ERICSSON LM TELEPHONE CO
Form 6-K
April 30, 2009
Table of Contents

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

April 30, 2009

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 April 30, 2009 regarding Ericsson reports first quarter results.

Table of Contents

FIRST QUARTER REPORT

April 30, 2009

Ericsson reports

first quarter results

Sales SEK 49.6 (44.2) b, up 5% for comparable units in constant currencies

Operating income[1)] before joint ventures SEK 4.7 (3.4) b

Operating margin[1)] before joint ventures 9.5% (7.6%)

Share in earnings from joint ventures SEK -2.2 (0.9) b

Income after financial items[1)] SEK 3.3 (4.5) b

Restructuring charges SEK 0.7 (0.8) b, excluding joint ventures

Net income SEK 1.8 (2.6) b

Earnings per share SEK 0.54 (0.83)

Cash flow [2) 3)] SEK -1.7 (2.8) b, including SEK 1.5 b pension trusts payment

1) Excluding restructuring charges.

2) Excluding cash outlays for restructuring of SEK 1.2 (0.3) b

3) Excluding dividend from Sony Ericsson of SEK 0.0 (2.2) b

CEO COMMENTS

We have started the year with good growth ahead of the market and a positive margin trend but with a weaker cash flow, said Carl-Henric Svanberg, President and CEO of Ericsson (NASDAQ:ERIC). Sales of network infrastructure are stable and the demand for professional services is growing. We have won several strategic contracts during the quarter, including 3G for China Unicom, 4G for Verizon Wireless and managed services for Vodafone UK.

The effects of the global economic recession on the global mobile network market are so far limited. We have seen operators, in a few markets where local currencies have depreciated dramatically, postpone investments. Some operators are also more cautious with longer-term investments in fixed networks, such as rollout of fiber networks. Most operators, however, have healthy financial positions, there is a strong traffic growth and the networks are fairly loaded.

It remains difficult to more precisely predict how operators will act in the current environment. However, investments in wireless networks largely continues, and rollouts of new networks and new technologies accelerate in markets such as the US, China and India. Telecom plays a critical role for growth and development of societies, and fixed and mobile broadband rollouts are now on political agendas in most countries.

Our cost reduction activities are running according to plan, targeting annual savings of SEK 10 b. from the second half of 2010. With our business mix, worldwide presence and early decision to cut costs, we are well positioned to strengthen our leadership in the present turbulent economic environment.

Our joint ventures, Sony Ericsson and ST-Ericsson, are affected by the economic downturn and the dramatic decline in consumer demand for handsets. Extensive programs to reduce costs are ongoing to adjust to the current market environment and restore profitability, concluded Carl-Henric Svanberg.

1

Table of Contents

FIRST QUARTER REPORT

April 30, 2009

FINANCIAL HIGHLIGHTS

Income statement and cash flow

	First quarter			Fourth quarter	
SEK b.	**2009**	**2008**	**Change**	**2008 1)**	**Change**
Net sales	49.6	44.2	12%	67.0	-26%
Net sales for comparable units	49.6	42.7	16%	65.9	-25%
Gross margin	36.3%	38.6%		35.2%	
EBITDA margin before JVs	12.9%	12.7%		17.7%	
Operating income before JVs	4.7	3.4	40%	9.8	-52%
Operating margin before JVs	9.5%	7.6%		14.6%	
Income after financial items	3.3	4.5	-25%	9.5	-65%
Net income	1.8	2.6	-30%	4.1	-44%
EPS diluted, SEK	0.54	0.83	-35%	1.21	-55%
Adjusted cash flow 2)	-1.7	2.8		8.0	
Cash flow from operations	-2.9	4.7		7.0	

All numbers, excl. EPS and Net income, adjusted for restructuring charges

1) *Fourth quarter 2008 includes a capital gain of SEK 0.8 b. from divestment of shares in Symbian*
2) *Excluding cash outlays for restructuring of SEK 1.2 (0.3) b. and dividend from Sony Ericsson of SEK 0.0 (2.2) b.*

Sales in the quarter increased 12% year-over-year and 16% for comparable units, i.e. excluding Ericsson Mobile Platforms and PBX operations. Excluding currency exchange rate effects, growth amounted to 5% for comparable units.

