

ERICSSON LM TELEPHONE CO

Form 6-K

July 15, 2011

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

July 15, 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 July 15, 2011** regarding Sony Ericsson's second quarter report 2011

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: **July 15, 2011**

PRESS RELEASE**JULY 15, 2011****Sony Ericsson reports second quarter 2011 results****Highlights:****Supply chain constraints from the Japan earthquake significantly impact Q2 results****Smartphones account for more than 70 percent of total sales****Android-based Xperia volume up 150 percent year-on-year**

The consolidated financial summary for Sony Ericsson Mobile Communications AB (Sony Ericsson) for the second quarter ended June 30, 2011 is as follows:

| | Q2 2010 | Q1 2011 | Q2 2011 |
|--|---------|---------|--------------|
| Number of units shipped (million) | 11.0 | 8.1 | 7.6 |
| Average selling price (Euro) | 160 | 141 | 156 |
| Sales (Euro m.) | 1,757 | 1,145 | 1,193 |
| Gross margin (%) | 28% | 33% | 31% |
| Operating income (Euro m.) | 36 | 19 | -37 |
| Operating margin (%) | 2% | 2% | -3% |
| Restructuring charges (Euro m.) | -32 | | |
| Operating income excl. restructuring charges (Euro m.) | 68 | 19 | -37 |
| Operating margin excl. restructuring charges (%) | 4% | 2% | -3% |
| Income before taxes (IBT) (Euro m.) | 31 | 15 | -42 |
| IBT excl. restructuring charges (Euro m.) | 63 | 15 | -42 |
| Net income (Euro m.) | 12 | 11 | -50 |

Bert Nordberg, President and CEO of Sony Ericsson commented, Sony Ericsson's second quarter profitability was affected by the March 11 earthquake in Japan. We estimate that the impact of earthquake-related supply chain constraints on our portfolio was close to 1.5 million units, with most of the effect in the early part of the quarter. Our shift to Android-based smartphones continues with smartphone sales accounting for more than 70 percent of our total sales during the quarter. We have shipped more than 16 million Xperia smartphones to date. We have introduced eight new Xperia smartphones this year and we continue to see strong consumer and operator demand across the Xperia smartphone portfolio.

Units shipped during the quarter were 7.6 million, a 31% decrease year-on-year and a 6% decrease sequentially, due to a decrease in volume caused by constrained supply of critical components and an anticipated decline in the number of feature phones shipped.

Average selling price (ASP) for the quarter was Euro 156, a 3% decrease year-on-year but an 11% increase sequentially. The year-on-year decrease is due to product and geographic mix and price erosion. The sequential increase in ASP is attributed to favorable product and geographic mix, more than offsetting price erosion and unfavorable foreign exchange rates.

Sales for the quarter were Euro 1,193 million, a 32% decrease year-on-year and a 4% increase sequentially.

The gross margin percentage for the quarter was 31% with an improvement of 3 percentage points

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www.sonyericsson.com

year-on-year that included restructuring charges, and a decrease of 2 percentage points from the previous quarter, which included the benefit of some larger than normal items relating to royalty matters and warranty estimates.

Loss before taxes for the quarter was Euro 42 million, compared to an income before taxes of Euro 31 million for the same quarter in the previous year, due to lower volume. Income before taxes for the previous quarter was Euro 15 million. The sequential change was reflective of lower gross margin and higher operating expenses.

The quarter ended in a net loss of Euro 50 million, compared to a net income of Euro 12 million in the same quarter in the previous year, and Euro 11 million in the last quarter. Tax expenses in this quarter included the impact of tax adjustments and the distribution of profits and losses between various jurisdictions.

Cash flow from operating activities during the quarter was negative Euro 224 million, mainly due to increases in accounts receivables and inventories, negative net income and timing of certain payments. New external borrowings of Euro 165 million were made during the quarter to enhance liquidity and growth, resulting in total borrowings of Euro 769 million at the end of the quarter. Total cash balances at June 30, 2011 amounted to Euro 516 million.

Sony Ericsson estimates that its share in the global Android-based smartphone market during the quarter was approximately 11% in volume and 11% in value.

Sony Ericsson maintains its forecast for modest industry growth in total units in the global handset market for 2011.

The liquid identity is a registered trademark of Sony Ericsson Mobile Communications AB. Xperia is a trademark of Sony Ericsson Mobile Communications AB. Sony is a registered trademark of Sony Corporation. Ericsson is a registered trademark of Telefonaktiebolaget LM Ericsson. Any rights not expressly granted herein are reserved and subject to change without prior notice.

