

ERICSSON LM TELEPHONE CO
Form 6-K
February 01, 2008

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**

February 1, 2008

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 February 1st, 2008 regarding Ericsson reports fourth quarter and full year results .

**Fourth quarter report 2007
February 1, 2008**

[Ericsson discloses the information provided herein pursuant to the Swedish Securities Exchange and Clearing Operations Act and/or the Swedish Financial Instruments Trading Act. The information was submitted for publication at 07.30 CET, on February 1, 2008.]

Ericsson reports fourth quarter and full year results

Sales SEK 54.5 (54.2) b. full year SEK 187.8 (179.8) b. organic growth 8% in constant currencies

Operating income SEK 7.6 (12.2) b., full year SEK 30.6 (35.8) b.

Operating margin 14% (23%), 16% (20%) for full year

Cash flow from operations SEK 12.0 (11.0) b., SEK 19.2 (18.5) b. full year

Net income SEK 5.6 (9.7) b., full year SEK 21.8 (26.3) b1)

Earnings per share SEK 0.35 (0.61), SEK 1.37 (1.65) full year1)

The Board of Directors will propose an unchanged dividend of SEK 0.50 per share

CEO COMMENTS

During 2007 we continued to strengthen our competitive position, said Carl-Henric Svanberg, President and CEO of Ericsson (NASDAQ:ERIC). We generated an operating income of SEK 30 b. During the autumn we did however experience significant margin erosion in our networks business.

The continued rapid build out of mobile communications in emerging markets and our significant market share gains have resulted in a higher proportion of new network builds with initial lower margins. At the same time, we have seen a decline in network expansions and upgrades in mature markets. All this is resulting in a lower margin. The ongoing shift to new switching technologies, where we now build new footprint, has similar characteristics, which adds to this effect.

The mobile networks market growth slowed during the year. As expected, our sales in the quarter were affected by political unrest in certain emerging markets. Professional services continued to show strong growth with stable margins while Multimedia is in a build-up phase and includes areas with good growth and healthy margins as well as investment areas. Cash flow improved in the fourth quarter leading to a better cash conversion year-over-year.

We have steadily improved our leading position and market share in an increasingly challenging market. Our ambition is to continue to do so, irrespective of market fluctuations. Industry fundamentals and consumer behavior support a positive longer-term outlook. The market growth however slowed during last year and for 2008 we find it prudent to plan for a flattish mobile infrastructure market. We will intensify our operational excellence programs and reduce our cost base to safeguard our competitive position, said Carl-Henric Svanberg.

FINANCIAL HIGHLIGHTS

Income statement and cash flow

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| SEK b. | Fourth quarter | | | Third quarter | | Full year | | |
|-------------------------------------|----------------|-------|--------|---------------|--------|-----------|-------|--------|
| | 2007 | 2006 | Change | 2007 | Change | 2007 | 2006 | Change |
| Net sales | 54.5 | 54.2 | 0% | 43.5 | 25% | 187.8 | 179.8 | 4% |
| Gross margin | 36.1% | 42.2% | | 35.6% | | 39.3% | 41.7% | |
| EBITDA margin | 18.4% | 26.3% | | 17.4% | | 20.8% | 24.1% | |
| Operating income | 7.6 | 12.2 | -38% | 5.6 | 35% | 30.6 | 35.8 | -14% |
| Operating margin | 14.0% | 22.5% | | 12.9% | | 16.3% | 19.9% | |
| Operating margin ex Sony Ericsson | 9.8% | 18.3% | | 9.0% | | 12.5% | 16.7% | |
| Income after financial items | 7.6 | 12.2 | -37% | 5.6 | 36% | 30.7 | 36.0 | -15% |
| Net income ¹⁾ | 5.6 | 9.7 | -42% | 4.0 | 42% | 21.8 | 26.3 | -17% |
| EPS, SEK ¹⁾ | 0.35 | 0.61 | -43% | 0.25 | 40% | 1.37 | 1.65 | -17% |
| Cash flow from operating activities | 12.0 | 11.0 | 9% | -1.6 | | 19.2 | 18.5 | 4% |

¹⁾ *Attributable to stockholders of the parent company, excluding minority interest.*

The year-over-year sales for the quarter were flat due to less spending from operators on network infrastructure and a continued weakened USD. About 50% of sales are USD related. For the full year, the sales increase amounted to 4%. In constant currencies, estimated organic growth was 8%.

Gross margin declined year-over-year mainly due to the business mix shift, with high proportion of new network builds and less expansions and upgrades, and the ongoing shift to new switching technologies. Sequentially, gross margin was stable as a result of the prevailing business conditions within mobile networks.

Operating income amounted to SEK 7.6 (12.2) b. in the quarter and SEK 30.6 (35.8) b. for the full year. Operating expenses amounted to SEK 15.2 (13.2) b in the quarter as a consequence of seasonality and newly acquired companies. Sony Ericsson's pre-tax profit contributed SEK 2.3 (2.2) b. to Group operating income in the quarter.

Cash flow from operating activities reached SEK 12.0 (11.0) b. in the quarter and SEK 19.2 (18.5) b. for the full year. The working capital decreased in the quarter as a result of a high completion rate of turn key projects. This includes a favorable development of current liabilities such as VAT and accrued expenses. In addition, a payment from 3 UK of SEK 1.6 b. has been received following a renegotiated contract. Cash conversion for the full year increased to 66% (57%). Days sales outstanding have increased over the year, reflecting the higher share of sales in markets with longer payment terms.

Other operating liabilities affected cash flow negatively by SEK 0.9 b. in the quarter as the advance payment from Sony Ericsson to Ericsson Mobile Platforms was consumed.

Cash flow from investing activities was SEK -27.5 (-14.9) b., attributable to acquisitions of SEK 26.3 (18.1) b. during the year. Cash flow from financing activities was SEK 6.3 b. for the full year.

Balance sheet and other performance indicators

| SEK b. | Twelve months 2007 | Nine months 2007 | Six months 2007 | Three months 2007 | Full year 2006 |
|--|-----------------------|---------------------|--------------------|----------------------|-------------------|
| Net cash | 24.3 | 11.5 | 16.1 | 29.1 | 40.7 |
| Interest-bearing liabilities and post employment benefits | 33.4 | 32.5 | 32.6 | 22.6 | 21.6 |
| Trade receivables | 60.5 | 56.8 | 55.3 | 52.4 | 51.1 |
| Days sales outstanding | 102 | 115 | 106 | 107 | 85 |
| Inventory | 22.5 | 25.6 | 24.6 | 24.1 | 21.5 |
| Of which work in progress | 12.5 | 14.0 | 14.1 | 14.9 | 14.2 |
| Inventory turnover | 5.2 | 4.5 | 4.4 | 4.2 | 5.2 |
| Payable days | 57 | 59 | 64 | 67 | 54 |
| Customer financing, net | 3.4 | 3.8 | 3.7 | 3.8 | 3.7 |
| Return on capital employed | 21% | 21% | 24% | 24% | 27% |
| Equity ratio | 55% | 56% | 54% | 57% | 56% |

Deferred tax assets increased in the quarter by SEK 0.2 b. to SEK 11.7 (11.5) b. due to the acquisition of LHS. Deferred tax assets increased during the year by SEK 2.0 b. due to acquisitions and were reduced by SEK 2.5 b. through normal utilization.

During the quarter, approximately SEK 1.2 b. of provisions was utilized, absorbing costs related to product warranties, customer projects, restructuring and other. Additions of SEK 1.7 b. and reversals of SEK 1.4 b. have been made as a result of risk assessments in the ongoing business.

At year end equity amounted to SEK 135.1 b., an increase by SEK 14.2 b. compared to previous year.

Cost reductions

Cost reductions of SEK 4 b. in annual savings will be made. These reductions will have full effect in 2009. All parts of the business will be affected, but main focus areas are SG&A, sourcing, supply and service delivery. One-time charges are estimated to SEK 4 b. and will be recognized as each activity is decided.

A reduction of approximately 1,000 employees is expected in Sweden and will be made through voluntary programs as far as possible.

SEGMENT RESULTS

| SEK b. | Fourth quarter | | | Third quarter | | Full year | | |
|------------------------------------|----------------|------|--------|---------------|--------|-----------|--------------------|--------|
| | 2007 | 2006 | Change | 2007 | Change | 2007 | 2006 ¹⁾ | Change |
| Networks sales | 37.5 | 39.0 | -4% | 28.5 | 31% | 129.0 | 127.7 | 1% |
| <i>Of which network rollout</i> | 6.4 | 5.6 | 16% | 4.0 | 61% | 18.5 | 16.4 | 13% |
| Operating margin | 10% | 21% | | 8% | | 13% | 17% | |
| EBITDA margin | 15% | 26% | | 13% | | 19% | 22% | |
| Professional Services sales | 12.1 | 10.6 | 15% | 11.0 | 10% | 42.9 | 36.8 | 16% |
| <i>Of which managed services</i> | 3.3 | 2.5 | 32% | 3.4 | -1% | 12.2 | 9.5 | 28% |
| Operating margin | 15% | 15% | | 15% | | 15% | 14% | |
| EBITDA margin | 16% | 16% | | 17% | | 16% | 16% | |
| Multimedia sales | 4.9 | 4.5 | 7% | 4.0 | 21% | 15.9 | 13.9 | 14% |
| Operating margin | -9% | 12% | | 1% | | -1% | 5% | |
| EBITDA margin | -3% | 13% | | 6% | | 4% | 6% | |
| Unallocated sales ²⁾ | | | | | | | 1.6 | |
| Total sales | 54.5 | 54.2 | 0% | 43.5 | 25% | 187.8 | 179.8 | 4% |
| Of which Mobile Systems | 37.5 | 37.4 | 0% | 28.5 | 32% | 127.1 | 122.8 | 3% |

¹⁾ Including cost for Marconi restructuring and career change program of SEK 2.9 b that took place in third quarter 2006.

