

ERICSSON LM TELEPHONE CO

Form 6-K

October 14, 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 14, 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 14, 2011** regarding **Sony Ericsson reports third quarter 2011 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 14, 2011**

**PRESS RELEASE****OCTOBER 14, 2011****Sony Ericsson reports third quarter 2011 results****Highlights:****Income before taxes was Euro 31 million****33 percent increase in sales quarter-on-quarter****Smartphones account for more than 80 percent of total sales**

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

|  | Q3 2010 | Q2 2011 | Q3 2011      |
|--|---------|---------|--------------|
| Number of units shipped (million)                      | 10.4    | 7.6     | <b>9.5</b>   |
| Average selling price (Euro)                           | 154     | 156     | <b>166</b>   |
| Sales (Euro m.)  | 1,603   | 1,193   | <b>1,586</b> |
| Gross margin (%)                                       | 30%     | 31%     | <b>27%</b>   |
| Operating income (Euro m.)                             | 63      | -37     | <b>38</b>    |
| Operating margin (%)                                   | 4%      | -3%     | <b>2%</b>    |
| Restructuring charges (Euro m.)                        | 4       |         |              |
| Operating income excl. restructuring charges (Euro m.) | 67      | -37     | 38           |
| Operating margin excl. restructuring charges (%)       | 4%      | -3%     | 2%           |
| Income before taxes (IBT) (Euro m.)                    | 62      | -42     | <b>31</b>    |
| IBT excl. restructuring charges (Euro m.)              | 66      | -42     | 31           |
| Net income (Euro m.)                                   | 49      | -50     | <b>0</b>     |

Bert Nordberg, President and CEO of Sony Ericsson commented, We delivered a solid 73 million Euro improvement in income before taxes as we rebounded from the previous quarter with a 33 percent increase in sales. Android-based Xperia smartphone sales now account for more than 80 percent of sales and we have shipped 22 million Xperia smartphones to date. We will continue to invest in the smartphone market, shifting the entire portfolio to smartphones during 2012.

Units shipped during the quarter were 9.5 million, a 9% decrease year-on-year due to a decline in feature phone shipments, partially offset by an increase in smartphone shipments. The 25% quarter-on-quarter increase was due to the higher volume of smartphones shipped.

Average selling price (ASP) for the quarter was Euro 166, up 8% year-on-year and 6% sequentially. The year-on-year increase was due to the shift to smartphones and geographic mix despite a negative effect from foreign exchange rates. The sequential increase was due to product and geographic mix.

Sales for the quarter were approximately Euro 1.6 billion and essentially flat year-on-year.

The gross margin percentage for the quarter was 27%, a decrease of 3 percentage points year-on-year and 4 percentage points from the previous quarter. The year-on-year decrease in margin is attributed to product and geographic mix. The sequential decrease in margin was due to inventory-related adjustments and product and geographic mix.

Income before taxes for the quarter was Euro 31 million, compared to income before taxes of Euro

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62 million for the same quarter in the previous year. Loss before taxes for the previous quarter was Euro 42 million. The sequential improvement was reflective of higher sales and lower operating expenses, while the year-on-year decline was due to lower gross margin percentage offset by lower operating expenses.

Net income during the quarter improved by Euro 50 million sequentially, while net income decreased by Euro 49 million year-on-year. Income taxes recorded during the quarter reflect the distribution of profits and losses between various jurisdictions and tax adjustments. Minority interest reflects higher net income at a majority-owned joint venture company.

Cash flow from operating activities during the quarter was Euro 53 million. External borrowings of Euro 51 million were repaid during the quarter, resulting in total borrowings of Euro 718 million at the end of the quarter. Total cash balances at September 30, 2011 amounted to Euro 466 million.

Sony Ericsson estimates that its share of the global Android-based smartphone market during the quarter was approximately 12% 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.