In the quarter, gross margin, excluding restructuring charges, was 36.3% (38.6%). The year-over-year decline is mainly due to large initial rollouts of 3G in China, higher sales in India, higher proportion of services sales and the transfer of Ericsson Mobile Platforms. Gross margin improved sequentially due to the business mix and effects of the ongoing cost reduction program.

Operating expenses amounted to SEK 13.6 (14.1) b. in the quarter, excluding restructuring charges. The year-over-year decrease, despite unfavorable currency effects, is primarily a result of ongoing cost reduction activities. Operating expenses as a percentage of sales declined to 27% (32%).

Operating income, excluding joint ventures and restructuring charges, increased by 40% and amounted to SEK 4.7 (3.4) b. in the quarter. Operating margin, excluding joint ventures and restructuring charges, increased to 9.5% (7.6%). Networks, Professional Services and Multimedia showed a positive margin development during the quarter. A weaker SEK affected income positively but hedges partly limited the positive effect.

Ericsson s share in earnings from joint ventures amounted to SEK -2.2 (0.9) b.

Financial net was SEK 0.8 (0.2) b. in the quarter, mainly resulting from positive revaluation of financial investments and lower financial cost due to the decline in interest rates.

Net income amounted to SEK 1.8 (2.6) b. in the quarter and was negatively impacted by the significant drop in the share in earnings from Sony Ericsson.

2

Table of Contents

FIRST QUARTER REPORT

April 30, 2009

Adjusted cash flow amounted to SEK -1.7 (2.8) b. excluding cash outlays for restructuring of SEK 1.2 (0.3) b. and dividend from Sony Ericsson of SEK 0.0 (2.2) b. Cash flow in the quarter was negatively affected by seasonality and capitalization of pension trusts of SEK 1.5 b. Current liabilities decreased due to high VAT payments and cash out from provisions.

Trade receivables decreased sequentially due to lower sales. However, days sales outstanding (DSO) increased to 124 (110), due to increased business activity, and high invoicing in the later part of the quarter. There are also some effects from operators optimizing their cash situation in the tougher credit environment.

Balance sheet and other performance indicators

SEK b.	Mar 31, 2009	Dec 31, 2008
Net cash	22.9	34.7
Interest-bearing liabilities and post-employment benefits	41.2	40.4
Trade receivables	75.2	75.9
Days sales outstanding	124	106
Inventory	30.7	27.8
Of which market unit work in progress	18.9	16.5
Inventory days	83	68
Payable days	65	55
Customer financing, net	2.8	2.8
Return on capital employed	7%	11%
Equity ratio	52%	50%

The net cash position decreased sequentially to SEK 22.9 (34.7) b. mainly due to a payment of USD 1.1 b. (SEK 8.4 b.) to establish the 50/50 joint venture ST-Ericsson with STMicroelectronics. Cash, cash equivalents and short-term investments amounted to SEK 64.1 (75.0) b. Of a total debt of SEK 32.2 b., SEK 7.2 b. matures in the next twelve months.

Customer financing remains low at a level of SEK 2.8 (2.8) b.

During the quarter, approximately SEK 3.1 b. of provisions related to warranty and project commitments and other items were utilized, of which SEK 1.2 b. were related to restructuring. Additions of SEK 1.7 b. were made, of which SEK 0.6 b. related to restructuring. Reversals of SEK 0.3 b. were made.

Cost reductions

The cost reduction program launched in January 2008 was concluded by year-end, with charges of SEK 6.7 b. In January 2009, further cost reductions were announced. The program targets annual savings of SEK 10 b. from second half of 2010, with an equal split between cost of sales and operating expenses. Restructuring charges are estimated to SEK 6-7 b. Restructuring charges related to activities launched in the first quarter amounted to SEK 0.7 b. At the end of the quarter cash outlays of SEK 3.3 b. remains.

Table of Contents

FIRST QUARTER REPORT

April 30, 2009

As previously announced, we are leveraging synergies between our different technologies, in-house and acquired, and taking advantage of opportunities in the transformation to all-IP broadband networks. We are reducing the number of software platforms and increasing the re-use of hardware.