EDITOR S NOTES:

Financial statements:

Consolidated income statement

Consolidated income statement isolated quarters

Consolidated balance sheet

Consolidated statement of cash flows

Consolidated statement of cash flows isolated quarters

Net sales by market area by quarter

About Sony Ericsson

Sony Ericsson celebrates its 10th year as a joint venture between Sony Corporation and Ericsson in October 2011. Over the years Sony Ericsson has brought together the best communication technologies with superior entertainment user experiences to create its Xperia line of the most entertaining smartphones in the mobile handset industry. With its global corporate functions in London, Sony Ericsson has sales and marketing operations in all major regions of the world, as well as manufacturing operations in China, and product development sites in China, Japan, Sweden and Silicon Valley, California. For more information, please visit: www.sonyericsson.com/press.

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CONTACTS:

Ericsson investor relations

Susanne Andersson (Stockholm) +46 10 719 4631

Sony investor relations

Yoshinori Hashitani (Tokyo) +81 3 6748 2111

Yas Hasegawa (London) +44 20 7426 8696

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Sony Ericsson House
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T: +44 (0)20 8762 5800
www.sonyericsson.com

Press / Media

Sony Ericsson global communications and PR

Cathy Davies (London) +44 208 762 5879

Holly Rossetti (London) + 44 208 762 5851

Gustaf Brusewitz (London) +44 208 762 5805

This press release contains forward-looking statements that involve inherent risks and uncertainties. Sony Ericsson has identified certain important factors that may cause actual results to differ materially from those contained in such forward-looking statements. For a detailed description of risk factors see Sony's and Ericsson's filings with the US Securities and Exchange Commission, particularly each company's latest published Annual Report on Form 20-F.

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CONSOLIDATED INCOME STATEMENT

| EUR million | Apr-Jun | | | Jan-Jun | | |
|-------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2010 | 2011 | Change | 2010 | 2011 | Change |
| Net sales | 1,757 | 1,193 | -32% | 3,162 | 2,339 | -26% |
| Cost of sales | -1,266 | -828 | -35% | -2,241 | -1,592 | -29% |
| Gross profit | 492 | 365 | -26% | 921 | 747 | -19% |
| Gross margin % | 28% | 31% | 3pp | 29% | 32% | 3 pp |
| Research and development expenses | -191 | -184 | -4% | -376 | -357 | -5% |
| Selling and administrative expenses | -272 | -224 | -18% | -510 | -423 | -17% |
| Operating expenses | -463 | -408 | -12% | -886 | -780 | -12% |
| Other operating income, net | 7 | 6 | -14% | 21 | 16 | -24% |
| Operating income | 36 | -37 | | 57 | -17 | |
| Operating margin % | 2% | -3% | -5pp | 2% | -1% | -3pp |
| Financial income | 2 | 5 | 150% | 9 | 8 | -11% |
| Financial expenses | -7 | -10 | 43% | -16 | -18 | 13% |
| Income before taxes | 31 | -42 | | 50 | -27 | |
| Taxes | -16 | -3 | -81% | -10 | -9 | -10% |
| Minority interest | -4 | -5 | 25% | -7 | -4 | -43% |
| Net income | 12 | -50 | | 33 | -40 | |
| Number of units shipped (million) | 11.0 | 7.6 | -31% | 21.5 | 15.8 | -27% |
| ASP (EUR) | 160 | 156 | -3% | 147 | 148 | 1% |
| EUR million | Apr-Jun | | | Jan-Jun | | |
| Restructuring charges | 2010 | 2011 | | 2010 | 2011 | |
| Cost of sales | -33 | | | -31 | | |
| Research and development expenses | -1 | | | -3 | | |
| Selling and administrative expenses | 2 | | | -1 | | |
| Total | -32 | | | -35 | | |

* Operating expenses in 2010 have been restated to reflect certain organizational changes.

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CONSOLIDATED INCOME STATEMENT - ISOLATED QUARTERS

| EUR million | 2010 | | | | 2011 | |
|-------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 |
| Net sales | 1,405 | 1,757 | 1,603 | 1,528 | 1,145 | 1,193 |
| Cost of sales | -975 | -1,266 | -1,130 | -1,069 | -763 | -828 |
| Gross profit | 429 | 492 | 473 | 459 | 382 | 365 |
| Gross margin % | 31% | 28% | 30% | 30% | 33% | 31% |
| Research and development expenses | -185 | -191 | -179 | -191 | -173 | -184 |
| Selling and administrative expenses | -238 | -272 | -241 | -236 | -199 | -224 |
| Operating expenses | -423 | -463 | -420 | -427 | -372 | -408 |
| Other operating income, net | 14 | 7 | 10 | 7 | 10 | 6 |
| Operating income | 20 | 36 | 63 | 39 | 19 | -37 |
| Operating margin % | 1% | 2% | 4% | 3% | 2% | -3% |
| Financial income | 7 | 2 | 7 | 2 | 3 | 5 |
| Financial expenses | -9 | -7 | -8 | -6 | -8 | -10 |
| Income before taxes | 18 | 31 | 62 | 35 | 15 | -42 |
| Taxes | 6 | -16 | -12 | -27 | -5 | -3 |
| Minority interest | -3 | -4 | -2 | 0 | 1 | -5 |
| Net income | 21 | 12 | 49 | 8 | 11 | -50 |
| Number of units shipped (million) | 10.5 | 11.0 | 10.4 | 11.2 | 8.1 | 7.6 |
| ASP (EUR) | 134 | 160 | 154 | 136 | 141 | 156 |

