

ERICSSON LM TELEPHONE CO

Form 6-K

April 27, 2007

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# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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## FORM 6-K

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### REPORT OF FOREIGN ISSUER

Pursuant to Rule 13a-16 or 15d-16 of  
the Securities Exchange Act of 1934

April 26, 2007

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## LM ERICSSON TELEPHONE COMPANY

(Translation of registrant's name into English)

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Torshamnsgatan 23, Kista

SE-164 83, Stockholm, Sweden

(Address of principal executive offices)

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 April 26, 2007 regarding Ericsson reports robust start of the year .

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First quarter report 2007

April 26, 2007

**Ericsson reports robust start of the year**

*Net sales SEK 42.2 (39.1) b., up 8% year-over-year, excluding divested operations*

*Operating income SEK 8.2 (6.6) b., up 23% year-over-year*

*Operating margin 19.3% (16.7%)*

*Net income SEK 5.8 (4.6) b., up 27% year-over-year*

*Earnings per share SEK 0.37 (0.29), up 28% year-over-year*

**CEO COMMENTS**

We have concluded another quarter with solid performance and market share gains in a stable growth environment, said Carl-Henric Svanberg, President and CEO of Ericsson (NASDAQ:ERIC). Sales growth in the quarter was primarily driven by Western Europe, and large turnkey projects in Central and Eastern Europe, Middle East, Africa and Asia Pacific. Our capability in managing such projects around the world is a competitive advantage. Margins remain stable, due to the benefits of scale and technology leadership. Our commitment to operational excellence continues and operating expenses grew less than 3 percent versus a sales growth of 8 percent.

Fixed and mobile data traffic accelerates and we have seen a doubling of traffic in mobile broadband networks over the last six months. User generated content is becoming a main traffic driver, with YouTube as a current example of a popular, capacity demanding, service. As a consequence, transmission is quickly becoming a bottleneck in many networks. Mobile broadband deployments accelerate with new 3G licenses in many regions, including India, Eastern Europe, Middle East and Latin America. In parallel, demand for GSM remains solid, driven by expansions in China, India, and many other high-growth markets.

During the quarter, we completed the acquisitions of Redback and Entrisphere and announced, and got acceptance for, a public offer to acquire Tandberg Television. Through these moves we strengthen our position in fiber-to-the-home and IPTV. In combination with Marconi and our in-house capabilities, the prerequisites for leadership in next-generation IP networks are now in place.

We are uniquely positioned to benefit from current market conditions. The year has started well, including encouraging growth in multimedia and professional services. Vodafone has awarded us the industry's first European-wide contract for spare parts management. With this move, Vodafone has taken a new, exciting, trend-setting approach with considerable cost savings, concluded Carl-Henric Svanberg.

**FINANCIAL HIGHLIGHTS****Income statement and cash flow**

| SEK b.                                | First quarter |      |        | Fourth quarter |        |
|---------------------------------------|---------------|------|--------|----------------|--------|
|                                       | 2007          | 2006 | Change | 2006           | Change |
| Net sales, excl. divested operations  | 42.2          | 39.1 | 8%     | 54.2           | -22%   |
| Net sales                             | 42.2          | 39.6 | 7%     | 54.2           | -22%   |
| Gross margin (%)                      | 43.0          | 43.5 |        | 42.2           |        |
| EBITDA (%)                            | 23.8          | 21.8 |        | 26.3           |        |
| Operating income                      | 8.2           | 6.6  | 23%    | 12.2           | -33%   |
| Operating margin (%)                  | 19.3          | 16.7 |        | 22.5           |        |
| Operating margin ex Sony Ericsson (%) | 15.5          | 14.9 |        | 18.4           |        |
| Income after financial items          | 8.3           | 6.7  | 24%    | 12.2           | -32%   |
| Net income                            | 5.8           | 4.6  | 27%    | 9.7            | -40%   |
| Cash flow from operations             | 4.6           | 2.4  |        | 11.0           |        |
| EPS, SEK                              | 0.37          | 0.29 | 28%    | 0.61           | -35%   |
| Cash EPS, SEK <sup>1)</sup>           | 0.40          | 0.32 |        | 0.65           |        |

<sup>1)</sup> EPS excluding amortization of intangible assets.

The year-over-year sales increase reflects good performance across all business segments despite the comparison with a strong first quarter 2006 and a considerably weaker USD.

Gross margin was stable sequentially. Operating expenses increased by less than half the rate of the sales growth. The increased operating margin year-over-year, excluding Sony Ericsson, is due to continuous operational excellence activities, including positive effects from the Marconi integration. Operating margin decreased sequentially due to seasonally lower sales. The growing earnings in Sony Ericsson contributed significantly to the improved result.

The majority of our sales growth over the last four years has increasingly been driven by large turnkey projects. This leads to growing working capital with obvious cash flow effects but builds a platform for future growth. In this field, our capabilities represent a clear competitive advantage and therefore support our margins.

Cash flow from operating activities was SEK 4.6 (2.4) b. in the quarter. Cash flow was positively impacted by an advance payment equivalent to the dividend from Sony Ericsson of SEK 3.5 b. In 2006 the dividend was paid in the first quarter and amounted SEK 1.2 b. Cash flow from investing activities was SEK -9.2 b., largely driven by the acquisition of Redback, Entrisphere and certain shares in Tandberg Television.

### Balance sheet and other performance indicators

|   | Three months |      | Full year |
|---|--------------|------|-----------|
| SEK b.                                      | 2007         | 2006 | 2006      |
| Net cash                                    | 29.1         | 33.7 | 40.7      |
| Interest-bearing provisions and liabilities | 22.6         | 32.7 | 21.6      |
| Days sales outstanding                      | 107          | 100  | 85        |
| Inventory                                   | 24.1         | 23.5 | 21.5      |
| Of which work in progress                   | 14.9         | 14.4 | 14.2      |
| Inventory turnover                          | 4.2          | 4.2  | 5.2       |
| Customer financing, net                     | 3.8          | 3.2  | 3.7       |
| Return on capital employed (%)              | 23.8         | 20.9 | 27.4      |
| Equity ratio (%)                            | 56.6         | 50.2 | 56.2      |

Deferred tax assets increased in the quarter by SEK 0.6 b. to SEK 14.1 (13.6) b. due to acquired deferred tax assets, mainly in Redback.

Working capital increased by SEK 4.7 b. in the quarter. This increase reflects the continued growth of large turnkey projects in Asia Pacific and Central and Eastern Europe, Middle East and Africa. Days sales outstanding amounted to 107 days.

During the quarter, approximately SEK 2.5 b. of provisions was utilized to cover costs incurred of which the majority was related to previously announced restructuring programs and ongoing product warranties. New net provisions of SEK 0.8 b. have been made in the quarter for planned future costs.

### SEGMENT RESULTS

From January 1, 2007, Ericsson has implemented a more customer-oriented organization. As a result, the financial reporting has been adapted and the first quarter 2007 interim report will include the business segments Networks, Professional Services and Multimedia. Sony Ericsson will be reported as before, but with a higher level of disclosure.

Previously, Ericsson has reported sales of fixed networks, mobile networks and professional services. Sales of mobile systems include the mobile parts of Networks, network rollout, with its related parts of systems integration, and the mobile part of Multimedia. Although the reporting structure is changed to partly new dimensions, mobile systems will at least during 2007, be continued to be reported for comparability and it will remain the basis for our market outlook. Growth for mobile systems in the first quarter amounted to 6% year-over-year.

Further details of the changes are included in the section Financial statements and additional information .

| Sales, SEK b.                    | 2007 <sup>1)</sup> | First quarter<br>2006 <sup>2)</sup> | Change |
|----------------------------------|--------------------|-------------------------------------|--------|
| <b>Networks</b>                  | 29.3               | 28.0                                | 5%     |
| <i>Of which network rollout</i>  | 3.8                | 3.9                                 | -4%    |
| Operating margin (%)             | 17%                | 17%                                 |        |
| <b>Professional Services</b>     | 9.5                | 8.3                                 | 15%    |
| <i>Of which managed services</i> | 2.6                | 2.3                                 | 11%    |
| Operating margin (%)             | 15%                | 15%                                 |        |
| <b>Multimedia</b>                | 3.4                | 2.8                                 | 19%    |
| Operating margin (%)             | 8%                 | 3%                                  |        |
| <b>Total sales</b>               | 42.2               | 39.1                                | 8%     |
| <i>Of which mobile systems</i>   | 28.4               | 26.7                                | 6%     |

<sup>1)</sup> Acquired companies are included from date of acquisition.

