

ERICSSON LM TELEPHONE CO

Form 6-K

January 25, 2011

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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**

**January 25, 2011**

# **LM ERICSSON TELEPHONE COMPANY**

**(Translation of registrant's name into English)**

**Torshamnsgatan 23, Kista**

**SE-164 83, Stockholm, Sweden**

**(Address of principal executive offices)**

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Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F  Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes  No

Announcement of LM Ericsson Telephone Company, dated **January 25, 2011** regarding ERICSSON REPORTS FOURTH 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/ NINA MACPHERSON*  
**Nina Macpherson**  
**Senior Vice President and General Counsel**

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

Date: **January 25, 2011**

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FOURTH QUARTER REPORT

January 25, 2011

**ERICSSON REPORTS FOURTH QUARTER RESULTS**

Group sales in the quarter increased 8% year-over-year and 32% sequentially mainly driven by a strong development in mobile broadband says Hans Vestberg, President and CEO of Ericsson (NASDAQ:ERIC). Sales in the quarter for comparable units, adjusted for currency and hedging, increased 7% year-over-year. Adjusted cash flow in the quarter was strong at SEK 16.2 (13.6) b. and SEK 29.8 (28.7) b. for the full year.

Sales growth returned during the second half of the year and cash conversion for the full year amounted to 112%. Net income 2010 increased 172% to SEK 11.2 (4.1) b. mainly due to improvements in earnings in Sony Ericsson and less restructuring charges. The Board of Directors proposes a dividend for 2010 of SEK 2.25 (2.00).

Sales in Networks increased 14% year-over-year and 40% sequentially, primarily driven by increased demand for mobile broadband and investments in 2G expansions in China. While the supply of components has normalized during the quarter, we are still not fully meeting the increased demand on certain mobile broadband products.

Global Services sales decreased -1% year-over-year and increased 20% sequentially. The year-over-year decline is a result of lower levels of network rollout following the industry wide component shortage earlier in the year as well as a negative impact from a strong SEK. Managed services grew 5% year-over-year and with 16 contracts signed in the quarter, the positive business momentum remains unchanged. Multimedia sales recovered and grew 3% year-over-year and 50% sequentially with positive development within revenue management.

2010 marks the first year of 4G/LTE and we have established a clear lead in this area. Our strategy to strengthen our position in key markets such as the US and Korea as well as increased footprint in the ongoing network modernization has also been successful during the year. Although network modernization projects, along with the 3G rollouts in India, puts initial pressure on gross margin these projects are important parts of our efforts to strengthen our platform for continued long-term growth and profitability.

In 2010, mobile broadband subscriptions increased 30% to approximately 500 million, still only representing some 10% of total mobile subscriptions. We expect the strong uptake for mobile broadband to continue in 2011, with number of mobile broadband subscriptions expected to double and hit one billion already this year. This will be driven by more smartphone devices, including entry level smartphones as well as tablets. Mobile data traffic is forecasted to almost double annually over the coming years. We are well positioned to support our customers in meeting the changing consumer behavior, concludes Hans Vestberg.

| SEK b.                                     | Fourth quarter |      |        | Third quarter |        | Full year |       |        |
|--|----------------|------|--------|---------------|--------|-----------|-------|--------|
|  | 2010           | 2009 | Change | 2010          | Change | 2010      | 2009  | Change |
| Net sales                                  | 62.8           | 58.3 | 8%     | 47.5          | 32%    | 203.3     | 206.5 | -2%    |
| Gross margin                               | 37%            | 35%  |        | 39%           |        | 38%       | 36%   |        |
| EBITA margin excl JVs <sup>1)</sup>        | 15%            | 15%  |        | 16%           |        | 14%       | 14%   |        |
| Operating income excl JVs                  | 8.4            | 7.5  | 12%    | 6.2           | 36%    | 24.4      | 24.6  | 0%     |
| Operating margin excl JVs                  | 13%            | 13%  |        | 13%           |        | 12%       | 12%   |        |
| Ericsson's share in earnings in JVs        | -0.3           | -0.4 |        | 0.0           |        | -0.7      | -6.1  |        |
| Income after financial items               | 7.8            | 6.7  | 18%    | 6.1           | 29%    | 23.1      | 18.8  | 23%    |
| Net income                                 | 4.4            | 0.7  | 504%   | 3.6           | 23%    | 11.2      | 4.1   | 172%   |
| EPS diluted, SEK                           | 1.34           | 0.10 |        | 1.14          |        | 3.46      | 1.14  |        |
| Adjusted operating cash flow <sup>2)</sup> | 16.2           | 13.6 |        | 12.7          |        | 29.8      | 28.7  |        |
| Cash flow from operations                  | 15.2           | 12.5 |        | 11.8          |        | 26.6      | 24.5  |        |
| Restructuring charges excl JVs             | 1.7            | 4.2  |        | 0.9           |        | 6.8       | 11.3  |        |

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

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- 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 fourth quarter 2010 were SEK 1.0 (1.1) b.

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### FINANCIAL HIGHLIGHTS

#### Income statement and cash flow

Sales in the quarter amounted to SEK 62.8 (58.3) b., up 8% year-over-year and 32% sequentially. Sales for comparable units, adjusted for currency exchange rate effects and hedging, increased 7% year-over-year. The year-over-year net impact of currency exchange rate effects and hedging was negative.

Sales for the full year amounted to SEK 203.3 (206.5) b., down -2% year-over-year. Sales for the full year for comparable units, adjusted for currency exchange rate effects and hedging, decreased -7%. The net impact of currency exchange rate effects and hedging in 2010 was slightly negative.

For the full year hardware sales were 37% (36%) and software sales were 24% (26%) of total sales while services sales accounted for the remaining part 39% (38%).

Gross margin in the quarter, excluding restructuring, increased year-over-year to 37% (35%) and was down from 39% sequentially. Gross margin in the quarter was positively impacted year-over-year by cost reductions and a lower proportion of services sales of 36% (40%). Sequentially, gross margin declined due to business mix with a higher proportion of hardware sales related to increased rollout projects including initial 3G rollouts in India, and network modernization projects.

Full year gross margin, excluding restructuring, increased to 38% (36%), due to business mix with upgrades and expansions and cost reductions.

R&D expenses for the full year amounted to SEK 29.9 (27.0) b. In the planning assumptions for 2010 R&D expenses were estimated to be at around SEK 28-30 b. The increase from 2009 is a result of higher investments in certain R&D areas and the acquired Nortel and LG-Ericsson operations, including amortizations of the acquired intangible assets. Selling and general administrative expenses (SG&A) decreased in relation to sales both in the quarter and for the full year.

Operating expenses for the quarter amounted to SEK 15.2 (14.0) b., excluding restructuring charges. Operating expenses for the full year amounted to SEK 55.2 (52.9) b., excluding restructuring. This is mainly a result of added operating expenses from the acquired Nortel and LG-Ericsson operations.

Other operating income and expenses were SEK 0.6 (0.9) b. in the quarter and SEK 2.0 (3.1) b. for the full year.

Operating income, excluding joint ventures and restructuring charges, amounted to SEK 8.4 (7.5) b. in the quarter. Operating margin was flat at 13% (13%) year-over-year as well as sequentially. Operating income for the full year, excluding joint ventures and restructuring charges, amounted to SEK 24.4 (24.6) b. Operating margin for the full year was flat at 12% (12%).

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Ericsson's share in earnings of joint ventures, before tax, amounted to SEK -0.3 (-0.4) b. excluding restructuring charges, compared to SEK 0.0 b. in the third quarter. Sony Ericsson improved results year-over-year significantly by EUR 1.1 b., excluding restructuring, due to efficiency programs and a new slimmer product portfolio and decreased slightly sequentially. ST-Ericsson's loss increased slightly year-over-year as well as sequentially. Restructuring charges in joint ventures were SEK -0.1 b. in the quarter.

Ericsson's share in earnings of joint ventures, before tax, amounted to SEK -0.7 (-6.1) b. excluding restructuring charges, for the full year. Restructuring charges in joint ventures were SEK -0.5 b. in 2010.

Financial net amounted to SEK -0.3 (-0.4) b. in the quarter and decreased slightly sequentially. For 2010 financial net was SEK -0.7 (0.3) b. The difference is mainly attributable to a negative impact of around SEK 0.6 b. due to foreign exchange currency revaluation effects and lower interest net of SEK 0.3 b. compared to 2009.

Net income amounted to SEK 4.4 (0.7) b. For the full year net income was SEK 11.2 (4.1) b., up 172%. The improvements, both year-over-year and for the full year, are mainly a result of improved earnings in Sony Ericsson, and less restructuring charges.

Earnings per share were SEK 1.34 (0.10) in the quarter and SEK 3.46 (1.14) for the full year.

Adjusted operating cash flow was SEK 16.2 (13.6) b. in the quarter, up sequentially from SEK 12.7 b. Cash flow from operations amounted to SEK 15.2 (12.5) b. mainly due to improved results and collections as well as advance payments following higher project activities.

Adjusted operating cash flow was SEK 29.8 (28.7) b. in 2010. Cash flow from operations amounted to SEK 26.6 (24.5) b. The improvement is primarily a result of higher net income.

Balance sheet and other performance indicators

| SEK b.  | Dec 31<br>2010 | Sep 30<br>2010 | June 30<br>2010 | Mar 31<br>2010 | Dec 31<br>2009 |
|---|----------------|----------------|-----------------|----------------|----------------|
| Net cash  | 51.3           | 35.7           | 25.8            | 38.5           | 36.1           |
| Interest-bearing liabilities and post-employment benefits | 35.9           | 40.4           | 41.8            | 39.3           | 40.7           |
| Trade receivables   | 61.1           | 57.8           | 69.4            | 62.7           | 66.4           |
| Days sales outstanding                                    | 88             | 109            | 133             | 117            | 106            |
| Inventory   | 29.9           | 30.3           | 29.4            | 24.1           | 22.7           |
| Of which regional inventory                               | 18.7           | 19.1           | 18.3            | 14.0           | 12.9           |
| Inventory days  | 74             | 82             | 81              | 75             | 68             |
| Payable days  | 62             | 62             | 61              | 59             | 57             |
| Customer financing, net                                   | 4.4            | 3.5            | 3.1             | 2.9            | 2.3            |
| Return on capital employed                                | 10%            | 8%             | 6%              | 5%             | 4%             |
| Equity ratio  | 52%            | 52%            | 51%             | 53%            | 52%            |

Trade receivables increased sequentially by SEK 3.3 b. to SEK 61.1 (57.8) b. due to seasonally higher sales, but were positively impacted by improved collections and the strong SEK. Days sales outstanding (DSO) improved from 109 to 88 days.

Inventory decreased slightly sequentially by SEK 0.4 b. to SEK 29.9 (30.3) b. The higher inventory level year-over-year follows a higher level of work in progress in the regions. Inventory turnover days decreased from 82 to 74 days.

Goodwill was flat at SEK 27.2 (27.4) b.

Cash, cash equivalents and short-term investments amounted to SEK 87.2 (76.7) b. The net cash position increased sequentially by SEK 15.6 b. to SEK 51.3 (35.7) b., mainly due to increase in net income affecting cash, as well as good collections.

During the quarter, approximately SEK 2.4 b. of provisions were utilized, of which SEK 1.0 b. related to restructuring. Additions of SEK 1.7 b. were made, of which SEK 0.2 b. related to restructuring. Reversals of SEK 0.6 b. were made. The low 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.





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Total number of employees at year-end amounted to 90,261 (82,493) of which 45,000 services professionals. In 2010, 5,250 individuals joined Ericsson through acquisitions and about 1,300 through managed services contracts. Approximately 5,000 were made redundant and 6,000 recruited. The vast majority of recruitments took place in India, China and Brazil. These new recruitments were primarily made within the areas of R&D and service delivery.

Restructuring cost excluding joint ventures

Total restructuring charges in 2010 were SEK 6.8 (11.3) b. In the quarter, restructuring charges amounted to SEK 1.7 b. At the end of the quarter, cash outlays of SEK 3.2 b. remain to be made. Cash outlays in the fourth quarter were SEK 1.0 (1.1) b. and SEK 3.3 (4.2) b. for the full year.

Cost and capital efficiency remain high on the company agenda and efficiency work will continue also in 2011. This primarily relates to service delivery, product development and administration. From 2011 and onwards the company will comment on results including restructuring charges. For 2011, restructuring charges of approximately SEK 2 b. are estimated.

|                                      | 2010        | 2010        | 2010        | 2010        | 2010        | 2009         |
|--------------------------------------|-------------|-------------|-------------|-------------|-------------|--------------|
|                                      | Q4          | Q3          | Q2          | Q1          | Full year   | Full year    |
| <b>Restructuring charges, SEK b.</b> |             |             |             |             |             |              |
| Cost of sales                        | -1.2        | -0.4        | -1.0        | -0.8        | -3.4        | -4.2         |
| Research and development expenses    | -0.3        | -0.5        | -0.6        | -0.3        | -1.7        | -6.1         |
| Selling and administrative expenses  | -0.2        | 0.0         | -0.4        | -1.1        | -1.7        | -1.0         |
| <b>Total</b>                         | <b>-1.7</b> | <b>-0.9</b> | <b>-2.0</b> | <b>-2.2</b> | <b>-6.8</b> | <b>-11.3</b> |

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## SEGMENT RESULTS

| SEK b.                         | Fourth quarter |             |            | Third quarter |            | Full year    |              |             |
|--------------------------------|----------------|-------------|------------|---------------|------------|--------------|--------------|-------------|
|                                | 2010           | 2009        | Change     | 2010          | Change     | 2010         | 2009         | Change      |
| <b>Networks sales</b>          | <b>36.4</b>    | <b>31.8</b> | <b>14%</b> | <b>26.1</b>   | <b>40%</b> | <b>112.7</b> | <b>114.0</b> | <b>-1%</b>  |
| EBITA margin <sup>1)</sup>     | 18%            | 19%         |            | 21%           |            | 18%          | 16%          |             |
| Operating margin               | 16%            | 17%         |            | 17%           |            | 15%          | 14%          |             |
| <b>Global Services sales</b>   | <b>22.9</b>    | <b>23.1</b> | <b>-1%</b> | <b>19.1</b>   | <b>20%</b> | <b>80.1</b>  | <b>79.2</b>  | <b>1%</b>   |
| Of which Professional Services | 16.7           | 16.5        | 1%         | 13.7          | 22%        | 58.5         | 56.1         | 4%          |
| Of which Managed Services      | 5.4            | 5.1         | 5%         | 5.2           | 3%         | 21.1         | 17.4         | 21%         |
| Of which Network Rollout       | 6.2            | 6.7         | -8%        | 5.3           | 15%        | 21.6         | 23.1         | -7%         |
| EBITA margin <sup>1)</sup>     | 13%            | 10%         |            | 12%           |            | 12%          | 12%          |             |
| Of which Professional Services | 16%            | 14%         |            | 16%           |            | 16%          | 17%          |             |
| Operating margin               | 12%            | 9%          |            | 11%           |            | 11%          | 11%          |             |
| Of which Professional Services | 15%            | 13%         |            | 16%           |            | 15%          | 16%          |             |
| <b>Multimedia sales</b>        | <b>3.5</b>     | <b>3.4</b>  | <b>3%</b>  | <b>2.3</b>    | <b>50%</b> | <b>10.5</b>  | <b>13.3</b>  | <b>-21%</b> |
| EBITA margin <sup>1)</sup>     | 16%            | 17%         |            | 0%            |            | 3%           | 14%          |             |
| Operating margin               | 11%            | 10%         |            | -8%           |            | -4%          | 8%           |             |
| <b>Total sales</b>             | <b>62.8</b>    | <b>58.3</b> | <b>8%</b>  | <b>47.5</b>   | <b>32%</b> | <b>203.3</b> | <b>206.5</b> | <b>-2%</b>  |

All numbers exclude restructuring charges.

<sup>1)</sup> EBITA Earnings before interest, tax, amortizations and write-downs of acquired intangibles.  
Networks

Networks sales in the quarter were SEK 36.4 (31.8) b. an increase of 14% year-over-year, positively impacted by the acquired Nortel businesses but negatively impacted by a strong SEK. Sequentially sales increased 40%. Mobile broadband sales, including radio, backhaul and evolved packet core, increased in the quarter, especially driven by markets such as the US and Japan. Voice related sales remained slow. China showed high volumes of 2G sales in the quarter. While the supply of components has normalized during the quarter, we are still not fully meeting increased demand on certain mobile broadband products.

Networks sales for the full year were SEK 112.7 (114.0) b., a decrease of -1%, positively impacted by the acquired Nortel businesses but negatively impacted by effects from the industry wide component shortage during the year. The cautious operator investments that started to impact in the second half of 2009 continued during the first half 2010. In the second half of 2010 demand for mobile broadband started to increase.

EBITA margin in the quarter decreased year-over-year to 18% (19%) and from 21% sequentially. Positive volume effects were offset by a shift toward more projects, as well as initial 3G rollouts in India and network modernization.

EBITA margin for the full year increased to 18% (16%), positively impacted by business mix in the first half of the year with a higher proportion network upgrades and expansions and cost reduction activities.

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LG-Ericsson performed well in the quarter with sales up sequentially. During the period LG-Ericsson captured a major Cloud Communication Center (CCC) contract with Korea Telecom, to meet the explosive increase in data traffic.

