ERICSSON LM TELEPHONE CO
Form 6-K
October 22, 2010
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN ISSUER

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

the Securities Exchange Act of 1934

October 22, 2010

LM ERICSSON TELEPHONE COMPANY

(Translation of registrant s name into English)

Torshamnsgatan 23, Kista

SE-164 83, Stockholm, Sweden

(Address of principal executive offices)

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 x 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 x

Announcement of LM Ericsson Telephone Company, dated **October 22, 2010** regarding **Ericsson (SE) ERICSSON REPORTS THIRD QUARTER RESULTS**

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SIGNATURES

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

TELEFONAKTIEBOLAGET LM ERICSSON (publ)

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

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

Date: October 22, 2010

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THIRD QUARTER REPORT

October 22, 2010

ERICSSON REPORTS THIRD QUARTER RESULTS

Group sales in the quarter increased 2% year-over-year and was almost flat sequentially, negatively affected by a strong SEK, says Hans Vestberg, President and CEO of Ericsson (NASDAQ:ERIC). Sales in the quarter for comparable units, adjusted for currency exchange rate effects and hedging, decreased -5% year-over-year.

Networks sales grew 6% year-over-year with a continued transition from voice to data related business. Global Services sales grew 3% year-over year and accounted for some 40% of total sales. In local currencies Professional Services sales grew 10%. Multimedia sales declined -31% year-over-year.

A key priority has been to mitigate the effects of industry-wide component shortage and supply chain bottlenecks. The situation has gradually improved during the quarter but it remains a challenge to fully meet the demand for mobile broadband. While the supply chain bottlenecks have been resolved the industry-wide component shortage remains.

Net income increased year-over-year and sequentially mainly due to improvements in operational results and Sony Ericsson earnings as well as less restructuring charges. At the same time cash flow was strong in the quarter at SEK 12.7 b.

During the quarter, mobile broadband continued to grow, especially in North America and Japan. In China demand for 2G capacity expansions returned during the quarter. India gradually improved with 2G deliveries and in the 3G vendor selection, we have maintained our market share. Western Europe is still slow although we have been awarded our first modernization contracts. In other markets, development is slow with continued cautious operator investments. Across the world, operator focus is still on reducing operating expenditure and outsourcing of operations.

We see continued growth opportunities in the market and the combined strength of our technology leadership, our scale advantage, along with global presence and skilled employees are our key assets, concludes Hans Vestberg.

	Third quarter			Second quarter		Nine months		
SEK b.	**2010**	**2009**	**Change**	**2010**	**Change**	**2010**	**2009**	**Change**
Net sales	47.5	46.4	2%	48.0	-1%	140.6	148.1	-5%
Gross margin	39%	36%		39%		39%	36%	
EBITA margin excl JVs[1]	16%	14%		14%		14%	13%	
Operating income excl JVs	6.2	5.5	14%	5.3	16%	16.1	17.1	-6%
Operating margin excl JVs	13%	12%		11%		11%	12%	
Ericsson s share in earnings in JVs	0.0	-1.5		-0.1		-0.4	-5.6	
Income after financial items	6.1	4.0	52%	5.1	20%	15.2	12.2	25%
Net income	3.6	0.8	360%	2.0	75%	6.9	3.4	101%
EPS diluted, SEK	1.14	0.25	356%	0.58	97%	2.12	1.05	102%
Adjusted operating cash flow[2]	12.7	6.9		-2.0		13.7	15.1	
Cash flow from operations	11.8	5.7		-2.7		11.4	12.0	
Restructuring charges excl JVs	0.9	2.7		2.0		5.1	7.0	

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

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

2) Cash flow from operations excl. restructuring cash outlays that have been provided for. Cash outlays in the third quarter 2010 were SEK 0.9 (1.2) b.

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FINANCIAL HIGHLIGHTS

Income statement and cash flow

Sales in the quarter were up 2% year-over-year and down -1 % sequentially. Sales for comparable units, adjusted for currency exchange rate effects and hedging, declined -5% year-over-year. The year-over-year net impact of currency exchange rate effects and hedging was slightly negative.

In the second quarter sales were negatively impacted by SEK 3-4 b. by industry-wide component shortages and supply chain bottlenecks. The situation has gradually improved but it remains a challenge to fully meet the demand for mobile broadband. While we have delivered the back-log from previous quarter, we estimate that we had a negative effect on sales also in this quarter of SEK 2-3 b. from component shortage.

Modernization projects, where the installed 2G/3G base is modernized using multi standard radio access technology, often on a turn-key basis, have started. This had a minor impact on sales and margins in the quarter, but will impact gradually more in 2011. 3G rollouts in India have not had any impact on sales or margins in the quarter and will start to impact from next quarter.