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#### **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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*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                         | 2010        | Jul-Sep<br>2011 | Change       | 2010          | Jan-Sep<br>2011 | Change      |
|-------------------------------------|-------------|-----------------|--------------|---------------|-----------------|-------------|
| Net sales                           | 1,603       | 1,586           | -1%          | 4,765         | 3,924           | -18%        |
| Cost of sales                       | -1,130      | -1,159          | 3%           | -3,371        | -2,750          | -18%        |
| <b>Gross profit</b>                 | <b>473</b>  | <b>427</b>      | <b>-10%</b>  | <b>1,394</b>  | <b>1,174</b>    | <b>-16%</b> |
| Gross margin %                      | 30%         | 27%             | -3 pp        | 29%           | 30%             | 1pp         |
| Research and development expenses   | -179        | -190            | 6%           | -555          | -547            | -1%         |
| Selling and administrative expenses | -241        | -207            | -14%         | -750          | -630            | -16%        |
| <b>Operating expenses</b>           | <b>-420</b> | <b>-397</b>     | <b>-5%</b>   | <b>-1,305</b> | <b>-1,177</b>   | <b>-10%</b> |
| Other operating income, net         | 10          | 8               | -20%         | 31            | 24              | -23%        |
| <b>Operating income</b>             | <b>63</b>   | <b>38</b>       | <b>-40%</b>  | <b>120</b>    | <b>21</b>       | <b>-83%</b> |
| Operating margin %                  | 4%          | 2%              | -2pp         | 3%            | 1%              | -2pp        |
| Financial income                    | 7           | 7               | 0%           | 16            | 15              | -6%         |
| Financial expenses                  | -8          | -14             | 75%          | -24           | -32             | 33%         |
| <b>Income before taxes</b>          | <b>62</b>   | <b>31</b>       | <b>-50%</b>  | <b>112</b>    | <b>4</b>        | <b>-96%</b> |
| Taxes                               | -12         | -17             | 42%          | -21           | -26             | 24%         |
| Minority interest                   | -2          | -14             | 600%         | -8            | -18             | 125%        |
| <b>Net income</b>                   | <b>49</b>   | <b>0</b>        | <b>-100%</b> | <b>82</b>     | <b>-40</b>      |             |
| Number of units shipped (million)   | 10.4        | 9.5             | -9%          | 31.9          | 25.3            | -21%        |
| ASP (EUR)                           | 154         | 166             | 8%           | 150           | 155             | 3%          |

| EUR million                         | Jul-Sep |      | Jan-Sep |      |
|-------------------------------------|---------|------|---------|------|
|                                     | 2010    | 2011 | 2010    | 2011 |
| Restructuring charges               |         |      |         |      |
| Cost of sales                       | -3      |      | -34     |      |
| Research and development expenses   | 5       |      | 2       |      |
| Selling and administrative expenses | -6      |      | -7      |      |
| Total                               | -4      |      | -39     |      |

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

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## Sony Ericsson

## CONSOLIDATED INCOME STATEMENT - ISOLATED QUARTERS

| EUR million                         | 2010        |             |             |             | 2011        |             |             |
|-------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|                                     | Q1          | Q2          | Q3          | Q4          | Q1          | Q2          | Q3          |
| Net sales                           | 1,405       | 1,757       | 1,603       | 1,528       | 1,145       | 1,193       | 1,586       |
| Cost of sales                       | -975        | -1,266      | -1,130      | -1,069      | -763        | -828        | -1,159      |
| <b>Gross profit</b>                 | <b>429</b>  | <b>492</b>  | <b>473</b>  | <b>459</b>  | <b>382</b>  | <b>365</b>  | <b>427</b>  |
| Gross margin %                      | 31%         | 28%         | 30%         | 30%         | 33%         | 31%         | 27%         |
| Research and development expenses   | -185        | -191        | -179        | -191        | -173        | -184        | -190        |
| Selling and administrative expenses | -238        | -272        | -241        | -236        | -199        | -224        | -207        |
| <b>Operating expenses</b>           | <b>-423</b> | <b>-463</b> | <b>-420</b> | <b>-427</b> | <b>-372</b> | <b>-408</b> | <b>-397</b> |
| Other operating income, net         | 14          | 7           | 10          | 7           | 10          | 6           | 8           |
| <b>Operating income</b>             | <b>20</b>   | <b>36</b>   | <b>63</b>   | <b>39</b>   | <b>19</b>   | <b>-37</b>  | <b>38</b>   |
| Operating margin %                  | 1%          | 2%          | 4%          | 3%          | 2%          | -3%         | 2%          |
| Financial income                    | 7           | 2           | 7           | 2           | 3           | 5           | 7           |
| Financial expenses                  | -9          | -7          | -8          | -6          | -8          | -10         | -14         |
| <b>Income before taxes</b>          | <b>18</b>   | <b>31</b>   | <b>62</b>   | <b>35</b>   | <b>15</b>   | <b>-42</b>  | <b>31</b>   |
| Taxes                               | 6           | -16         | -12         | -27         | -5          | -3          | -17         |
| Minority interest                   | -3          | -4          | -2          | 0           | 1           | -5          | -14         |
| <b>Net income</b>                   | <b>21</b>   | <b>12</b>   | <b>49</b>   | <b>8</b>    | <b>11</b>   | <b>-50</b>  | <b>0</b>    |
| Number of units shipped (million)   | 10.5        | 11.0        | 10.4        | 11.2        | 8.1         | 7.6         | 9.5         |
| ASP (EUR)                           | 134         | 160         | 154         | 136         | 141         | 156         | 166         |

| EUR million                         | 2010 |     |    |    | 2011 |    |    |
|-------------------------------------|------|-----|----|----|------|----|----|
|                                     | Q1   | Q2  | Q3 | Q4 | Q1   | Q2 | Q3 |
| 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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## Sony Ericsson