<sup>2)</sup> Excludes sales from the in 2006 divested defense business, Ericsson Microwave Systems.

### Networks

The 5% year-over-year sales increase in Networks was driven by growth in both fixed and mobile networks. The sales decline in North America due to the Cingular rollout peak in first quarter of 2006 is overshadowing the underlying growth in other parts of the world. Outside North America, growth amounted to 14% year-over-year. Operating margin was stable year-over-year.

The good demand for GSM continues. Growth is primarily driven by new network deployments and capacity expansions in high-growth markets. New features are still being added, for example super EDGE with 1 Mbps downlink. 3G/HSPA rollouts continue and new licenses have been or will be issued in several regions, also in developing countries. Sales of fixed networks grew slightly, excluding acquired sales, with increased sales of transmission products more than offsetting a decline of traditional circuit-switching equipment.

Operator focus on next-generation IP networks is reflected in the strong demand for Redback's intelligent router program. Demand for transmission is growing, and in parallel, the quickly growing data traffic is starting to create bottlenecks in many networks.

Redback is included as of February 1, and added, together with the acquired Entrisphere, sales of approximately SEK 0.4 b. in the quarter.

### Professional Services

The Professional Services business continued to make advancements throughout all areas and sales grew by 15% year-over-year. Growth in local currencies, which better reflects the actual activity level as services business is local, amounted to 20%. Recurring services revenues amount to more than 60%.

Our leading position in managed services is solid. Sales growth amounted to 11%, or 15% in local currencies. The growth rate will vary over time as a result of larger contract awards. Agreements with Orange, Mobistar and Vodafone are examples of recent key business wins. In all current managed services contracts, excluding hosting, Ericsson is managing networks that together serve more than 120 million subscribers worldwide.

### Multimedia

The organization is now established and business development is well under way. The segment includes service layer products, revenue management systems, enterprise solutions and mobile platforms as well as the two companies Tandberg Television and Mobeon, presently being acquired.

Growth was strong during the quarter with especially encouraging development in revenue management, primarily prepaid and mediation solutions, and mobile platforms. Operating margin increased year-over-year as a result of the good growth and the effects of restructuring of enterprise solutions operations. As a fairly new business activity, growth and margins may fluctuate over the coming quarters.

### Sony Ericsson Mobile Communications

For information on transactions with Sony Ericsson Mobile Communications, please see Financial statements and Additional information.

| EUR m.                       | First quarter |       |        | Fourth quarter |        |
|------------------------------|---------------|-------|--------|----------------|--------|
|                              | 2007          | 2006  | Change | 2006           | Change |
| Number of units shipped (m.) | 21.8          | 13.3  | 63%    | 26.0           | -16%   |
| Average selling price (EUR)  | 134           | 149   |        | 146            |        |
| Net sales                    | 2,925         | 1,992 | 47%    | 3,782          | -23%   |
| Gross margin (%)             | 30.3          | 26.3  |        | 29.0           |        |
| Operating income             | 346           | 143   | 142%   | 484            | -29%   |
| Operating margin (%)         | 11.8          | 7.2   |        | 12.8           |        |
| Net income                   | 254           | 109   | 133%   | 447            | -43%   |

Sony Ericsson continued to build on the success of 2006 with strong growth in Asia Pacific, Latin America and Europe. The company captured market share in these markets through low- and mid-tier products. Gross margin improved both sequentially and year-over-year whereas operating margin declined sequentially due to lower sales. As a result of the expanded portfolio, ASP decreased to EUR 134.

A number of new products were announced during the quarter, of which many already are shipping and have been well received. During the quarter, two new Cybershot phones, four new Walkman models and the first HSPA handset, aimed primarily at the North American market, were announced.

Ericsson's share in Sony Ericsson's income before tax was SEK 1.6 (0.7) b. in the quarter.

### REGIONAL OVERVIEW

| Sales, SEK b.                                      | First quarter |      |        | Fourth quarter |        |
|--|---------------|------|--------|----------------|--------|
|  | 2007          | 2006 | Change | 2006           | Change |
| Western Europe                                     | 12.5          | 11.5 | 9%     | 17.2           | -27%   |
| Central and Eastern Europe, Middle East and Africa | 11.4          | 10.5 | 9%     | 15.2           | -25%   |
| Asia Pacific                                       | 11.8          | 8.7  | 36%    | 13.1           | -9%    |
| Latin America                                      | 3.3           | 3.7  | -9%    | 4.8            | -31%   |
| North America                                      | 3.1           | 5.3  | -41%   | 4.0            | -22%   |

Western Europe showed better than expected growth, driven by increased voice traffic and accelerating data traffic in the mobile broadband networks. This has resulted in growing transmission sales as well as growing mobile infrastructure investments by operators, especially in Southern Europe. The strong focus on services remains. On the multimedia side, TV contracts were signed with Telefónica and Vodafone Iceland.

In Central and Eastern Europe, Middle East and Africa, sales were driven by continued good demand for GSM as well as increased deployments of mobile broadband. The business activity was high in Africa, particularly in Sub Sahara. Sales in the Middle East were slower during the quarter but business activity remains high, including a third mobile license awarded to MTC in Saudi Arabia. Russia was also somewhat slower, however, preparations for 3G licenses are being made.

Asia Pacific's strong sales growth year-over-year was primarily driven by the expected increase in GSM demand in China. After the end of the quarter, the BSNL court case in India has been withdrawn and contracts should be awarded shortly. In parallel, the other large operators in India are planning major expansion projects. The activity level is high also in countries such as Bangladesh, Indonesia and Thailand, and in Japan sales almost doubled as a result of mobile broadband rollouts and increased operator competition.

Latin America is showing signs of recovery after last year's slowdown in operator investments, primarily in Mexico and Brazil. The strong subscriber growth continues and builds up the need for further expansions. GSM is being deployed in several new markets like El Salvador, Guyana and Peru, and in parallel many operators are preparing for commercial 3G deployments.

In North America, there is a strong operator focus on triple play and fixed and mobile broadband. This will lead to accelerating investments over time and Ericsson has strengthened its presence in the US market through the recent acquisitions. Sales were down compared to the strong first quarter in 2006 when the Cingular rollout peaked.

## **MARKET DEVELOPMENT**

*Growth rates based on Ericsson and market estimates.*

Fixed and mobile traffic is expected to continue to accelerate over the coming years due to increased coverage and usage as well as new multimedia services. As a consequence, operator investments in infrastructure equipment over the long-term should continue to grow along historical trends of mid-to high-single digits.

Infrastructure investments have always varied over time and between regions depending on technology and regulatory developments, as well as license awards and new technology deployments. There is also a growing replacement market driven by the benefits from improved operating expenses, such as lowered power consumption with newer equipment.

Data traffic in the world's mobile networks is accelerating and expected to exceed voice traffic in the next three to four years. We estimate that mobile data traffic tripled in 2006. In addition, the introduction of HSPA has generated a step up in network traffic volumes and the packet data traffic has doubled in the last six months in the 3G/HSPA markets we monitor.

Net additions of mobile subscriptions amounted to 136 million in the quarter. The total number of subscriptions now amount to 2.88 billion, of which 2.43 billion are GSM/WCDMA. The number of WCDMA subscriptions grew some 13 million to 113 million.

The fixed broadband market also showed strong development during the quarter. During 2006, fixed broadband connections grew 69 million to a total of 280 million.

Growth within the mobile systems market for 2006 is estimated to have been mid-single digits. Growth was driven by a combination of initial network rollouts and expansions in high-growth markets as well as 3G deployments in more mature markets.

Growth within the fixed infrastructure market for 2006 is estimated to have been mid-single digits. Growth accelerated but varied between different parts of the network, where IP broadband related products showed particularly strong development.