The new multi standard radio base station RBS 6000 was taken into volume production during the year and has been positively received by customers across the world. This is the fastest introduction of a new radio base station in the history of Ericsson.

Demand for mobile broadband related equipment has grown throughout the year and we are still not fully meeting the increased demand on certain mobile broadband products.

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Networks that supports differentiation of operators' service offerings are required to meet the end user demand and increase in data traffic coming from smartphones and tablets. This is supported by IP based smart pipes with an integrated radio access and packet core networks. To scale the service offering and eliminate bottlenecks in transmission operators will focus more and more on backhaul.

2010 marks the first year of LTE and Ericsson have established a market leadership delivering its LTE/Evolved Packet Core solutions to 16 networks in eleven countries on three continents.

In the quarter Ericsson was selected for Sprint's Network Vision program. There was also good momentum for our SmartEdge routers and our backhaul solutions. The strategy to capture additional footprint has been successful during the year and contracts for modernization projects which include networks in Korea, the US and a number of countries in Europe have been signed.

### Global Services

Global Services sales in the quarter were SEK 22.9 (23.1) b. a decrease of -1% year-over-year, and an increase of 20% sequentially. The year-over-year decline is primarily a result of currency exchange rate effects. Sales are also impacted by lower network rollout volumes following the industry wide component shortage earlier in the year.

Global Services sales for the full year amounted to SEK 80.1 (79.2) b., up 1% year-over-year. Sales in the segment are positively affected by mobile broadband and managed services demand, while services related to voice developed unfavorably. The proportion of recurring business in Professional Services was slightly above two thirds for the full year.

Professional Services sales were SEK 16.7 (16.5) b. in the quarter, an increase of 1% year-over-year and by 22% sequentially. In local currencies sales increased 5% year-over-year. For the full year Professional Services sales were SEK 58.5 (56.1) b., up 4%. In local currencies sales increased 9% for the full year, in line with previous years' growth pace.

Managed Services sales in the quarter increased by 5% year-over-year to SEK 5.4 (5.1) b. and were up 3% sequentially. The lower year-over-year growth rate in the fourth quarter is primarily a result of the Sprint contract added in the fourth quarter 2009. For the full year, Managed Services sales were SEK 21.1 (17.4) b., up 21%. With 54 new managed services contracts signed in 2010, of which 26 were extensions or expansions of existing customer agreements, the positive business momentum remains unchanged.

Network Rollout sales amounted to SEK 6.2 (6.7) b. in the quarter. This is decline of -8% year-over-year and an increase of 15% sequentially. For the full year Network Rollout sales amounted to SEK 21.6 (23.1) b., a decline of -7%. Sales were negatively impacted by the industry wide component shortage, which has delayed project deployments.

Overall, margin levels have been stable or improved through continuous efforts in service delivery and transformation in managed services contracts. EBITA margin for Global Services in the quarter was up to 13% (10%) year-over-year compared to 12% sequentially. EBITA margin for Global Services for the full year was 12% (12%). EBITA margin for Professional Services increased to 16% (14%) in the quarter and was flat sequentially. EBITA margin for Professional Services amounted to 16% (17%) for the full year.

During the quarter, TDC in Denmark selected Ericsson as exclusive partner to manage their 4G/LTE network. Ericsson was also awarded a managed services contract extension with TeliaSonera International Carrier in 29 countries, adding Russia. A second managed services contract in China, this time with China Unicom, was also announced. In addition, 3 Italia awarded Ericsson a contract for data center consolidation and modernization of its IT infrastructure.

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, of which 450 million in network operation contracts and 300 million in field maintenance.

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## Multimedia

Multimedia sales in the quarter increased 3% year-over-year and 50% sequentially to SEK 3.5 (3.4) b. Full year sales decreased -21% to SEK 10.5 (13.3) b. The strong recovery in the last quarter of the year is mainly a result of increased operator investments in revenue management following cautious spending in previous quarters, as well as continued good development for TV solutions. At year-end we had 1.2 b. subscribers in our revenue management systems, an increase of approximately 0.2 b. in 2010.

EBITA margin amounted to 16% (17%) and improved sequentially from 0% as a result of improved sales in revenue management. For the full year EBITA margin was 3% (14%) as a result of the slower development in the segment during the year, especially in revenue management.

## Sony Ericsson

| EUR m.  | Fourth quarter |       |        | Third quarter |        | Full year |        |        |
|---|----------------|-------|--------|---------------|--------|-----------|--------|--------|
|   | 2010           | 2009  | Change | 2010          | Change | 2010      | 2009   | Change |
| Number of units shipped (m.)                    | 11.2           | 14.6  | -23%   | 10.4          | 8%     | 43.1      | 57.1   | -25%   |
| Average selling price (EUR)                     | 136            | 120   | 14%    | 154           | -12%   | 146       | 119    | 23%    |
| Net sales                                       | 1,528          | 1,750 | -13%   | 1,603         | -5%    | 6,294     | 6,788  | -7%    |
| Gross margin                                    | 30%            | 23%   |        | 30%           |        | 29%       | 15%    |        |
| Operating margin                                | 3%             | -10%  |        | 4%            |        | 3%        | -15%   |        |
| Income before taxes                             | 35             | -190  |        | 62            |        | 147       | -1,043 |        |
| Income before taxes, excl restructuring charges | 39             | -40   |        | 66            |        | 189       | -878   |        |
| Net income                                      | 8              | -167  |        | 49            |        | 90        | -836   |        |

Sony Ericsson reported its fourth consecutive quarter of profit. Units shipped during the quarter were 11.2 million, a year-on-year decrease of -23%, consistent with the streamlining of the portfolio to focus on higher-end smartphones. The sequential increase of 8%, related to seasonal factors, was somewhat constrained by lack of new product launches during the quarter. For the full year 43.1 million units were shipped, a decrease by -25%.

Sales in the quarter were EUR 1,528 million, a decrease of -13% year-over-year and -5% sequentially. Full year sales amounted to EUR 6,294 million, down -7% year-over-year.

Income before taxes for the quarter, excluding restructuring charges, was a profit of EUR 39 (-40) million. Income before taxes, excluding restructuring charges, was EUR 189 (-878) million for the full year. The improvement of approximately EUR 1.1 b. was driven by a streamlined product portfolio focused on higher-end smartphones and an improved cost structure.

Sony Ericsson's net cash position at end of year was EUR 375 million. The negative cash flow from operating activities for the quarter was EUR -128 million, mainly due to increases in inventory due to seasonal factors as well as payments related to the transformation program.

Ericsson's share in Sony Ericsson's income before tax was SEK 0.2 (-1.0) b. in the quarter and SEK 0.7 (-5.7) b. for the full year.

## ST-Ericsson

| USD m.                                  | Fourth quarter |      |        | Third quarter |        | Full year |       |        |
|---|----------------|------|--------|---------------|--------|-----------|-------|--------|
|   | 2010           | 2009 | Change | 2010          | Change | 2010      | 2009  | Change |
| Net sales                               | 577            | 740  | -22%   | 565           | 2%     | 2,293     | 2,524 | -9%    |
| Adjusted operating income <sup>1)</sup> | -119           | -50  |        | -85           |        | -436      | -369  |        |
| Operating income                        | -171           | -139 |        | -129          |        | -611      | -581  |        |
| Net income                              | -177           | -125 |        | -121          |        | -591      | -539  |        |

<sup>1)</sup> Operating income adjusted for amortization of acquired intangibles and restructuring charges.

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Net sales for the quarter increased 2% sequentially and decreased -22% year-over-year. In the quarter there was a continued strong performance in the new 2G/EDGE platforms in addition to initial HSPA+ modem sales. This offset weakness in TD-SCDMA and the anticipated decrease in the legacy products. Net sales for the full year amounted to USD 2,293 million, down -9% year-over-year.

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The operating loss in the quarter increased year over year and sequentially to USD -171 (-139) million. The sequential increased loss was mainly due to higher operating expenses reflecting anticipated seasonality and exchange rate effects as well as price erosion due to ongoing legacy product transition. In the quarter there was a positive effect of USD 13 million from cost savings as the restructuring plan was completed on time.

Inventory decreased by USD -20 million, reaching USD 275 million at the end of the quarter.

Net financial position was USD -82 million in the quarter, compared to USD 39 million at the end of the previous quarter. During the quarter the company sold trade receivables without recourse, of which USD 166 million were outstanding at the end of the quarter. This represents a sequential decrease of USD 13 million.

For the first quarter 2011 the company expects net sales to decline sequentially. This reflects both the accelerating decline of legacy products and the effect of first quarter seasonality.

The near-term outlook is challenging. However, with new products on their way and completion of the transition program ST-Ericsson is on the path to market leadership and sustainable profitable growth.

ST-Ericsson is reported in US GAAP. Ericsson's share in ST-Ericsson's income before tax, adjusted to IFRS, was SEK -0.5 (-0.4) b. in the quarter, including restructuring charges of SEK 0.1 (0.2) b. Ericsson's share in ST-Ericsson's income before tax, adjusted to IFRS, was SEK -1.8 (-1.8) b. for the full year,

**REGIONAL OVERVIEW**

| Sales, SEK b.                    | Fourth quarter |             |           | Third quarter |            | Full year    |              |            |
|----------------------------------|----------------|-------------|-----------|---------------|------------|--------------|--------------|------------|
|                                  | 2010           | 2009        | Change    | 2010          | Change     | 2010         | 2009         | Change     |
| North America                    | 14.1           | 9.4         | 49%       | 12.9          | 9%         | 49.5         | 23.9         | 107%       |
| Latin America                    | 6.1            | 5.9         | 3%        | 3.7           | 65%        | 17.9         | 20.0         | -11%       |
| Northern Europe and Central Asia | 4.8            | 3.5         | 38%       | 2.4           | 104%       | 12.2         | 12.0         | 2%         |
| Western and Central Europe       | 5.9            | 6.1         | -4%       | 4.3           | 38%        | 19.9         | 22.5         | -12%       |
| Mediterranean                    | 6.9            | 7.1         | -2%       | 5.0           | 38%        | 22.6         | 25.2         | -10%       |
| Middle East                      | 4.6            | 5.0         | -8%       | 2.7           | 70%        | 15.1         | 18.2         | -17%       |
| Sub-Saharan Africa               | 2.0            | 3.8         | -47%      | 1.8           | 13%        | 9.2          | 15.3         | -40%       |
| India                            | 2.8            | 3.4         | -17%      | 2.1           | 34%        | 8.6          | 15.3         | -43%       |
| China and North East Asia        | 9.5            | 7.4         | 28%       | 6.9           | 36%        | 26.0         | 26.0         | 0%         |
| South East Asia and Oceania      | 3.9            | 5.2         | -24%      | 3.8           | 3%         | 14.9         | 20.8         | -29%       |
| Other                            | 2.2            | 1.5         | 43%       | 1.9           | 13%        | 7.4          | 7.3          | 4%         |
| <b>Total</b>                     | <b>62.8</b>    | <b>58.3</b> | <b>8%</b> | <b>47.5</b>   | <b>32%</b> | <b>203.3</b> | <b>206.5</b> | <b>-2%</b> |

**North American** sales increased 49% year-over-year and 9% sequentially, negatively affected by the strong SEK. In 2010, Ericsson became the largest player in the region, driven by organic growth as well as the acquisition of Nortel assets. Main growth drivers were the managed services agreement with Sprint, data traffic driven network expansions in both CDMA and HSPA networks as well as the initial build out of 4G/LTE networks. Two 4G/LTE networks were commercially launched by the end of 2010. Operators continue to focus on data speeds and network quality in their propositions to attract customers. Sprint announced Ericsson as key partner in their network evolution strategy Network Vision program.

**Latin America** sales increased 3% year-over-year and 65% sequentially. The increase was driven by managed services as well as 2G and 3G expansions. Mobile broadband subscriber uptake is the prime driver for growth. Operators also focus on coverage and quality improvements. The positive trend in managed services continued and there is also a momentum for upgrading of OSS/BSS platforms. Smartphones represent more than 10% of new terminal sales in Latin America and in Brazil the figure is 15%. This will continue to drive uptake of data traffic in the networks. The first 4G/LTE deployments are expected in 2011.

**Northern Europe and Central Asia** sales increased 38% year-over-year and 104% sequentially. The increase is mainly due to capacity expansions in both 2G and mobile broadband in the Eastern part of the region. Russia was especially strong in the quarter. In Scandinavia, focus

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is on 4G/LTE deployments. In the quarter, new 4G/LTE contracts with TDC in Denmark and with DNA in Finland were signed. So far three contracts for 4G/LTE rollouts in the region have been signed. 4G/LTE trials are ongoing also in the Eastern part of the region. Operators focus on network modernization as well as continued investments in expansions. Operational efficiency continues to be high on operators' agendas which creates good demand for managed services.



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**Western and Central Europe** sales decreased -4% year-over-year and increased 38% sequentially due to demand for mobile broadband. Global Services sales decreased in the quarter as an effect of lower activities in network rollout. In October, Ericsson begun upgrading Vodafone UK's entire network infrastructure in London allowing for better data speeds and broader coverage. November saw the delivery of the 12,000th consolidated 3G site for Mobile Broadband Network Ltd (MBNL), bringing more coverage and capacity for Three and T-Mobile UK customers. Germany, Switzerland and Benelux have seen continued strong demand for mobile and fixed broadband. In Switzerland, Ericsson is now positioned as supplier for fiber to the home in seven cities and regions. In Germany, almost 600 employees from Vodafone were integrated and are deploying sites for Vodafone's 4G/LTE network. In Poland, Ericsson saw the first country-wide mobile advertising agreement signed.

**Mediterranean** net sales decreased -2% year-over-year and increased 38% sequentially, negatively impacted by the strong SEK. Mobile broadband related services and products developed favorably in the quarter, while voice declined although there were pockets of growth. Greece and Spain were still weak in the quarter due to overall economic environment and price competition among operators. Italy was strong in the quarter due to continued build-out of 3G for operators to cope with increased data traffic. Network modernization continues across the region. Operational efficiency and network speed are high on operators' agenda which creates good demand for professional services. In managed services, multi vendor support is meeting an increased demand as well as OSS/BSS and revenue management. Sales to new customer segments are becoming a significant part of the region's business.

**Middle East** sales decreased -8% year-over-year and increased 70% sequentially, driven by demand for 2G as well as mobile broadband. Turkey, Egypt and the Gulf countries developed positively in the quarter, while Saudi Arabia and Pakistan were weak. Professional services developed favorably in the quarter, mainly due to upgrades of systems for revenue management. During the year, a number of 4G/LTE trials have been conducted and full network rollouts will take place in some Gulf countries during 2011.

**Sub-Saharan Africa** sales decreased by -47% year-over-year, but increased sequentially by 13%. The sequential improvement is due to increased 3G sales and revenue management. This increased demand also impacted sales of systems integration favorably. 2G continued to decline and delayed projects, due to industry-wide component shortage, impacted sales of network rollout. The region has in 2010 been negatively impacted by operator consolidation and the global financial crisis, limiting sources of funding for operators. Africa has started to pull out of the global financial crisis and since mobile penetration is low throughout the continent, market drivers are positive.

**India** sales decreased -17% year-over-year and increased 34% sequentially. For the full year, sales were negatively impacted by the security clearance in the first half of the year and delayed 3G auctions. From the third quarter, Ericsson has interim security clearance with all operators for all technologies and the permanent procedures are expected first half 2011. 3G rollouts have started and impacted fourth quarter sales positively. There is a momentum for managed services in the region.

**China and North East Asia** sales increased 28% year-over-year and 36% sequentially. The year-over-year increase is mainly related to strong demand for mobile broadband in Japan and added sales from LG-Ericsson. This impacted also the sequential development along with strong sales for 2G in China. Operator investments in Japan are driven by the strong traffic growth. Managed services also showed good growth in the quarter, mainly as a result of the field maintenance contract with China Mobile. Systems integration showed a slower development. In 2011, 4G/LTE is expected to be rolled out in Japan and Korea. In China, a TD-LTE trial system will be deployed early 2011.

**South East Asia and Oceania** sales decreased -24% year-over-year and increased 3% sequentially. The decline for 2G was not offset by the 3G sales. The 3G license process in Thailand remains uncertain and in Bangladesh investments are still constrained due to high SIM card tax and lack of a 3G license timeline. In the quarter, new and extended managed services contracts were signed with three operators. A contract for a smart-grid communications network, including systems integration, was announced with the major Australian utility Energy Australia and the first non-telecoms managed services contract has been signed for the region. Consumer and business demand for mobile data services continues to grow across the region and the introduction of low cost smartphones is expected to have a positive impact on data traffic uptake in the region. Across the region there is strong interest for managed services, although sales cycles are long.

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

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## MARKET DEVELOPMENT

Growth rates are based on Ericsson and market estimates

During the first three quarters of 2010, the global mobile infrastructure market showed negative growth in mid-single digits in USD terms, due to a weak first half of the year. Operators' focus on efficiency drives interest in exploring business models such as managed operations, network sharing and network transformation. Estimates show that only around 35-40% of addressable operator network operating expenditure is spent externally on professional services today leaving significant continued opportunities, particularly for managed services.

Global mobile penetration is 76% and total mobile subscriptions has reached 5.3 b. India and China accounted for 50% of the estimated 180 million net additions during the fourth quarter, adding around 60 and 30 million respectively. Indonesia and Vietnam were third and fourth countries in terms of net additions.