²⁾ Defense business divested in third quarter 2006

Networks

Sales in Networks declined by 4% in the quarter, year-over-year. For the full year sales grew by 1%. During the second half of 2007, sales were affected by the shift from capacity expansions and software upgrades to new network buildouts. This shift in business mix, as well as the rollout of new switching technologies, has negatively affected gross margin. Network rollout services increased 61% sequentially, reflecting the higher proportion of large network buildout projects.

Redback has significantly increased its international sales over the year through leveraging Ericsson's global sales organization. In the US, however, Redback saw a decline in business from one major customer which impacted domestic sales. Redback full year sales grew slightly.

Professional Services

Sales in Professional Services grew by 15% in the quarter year-over-year and by 16% for the full year. Growth in constant currencies amounted to 19% and 16% respectively. Managed services and systems integration showed the fastest growth. Operating margins remained stable at 15%.

Ericsson won the managed services contract for T-Mobile in the UK. T-Mobile and 3 UK have agreed on network sharing. Subsequently, the 3 UK managed services contract has been adjusted and the scope somewhat reduced to accommodate this change. Going forward this will affect sales but not margins.

Multimedia

Sales growth amounted to 7% in the quarter year-over-year and 14% for the full year. Operating margin in the quarter was negative 9% and just below break-even for the full year. Multimedia is in a build-up phase. It includes areas with good growth and healthy margins as well as new areas with significant investments, and sales and results fluctuate.

Sony Ericsson Mobile Communications

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

| EUR m. | Fourth quarter | | | Third quarter | | Full year | | |
|------------------------------|----------------|-------|--------|---------------|--------|-----------|--------|--------|
| | 2007 | 2006 | Change | 2007 | Change | 2007 | 2006 | Change |
| Number of units shipped (m.) | 30.8 | 26.0 | 18% | 25.9 | 19% | 103.4 | 74.8 | 38% |
| Average selling price (EUR) | 123 | 146 | -16% | 120 | 3% | 125 | 146 | -14% |
| Net sales | 3,771 | 3,782 | 0% | 3,108 | 21% | 12,916 | 10,959 | 18% |
| Gross margin | 32% | 29% | | 31% | | 31% | 29% | |
| Operating margin | 13% | 13% | | 13% | | 12% | 11% | |
| Income before taxes | 501 | 502 | 0% | 384 | 30% | 1,574 | 1,298 | 21% |
| Net income | 373 | 447 | -17% | 267 | 40% | 1,114 | 997 | 12% |

Units shipped in the quarter reached 30.8 million, an 18% increase compared to the same period last year and the company continues to capture market share. Sales and operating income were in level with last year. Average selling price (ASP) increased slightly sequentially, a result of the introduction of new flag-ship Walkman and Cyber-shot phones such as the W910 and K850 models. The trend of lower ASPs during the year reflects the company's direction to broaden its product portfolio.

Ericsson's share in Sony Ericsson's income before tax was SEK 2.3 (2.2) b. in the quarter and SEK 7.1 (5.9) b. for the full year.

REGIONAL OVERVIEW

| Sales, SEK b. | Fourth quarter | | | Third quarter | | Full year | | |
|--|----------------|------|--------|---------------|--------|-----------|------|--------|
| | 2007 | 2006 | Change | 2007 | Change | 2007 | 2006 | Change |
| Western Europe | 15.4 | 17.2 | -10% | 12.3 | 25% | 52.7 | 53.2 | -1% |
| Central and Eastern Europe, Middle East and Africa | 14.3 | 14.3 | -1% | 12.0 | 19% | 48.7 | 46.4 | 5% |
| Asia Pacific | 13.7 | 14.0 | -2% | 12.0 | 14% | 54.6 | 47.9 | 14% |
| Latin America | 6.8 | 4.8 | 41% | 4.2 | 59% | 18.4 | 16.5 | 12% |
| North America | 4.3 | 4.0 | 9% | 3.0 | 45% | 13.4 | 15.9 | -15% |

Western Europe sales declined by 10% in the quarter year-over-year and 1% for the full year. The softer development was mainly driven by temporary effects from operator consolidation in the UK and Italy. There is a shift in operator investments from 2G to 3G. The momentum for managed services continued with key wins in UK and Germany.

Central and Eastern Europe, Middle East and Africa sales were flattish in the quarter and increased 5% for the full year. Sales were mainly driven by network rollout and expansions. Middle East showed a slower development in the fourth quarter. 3G rollouts have started in large number of markets in Central Europe.

Asia Pacific sales declined by 2% for the quarter and increased by 14% for the full year. China ended strong, and grew 16% for the full year. Pakistan, Bangladesh and Thailand were significantly affected by political unrest. India reported strong sales growth for the full year although growth in the fourth quarter was lower. Australia was down in the quarter as well as for the full year after major rollouts in 2006. The strong subscriber growth continues across the region.

Latin America sales were up 41% in the quarter and 12% for the full year, with continued 2G expansions and accelerated 3G buildouts. Argentina and Brazil showed strong growth in the quarter. North America sales grew by 9% in the quarter, primarily due to strong sales to T-Mobile. For the full year, sales declined by 15%. US operator Verizon Wireless has officially announced LTE as their next-generation technology choice.

MARKET DEVELOPMENT

Growth rates based on Ericsson and market estimates.

2007 was characterized by large mergers and industry consolidation among operators. This creates short-term disruptions as well as market opportunities. The mobile infrastructure market is estimated to have started at mid single-digit growth but ended flattish. During the autumn, network upgrades and expansions slowed in mature markets. In addition, certain emerging markets have declined following political unrest.

The change in the competitive landscape continues, including the ongoing mergers as well as an intensified competition from Chinese vendors.

Mobile subscriptions grew with some 150 million in the quarter to a total of 3.3 billion. 180 million are WCDMA subscriptions, up by close to 20 million in the fourth quarter. There are 197 WCDMA networks in 87 countries, of which the large majority is upgraded to HSPA. Uptake in data traffic accelerates quickly, and in 3G networks monitored by Ericsson total data traffic now exceeds voice traffic.

In the twelve-month period ending September 30, 2007, fixed broadband connections grew with 24% to some 320 million.

PLANNING ASSUMPTIONS

Unchanged industry fundamentals and consumer behavior support a positive longer-term outlook. However, for 2008, we are planning for a flattish development in the mobile infrastructure market while the professional services market is expected to show good growth.

In the third quarter report 2007, we said that we continued to believe that the GSM/WCDMA track within the global mobile systems market, measured in USD, would continue to show mid-single digit growth in 2007. We also said that we continued to believe that the addressable market for professional services would show good growth in 2007. And we said that our early expectation for 2008 was that the current market conditions would prevail.

PARENT COMPANY INFORMATION

Net sales for the year amounted to SEK 3.2 (2.6) b. and income after financial items was SEK 14.7 (13.6) b. Patent license fees are included in net sales from 2007, instead of in other operating income and expenses, and 2006 has been restated accordingly.

Major changes in the Parent Company's financial position for the year include: increased investments in subsidiaries of SEK 30.3 b., mostly attributable to the Tandberg, Redback, Entrisphere and LHS acquisitions; decreased other current receivables of SEK 2.2 b.; decreased cash and bank and short-term investments of SEK 8.4 b.; increased notes and bond loans of SEK 11.1 b. through the bond issue program; current and non-current liabilities to subsidiaries increased by SEK 4.7 b.

As per December 31, 2007, cash and bank and short-term investments amounted to SEK 45.6 (54.0) b.

Major transactions with related parties include the following transactions and balances with Sony Ericsson Mobile Communications: revenues of SEK 3.0 (1.5) b.; receivables of SEK 0.9 (0.1) b.; dividend of SEK 3.9 (1.2) b.

In accordance with the conditions of the Stock Purchase Plans and Stock Option Plans for Ericsson employees, 6,408,841 shares from treasury stock were sold or distributed to employees during the fourth quarter and 19,022,349 shares during the year. The holding of treasury stock at December 31, 2007, was 231,991,543 Class B shares.

DIVIDEND PROPOSAL

The Board of Directors will propose to the Annual General Meeting a dividend of SEK 0.50 (0.50) per share, representing some SEK 8.0 (7.9) b., and Monday April 14, 2008, as record day for payment of dividend.

ANNUAL REPORT

The annual report will be made available to shareholders at the Ericsson headquarters, Torshamnsgatan 23, Stockholm, approximately two weeks prior to the Annual General Meeting 2008.

ANNUAL GENERAL MEETING OF SHAREHOLDERS

The Annual General Meeting of shareholders will be held on Wednesday April 9, 2008, 15.00 (CET) in the Stockholm Globe Arena.