Restructuring charges, SEK b.	**First quarter 2009**	**Full year 2008**
Cost of sales	-0.4	-2.5
Research and development expenses	-0.3	-2.7
Selling and administrative expenses		-1.5
Total	-0.7	-6.7

SEGMENT RESULTS

	First quarter			**Fourth quarter**	
SEK b.	**2009**	**2008**	**Change**	**2008**	**Change**
Networks sales	33.5	30.0	12%	45.8	-27%
Of which network rollout	4.7	4.5	4%	7.6	-38%
EBITDA margin	14%	15%		17%	
Operating margin	10%	9%		14%	
Professional Services sales	12.8	10.0	28%	16.2	-21%
Of which managed services	4.2	3.1	34%	4.3	-2%
EBITDA margin	17%	16%		19%	
Operating margin	15%	14%		18%	
Multimedia sales[2)]	3.2	2.6	25%	3.9	-17%
EBITDA margin[2)]	10%	1%		25%[1)]	
Operating margin[2)]	2%	-9%		18%[1)]	
Sales from divested and transferred businesses		1.6		1.1	
Total sales	49.6	44.2	12%	67.0	-26%

All numbers exclude restructuring charges

1) *Fourth quarter 2008 includes a capital gain of SEK 0.8 b. from divestment of shares in Symbian*

2) *2008 and 2009 numbers for Multimedia exclude Ericsson Mobile Platforms and PBX operations.*

Networks

Networks sales increased by 12% year-over-year, positively impacted by a weaker SEK. Sales, excluding network rollout, were up with especially strong performance in China, India and the US. Sales of network rollout services decreased 38% sequentially, reflecting a lower proportion of turnkey projects. The increase in operating margin was a result of the weaker SEK, business mix and lower costs, despite a negative impact from the ongoing large rollouts in China and India.

Ericsson s technology leadership was confirmed through key contract wins. China Unicom is presently carrying out the world s largest and fastest 3G rollout and Ericsson plays a key role in this. The 3G rollout for BSNL in India has started. The 4G/LTE contract with Verizon Wireless is of major strategic importance.

The growing traffic in the world s broadband networks increases the demand for transmission and packet network upgrades, and sales of Ericsson s SmartEdge routers and MiniLink showed strong growth.

Table of Contents

FIRST QUARTER REPORT

April 30, 2009

Professional Services

Professional Services sales increased by 28% year-over-year. Growth in constant currencies amounted to 10%. Managed services continued to grow substantially and were up 34% year-over-year. The growing interest for managed services is driven by operators increased focus on cost, especially in the current market environment. Operating margin in the quarter reached 15% (14%) due to continued efficiency gains.

During the quarter, five new managed services contracts were signed, including key contracts with T-Mobile and Hutch for their shared network in UK and with Vodafone UK. The total number of subscribers in managed operations is now 275 million, of which 60% are in high-growth markets.

Multimedia

Multimedia sales increased by 25% year-over-year for comparable units, i.e. excluding divestment of the PBX operations and Ericsson Mobile Platforms. Revenue Management and IPX (multimedia brokering) continued to show good growth. Some cable and satellite operators are postponing TV investments. Operating margin in the quarter for comparable units was 2% (-9%).

Sony Ericsson

	First quarter			Fourth quarter	
EUR m.	**2009**	**2008**	**Change**	**2008**	**Change**
Number of units shipped (m.)	14.5	22.3	-35%	24.2	-40%
Average selling price (EUR)	120	121	-1%	121	-1%
Net sales	1,736	2,702	-36%	2,914	-40%
Gross margin	8%	29%		15%	
Operating margin	-21%	7%		-9%	
Income before taxes	-370	193		-261	
Income before taxes, excl restructuring charges	-358	193		-133	
Net income	-293	133		-187	

Units shipped in the quarter were 14.5 million, a decrease of 35% year-over-year. Sales in the quarter were EUR 1,736 million, a decrease of 36% year-over-year. Sales decreased primarily as a result of continued weak consumer confidence and de-stocking in the retail and distribution channels. Gross margin declined both year-on-year and sequentially, reflecting a change in the product mix, material write-offs, and exchange rate volatility.

Income before taxes for the quarter, excluding restructuring charges, was a loss of EUR 358 million. The company has extensive operating expenses cost reduction programs of EUR 880 million and cost of sales reduction programs in place with the ambition to restore profitability. As of March 31, 2009, Sony Ericsson retained a strong net cash position of EUR 1.1 billion.

Ericsson s share in Sony Ericsson s income before tax was SEK -2.1 (0.9) b. in the quarter.