Global fixed broadband subscriptions grew by 17 million new subscriptions to reach 504 million during the third quarter 2010, mainly boosted by strong growth in DSL in China. China is the largest single market with 24% of subscriptions and accounted for more than 50% of net additions. DSL represents 66% of all fixed broadband subscriptions.

|                                | Unit    | Full year |      |      |      |      | Fourth quarter |      |        | Ericsson forecast |
|--------------------------------|---------|-----------|------|------|------|------|----------------|------|--------|-------------------|
|                                |         | 2006      | 2007 | 2008 | 2009 | 2010 | 2009           | 2010 | Change | 2011              |
| Mobile subscriptions           | Billion | 2.7       | 3.3  | 4.0  | 4.6  | ~5.3 | 4.6            | ~5.3 | 15%    | ~6.1              |
| Net additions                  | Million | 500       | 620  | 660  | 640  | 700  | 190            | ~180 | -9%    | ~800              |
| Mobile broadband <sup>1)</sup> | Million | 55        | 130  | 220  | 360  | 600  | 360            | ~600 | ~65%   | ~1000             |
| Net additions                  | Million | 30        | 80   | 86   | 150  | ~240 | 50             | ~75  | ~65%   | ~440              |

<sup>1)</sup> Mobile broadband includes handset and mobile PC. Includes HSPA, LTE, CDMA2000 EVDO, TD-SCDMA and WiMax. Ericsson findings, based on measurements in live networks, show that global mobile data traffic more than doubled between third quarter 2009 and third quarter 2010 and mobile data traffic is forecasted to almost double annually over the coming years, driven by 24/7 connectivity and usage of high-performance smartphones, tablets and laptops. The traffic forecast could be significantly changed with traffic shaping and caps. Tiered pricing for mobile broadband is now a reality, as some mobile broadband operators today have evolved beyond flat-rate unlimited data models and introduced segmented price plans, such as volume, time or speed based plans.

In average, a smartphone generates approximately 10 times more traffic compared to a normal feature phone, while a mobile PC user generates 100 times more traffic than a feature phone. There are indications of higher than average per-smartphone traffic in the US networks, however traffic profiles per user do vary considerably between networks and markets.

Mobile broadband is being built-out across the world and WCDMA networks cover more than 35% of the world's population. Almost all of these networks have also launched HSPA. Building wider coverage to reach further into the remaining 65% of the population, the availability of affordable handsets, as well as the surge for mobile internet services, will drive continued strong uptake of HSPA. In the fourth quarter HSPA subscriptions represented around 7% of the world's subscriptions and is estimated grow to around 35% by 2015, representing around 75% of all mobile broadband subscriptions. WCDMA/HSPA radio access network investments passed GSM investments in 2009, eight years after the 3G introduction in Western Europe. It will remain the dominant access technology for many years to come, despite the fact that 4G/LTE is being rolled out and launched.

Coexistence of GSM, WCDMA/HSPA, CDMA2000 and 4G/LTE and increasing number of frequency bands pave the way for investments in multi-standard solutions and networks modernization.

At the moment, more than 60% of the commercial HSPA networks are capable of 7.2 Mbps or above but only 2% of the HSPA networks have launched the currently available highest HSPA speed of 42 Mbps, and operators are continuously upgrading to higher speeds.



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Data traffic uptake in mobile and fixed networks drives need for higher capacity in areas such as backhaul, aggregation, transport, and 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 consulting, including network optimization, systems integration and managed services.

### **PARENT COMPANY INFORMATION**

Net sales for the year amounted to SEK 0.0 (0.3) b. and income after financial items was SEK 6.8 (8.1) b. A write-down of intangible assets in the amount of SEK 0.9 b. was made during the first quarter.

Major changes in the Parent Company's financial position for the year include: investments in LG-Ericsson of SEK 1.9 b.; decreased current and non-current receivables from subsidiaries of SEK 8.3 b., increased other current receivables of SEK 1.6 b. and increased current and non-current liabilities to subsidiaries of SEK 4.7 b. At year end, cash, cash equivalents and short-term investments amounted to SEK 71.6 (62.4) b. During the quarter, renegotiated bilateral bond loan reduced long term loans by SEK 1.1 b.

Guarantees to Sony Ericsson Mobile Communications AB are reported as contingent liabilities and amounted to SEK 1.1 (0.8) b.

In accordance with the conditions of the long-term variable remuneration program (LTV) for Ericsson employees, 1,894,367 shares from treasury stock were sold or distributed to employees during the fourth quarter and 5,890,018 shares during the year. The holding of treasury stock at December 31, 2010, was 73,088,515 Class B shares.

### **DIVIDEND PROPOSAL**

The Board of Directors will propose to the Annual General Meeting a dividend of SEK 2.25 (2.00) per share, representing some SEK 7.4 (6.4) b., and April 18, 2011, as record day for payment of dividend.

### **ANNUAL GENERAL MEETING OF SHAREHOLDERS**

The Annual General Meeting of shareholders will be held on April 13, 2011, 15.00 (CET) at the Annex to the Ericsson Globe, Stockholm.

### **ANNUAL REPORT**

The annual report will be made available on our website [www.ericsson.com](http://www.ericsson.com) and at the Ericsson headquarters, Torshamnsgatan 23, Stockholm, approximately six weeks prior to the Annual General Meeting.

### **OTHER INFORMATION**

#### **Acquisition of GDNT**

On December 1, 2010, Ericsson announced an agreement to acquire certain assets of the Guangdong Nortel Telecommunications Equipment Company Ltd (GDNT). GDNT is a leading research, development and manufacturing company based in China and an important supplier to Ericsson following the acquisition of the CDMA and GSM businesses from Nortel. The transaction includes R&D facilities, manufacturing facilities, as well as support and customer service in China. Some 1,100 employees, including approximately 550 R&D engineers will be integrated into Ericsson following the acquisition.

The purchase was structured as an assets sale at a cash purchase price of USD 50 million on a cash and debt free basis, subject to final balance sheet adjustments. The transaction is also subject to customary regulatory approvals and other conditions.

#### **Acquisition of Optimi**

On December 22, 2010, Ericsson announced the acquisition of Optimi Corporation, a US-Spanish telecommunications vendor providing products and services within the networks organization and management sector. Through the acquisition Optimi's 200 highly skilled professionals and a complete portfolio of services and skills have been added to Ericsson.



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Divestment of Ericsson Federal Inc.

On January 3, 2011 Ericsson announced the completion of the sale of 100 percent of the shares in Ericsson Federal Inc. to Tailwind Capital, a private equity firm focused on growing companies. Ericsson Federal Inc., which was the division of Ericsson focused on the US federal government market, will be renamed Oceus Networks and is a wholly owned US business in which Ericsson has no ownership stake. Under the terms of the new structure Oceus Networks will serve as Ericsson's exclusive channel to the U.S. Department of Defense.

The sale was completed on December 31, 2010.

Changes in Ericsson's Board of Directors and Executive Leadership Team

On December 6, 2010, Ericsson announced that Michael Treschow had informed the Nomination Committee that he will resign as Chairman of the Board in 2011 or 2012. Michael Treschow was appointed Chairman of the Board of Directors on March 27, 2002. The Nomination Committee, appointed by the largest owners, will propose a new Chairman of the Board to the Annual General Meeting 2011 or 2012.

On December 8, 2010, Jan Wäreby was appointed Senior Vice President and Head of Group Function Sales and Marketing, effective as of January 1, 2011. Jan Wäreby will continue in his current position as Head of business unit Multimedia until February 1, 2011.

On December 21, 2010, Nina Macpherson was appointed Senior Vice President, General Counsel and Head of Group Function Legal Affairs, effective as of January 1, 2011. Nina Macpherson previously held the position as Vice President and Deputy Head of Group Function Legal Affairs.

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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, January 25, 2011

Telefonaktiebolaget LM Ericsson (publ)

Hans Vestberg, President and CEO

Date for next report: April 27, 2011

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BOARD ASSURANCE

The Board of Directors and the CEO certify that the financial report for the twelve months gives a fair view of the performance of the business, position and profit or loss of the Company and the Group, and describes the principal risks and uncertainties that the Company and the companies in the Group face.

Stockholm, January 25, 2011

Telefonaktiebolaget LM Ericsson (publ)

Org. Nr. 556016-0680

*Sverker Martin-Löf*

*Deputy chairman*

*Roxanne S. Austin*

*Member of the board*

*Börje Ekholm*

*Member of the board*

*Carl-Henric Svanberg*

*Member of the board*

*Anna Guldstrand*

*Member of the board*

*Michael Treschow*

*Chairman*

*Sir Peter L. Bonfield*

*Member of the board*

*Ulf J. Johansson*

*Member of the board*

*Jan Hedlund*

*Member of the board*  
*Hans Vestberg*

*Member of the board and*

*President and CEO*

*Marcus Wallenberg*

*Deputy chairman*

*Anders Nyrén*

*Member of the board*

*Nancy McKinstry*

*Member of the board*

*Michelangelo Volpi*

*Member of the board*

*Karin Åberg*

*Member of the board*

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AUDITORS REVIEW REPORT

We have reviewed this report for the period January 1 to December 31, 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, January 25, 2011

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/2010/12month10-en.pdf](http://www.ericsson.com/investors/financial_reports/2010/12month10-en.pdf)

Ericsson invites media, investors and analysts to a press conference at the Ericsson Studio, Grönlandsgången 4, Stockholm, at 09.00 (CET), January 25, 2011. 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](http://www.ericsson.com/press) and [www.ericsson.com/investors](http://www.ericsson.com/investors)

Video material will be published during the day on [www.ericsson.com/broadcast\\_room](http://www.ericsson.com/broadcast_room)

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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 January 25, 2011.

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, continuing, or variations 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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## Consolidated Income Statement

| SEK million  | Oct - Dec |         | Change | Jan - Dec |          | Change |
|--|-----------|---------|--------|-----------|----------|--------|
|  | 2009      | 2010    |        | 2009      | 2010     |        |
| Net sales  | 58,333    | 62,783  | 8%     | 206,477   | 203,348  | -2%    |
| Cost of sales  | -39,335   | -40,995 | 4%     | -136,278  | -129,094 | -5%    |
| <b>Gross income</b>  | 18,998    | 21,788  | 15%    | 70,199    | 74,254   | 6%     |
| Gross margin (%)   | 32.6%     | 34.7%   |        | 34.0%     | 36.5%    |        |
| Research and development expenses  | -9,306    | -8,592  | -8%    | -33,055   | -31,558  | -5%    |
| Selling and administrative expenses  | -7,323    | -7,131  | -3%    | -26,908   | -27,072  | 1%     |
| <b>Operating expenses</b>  | -16,629   | -15,723 | -5%    | -59,963   | -58,630  | -2%    |
| Other operating income and expenses  | 878       | 581     | -34%   | 3,082     | 2,003    | -35%   |
| <b>Operating income before shares in earnings of JV and associated companies</b> | 3,247     | 6,646   | 105%   | 13,318    | 17,627   | 32%    |
| Operating margin before shares in earnings of JV and associated companies (%)    | 5.6%      | 10.6%   |        | 6.5%      | 8.7%     |        |
| Shares in earnings of JV and associated companies                                | -1,461    | -402    |        | -7,400    | -1,172   |        |
| <b>Operating income</b>  | 1,786     | 6,244   |        | 5,918     | 16,455   |        |
| Financial income   | 314       | 131     |        | 1,874     | 1,047    |        |
| Financial expenses   | -719      | -383    |        | -1,549    | -1,719   |        |
| <b>Income after financial items</b>  | 1,381     | 5,992   |        | 6,243     | 15,783   |        |
| Taxes  | -656      | -1,611  |        | -2,116    | -4,548   |        |
| <b>Net income</b>  | 725       | 4,381   |        | 4,127     | 11,235   |        |
| Net income attributable to:  |           |         |        |           |          |        |
| - Stockholders of the Parent Company   | 314       | 4,324   |        | 3,672     | 11,146   |        |
| - Non-controlling interests  | 411       | 57      |        | 455       | 89       |        |
| Other information  |           |         |        |           |          |        |
| Average number of shares, basic (million)  | 3,194     | 3,200   |        | 3,190     | 3,197    |        |
| Earnings per share, basic (SEK) <sup>1)</sup>                                    | 0.10      | 1.35    |        | 1.15      | 3.49     |        |
| Earnings per share, diluted (SEK) <sup>1)</sup>                                  | 0.10      | 1.34    |        | 1.14      | 3.46     |        |
| Statement of Comprehensive Income  |           |         |        |           |          |        |

| SEK million  | Oct - Dec |       | Jan - Dec |        |
|--|-----------|-------|-----------|--------|
|  | 2009      | 2010  | 2009      | 2010   |
| <b>Net income</b>  | 725       | 4,381 | 4,127     | 11,235 |
| <b>Other comprehensive income</b>  |           |       |           |        |
| Actuarial gains and losses, and the effect of the asset ceiling, related to pensions | -249      | 3,991 | -633      | 3,892  |
| Revaluation of other investments in shares and participations                        |           |       |           |        |
| Fair value remeasurement   | -1        | -1    | -2        | 7      |

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|  |        |       |        |        |
|--|--------|-------|--------|--------|
| Cash flow hedges   |        |       |        |        |
| Gains/losses arising during the period   | -547   | -706  | 665    | 966    |
| Reclassification adjustments for gains   |        |       |        |        |
| /losses included in profit or loss   | -1,299 | -641  | 3,850  | -238   |
| Adjustments for amounts transferred to initial carrying amount of hedged items | 232    |       | -1,029 | -136   |
| Changes in cumulative translation adjustments                                  | 1,938  | 659   | -1,067 | -3,259 |
| Share of other comprehensive income on JV and associated companies             | 372    | 368   | -259   | -434   |
| Tax on items relating to components of other comprehensive income              | 525    | -576  | -1,040 | -1,120 |
| <b>Total other comprehensive income</b>  | 971    | 3,094 | 485    | -322   |
| <b>Total comprehensive income</b>  | 1,696  | 7,475 | 4,612  | 10,913 |
| Total comprehensive income attributable to:                                    |        |       |        |        |
| Stockholders of the Parent Company   | 1,248  | 7,372 | 4,211  | 10,814 |
| Non-controlling interests  | 448    | 103   | 401    | 99     |

<sup>1)</sup> Based on Net income attributable to stockholders of the Parent Company

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## Consolidated Balance Sheet

| SEK million  | Dec 31<br>2009 | Sep 30<br>2010 | Dec 31<br>2010 |
|--|----------------|----------------|----------------|
| <b>ASSETS</b>  |                |                |                |
| <b>Non-current assets</b>  |                |                |                |
| Intangible assets  |                |                |                |
| Capitalized development expenses                                 | 2,079          | 2,868          | 3,010          |
| Goodwill   | 27,375         | 26,346         | 27,151         |
| Intellectual property rights, brands and other intangible assets | 18,739         | 17,191         | 16,658         |
| Property, plant and equipment                                    | 9,606          | 9,290          | 9,434          |
| Financial assets   |                |                |                |
| Equity in JV and associated companies                            | 11,578         | 10,079         | 9,803          |
| Other investments in shares and participations                   | 256            | 276            | 219            |
| Customer financing, non-current                                  | 830            | 1,246          | 1,281          |
| Other financial assets, non-current                              | 2,577          | 2,466          | 3,079          |
| Deferred tax assets  | 14,327         | 14,208         | 12,737         |
|  | 87,367         | 83,970         | 83,372         |
| <b>Current assets</b>  |                |                |                |
| Inventories  | 22,718         | 30,304         | 29,897         |
| Trade receivables  | 66,410         | 57,831         | 61,127         |
| Customer financing, current                                      | 1,444          | 2,251          | 3,123          |
| Other current receivables  | 15,146         | 18,705         | 17,146         |
| Short-term investments   | 53,926         | 54,977         | 56,286         |
| Cash and cash equivalents  | 22,798         | 21,197         | 30,864         |
|  | 182,442        | 185,265        | 198,443        |
| <b>Total assets</b>  | <b>269,809</b> | <b>269,235</b> | <b>281,815</b> |
| <b>EQUITY AND LIABILITIES</b>                                    |                |                |                |
| <b>Equity</b>  |                |                |                |
| Stockholders equity  | 139,870        | 137,395        | 145,106        |
| Minority interests in equity of subsidiaries                     | 1,157          | 1,674          | 1,679          |
|  | 141,027        | 139,069        | 146,785        |
| <b>Non-current liabilities</b>                                   |                |                |                |
| Post-employment benefits   | 8,533          | 8,075          | 5,092          |
| Provisions, non-current  | 461            | 408            | 353            |
| Deferred tax liabilities   | 2,270          | 2,432          | 2,571          |
| Borrowings, non-current  | 29,996         | 28,016         | 26,955         |
| Other non-current liabilities                                    | 2,035          | 3,178          | 3,296          |
|  | 43,295         | 42,109         | 38,267         |
| <b>Current liabilities</b>                                       |                |                |                |
| Provisions, current  | 11,970         | 10,529         | 9,391          |
| Borrowings, current  | 2,124          | 4,353          | 3,808          |
| Trade payables   | 18,864         | 20,724         | 24,959         |
| Other current liabilities  | 52,529         | 52,451         | 58,605         |



|  |         |         |         |
|--|---------|---------|---------|
|  | 85,487  | 88,057  | 96,763  |
| <b>Total equity and liabilities</b>                                | 269,809 | 269,235 | 281,815 |
| Of which interest-bearing liabilities and post-employment benefits | 40,653  | 40,444  | 35,855  |
| Net cash   | 36,071  | 35,730  | 51,295  |
| Assets pledged as collateral                                       | 550     | 598     | 658     |
| Contingent liabilities   | 1,245   | 920     | 875     |