The telecom services market for 2006 is estimated to have continued to show good growth. Increasingly complex networks with new multimedia services drove demand for professional services. An increasing interest in managed services could enhance market growth.

It is estimated that growth within the emerging multimedia market for 2006 accelerated but with large variations between different market segments.

## **MARKET OUTLOOK FOR MOBILE INFRASTRUCTURE AND SERVICES**

*All estimates are measured in USD and refer to market growth compared to previous year.*

For 2007 we believe that the GSM/WCDMA track within the global mobile systems market, measured in USD, will continue to show mid-single digit growth.

The addressable market for professional services is expected to show good growth in 2007.

With our technology leadership and global presence we are well positioned to take advantage of these market opportunities.

## **PARENT COMPANY INFORMATION**

Net sales for the first quarter amounted to SEK 0.7 (0.6) b. and income after financial items was SEK 4.0 (2.6) b. Patent license revenues have been included in net sales from 2007, and 2006 results have been restated accordingly.

Major changes in the Parent Company's financial position for the first quarter include increased investments in subsidiaries of SEK 14.6 b. and decreased cash and bank and short-term investments of SEK 10.8 b. These changes are mostly attributable to the Redback and Entrisphere acquisitions. Current and non-current liabilities to subsidiaries decreased by SEK 5.7 b. At the end of the quarter, cash and bank and short-term investments amounted to SEK 43.2 (54.0) b.

In accordance with the conditions of the Stock Purchase Plans and Option Plans for Ericsson employees, 4,375,087 shares from treasury stock were sold or distributed to employees during the first quarter. The holding of treasury stock at March 31, 2007 was 246,638,805 Class B shares.

## **OTHER INFORMATION**

### **Acquisition of Redback Networks**

On January 25, 2007, Ericsson announced the finalization of the acquisition of Redback Networks. The acquisition has had a SEK 13.3 b. effect on cash flow during the quarter.

### **Acquisition of Entrisphere**

On February 12, 2007, Ericsson announced its acquisition of Entrisphere, a company providing fiber access technology. The acquisition strengthens Ericsson's fixed broadband access portfolio and its position in converged networks. Fiber technology is essential for next generation access networks and for High Definition IPTV and other IP-based services with high demand for bandwidth and cost efficiency.

Entrisphere, based in the US, employs about 140 persons.

### **Acquisition of Mobeon**

As announced on March 15, 2007, Ericsson will acquire the business and assets of Mobeon AB, the world's leader in IP messaging components for mobile and fixed networks. 21% of Mobeon are already owned by Ericsson, which is also the primary partner and regional developer of Mobeon's CompEdge series of carrier-class messaging products.

Mobeon employs approximately 130 persons in Sweden and the UK. Mobeon will be included in the reporting as of the second quarter, 2007.

### **Public offer to acquire Tandberg Television**

On April 23, 2007 Ericsson announced it has received favorable rulings from the relevant competitive authorities to acquire all outstanding shares in Tandberg Television. All conditions in the terms and conditions set out in the offer document have been met and Ericsson will complete the offer in accordance with the offer document.

Ericsson announced its voluntary public cash offer to acquire Tandberg Television for NOK 106 in cash per share as of February 26, 2007. The aggregate price was approximately SEK 9.8 b. Tandberg Television is a world-leader in video head-end, encoding and compression technology critical to maximize picture quality while minimizing bandwidth in video applications.

Tandberg Television employs approximately 870 people with headquarters in Southampton, UK and Atlanta, US.

## Annual General Meeting

The Annual General Meeting decided, as previously announced and in accordance with the proposal from the Board of Directors, on a dividend payment of SEK 0.50 per share for 2006 and with April 16, 2007, as the date of record for dividend. The total dividend payment amounts to SEK 7.9 b.

The Annual General Meeting decided, as previously announced and in accordance with the proposal from the Board of Directors and with previous decisions, that Ericsson should have the right to transfer its own shares on the Stockholm Stock Exchange in order to cover certain payments that occur in relation to the company's Global Stock Incentive Plan program 2001, the Stock Purchase Plan 2003, the Long Term Incentive plans 2004, 2005 and 2006. The Annual General Meeting voted against the proposed long-term variable compensation plan 2007 and transfer of own stock in connection therewith. The Board of Directors is now working, in close contact with shareholders, on different alternatives for implementing the long-term variable compensation plan 2007.

Stockholm, April 26, 2007

Carl-Henric Svanberg

President and CEO

Date for next report: July 20, 2007

## REVIEW REPORT

We have reviewed this report for the period January 1 to March 31, 2007, for Telefonaktiebolaget LM Ericsson (publ). Management is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim 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. 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 accompanying interim financial information is not, in all material respects, in accordance with IAS 34 and the Annual Accounts Act.

Stockholm, April 26, 2007

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**EDITOR'S NOTE**

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Authorized Public Accountant

To read the complete report with tables, please go to:

[www.ericsson.com/investors/financial\\_reports/2007/3month07-en.pdf](http://www.ericsson.com/investors/financial_reports/2007/3month07-en.pdf)

Ericsson invites media, investors and analysts to a press conference at the Ericsson headquarters, Torshamnsgatan 23, Stockholm, at 09.00 (CET), April 26.

An analyst and media conference call will begin at 14.00 (CET).



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Live audio 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)

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Safe Harbor Statement of Ericsson under the 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, continues, and other similar 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

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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; and (xii) plans to launch new products and services.

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) further 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 fluctuations; and (vii) the successful implementation of our business and operational initiatives.

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**FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION**

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## ERICSSON

## CONSOLIDATED INCOME STATEMENT

|   | Jan - Mar |         |        | Jan - Dec |
|---|-----------|---------|--------|-----------|
| SEK million                                       | 2007      | 2006    | Change | 2006      |
| Net sales   | 42,156    | 39,571  | 7%     | 179,821   |
| Cost of sales                                     | -24,034   | -22,346 |        | -104,875  |
| <b>Gross margin</b>                               | 18,122    | 17,225  | 5%     | 74,946    |
| Gross margin %                                    | 43.0%     | 43.5%   |        | 41.7%     |
| Research and development expenses                 | -6,453    | -6,621  | -3%    | -27,533   |
| Selling and administrative expenses               | -5,322    | -4,792  | 11%    | -21,422   |
| <b>Operating expenses</b>                         | -11,775   | -11,413 |        | -48,955   |
| Other operating income                            | 162       | 115     | 41%    | 3,903     |
| Share in earnings of JVs and associated companies | 1,642     | 697     | 136%   | 5,934     |
| <b>Operating income</b>                           | 8,151     | 6,624   | 23%    | 35,828    |
| Operating margin %                                | 19.3%     | 16.7%   |        | 19.9%     |
| Financial income                                  | 556       | 522     |        | 1,954     |
| Financial expenses                                | -443      | -467    |        | -1,789    |
| <b>Income after financial items</b>               | 8,264     | 6,679   | 24%    | 35,993    |
| Taxes   | -2,415    | -2,074  |        | -9,557    |
| <b>Net income</b>                                 | 5,849     | 4,605   | 27%    | 26,436    |
| Net income attributable to:                       |           |         |        |           |
| Stockholders of the parent company                | 5,815     | 4,575   |        | 26,251    |
| Minority interest                                 | 34        | 30      |        | 185       |
| <u>Other information</u>                          |           |         |        |           |
| Average number of shares, basic (million)         | 15,883    | 15,866  |        | 15,871    |
| Earnings per share, basic (SEK) <sup>1)</sup>     | 0.37      | 0.29    |        | 1.65      |
| Earnings per share, diluted (SEK) <sup>1)</sup>   | 0.36      | 0.29    |        | 1.65      |

<sup>1)</sup> Based on Net income attributable to stockholders of the parent company