OTHER INFORMATION

Acquisitions 2007

On January 25, 2007, Ericsson announced the finalization of the acquisition of Redback Networks.

On February 12, 2007, Ericsson announced its acquisition of Entrisphere, a company providing fiber access technology.

On February 26, 2007, Ericsson announced its voluntary public cash offer to acquire Tandberg Television for NOK 106 in cash per share. Tandberg Television was consolidated from May 2007.

On March 15, 2007, Ericsson announced its intention to acquire the business and assets of Mobeon AB, the world leader in IP messaging components for mobile and fixed networks.

On June 5, Ericsson announced a voluntary public cash offer to acquire LHS AG for approximately EUR 310 m. LHS was consolidated from October 1, 2007.

On June 27, the acquisition of Drutt Corporation was closed. Drutt is a leading provider of service delivery platform solutions.

On December 20, 2007, Ericsson announced the acquisition of HyC Group, a leading Spanish company in TV consultancy and systems integration.

Class action

In the autumn 2007, Ericsson was named as a defendant in three putative class action suits filed in the United States District Court for the Southern District of New York. The complaints allege violations of the United States securities laws, principally in connection with Ericsson's October 2007 profit warning. At the conclusion of various pending procedural motions and after plaintiffs file a consolidated amended class action complaint, Ericsson intends to seek the dismissal of the lawsuits.

Assessment of risk environment

Ericsson's operational and financial risk factors and exposures are described under "Risk factors" in our Annual Report 2006 and we have determined that the risk environment has not materially changed. However, the increased activities related to the new Multimedia segment may result in a more volatile quarterly sales pattern. Specific additional risks for the near term are associated with the acquisitions made during 2007, as a timely and effective integration of these is essential to make them accretive as planned.

Risk factors and exposures in focus for the Parent Company and the Ericsson Group for the forthcoming six-month period include: unfavorable product mix in the Networks segment with reduced sales of software, upgrades and extensions and an increased proportion of new network build-outs and break-in contracts, which may result in lower gross margins and/or working capital build-up, which in turn puts pressure on our cash conversion rate; variability in the seasonality could make it more difficult to forecast future sales; effects of the ongoing industry consolidation among the Company's customers as well as between our largest competitors, e.g. intensified price competition; changes in foreign exchange rates, in particular a continued weakness or further deterioration of the USD/SEK rate; increases in interest rates and the potential effect on operators' willingness to invest in network development; and continued political unrest or instability in certain markets.

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 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 of their markets.

Please refer further to Ericsson's Annual Report 2006, where we describe our risks and uncertainties along with our strategies and tactics to mitigate the risk exposures or limit unfavorable outcomes.

Stockholm, February 1, 2008

Carl-Henric Svanberg

President and CEO

Telefonaktiebolaget LM Ericsson (publ)

Date for next report: April 25, 2008

REVIEW REPORT

We have reviewed this report for the period January 1 to December 31, 2007, for Telefonaktiebolaget LM Ericsson (publ). The board of directors and the CEO are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim financial information based on our review.

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

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not, in all material respects, in accordance with IAS 34 and the Annual Accounts Act.

Stockholm, February 1, 2008

PricewaterhouseCoopers AB

Bo Hjalmarsson
Authorized Public Accountant
Lead partner

Peter Clemedtson
Authorized Public Accountant

EDITOR'S NOTE

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

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www.ericsson.com/investors/financial_reports/2007/12month07-en.pdf

Ericsson invites media, investors and analysts to a press conference at the Ericsson headquarters,

Torshamnsgatan 23, Stockholm, at 09.00 (CET), February 1.

An analysts, investors and media conference call will begin at 14.00 (CET).

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

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

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

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

FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION

| | Page |
|---|-------------|
| Financial statements | |
| <u>Consolidated income statement</u> | 10 |
| <u>Consolidated balance sheet</u> | 11 |
| <u>Consolidated statement of cash flows</u> | 12 |
| <u>Consolidated statement of recognized income and expense</u> | 13 |
| <u>Consolidated income statement - isolated quarters</u> | 14 |
| <u>Consolidated statement of cash flows - isolated quarters</u> | 15 |
| <u>Parent company income statement</u> | 16 |
| <u>Parent company balance sheet</u> | 16 |
| | Page |
| Additional information | |
| <u>Accounting policies</u> | 17 |
| <u>Net sales by segment by quarter</u> | 19 |
| <u>Operating income and margin by segment by quarter</u> | 20 |
| <u>Number of employees</u> | 20 |
| <u>EBITDA income and margin by segment by quarter</u> | 21 |

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| | |
|--|----|
| <u>Net sales by market area by quarter</u> | 22 |
| <u>Top ten markets in sales</u> | 23 |
| <u>External net sales by market area by segment</u> | 23 |
| <u>Transactions with Sony Ericsson Mobile Communications</u> | 23 |
| <u>Provisions</u> | 23 |
| <u>Other information</u> | 24 |
| <u>Ericsson planning assumptions for year 2008</u> | 24 |
| <u>Acquisition of LHS</u> | 25 |

ERICSSON

CONSOLIDATED INCOME STATEMENT

| SEK million | Oct - Dec | | | Jan - Dec | | |
|---|-----------|---------|--------|-----------|----------|--------|
| | 2007 | 2006 | Change | 2007 | 2006 | Change |
| Net sales | 54,460 | 54,211 | 0% | 187,780 | 179,821 | 4% |
| Cost of sales | -34,809 | -31,331 | | -114,059 | -104,875 | |
| Gross margin | 19,651 | 22,880 | -14% | 73,721 | 74,946 | -2% |
| Gross margin % | 36.1% | 42.2% | | 39.3% | 41.7% | |
| Research and development expenses | -7,952 | -7,155 | 11% | -28,842 | -27,533 | 5% |
| Selling and administrative expenses | -7,238 | -6,071 | 19% | -23,199 | -21,422 | 8% |
| Operating expenses | -15,190 | -13,226 | | -52,041 | -48,955 | |
| Other operating income | 781 | 321 | 143% | 1,734 | 3,903 | -56% |
| Share in earnings of JVs and associated companies | 2,362 | 2,210 | 7% | 7,232 | 5,934 | 22% |
| Operating income | 7,604 | 12,185 | -38% | 30,646 | 35,828 | -14% |
| Operating margin % | 14.0% | 22.5% | | 16.3% | 19.9% | |
| Financial income | 510 | 366 | | 1,778 | 1,954 | |
| Financial expenses | -517 | -396 | | -1,695 | -1,789 | |
| Income after financial items | 7,597 | 12,155 | -37% | 30,729 | 35,993 | -15% |
| Taxes | -1,774 | -2,352 | | -8,594 | -9,557 | |
| Net income | 5,823 | 9,803 | -41% | 22,135 | 26,436 | -16% |
| Net income attributable to: | | | | | | |
| Stockholders of the parent company | 5,642 | 9,731 | | 21,836 | 26,251 | |
| Minority interest | 181 | 72 | | 299 | 185 | |
| <u>Other information</u> | | | | | | |
| Average number of shares, basic (million) | 15,896 | 15,877 | | 15,891 | 15,871 | |
| Earnings per share, basic (SEK) ¹⁾ | 0.35 | 0.61 | | 1.37 | 1.65 | |
| Earnings per share, diluted (SEK) ¹⁾ | 0.35 | 0.61 | | 1.37 | 1.65 | |

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

ERICSSON**CONSOLIDATED BALANCE SHEET**

| SEK million | Dec 31 2007 | Sep 30 2007 | Dec 31 2006 |
|--|----------------|----------------|----------------|
| ASSETS | | | |
| Non-current assets | | | |
| Intangible assets | | | |
| Capitalized development expenses | 3,661 | 3,953 | 4,995 |
| Goodwill | 22,826 | 22,177 | 6,824 |
| Intellectual property rights | 23,958 | 24,166 | 15,649 |
| Property, plant and equipment | 9,304 | 8,535 | 7,881 |
| Financial assets | | | |
| Equity in JVs and associated companies | 10,903 | 8,975 | 9,409 |
| Other investments in shares and participations | 738 | 3,268 | 721 |
| Customer financing, non-current | 1,012 | 1,692 | 1,921 |
| Other financial assets, non-current | 2,918 | 2,900 | 2,409 |
| Deferred tax assets | 11,690 | 11,535 | 13,564 |
| | 87,010 | 87,201 | 63,373 |
| Current assets | | | |
| Inventories | 22,475 | 25,603 | 21,470 |
| Trade receivables | 60,492 | 56,763 | 51,070 |
| Customer financing, current | 2,362 | 2,126 | 1,735 |
| Other current receivables | 15,062 | 15,061 | 15,012 |
| Short-term investments | 29,406 | 23,322 | 32,311 |
| Cash and cash equivalents | 28,310 | 20,627 | 29,969 |
| | 158,107 | 143,502 | 151,567 |
| Total assets | 245,117 | 230,703 | 214,940 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Stockholders' equity | 134,112 | 129,511 | 120,113 |
| Minority interest in equity of consolidated subsidiaries | 940 | 663 | 782 |
| | 135,052 | 130,174 | 120,895 |
| Non-current liabilities | | | |
| Post-employment benefits | 6,188 | 6,180 | 6,968 |
| Provisions, non-current | 368 | 391 | 602 |
| Deferred tax liabilities | 2,799 | 3,751 | 382 |
| Borrowings, non-current | 21,320 | 20,935 | 12,904 |
| Other non-current liabilities | 1,714 | 1,641 | 2,868 |
| | 32,389 | 32,898 | 23,724 |
| Current liabilities | | | |
| Provisions, current | 9,358 | 9,966 | 13,280 |
| Borrowings, current | 5,896 | 5,351 | 1,680 |
| Trade payables | 17,427 | 16,060 | 18,183 |