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## Consolidated Statement of Cash Flows

| SEK million  | Oct - Dec     |               | Jan - Dec      |                |
|--|---------------|---------------|----------------|----------------|
|  | 2009          | 2010          | 2009           | 2010           |
| <b>Operating activities</b>  |               |               |                |                |
| Net income   | 725           | 4,381         | 4,127          | 11,235         |
| Adjustments to reconcile net income to cash                        |               |               |                |                |
| Taxes  | 1,394         | 1,303         | -1,011         | 351            |
| Earnings/dividends in JV and associated companies                  | 1,282         | 676           | 6,083          | 1,476          |
| Depreciation, amortization and impairment losses                   | 3,892         | 2,246         | 12,124         | 9,953          |
| Other  | -52           | 2,352         | -340           | 710            |
| Net income affecting cash  | 7,241         | 10,958        | 20,983         | 23,725         |
| <b>Changes in operating net assets</b>                             |               |               |                |                |
| Inventories  | 5,303         | 773           | 5,207          | -7,917         |
| Customer financing, current and non-current                        | 472           | -882          | 598            | -2,125         |
| Trade receivables  | -2,814        | -3,175        | 7,668          | 4,406          |
| Trade payables   | 1,797         | 4,194         | -3,522         | 5,964          |
| Provisions and post-employment benefits                            | -157          | -743          | -2,950         | -2,739         |
| Other operating assets and liabilities, net                        | 684           | 4,052         | -3,508         | 5,269          |
|  | 5,285         | 4,219         | 3,493          | 2,858          |
| <b>Cash flow from operating activities</b>                         | <b>12,526</b> | <b>15,177</b> | <b>24,476</b>  | <b>26,583</b>  |
| <b>Investing activities</b>  |               |               |                |                |
| Investments in property, plant and equipment                       | -1,109        | -984          | -4,006         | -3,686         |
| Sales of property, plant and equipment                             | 296           | 15            | 534            | 124            |
| Acquisitions/divestments of subsidiaries and other operations, net | -8,245        | -325          | -18,082        | -2,832         |
| Product development  | -662          | -325          | -1,443         | -1,644         |
| Other investing activities   | -666          | -710          | 2,606          | -1,487         |
| Short-term investments   | 678           | -1,753        | -17,071        | -3,016         |
| <b>Cash flow from investing activities</b>                         | <b>-9,708</b> | <b>-4,082</b> | <b>-37,462</b> | <b>-12,541</b> |
| <b>Cash flow before financing activities</b>                       | <b>2,818</b>  | <b>11,095</b> | <b>-12,986</b> | <b>14,042</b>  |
| <b>Financing activities</b>  |               |               |                |                |
| Dividends paid   | -342          | -38           | -6,318         | -6,677         |
| Other financing activities   | -5,803        | -1,631        | 4,617          | 1,007          |
| <b>Cash flow from financing activities</b>                         | <b>-6,145</b> | <b>-1,669</b> | <b>-1,701</b>  | <b>-5,670</b>  |
| Effect of exchange rate changes on cash                            | 441           | 241           | -328           | -306           |
| <b>Net change in cash</b>  | <b>-2,887</b> | <b>9,667</b>  | <b>-15,015</b> | <b>8,066</b>   |
| <b>Cash and cash equivalents, beginning of period</b>              | <b>25,685</b> | <b>21,197</b> | <b>37,813</b>  | <b>22,798</b>  |
| <b>Cash and cash equivalents, end of period</b>                    | <b>22,798</b> | <b>30,864</b> | <b>22,798</b>  | <b>30,864</b>  |

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## Consolidated Statement of Changes in Equity

| SEK million                           | Jan - Dec<br>2009 | Jan - Dec<br>2010 |
|---------------------------------------|-------------------|-------------------|
| <b>Opening balance</b>                | <b>142,084</b>    | <b>141,027</b>    |
| Total comprehensive income            | 4,612             | 10,913            |
| Stock issue                           | 135               |                   |
| Sale / Repurchase of own shares       | -60               | 52                |
| Stock purchase and stock option plans | 658               | 762               |
| Dividends paid                        | -6,318            | -6,677            |
| Business combinations                 | -84               | 708               |
| <b>Closing balance</b>                | <b>141,027</b>    | <b>146,785</b>    |

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Consolidated Income Statement Isolated Quarters

| Isolated quarters, SEK million   | 2009    |         |         |         | 2010    |         |         |         |
|--|---------|---------|---------|---------|---------|---------|---------|---------|
|  | Q1      | Q2      | Q3      | Q4      | Q1      | Q2      | Q3      | Q4      |
| Net sales  | 49,569  | 52,142  | 46,433  | 58,333  | 45,112  | 47,972  | 47,481  | 62,783  |
| Cost of sales  | -31,957 | -34,531 | -30,455 | -39,335 | -28,527 | -30,235 | -29,337 | -40,995 |
| <b>Gross income</b>  | 17,612  | 17,611  | 15,978  | 18,998  | 16,585  | 17,737  | 18,144  | 21,788  |
| Gross margin (%)   | 35.5%   | 33.8%   | 34.4%   | 32.6%   | 36.8%   | 37.0%   | 38.2%   | 34.7%   |
| Research and development expenses  | -7,080  | -8,451  | -8,218  | -9,306  | -7,526  | -7,751  | -7,689  | -8,592  |
| Selling and administrative expenses  | -6,863  | -7,443  | -5,279  | -7,323  | -7,008  | -7,158  | -5,775  | -7,131  |
| <b>Operating expenses</b>  | -13,943 | -15,894 | -13,497 | -16,629 | -14,534 | -14,909 | -13,464 | -15,723 |
| Other operating income and expenses  | 342     | 1,640   | 222     | 878     | 302     | 500     | 620     | 581     |
| <b>Operating income before shares in earnings of JV and associated companies</b> | 4,011   | 3,357   | 2,703   | 3,247   | 2,353   | 3,328   | 5,300   | 6,646   |
| Operating margin before shares in earnings of JV and associated companies (%)    | 8.1%    | 6.4%    | 5.8%    | 5.6%    | 5.2%    | 6.9%    | 11.2%   | 10.6%   |
| Shares in earnings of JV and associated companies                                | -2,236  | -2,144  | -1,559  | -1,461  | -372    | -308    | -90     | -402    |
| <b>Operating income</b>  | 1,775   | 1,213   | 1,144   | 1,786   | 1,981   | 3,020   | 5,210   | 6,244   |
| Financial income   | 1,260   | 4       | 296     | 314     | 278     | 470     | 168     | 131     |
| Financial expenses   | -457    | -79     | -294    | -719    | -438    | -596    | -302    | -383    |
| <b>Income after financial items</b>  | 2,578   | 1,138   | 1,146   | 1,381   | 1,821   | 2,894   | 5,076   | 5,992   |
| Taxes  | -745    | -341    | -374    | -656    | -547    | -867    | -1,523  | -1,611  |
| <b>Net income</b>  | 1,833   | 797     | 772     | 725     | 1,274   | 2,027   | 3,553   | 4,381   |
| Net income attributable to:  |         |         |         |         |         |         |         |         |
| - Stockholders of the Parent Company   | 1,717   | 831     | 810     | 314     | 1,264   | 1,881   | 3,677   | 4,324   |
| - Non-controlling interests  | 116     | -34     | -38     | 411     | 10      | 146     | -124    | 57      |
| <b>Other information</b>   |         |         |         |         |         |         |         |         |
| Average number of shares, basic (million)  | 3,187   | 3,188   | 3,190   | 3,194   | 3,195   | 3,196   | 3,198   | 3,200   |
| Earnings per share, basic (SEK) <sup>1)</sup>                                    | 0.54    | 0.26    | 0.25    | 0.10    | 0.40    | 0.59    | 1.15    | 1.35    |
| Earnings per share, diluted (SEK) <sup>1)</sup>                                  | 0.54    | 0.26    | 0.25    | 0.10    | 0.39    | 0.58    | 1.14    | 1.34    |

<sup>1)</sup> Based on Net income attributable to stockholders of the Parent Company.

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## Consolidated Statement of Cash Flows – Isolated Quarters

| Isolated quarters, SEK million                                     | 2009           |               |                |               | 2010          |               |               |               |
|--|----------------|---------------|----------------|---------------|---------------|---------------|---------------|---------------|
|  | Q1             | Q2            | Q3             | Q4            | Q1            | Q2            | Q3            | Q4            |
| <b>Operating activities</b>  |                |               |                |               |               |               |               |               |
| Net income   | 1,833          | 797           | 772            | 725           | 1,274         | 2,027         | 3,553         | 4,381         |
| Adjustments to reconcile net income to cash                        |                |               |                |               |               |               |               |               |
| Taxes  | -628           | -640          | -1,137         | 1,394         | -166          | -560          | -226          | 1,303         |
| Earnings/dividends in JV and associated companies                  | 1,764          | 1,718         | 1,319          | 1,282         | 313           | 364           | 123           | 676           |
| Depreciation, amortization and impairment losses                   | 1,852          | 3,112         | 3,268          | 3,892         | 3,133         | 2,304         | 2,270         | 2,246         |
| Other  | -623           | -643          | 978            | -52           | -435          | -260          | -947          | 2,352         |
| Net income affecting cash  | 4,198          | 4,344         | 5,200          | 7,241         | 4,119         | 3,875         | 4,773         | 10,958        |
| <b>Changes in operating net assets</b>                             |                |               |                |               |               |               |               |               |
| Inventories  | -2,362         | 1,606         | 660            | 5,303         | -1,465        | -3,462        | -3,763        | 773           |
| Customer financing, current and non-current                        | -1             | -267          | 394            | 472           | -598          | -208          | -437          | -882          |
| Trade receivables  | 1,810          | 5,017         | 3,655          | -2,814        | 3,954         | -3,816        | 7,443         | -3,175        |
| Trade payables   | -1,360         | -1,863        | -2,096         | 1,797         | -955          | 1,433         | 1,292         | 4,194         |
| Provisions and post-employment benefits                            | -3,265         | 1,532         | -1,060         | -157          | -1,058        | 788           | -1,726        | -743          |
| Other operating assets and liabilities, net                        | -1,878         | -1,238        | -1,076         | 684           | -1,703        | -1,317        | 4,237         | 4,052         |
|  | -7,056         | 4,787         | 477            | 5,285         | -1,825        | -6,582        | 7,046         | 4,219         |
| <b>Cash flow from operating activities</b>                         | <b>-2,858</b>  | <b>9,131</b>  | <b>5,677</b>   | <b>12,526</b> | <b>2,294</b>  | <b>-2,707</b> | <b>11,819</b> | <b>15,177</b> |
| <b>Investing activities</b>  |                |               |                |               |               |               |               |               |
| Investments in property, plant and equipment                       | -1,018         | -1,189        | -690           | -1,109        | -659          | -1,016        | -1,027        | -984          |
| Sales of property, plant and equipment                             | 25             | 114           | 99             | 296           | 47            | 45            | 17            | 15            |
| Acquisitions/divestments of subsidiaries and other operations, net | -9,491         | 981           | -750           | -8,822        | -1,080        | -868          | -559          | -325          |
| Product development  | -209           | -327          | -245           | -662          | -278          | -724          | -317          | -325          |
| Other investing activities   | -1,417         | 886           | 3,226          | -89           | 1,859         | -1,819        | -817          | -710          |
| Short-term investments   | -424           | 522           | -17,847        | 678           | -3,844        | 5,949         | -3,368        | -1,753        |
| <b>Cash flow from investing activities</b>                         | <b>-12,534</b> | <b>987</b>    | <b>-16,207</b> | <b>-9,708</b> | <b>-3,955</b> | <b>1,567</b>  | <b>-6,071</b> | <b>-4,082</b> |
| <b>Cash flow before financing activities</b>                       | <b>-15,392</b> | <b>10,118</b> | <b>-10,530</b> | <b>2,818</b>  | <b>-1,661</b> | <b>-1,140</b> | <b>5,748</b>  | <b>11,095</b> |
| <b>Financing activities</b>  |                |               |                |               |               |               |               |               |
| Dividends paid   |                | -5,956        | -20            | -342          |               | -6,401        | -238          | -38           |
| Other financing activities   | 1,874          | 8,012         | 535            | -5,804        | -56           | 1,529         | 1,165         | -1,631        |
| <b>Cash flow from financing activities</b>                         | <b>1,874</b>   | <b>2,056</b>  | <b>515</b>     | <b>-6,146</b> | <b>-56</b>    | <b>-4,872</b> | <b>927</b>    | <b>-1,669</b> |
| Effect of exchange rate changes on cash                            | 53             | 441           | -1,263         | 441           | -42           | 583           | -1,088        | 241           |
| <b>Net change in cash</b>  | <b>-13,465</b> | <b>12,615</b> | <b>-11,278</b> | <b>-2,887</b> | <b>-1,759</b> | <b>-5,429</b> | <b>5,587</b>  | <b>9,667</b>  |
| <b>Cash and cash equivalents, beginning of period</b>              | <b>37,813</b>  | <b>24,348</b> | <b>36,963</b>  | <b>25,685</b> | <b>22,798</b> | <b>21,039</b> | <b>15,610</b> | <b>21,197</b> |
| <b>Cash and cash equivalents, end of period</b>                    | <b>24,348</b>  | <b>36,963</b> | <b>25,685</b>  | <b>22,798</b> | <b>21,039</b> | <b>15,610</b> | <b>21,197</b> | <b>30,864</b> |

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## Parent Company Income Statement

| SEK million                              | Oct - Dec |      | Jan - Dec |        |
|--|-----------|------|-----------|--------|
|  | 2009      | 2010 | 2009      | 2010   |
| Net sales                                | 9         | 7    | 300       | 33     |
| Cost of sales                            | -20       | -12  | -21       | -29    |
| <b>Gross income</b>                      | -11       | -5   | 279       | 4      |
| Operating expenses                       | -801      | -490 | -3,137    | -2,956 |
| Other operating income and expenses      | 766       | 771  | 2,977     | 3,118  |
| <b>Operating income</b>                  | -46       | 276  | 119       | 166    |
| Financial net                            | 2,286     | 614  | 7,962     | 6,645  |
| <b>Income after financial items</b>      | 2,240     | 890  | 8,081     | 6,811  |
| Transfers to (-) / from untaxed reserves | 902       | -100 | 902       | -100   |
| Taxes                                    | -341      | -35  | -804      | -117   |
| <b>Net income</b>                        | 2,801     | 755  | 8,179     | 6,594  |

## Statement of Comprehensive Income

| SEK million  | Oct - Dec |      | Jan - Dec |       |
|--|-----------|------|-----------|-------|
|  | 2009      | 2010 | 2009      | 2010  |
| <b>Net income</b>  | 2,801     | 755  | 8,179     | 6,594 |
| Cash flow hedges   |           |      |           |       |
| Gains/losses arising during the period   | 170       |      | 612       | 136   |
| Adjustments for amounts transferred to initial carrying amount of hedged items |           |      | -1,385    | -136  |
| Tax on items reported directly in or transferred from equity                   |           |      | 204       |       |
| <b>Other comprehensive income</b>  | 170       |      | -569      |       |
| <b>Total comprehensive income</b>  | 2,971     | 755  | 7,610     | 6,594 |

## Parent Company Balance Sheet

| SEK million         | Dec 31<br>2009 | Dec 31<br>2010 |
|---------------------|----------------|----------------|
| <b>ASSETS</b>       |                |                |
| <b>Fixed assets</b> |                |                |
| Intangible assets   | 2,219          | 1,046          |
| Tangible assets     | 527            | 527            |
| Financial assets    | 101,344        | 99,013         |

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|  |                |                |
|--|----------------|----------------|
|  | 104,090        | 100,586        |
| <b>Current assets</b>  |                |                |
| Inventories  | 61             | 57             |
| Receivables  | 23,704         | 21,554         |
| Short-term investments                                       | 53,926         | 56,148         |
| Cash and cash equivalents                                    | 8,477          | 15,439         |
|  | 86,168         | 93,198         |
| <b>Total assets</b>  | <b>190,258</b> | <b>193,784</b> |
| <b>STOCKHOLDERS EQUITY, PROVISIONS AND LIABILITIES</b>       |                |                |
| <b>Equity</b>  |                |                |
| Restricted equity  | 47,859         | 47,859         |
| Non-restricted equity  | 41,953         | 42,974         |
|  | 89,812         | 90,833         |
| <b>Untaxed reserves</b>                                      | 915            | 1,015          |
| <b>Provisions</b>  | 1,069          | 960            |
| <b>Non-current liabilities</b>                               | 57,011         | 52,842         |
| <b>Current liabilities</b>                                   | 41,451         | 48,134         |
| <b>Total stockholders equity, provisions and liabilities</b> | <b>190,258</b> | <b>193,784</b> |
| Assets pledged as collateral                                 | 550            | 658            |
| Contingent liabilities                                       | 13,072         | 13,783         |

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Accounting Policies

### **The Group**

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 IFRS Interpretations Committee. The accounting policies adopted are consistent with those of the annual report for the year ended December 31, 2009, and should be read in conjunction with that annual report.