**ERICSSON****CONSOLIDATED BALANCE SHEET**

| SEK million  | Mar 31<br>2007 | Dec 31<br>2006 |
|--|----------------|----------------|
| <b>ASSETS</b>  |                |                |
| <b>Non-current assets</b>                                |                |                |
| Intangible assets  |                |                |
| Capitalized development expenses                         | 4,659          | 4,995          |
| Goodwill   | 16,533         | 6,824          |
| Intellectual property rights                             | 21,050         | 15,649         |
| Property, plant and equipment                            | 8,178          | 7,881          |
| Financial assets   |                |                |
| Equity in JVs and associated companies                   | 10,957         | 9,409          |
| Other investments in shares and participations           | 2,592          | 721            |
| Customer financing, non-current                          | 896            | 1,921          |
| Other financial assets, non-current                      | 2,639          | 2,409          |
| Deferred tax assets                                      | 14,135         | 13,564         |
|  | 81,639         | 63,373         |
| <b>Current assets</b>                                    |                |                |
| Inventories  | 24,070         | 21,470         |
| Trade receivables  | 52,399         | 51,070         |
| Customer financing, current                              | 2,932          | 1,735          |
| Other current receivables                                | 12,355         | 15,012         |
| Short-term investments                                   | 25,510         | 32,311         |
| Cash and cash equivalents                                | 26,192         | 29,969         |
|  | 143,458        | 151,567        |
| <b>Total assets</b>                                      | <b>225,097</b> | <b>214,940</b> |
| <b>EQUITY AND LIABILITIES</b>                            |                |                |
| Equity   |                |                |
| Stockholders' equity                                     | 126,475        | 120,113        |
| Minority interest in equity of consolidated subsidiaries | 829            | 782            |
|  | 127,304        | 120,895        |
| <b>Non-current liabilities</b>                           |                |                |
| Post-employment benefits                                 | 6,877          | 6,968          |
| Provisions, non-current                                  | 684            | 602            |
| Deferred tax liabilities                                 | 2,710          | 382            |
| Borrowings, non-current                                  | 13,352         | 12,904         |
| Other non-current liabilities                            | 2,690          | 2,868          |
|  | 26,313         | 23,724         |
| <b>Current liabilities</b>                               |                |                |
| Provisions, current                                      | 11,607         | 13,280         |

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|  |                |                |
|--|----------------|----------------|
| Borrowings, current  | 2,346          | 1,680          |
| Trade payables   | 17,362         | 18,183         |
| Other current liabilities  | 40,165         | 37,178         |
|  | 71,480         | 70,321         |
| <b>Total equity and liabilities</b>                                | <b>225,097</b> | <b>214,940</b> |
| Of which interest-bearing liabilities and post-employment benefits | 22,575         | 21,552         |
| Net cash   | 29,127         | 40,728         |
| Assets pledged as collateral                                       | 329            | 285            |
| Contingent liabilities   | 1,287          | 1,392          |

## ERICSSON

## CONSOLIDATED STATEMENT OF CASH FLOWS

| SEK million  | Jan - Mar     |                | Jan - Dec      |
|--|---------------|----------------|----------------|
|  | 2007          | 2006           | 2006           |
| <b>Net income</b>  | <b>5,849</b>  | <b>4,605</b>   | <b>26,436</b>  |
| Adjustments to reconcile net income to cash                            |               |                |                |
| - taxes  | -289          | 477            | 4,282          |
| - undistributed earnings in JVs and associated companies               | -1,504        | 756            | -2,971         |
| - depreciation, amortization and impairment losses                     | 1,863         | 1,997          | 7,516          |
| - other  | -164          | -10            | -2,767         |
|  | 5,755         | 7,825          | 32,496         |
| <b>Operating net assets</b>  |               |                |                |
| Inventories  | -1,787        | -2,470         | -2,553         |
| Customer financing, current and non-current                            | -120          | 1,832          | 1,186          |
| Trade receivables  | 200           | -1,236         | -10,563        |
| Provisions and post-employment benefits                                | -2,059        | -1,913         | -3,729         |
| Other operating assets and liabilities, net                            | 2,587         | -1,632         | 1,652          |
|  | -1,179        | -5,419         | -14,007        |
| <b>Cash flow from operating activities</b>                             | <b>4,576</b>  | <b>2,406</b>   | <b>18,489</b>  |
| <b>Investing activities</b>  |               |                |                |
| Investments in property, plant and equipment                           | -768          | -700           | -3,827         |
| Sales of property, plant and equipment                                 | 39            | 14             | 185            |
| Acquisitions and divestments of subsidiaries and other operations, net | -15,696       | -17,611        | -14,992        |
| Product development  | -206          | -358           | -1,353         |
| Other investing activities   | -74           | 191            | -1,070         |
| Short-term investments   | 7,523         | -2,838         | 6,180          |
| <b>Cash flow from investing activities</b>                             | <b>-9,182</b> | <b>-21,302</b> | <b>-14,877</b> |
| <b>Cash flow before financing activities</b>                           | <b>-4,606</b> | <b>-18,896</b> | <b>3,612</b>   |
| <b>Financing activities</b>  |               |                |                |
| Dividends paid   | 0             | -6             | -7,343         |
| Other financing activities   | 572           | 898            | -8,096         |
| <b>Cash flow from financing activities</b>                             | <b>572</b>    | <b>892</b>     | <b>-15,439</b> |
| Effect of exchange rate changes on cash                                | 257           | 15             | 58             |
| <b>Net change in cash</b>  | <b>-3,777</b> | <b>-17,989</b> | <b>-11,769</b> |
| <b>Cash and cash equivalents, beginning of period</b>                  | <b>29,969</b> | <b>41,738</b>  | <b>41,738</b>  |
| <b>Cash and cash equivalents, end of period</b>                        | <b>26,192</b> | <b>23,749</b>  | <b>29,969</b>  |



**CONSOLIDATED STATEMENT OF RECOGNIZED INCOME AND EXPENSE**

| SEK million   | Jan - Mar 2007       |                   |              | Jan - Mar 2006       |                   |              | Jan - Dec 2006       |                   |               |
|---|----------------------|-------------------|--------------|----------------------|-------------------|--------------|----------------------|-------------------|---------------|
|   | Stock-holders equity | Minority interest | Total equity | Stock-holders equity | Minority interest | Total equity | Stock-holders equity | Minority interest | Total equity  |
| Actuarial gains and losses related to pensions including payroll tax                        | -66                  |                   | -66          | 157                  |                   | 157          | 440                  |                   | 440           |
| <i>Revaluation of other investments in shares and participations:</i>                       |                      |                   |              |                      |                   |              |                      |                   |               |
| Fair value measurement reported in equity   | 8                    |                   | 8            | 1                    |                   | 1            | -2                   | 1                 | -1            |
| Transferred to income statement at sale   |                      |                   |              |                      |                   |              |                      |                   |               |
| <i>Cash flow hedges:</i>  |                      |                   |              |                      |                   |              |                      |                   |               |
| Fair value remeasurement of derivatives reported in equity                                  | -977                 |                   | -977         | 556                  |                   | 556          | 4,100                |                   | 4,100         |
| Transferred to income statement for the period  | -212                 |                   | -212         | 193                  |                   | 193          | -1,990               |                   | -1,990        |
| Transferred to balance sheet for the period   |                      |                   |              | 99                   |                   | 99           | 99                   |                   | 99            |
| Changes in cumulative translation effects due to changes in foreign currency exchange rates | 1,299                | 31                | 1,330        | -14                  | -5                | -19          | -3,028               | -91               | -3,119        |
| Tax on items reported directly in/or transferred from equity                                | 341                  |                   | 341          | -252                 |                   | -252         | -769                 |                   | -769          |
| <b>Total transactions reported in equity</b>  | <b>393</b>           | <b>31</b>         | <b>424</b>   | <b>740</b>           | <b>-5</b>         | <b>735</b>   | <b>-1,150</b>        | <b>-90</b>        | <b>-1,240</b> |
| Net income  | 5,815                | 34                | 5,849        | 4,575                | 30                | 4,605        | 26,251               | 185               | 26,436        |
| <b>Total income and expenses recognized for the period</b>                                  | <b>6,208</b>         | <b>65</b>         | <b>6,273</b> | <b>5,315</b>         | <b>25</b>         | <b>5,340</b> | <b>25,101</b>        | <b>95</b>         | <b>25,196</b> |
| <b>Other changes in equity:</b>   |                      |                   |              |                      |                   |              |                      |                   |               |
| Sale of own shares  | 15                   |                   | 15           | 7                    |                   | 7            | 58                   |                   | 58            |
| Stock Purchase and Stock Option Plans   | 139                  |                   | 139          | 120                  |                   | 120          | 473                  |                   | 473           |
| Dividends paid  |                      |                   |              |                      | -6                | -6           | -7,141               | -202              | -7,343        |
| Stock issue, net  |                      |                   |              |                      | 15                | 15           |                      | 70                | 70            |
| Business combinations   |                      | -18               | -18          |                      | 59                | 59           |                      | -31               | -31           |