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| | | | |
|--|----------------|----------------|----------------|
| Other current liabilities | 44,995 | 36,254 | 37,178 |
| | 77,676 | 67,631 | 70,321 |
| | 245,117 | 230,703 | 214,940 |
| Of which interest-bearing liabilities and post-employment benefits | 33,404 | 32,466 | 21,552 |
| Net cash | 24,312 | 11,483 | 40,728 |
| Assets pledged as collateral | 360 | 638 | 285 |
| Contingent liabilities | 1,182 | 1,183 | 1,392 |

ERICSSON

CONSOLIDATED STATEMENT OF CASH FLOWS

| SEK million | Oct - Dec | | Jan - Dec | |
|--|---------------|---------------|----------------|----------------|
| | 2007 | 2006 | 2007 | 2006 |
| Net income | 5,823 | 9,803 | 22,135 | 26,436 |
| Adjustments to reconcile net income to cash | | | | |
| - taxes | 49 | 1,671 | 1,119 | 4,282 |
| - undistributed earnings in JVs and associated companies | -2,033 | -1,751 | -1,413 | -2,971 |
| - depreciation, amortization and impairment losses | 2,407 | 2,067 | 8,363 | 7,516 |
| - other | -829 | 90 | -897 | -2,767 |
| | 5,417 | 11,880 | 29,307 | 32,496 |
| Operating net assets | | | | |
| Inventories | 3,401 | 2,972 | -445 | -2,553 |
| Customer financing, current and non-current | 467 | 1,242 | 365 | 1,186 |
| Trade receivables | -2,948 | -4,077 | -7,467 | -10,563 |
| Provisions and post-employment benefits | -1,011 | -1,935 | -4,401 | -3,729 |
| Other operating assets and liabilities, net | 6,693 | 927 | 1,851 | 1,652 |
| | 6,602 | -871 | -10,097 | -14,007 |
| Cash flow from operating activities | 12,019 | 11,009 | 19,210 | 18,489 |
| Investing activities | | | | |
| Investments in property, plant and equipment | -1,656 | -929 | -4,319 | -3,827 |
| Sales of property, plant and equipment | 62 | 34 | 152 | 185 |
| Acquisitions and divestments of subsidiaries and other operations, net | 196 | -193 | -26,208 | -14,992 |
| Product development | -359 | -373 | -1,053 | -1,353 |
| Other investing activities | 604 | -632 | 396 | -1,070 |
| Short-term investments | -5,745 | 3,136 | 3,499 | 6,180 |
| | -6,898 | 1,043 | -27,533 | -14,877 |
| Cash flow from investing activities | -6,898 | 1,043 | -27,533 | -14,877 |
| Cash flow before financing activities | 5,121 | 12,052 | -8,323 | 3,612 |
| Financing activities | | | | |
| Dividends paid | -7 | 0 | -8,132 | -7,343 |
| Other financing activities | 2,254 | -271 | 14,390 | -8,096 |
| | 2,247 | -271 | 6,258 | -15,439 |
| Cash flow from financing activities | 2,247 | -271 | 6,258 | -15,439 |
| Effect of exchange rate changes on cash | 315 | -326 | 406 | 58 |
| Net change in cash | 7,683 | 11,455 | -1,659 | -11,769 |
| Cash and cash equivalents, beginning of period | 20,627 | 18,514 | 29,969 | 41,738 |
| Cash and cash equivalents, end of period | 28,310 | 29,969 | 28,310 | 29,969 |

CONSOLIDATED STATEMENT OF RECOGNIZED INCOME AND EXPENSE

| SEK million | Jan - Dec 2007 | | | Jan - Dec 2006 | | |
|---|----------------------|-------------------|---------------|----------------------|-------------------|---------------|
| | Stock-holders equity | Minority interest | Total equity | Stock-holders equity | Minority interest | Total equity |
| Actuarial gains and losses related to pensions including payroll tax | 1,208 | | 1,208 | 440 | | 440 |
| <i>Revaluation of other investments in shares and participations:</i> | | | | | | |
| Fair value measurement reported in equity | 2 | | 2 | -2 | 1 | -1 |
| <i>Cash flow hedges :</i> | | | | | | |
| Fair value remeasurement of derivatives reported in equity | 584 | | 584 | 4,100 | | 4,100 |
| Transferred to income statement for the period | -1,390 | | -1,390 | -1,990 | | -1,990 |
| Transferred to balance sheet for the period | | | | 99 | | 99 |
| Changes in cumulative translation effects due to changes in foreign currency exchange rates | -796 | -1 | -797 | -3,028 | -91 | -3,119 |
| Tax on items reported directly in/or transferred from equity | -73 | | -73 | -769 | | -769 |
| Total transactions reported in equity | -465 | -1 | -466 | -1,150 | -90 | -1,240 |
| Net income | 21,836 | 299 | 22,135 | 26,251 | 185 | 26,436 |
| Total income and expenses recognized for the period | 21,371 | 298 | 21,669 | 25,101 | 95 | 25,196 |
| Other changes in equity: | | | | | | |
| Sale of own shares | 62 | | 62 | 58 | | 58 |
| Stock Purchase and Stock Option Plans | 509 | | 509 | 473 | | 473 |
| Dividends paid | -7,943 | -189 | -8,132 | -7,141 | -202 | -7,343 |
| Stock issue, net | | | | | 70 | 70 |
| Business combinations | | 49 | 49 | | -31 | -31 |

ERICSSON

CONSOLIDATED INCOME STATEMENT - ISOLATED QUARTERS

| SEK million | 2007 | | | | 2006 | | | |
|---|---------|---------|---------|---------|---------|---------|---------|---------|
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Net sales | 54,460 | 43,545 | 47,619 | 42,156 | 54,211 | 41,271 | 44,768 | 39,571 |
| Cost of sales | -34,809 | -28,050 | -27,166 | -24,034 | -31,331 | -25,506 | -25,692 | -22,346 |
| Gross margin | 19,651 | 15,495 | 20,453 | 18,122 | 22,880 | 15,765 | 19,076 | 17,225 |
| Gross margin % | 36.1% | 35.6% | 43.0% | 43.0% | 42.2% | 38.2% | 42.6% | 43.5% |
| Research and development expenses | -7,952 | -7,229 | -7,208 | -6,453 | -7,155 | -6,990 | -6,767 | -6,621 |
| Selling and administrative expenses | -7,238 | -4,783 | -5,856 | -5,322 | -6,071 | -5,296 | -5,263 | -4,792 |
| Operating expenses | -15,190 | -12,012 | -13,064 | -11,775 | -13,226 | -12,286 | -12,030 | -11,413 |
| Other operating income | 781 | 402 | 389 | 162 | 321 | 3,252 | 215 | 115 |
| Share in earnings of JVs and associated companies | 2,362 | 1,751 | 1,477 | 1,642 | 2,210 | 2,035 | 992 | 697 |
| Operating income | 7,604 | 5,636 | 9,255 | 8,151 | 12,185 | 8,766 | 8,253 | 6,624 |
| Operating margin % | 14.0% | 12.9% | 19.4% | 19.3% | 22.5% | 21.2% | 18.4% | 16.7% |
| Financial income | 510 | 389 | 322 | 556 | 366 | 499 | 567 | 522 |
| Financial expenses | -517 | -442 | -292 | -443 | -396 | -397 | -529 | -467 |
| Income after financial items | 7,597 | 5,583 | 9,285 | 8,264 | 12,155 | 8,868 | 8,291 | 6,679 |
| Taxes | -1,774 | -1,629 | -2,776 | -2,415 | -2,352 | -2,572 | -2,559 | -2,074 |
| Net income | 5,823 | 3,954 | 6,509 | 5,849 | 9,803 | 6,296 | 5,732 | 4,605 |
| Net income attributable to: | | | | | | | | |
| Stock holders of the parent company | 5,642 | 3,970 | 6,409 | 5,815 | 9,731 | 6,233 | 5,712 | 4,575 |
| Minority interest | 181 | -16 | 100 | 34 | 72 | 63 | 20 | 30 |
| Other information | | | | | | | | |
| Average number of shares, basic (million) | 15,896 | 15,894 | 15,890 | 15,883 | 15,877 | 15,872 | 15,869 | 15,866 |
| Earnings per share, basic (SEK) ¹⁾ | 0.35 | 0.25 | 0.40 | 0.37 | 0.61 | 0.39 | 0.36 | 0.29 |
| Earnings per share, diluted (SEK) ¹⁾ | 0.35 | 0.25 | 0.40 | 0.36 | 0.61 | 0.39 | 0.36 | 0.29 |