As from January 1, 2010, the Company has applied the following new or amended IFRS:

#### **IFRS 3 Business Combinations (revised)**

The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, an expansion of the definition of a business and a business combination, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed as incurred.

#### **IAS 27 Consolidated and separate financial statements (revised)**

The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains or losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognized in income statement.

The following new or amended standards and interpretations have also been adopted:

#### **IFRIC17, Distributions of Non-Cash Assets to Owners (Issued November 27, 2008)**

#### **IFRS 2, amendment, Group Cash-settled Share-based Payment Transactions (issued June 18, 2009)**

#### **Improvements to IFRSs (Issued April 16, 2009)**

None of the new or amended standards and interpretations has had any significant impact on the financial result or position of the Company. There is no difference between IFRS effective as per December 31, 2010 and IFRS as endorsed by the EU. However, the impact on business combination accounting due to the revised IFRS 3 Business Combinations is dependent on type and size of any future arrangement involving business combination.

### **Parent Company**

The financial statements of the Parent Company have been prepared in accordance with RFR2.



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Accounting Policies (cont.)

### **Changes in external reporting**

#### **Change in segments**

As of January 1, 2010, Ericsson reports the following segments: Networks, Global Services, Multimedia, Sony Ericsson and ST-Ericsson. The only change compared to previous years is that Network Rollout is now included in Global Services instead of Networks. All other segments are unchanged. With this change the external reporting is aligned with the new internal reporting structure.

Segments as of January 1, 2010:

Networks

Global Services

*Of which Professional Services*

*Of which Managed Services*

*Of which Network Rollout*

Multimedia

Sony Ericsson

ST-Ericsson

#### **Change in geographical break down**

As of January 1, 2010, the geographical reporting structure is changed. Instead of five geographical areas, ten regions are reported, mirroring the new internal geographical organization. A part called "Other" is also reported, consisting of business not reported in the geographical structure, e.g. embedded modules, cables, power modules as well as intellectual property rights and licenses.

Regions as of January 1, 2010:

North America

Latin America

North Europe and Central Asia

Western and Central Europe

Mediterranean

Middle East

Sub-Saharan Africa

India

China and Northeast Asia

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South East Asia and Oceania

Other

In 2008 and 2009 Ericsson reported top 15 countries. As of January 1, 2010, top five countries are reported.

### EBITA replaces EBITDA

As of January 1, 2010, EBITA and EBITA margin for segments are reported. This is also reported for Network Rollout and Professional Services in Global Services. For the Managed Services sales figures are reported. EBITA is defined as Earnings Before Interest, Tax, Amortizations and write-downs of acquired intangibles. EBITA margin is defined as Earnings Before Interest, Taxes, Amortizations and write-downs of acquired intangibles, as a percentage of Net Sales. Previous years, Ericsson has reported EBITDA. The shift to EBITA is done to better reflect the underlying business.

Numbers have been restated for 2009 accordingly.

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## Net Sales by Segment by Quarter

Since the segments Sony Ericsson and ST-Ericsson are reported in accordance with the equity method, their sales are not included below. Net sales related to these segments are disclosed under SEGMENT RESULTS. Net sales related to other segments are set out below.

| Isolated quarters, SEK million        | 2009          |               |               |               | 2010          |               |               |               |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|                                       | Q1            | Q2            | Q3            | Q4            | Q1            | Q2            | Q3            | Q4            |
| Networks <sup>1)</sup>                | 28,842        | 28,795        | 24,504        | 31,844        | 24,704        | 25,472        | 26,087        | 36,445        |
| Global Services <sup>1)</sup>         | 17,486        | 20,019        | 18,578        | 23,137        | 18,098        | 20,080        | 19,076        | 22,869        |
| <i>Of which Professional Services</i> | <i>12,799</i> | <i>14,077</i> | <i>12,780</i> | <i>16,466</i> | <i>13,251</i> | <i>14,838</i> | <i>13,736</i> | <i>16,704</i> |
| <i>Of which Managed Services</i>      | <i>4,178</i>  | <i>4,587</i>  | <i>3,570</i>  | <i>5,098</i>  | <i>4,888</i>  | <i>5,642</i>  | <i>5,227</i>  | <i>5,361</i>  |
| <i>Of which Network Rollout</i>       | <i>4,687</i>  | <i>5,942</i>  | <i>5,798</i>  | <i>6,671</i>  | <i>4,847</i>  | <i>5,242</i>  | <i>5,340</i>  | <i>6,165</i>  |
| Multimedia                            | 3,241         | 3,328         | 3,351         | 3,352         | 2,310         | 2,420         | 2,318         | 3,469         |
| <b>Total</b>                          | <b>49,569</b> | <b>52,142</b> | <b>46,433</b> | <b>58,333</b> | <b>45,112</b> | <b>47,972</b> | <b>47,481</b> | <b>62,783</b> |

| Sequential change, percent            | 2009        |            |             |            | 2010        |            |            |            |
|---------------------------------------|-------------|------------|-------------|------------|-------------|------------|------------|------------|
|                                       | Q1          | Q2         | Q3          | Q4         | Q1          | Q2         | Q3         | Q4         |
| Networks <sup>1)</sup>                | -25%        | 0%         | -15%        | 30%        | -22%        | 3%         | 2%         | 40%        |
| Global Services <sup>1)</sup>         | -26%        | 14%        | -7%         | 25%        | -22%        | 11%        | -5%        | 20%        |
| <i>Of which Professional Services</i> | <i>-21%</i> | <i>10%</i> | <i>-9%</i>  | <i>29%</i> | <i>-20%</i> | <i>12%</i> | <i>-7%</i> | <i>22%</i> |
| <i>Of which Managed Services</i>      | <i>-2%</i>  | <i>10%</i> | <i>-22%</i> | <i>43%</i> | <i>-4%</i>  | <i>15%</i> | <i>-7%</i> | <i>3%</i>  |
| <i>Of which Network Rollout</i>       | <i>-38%</i> | <i>27%</i> | <i>-2%</i>  | <i>15%</i> | <i>-27%</i> | <i>8%</i>  | <i>2%</i>  | <i>15%</i> |
| Multimedia                            | -17%        | 3%         | 1%          | 0%         | -31%        | 5%         | -4%        | 50%        |
| <b>Total</b>                          | <b>-26%</b> | <b>5%</b>  | <b>-11%</b> | <b>26%</b> | <b>-23%</b> | <b>6%</b>  | <b>-1%</b> | <b>32%</b> |

| Year over year change, percent        | 2009       |            |            |             | 2010       |             |            |            |
|---------------------------------------|------------|------------|------------|-------------|------------|-------------|------------|------------|
|                                       | Q1         | Q2         | Q3         | Q4          | Q1         | Q2          | Q3         | Q4         |
| Networks <sup>1)</sup>                | 13%        | 1%         | -13%       | -17%        | -14%       | -12%        | 6%         | 14%        |
| Global Services <sup>1)</sup>         | 20%        | 27%        | 13%        | -3%         | 3%         | 0%          | 3%         | -1%        |
| <i>Of which Professional Services</i> | <i>28%</i> | <i>28%</i> | <i>9%</i>  | <i>2%</i>   | <i>4%</i>  | <i>5%</i>   | <i>7%</i>  | <i>1%</i>  |
| <i>Of which Managed Services</i>      | <i>37%</i> | <i>37%</i> | <i>-1%</i> | <i>19%</i>  | <i>17%</i> | <i>23%</i>  | <i>46%</i> | <i>5%</i>  |
| <i>Of which Network Rollout</i>       | <i>4%</i>  | <i>24%</i> | <i>24%</i> | <i>-12%</i> | <i>3%</i>  | <i>-12%</i> | <i>-8%</i> | <i>-8%</i> |
| Multimedia                            | 25%        | 23%        | -4%        | -14%        | -29%       | -27%        | -31%       | 3%         |
| <b>Total</b>                          | <b>12%</b> | <b>7%</b>  | <b>-6%</b> | <b>-13%</b> | <b>-9%</b> | <b>-8%</b>  | <b>2%</b>  | <b>8%</b>  |

| Year to date, SEK million             | 2009          |                |                |                | 2010          |               |                |                |
|---------------------------------------|---------------|----------------|----------------|----------------|---------------|---------------|----------------|----------------|
|                                       | Jan-Mar       | Jan-Jun        | Jan-Sep        | Jan-Dec        | Jan-Mar       | Jan-Jun       | Jan-Sep        | Jan-Dec        |
| Networks <sup>1)</sup>                | 28,842        | 57,637         | 82,141         | 113,985        | 24,704        | 50,176        | 76,263         | 112,708        |
| Global Services <sup>1)</sup>         | 17,486        | 37,505         | 56,083         | 79,220         | 18,098        | 38,178        | 57,254         | 80,123         |
| <i>Of which Professional Services</i> | <i>12,799</i> | <i>26,876</i>  | <i>39,656</i>  | <i>56,122</i>  | <i>13,251</i> | <i>28,089</i> | <i>41,825</i>  | <i>58,529</i>  |
| <i>Of which Managed Services</i>      | <i>4,178</i>  | <i>8,765</i>   | <i>12,335</i>  | <i>17,433</i>  | <i>4,888</i>  | <i>10,530</i> | <i>15,757</i>  | <i>21,118</i>  |
| <i>Of which Network Rollout</i>       | <i>4,687</i>  | <i>10,629</i>  | <i>16,427</i>  | <i>23,098</i>  | <i>4,847</i>  | <i>10,089</i> | <i>15,429</i>  | <i>21,594</i>  |
| Multimedia                            | 3,241         | 6,569          | 9,920          | 13,272         | 2,310         | 4,730         | 7,048          | 10,517         |
| <b>Total</b>                          | <b>49,569</b> | <b>101,711</b> | <b>148,144</b> | <b>206,477</b> | <b>45,112</b> | <b>93,084</b> | <b>140,565</b> | <b>203,348</b> |

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| Year to date,                         | 2009       |            |           |            | 2010       |            |            |            |
|---------------------------------------|------------|------------|-----------|------------|------------|------------|------------|------------|
| year over year change, percent        | Jan-Mar    | Jan-Jun    | Jan-Sep   | Jan-Dec    | Jan-Mar    | Jan-Jun    | Jan-Sep    | Jan-Dec    |
| Networks <sup>1)</sup>                | 13%        | 7%         | 0%        | -5%        | -14%       | -13%       | -7%        | -1%        |
| Global Services <sup>1)</sup>         | 20%        | 24%        | 20%       | 12%        | 3%         | 2%         | 2%         | 1%         |
| <i>Of which Professional Services</i> | 28%        | 28%        | 21%       | 15%        | 4%         | 5%         | 5%         | 4%         |
| <i>Of which Managed Services</i>      | 37%        | 37%        | 24%       | 22%        | 17%        | 20%        | 28%        | 21%        |
| <i>Of which Network Rollout</i>       | 4%         | 14%        | 18%       | 7%         | 3%         | -5%        | -6%        | -7%        |
| Multimedia                            | 25%        | 24%        | 13%       | 5%         | -29%       | -28%       | -29%       | -21%       |
| <b>Total</b>                          | <b>12%</b> | <b>10%</b> | <b>4%</b> | <b>-1%</b> | <b>-9%</b> | <b>-8%</b> | <b>-5%</b> | <b>-2%</b> |

<sup>1)</sup> For 2009 Networks and Global Services are restated in accordance with the change in segments.

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## Operating Income by Segment by Quarter

| Isolated quarters, SEK million                                   | 2009          |               |               |               | 2010         |              |              |              |
|--|---------------|---------------|---------------|---------------|--------------|--------------|--------------|--------------|
|  | Q1            | Q2            | Q3            | Q4            | Q1           | Q2           | Q3           | Q4           |
| Networks <sup>1)</sup>   | 3,067         | 1,265         | 1,138         | 2,128         | 1,540        | 2,507        | 3,717        | 4,717        |
| Global Services <sup>1)</sup>                                    | 1,520         | 2,249         | 1,426         | 1,076         | 1,325        | 1,377        | 1,891        | 1,920        |
| <i>Of which Professional Services</i>                            | <i>1,749</i>  | <i>2,265</i>  | <i>1,628</i>  | <i>1,347</i>  | <i>1,419</i> | <i>1,331</i> | <i>1,925</i> | <i>1,875</i> |
| <i>Of which Network Rollout</i>                                  | <i>-229</i>   | <i>-16</i>    | <i>-202</i>   | <i>-271</i>   | <i>-94</i>   | <i>46</i>    | <i>-34</i>   | <i>45</i>    |
| Multimedia   | 44            | 18            | 330           | 263           | -335         | -479         | -187         | 358          |
| Unallocated <sup>2)</sup>  | -77           | -323          | -168          | -287          | -158         | -128         | -109         | -410         |
| <i>Subtotal Segments excluding Sony Ericsson and ST-Ericsson</i> | <i>4,554</i>  | <i>3,209</i>  | <i>2,726</i>  | <i>3,180</i>  | <i>2,372</i> | <i>3,277</i> | <i>5,312</i> | <i>6,585</i> |
| Sony Ericsson  | -2,070        | -1,543        | -1,036        | -1,044        | 76           | 134          | 290          | 164          |
| ST-Ericsson <sup>3)</sup>  | -709          | -453          | -546          | -351          | -467         | -391         | -392         | -505         |
| <i>Subtotal Sony Ericsson and ST-Ericsson</i>                    | <i>-2,779</i> | <i>-1,996</i> | <i>-1,582</i> | <i>-1,395</i> | <i>-391</i>  | <i>-257</i>  | <i>-102</i>  | <i>-341</i>  |
| <b>Total</b>   | <b>1,775</b>  | <b>1,213</b>  | <b>1,144</b>  | <b>1,785</b>  | <b>1,981</b> | <b>3,020</b> | <b>5,210</b> | <b>6,244</b> |

| Year to date, SEK million  | 2009          |               |               |               | 2010         |              |               |               |
|--|---------------|---------------|---------------|---------------|--------------|--------------|---------------|---------------|
|  | Jan-Mar       | Jan-Jun       | Jan-Sep       | Jan-Dec       | Jan-Mar      | Jan-Jun      | Jan-Sep       | Jan-Dec       |
| Networks <sup>1)</sup>   | 3,067         | 4,332         | 5,470         | 7,598         | 1,540        | 4,047        | 7,764         | 12,481        |
| Global Services <sup>1)</sup>                                    | 1,520         | 3,769         | 5,195         | 6,271         | 1,325        | 2,702        | 4,593         | 6,513         |
| <i>Of which Professional Services</i>                            | <i>1,749</i>  | <i>4,015</i>  | <i>5,643</i>  | <i>6,990</i>  | <i>1,419</i> | <i>2,750</i> | <i>4,675</i>  | <i>6,550</i>  |
| <i>Of which Network Rollout</i>                                  | <i>-229</i>   | <i>-246</i>   | <i>-448</i>   | <i>-719</i>   | <i>-94</i>   | <i>-48</i>   | <i>-82</i>    | <i>-37</i>    |
| Multimedia   | 44            | 62            | 392           | 655           | -335         | -814         | -1,001        | -643          |
| Unallocated <sup>2)</sup>  | -77           | -400          | -568          | -855          | -158         | -286         | -395          | -805          |
| <i>Subtotal Segments excluding Sony Ericsson and ST-Ericsson</i> | <i>4,554</i>  | <i>7,763</i>  | <i>10,489</i> | <i>13,669</i> | <i>2,372</i> | <i>5,649</i> | <i>10,961</i> | <i>17,546</i> |
| Sony Ericsson  | -2,070        | -3,613        | -4,649        | -5,693        | 76           | 210          | 500           | 664           |
| ST-Ericsson <sup>3)</sup>  | -709          | -1,162        | -1,708        | -2,059        | -467         | -858         | -1,250        | -1,755        |
| <i>Subtotal Sony Ericsson and ST-Ericsson</i>                    | <i>-2,779</i> | <i>-4,775</i> | <i>-6,357</i> | <i>-7,752</i> | <i>-391</i>  | <i>-648</i>  | <i>-750</i>   | <i>-1,091</i> |
| <b>Total</b>   | <b>1,775</b>  | <b>2,988</b>  | <b>4,132</b>  | <b>5,917</b>  | <b>1,981</b> | <b>5,001</b> | <b>10,211</b> | <b>16,455</b> |

## Operating Margin by Segment by Quarter

## As percentage of net sales,

| isolated quarters                     | 2009       |            |            |            | 2010       |           |            |            |
|---------------------------------------|------------|------------|------------|------------|------------|-----------|------------|------------|
|                                       | Q1         | Q2         | Q3         | Q4         | Q1         | Q2        | Q3         | Q4         |
| Networks <sup>1)</sup>                | 11%        | 4%         | 5%         | 7%         | 6%         | 10%       | 14%        | 13%        |
| Global Services <sup>1)</sup>         | 9%         | 11%        | 8%         | 5%         | 7%         | 7%        | 10%        | 8%         |
| <i>Of which Professional Services</i> | <i>14%</i> | <i>16%</i> | <i>13%</i> | <i>8%</i>  | <i>11%</i> | <i>9%</i> | <i>14%</i> | <i>11%</i> |
| <i>Of which Network Rollout</i>       | <i>-5%</i> | <i>0%</i>  | <i>-3%</i> | <i>-4%</i> | <i>-2%</i> | <i>1%</i> | <i>-1%</i> | <i>1%</i>  |
| Multimedia                            | 1%         | 1%         | 10%        | 8%         | -15%       | -20%      | -8%        | 10%        |
|                                       | <b>9%</b>  | <b>6%</b>  | <b>6%</b>  | <b>5%</b>  | <b>5%</b>  | <b>7%</b> | <b>11%</b> | <b>10%</b> |

**Subtotal excluding Sony Ericsson and ST-Ericsson**

| As percentage of net sales,                             | 2009      |           |           |           | 2010      |           |           |           |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
|   | Jan-Mar   | Jan-Jun   | Jan-Sep   | Jan-Dec   | Jan-Mar   | Jan-Jun   | Jan-Sep   | Jan-Dec   |
| <b>Year to date</b>                                     |           |           |           |           |           |           |           |           |
| Networks <sup>1)</sup>                                  | 11%       | 8%        | 7%        | 7%        | 6%        | 8%        | 10%       | 11%       |
| Global Services <sup>1)</sup>                           | 9%        | 10%       | 9%        | 8%        | 7%        | 7%        | 8%        | 8%        |
| <i>Of which Professional Services</i>                   | 14%       | 15%       | 14%       | 12%       | 11%       | 10%       | 11%       | 11%       |
| <i>Of which Network Rollout</i>                         | -5%       | -2%       | -3%       | -3%       | -2%       | 0%        | -1%       | 0%        |
| Multimedia  | 1%        | 1%        | 4%        | 5%        | -15%      | -17%      | -14%      | -6%       |
| <b>Subtotal excluding Sony Ericsson and ST-Ericsson</b> | <b>9%</b> | <b>8%</b> | <b>7%</b> | <b>7%</b> | <b>5%</b> | <b>6%</b> | <b>8%</b> | <b>9%</b> |

<sup>1)</sup> For 2009 Networks and Global Services are restated in accordance with the change in segments.