## ERICSSON

## CONSOLIDATED INCOME STATEMENT - ISOLATED QUARTERS

| SEK million                                     | 2007    |         | 2006    |         |         |
|---|---------|---------|---------|---------|---------|
|   | Q1      | Q4      | Q3      | Q2      | Q1      |
| Net sales                                       | 42,156  | 54,211  | 41,271  | 44,768  | 39,571  |
| Cost of sales                                   | -24,034 | -31,331 | -25,506 | -25,692 | -22,346 |
| <b>Gross margin</b>                             | 18,122  | 22,880  | 15,765  | 19,076  | 17,225  |
| Gross margin %                                  | 43.0%   | 42.2%   | 38.2%   | 42.6%   | 43.5%   |
| Research and development expenses               | -6,453  | -7,155  | -6,990  | -6,767  | -6,621  |
| Selling and administrative expenses             | -5,322  | -6,071  | -5,296  | -5,263  | -4,792  |
| <b>Operating expenses</b>                       | -11,775 | -13,226 | -12,286 | -12,030 | -11,413 |
| Other operating income                          | 162     | 321     | 3,252   | 215     | 115     |
| Share in earnings of JVs and assoc. companies   | 1,642   | 2,210   | 2,035   | 992     | 697     |
| <b>Operating income</b>                         | 8,151   | 12,185  | 8,766   | 8,253   | 6,624   |
| Operating margin %                              | 19.3%   | 22.5%   | 21.2%   | 18.4%   | 16.7%   |
| Financial income                                | 556     | 366     | 499     | 567     | 522     |
| Financial expenses                              | -443    | -396    | -397    | -529    | -467    |
| <b>Income after financial items</b>             | 8,264   | 12,155  | 8,868   | 8,291   | 6,679   |
| Taxes   | -2,415  | -2,352  | -2,572  | -2,559  | -2,074  |
| <b>Net income</b>                               | 5,849   | 9,803   | 6,296   | 5,732   | 4,605   |
| Net income attributable to:                     |         |         |         |         |         |
| Stockholders of the parent company              | 5,815   | 9,731   | 6,233   | 5,712   | 4,575   |
| Minority interest                               | 34      | 72      | 63      | 20      | 30      |
| <b>Other information</b>                        |         |         |         |         |         |
| Average number of shares, basic (million)       | 15,883  | 15,877  | 15,872  | 15,869  | 15,866  |
| Earnings per share, basic (SEK) <sup>1)</sup>   | 0.37    | 0.61    | 0.39    | 0.36    | 0.29    |
| Earnings per share, diluted (SEK) <sup>1)</sup> | 0.36    | 0.61    | 0.39    | 0.36    | 0.29    |

1) Based on Net income attributable to stockholders of the parent company

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## ACCOUNTING POLICIES AND CHANGES IN FINANCIAL REPORTING STRUCTURE

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 International Financial Reporting Interpretations Committee (IFRIC).

### *New or amended standards (IAS/IFRS)*

IFRS 7, Financial Instruments: Disclosures, is amended effective from January 1, 2007, together with a complementary amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures. IFRS 7 introduces new disclosure requirements to improve the information about financial instruments. The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. Since the new or amended standards relate to changes in disclosure or presentation, they have not had any impact on the Company's financial result or position.

### *New interpretations (IFRIC:s)*

None of the new IFRIC:s that shall be applied as from January 1, 2007, have had a significant impact on the Company's financial result or position. The IFRIC:s applicable as from January 1, 2007, are:

IFRIC Interpretation 7: Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies. This Interpretation provides guidance on how to apply the requirements of IAS 29 in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency.

IFRIC Interpretation 8: Scope of IFRS 2. This interpretation applies to transactions when the identifiable consideration received appears to be less than the fair value of the equity instruments granted.

IFRIC Interpretation 9: Reassessment of Embedded Derivatives. This interpretation determines when an entity shall reassess the need for an embedded derivative to be separated.

IFRIC Interpretation 10: Interim Financial Reporting and Impairment. As per this interpretation, an entity shall not reverse an impairment loss recognized in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost.

*Amendment issued by the Swedish Financial Accounting Standards Council (Redovisningsrådet)*

In March 2007, an amendment to URA 43 Accounting for special payroll tax and tax on investment returns was issued. The amendment had no impact on the Company's financial result or position.

### *Changes in financial reporting structure*

**Business segments.** As previously announced, Ericsson has from January 1, 2007, reorganized its operating structure. From the first quarter report 2007, the company's financial reporting will be adapted to reflect this new structure. The Company will also take this opportunity to make other modifications to further enhance transparency with additional disclosures.

Ericsson will report the following business segments: **Networks**, **Professional Services** and **Multimedia**. **Phones**, represented by the share in earnings of Sony Ericsson will be reported as before. However, Sony Ericsson have increased its disclosure as of the first quarter report 2007.

The changed segment reporting is in accordance with the objectives set forth in IAS 14 Segment reporting. The business activities previously reported in Other Operations have been merged into the new segments to better leverage the opportunities provided by internal business combinations.

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Business segment Networks includes products for mobile and fixed broadband access, core networks, transmission and next-generation IP-networks. Related network rollout services are also included. In addition, the power modules and cables operations, previously reported under Other Operations, are now included within Networks, as well as the acquired operations of Redback and Entrisphere.

Business segment Professional Services includes all service operations, excluding Network rollout reported under Networks. Services for system integration of IP and core networks previously reported as network rollout are now reclassified as Professional Services. Sales of managed services as a part of the total Professional Services will be disclosed since this represents service revenues of a recurring nature.

Business segment Multimedia includes multimedia systems, previously reported under segment Systems, and enterprise solutions and mobile platforms, previously included in Other Operations. The operations of Tandberg TV and Mobeon will also be included in Multimedia once these acquisitions are concluded.

For each of the business segments, we will report net sales and operating margin quarterly. In addition, sales of mobile systems, including relevant parts of Networks and Multimedia, will continue to be disclosed.

**Within the consolidated income statement, royalty revenues** for intellectual property rights (IPR) related to products will be included as part of Net Sales instead of other operating income. Accordingly, the related costs, previously reported as part of Research and development expenses, will be reported as Cost of Sales or Selling and administrative expenses, depending on the nature of the costs.

**Research and development expenses.** These were prior to 2007 called Research and development and other technical expenses but are from 2007 renamed Research and development expenses. This change is only related to adoption of IFRS terminology and has not resulted in any changes of amounts.

**Cash flow statement.** Changes within the consolidated statement of cash flows include additional breakdown of adjustments to reconcile net income to cash, operating net assets and investing activities. Cash flow from operations will be disclosed as before. The subtotals Cash flow from operating investing activities and Cash flow before financial investing activities will no longer be reported.

**The table Customer financing risk exposure** will no longer be separately disclosed quarterly due to the decrease in activity compared to prior years. However, significant changes to risk and exposure will be commented within the text of interim reports.

**Cash Earnings per Share (Cash EPS).** This ratio is introduced as from the interim report of the first quarter of 2007. The definition of Cash EPS is EPS, adjusted for the positive effect of excluding amortization of acquired intangible assets.

Change in **working capital** is defined as changes in operating net assets from the cash flow statement.