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

ERICSSON

CONSOLIDATED STATEMENT OF CASH FLOWS ISOLATED QUARTERS

| SEK million | 2007 | | | | 2006 | | | |
|--|--------|--------|--------|---------|--------|--------|---------|---------|
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Net income | 5,823 | 3,954 | 6,509 | 5,849 | 9,803 | 6,296 | 5,732 | 4,605 |
| Adjustments to reconcile net income to cash | | | | | | | | |
| - taxes | 49 | -65 | 1,424 | -289 | 1,671 | 737 | 1,397 | 477 |
| - undistributed earnings in JVs and associated companies | -2,033 | 209 | 1,915 | -1,504 | -1,751 | -1,462 | -514 | 756 |
| - depreciation, amortization and impairment losses | 2,407 | 1,953 | 2,140 | 1,863 | 2,068 | 1,735 | 1,716 | 1,997 |
| - other | -829 | 63 | 33 | -164 | 89 | -2,885 | 39 | -10 |
| | 5,417 | 6,114 | 12,021 | 5,755 | 11,880 | 4,421 | 8,370 | 7,825 |
| Operating net assets | | | | | | | | |
| Inventories | 3,401 | -1,563 | -496 | -1,787 | 2,972 | -2,622 | -433 | -2,470 |
| Customer financing, current and non-current | 467 | -76 | 94 | -120 | 1,242 | -302 | -1,586 | 1,832 |
| Trade receivables | -2,948 | -2,443 | -2,276 | 200 | -4,077 | -1,981 | -3,269 | -1,236 |
| Provisions and post-employment benefits | -1,011 | -824 | -507 | -2,059 | -1,935 | 2,546 | -2,427 | -1,913 |
| Other operating assets and liabilities, net | 6,693 | -2,813 | -4,616 | 2,587 | 927 | 2,779 | -422 | -1,632 |
| | 6,602 | -7,719 | -7,801 | -1,179 | -871 | 420 | -8,137 | -5,419 |
| Cash flow from operating activities | 12,019 | -1,605 | 4 220 | 4,576 | 11,009 | 4,841 | 233 | 2,406 |
| Investing activities | | | | | | | | |
| Investments in property, plant and equipment | -1,656 | -871 | -1 024 | -768 | -929 | -827 | -1 371 | -700 |
| Sales of property, plant and equipment | 62 | 13 | 38 | 39 | 34 | 91 | 46 | 14 |
| Acquisitions/divestments of subsidiaries and other operations, net | 196 | -2,444 | -8 264 | -15,696 | -193 | 2,833 | - 21 | -17,611 |
| Product development | -359 | -237 | - 251 | -206 | -373 | -210 | - 412 | -358 |
| Other investing activities | 604 | -92 | - 42 | -74 | -632 | -167 | - 462 | 191 |
| Short-term investments | -5,745 | 67 | 1 654 | 7,523 | 3,136 | -3,818 | 9 700 | -2,838 |
| Cash flow from investing activities | -6,898 | -3,564 | -7,889 | -9,182 | 1,043 | -2,098 | 7,480 | -21,302 |
| Cash flow before financing activities | 5,121 | -5,169 | -3 669 | -4,606 | 12,052 | 2,743 | 7,713 | -18,896 |
| Financing activities | | | | | | | | |
| Dividends paid | -7 | -177 | -7 948 | 0 | 0 | -183 | -7 154 | -6 |
| Other financing activities | 2,254 | 241 | 11 323 | 572 | -271 | -576 | -8 147 | 898 |
| Cash flow from financing activities | 2,247 | 64 | 3 375 | 572 | -271 | -759 | -15 301 | 892 |
| Effect of exchange rate changes on cash | 315 | 171 | - 337 | 257 | -326 | -116 | 485 | 15 |
| Net change in cash | 7,683 | -4,934 | - 631 | -3,777 | 11,455 | 1,868 | -7 103 | -17,989 |
| Cash and cash equivalents, beginning of period | 20,627 | 25,561 | 26 192 | 29,969 | 18,514 | 16,646 | 23 749 | 41,738 |
| Cash and cash equivalents, end of period | 28,310 | 20,627 | 25 561 | 26,192 | 29,969 | 18,514 | 16 646 | 23,749 |

ERICSSON PARENT COMPANY INCOME STATEMENT

| SEK million | Oct - Dec | | Jan - Dec | |
|-------------------------------------|--------------|--------------|---------------|---------------|
| | 2007 | 2006 | 2007 | 2006 |
| Net sales | 783 | 700 | 3,236 | 2,601 |
| Cost of sales | -303 | -118 | -368 | -285 |
| Gross margin | 480 | 582 | 2,868 | 2,316 |
| Operating expenses ¹⁾ | -265 | -294 | -1,351 | -1,278 |
| Other operating income and expenses | 923 | 740 | 2,723 | 2,339 |
| Operating income | 1,138 | 1,028 | 4,240 | 3,377 |
| Financial net | 384 | 100 | 10,485 | 10,262 |
| Income after financial items | 1,522 | 1,128 | 14,725 | 13,639 |
| Transfers to untaxed reserves, net | -265 | -88 | -265 | -88 |
| Taxes | -239 | -441 | -1,315 | -1,189 |
| Net income | 1,018 | 599 | 13,145 | 12,362 |

¹⁾ Operating expenses include the net effect of risk provisions for customer financing of SEK 24 million for the period October to December (SEK 396 million 2006) and SEK 133 million for the period January to December (SEK 1,262 million in 2006).

ERICSSON PARENT COMPANY BALANCE SHEET

| SEK million | Dec 31 | Dec 31 |
|--|----------------|----------------|
| | 2007 | 2006 |
| ASSETS | | |
| Fixed assets | | |
| Intangible assets | 2,989 | 2,800 |
| Tangible assets | 443 | 300 |
| Financial assets | 106,478 | 74,956 |
| | 109,910 | 78,056 |
| Current assets | | |
| Inventories | 84 | 91 |
| Receivables | 28,873 | 32,951 |
| Cash, bank and short-term investments | 45,608 | 53,986 |
| | 74,565 | 87,028 |
| Total assets | 184,475 | 165,084 |
| STOCKHOLDERS EQUITY, PROVISIONS AND LIABILITIES | | |
| Equity | | |
| Restricted equity | 47,624 | 47,624 |
| Non-restricted equity | 35,225 | 32,987 |

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| | | |
|--|----------------|---------|
| | 82,849 | 80,611 |
| Untaxed reserves | 1,339 | 1,074 |
| Provisions | 1,057 | 1,614 |
| Non-current liabilities | 50,457 | 43,718 |
| Current liabilities | 48,773 | 38,067 |
| Total stockholders equity, provisions and liabilities | 184,475 | 165,084 |
| Assets pledged as collateral | 359 | 277 |
| Contingent liabilities | 9,650 | 7,670 |

ACCOUNTING POLICIES AND CHANGES IN FINANCIAL REPORTING STRUCTURE

This interim report is prepared in accordance with IAS 34. The term IFRS used in this document refers to the application of IAS and IFRS as well as interpretations of these standards as issued by IASB's Standards Interpretation Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC).

New or amended standards (IAS/IFRS)

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

New interpretations (IFRIC:s)

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

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

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

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

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

Amendment issued by the Swedish Financial Accounting Standards Council (Rådet för finansiell rapportering)

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

Changes in financial reporting structure

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

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

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

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

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

Business segment Multimedia includes multimedia systems, previously reported under segment Systems, and enterprise solutions and mobile platforms, previously included in Other Operations. The operations of Tandberg TV, Mobeon, Drutt and LHS are also included in Multimedia.

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

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

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

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

The table Customer financing risk exposure will no longer be separately disclosed quarterly due to the decrease in activity compared to prior years. However, significant changes to risk and exposure will be commented within the text of interim reports. Change in **working capital** is defined as changes in operating net assets from the cash flow statement.

Payable days is defined as the average of Accounts payable divided by cost of sales and multiplied by 365 days.

Cash conversion measures the proportion of profits that are converted to cash flow. It is calculated by dividing total cash flow from operating activities by net income and adjustments to reconcile net income to cash.

NET SALES BY SEGMENT BY QUARTER

SEK million

| Isolated quarters | 2007 | | | | 2006 | | | |
|---------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Networks | 37,463 | 28,538 | 33,666 | 29,350 | 39,035 | 29,155 | 31,448 | 28,056 |
| - Of which Network rollout | 6,444 | 4,002 | 4,309 | 3,752 | 5,558 | 3,498 | 3,430 | 3,924 |
| Professional Services | 12,134 | 10,995 | 10,257 | 9,516 | 10,566 | 8,722 | 9,252 | 8,307 |
| - Of which Managed services | 3,318 | 3,352 | 2,910 | 2,592 | 2,514 | 2,238 | 2,414 | 2,325 |
| Multimedia | 4,868 | 4,017 | 3,650 | 3,370 | 4,548 | 3,066 | 3,449 | 2,831 |
| Unallocated ¹⁾ | | | | | | 372 | 764 | 479 |
| Less: Intersegment sales | -5 | -5 | 46 | -80 | 62 | -44 | -145 | -102 |
| Total | 54,460 | 43,545 | 47,619 | 42,156 | 54,211 | 41,271 | 44,768 | 39,571 |