<sup>2)</sup> Unallocated consists mainly of costs for corporate staff, non-operational capital gains and losses.

<sup>3)</sup> First quarter 2009 includes a loss of SEK 0.5 b for January for Ericsson Mobile Platforms operations which as from February 1, 2009, are reported in ST-Ericsson. Second quarter 2009 includes a capital gain of SEK 0.1 b related to Ericsson Mobile Platforms. Fourth quarter 2009 includes a gain of SEK 0.1 b related to Ericsson Mobile Platforms.

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## EBITA by Segment by Quarter

| Isolated quarters, SEK million                                   | 2009          |               |               |               | 2010         |              |              |              |
|--|---------------|---------------|---------------|---------------|--------------|--------------|--------------|--------------|
|  | Q1            | Q2            | Q3            | Q4            | Q1           | Q2           | Q3           | Q4           |
| Networks <sup>1)</sup>   | 3,604         | 3,071         | 3,064         | 4,268         | 3,052        | 3,355        | 4,774        | 5,597        |
| Global Services <sup>1)</sup>                                    | 1,606         | 2,334         | 1,671         | 1,259         | 1,770        | 1,523        | 1,954        | 2,117        |
| <i>Of which Professional Services</i>                            | <i>1,825</i>  | <i>2,339</i>  | <i>1,863</i>  | <i>1,503</i>  | <i>1,764</i> | <i>1,449</i> | <i>1,980</i> | <i>2,018</i> |
| <i>Of which Network Rollout</i>                                  | <i>-219</i>   | <i>-5</i>     | <i>-192</i>   | <i>-244</i>   | <i>6</i>     | <i>74</i>    | <i>-26</i>   | <i>99</i>    |
| Multimedia   | 249           | 226           | 468           | 514           | -123         | -262         | -7           | 538          |
| Unallocated <sup>2)</sup>  | -73           | -327          | -162          | -284          | -158         | -127         | -108         | -408         |
| <i>Subtotal Segments excluding Sony Ericsson and ST-Ericsson</i> | <i>5,386</i>  | <i>5,304</i>  | <i>5,041</i>  | <i>5,757</i>  | <i>4,541</i> | <i>4,489</i> | <i>6,613</i> | <i>7,844</i> |
| Sony Ericsson  | -2,070        | -1,543        | -1,036        | -1,044        | 76           | 134          | 290          | 164          |
| ST-Ericsson <sup>3)</sup>  | -709          | -453          | -546          | -351          | -467         | -391         | -392         | -505         |
| <i>Subtotal Sony Ericsson and ST-Ericsson</i>                    | <i>-2,779</i> | <i>-1,996</i> | <i>-1,582</i> | <i>-1,395</i> | <i>-391</i>  | <i>-257</i>  | <i>-102</i>  | <i>-341</i>  |
| <b>Total</b>   | <b>2,607</b>  | <b>3,308</b>  | <b>3,459</b>  | <b>4,362</b>  | <b>4,150</b> | <b>4,232</b> | <b>6,511</b> | <b>7,503</b> |

| Year to date, SEK million  | 2009          |               |               |               | 2010         |              |               |               |
|--|---------------|---------------|---------------|---------------|--------------|--------------|---------------|---------------|
|  | Jan-Mar       | Jan-Jun       | Jan-Sep       | Jan-Dec       | Jan-Mar      | Jan-Jun      | Jan-Sep       | Jan-Dec       |
| Networks <sup>1)</sup>   | 3,604         | 6,675         | 9,739         | 14,007        | 3,052        | 6,407        | 11,181        | 16,778        |
| Global Services <sup>1)</sup>                                    | 1,606         | 3,940         | 5,611         | 6,870         | 1,770        | 3,293        | 5,247         | 7,364         |
| <i>Of which Professional Services</i>                            | <i>1,825</i>  | <i>4,165</i>  | <i>6,028</i>  | <i>7,531</i>  | <i>1,764</i> | <i>3,213</i> | <i>5,193</i>  | <i>7,211</i>  |
| <i>Of which Network Rollout</i>                                  | <i>-219</i>   | <i>-225</i>   | <i>-417</i>   | <i>-661</i>   | <i>6</i>     | <i>80</i>    | <i>54</i>     | <i>153</i>    |
| Multimedia   | 249           | 475           | 943           | 1,457         | -123         | -385         | -392          | 146           |
| Unallocated <sup>2)</sup>  | -73           | -400          | -562          | -846          | -158         | -285         | -393          | -801          |
| <i>Subtotal Segments excluding Sony Ericsson and ST-Ericsson</i> | <i>5,386</i>  | <i>10,690</i> | <i>15,731</i> | <i>21,488</i> | <i>4,541</i> | <i>9,030</i> | <i>15,643</i> | <i>23,487</i> |
| Sony Ericsson  | -2,070        | -3,613        | -4,649        | -5,693        | 76           | 210          | 500           | 664           |
| ST-Ericsson <sup>3)</sup>  | -709          | -1,162        | -1,708        | -2,059        | -467         | -858         | -1,250        | -1,755        |
| <i>Subtotal Sony Ericsson and ST-Ericsson</i>                    | <i>-2,779</i> | <i>-4,775</i> | <i>-6,357</i> | <i>-7,752</i> | <i>-391</i>  | <i>-648</i>  | <i>-750</i>   | <i>-1,091</i> |
| <b>Total</b>   | <b>2,607</b>  | <b>5,915</b>  | <b>9,374</b>  | <b>13,736</b> | <b>4,150</b> | <b>8,382</b> | <b>14,893</b> | <b>22,396</b> |

## EBITA Margin by Segment by Quarter

| As percentage of net sales,                             | 2009       |            |            |            | 2010       |            |            |            |
|---|------------|------------|------------|------------|------------|------------|------------|------------|
|   | Q1         | Q2         | Q3         | Q4         | Q1         | Q2         | Q3         | Q4         |
| isolated quarters                                       |            |            |            |            |            |            |            |            |
| Networks <sup>1)</sup>                                  | 13%        | 11%        | 13%        | 13%        | 12%        | 13%        | 18%        | 15%        |
| Global Services <sup>1)</sup>                           | 9%         | 12%        | 9%         | 5%         | 10%        | 8%         | 10%        | 9%         |
| <i>Of which Professional Services</i>                   | <i>14%</i> | <i>17%</i> | <i>15%</i> | <i>9%</i>  | <i>13%</i> | <i>10%</i> | <i>14%</i> | <i>12%</i> |
| <i>Of which Network Rollout</i>                         | <i>-5%</i> | <i>0%</i>  | <i>-3%</i> | <i>-4%</i> | <i>0%</i>  | <i>1%</i>  | <i>-1%</i> | <i>2%</i>  |
| Multimedia  | 8%         | 7%         | 14%        | 15%        | -5%        | -11%       | 0%         | 15%        |
| <b>Subtotal excluding Sony Ericsson and ST-Ericsson</b> | <b>11%</b> | <b>10%</b> | <b>11%</b> | <b>10%</b> | <b>10%</b> | <b>9%</b>  | <b>14%</b> | <b>12%</b> |

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| As percentage of net sales,                             | 2009       |            |            |            | 2010       |            |            |            |
|---|------------|------------|------------|------------|------------|------------|------------|------------|
|   | Jan-Mar    | Jan-Jun    | Jan-Sep    | Jan-Dec    | Jan-Mar    | Jan-Jun    | Jan-Sep    | Jan-Dec    |
| <b>Year to date</b>                                     |            |            |            |            |            |            |            |            |
| Networks <sup>1)</sup>                                  | 13%        | 12%        | 12%        | 12%        | 12%        | 13%        | 15%        | 15%        |
| Global Services <sup>1)</sup>                           | 9%         | 11%        | 10%        | 9%         | 10%        | 9%         | 9%         | 9%         |
| <i>Of which Professional Services</i>                   | 14%        | 16%        | 15%        | 13%        | 13%        | 11%        | 12%        | 12%        |
| <i>Of which Network Rollout</i>                         | -5%        | -2%        | -3%        | -3%        | 0%         | 1%         | 0%         | 1%         |
| Multimedia  | 8%         | 7%         | 10%        | 11%        | -5%        | -8%        | -6%        | 1%         |
| <b>Subtotal excluding Sony Ericsson and ST-Ericsson</b> | <b>11%</b> | <b>11%</b> | <b>11%</b> | <b>10%</b> | <b>10%</b> | <b>10%</b> | <b>11%</b> | <b>12%</b> |

<sup>1)</sup> For 2009 Networks and Global Services are restated in accordance with the change in segments.

<sup>2)</sup> Unallocated consists mainly of costs for corporate staff, non-operational capital gains and losses.

<sup>3)</sup> First quarter 2009 includes a loss of SEK 0.5 b for January for Ericsson Mobile Platforms operations which as from February 1, 2009, are reported in ST-Ericsson. Second quarter 2009 includes a capital gain of SEK 0.1 b related to Ericsson Mobile Platforms. Fourth quarter 2009 includes a gain of SEK 0.1 b related to Ericsson Mobile Platforms.



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## Net Sales by Region by Quarter

| Isolated quarters, SEK million                  | 2009          |               |               |               | 2010          |               |               |               |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|   | Q1            | Q2            | Q3            | Q4            | Q1            | Q2            | Q3            | Q4            |
| North America                                   | 4,762         | 5,734         | 3,980         | 9,436         | 9,498         | 13,050        | 12,861        | 14,064        |
| Latin America                                   | 4,376         | 4,797         | 4,993         | 5,859         | 3,964         | 4,200         | 3,667         | 6,051         |
| Northern Europe & Central Asia <sup>1) 2)</sup> | 2,889         | 2,884         | 2,709         | 3,499         | 2,300         | 2,679         | 2,363         | 4,829         |
| Western & Central Europe <sup>2)</sup>          | 5,387         | 5,437         | 5,494         | 6,141         | 5,235         | 4,414         | 4,302         | 5,917         |
| Mediterranean <sup>2)</sup>                     | 6,131         | 6,797         | 5,181         | 7,052         | 5,060         | 5,630         | 5,020         | 6,918         |
| Middle East                                     | 3,956         | 4,750         | 4,503         | 5,041         | 3,948         | 3,796         | 2,721         | 4,634         |
| Sub Saharan Africa                              | 4,677         | 3,643         | 3,190         | 3,831         | 2,418         | 2,951         | 1,795         | 2,030         |
| India   | 4,025         | 3,653         | 4,156         | 3,428         | 2,303         | 1,351         | 2,129         | 2,843         |
| China & North East Asia                         | 5,790         | 7,171         | 5,600         | 7,399         | 4,950         | 4,607         | 6,940         | 9,468         |
| South East Asia & Oceania                       | 5,209         | 5,679         | 4,790         | 5,171         | 3,517         | 3,643         | 3,822         | 3,920         |
| Other <sup>1) 2)</sup>                          | 2,367         | 1,597         | 1,837         | 1,476         | 1,919         | 1,651         | 1,861         | 2,109         |
| <b>Total</b>                                    | <b>49,569</b> | <b>52,142</b> | <b>46,433</b> | <b>58,333</b> | <b>45,112</b> | <b>47,972</b> | <b>47,481</b> | <b>62,783</b> |
| <sup>1)</sup> Of which Sweden                   | 1,197         | 1,091         | 1,076         | 732           | 1,047         | 996           | 1,023         | 1,171         |
| <sup>2)</sup> Of which EU                       | 12,604        | 12,595        | 11,033        | 13,081        | 11,065        | 10,384        | 9,664         | 12,594        |

| Sequential change, percent                      | 2009        |           |             |            | 2010        |           |            |            |
|---|-------------|-----------|-------------|------------|-------------|-----------|------------|------------|
|   | Q1          | Q2        | Q3          | Q4         | Q1          | Q2        | Q3         | Q4         |
| North America                                   | 3%          | 20%       | -31%        | 137%       | 1%          | 37%       | -1%        | 9%         |
| Latin America                                   | -44%        | 10%       | 4%          | 17%        | -32%        | 6%        | -13%       | 65%        |
| Northern Europe & Central Asia <sup>1) 2)</sup> | -44%        | 0%        | -6%         | 29%        | -34%        | 16%       | -12%       | 104%       |
| Western & Central Europe <sup>2)</sup>          | -21%        | 1%        | 1%          | 12%        | -15%        | -16%      | -3%        | 38%        |
| Mediterranean <sup>2)</sup>                     | -37%        | 11%       | -24%        | 36%        | -28%        | 11%       | -11%       | 38%        |
| Middle East                                     | -26%        | 20%       | -5%         | 12%        | -22%        | -4%       | -28%       | 70%        |
| Sub Saharan Africa                              | -4%         | -22%      | -12%        | 20%        | -37%        | 22%       | -39%       | 13%        |
| India   | -13%        | -9%       | 14%         | -18%       | -33%        | -41%      | 58%        | 34%        |
| China & North East Asia                         | -32%        | 24%       | -22%        | 32%        | -33%        | -7%       | 51%        | 36%        |
| South East Asia & Oceania                       | -20%        | 9%        | -16%        | 8%         | -32%        | 4%        | 5%         | 3%         |
| Other <sup>1) 2)</sup>                          | -17%        | -33%      | 15%         | -20%       | 30%         | -14%      | 13%        | 13%        |
| <b>Total</b>                                    | <b>-26%</b> | <b>5%</b> | <b>-11%</b> | <b>26%</b> | <b>-23%</b> | <b>6%</b> | <b>-1%</b> | <b>32%</b> |
| <sup>1)</sup> Of which Sweden                   | -50%        | -9%       | -1%         | -32%       | 43%         | -5%       | 3%         | 14%        |
| <sup>2)</sup> Of which EU                       | -31%        | 0%        | -12%        | 19%        | -15%        | -6%       | -7%        | 30%        |

| Year-over-year change, percent                  | 2009 |      |      |      | 2010 |      |      |      |
|---|------|------|------|------|------|------|------|------|
|   | Q1   | Q2   | Q3   | Q4   | Q1   | Q2   | Q3   | Q4   |
| North America                                   | 63%  | 46%  | -2%  | 104% | 99%  | 128% | 223% | 49%  |
| Latin America                                   | 7%   | -2%  | -18% | -25% | -9%  | -12% | -27% | 3%   |
| Northern Europe & Central Asia <sup>1) 2)</sup> | -5%  | -9%  | -23% | -32% | -20% | -7%  | -13% | 38%  |
| Western & Central Europe <sup>2)</sup>          | 11%  | 14%  | 9%   | -10% | -3%  | -19% | -22% | -4%  |
| Mediterranean <sup>2)</sup>                     | -4%  | 3%   | -23% | -28% | -17% | -17% | -3%  | -2%  |
| Middle East                                     | -5%  | 12%  | 10%  | -6%  | 0%   | -20% | -40% | -8%  |
| Sub Saharan Africa                              | 47%  | 5%   | -17% | -21% | -48% | -19% | -44% | -47% |
| India   | 42%  | -5%  | 7%   | -26% | -43% | -63% | -49% | -17% |
| China & North East Asia                         | 27%  | 38%  | 50%  | -14% | -15% | -36% | 24%  | 28%  |
| South East Asia & Oceania                       | 29%  | 15%  | -13% | -20% | -32% | -36% | -20% | -24% |
| Other <sup>1) 2)</sup>                          | -42% | -53% | -33% | -48% | -19% | 3%   | 1%   | 43%  |

