b>						
Investing activities	27	-15	2	-18	-14	-21
<b>Cash flow from investing activities</b>	<b>27</b>	<b>-15</b>	<b>2</b>	<b>-18</b>	<b>-14</b>	<b>-21</b>
<b>FINANCING</b>						
Financing activities	150	0	-32	-178	375	165
<b>Cash flow from financing activities</b>	<b>150</b>	<b>0</b>	<b>-32</b>	<b>-178</b>	<b>375</b>	<b>165</b>
<b>Net change in cash</b>	<b>83</b>	<b>15</b>	<b>-85</b>	<b>-324</b>	<b>8</b>	<b>-80</b>
<b>Cash, beginning of period</b>	<b>878</b>	<b>980</b>	<b>1,039</b>	<b>921</b>	<b>605</b>	<b>599</b>
<b>Translation difference in Cash</b>	<b>19</b>	<b>45</b>	<b>-33</b>	<b>7</b>	<b>-14</b>	<b>-3</b>
<b>Cash, end of period</b>	<b>980</b>	<b>1,039</b>	<b>921</b>	<b>605</b>	<b>599</b>	<b>516</b>

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## NET SALES BY MARKET AREA BY QUARTER

EUR million	2010				2011	
Isolated quarters	Q1	Q2	Q3	Q4	Q1	Q2
Europe, Middle East & Africa *	711	876	837	795	485	435
Americas	201	223	222	205	151	193
Asia	493	659	544	528	509	565
<b>Total</b>	<b>1,405</b>	<b>1,757</b>	<b>1,603</b>	<b>1,528</b>	<b>1,145</b>	<b>1,193</b>
* of which Western Europe	525	668	632	569	307	323
Sequential change (%)	2010				2011	
	Q1	Q2	Q3	Q4	Q1	Q2
Europe, Middle East & Africa *	-26%	23%	-4%	-5%	-39%	-10%
Americas	-9%	11%	0%	-8%	-26%	28%
Asia	-12%	34%	-17%	-3%	-4%	11%
<b>Total</b>	<b>-20%</b>	<b>25%</b>	<b>-9%</b>	<b>-5%</b>	<b>-25%</b>	<b>4%</b>
* of which Western Europe	-23%	27%	-5%	-10%	-46%	5%
Year over year change (%)	2010				2011	
	Q1	Q2	Q3	Q4	Q1	Q2
Europe, Middle East & Africa *	-27%	-6%	-4%	-18%	-32%	-50%
Americas	1%	14%	-4%	-8%	-25%	-13%
Asia	-12%	17%	6%	-6%	3%	-14%
<b>Total</b>	<b>-19%</b>	<b>4%</b>	<b>-1%</b>	<b>-13%</b>	<b>-19%</b>	<b>-32%</b>
* of which Western Europe	-27%	-1%	-1%	-16%	-42%	-52%
Year to date	2010				2011	
	1003	1006	1009	1012	1103	1106
Europe, Middle East & Africa *	711	1,587	2,424	3,219	485	919
Americas	201	424	646	851	151	345
Asia	493	1,152	1,695	2,224	509	1,075
<b>Total</b>	<b>1,405</b>	<b>3,162</b>	<b>4,765</b>	<b>6,294</b>	<b>1,145</b>	<b>2,339</b>
* of which Western Europe	525	1,193	1,825	2,393	307	630
YTD year over year change (%)	2010				2011	
	1003	1006	1009	1012	1103	1106
Europe, Middle East & Africa *	-27%	-17%	-13%	-14%	-32%	-42%
Americas	1%	7%	3%	0%	-25%	-19%
Asia	-12%	3%	4%	1%	3%	-7%
<b>Total</b>	<b>-19%</b>	<b>-8%</b>	<b>-5%</b>	<b>-7%</b>	<b>-19%</b>	<b>-26%</b>
* of which Western Europe	-27%	-15%	-10%	-12%	-42%	-47%

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