¹⁾ Including the Defense business

| Sequential change (%) | 2007 | | | | 2006 | | | |
|---------------------------------|------------|-------------|------------|-------------|------------|-------------|------------|------------------|
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 ²⁾ |
| Networks | 31% | -15% | 15% | -25% | 34% | -7% | 12% | |
| - Of which Network rollout | 61% | -7% | 15% | -32% | 59% | 2% | -13% | |
| Professional Services | 10% | 7% | 8% | -10% | 21% | -6% | 11% | |
| - Of which Managed services | -1% | 15% | 12% | 3% | 12% | -7% | 4% | |
| Multimedia | 21% | 10% | 8% | -26% | 48% | -11% | 22% | |
| Unallocated ¹⁾ | | | | | | | | |
| Less: Intersegment sales | | | | | | | | |
| Total | 25% | -9% | 13% | -22% | 31% | -8% | 13% | |

¹⁾ Including the Defense business²⁾ 2005 is not restated according to new organization

| Year over year change (%) | 2007 | | | | 2006 ²⁾ | | | |
|---------------------------------|------------|------------|------------|------------|--------------------|----|----|----|
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Networks | -4% | -2% | 7% | 5% | | | | |
| - Of which Network rollout | 16% | 14% | 26% | -4% | | | | |
| Professional Services | 15% | 26% | 11% | 15% | | | | |
| - Of which Managed services | 32% | 50% | 21% | 11% | | | | |
| Multimedia | 7% | 31% | 6% | 19% | | | | |
| Unallocated ¹⁾ | | | | | | | | |
| Less: Intersegment sales | | | | | | | | |
| Total | 0% | 6% | 6% | 7% | | | | |

¹⁾ Including the Defense business²⁾ 2005 is not restated according to new organization

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| Year to Date | 0712 | 2007 | | | | 2006 | | |
|----------------------------------|----------------|----------------|---------------|---------------|----------------|----------------|---------------|---------------|
| | | 0709 | 0706 | 0703 | 0612 | 0609 | 0606 | 0603 |
| Networks | 129,017 | 91,554 | 63,016 | 29,350 | 127,694 | 88,659 | 59,504 | 28,056 |
| - Of which Network rollout | 18,507 | 12,063 | 8,061 | 3,752 | 16,410 | 10,852 | 7,354 | 3,924 |
| Professional Services | 42,902 | 30,768 | 19,773 | 9,516 | 36,847 | 26,281 | 17,559 | 8,307 |
| - Of which Managed services | 12,172 | 8,854 | 5,502 | 2,592 | 9,491 | 6,977 | 4,739 | 2,325 |
| Multimedia | 15,905 | 11,037 | 7,020 | 3,370 | 13,894 | 9,346 | 6,280 | 2,831 |
| Unallocated ¹⁾ | | | | | 1,615 | 1,615 | 1,243 | 479 |
| Less: Intersegment sales | -44 | -39 | -34 | -80 | -229 | -291 | -247 | -102 |
| Total | 187,780 | 133,320 | 89,775 | 42,156 | 179,821 | 125,610 | 84,339 | 39,571 |

¹⁾ Including the Defense business

| YTD year over year change (%) | 0712 | 2007 | | | | 2006 ²⁾ | | |
|----------------------------------|------------|------------|------------|------------|------|--------------------|------|------|
| | | 0709 | 0706 | 0703 | 0612 | 0609 | 0606 | 0603 |
| Networks | 1% | 3% | 6% | 5% | | | | |
| - Of which Network rollout | 13% | 11% | 10% | -4% | | | | |
| Professional Services | 16% | 17% | 13% | 15% | | | | |
| - Of which Managed services | 28% | 27% | 16% | 11% | | | | |
| Multimedia | 14% | 18% | 12% | 19% | | | | |
| Unallocated ¹⁾ | | | | | | | | |
| Less: Intersegment sales | | | | | | | | |
| | 4% | 6% | 6% | 7% | | | | |

¹⁾ Including the Defense business

²⁾ 2005 is not restated according to new organization

OPERATING INCOME BY SEGMENT BY QUARTER

SEK million

| Isolated quarters | 2007 | | | | 2006 | | | |
|----------------------------------|--------------|--------------|--------------|--------------|---------------|------------------|--------------|--------------|
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 ²⁾ | Q2 | Q1 |
| Networks | 3,836 | 2,256 | 6,396 | 4,910 | 8,230 | 2,625 | 6,032 | 4,835 |
| Professional Services | 1,792 | 1,682 | 1,515 | 1,405 | 1,581 | 1,039 | 1,441 | 1,248 |
| Multimedia | -439 | 42 | -11 | 273 | 527 | 86 | 23 | 78 |
| Phones | 2,286 | 1,737 | 1,464 | 1,621 | 2,247 | 1,974 | 961 | 670 |
| Unallocated ¹⁾ | 129 | -81 | -109 | -58 | -400 | 3,042 | -204 | -207 |
| Total | 7,604 | 5,636 | 9,255 | 8,151 | 12,185 | 8,766 | 8,253 | 6,624 |

| Year to Date | 2007 | | | | 2006 | | | |
|----------------------------------|---------------|---------------|---------------|--------------|---------------|--------------------|---------------|--------------|
| | 0712 | 0709 | 0706 | 0703 | 0612 | 0609 ²⁾ | 0606 | 0603 |
| Networks | 17,398 | 13,562 | 11,306 | 4,910 | 21,722 | 13,492 | 10,867 | 4,835 |
| Professional Services | 6,394 | 4,602 | 2,920 | 1,405 | 5,309 | 3,728 | 2,689 | 1,248 |
| Multimedia | -135 | 304 | 262 | 273 | 714 | 187 | 101 | 78 |
| Phones | 7,108 | 4,822 | 3,085 | 1,621 | 5,852 | 3,605 | 1,631 | 670 |
| Unallocated ¹⁾ | -119 | -248 | -167 | -58 | 2,231 | 2,631 | -411 | -207 |
| Total | 30,646 | 23,042 | 17,406 | 8,151 | 35,828 | 23,643 | 14,877 | 6,624 |

OPERATING MARGIN BY SEGMENT BY QUARTER

| As percentage of net sales, isolated quarters | 2007 | | | | 2006 | | | |
|---|------------|------------|------------|------------|------------|------------------|------------|------------|
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 ²⁾ | Q2 | Q1 |
| Networks | 10% | 8% | 19% | 17% | 21% | 9% | 19% | 17% |
| Professional Services | 15% | 15% | 15% | 15% | 15% | 12% | 16% | 15% |
| Multimedia | -9% | 1% | 0% | 8% | 12% | 3% | 1% | 3% |
| Phones ³⁾ | | | | | | | | |
| Unallocated ³⁾ | | | | | | | | |
| Total | 14% | 13% | 19% | 19% | 22% | 21% | 18% | 17% |

| As percentage of net sales, Year to Date | 2007 | | | | 2006 | | | |
|--|------------|------------|------------|------------|------------|--------------------|------------|------------|
| | 0712 | 0709 | 0706 | 0703 | 0612 | 0609 ²⁾ | 0606 | 0603 |
| Networks | 13% | 15% | 18% | 17% | 17% | 15% | 18% | 17% |
| Professional Services | 15% | 15% | 15% | 15% | 14% | 14% | 15% | 15% |
| Multimedia | -1% | 3% | 4% | 8% | 5% | 2% | 2% | 3% |
| Phones ³⁾ | | | | | | | | |
| Unallocated ³⁾ | | | | | | | | |
| Total | 16% | 17% | 19% | 19% | 20% | 19% | 18% | 17% |

¹⁾ Unallocated consists mainly of costs for corporate staffs, non-operational capital gains and losses and the Defense business divested in 2006

²⁾ Including restructuring charges of SEK 2.9 b. and capital gains of SEK 3.0 b.

³⁾ Calculation not applicable

NUMBER OF EMPLOYEES

| Year to date | 2007 | | | | | 2006 | | |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 0712 | 0709 | 0706 | 0703 | 0612 | 0609 | 0606 | 0603 |
| Western Europe ¹⁾ | 41,500 | 40,300 | 39,600 | 38,050 | 38,450 | 38,900 | 40,600 | 40,600 |
| Central & Eastern Europe, Middle East & Africa | 7,350 | 6,850 | 6,200 | 6,600 | 6,300 | 6,050 | 5,500 | 5,300 |
| North America | 5,500 | 5,450 | 5,000 | 4,900 | 4,150 | 4,200 | 4,300 | 4,400 |
| Latin America | 6,550 | 6,000 | 5,050 | 4,600 | 4,500 | 4,200 | 3,700 | 3,550 |
| Asia Pacific | 13,100 | 12,350 | 11,650 | 11,000 | 10,400 | 10,150 | 9,700 | 9,400 |
| Total | 74,000 | 70,950 | 67,500 | 65,150 | 63,800 | 63,500 | 63,800 | 63,250 |
| ¹⁾ Of which Sweden | 19,800 | 19,450 | 19,300 | 18,900 | 19,100 | 19,400 | 21,100 | 21,100 |