Gross margin, excluding restructuring, increased year-over-year to 39% (36%) and was flat sequentially. The year-over-year improvement is an effect of a business mix with a higher proportion network upgrades and expansions as well as positive effects of cost reduction activities.

The cost reduction activities have reduced operating expenses as planned. However, integration of the acquired CDMA and GSM businesses, higher investments in certain R&D areas and growing number of 4G/LTE trials, have resulted in an increase in operating expenses to SEK 13.0 (11.6) b., excluding restructuring charges. The sequential reduction in operating expenses of SEK 0.9 b. follows normal seasonality.

Other operating income and expenses were SEK 0.6 (0.2) b. in the quarter.

Operating income, excluding joint ventures and restructuring charges, amounted to SEK 6.2 (5.5) b. Operating margin increased to 13% (12%) year-over-year and improved sequentially from 11%. The year-over-year improvement follows the positive development in gross margin and the sequential improvement follows the seasonally low operating expenses and higher other operating income.

Ericsson s share in earnings of joint ventures, before tax, amounted to SEK 0.0 (-1.5) b. excluding restructuring charges, compared to SEK -0.1 b. in the second quarter. Sony Ericsson improved results year-over-year significantly due to efficiency programs and a new slimmer product portfolio and was stable sequentially. ST-Ericsson s loss was slightly reduced year-over-year and was unchanged sequentially. Restructuring charges in joint ventures were SEK -0.1 b. in the quarter.

Financial net was SEK -0.1 (0.0) b. and unchanged sequentially.

Net income amounted to SEK 3.6 (0.8) b. and earnings per share were SEK 1.14 (0.25) in the quarter. The improvements, both year-over-year and sequentially, are mainly a result of improved operational results and JV earnings as well as less restructuring charges.

Adjusted operational cash flow was SEK 12.7 (6.9) b. in the quarter, up sequentially from SEK -2.0 b. Cash flow from operations amounted to SEK 11.8 (5.7) b. mainly due to improved results and collections.

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Balance sheet and other performance indicators

SEK b.	Dec 31 2009	Mar 31 2010	June 30 2010	Sep 30 2010
Net cash	36.1	38.5	25.8	35.7
Interest-bearing liabilities and post-employment benefits	40.7	39.3	41.8	40.4
Trade receivables	66.4	62.7	69.4	57.8
Days sales outstanding	106	117	133	109
Inventory	22.7	24.1	29.4	30.3
Of which regional inventory	12.9	14.0	18.3	19.1
Inventory days	68	75	81	82
Payable days	57	59	61	62
Customer financing, net	2.3	2.9	3.1	3.5
Return on capital employed	4%	5%	6%	8%
Equity ratio	52%	53%	51%	52%

Trade receivables decreased sequentially by SEK 11.6 b. to SEK 57.8 (69.4) b. positively impacted by improved collections and the strong SEK. Days sales outstanding (DSO) improved from 133 to 109 days.

Inventory increased slightly sequentially by SEK 0.9 b. to SEK 30.3 (29.4) b. impacted by seasonal build up and larger than normal inventories following supply chain bottlenecks. However, this was partly offset by a strong SEK. Inventory turnover days increased from 81 to 82 days.

Goodwill decreased to SEK 26.3 (30.0) b. due to a strong SEK.

Cash, cash equivalents and short-term investments amounted to SEK 76.2 (67.6) b. The net cash position increased sequentially by SEK 9.9 b. to SEK 35.7 (25.8) b., mainly due to positive cash flow from operations.

During the quarter, approximately SEK 1.7 b. of provisions were utilized, of which SEK 0.9 b. related to restructuring. Additions of SEK 0.8 b. were made, of which SEK 0.4 b. related to restructuring. Reversals of SEK 0.4 b. were made of which SEK 0.2 b. related to restructuring. The lower amount of additions is mainly due to business mix. Provisions will fluctuate over time depending on business mix, market mix as well as technology shifts.

Restructuring cost excluding joint ventures

In the quarter, restructuring charges amounted to SEK 0.9 b. In the fourth quarter 2010, restructuring charges of approximately SEK 1.5 b. is estimated. These cost reductions primarily relate to continuous efficiency activities in service delivery and development, transformation in managed services contracts and product rationalization.

The cost reduction program, initiated in first quarter 2009, was completed by the second quarter 2010. At the end of the quarter, cash outlays of SEK 3.8 b. remain to be made. Cash outlays in the third quarter were SEK 0.9 (1.2) b.

Cost and capital efficiency remain high on the company agenda.