## CONSOLIDATED BALANCE SHEET

| EUR million                                       | Sep 30<br>2010 | Dec 31<br>2010 | Jun 30<br>2011 | Sep 30<br>2011 |
|---|----------------|----------------|----------------|----------------|
| <b>ASSETS</b>                                     |                |                |                |                |
| <b>Total fixed and financial assets</b>           | <b>813</b>     | <b>803</b>     | <b>819</b>     | <b>890</b>     |
| <b>Current assets</b>                             |                |                |                |                |
| Inventories                                       | 457            | 460            | 570            | 656            |
| Accounts receivable                               | 986            | 836            | 872            | 1,090          |
| Other assets                                      | 328            | 295            | 330            | 408            |
| Other short-term cash investments                 | 440            | 276            | 329            | 301            |
| Cash and bank                                     | 482            | 329            | 188            | 165            |
| <b>Total current assets</b>                       | <b>2,692</b>   | <b>2,196</b>   | <b>2,289</b>   | <b>2,620</b>   |
| <b>Total assets</b>                               | <b>3,505</b>   | <b>2,999</b>   | <b>3,108</b>   | <b>3,510</b>   |
| <b>SHAREHOLDERS EQUITY AND LIABILITIES</b>        |                |                |                |                |
| Shareholders' equity                              | 480            | 532            | 451            | 507            |
| Minority interest                                 | 62             | 42             | 43             | 60             |
| <b>Total equity</b>                               | <b>541</b>     | <b>574</b>     | <b>494</b>     | <b>567</b>     |
| Borrowing, Non Current                            | 100            | 100            | 0              | 0              |
| Other long-term liabilities                       | 30             | 32             | 31             | 40             |
| <b>Total long-term liabilities</b>                | <b>130</b>     | <b>132</b>     | <b>31</b>      | <b>40</b>      |
| Accounts payable                                  | 922            | 769            | 716            | 1,050          |
| Borrowing, Current                                | 284            | 130            | 769            | 718            |
| Other current liabilities                         | 1,628          | 1,394          | 1,098          | 1,135          |
| <b>Total current liabilities</b>                  | <b>2,834</b>   | <b>2,293</b>   | <b>2,583</b>   | <b>2,903</b>   |
| <b>Total shareholders' equity and liabilities</b> | <b>3,505</b>   | <b>2,999</b>   | <b>3,108</b>   | <b>3,510</b>   |
| Net cash*   | 538            | 375            | -252           | -252           |

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

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## Sony Ericsson

## CONSOLIDATED STATEMENT OF CASH FLOWS

| EUR million                                 | Jul-Sep      |            | Jan-Sep     |             |
|---|--------------|------------|-------------|-------------|
|   | 2010         | 2011       | 2010        | 2011        |
| <b>OPERATING</b>                            |              |            |             |             |
| Net income                                  | 49           | 0          | 82          | -40         |
| Adjustments to reconcile net income to cash | -66          | 27         | -105        | -139        |
|   | -17          | 27         | -23         | -179        |
| Changes in operating net assets             | -38          | 26         | -96         | -345        |
| <b>Cash flow from operating activities</b>  | <b>-54</b>   | <b>53</b>  | <b>-119</b> | <b>-524</b> |
| <b>INVESTING</b>                            |              |            |             |             |
| Investing activities                        | 2            | -58        | 14          | -94         |
| <b>Cash flow from investing activities</b>  | <b>2</b>     | <b>-58</b> | <b>14</b>   | <b>-94</b>  |
| <b>FINANCING</b>                            |              |            |             |             |
| Financing activities                        | -32          | -56        | 118         | 485         |
| <b>Cash flow from financing activities</b>  | <b>-32</b>   | <b>-56</b> | <b>118</b>  | <b>485</b>  |
| <b>Net change in cash</b>                   | <b>-85</b>   | <b>-61</b> | <b>12</b>   | <b>-133</b> |
| <b>Cash, beginning of period</b>            | <b>1,039</b> | <b>516</b> | <b>878</b>  | <b>605</b>  |
| <b>Translation difference in Cash</b>       | <b>-33</b>   | <b>11</b>  | <b>31</b>   | <b>-6</b>   |
| <b>Cash, end of period</b>                  | <b>921</b>   | <b>466</b> | <b>921</b>  | <b>466</b>  |