EBITDA BY SEGMENT BY QUARTER

SEK million

| Isolated quarters | Q4 | 2007 | | | Q4 | 2006 | | |
|----------------------------------|---------------|--------------|---------------|---------------|---------------|------------------|--------------|--------------|
| | | Q3 | Q2 | Q1 | | Q3 ²⁾ | Q2 | Q1 |
| Networks | 5,767 | 3,846 | 8,183 | 6,643 | 10,170 | 4,227 | 7,624 | 6,677 |
| Professional Services | 1,988 | 1,828 | 1,689 | 1,494 | 1,660 | 1,147 | 1,544 | 1,345 |
| Multimedia | -159 | 260 | 167 | 314 | 574 | 113 | 44 | 98 |
| Phones | 2,286 | 1,737 | 1,464 | 1,621 | 2,247 | 1,974 | 961 | 670 |
| Unallocated ¹⁾ | 129 | -81 | -109 | -58 | -399 | 3,041 | -204 | -169 |
| Total | 10,011 | 7,590 | 11,394 | 10,014 | 14,252 | 10,502 | 9,969 | 8,621 |

| Year to Date | 0712 | 2007 | | | 0612 | 2006 | | |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|--------------------|---------------|--------------|
| | | 0709 | 0706 | 0703 | | 0609 ²⁾ | 0606 | 0603 |
| Networks | 24,439 | 18,672 | 14,826 | 6,643 | 28,698 | 18,528 | 14,301 | 6,677 |
| Professional Services | 6,999 | 5,011 | 3,183 | 1,494 | 5,696 | 4,036 | 2,889 | 1,345 |
| Multimedia | 582 | 741 | 481 | 314 | 829 | 255 | 142 | 98 |
| Phones | 7,108 | 4,822 | 3,085 | 1,621 | 5,852 | 3,605 | 1,631 | 670 |
| Unallocated ¹⁾ | -119 | -248 | -167 | -58 | 2,269 | 2,668 | -373 | -169 |
| Total | 39,009 | 28,998 | 21,408 | 10,014 | 43,344 | 29,092 | 18,590 | 8,621 |

EBITDA MARGIN BY SEGMENT BY QUARTER

| As percentage of net sales, isolated quarters | Q4 | 2007 | | | Q4 | 2006 | | |
|---|------------|------------|------------|------------|------------|------------------|------------|------------|
| | | Q3 | Q2 | Q1 | | Q3 ²⁾ | Q2 | Q1 |
| Networks | 15% | 13% | 24% | 23% | 26% | 14% | 24% | 24% |
| Professional Services | 16% | 17% | 16% | 16% | 16% | 13% | 17% | 16% |
| Multimedia | -3% | 6% | 5% | 9% | 13% | 4% | 1% | 3% |
| Phones ³⁾ | | | | | | | | |
| Unallocated ³⁾ | | | | | | | | |
| Total | 18% | 17% | 24% | 24% | 26% | 25% | 22% | 22% |

| As percentage of net sales, Year to Date | 0712 | 2007 | | | 0612 | 2006 | | |
|--|------------|------------|------------|------------|------------|--------------------|------------|------------|
| | | 0709 | 0706 | 0703 | | 0609 ²⁾ | 0606 | 0603 |
| Networks | 19% | 20% | 24% | 23% | 22% | 21% | 24% | 24% |
| Professional Services | 16% | 16% | 16% | 16% | 15% | 15% | 16% | 16% |
| Multimedia | 4% | 7% | 7% | 9% | 6% | 3% | 2% | 3% |
| Phones ³⁾ | | | | | | | | |
| Unallocated ³⁾ | | | | | | | | |
| Total | 21% | 22% | 24% | 24% | 24% | 23% | 22% | 22% |

¹⁾ Unallocated consists mainly of costs for corporate staffs, non-operational capital gains and losses and the Defense business divested in 2006

- 2) Including restructuring charges of SEK 2.9 b. and capital gains of SEK 3.0 b.
- 3) Calculation not applicable

NET SALES BY MARKET AREA BY QUARTER

SEK million

| Isolated quarters | 2007 | | | | 2006 | | | |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Western Europe ¹⁾ | 15,396 | 12,341 | 12,440 | 12,508 | 17,166 | 11,676 | 12,852 | 11,488 |
| Central & Eastern Europe, Middle East & Africa ** | 14,256 | 11,957 | 11,468 | 10,980 | 14,331 | 10,860 | 11,796 | 9,426 |
| North America | 4,324 | 2,980 | 3,012 | 3,106 | 3,960 | 2,895 | 3,726 | 5,281 |
| Latin America | 6,750 | 4,240 | 4,083 | 3,310 | 4,803 | 4,206 | 3,819 | 3,652 |
| Asia Pacific ** | 13,734 | 12,027 | 16,616 | 12,252 | 13,951 | 11,634 | 12,575 | 9,724 |
| Total ²⁾ | 54,460 | 43,545 | 47,619 | 42,156 | 54,211 | 41,271 | 44,768 | 39,571 |

¹⁾ Of which Sweden 2,453 1,946 2,055 1,941 2,287 1,882 2,008 1,632

²⁾ Of which EU * 17,575 13,643 13,977 13,783 18,705 13,040 14,834 12,404

| Sequential change (%) | 2007 | | | | 2006 | | | |
|---|------------|------------|------------|-------------|------------|------------|------------|-------------|
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Western Europe ¹⁾ | 25% | -1% | -1% | -27% | 47% | -9% | 12% | -8% |
| Central & Eastern Europe, Middle East & Africa ** | 19% | 4% | 4% | -23% | 32% | -8% | 25% | -23% |
| North America | 45% | -1% | -3% | -22% | 37% | -22% | -29% | 3% |
| Latin America | 59% | 4% | 23% | -31% | 14% | 10% | 5% | -39% |
| Asia Pacific ** | 14% | -28% | 36% | -12% | 20% | -7% | 29% | -1% |
| Total ²⁾ | 25% | -9% | 13% | -22% | 31% | -8% | 13% | -13% |

¹⁾ Of which Sweden 26% -5% 6% -15% 22% -6% 23% -6%

²⁾ Of which EU * 29% -2% 1% -26% 43% -12% 20% -14%

| Year over year change (%) | 2007 | | | | 2006 | | | |
|---|-----------|-----------|-----------|-----------|------------|------------|------------|------------|
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Western Europe ¹⁾ | -10% | 6% | -3% | 9% | 37% | 22% | 30% | 15% |
| Central & Eastern Europe, Middle East & Africa ** | -1% | 10% | -3% | 16% | 17% | 18% | 18% | 10% |
| North America | 9% | 3% | -19% | -41% | -22% | -36% | -42% | 58% |
| Latin America | 41% | 1% | 7% | -9% | -20% | -18% | -14% | 3% |
| Asia Pacific ** | -2% | 3% | 32% | 26% | 43% | 47% | 64% | 60% |
| Total ²⁾ | 0% | 6% | 6% | 7% | 19% | 14% | 16% | 26% |

¹⁾ Of which Sweden 7% 3% 2% 19% 31% 44% 28% 9%

²⁾ Of which EU * -6% 5% -6% 11% 29% 23% 38% 14%

| Year to date | 2007 | | | | 2006 | | | |
|---|----------------|----------------|---------------|---------------|----------------|----------------|---------------|---------------|
| | 0712 | 0709 | 0706 | 0703 | 0612 | 0609 | 0606 | 0603 |
| Western Europe ¹⁾ | 52,685 | 37,289 | 24,948 | 12,508 | 53,182 | 36,016 | 24,340 | 11,488 |
| Central & Eastern Europe, Middle East & Africa ** | 48,661 | 34,405 | 22,448 | 10,980 | 46,413 | 32,082 | 21,222 | 9,426 |
| North America | 13,422 | 9,098 | 6,118 | 3,106 | 15,862 | 11,902 | 9,007 | 5,281 |
| Latin America | 18,383 | 11,633 | 7,393 | 3,310 | 16,480 | 11,677 | 7,471 | 3,652 |
| Asia Pacific ** | 54,629 | 40,895 | 28,868 | 12,252 | 47,884 | 33,933 | 22,299 | 9,724 |
| Total ²⁾ | 187,780 | 133,320 | 89,775 | 42,156 | 179,821 | 125,610 | 84,339 | 39,571 |

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| | | | | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| 1) Of which Sweden | 8,395 | 5,942 | 3,996 | 1,941 | 7,809 | 5,522 | 3,640 | 1,632 |
| 2) Of which EU * | 58,978 | 41,403 | 27,760 | 13,783 | 58,983 | 40,278 | 27,238 | 12,404 |
| | | 2007 | | | | 2006 | | |
| YTD year over year change (%) | 0712 | 0709 | 0706 | 0703 | 0612 | 0609 | 0606 | 0603 |
| Western Europe ¹⁾ | -1% | 4% | 2% | 9% | 27% | 22% | 23% | 15% |
| Central & Eastern Europe, Middle East & Africa ** | 5% | 7% | 6% | 16% | 16% | 16% | 15% | 10% |
| North America | -15% | -24% | -32% | -41% | -18% | -17% | -8% | 58% |
| Latin America | 12% | 0% | -1% | -9% | -14% | -11% | -6% | 3% |
| Asia Pacific ** | 14% | 21% | 29% | 26% | 52% | 57% | 62% | 60% |
| Total ²⁾ | 4% | 6% | 6% | 7% | 18% | 18% | 21% | 26% |
| 1) Of which Sweden | 8% | 8% | 10% | 19% | 28% | 26% | 19% | 9% |
| 2) Of which EU * | 0% | 3% | 2% | 11% | 26% | 25% | 26% | 14% |

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

**) 2006 has been restated including Pakistan and Afghanistan in Asia Pacific instead of in Central and Eastern Europe, Middle East and Africa