## NET SALES BY SEGMENT BY QUARTER

| SEK million                      | 2007          |               | 2006          |               |               |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|
|                                  | Q1            | Q4            | Q3            | Q2            | Q1            |
| <b>Isolated quarters</b>         |               |               |               |               |               |
| <b>Networks</b>                  | <b>29,350</b> | <b>39,035</b> | <b>29,155</b> | <b>31,448</b> | <b>28,056</b> |
| - Of which Network rollout       | 3,752         | 5,558         | 3,498         | 3,430         | 3,924         |
| <b>Professional Services</b>     | <b>9,516</b>  | <b>10,566</b> | <b>8,722</b>  | <b>9,252</b>  | <b>8,307</b>  |
| - Of which Managed services      | 2,592         | 2,514         | 2,238         | 2,414         | 2,325         |
| <b>Multimedia</b>                | <b>3,370</b>  | <b>4,548</b>  | <b>3,066</b>  | <b>3,449</b>  | <b>2,831</b>  |
| <b>Unallocated</b> <sup>1)</sup> |               |               | <b>372</b>    | <b>764</b>    | <b>479</b>    |
| <b>Less: Intersegment sales</b>  | <b>-80</b>    | <b>62</b>     | <b>-44</b>    | <b>-145</b>   | <b>-102</b>   |
| <b>Total</b>                     | <b>42,156</b> | <b>54,211</b> | <b>41,271</b> | <b>44,768</b> | <b>39,571</b> |

<sup>1)</sup> Including the Defense business

|                                  | 2007         | 2006         |             |            |                  |
|----------------------------------|--------------|--------------|-------------|------------|------------------|
| Sequential change                | Q1           | Q4           | Q3          | Q2         | Q1 <sup>2)</sup> |
| <b>Networks</b>                  | <b>-25%</b>  | <b>34%</b>   | <b>-7%</b>  | <b>12%</b> |                  |
| - Of which Network rollout       | -32%         | 59%          | 2%          | -13%       |                  |
| <b>Professional Services</b>     | <b>-10%</b>  | <b>21%</b>   | <b>-6%</b>  | <b>11%</b> |                  |
| - Of which Managed services      | 3%           | 12%          | -7%         | 4%         |                  |
| <b>Multimedia</b>                | <b>-26%</b>  | <b>48%</b>   | <b>-11%</b> | <b>22%</b> |                  |
| <b>Unallocated</b> <sup>1)</sup> |              | <b>-100%</b> | <b>-51%</b> | <b>59%</b> |                  |
| <b>Less: Intersegment sales</b>  | <b>-230%</b> | <b>-241%</b> | <b>-70%</b> | <b>42%</b> |                  |
| <b>Total</b>                     | <b>-22%</b>  | <b>31%</b>   | <b>-8%</b>  | <b>13%</b> |                  |

<sup>1)</sup> Including the Defense business

<sup>2)</sup> 2005 is not restated according to new organization

|                                  | 2007         | 2006 <sup>2)</sup> |    |    |    |
|----------------------------------|--------------|--------------------|----|----|----|
| Year over year change            | Q1           | Q4                 | Q3 | Q2 | Q1 |
| <b>Networks</b>                  | <b>5%</b>    |                    |    |    |    |
| - Of which Network rollout       | -4%          |                    |    |    |    |
| <b>Professional Services</b>     | <b>15%</b>   |                    |    |    |    |
| - Of which Managed services      | 11%          |                    |    |    |    |
| <b>Multimedia</b>                | <b>19%</b>   |                    |    |    |    |
| <b>Unallocated</b> <sup>1)</sup> | <b>-100%</b> |                    |    |    |    |
| <b>Less: Intersegment sales</b>  | <b>-21%</b>  |                    |    |    |    |
| <b>Total</b>                     | <b>7%</b>    |                    |    |    |    |

<sup>1)</sup> Including the Defense business

<sup>2)</sup> 2005 is not restated according to new organization

|                 | 2007          | 2006           |               |               |               |
|-----------------|---------------|----------------|---------------|---------------|---------------|
| Year to Date    | 0703          | 0612           | 0609          | 0606          | 0603          |
| <b>Networks</b> | <b>29,350</b> | <b>127,694</b> | <b>88,659</b> | <b>59,504</b> | <b>28,056</b> |

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|                                  |               |                |                |               |               |
|----------------------------------|---------------|----------------|----------------|---------------|---------------|
| - Of which Network rollout       | 3,752         | 16,410         | 10,852         | 7,354         | 3,924         |
| <b>Professional Services</b>     | <b>9,516</b>  | <b>36,847</b>  | <b>26,281</b>  | <b>17,559</b> | <b>8,307</b>  |
| - Of which Managed services      | 2,592         | 9,491          | 6,977          | 4,739         | 2,325         |
| <b>Multimedia</b>                | <b>3,370</b>  | <b>13,894</b>  | <b>9,346</b>   | <b>6,280</b>  | <b>2,831</b>  |
| <b>Unallocated</b> <sup>1)</sup> |               | <b>1,615</b>   | <b>1,615</b>   | <b>1,243</b>  | <b>479</b>    |
| <b>Less: Intersegment sales</b>  | <b>-80</b>    | <b>-229</b>    | <b>-291</b>    | <b>-247</b>   | <b>-102</b>   |
| <b>Total</b>                     | <b>42,156</b> | <b>179,821</b> | <b>125,610</b> | <b>84,339</b> | <b>39,571</b> |

<sup>1)</sup> Including the Defense business

|                                  |              |             |                           |             |             |
|----------------------------------|--------------|-------------|---------------------------|-------------|-------------|
| <b>YTD year over year change</b> | <b>2007</b>  |             | <b>2006</b> <sup>2)</sup> |             |             |
|                                  | <b>0703</b>  | <b>0612</b> | <b>0609</b>               | <b>0606</b> | <b>0603</b> |
| <b>Networks</b>                  | <b>5%</b>    |             |                           |             |             |
| - Of which Network rollout       | -4%          |             |                           |             |             |
| <b>Professional Services</b>     | <b>15%</b>   |             |                           |             |             |
| - Of which Managed services      | 11%          |             |                           |             |             |
| <b>Multimedia</b>                | <b>19%</b>   |             |                           |             |             |
| <b>Unallocated</b> <sup>1)</sup> | <b>-100%</b> |             |                           |             |             |
| <b>Less: Intersegment sales</b>  | <b>-21%</b>  |             |                           |             |             |
| <b>Total</b>                     | <b>7%</b>    |             |                           |             |             |

<sup>1)</sup> Including the Defense business

<sup>2)</sup> 2005 is not restated according to new organization

**OPERATING MARGIN BY SEGMENT BY QUARTER**

SEK million

**OPERATING MARGIN**

| As percentage of net sales       | 2007<br>Q1 | Q4         | 2006<br>Q3 <sup>3)</sup> | Q2         | Q1         |
|----------------------------------|------------|------------|--------------------------|------------|------------|
| <b>Networks</b>                  | 17%        | 21%        | 9%                       | 19%        | 17%        |
| <b>Professional Services</b>     | 15%        | 15%        | 12%                      | 16%        | 15%        |
| <b>Multimedia</b>                | 8%         | 12%        | 3%                       | 1%         | 3%         |
| <b>Phones<sup>1)</sup></b>       |            |            |                          |            |            |
| <b>Unallocated <sup>2)</sup></b> |            |            |                          |            |            |
| <b>Total</b>                     | <b>19%</b> | <b>22%</b> | <b>21%</b>               | <b>18%</b> | <b>17%</b> |

| As percentage of net sales       | 2007<br>0703 | 0612       | 2006<br>0609 <sup>3)</sup> | 0606       | 0603       |
|----------------------------------|--------------|------------|----------------------------|------------|------------|
| <b>Networks</b>                  | 17%          | 17%        | 15%                        | 18%        | 17%        |
| <b>Professional Services</b>     | 15%          | 14%        | 14%                        | 15%        | 15%        |
| <b>Multimedia</b>                | 8%           | 5%         | 2%                         | 2%         | 3%         |
| <b>Phones<sup>1)</sup></b>       |              |            |                            |            |            |
| <b>Unallocated <sup>2)</sup></b> |              |            |                            |            |            |
| <b>Total</b>                     | <b>19%</b>   | <b>20%</b> | <b>19%</b>                 | <b>18%</b> | <b>17%</b> |

<sup>1)</sup> Calculation not applicable

<sup>2)</sup> Unallocated consists mainly of costs for corporate staffs, non-operational capital gains and losses and the Defense business that was divested in 2006

<sup>3)</sup> Including restructuring charges of SEK 2.9 b.