Restructuring charges, SEK b.	2010 Q3	2010 Q2	2010 Q1	2009 Full year
Cost of sales	-0.4	-1.0	-0.8	-4.2
Research and development expenses	-0.5	-0.6	-0.3	-6.1
Selling and administrative expenses	0.0	-0.4	-1.1	-1.0

Total	**-0.9**	**-2.0**	**-2.2**	**-11.3**

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SEGMENT RESULTS

	Third quarter			Second quarter		Nine months		
SEK b.	**2010**	**2009**	**Change**	**2010**	**Change**	**2010**	**2009**	**Change**
Networks sales	**26.1**	**24.5**	**6%**	**25.5**	**2%**	**76.3**	**82.1**	**-7%**
EBITA margin[1)]	21%	16%		17%		18%	15%	
Operating margin	17%	14%		13%		14%	13%	
Global Services sales	**19.1**	**18.6**	**3%**	**20.1**	**-5%**	**57.3**	**56.1**	**2%**
Of which Professional Services	13.7	12.8	7%	14.8	-7%	41.8	39.7	5%
Of which Managed Services	5.2	3.6	46%	5.6	-7%	15.8	12.3	28%
Of which Network Rollout	5.3	5.8	-8%	5.2	2%	15.4	16.4	-6%
EBITA margin[1)]	12%	11%		12%		12%	13%	
Of which Professional Services	16%	17%		15%		16%	18%	
Operating margin	11%	9%		12%		11%	12%	
Of which Professional Services	16%	15%		15%		15%	17%	
Multimedia sales	**2.3**	**3.4**	**-31%**	**2.4**	**-4%**	**7.0**	**9.9**	**-29%**
EBITA margin[1)]	0%	15%		-5%		-3%	13%	
Operating margin	-8%	11%		-13%		-11%	7%	
Total sales	**47.5**	**46.4**	**2%**	**48.0**	**-1%**	**140.6**	**148.1**	**-5%**

All numbers exclude restructuring charges.

[1)] EBITA Earnings before interest, tax, amortizations and write-downs of acquired intangibles.

Networks

Networks sales in the quarter increased by 6% year-over-year, positively impacted by the acquired Nortel businesses. Sequentially sales increased 2%. Mobile broadband sales, including radio, backhaul and packet core, increased in the quarter, especially driven by markets such as the US and Japan. Voice related sales remained slow. As explained in the section Financial highlights sales have continued to be impacted by the industry-wide component shortage.

EBITA margin in the quarter increased year-over-year to 21% (16%). The year-over-year improvement is an effect of a business mix with a higher proportion network upgrades and expansions and cost reduction activities. The sequential improvement is also an effect of good business mix as well as seasonally low operating expenses.

LG-Ericsson had a slow quarter due to cautious operator investments ahead of LTE.

Demand for the multi standard radio base station RBS 6000 is at a high level and production levels are ramping up. Several operators are entering the second wave of mobile broadband, moving from one-size-fits-all business models to offering differentiated quality and pricing models. This development is supported by smart pipes from Ericsson with integrated radio access and (IP based) packet core networks, offering network based quality of service.

Global Services

Global Services sales were up 3% year-over-year, and decreased -5% sequentially, negatively impacted by a strong SEK in the quarter. Global services sales account for some 40% of total Group sales with recurring business at a record high level.

Professional Services sales increased 7% year-over-year and 10% in local currencies. Managed Services sales in the quarter increased by 46% year-over-year. The year-over-year growth in Managed Services sales is primarily an effect of the added Sprint contract. The second half 2009 was negatively impacted by the reduced scope of a managed services contract in Italy. Network Rollout sales decreased -8% year-over-year negatively impacted by supply chain bottlenecks as well as lower proportion of turnkey projects.

The trend with good demand for services targeting the operational efficiency of operators, such as managed services, systems integration and consulting, continued in the quarter. Operators also seek new business models and show increasing interest for network sharing. Sales in the segment are positively affected by mobile broadband demand, while services related to voice continued to develop unfavorably.

EBITA margin for Global Services was slightly up at 12% (11%) year-over-year and flat sequentially. EBITA margin for Professional Services amounted to 16% (17%) in the quarter and increased slightly sequentially from 15% due to lower proportion of network rollouts.

During the quarter, 13 managed services contracts were signed of which eight were extensions or expansions of existing customer agreements. Year-to-date, 38 contracts have been signed, well above the number for full year 2009.

During the quarter, Vodafone Germany selected Ericsson as exclusive partner to manage the field services of its fixed and mobile access and transmission networks as well as fixed core network nodes. Ericsson welcomed 600 employees from Vodafone on October 1.