TOP 10 MARKETS IN SALES

| Sales | YTD Share of total sales | Q4 Share of iso. total sales |
|----------------|--------------------------------|------------------------------------|
| CHINA | 7% | 7% |
| UNITED STATES | 6% | 7% |
| INDIA | 6% | 4% |
| ITALY | 5% | 6% |
| SPAIN | 5% | 4% |
| SWEDEN | 4% | 5% |
| UNITED KINGDOM | 4% | 3% |
| INDONESIA | 3% | 3% |
| JAPAN | 3% | 3% |
| BRAZIL | 3% | 4% |

EXTERNAL NET SALES BY MARKET AREA BY SEGMENT

SEK million

| Oct - Dec 2007 | Networks | Professional Services | Multimedia | Total |
|--|---------------|--------------------------|--------------|---------------|
| Western Europe | 8,291 | 4,888 | 2,217 | 15,396 |
| Central & Eastern Europe, Middle East & Africa * | 10,580 | 2,547 | 1,129 | 14,256 |
| North America | 3,016 | 980 | 328 | 4,324 |
| Latin America | 4,938 | 1,354 | 458 | 6,750 |
| Asia Pacific * | 10,633 | 2,365 | 736 | 13,734 |
| Total | 37,458 | 12,134 | 4,868 | 54,460 |
| Share of Total | 69% | 22% | 9% | 100% |

| Year to date 2007 | Networks | Professional Services | Multimedia | Total |
|--|----------------|--------------------------|---------------|----------------|
| Western Europe | 28,085 | 17,287 | 7,313 | 52,685 |
| Central & Eastern Europe, Middle East & Africa * | 36,435 | 8,305 | 3,921 | 48,661 |
| North America | 8,392 | 3,965 | 1,065 | 13,422 |
| Latin America | 12,972 | 4,274 | 1,137 | 18,383 |
| Asia Pacific * | 43,101 | 9,061 | 2,467 | 54,629 |
| Total | 128,985 | 42,892 | 15,903 | 187,780 |
| Share of Total | 69% | 23% | 8% | 100% |

*) 2006 has been restated including Pakistan and Afghanistan in Asia Pacific instead of in Central and Eastern Europe, Middle East and Africa

TRANSACTIONS WITH SONY ERICSSON MOBILE COMMUNICATIONS

| SEK million | 2007 | | | | 2006 | | | |
|--------------------------------|-------|-------|-------|-------|-------|-------|-----|-----|
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Revenues from Sony Ericsson | 1,930 | 1,242 | 1,411 | 1,160 | 1,198 | 1,069 | 737 | 960 |
| Purchases from Sony Ericsson | 39 | 11 | 232 | 51 | 62 | 28 | 20 | 63 |
| Receivables from Sony Ericsson | 932 | 132 | 178 | 116 | 479 | 811 | 515 | 398 |

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| | | | | | | | | |
|------------------------------|-----|-------|-------|-------|-----|----|----|-------|
| Liabilities to Sony Ericsson | 204 | 1,357 | 2,464 | 3,720 | 108 | 65 | 59 | 183 |
| Dividends from Sony Ericsson | | 1,388 | 2,561 | | | | | 1,160 |

PROVISIONS

| SEK million | 2007 | | | | 2007 | | | |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | Q4 | Q3 | Q2 | Q1 | 0712 | 0709 | 0706 | 0703 |
| Opening balance | 10,357 | 11,675 | 12,291 | 13,882 | 13,882 | 13,882 | 13,882 | 13,882 |
| Additions | 1,710 | 874 | 1,056 | 1,519 | 5,159 | 3,449 | 2,575 | 1,519 |
| Cost incurred | -1,215 | -1,341 | -1,276 | -2,476 | -6,308 | -5,093 | -3,752 | -2,476 |
| Reversal of excess amounts | -1,401 | -668 | -1,006 | -675 | -3,750 | -2,349 | -1,681 | -675 |
| Reclassification, translation difference and other | 275 | -183 | 610 | 41 | 743 | 468 | 651 | 41 |
| Closing balance | 9,726 | 10,357 | 11,675 | 12,291 | 9,726 | 10,357 | 11,675 | 12,291 |

ERICSSON

OTHER INFORMATION

| | Oct - Dec | | Jan - Dec | |
|---|-----------|--------|-----------|--------|
| | 2007 | 2006 | 2007 | 2006 |
| Number of shares and earnings per share | | | | |
| Number of shares, end of period (million) | 16,132 | 16,132 | 16,132 | 16,132 |
| Of which A-shares (million) | 1,309 | 1,309 | 1,309 | 1,309 |
| Of which B-shares (million) | 14,823 | 14,823 | 14,823 | 14,823 |
| Number of treasury shares, end of period (million) | 232 | 251 | 232 | 251 |
| Number of shares outstanding, basic, end of period (million) | 15,900 | 15,881 | 15,900 | 15,881 |
| Numbers of shares outstanding, diluted, end of period (million) | 15,974 | 15,953 | 15,974 | 15,953 |
| Average number of treasury shares (million) | 236 | 256 | 242 | 262 |
| Average number of shares outstanding, basic (million) | 15,896 | 15,877 | 15,891 | 15,871 |
| Average number of shares outstanding, diluted (million) ¹⁾ | 15,970 | 15,949 | 15,964 | 15,943 |
| Earnings per share, basic (SEK) | 0.35 | 0.61 | 1.37 | 1.65 |
| Earnings per share, diluted (SEK) ¹⁾ | 0.35 | 0.61 | 1.37 | 1.65 |
| Ratios | | | | |
| Equity ratio, percent | | | 55.1% | 56.2% |
| Capital turnover (times) | 1.3 | 1.6 | 1.2 | 1.3 |
| Accounts receivable turnover (times) | 3.7 | 4.4 | 3.4 | 3.9 |
| Inventory turnover (times) | 5.8 | 5.4 | 5.2 | 5.2 |
| Return on equity, percent | 17.1% | 33.7% | 17.2% | 23.7% |
| Return on capital employed, percent | 19.6% | 36.2% | 20.9% | 27.4% |
| Days Sales Outstanding | | | 102 | 85 |
| Payable days | 43 | 52 | 57 | 54 |
| Payment readiness, end of period | | | 64,678 | 67,454 |
| Payment readiness, as percentage of sales | | | 34.4% | 37.5% |
| Exchange rates used in the consolidation | | | | |
| SEK / EUR - average rate | | | 9.24 | 9.27 |
| - closing rate | | | 9.45 | 9.04 |
| SEK / USD - average rate | | | 6.74 | 7.38 |
| - closing rate | | | 6.43 | 6.85 |
| SEK million | | | | |
| Other | | | | |
| Additions to property, plant and equipment | 1,656 | 929 | 4,319 | 3,827 |
| - Of which in Sweden | 366 | 288 | 1,250 | 999 |
| Additions to capitalized development expenses | 359 | 373 | 1,053 | 1,353 |
| Capitalization of development expenses, net | -292 | -258 | -1,334 | -1,166 |
| Amortization of development expenses | 651 | 631 | 2,387 | 2,519 |
| Depreciation of property, plant and equipment and amortization of other intangible assets | 1,756 | 1,436 | 5,976 | 4,997 |
| Total depreciation and amortization | 2,407 | 2,067 | 8,363 | 7,516 |
| Export sales from Sweden | 29,399 | 26,039 | 102,486 | 98,694 |

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

ERICSSON PLANNING ASSUMPTIONS FOR YEAR 2008**Research and development expenses**

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We estimate R&D expenses for the full year to be at about the same runrate level as in the second half of 2007. The estimate includes amortizations/write-downs of intangible assets related to major acquisitions previously made. However, currency effects may cause this to change.

Tax rate

We estimate the tax rate for the full year 2008 to be around 30%.

Capital expenditures

Excluding acquisitions, the capital expenditures in relation to sales are not expected to be significantly different in 2008, remaining at roughly two percent of sales.

Utilization of provisions

The expected utilization of provisions for year 2008 will be stated in the Annual report.

ACQUISITION OF LHS AG

As per October 1, 2007, Ericsson purchased 87% of the shares in LHS AG.

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

Had the acquisition of LHS been made as per January 1, 2007, additional net sales of SEK 657 million would have been recognized and the operating income would have been reduced by SEK 17 million.

Allocation of purchase consideration

| | |
|---|---------------|
| | SEK b. |
| Intangible assets subject to amortization | |
| Customer relations | 0.8 |
| Other, mainly technology | 0.4 |
| <i>Subtotal</i> | <i>1.2</i> |
| Deferred tax asset | 0.3 |
| Goodwill | 1.3 |
| <i>Subtotal</i> | <i>1.6</i> |
| Other assets | 0.6 |
| Total assets | 3.4 |
| Liabilities | |
| Current liabilities | 0.2 |
| Deferred tax liability | 0.4 |
| <i>Subtotal</i> | <i>0.6</i> |
| Minority interest | 0.1 |
| Net assets acquired | 2.7 |

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

The main reasons for that part of the acquisition costs are recognized as goodwill, representing 39% of total assets acquired, are that strong future synergies are estimated.

Cash flow effects

| | |
|--|------------|
| Total cash purchase consideration | 2.7 |
| Less acquired cash and cash equivalents | 0.3 |
| Net cash outflow from the acquisition | 2.4 |

SIGNATURES

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

TELEFONAKTIEBOLAGET LM ERICSSON (PUBL)

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

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

Date: February 1st, 2008