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## CONSOLIDATED STATEMENT OF CASH FLOWS - ISOLATED QUARTERS

| EUR million                                 | Q1         | 2010         |              | Q4          | Q1          | 2011        |            |
|---|------------|--------------|--------------|-------------|-------------|-------------|------------|
|   |            | Q2           | Q3           |             |             | Q2          | Q3         |
| <b>OPERATING</b>                            |            |              |              |             |             |             |            |
| Net income                                  | 21         | 12           | 49           | 8           | 11          | -50         | 0          |
| Adjustments to reconcile net income to cash | -44        | 4            | -66          | -50         | -137        | -29         | 27         |
|   | <b>-23</b> | <b>16</b>    | <b>-17</b>   | <b>-42</b>  | <b>-127</b> | <b>-79</b>  | <b>27</b>  |
| Changes in operating net assets             | -72        | 13           | -38          | -86         | -226        | -145        | 26         |
| <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>53</b>  |
| <b>INVESTING</b>                            |            |              |              |             |             |             |            |
| Investing activities                        | 27         | -15          | 2            | -18         | -14         | -21         | -58        |
| <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>-58</b> |
| <b>FINANCING</b>                            |            |              |              |             |             |             |            |
| Financing activities                        | 150        | 0            | -32          | -178        | 375         | 165         | -56        |
| <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>-56</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>-61</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>516</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>11</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>  | <b>466</b> |

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## NET SALES BY MARKET AREA BY QUARTER

| EUR million                    | 2010         |              |              |              | 2011         |              |              |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Isolated quarters              | Q1           | Q2           | Q3           | Q4           | Q1           | Q2           | Q3           |
| Europe, Middle East & Africa * | 711          | 876          | 837          | 795          | 485          | 435          | 480          |
| Americas                       | 201          | 223          | 222          | 205          | 151          | 193          | 121          |
| Asia                           | 493          | 659          | 544          | 528          | 509          | 565          | 985          |
| <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> | <b>1,586</b> |
| * of which Western Europe      | 525          | 668          | 632          | 569          | 307          | 323          | 313          |
| Sequential change (%)          | Q1           | Q2           | Q3           | Q4           | Q1           | Q2           | Q3           |
| Europe, Middle East & Africa * | -26%         | 23%          | -4%          | -5%          | -39%         | -10%         | 10%          |
| Americas                       | -9%          | 11%          | 0%           | -8%          | -26%         | 28%          | -37%         |
| Asia                           | -12%         | 34%          | -17%         | -3%          | -4%          | 11%          | 74%          |
| <b>Total</b>                   | <b>-20%</b>  | <b>25%</b>   | <b>-9%</b>   | <b>-5%</b>   | <b>-25%</b>  | <b>4%</b>    | <b>33%</b>   |
| * of which Western Europe      | -23%         | 27%          | -5%          | -10%         | -46%         | 5%           | -3%          |
| Year over year change (%)      | Q1           | Q2           | Q3           | Q4           | Q1           | Q2           | Q3           |
| Europe, Middle East & Africa * | -27%         | -6%          | -4%          | -18%         | -32%         | -50%         | -43%         |
| Americas                       | 1%           | 14%          | -4%          | -8%          | -25%         | -13%         | -45%         |
| Asia                           | -12%         | 17%          | 6%           | -6%          | 3%           | -14%         | 81%          |
| <b>Total</b>                   | <b>-19%</b>  | <b>4%</b>    | <b>-1%</b>   | <b>-13%</b>  | <b>-19%</b>  | <b>-32%</b>  | <b>-1%</b>   |
| * of which Western Europe      | -27%         | -1%          | -1%          | -16%         | -42%         | -52%         | -50%         |
| Year to date                   | 1003         | 1006         | 1009         | 1012         | 1103         | 1106         | 1109         |
| Europe, Middle East & Africa * | 711          | 1,587        | 2,424        | 3,219        | 485          | 919          | 1,399        |
| Americas                       | 201          | 424          | 646          | 851          | 151          | 345          | 466          |
| Asia                           | 493          | 1,152        | 1,695        | 2,224        | 509          | 1,075        | 2,060        |
| <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> | <b>3,925</b> |
| * of which Western Europe      | 525          | 1,193        | 1,825        | 2,393        | 307          | 630          | 943          |
| YTD year over year change (%)  | 1003         | 1006         | 1009         | 1012         | 1103         | 1106         | 1109         |
| Europe, Middle East & Africa * | -27%         | -17%         | -13%         | -14%         | -32%         | -42%         | -42%         |
| Americas                       | 1%           | 7%           | 3%           | 0%           | -25%         | -19%         | -28%         |
| Asia                           | -12%         | 3%           | 4%           | 1%           | 3%           | -7%          | 22%          |
| <b>Total</b>                   | <b>-19%</b>  | <b>-8%</b>   | <b>-5%</b>   | <b>-7%</b>   | <b>-19%</b>  | <b>-26%</b>  | <b>-18%</b>  |
| * of which Western Europe      | -27%         | -15%         | -10%         | -12%         | -42%         | -47%         | -48%         |

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