**NUMBER OF EMPLOYEES**

| Year to date                         | 2007<br>0703  | 0612          | 2006<br>0609  | 0606          | 0603          |
|--------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Western Europe <sup>1)</sup>         | 38,050        | 38,450        | 38,900        | 40,600        | 40,600        |
| Eastern Europe, Middle East & Africa | 6,600         | 6,300         | 6,050         | 5,500         | 5,300         |
| North America                        | 4,900         | 4,150         | 4,200         | 4,300         | 4,400         |
| Latin America                        | 4,600         | 4,500         | 4,200         | 3,700         | 3,550         |
| Asia Pacific                         | 11,000        | 10,400        | 10,150        | 9,700         | 9,400         |
| <b>Total</b>                         | <b>65,150</b> | <b>63,800</b> | <b>63,500</b> | <b>63,800</b> | <b>63,250</b> |

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

|  |        |        |        |        |        |
|--|--------|--------|--------|--------|--------|
|  | 18,900 | 19,100 | 19,400 | 21,100 | 21,100 |
|--|--------|--------|--------|--------|--------|



**NET SALES BY MARKET AREA BY QUARTER**

| SEK million                          | 2007          |               | 2006          |               |               |
|--------------------------------------|---------------|---------------|---------------|---------------|---------------|
|                                      | Q1            | Q4            | Q3            | Q2            | Q1            |
| <b>Isolated quarters</b>             |               |               |               |               |               |
| Western Europe <sup>1)</sup>         | 12,508        | 17,166        | 11,675        | 12,852        | 11,488        |
| Eastern Europe, Middle East & Africa | 11,394        | 15,225        | 11,702        | 12,908        | 10,466        |
| North America                        | 3,106         | 3,960         | 2,895         | 3,726         | 5,281         |
| Latin America                        | 3,310         | 4,803         | 4,206         | 3,819         | 3,652         |
| Asia Pacific                         | 11,838        | 13,057        | 10,793        | 11,463        | 8,684         |
| <b>Total <sup>2)</sup></b>           | <b>42,156</b> | <b>54,211</b> | <b>41,271</b> | <b>44,768</b> | <b>39,571</b> |
| <hr/>                                |               |               |               |               |               |
| <sup>1)</sup> Of which Sweden        | 1,941         | 2,287         | 1,882         | 2,008         | 1,632         |
| <sup>2)</sup> Of which EU *          | 13,783        | 18,705        | 13,040        | 14,834        | 12,404        |

| Sequential change (%)  | 2007        |            | 2006       |            |                  |
|--|-------------|------------|------------|------------|------------------|
|  | Q1          | Q4         | Q3         | Q2         | Q1 <sup>3)</sup> |
| Western Europe <sup>1)</sup>   | -27%        | 47%        | -9%        | 12%        |                  |
| Eastern Europe, Middle East & Africa                                 | -25%        | 30%        | -9%        | 23%        |                  |
| North America  | -22%        | 37%        | -22%       | -29%       |                  |
| Latin America  | -31%        | 14%        | 10%        | 5%         |                  |
| Asia Pacific   | -9%         | 21%        | -6%        | 32%        |                  |
| <b>Total <sup>2)</sup></b>   | <b>-22%</b> | <b>31%</b> | <b>-8%</b> | <b>13%</b> |                  |
| <hr/>  |             |            |            |            |                  |
| <sup>1)</sup> Of which Sweden  | -15%        | 22%        | -6%        | 23%        |                  |
| <sup>2)</sup> Of which EU *  | -26%        | 43%        | -12%       | 20%        |                  |
| <sup>3)</sup> 2005 is not restated according to the new organization |             |            |            |            |                  |

| Year over year change (%)  | 2007      |    | 2006 <sup>3)</sup> |    |    |
|--|-----------|----|--------------------|----|----|
|  | Q1        | Q4 | Q3                 | Q2 | Q1 |
| Western Europe <sup>1)</sup>   | 9%        |    |                    |    |    |
| Eastern Europe, Middle East & Africa                                 | 9%        |    |                    |    |    |
| North America  | -41%      |    |                    |    |    |
| Latin America  | -9%       |    |                    |    |    |
| Asia Pacific   | 36%       |    |                    |    |    |
| <b>Total <sup>2)</sup></b>   | <b>7%</b> |    |                    |    |    |
| <hr/>  |           |    |                    |    |    |
| <sup>1)</sup> Of which Sweden  | 19%       |    |                    |    |    |
| <sup>2)</sup> Of which EU *  | 11%       |    |                    |    |    |
| <sup>3)</sup> 2005 is not restated according to the new organization |           |    |                    |    |    |

| Year to date                         | 2007   |        | 2006 <sup>3)</sup> |        |        |
|--------------------------------------|--------|--------|--------------------|--------|--------|
|                                      | 0703   | 0612   | 0609               | 0606   | 0603   |
| Western Europe <sup>1)</sup>         | 12,508 | 53,181 | 36,015             | 24,340 | 11,488 |
| Eastern Europe, Middle East & Africa | 11,394 | 50,301 | 35,076             | 23,374 | 10,466 |
| North America                        | 3,106  | 15,862 | 11,902             | 9,007  | 5,281  |
| Latin America                        | 3,310  | 16,480 | 11,677             | 7,471  | 3,652  |
| Asia Pacific                         | 11,838 | 43,997 | 30,940             | 20,147 | 8,684  |

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|                            |               |                |                |               |               |
|----------------------------|---------------|----------------|----------------|---------------|---------------|
| <b>Total</b> <sup>2)</sup> | <b>42,156</b> | <b>179,821</b> | <b>125,610</b> | <b>84,339</b> | <b>39,571</b> |
|----------------------------|---------------|----------------|----------------|---------------|---------------|

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|                               |        |        |        |        |        |
|-------------------------------|--------|--------|--------|--------|--------|
| <sup>1)</sup> Of which Sweden | 1,941  | 7,809  | 5,522  | 3,640  | 1,632  |
| <sup>2)</sup> Of which EU *   | 13,783 | 58,983 | 40,278 | 27,238 | 12,404 |

| YTD year over year change (%)        | 2007<br>0703 | 0612 | 2006 <sup>3)</sup><br>0609 | 0606 | 0603 |
|--------------------------------------|--------------|------|----------------------------|------|------|
| Western Europe <sup>1)</sup>         | 9%           |      |                            |      |      |
| Eastern Europe, Middle East & Africa | 9%           |      |                            |      |      |
| North America                        | -41%         |      |                            |      |      |
| Latin America                        | -9%          |      |                            |      |      |
| Asia Pacific                         | 36%          |      |                            |      |      |

|                            |           |
|----------------------------|-----------|
| <b>Total</b> <sup>2)</sup> | <b>7%</b> |
|----------------------------|-----------|

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|                               |     |
|-------------------------------|-----|
| <sup>1)</sup> Of which Sweden | 19% |
| <sup>2)</sup> Of which EU *   | 11% |

<sup>3)</sup> 2005 is not restated according to the new organization

\*) For the purpose of comparison, 2006 has been restated including Bulgaria and Romania which entered into the European Union as from 2007

**TOP 10 MARKETS IN SALES**

Jan - Mar 2007

|                | <b>YTD<br/>Share of<br/>total sales</b> |
|----------------|---|
| <b>Sales</b>   |   |
| China          | 6%                                      |
| Spain          | 6%                                      |
| United Kingdom | 6%                                      |
| United States  | 5%                                      |
| Sweden         | 5%                                      |
| Italy          | 4%                                      |
| Japan          | 4%                                      |
| India          | 4%                                      |
| Indonesia      | 4%                                      |
| Bangladesh     | 3%                                      |