Ericsson provides support for networks that serve more than two billion subscribers worldwide. The total number of subscribers in networks managed by Ericsson is more than 750 million.

Multimedia

Multimedia sales in the quarter showed negative growth at -31% year-over-year and -4% sequentially. Operators in regions India, Middle East and Sub-Saharan Africa have postponed investments due to delayed upgrades of charging systems and operator consolidations. Our TV solution offering continued its positive development. EBITA margin amounted to 0% (15%) as a result of the lower sales within revenue management. Margin improved sequentially from -5% mainly due to lower cost levels.

A program for return to profitability has been initiated.

Sony Ericsson

	Third quarter			**Second quarter**		**Nine months**		
EUR m.	**2010**	**2009**	**Change**	**2010**	**Change**	**2010**	**2009**	**Change**
Number of units shipped (m.)	10.4	14.1	-26%	11.0	-5%	31.9	42.5	-25%
Average selling price (EUR)	154	114	34%	160	-4%	150	119	26%
Net sales	1,603	1,619	-1%	1,757	-9%	4,765	5,038	-5%
Gross margin	30%	16%		28%		29%	12%	
Operating margin	4%	-12%		2%		3%	-17%	
Income before taxes	62	-199		31		112	-853	
Income before taxes, excl restructuring charges	66	-198		63		151	-838	
Net income	49	-164		12		82	-669	

Sony Ericsson reported its third consecutive quarter of profit showing that the overall performance is stabilizing. Units shipped in the quarter were 10.4 million, a decrease of-26% year-over-year and a decrease of -5% sequentially. Sales in the quarter were EUR 1,603 million, a decrease of -1% year-over-year and -9% sequentially.

Income before taxes for the quarter, excluding restructuring charges, was a profit of EUR 66 (-198) million, following the positive effects of the transformation program and a slimmer product portfolio.

At the end of the quarter, Sony Ericsson had a net cash position of EUR 538 million.

Ericsson s share in Sony Ericsson s income before tax was SEK 0.3 (-1.0) b. in the quarter.

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ST-Ericsson

USD m.	Third quarter 2010	Third quarter 2009	Change	Second quarter 2010	Change
Net sales	565	728	-22%	544	4%
Adjusted operating income[1)]	-85	-77		-118	
Operating income before taxes	-129	-121		-148	
Net income	-121	-112		-139	

1) Operating income adjusted for amortization of acquired intangibles and restructuring charges.

Net sales increased 4% sequentially. The operating loss decreased sequentially due to savings generated by restructuring and positive seasonal effects.

Inventory increased by USD 33 million, reaching USD 295 million, mainly reflecting lower demand in certain TD-SCDMA products.

Net financial position was USD 39 million, compared to USD 43 million at the end of the previous quarter. During the quarter trade receivables were sold without recourse, of which USD 179 million were outstanding at the end of the quarter, representing a sequential increase of USD 112 million. During the quarter, a short-term credit facility of USD 50 million, made available by parent companies, was utilized.

The USD 230 million restructuring plan, completed at the end of the second quarter 2010, has now given full impact. The USD 115 million restructuring plan is on track and has started to contribute savings. This plan is expected to be completed by the end of the fourth quarter 2010.

ST-Ericsson continues to be focused on achieving productivity and efficiency gains on top of and beyond the ongoing restructuring program.

ST-Ericsson is reported in US GAAP. Ericsson s share in ST-Ericsson s income before tax, adjusted to IFRS, was SEK -0.4 (-0.5) b. in the quarter, including restructuring charges of SEK 0.1 (0.1) b.

REGIONAL OVERVIEW

Sales, SEK b.	Third quarter 2010	Third quarter 2009	Change	Second quarter 2010	Change	Nine months 2010	Nine months 2009	Change
North America	12.9	4.0	223%	13.1	-1%	35.4	14.5	145%
Latin America	3.7	5.0	-27%	4.2	-13%	11.8	14.2	-16%
Northern Europe and Central Asia	2.4	2.7	-13%	2.7	-12%	7.3	8.5	-13%
Western and Central Europe	4.3	5.5	-22%	4.4	-3%	14.0	16.3	-15%
Mediterranean	5.0	5.2	-3%	5.6	-11%	15.7	18.1	-13%
Middle East	2.7	4.5	-40%	3.8	-28%	10.5	13.2	-21%
Sub-Saharan Africa	1.8	3.2	-44%	3.0	-39%	7.2	11.5	-38%
India	2.1	4.2	-49%	1.4	58%	5.8	11.8	-51%
China and North East Asia	6.9	5.6	24%	4.6	51%	16.5	18.6	-11%
South East Asia and Oceania	3.8	4.8	-20%	3.6	5%	11.0	15.7	-30%
Other	1.9	1.8	1%	1.6	13%	5.4	5.8	-6%
Total	**47.5**	**46.4**	**2%**	**48.0**	**-1%**	**140.6**	**148.1**	**-5%**

North America sales increased 223% year-over-year and declined -1% sequentially. North America had a strong quarter and excluding effects from the strong SEK sales grew also sequentially. The mobile data market continues to develop quickly with all main carriers now offering a pre-paid data service to stimulate demand further. With strong growth in data services in the US market we now see operators introducing tiered price plans based on quality and performance. In September, MetroPCS, launched 4G/LTE together with Ericsson in the Dallas market.