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|                                      |  |            |           |            |             |            |            |           |           |
|--------------------------------------|--|------------|-----------|------------|-------------|------------|------------|-----------|-----------|
| <b>Total</b>                         |  | <b>12%</b> | <b>7%</b> | <b>-6%</b> | <b>-13%</b> | <b>-9%</b> | <b>-8%</b> | <b>2%</b> | <b>8%</b> |
| <sup>1)</sup> <i>Of which Sweden</i> |  | -40%       | -53%      | -51%       | -69%        | -13%       | -9%        | -5%       | 60%       |
| <sup>2)</sup> <i>Of which EU</i>     |  | -1%        | -6%       | -16%       | -29%        | -12%       | -18%       | -12%      | -4%       |

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## Net Sales by Region by Quarter (cont.)

| Year to date, SEK million                                     | 2009          |                |                |                | 2010          |               |                |                |
|---|---------------|----------------|----------------|----------------|---------------|---------------|----------------|----------------|
|   | Jan-Mar       | Jan-Jun        | Jan-Sep        | Jan-Dec        | Jan-Mar       | Jan-Jun       | Jan-Sep        | Jan-Dec        |
| North America   | 4,762         | 10,496         | 14,476         | 23,912         | 9,498         | 22,548        | 35,409         | 49,473         |
| Latin America   | 4,376         | 9,173          | 14,166         | 20,025         | 3,964         | 8,164         | 11,831         | 17,882         |
| Northern Europe & Central Asia <sup>1)</sup><br><sup>2)</sup> | 2,889         | 5,773          | 8,482          | 11,981         | 2,300         | 4,979         | 7,342          | 12,171         |
| Western & Central Europe <sup>2)</sup>                        | 5,387         | 10,824         | 16,318         | 22,459         | 5,235         | 9,649         | 13,951         | 19,868         |
| Mediterranean <sup>2)</sup>                                   | 6,131         | 12,928         | 18,109         | 25,161         | 5,060         | 10,690        | 15,710         | 22,628         |
| Middle East   | 3,956         | 8,706          | 13,209         | 18,250         | 3,948         | 7,744         | 10,465         | 15,099         |
| Sub Saharan Africa  | 4,677         | 8,320          | 11,510         | 15,341         | 2,418         | 5,369         | 7,164          | 9,194          |
| India   | 4,025         | 7,678          | 11,834         | 15,262         | 2,303         | 3,654         | 5,783          | 8,626          |
| China & North East Asia                                       | 5,790         | 12,961         | 18,561         | 25,960         | 4,950         | 9,557         | 16,497         | 25,965         |
| South East Asia & Oceania                                     | 5,209         | 10,888         | 15,678         | 20,849         | 3,517         | 7,160         | 10,982         | 14,902         |
| Other <sup>1) 2)</sup>  | 2,367         | 3,964          | 5,801          | 7,277          | 1,919         | 3,570         | 5,431          | 7,540          |
| <b>Total</b>  | <b>49,569</b> | <b>101,711</b> | <b>148,144</b> | <b>206,477</b> | <b>45,112</b> | <b>93,084</b> | <b>140,565</b> | <b>203,348</b> |
| <sup>1)</sup> Of which Sweden                                 | 1,197         | 2,288          | 3,364          | 4,096          | 1,047         | 2,043         | 3,066          | 4,237          |
| <sup>2)</sup> Of which EU                                     | 12,604        | 25,199         | 36,232         | 49,313         | 11,065        | 21,449        | 31,113         | 43,707         |

| Year to date,   | 2009       |            |           |            | 2010       |            |            |            |
|---|------------|------------|-----------|------------|------------|------------|------------|------------|
|   | Jan-Mar    | Jan-Jun    | Jan-Sep   | Jan-Dec    | Jan-Mar    | Jan-Jun    | Jan-Sep    | Jan-Dec    |
| year-over-year change, percent                                |            |            |           |            |            |            |            |            |
| North America   | 63%        | 53%        | 33%       | 54%        | 99%        | 115%       | 145%       | 107%       |
| Latin America   | 7%         | 2%         | -6%       | -13%       | -9%        | -11%       | -16%       | -11%       |
| Northern Europe & Central Asia <sup>1)</sup><br><sup>2)</sup> | -5%        | -7%        | -13%      | -19%       | -20%       | -14%       | -13%       | 2%         |
| Western & Central Europe <sup>2)</sup>                        | 11%        | 13%        | 11%       | 4%         | -3%        | -11%       | -15%       | -12%       |
| Mediterranean <sup>2)</sup>                                   | -4%        | -1%        | -8%       | -15%       | -17%       | -17%       | -13%       | -10%       |
| Middle East   | -5%        | 4%         | 6%        | 2%         | 0%         | -11%       | -21%       | -17%       |
| Sub Saharan Africa  | 47%        | 25%        | 10%       | 0%         | -48%       | -35%       | -38%       | -40%       |
| India   | 42%        | 15%        | 12%       | 0%         | -43%       | -52%       | -51%       | -43%       |
| China & North East Asia                                       | 27%        | 33%        | 37%       | 18%        | -15%       | -26%       | -11%       | 0%         |
| South East Asia & Oceania                                     | 29%        | 21%        | 8%        | -1%        | -32%       | -34%       | -30%       | -29%       |
| Other <sup>1) 2)</sup>  | -42%       | -47%       | -44%      | -45%       | -19%       | -10%       | -6%        | 4%         |
| <b>Total</b>  | <b>12%</b> | <b>10%</b> | <b>4%</b> | <b>-1%</b> | <b>-9%</b> | <b>-8%</b> | <b>-5%</b> | <b>-2%</b> |
| <sup>1)</sup> Of which Sweden                                 | -40%       | -47%       | -48%      | -54%       | -13%       | -11%       | -9%        | 3%         |
| <sup>2)</sup> Of which EU                                     | -1%        | -4%        | -8%       | -14%       | -12%       | -15%       | -14%       | -11%       |

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## External Net Sales by Region by Segment

Since the segments Sony Ericsson and ST-Ericsson are reported in accordance with the equity method, their sales are not included below. Net sales related to these segments are disclosed under SEGMENT RESULTS. Net sales related to other segments are set out below.

**Isolated quarter, SEK million**

| <b>Q4 2010</b>                 | <b>Networks</b> | <b>Global Services</b> | <b>Multimedia</b> | <b>Total</b>  |
|--------------------------------|-----------------|------------------------|-------------------|---------------|
| North America                  | 8,500           | 5,184                  | 380               | <b>14,064</b> |
| Latin America                  | 3,053           | 2,656                  | 342               | <b>6,051</b>  |
| Northern Europe & Central Asia | 3,252           | 1,391                  | 186               | <b>4,829</b>  |
| Western & Central Europe       | 2,809           | 2,779                  | 329               | <b>5,917</b>  |
| Mediterranean                  | 3,366           | 3,090                  | 462               | <b>6,918</b>  |
| Middle East                    | 2,192           | 1,904                  | 538               | <b>4,634</b>  |
| Sub Saharan Africa             | 823             | 980                    | 227               | <b>2,030</b>  |
| India                          | 1,842           | 713                    | 288               | <b>2,843</b>  |
| China & North East Asia        | 6,740           | 2,532                  | 196               | <b>9,468</b>  |
| South East Asia & Oceania      | 2,322           | 1,435                  | 163               | <b>3,920</b>  |
| Other                          | 1,546           | 205                    | 358               | <b>2,109</b>  |
| <b>Total</b>                   | <b>36,445</b>   | <b>22,869</b>          | <b>3,469</b>      | <b>62,783</b> |
| Share of Total                 | 58%             | 36%                    | 6%                | 100%          |

**Year to date, SEK million**

| <b>Jan - Dec 2010</b>          | <b>Networks</b> | <b>Global Services</b> | <b>Multimedia</b> | <b>Total</b>   |
|--------------------------------|-----------------|------------------------|-------------------|----------------|
| North America                  | 30,540          | 17,680                 | 1,253             | <b>49,473</b>  |
| Latin America                  | 9,216           | 7,720                  | 946               | <b>17,882</b>  |
| Northern Europe & Central Asia | 7,242           | 4,297                  | 632               | <b>12,171</b>  |
| Western & Central Europe       | 8,306           | 10,517                 | 1,045             | <b>19,868</b>  |
| Mediterranean                  | 10,597          | 10,628                 | 1,403             | <b>22,628</b>  |
| Middle East                    | 7,189           | 6,554                  | 1,356             | <b>15,099</b>  |
| Sub Saharan Africa             | 3,584           | 4,618                  | 992               | <b>9,194</b>   |
| India                          | 5,126           | 2,780                  | 720               | <b>8,626</b>   |
| China & North East Asia        | 17,104          | 8,316                  | 545               | <b>25,965</b>  |
| South East Asia & Oceania      | 7,833           | 6,498                  | 571               | <b>14,902</b>  |
| Other                          | 5,971           | 515                    | 1,054             | <b>7,540</b>   |
| <b>Total</b>                   | <b>112,708</b>  | <b>80, 23</b>          | <b>10,517</b>     | <b>203,348</b> |
| Share of Total                 | 56%             | 39%                    | 5%                | 100%           |

## Top 5 Countries in Sales

| <b>Country</b> | <b>Q4 2009</b> | <b>Q4 2010</b> | <b>Jan - Dec 2009</b> | <b>Jan - Dec 2010</b> |
|----------------|----------------|----------------|-----------------------|-----------------------|
| United States  | 15%            | 20%            | 10%                   | 23%                   |
| China          | 10%            | 9%             | 9%                    | 7%                    |
| Japan          | 2%             | 4%             | 3%                    | 5%                    |
| India          | 6%             | 5%             | 7%                    | 4%                    |

|       |    |    |    |    |
|-------|----|----|----|----|
| Italy | 4% | 4% | 4% | 4% |
|-------|----|----|----|----|

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## Provisions

| Isolated quarters, SEK million                     | 2009          |               |               |               | 2010          |               |               |               |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|  | Q1            | Q2            | Q3            | Q4            | Q1            | Q2            | Q3            | Q4            |
| <b>Opening balance</b>                             | <b>14,350</b> | <b>12,592</b> | <b>13,957</b> | <b>12,386</b> | <b>12,431</b> | <b>12,064</b> | <b>13,061</b> | <b>10,937</b> |
| Additions  | 1,672         | 3,710         | 2,169         | 3,591         | 1,777         | 2,416         | 803           | 1,718         |
| Utilization/Cash out                               | -3,052        | -1,982        | -3,083        | -2,612        | -1,565        | -1,498        | -1,722        | -2,369        |
| <i>Of which restructuring</i>                      | <i>-1,179</i> | <i>-753</i>   | <i>-1,241</i> | <i>-1,075</i> | <i>-677</i>   | <i>-701</i>   | <i>-911</i>   | <i>-973</i>   |
| Reversal of excess amounts                         | -287          | -146          | -121          | -1,193        | -498          | -346          | -417          | -593          |
| Reclassification, translation difference and other | -91           | -217          | -536          | 259           | -81           | 425           | -788          | 51            |
| <b>Closing balance</b>                             | <b>12,592</b> | <b>13,957</b> | <b>12,386</b> | <b>12,431</b> | <b>12,064</b> | <b>13,061</b> | <b>10,937</b> | <b>9,744</b>  |

| Year to date, SEK million                          | 2009          |               |               |               | 2010          |               |               |               |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|  | Jan-Mar       | Jan-Jun       | Jan-Sep       | Jan-Dec       | Jan-Mar       | Jan-Jun       | Jan-Sep       | Jan-Dec       |
| <b>Opening balance</b>                             | <b>14,350</b> | <b>14,350</b> | <b>14,350</b> | <b>14,350</b> | <b>12,431</b> | <b>12,431</b> | <b>12,431</b> | <b>12,431</b> |
| Additions  | 1,672         | 5,382         | 7,551         | 11,142        | 1,777         | 4,193         | 4,996         | 6,714         |
| Utilization/Cash out                               | -3,052        | -5,034        | -8,117        | -10,729       | -1,565        | -3,063        | -4,785        | -7,154        |
| <i>Of which restructuring</i>                      | <i>-1,179</i> | <i>-1,932</i> | <i>-3,173</i> | <i>-4,248</i> | <i>-677</i>   | <i>-1,378</i> | <i>-2,289</i> | <i>-3,262</i> |
| Reversal of excess amounts                         | -287          | -433          | -554          | -1,747        | -498          | -844          | -1,261        | -1,854        |
| Reclassification, translation difference and other | -91           | -308          | -844          | -585          | -81           | 344           | -444          | -393          |
| <b>Closing balance</b>                             | <b>12,592</b> | <b>13,957</b> | <b>12,386</b> | <b>12,431</b> | <b>12,064</b> | <b>13,061</b> | <b>10,937</b> | <b>9,744</b>  |

## Number of Employees

| End of period                                | 2009          |               |               |               | 2010          |               |               |               |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|  | Mar 31        | Jun 30        | Sep 30        | Dec 31        | Mar 31        | Jun 30        | Sep 30        | Dec 31        |
| North America                                | 5,447         | 5,284         | 11,199        | 11,222        | 13,450        | 13,857        | 13,430        | 13,498        |
| Latin America                                | 8,031         | 7,858         | 5,721         | 6,055         | 6,134         | 6,150         | 6,353         | 7,181         |
| Northern Europe & Central Asia <sup>1)</sup> | 21,410        | 21,200        | 22,103        | 21,993        | 21,813        | 21,806        | 21,550        | 21,425        |
| Western & Central Europe                     | 11,615        | 11,822        | 11,701        | 11,622        | 11,418        | 11,174        | 10,690        | 10,818        |
| Mediterranean                                | 10,013        | 10,061        | 10,019        | 9,509         | 10,884        | 10,857        | 10,815        | 10,795        |
| Middle East                                  | 3,945         | 3,867         | 3,778         | 3,744         | 3,598         | 3,568         | 3,553         | 3,982         |
| Sub Saharan Africa                           | 1,832         | 1,853         | 2,202         | 2,104         | 2,044         | 1,944         | 1,662         | 1,626         |
| India  | 3,375         | 3,614         | 3,798         | 4,184         | 4,726         | 5,408         | 6,086         | 6,710         |
| China & North East Asia                      | 6,029         | 6,409         | 6,773         | 6,894         | 7,400         | 7,668         | 9,223         | 9,807         |
| South East Asia & Oceania                    | 5,223         | 5,280         | 5,232         | 5,166         | 5,070         | 4,981         | 4,698         | 4,419         |
| <b>Total</b>                                 | <b>76,920</b> | <b>77,248</b> | <b>82,526</b> | <b>82,493</b> | <b>86,537</b> | <b>87,413</b> | <b>88,060</b> | <b>90,261</b> |

<sup>1)</sup> *Of which Sweden* 18,812 18,605 18,311 18,217 18,082 18,070 17,942 17,848

## Information on investments in assets subject to depreciation, amortization, impairment and write-downs

| Isolated quarters, SEK million   | 2009  |       |     |       | 2010 |       |       |     |
|----------------------------------|-------|-------|-----|-------|------|-------|-------|-----|
|                                  | Q1    | Q2    | Q3  | Q4    | Q1   | Q2    | Q3    | Q4  |
| <b>Additions</b>                 |       |       |     |       |      |       |       |     |
| Property, plant and equipment    | 1,018 | 1,189 | 690 | 1,110 | 659  | 1,016 | 1,027 | 984 |
| Capitalized development expenses | 209   | 327   | 245 | 662   | 278  | 724   | 317   | 325 |

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|   |              |              |              |              |              |              |              |              |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| IPR, brands and other intangible assets               | 7            | 50           | 438          | 5,941        | 622          | 521          | 2,490        | 715          |
| <b>Total</b>  | <b>1,234</b> | <b>1,566</b> | <b>1,373</b> | <b>7,713</b> | <b>1,559</b> | <b>2,261</b> | <b>3,834</b> | <b>2,024</b> |
| Depreciation, amortization and impairment losses      |              |              |              |              |              |              |              |              |
| Property, plant and equipment                         | 817          | 844          | 776          | 1,065        | 796          | 901          | 798          | 801          |
| Capitalized development expenses                      | 202          | 173          | 177          | 251          | 168          | 192          | 171          | 185          |
| IPR, brands and other intangible assets <sup>1)</sup> | 833          | 2,095        | 2,315        | 2,575        | 2,169        | 1,211        | 1,301        | 1,260        |
| <b>Total</b>  | <b>1,852</b> | <b>3,112</b> | <b>3,268</b> | <b>3,891</b> | <b>3,133</b> | <b>2,304</b> | <b>2,270</b> | <b>2,246</b> |
| <sup>1)</sup> <i>Of which restructuring costs</i>     |              | <i>1,275</i> | <i>1,509</i> | <i>1,471</i> | <i>945</i>   |              | <i>14</i>    |              |

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## Other Information

|   | Oct - Dec |       | Jan - Dec |       |
|---|-----------|-------|-----------|-------|
|   | 2009      | 2010  | 2009      | 2010  |
| <b>Number of shares and earnings per share</b>                        |           |       |           |       |
| Number of shares, end of period (million)                             | 3,273     | 3,273 | 3,273     | 3,273 |
| of which class A-shares (million)                                     | 262       | 262   | 262       | 262   |
| of which class B-shares (million)                                     | 3,011     | 3,011 | 3,011     | 3,011 |
| Number of treasury shares, end of period (million)                    | 79        | 73    | 79        | 73    |
| Number of shares outstanding, basic, end of period (million)          | 3,194     | 3,200 | 3,194     | 3,200 |
| Numbers of shares outstanding, diluted, end of period (million)       | 3,216     | 3,229 | 3,216     | 3,229 |
| Average number of treasury shares (million)                           | 80        | 74    | 75        | 76    |
| Average number of shares outstanding, basic (million)                 | 3,194     | 3,200 | 3,190     | 3,197 |
| Average number of shares outstanding, diluted (million) <sup>1)</sup> | 3,216     | 3,228 | 3,212     | 3,226 |
| Earnings per share, basic (SEK)                                       | 0.10      | 1.35  | 1.15      | 3.49  |
| Earnings per share, diluted (SEK) <sup>1)</sup>                       | 0.10      | 1.34  | 1.14      | 3.46  |

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

**Ratios**

|   |      |       |        |        |
|---|------|-------|--------|--------|
| Days sales outstanding                    |      |       | 106    | 88     |
| Inventory turnover days                   | 57   | 67    | 68     | 74     |
| Payable days                              | 42   | 51    | 57     | 62     |
| Equity ratio (%)                          |      |       | 52.3%  | 52.1%  |
| Return on equity (%)                      | 0.9% | 12.2% | 2.6%   | 7.8%   |
| Return on capital employed (%)            | 4.6% | 14.1% | 4.3%   | 9.6%   |
| Capital turnover (times)                  | 1.3  | 1.4   | 1.1    | 1.1    |
| Payment readiness, end of period          |      |       | 88,960 | 96,951 |
| Payment readiness, as percentage of sales |      |       | 43.1%  | 47.7%  |

**Exchange rates used in the consolidation**

|                        |  |  |       |      |
|------------------------|--|--|-------|------|
| SEK/EUR - average rate |  |  | 10.63 | 9.56 |
| - closing rate         |  |  | 10.30 | 9.02 |
| SEK/USD - average rate |  |  | 7.63  | 7.20 |
| - closing rate         |  |  | 7.18  | 6.80 |

**Other**

|   |        |        |        |         |
|---|--------|--------|--------|---------|
| Export sales from Sweden                    | 25,208 | 32,055 | 94,829 | 100,070 |
| Ericsson Planning Assumptions for Year 2011 |        |        |        |         |

**Research and development expenses**

We estimate R&D expenses for the full year 2011 to be at around SEK 31-33 b. The estimate includes restructuring charges, amortizations/write-downs of intangible assets related to major acquisitions previously made. However, currency effects may cause this to change.