Table of Contents

FIRST QUARTER REPORT

April 30, 2009

ST-Ericsson

	2009		2008
USD m	**Feb-Mar**	**Proforma Q1**	**Proforma Q1**
Net sales	391	562	862
Operating income before taxes	-98		
Net income	-89		

ST-Ericsson was formed on February 2, 2009. By merging STMicroelectronics wireless business and Ericsson Mobile Platforms, a world leader is created in this industry. The company has leading solutions in 2G, 3G and TD-SCDMA as well as LTE. ST-Ericsson is a major supplier to Nokia, Samsung, Sony Ericsson, LG and others.

ST-Ericsson s sales were significantly affected by the slowdown in the handset market and ongoing de-stocking among operators. A cost adjustment program of USD 250 m. was launched in the fourth quarter 2008, and is under execution. An additional cost reduction program of USD 230 m. has been launched to adapt to current market conditions.

ST-Ericsson is reported in US-GAAP. Ericsson s share of ST-Ericsson s earnings before tax was SEK -0.4 b. Ericsson s share of ST-Ericsson s earnings before tax, adjusted to IFRS, was SEK -0.2 b. The adjustments mainly relates to capitalization of hardware R&D.

Ericsson Mobile Platforms incurred a loss of SEK -0.5 b. for January, which is added to the result in segment ST-Ericsson. The total loss in the segment is therefore SEK -0.7 b.

REGIONAL OVERVIEW

	First quarter			Fourth quarter	
Sales, SEK b.	**2009**	**2008**	**Change**	**2008**	**Change**
Western Europe	11.2	11.7	-4%	16.1	-31%
Central and Eastern Europe, Middle East and Africa	12.5	11.1	12%	17.6	-29%
Asia Pacific	16.3	12.9	26%	20.5	-21%
Latin America	4.4	4.2	5%	7.9	-44%
North America	5.2	4.3	21%	4.9	6%
Total	49.6	44.2	12%	67.0	-26%

Western Europe is the region that was affected the most by the divestiture of Ericsson Mobile Platforms and PBX operations. For comparable units the region was up 5% year-over-year. UK and Germany showed positive development driven by good growth in managed services. This was further emphasized by new managed services contracts in UK. Italy showed increasing growth while sales in Spain continue to be weak.

Table of Contents

FIRST QUARTER REPORT

April 30, 2009

In Central and Eastern Europe, Middle East and Africa, sales increased by 12% year-over-year but with significant variations between countries. Turkey and sub-Sahara showed strong performance, driven by 2G and 3G buildouts, while operators in markets where the financial crisis has hit particularly hard, such as Russia and Ukraine, are postponing investments. Together with operator partners, Ericsson has built coverage in the UN Millennium Villages. This has created a rapid increase in usage of telecom services with positive impacts on people s lives and economic growth.

Asia Pacific sales increased by 26% year-over-year. The mobile broadband rollout in China is the largest ever in the world and is being done in record time. Deliveries are high also to India, Indonesia and Vietnam. The development is strong also in Japan, where operators are building mobile broadband networks and the consumer demand for subscriptions bundled with laptops has quickly created a new market. Operators in Bangladesh and Pakistan are slowing investments due to difficult local business environment.

Latin American sales increased by 5% year-over-year with continued expansions of 2G networks as well as rollout of mobile broadband. Brazil and Mexico showed good development while some countries in the region were slower. In addition, there is a growing demand for managed services across the region.

North American sales increased by 21% year-over-year. The rollout of mobile broadband continues and the underlying growth is good. The contract with Verizon Wireless for a nationwide 4G/LTE network was especially encouraging as Verizon Wireless is a new customer to Ericsson. Revenue from this contract will mainly affect 2010. There is an emerging interest for managed services also in this region.

MARKET DEVELOPMENT

Growth rates are based on Ericsson and market estimates.

The global economic slowdown is affecting all parts of the society. However, we believe that the fundamentals for longer-term positive development for our industry remain solid. The need for telecommunication continues to grow and plays a vital role for the development of a sustainable and prosperous society. Ericsson is well positioned to drive and benefit from this development.

Mobile subscriptions grew by some 181 million in the quarter to a total of 4.16 billion. The number of new WCDMA subscriptions is accelerating and grew by 27 million in the quarter to a total of 319 million. In the twelve-month period ending December 31, 2008, fixed broadband connections grew by 18% year-over-year to close to 400 million, adding nearly 60 million subscribers.