Latin America sales decreased -27% year-over-year and -13% sequentially. The region is characterized by major mergers between regional operators and restructuring plans to increase competitiveness. Business in the quarter included 2G and 3G network expansions as well as new managed services deals. The Chilean government launched its national mobile broadband network to cover rural areas, aiming to reach more than three million Chileans when completed.

Northern Europe and Central Asia sales decreased by -13% year-over-year and by -12% sequentially. In the Eastern part of the region there is both an ongoing 2G expansions and 3G buildouts driven by increased data traffic. In the Western part of the region network modernization is high on operators agendas. 4G/LTE trials are planned or ongoing across the region. There is an increasing interest for managed services across the region.

Western and Central Europe sales decreased -22% year-over-year and -3% sequentially, negatively impacted by a strong SEK. Mobile broadband usage continues to increase in the region. Following conclusions of auctions for 4G/LTE in several markets, Ericsson has been selected for a number of 4G/LTE trials now being implemented with major operators. Ericsson is also supporting operators in connection with 3G data capacity and modernization projects.

Operators focus on efficiency continued to drive strong interest in exploring business models such as managed operations, network sharing and network transformation leading to opportunities in both services and networks. The UK is at the forefront of network sharing and Ericsson has reached the milestone of consolidating more than 10,000 shared sites for Mobile Broadband Network Ltd (MBNL). Ericsson also extended the managed services business through extensions of existing contracts. This includes a three year extension with Netia Poland, as well as landing a five year managed field service contract for Vodafone in Germany.

Mediterranean sales decreased -3% year-over-year and -11% sequentially. Operator investments in Spain and Greece continue to be cautious due to overall economic environment and price competition among operators. In order to meet demand for mobile broadband services, operators continued to focus on network modernization also during the third quarter, and network speed is seen as a competitive advantage. Operational efficiency continues to be high on the agenda which creates good demand for managed services and consulting in networks as well as in all ICT areas. During the quarter it also became evident that operators are increasing their demand within revenue management and specifically around convergent charging, both for products and system integration.

Middle East sales decreased -40% year-over-year and -28% sequentially due to cautious operator investments in some parts of the region. Development in the region showed large variations where Gulf Countries continued to show good momentum, while most other parts of the region were slow. Services continue to be a large part of the business, representing 44% of total sales in the quarter. Managed services as well as billing and revenue management are growing in importance. Operators are starting to show interest in 4G/LTE with several trials going on throughout the region. Mobile subscriptions in the region are developing positively with net additions for both voice and broadband services.

Sub-Saharan Africa sales decreased by -44% year-over-year and -39% sequentially. The cautious operator investments continued in the quarter due to operator consolidation in the region. The demand for voice services is still the prime driver, generating a continued demand for 2G/GSM in countries such as Central African Republic, Ivory Coast, Togo and Zimbabwe. However, demand for mobile broadband is emerging throughout the region although currently at a low pace. Increased backhaul capacity should make consumer services more affordable and drive further demand. Services sales increased to more than 50% in the quarter.

India sales decreased -49% year-over-year and increased 58% sequentially. In the quarter, investments in 2G/GSM capacity and coverage picked up. Deliveries in the quarter have been under the interim security clearance process. The final government decision on this process is still pending. Main focus for operators has been on vendor selection for 3G rollouts. Deployments of 3G and trials for 4G/LTE are expected in coming quarters. In the 3G vendor selection, Ericsson has maintained its market share and during the quarter Bharti Airtel awarded the majority of their 3G circles to Ericsson.

China and North East Asia sales increased 24% year-over-year and by 51 % sequentially. The year-over-year growth is mainly related to demand for mobile broadband in Japan where sales increased 63%. Sales in China declined -8% year-over-year due to tough comparison following major 3G rollouts in 2009. The sequential increase of 18% in China is primarily related to increased demand for 2G capacity expansions.

LG-Ericsson had a slow quarter due to cautious operator investments ahead of LTE.