**Capital expenditures**

Excluding acquisitions, the capital expenditures in relation to sales are not expected to be significantly different in 2011, remaining at roughly two percent of sales.

**Utilization of provisions**



The expected utilization of provisions for year 2011 will be stated in the Annual Report 2010.

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## Consolidated Operating Income excl. Restructuring Charges

| Isolated quarters, SEK million  | 2009    |         |         |         | 2010    |         |         |         |
|---|---------|---------|---------|---------|---------|---------|---------|---------|
|   | Q1      | Q2      | Q3      | Q4      | Q1      | Q2      | Q3      | Q4      |
| Net sales   | 49,569  | 52,142  | 46,433  | 58,333  | 45,112  | 47,972  | 47,481  | 62,783  |
| Cost of sales   | -31,585 | -33,215 | -29,623 | -37,675 | -27,727 | -29,258 | -28,960 | -39,795 |
| <b>Gross income</b>   | 17,984  | 18,927  | 16,810  | 20,658  | 17,385  | 18,714  | 18,521  | 22,988  |
| Gross margin (%)  | 36.3%   | 36.3%   | 36.2%   | 35.4%   | 38.5%   | 39.0%   | 39.0%   | 36.6%   |
| Research and development expenses   | -6,802  | -6,761  | -6,418  | -7,029  | -7,265  | -7,133  | -7,221  | -8,257  |
| Selling and administrative expenses   | -6,809  | -6,886  | -5,164  | -7,014  | -5,881  | -6,752  | -5,731  | -6,930  |
| <b>Operating expenses</b>   | -13,611 | -13,647 | -11,582 | -14,043 | -13,146 | -13,885 | -12,952 | -15,187 |
| Other operating income and expenses   | 342     | 1,640   | 222     | 878     | 302     | 500     | 620     | 581     |
| <b>Operating income before share in earnings of JV and associated companies</b> | 4,715   | 6,920   | 5,450   | 7,493   | 4,541   | 5,329   | 6,189   | 8,382   |
| Operating margin before share in earnings of JV and associated companies (%)    | 9.5%    | 13.3%   | 11.7%   | 12.8%   | 10.1%   | 11.1%   | 13.0%   | 13.4%   |
| Share in earnings of JV and associated companies                                | -2,170  | -1,997  | -1,480  | -431    | -260    | -142    | 3       | -304    |
| <b>Operating income</b>   | 2,545   | 4,923   | 3,970   | 7,062   | 4,281   | 5,187   | 6,192   | 8,078   |
| Earnings per share, basic (SEK) excl. JV s and ass. comp                        | 1.19    | 1.53    | 1.21    | 1.37    | 0.96    | 1.10    | 1.37    | 1.83    |
| Earnings per share, diluted (SEK) <sup>1)</sup> excl. JV s and ass. comp        | 1.19    | 1.52    | 1.20    | 1.36    | 0.96    | 1.09    | 1.36    | 1.81    |

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

## Restructuring Charges by Function

| Isolated quarters, SEK million                                   | 2009 |        |        |        | 2010   |        |      |        |
|--|------|--------|--------|--------|--------|--------|------|--------|
|  | Q1   | Q2     | Q3     | Q4     | Q1     | Q2     | Q3   | Q4     |
| Cost of sales  | -371 | -1,317 | -832   | -1,660 | -800   | -977   | -377 | -1,200 |
| Research and development expenses                                | -278 | -1,690 | -1,800 | -2,277 | -261   | -619   | -468 | -334   |
| Selling and administrative expenses                              | -53  | -558   | -115   | -308   | -1,127 | -404   | -44  | -203   |
| <i>Subtotal Ericsson excluding Sony Ericsson and ST-Ericsson</i> | -702 | -3,565 | -2,747 | -4,245 | -2,188 | -2,000 | -889 | -1,737 |
| Share in Sony Ericsson charges                                   | -66  | -5     | -9     | -797   | -15    | -147   | -27  | -12    |
| Share in ST-Ericsson charges                                     | -2   | -140   | -70    | -233   | -97    | -19    | -66  | -86    |

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|   |             |               |               |               |               |               |             |               |
|---|-------------|---------------|---------------|---------------|---------------|---------------|-------------|---------------|
| <i>Subtotal Sony Ericsson and ST-Ericsson</i> | -68         | -145          | -79           | -1,030        | -112          | -166          | -93         | -98           |
| <b>Total</b>                                  | <b>-770</b> | <b>-3,710</b> | <b>-2,826</b> | <b>-5,275</b> | <b>-2,300</b> | <b>-2,166</b> | <b>-982</b> | <b>-1,835</b> |

Restructuring Charges by Segment

| Isolated quarters, SEK million                                   | 2009        |               |               |               | 2010          |               |             |               |
|--|-------------|---------------|---------------|---------------|---------------|---------------|-------------|---------------|
|  | Q1          | Q2            | Q3            | Q4            | Q1            | Q2            | Q3          | Q4            |
| Networks   | -502        | -2,283        | -2,407        | -3,166        | -1,450        | -885          | -593        | -987          |
| Global Services  | -190        | -982          | -311          | -951          | -680          | -954          | -295        | -746          |
| <i>Of which Professional Services</i>                            | <i>-175</i> | <i>-767</i>   | <i>-252</i>   | <i>-850</i>   | <i>-588</i>   | <i>-830</i>   | <i>-246</i> | <i>-702</i>   |
| <i>Of which Network Rollout</i>                                  | <i>-15</i>  | <i>-215</i>   | <i>-59</i>    | <i>-101</i>   | <i>-92</i>    | <i>-124</i>   | <i>-49</i>  | <i>-44</i>    |
| Multimedia   | -10         | -277          | -28           | -70           | -45           | -153          | -1          | -8            |
| Unallocated  |             | -23           | -1            | -58           | -13           | -8            |             | 4             |
| <i>Subtotal Ericsson excluding Sony Ericsson and ST-Ericsson</i> | <i>-702</i> | <i>-3,565</i> | <i>-2,747</i> | <i>-4,245</i> | <i>-2,188</i> | <i>-2,000</i> | <i>-889</i> | <i>-1,737</i> |
| Sony Ericsson  | -66         | -5            | -9            | -797          | -15           | -147          | -27         | -12           |
| ST-Ericsson  | -2          | -140          | -70           | -233          | -97           | -19           | -66         | -86           |
| <i>Subtotal Sony Ericsson and ST-Ericsson</i>                    | <i>-68</i>  | <i>-145</i>   | <i>-79</i>    | <i>-1030</i>  | <i>-112</i>   | <i>-166</i>   | <i>-93</i>  | <i>-98</i>    |
| <b>Total</b>   | <b>-770</b> | <b>-3,710</b> | <b>-2,826</b> | <b>-5,275</b> | <b>-2,300</b> | <b>-2,166</b> | <b>-982</b> | <b>-1,835</b> |

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## Operating Income by Segment excl. Restructuring Charges

| Isolated quarters, SEK million                                   | 2009          |               |               |              | 2010         |              |              |              |
|--|---------------|---------------|---------------|--------------|--------------|--------------|--------------|--------------|
|  | Q1            | Q2            | Q3            | Q4           | Q1           | Q2           | Q3           | Q4           |
| Networks <sup>1)</sup>   | 3,569         | 3,548         | 3,545         | 5,294        | 2,990        | 3,392        | 4,310        | 5,703        |
| Global Services <sup>1)</sup>                                    | 1,710         | 3,231         | 1,737         | 2,027        | 2,005        | 2,331        | 2,186        | 2,666        |
| <i>Of which Professional Services</i>                            | <i>1,924</i>  | <i>3,032</i>  | <i>1,880</i>  | <i>2,197</i> | <i>2,007</i> | <i>2,161</i> | <i>2,171</i> | <i>2,577</i> |
| <i>Of which Network Rollout</i>                                  | <i>-214</i>   | <i>199</i>    | <i>-143</i>   | <i>-170</i>  | <i>-2</i>    | <i>170</i>   | <i>15</i>    | <i>89</i>    |
| Multimedia   | 54            | 295           | 358           | 333          | -290         | -326         | -186         | 366          |
| Unallocated <sup>2)</sup>  | -77           | -300          | -167          | -229         | -145         | -119         | -109         | -414         |
| <i>Subtotal Ericsson excluding Sony Ericsson and ST-Ericsson</i> | <i>5,256</i>  | <i>6,774</i>  | <i>5,473</i>  | <i>7,425</i> | <i>4,560</i> | <i>5,278</i> | <i>6,201</i> | <i>8,321</i> |
| Sony Ericsson  | -2,004        | -1,538        | -1,027        | -247         | 91           | 281          | 317          | 176          |
| ST-Ericsson <sup>3)</sup>  | -707          | -313          | -476          | -118         | -370         | -372         | -326         | -419         |
| <i>Subtotal Sony Ericsson and ST-Ericsson</i>                    | <i>-2,711</i> | <i>-1,851</i> | <i>-1,503</i> | <i>-365</i>  | <i>-279</i>  | <i>-91</i>   | <i>-9</i>    | <i>-243</i>  |
| <b>Total</b>   | <b>2,545</b>  | <b>4,923</b>  | <b>3,970</b>  | <b>7,060</b> | <b>4,281</b> | <b>5,187</b> | <b>6,192</b> | <b>8,078</b> |

## Operating Margin by Segment excl. Restructuring Charges

| As percentage of net sales,                             | 2009       |            |            |            | 2010       |            |            |            |
|---|------------|------------|------------|------------|------------|------------|------------|------------|
|   | Q1         | Q2         | Q3         | Q4         | Q1         | Q2         | Q3         | Q4         |
| isolated quarters                                       |            |            |            |            |            |            |            |            |
| Networks <sup>1)</sup>                                  | 12%        | 12%        | 14%        | 17%        | 12%        | 13%        | 17%        | 16%        |
| Global Services <sup>1)</sup>                           | 10%        | 16%        | 9%         | 9%         | 11%        | 12%        | 11%        | 12%        |
| <i>Of which Professional Services</i>                   | <i>15%</i> | <i>22%</i> | <i>15%</i> | <i>13%</i> | <i>15%</i> | <i>15%</i> | <i>16%</i> | <i>15%</i> |
| <i>Of which Network Rollout</i>                         | <i>-5%</i> | <i>3%</i>  | <i>-2%</i> | <i>-3%</i> | <i>0%</i>  | <i>3%</i>  | <i>0%</i>  | <i>1%</i>  |
| Multimedia  | 2%         | 9%         | 11%        | 10%        | -13%       | -13%       | -8%        | 11%        |
| <b>Subtotal excluding Sony Ericsson and ST-Ericsson</b> | <b>11%</b> | <b>13%</b> | <b>12%</b> | <b>13%</b> | <b>10%</b> | <b>11%</b> | <b>13%</b> | <b>13%</b> |

## EBITA by Segment excl. Restructuring Charges

| Isolated quarters, SEK million        | 2009         |              |              |              | 2010         |              |              |              |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                                       | Q1           | Q2           | Q3           | Q4           | Q1           | Q2           | Q3           | Q4           |
| Networks <sup>1)</sup>                | 4,106        | 4,079        | 3,962        | 5,963        | 3,869        | 4,240        | 5,367        | 6,583        |
| Global Services <sup>1)</sup>         | 1,796        | 3,316        | 1,982        | 2,210        | 2,176        | 2,477        | 2,249        | 2,863        |
| <i>Of which Professional Services</i> | <i>2,000</i> | <i>3,106</i> | <i>2,115</i> | <i>2,353</i> | <i>2,150</i> | <i>2,276</i> | <i>2,226</i> | <i>2,720</i> |
| <i>Of which Network Rollout</i>       | <i>-204</i>  | <i>210</i>   | <i>-133</i>  | <i>-143</i>  | <i>26</i>    | <i>201</i>   | <i>23</i>    | <i>143</i>   |
| Multimedia                            | 259          | 503          | 496          | 584          | -116         | -109         | -6           | 546          |
| Unallocated <sup>2)</sup>             | -73          | -304         | -161         | -226         | -145         | -119         | -108         | -412         |

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|  |              |              |              |              |              |              |              |              |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <i>Subtotal Ericsson excluding Sony Ericsson and ST-Ericsson</i> | 6,088        | 7,594        | 6,279        | 8,531        | 5,784        | 6,489        | 7,502        | 9,580        |
| Sony Ericsson  | -2,004       | -1,538       | -1,027       | -247         | 91           | 281          | 317          | 176          |
| ST-Ericsson <sup>3)</sup>  | -707         | -313         | -476         | -118         | -370         | -372         | -326         | -419         |
| <i>Subtotal Sony Ericsson and ST-Ericsson</i>                    | -2,711       | -1,851       | -1,503       | -365         | -279         | -91          | -9           | -243         |
| <b>Total</b>   | <b>3,377</b> | <b>5,743</b> | <b>4,776</b> | <b>8,166</b> | <b>5,505</b> | <b>6,398</b> | <b>7,493</b> | <b>9,337</b> |

EBITA Margin by Segment excl. Restructuring Charges

| As percentage of net sales,                             | 2009       |            |            |            | 2010       |            |            |            |
|---|------------|------------|------------|------------|------------|------------|------------|------------|
|   | Q1         | Q2         | Q3         | Q4         | Q1         | Q2         | Q3         | Q4         |
| <b>isolated quarters</b>                                |            |            |            |            |            |            |            |            |
| Networks <sup>1)</sup>                                  | 14%        | 14%        | 16%        | 19%        | 16%        | 17%        | 21%        | 18%        |
| Global Services <sup>1)</sup>                           | 10%        | 17%        | 11%        | 10%        | 12%        | 12%        | 12%        | 13%        |
| <i>Of which Professional Services</i>                   | <i>16%</i> | <i>22%</i> | <i>17%</i> | <i>14%</i> | <i>16%</i> | <i>15%</i> | <i>16%</i> | <i>16%</i> |
| <i>Of which Network Rollout</i>                         | <i>-4%</i> | <i>4%</i>  | <i>-2%</i> | <i>-2%</i> | <i>1%</i>  | <i>4%</i>  | <i>0%</i>  | <i>2%</i>  |
| Multimedia  | 8%         | 15%        | 15%        | 17%        | -5%        | -5%        | 0%         | 16%        |
| <b>Subtotal excluding Sony Ericsson and ST-Ericsson</b> | <b>12%</b> | <b>15%</b> | <b>14%</b> | <b>15%</b> | <b>13%</b> | <b>14%</b> | <b>16%</b> | <b>15%</b> |

<sup>1)</sup> For 2009 Networks and Global Services are restated in accordance with the change in segments.

<sup>2)</sup> Unallocated consists mainly of costs for corporate staffs, non-operational capital gains and losses.

<sup>3)</sup> First quarter 2009 includes a loss of SEK 0.5 b for January for Ericsson Mobile Platforms operations which as from February 1, 2009, are reported in ST-Ericsson. Second quarter 2009 includes a capital gain of SEK 0.1 b related to Ericsson Mobile Platforms. Fourth quarter 2009 includes a gain of SEK 0.1 b related to Ericsson Mobile Platforms.