**EXTERNAL NET SALES BY MARKET AREA BY SEGMENT**

MSEK

| Jan - Mar 2007                                   | Networks      | Professional<br>Services | Multimedia   | Total         |
|--|---------------|--------------------------|--------------|---------------|
| Western Europe                                   | 7,425         | 3,662                    | 1,421        | <b>12,508</b> |
| Central and Eastern Europe, Middle East & Africa | 8,438         | 2,078                    | 878          | <b>11,394</b> |
| North America                                    | 1,986         | 932                      | 188          | <b>3,106</b>  |
| Latin America                                    | 2,203         | 907                      | 200          | <b>3,310</b>  |
| Asia Pacific                                     | 9,250         | 1,905                    | 683          | <b>11,838</b> |
| <b>Total</b>                                     | <b>29,302</b> | <b>9,484</b>             | <b>3,370</b> | <b>42,156</b> |
| Share of Total                                   | <b>70%</b>    | <b>22%</b>               | <b>8%</b>    | <b>100%</b>   |

**TRANSACTIONS WITH SONY ERICSSON MOBILE COMMUNICATIONS**

| SEK million                    | Jan - Mar<br>2007   | Jan - Mar<br>2006 | Jan - Dec<br>2006 |
|--------------------------------|---------------------|-------------------|-------------------|
| Revenues from Sony Ericsson    | 1,160               | 960               | 3,964             |
| Purchases from Sony Ericsson   | 51                  | 63                | 173               |
| Receivables from Sony Ericsson | 116                 | 398               | 479               |
| Liabilities to Sony Ericsson   | 3,720 <sup>1)</sup> | 183               | 108               |
| Dividends from Sony Ericsson   |                     | 1,160             | 1,160             |

<sup>1)</sup> Includes an advanced payment for an amount equivalent to Ericsson's share of the dividend/redemption

**ERICSSON****OTHER INFORMATION**

| SEK million   | Jan - Mar<br>2007 | 2006   | Jan - Dec<br>2006 |
|---|-------------------|--------|-------------------|
| <b><u>Number of shares and earnings per share</u></b>                                     |                   |        |                   |
| Number of shares, end of period (million)   | 16,132            | 16,132 | 16,132            |
| Of which A-shares (million)   | 1,309             | 1,309  | 1,309             |
| Of which B-shares (million)   | 14,823            | 14,823 | 14,823            |
| Number of treasury shares, end of period (million)  | 247               | 264    | 251               |
| Number of shares outstanding, basic, end of period (million)                              | 15,886            | 15,868 | 15,881            |
| Numbers of shares outstanding, diluted, end of period (million)                           | 15,960            | 15,935 | 15,953            |
| Average number of treasury shares (million)   | 250               | 267    | 262               |
| Average number of shares outstanding, basic (million)                                     | 15,883            | 15,866 | 15,871            |
| Average number of shares outstanding, diluted (million) <sup>1)</sup>                     | 15,957            | 15,932 | 15,943            |
| Earnings per share, basic (SEK)   | 0.37              | 0.29   | 1.65              |
| Earnings per share, diluted (SEK) <sup>1)</sup>   | 0.36              | 0.29   | 1.65              |
| <b><u>Ratios</u></b>  |                   |        |                   |
| EBITDA, percent   | 23.8%             | 21.8%  | 24.1%             |
| Equity ratio, percent   | 56.6%             | 50.2%  | 56.2%             |
| Capital turnover (times)  | 1.2               | 1.1    | 1.3               |
| Accounts receivable turnover (times)  | 3.3               | 3.6    | 3.9               |
| Inventory turnover (times)  | 4.2               | 4.2    | 5.2               |
| Return on equity, percent   | 18.9%             | 17.5%  | 23.7%             |
| Return on capital employed, percent   | 23.8%             | 20.9%  | 27.4%             |
| Days Sales Outstanding  | 107               | 100    | 85                |
| Payment readiness, end of period  | 56,380            | 62,299 | 67,454            |
| Payment readiness, as percentage of sales   | 33.4%             | 39.4%  | 37.5%             |
| <b><u>Exchange rates used in the consolidation</u></b>                                    |                   |        |                   |
| SEK / EUR - average rate  | 9.17              | 9.38   | 9.27              |
| - closing rate  | 9.35              | 9.42   | 9.04              |
| SEK / USD - average rate  | 6.97              | 7.82   | 7.38              |
| - closing rate  | 7.02              | 7.79   | 6.85              |
| <b><u>Other</u></b>   |                   |        |                   |
| Additions to property, plant and equipment  | 768               | 700    | 3,827             |
| - Of which in Sweden  | 234               | 270    | 999               |
| Additions to capitalized development expenses   | 206               | 358    | 1,353             |
| Capitalization of development expenses, net   | -336              | -318   | -1,166            |
| Amortization of development expenses  | 542               | 676    | 2,519             |
| Depreciation of property, plant and equipment and amortization of other intangible assets | 1,321             | 1,321  | 4,997             |
| Total depreciation and amortization   | 1,863             | 1,997  | 7,516             |
| Export sales from Sweden  | 22,484            | 24,298 | 98,694            |

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

**ERICSSON PLANNING ASSUMPTIONS FOR YEAR 2007****Research & Development expenses**

We estimate the R&D expense to be around SEK 28 b. for the full year 2007. The estimate includes depreciations and amortizations for intangible assets related to major acquisitions (Redback, Entrisphere) and excludes Tandberg. However, currency effects may cause this to change.

**Tax rate**

We estimate the tax rate for the full year 2007 to be about 30%.

**Capital Expenditures**

Excluding acquisitions, the capital expenditures in relation to sales are not expected to be significantly different in 2007, remaining at roughly two percent of sales. Reference from annual report page 32.

**Utilization of Provisions**

The expected utilization of provisions for year 2007 is SEK 8.3 b. Reference from annual report 2006 page 74.

**ACQUISITION OF REDBACK INC**

As per January 23, 2007, Ericsson purchased all shares in Redback Inc. The acquisition has been accounted for using the purchase method of accounting, as defined in IFRS 3 Business Combinations. As prescribed under this method, Ericsson has allocated the total purchase price to assets acquired and liabilities assumed based on their fair values. The fair values have been determined by applying generally accepted principles and procedures.

The operating income of Redback, amounted to SEK 12 million for the period February 1 - March 31, 2007, including SEK 91 m. for amortization of intangible assets. This has been included in the consolidated financial statements for the period January 1 - March 31, 2007. Had the acquisition been made as per January 1, 2007 additional net sales of SEK 57 million would have been recognized and the operating income would have been reduced by SEK 141 million.

|  |             |
|--|-------------|
| Allocation of purchase consideration                 | SEK b.      |
| Intangible assets subject to amortization            |             |
| Technology   | 3.2         |
| Other, mainly customer relationships and trade marks | 2.4         |
| <i>Subtotal</i>                                      | <i>5.6</i>  |
| Deferred tax asset                                   | 1.1         |
| Goodwill   | 9.2         |
| <i>Subtotal</i>                                      | <i>10.3</i> |
| Other assets   |             |
| Inventory  | 0.1         |
| Property, plant and equipment                        | 0.2         |
| Other  | 1.4         |
| <i>Subtotal</i>                                      | <i>1.7</i>  |
| <b>Total assets</b>                                  | <b>17.6</b> |
| Liabilities  |             |
| Current  | 0.7         |
| Deferred tax liability                               | 2.1         |
| <i>Subtotal</i>                                      | <i>2.8</i>  |
| <b>Net assets acquired</b>                           | <b>14.8</b> |

The determination of purchase consideration allocation and fair values of assets acquired and liabilities assumed is based on preliminary appraisal; therefore, these values may be subject to minor adjustments.

The main reasons for that part of the acquisition costs are recognized as goodwill, representing 52% of total assets acquired are that strong future synergies are estimated and also the value of the acquired assembled work force.

Cash flow effects

|   |      |
|---|------|
| Total cash purchase consideration       | 14.3 |
| Less acquired cash and cash equivalents | 1.0  |
| Net cash outflow from the acquisition   | 13.3 |

Additional payment of SEK 0.5 billion will be paid during a four-year period. The amount is included in the total assets acquired.

**SIGNATURES**

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

TELEFONAKTIEBOLAGET LM ERICSSON (PUBL)

By: */s/ CARL OLOF BLOMQVIST*  
**Carl Olof Blomqvist**  
**Senior Vice President and**  
**General counsel**

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

Date: April 26, 2007