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South East Asia and Oceania sales decreased -20% year-over-year and increased 5% sequentially. The decline in sales reflects last year s one-time greenfield network rollouts in the Philippines and Vietnam. In markets with increasing usage of mobile broadband, operator demand for network equipment was good. In Vietnam operator investments are postponed due to upcoming elections. The 3G license process in Thailand is uncertain and high SIM card tax remains in Bangladesh. Services business this quarter included expansions in Bangladesh, Malaysia and Thailand. Services declined in Australia due to reduced scope in the Vodafone Hutchison managed services contract. Multimedia sales were stable year-over-year, with overall good development in multimedia brokering, IPTV in Australia as well as charging in Bangladesh.

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

MARKET DEVELOPMENT

Growth rates are based on Ericsson and market estimates

The global mobile infrastructure market continued to decline in the first half of 2010, although at a slower pace than in 2009, measured in USD. In the second quarter, operator revenues had increased for three consecutive quarters and we believe that the fundamentals for longer-term positive development for the industry remain solid. Ericsson is well positioned to drive and benefit from this development.

Mobile broadband is being built-out across the world and WCDMA networks covers around 35% of the world s population. Almost all of these networks have also launched HSPA. HSPA subscriptions now represent around 6% of the world s subscriptions, up from 4% in the third quarter 2009. Wider coverage and the surge for mobile internet services will drive further uptake of HSPA.

Ericsson findings based on measurements in live networks show that global mobile data traffic more than doubled between second quarter 2009 and second quarter 2010 and mobile data traffic is forecasted to almost double annually over the coming years, primarily driven by 24/7 connectivity and usage of smartphones, tablets and laptops.

Voice traffic is still the main revenue source for operators even though data represents an increasing share as more and more consumers use data traffic generating devices. In average, mobile data revenues, including SMS, constitute for almost 30% of total service revenues, up from 26% a year ago. In average, it has reached 32% in North America, 27% in Europe and 25% in high-growth markets in Asia. In Japan, there are operators whose data revenues account for more than 50% of total revenues. In a basket of five countries, including the US, Japan, Germany, UK and Australia, mobile data revenue grew from 32% in second quarter 2009 to 36% in second quarter 2010. Tiered price plans for mobile broadband are on operators agendas and have been introduced this year.

Data traffic uptake in mobile and fixed networks drives need for higher capacity in areas such as backhaul, aggregation, transport, routing based on IP and Ethernet technologies. With operators focus on increased network quality and efficiency, the ability to deal with high data volumes while maintaining telecom grade service levels is key. This also drives demand for services targeting the operational efficiency of operators, such as managed services and consulting.

There is continued good growth in the professional services market. Operators focus on efficiency drives interest in exploring business models such as managed operations, network sharing and network transformation. The move toward all-IP and increased network complexity will create further demand for systems integration and consulting.

Mobile subscriptions are estimated to have increased by 176 million in the quarter, reaching 5.1 billion. China and India alone accounted for almost 50% of net additions with 29 and 55 million respectively. Global mobile penetration is now 74%. GSM/GPRS/EDGE added 127 of the 176 million net subscription additions in the quarter and will continue to be an important technology for billions of users for many years to come.

The global number of new WCDMA subscriptions grew by 42 million in the quarter to a total of 576 million, of which 380 million are estimated to be HSPA. Ericsson estimates that the global mobile broadband subscriptions will amount to more than 3.4 b. by 2015.

Global fixed broadband subscriptions reached nearly 487 million during second quarter 2010. Growth slowed somewhat, adding 13 million new subscriptions. DSL remains the most widely deployed broadband technology, representing 66% of total subscribers. China is the largest single market with 24% of subscriptions, 115 million, while the Asia Pacific market as a whole represents 41% of the total broadband market. United States is the second largest country with 83 million subscriptions.

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

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PARENT COMPANY INFORMATION

Net sales for the nine-month period amounted to SEK 0.0 (0.3) b. and income after financial items was SEK 5.9(5.8)b.

Major changes in the Parent Company s financial position for the nine-month period include: investments in LG-Ericsson of SEK 1.9 b.; decreased current and non-current receivables from subsidiaries of SEK 10.5 b.; increased current other receivables of SEK 2.4 b. and decreased current and non-current liabilities to subsidiaries of SEK 4.9 b. As per September 30, 2010, cash, cash equivalents and short-term investments amounted to SEK 63.3 (62.4) b.

In accordance with the conditions of the long-term variable remuneration program (LTV) for Ericsson employees, 1,402,553 shares from treasury stock were sold or distributed to employees during the third quarter. The holding of treasury stock at September 30, 2010 was 74,982,882 Class B shares.