The continued subscription growth creates need for new and expanded mobile networks and corresponding professional services. Although GSM continues to represent a large part of the mobile systems market, the growth of 3G/WCDMA is quickly accelerating. The strong development in emerging markets continues, and although they represent less than one third of global GDP they represent significantly more of the market for mobile network equipment.

Table of Contents

FIRST QUARTER REPORT

April 30, 2009

Broadband Internet revenues for fixed operators are expected to grow from 20% to more than 30% of total revenues in the next five years. Mobile operators data revenues, currently at some 20% of total revenues, are expected to grow even faster. In addition to capacity enhancements, operators face the challenge of converting to all-IP broadband networks. This will include increased deployments of broadband access, routing and transmission along with next-generation service delivery and revenue management systems.

There is continued strong growth in services, fueled by operators desire to reduce operating expenses and improve efficiency in network operation and maintenance. The move toward all-IP and increased network complexity will create further demand for systems integration and consulting.

PARENT COMPANY INFORMATION

Net sales for the first quarter amounted to SEK 0.2 (2.0) b. and income after financial items was SEK 1.4 (4.4) b. Effective January 1, 2009, license revenues from third parties related to patent licenses will be handled by Ericsson AB, a wholly owned subsidiary. Contracts, earlier reported to Parent Company, are being transferred to Ericsson AB for operational reasons. As a consequence, the Parent Company net sales 2009 will be significantly reduced. The income is also impacted by the reduced dividend from Sony Ericsson of SEK 0.0 (2.2) b.

Major changes in the Parent Company s financial position for the first quarter include investments in the joint venture with STMicroelectronics of SEK 8.4 b., decreased other current receivables of SEK 3.6 b. and decreased cash and bank and short-term investments of SEK 6.5 b. Current and non-current liabilities to subsidiaries decreased by SEK 4.0 b. At the end of the quarter, cash, bank and short-term investments amounted to SEK 52.7 (59.2) b.

In accordance with the conditions of the Stock Purchase Plans and Stock Option Plans for Ericsson employees, 2,107,770 shares from treasury stock were sold or distributed to employees during the first quarter. The holding of treasury stock at March 31, 2009, was 58,958,327 Class B shares.

OTHER INFORMATION

New joint venture ST-Ericsson

On February 3, 2009, STMicroelectronics and Ericsson announced the closing of their agreement merging Ericsson Mobile Platforms and STMicroelectronics wireless business into a 50/50 joint venture. The deal was completed on the terms originally announced on August 20, 2008. Ericsson contributed USD 1.1 b. (SEK 8.4 b.) net, of which USD 0.7 b. was paid to STMicroelectronics.

Divestment of TEMS branded products business to Ascom

On March 23, 2009, Ericsson announced an agreement to divest its TEMS branded products business, consisting of tools for air interface monitoring and radio network planning, to Ascom. The purchase price is CHF 190 million, excluding net of assets and liabilities. The agreement involves transfer of approximately 300 employees. The transaction is expected to close in June 2009.

Annual General Meeting

The Annual General Meeting (AGM) decided, as previously announced and in accordance with the proposal by the Board of Directors, on a dividend payment of SEK 1.85 per share for 2008 and with April 27, 2009, as the date of record for dividend. The total dividend payment amounts to SEK 6.0 (8.0) b.

Table of Contents

FIRST QUARTER REPORT

April 30, 2009

In accordance with the Board of Directors proposals, the AGM resolved the completion of LTV 2008 (Long Term Variable compensation). The AGM also resolved the implementation of LTV 2009, including directed issue of shares, directed acquisition offer and transfer of shares. In addition, the AGM resolved the transfer of treasury stock for previously decided LTV programs. For more details, see www.ericsson.com/investors.

Assessment of risk environment

Ericsson s operational and financial risk factors and exposures are described under Risk factors in our Annual Report 2008.

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

- potential negative effects due to the present serious turmoil in the financial markets and the weak economic business environment on operators willingness to invest in network development as well as the financial liabilities of sub suppliers, for example due to lack of borrowing facilities or reduced consumer telecom spending, or increased pressure on us to provide financing;

- unfavorable product mix in the Networks segment, with reduced sales of software, upgrades and extensions and an increased proportion of new network build-outs and break-in contracts, which may result in lower gross margins and/or working capital build-up, which in turn puts pressure on our cash conversion rate;

- a 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 the company s customers as well as between our largest competitors, e.g. intensified price competition;