OTHER INFORMATION

Acquisition of Nortel s multi-service switch business

On September 25, 2010, Ericsson announced it has entered into an asset purchase agreement to acquire Nortel s multi-service switch business, MSS. The cash purchase price is USD 65 million on a cash and debt free basis, subject to adjustments. The transaction is subject to court and customary regular approvals.

Acquisition of InCode s strategy and technology group assets

On September 7, 2010, Ericsson announced it has acquired certain assets of inCode s strategy and technology group. InCode provides strategic business and consulting services to clients in telecommunications. The acquisition brings approximately 45 consultants in the US and Canada.

Changes in Ericsson s Executive Leadership Team

On September 20, 2010, Ericsson announced that Torbjorn Possne, previously Senior Vice President and Head of Group Function Sales & Marketing, assumes the role as head of customer unit Vodafone, effective October 1, 2010. A successor to Torbjorn Possne in the Executive Leadership Team will be announced separately.

On September 23, 2010, Ericsson appointed Bina Chaurasia as Senior Vice President and Head of Human Resources and Organization, effective November 15, 2010.

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Assessment of risk environment

Ericsson s operational and financial risk factors and uncertainties along with our strategies and tactics to mitigate risk exposures or limit unfavorable outcomes are described in our Annual Report 2009. Compared to the risks described in the Annual Report 2009, no material new or changed risk factors or uncertainties have been identified in the quarter.

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

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

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

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

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

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

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

- Political unrest or instability in certain markets;

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

- Natural disasters, effecting production, supply and transportation.

Ericsson conducts business in certain countries which are subject to trade restrictions or which are focused on by certain investors. We stringently follow all relevant regulations and trade embargos applicable to us in our dealings with customers operating in such countries. Moreover, Ericsson operates globally in accordance with Group level policies and directives for business ethics and conduct. In no way should our business activities in these countries be construed as supporting a particular political agenda or regime. We have activities in such countries mainly due to that certain customers with multi-country operations put demands on us to support them in all their markets.

Stockholm, October 22, 2010

Telefonaktiebolaget LM Ericsson (publ)

Hans Vestberg, President and CEO

Date for next report: January 25, 2011

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AUDITORS REVIEW REPORT

We have reviewed this report for the period January 1 to September 30, 2010, for Telefonaktiebolaget LM Ericsson (publ). The board of directors and the CEO are responsible for the preparation and presentation of this financial information in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this financial information based on our review.

We conducted our review in accordance with the Standard on Review Engagements SÖG 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by FAR SRS. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing in Sweden, RS, and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act regarding the Group and with the Swedish Annual Accounts Act regarding the Parent Company.

Stockholm, October 22, 2010

PricewaterhouseCoopers AB

Peter Clemedtson

Authorized Public Accountant

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EDITOR S NOTE

To read the complete report with tables, please go to: www.ericsson.com/investors/financial reports/2010/9month10-en.pdf

Ericsson invites media, investors and analysts to a press conference at the Ericsson Studio, Gönlandsgagen 4, Stockholm, at 09.00 (CET), October 22. An analysts, investors and media conference call will begin at 14.00 (CET).

Live webcast of the press conference and conference call as well as supporting slides will be available at www.ericsson.com/press and www.ericsson.com/investors

Video material will be published during the day on www.ericsson.com/broadcast room

FOR FURTHER INFORMATION, PLEASE CONTACT

Henry Stėnson, Senior Vice President, Communications

Phone:+46 10 719 4044

E-mail: investor.relations@ericsson.com or media.relations@ericsson.com

Investors

Ase Lindskog, Vice President,
Head of Industry and Investor Relations
Phone: +46 10 719 9725, +46 730 244 872
E-mail: investor.relations@ericsson.com

Susanne Andersson,
Investor Relations
Phone:+46 10 719 4631
E-mail: investor.relations@ericsson.com

Andreas Hedemyr,
Investor Relations
Phone:+46 10 714 3748
E-mail: investor.relations@ericsson.com

Media

Ola Rembe, Vice President,
Head of Corporate Public and Media Relations
Phone: +46 10 719 9727, +46 730 244 873
E-mail: media.relations@ericsson.com

Corporate Public & Media Relations
Phone:+46 10 719 69 92
E-mail: media.relations@ericsson.com

Telefonaktiebolaget LM Ericsson (publ)
Org. number: 556016-0680
Torshamnsgatan 23
SE-164 83 Stockholm
Phone: +46 10 719 0000
www.ericsson.com

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Disclosure Pursuant to the Swedish Securities Markets Act

Ericsson discloses the information provided herein pursuant to the Securities Markets Act. The information was submitted for publication at 07.30 CET, on October 22, 2010.

Safe Harbor Statement of Ericsson under the US Private Securities Litigation Reform Act of 1995;

All statements made or incorporated by reference in this release, other than statements or characterizations of historical facts, are forward-looking statements. These forward-looking statements are based on our current expectations, estimates and projections about our industry, management s beliefs and certain assumptions made by us. Forward-looking statements can often be identified by words such as anticipates , expects , intends , plans , predicts , believes , seeks , estimates , may , will , should , would , potential , continu of these words, and include, among others, statements regarding: (i) strategies, outlook and growth prospects; (ii) positioning to deliver future plans and to realize potential for future growth; (iii) liquidity and capital resources and expenditure, and our credit ratings; (iv) growth in demand for our products and services; (v) our joint venture activities; (vi) economic outlook and industry trends; (vii) developments of our markets; (viii) the impact of regulatory initiatives; (ix) research and development expenditures; (x) the strength of our competitors; (xi) future cost savings; (xii) plans to launch new products and services; (xiii) assessments of risks; (xiv) integration of acquired businesses; (xv) compliance with rules and regulations and (xvi) infringements of intellectual property rights of others.

In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. These forward-looking statements speak only as of the date hereof and are based upon the information available to us at this time. Such information is subject to change, and we will not necessarily inform you of such changes. These statements are not guarantees of future performance and are subject to risks, uncertainties and assumptions that are difficult to predict. Therefore, our actual results could differ materially and adversely from those expressed in any forward-looking statements as a result of various factors. Important factors that may cause such a difference for Ericsson include, but are not limited to: (i) material adverse changes in the markets in which we operate or in global economic conditions; (ii) increased product and price competition; (iii) reductions in capital expenditure by network operators; (iv) the cost of technological innovation and increased expenditure to improve quality of service; (v) significant changes in market share for our principal products and services; (vi) foreign exchange rate or interest rate fluctuations; and (vii) the successful implementation of our business and operational initiatives.

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FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION

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Consolidated Income Statement

SEK million	Jul - Sep 2009	Jul - Sep 2010	Change	Jan - Sep 2009	Jan - Sep 2010	Change
Net sales	46,433	47,481	2%	148,144	140,565	-5%
Cost of sales	-30,455	-29,337	-4%	-96,943	-88,099	-9%
Gross income	15,978	18,144	14%	51,201	52,466	2%
Gross margin (%)	34.4%	38.2%		34.6%	37.3%	
Research and development expenses	-8,218	-7,689	-6%	-23,749	-22,966	-3%
Selling and administrative expenses	-5,279	-5,775	9%	-19,585	-19,941	2%
Operating expenses	-13,497	-13,464	0%	-43,334	-42,907	-1%
Other operating income and expenses	222	620		2,204	1,422	
Operating income before shares in earnings of JV and associated companies	2,703	5,300		10,071	10,981	
Operating margin before shares in earnings of JV and associated companies (%)	5.8%	11.2%		6.8%	7.8%	
Shares in earnings of JV and associated companies	-1,559	-90		-5,939	-770	
Operating income	1,144	5,210		4,132	10,211	
Financial income	296	168		1,560	916	
Financial expenses	-294	-302		-830	-1,336	
Income after financial items	1,146	5,076		4,862	9,791	
Taxes	-374	-1,523		-1,460	-2,937	
Net income	772	3,553		3,402	6,854	
Net income attributable to:						
- Stockholders of the Parent Company	810	3,677		3,358	6,822	
- Non-controlling interests	-38	-124		44	32	
Other information						
Average number of shares, basic (million)	3,190	3,198		3,188	3,197	
Earnings per share, basic (SEK)[1)]	0.25	1.15		1.05	2.13	
Earnings per share, diluted (SEK)[1)]	0.25	1.14		1.05	2.12	

Statement of Comprehensive Income

SEK million	Jul - Sep 2009	Jul - Sep 2010	Jan - Sep 2009	Jan - Sep 2010
Net income	772	3,553	3,402	6,854
Other comprehensive income				
Actuarial gains and losses, and the effect of the asset ceiling, related to pensions participations	-73	402	-355	-126
Fair value remeasurement		-1	-1	8
Cash flow hedges				
Gains/losses arising during the period	2,106	3,111	1,202	1,543
Reclassification adjustments for gains/losses included in profit or loss	-295	359	5,149	403

Adjustments for amounts transferred to initial carrying amount of hegded items			-1,261	-136
Changes in cumulative translation adjustments	-5,522	-7,721	-3,655	-4,564
Tax on items relating to components of OCI	-539	-1,031	-1,565	-544
Total other comprehensive income	-4,323	-4,881	-486	-3,416
Total comprehensive income	-3,551			