| EUR million | 2010 | | | | 2011 | |
|-------------------------------------|------|-----|----|----|------|----|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 |
| Restructuring charges | | | | | | |
| Cost of sales | 2 | -33 | -3 | 2 | | |
| Research and development expenses | -2 | -1 | 5 | 0 | | |
| Selling and administrative expenses | -3 | 2 | -6 | -5 | | |
| Total | -3 | -32 | -4 | -3 | | |

* Operating expenses in 2010 have been restated to reflect certain organizational changes.

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CONSOLIDATED BALANCE SHEET

| EUR million | Jun 30 2010 | Dec 31 2010 | Mar 31 2011 | Jun 30 2011 |
|--|----------------|----------------|----------------|----------------|
| ASSETS | | | | |
| Total fixed and financial assets | 836 | 803 | 791 | 819 |
| Current assets | | | | |
| Inventories | 467 | 460 | 510 | 570 |
| Accounts receivable | 1,063 | 836 | 755 | 872 |
| Other assets | 412 | 295 | 304 | 330 |
| Other short-term cash investments | 477 | 276 | 417 | 329 |
| Cash and bank | 562 | 329 | 182 | 188 |
| Total current assets | 2,981 | 2,196 | 2,168 | 2,289 |
| Total assets | 3,817 | 2,999 | 2,959 | 3,108 |
| SHAREHOLDERS EQUITY AND LIABILITIES | | | | |
| Shareholders equity | 510 | 532 | 496 | 451 |
| Minority interest | 66 | 42 | 38 | 43 |
| Total equity | 575 | 574 | 534 | 494 |
| Borrowing, Non Current | 101 | 100 | 0 | 0 |
| Other long-term liabilities | 40 | 32 | 30 | 31 |
| Total long-term liabilities | 141 | 132 | 30 | 31 |
| Accounts payable | 973 | 769 | 701 | 716 |
| Borrowing, Current | 329 | 130 | 604 | 769 |
| Other current liabilities | 1,798 | 1,394 | 1,090 | 1,098 |
| Total current liabilities | 3,101 | 2,293 | 2,394 | 2,583 |
| Total shareholders equity and liabilities | 3,817 | 2,999 | 2,959 | 3,108 |
| Net cash* | 609 | 375 | -5 | -252 |

* Net cash is defined as cash and bank deposit plus other short-term cash investments less interest-bearing liabilities.

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CONSOLIDATED STATEMENT OF CASH FLOWS

| EUR million | Apr-Jun | | Jan-Jun | |
|---|--------------|-------------|--------------|-------------|
| | 2010 | 2011 | 2010 | 2011 |
| OPERATING | | | | |
| Net income | 12 | -50 | 33 | -40 |
| Adjustments to reconcile net income to cash | 4 | -29 | -40 | -166 |
| | 16 | -79 | -6 | -206 |
| Changes in operating net assets | 13 | -145 | -58 | -371 |
| Cash flow from operating activities | 29 | -224 | -65 | -577 |
| INVESTING | | | | |
| Investing activities | -15 | -21 | 12 | -36 |
| Cash flow from investing activities | -15 | -21 | 12 | -36 |
| FINANCING | | | | |
| Financing activities | 0 | 165 | 150 | 541 |
| Cash flow from financing activities | 0 | 165 | 150 | 541 |
| Net change in cash | 15 | -80 | 97 | -72 |
| Cash, beginning of period | 980 | 599 | 878 | 605 |
| Translation difference in Cash | 45 | -3 | 64 | -17 |
| Cash, end of period | 1,039 | 516 | 1,039 | 516 |

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CONSOLIDATED STATEMENT OF CASH FLOWS - ISOLATED QUARTERS

| EUR million | 2010 | | | | 2011 | |
|---|------------|--------------|--------------|-------------|-------------|-------------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 |
| OPERATING | | | | | | |
| Net income | 21 | 12 | 49 | 8 | 11 | -50 |
| Adjustments to reconcile net income to cash | -44 | 4 | -66 | -50 | -137 | -29 |
| | -23 | 16 | -17 | -42 | -127 | -79 |
| Changes in operating net assets | -72 | 13 | -38 | -86 | -226 | -145 |
| Cash flow from operating activities | -94 | 29 | -54 | -128 | -353 | -224 |
| INVESTING | | | | | | |
| Investing activities | 27 | -15 | 2 | -18 | -14 | -21 |
| Cash flow from investing activities | 27 | -15 | 2 | -18 | -14 | -21 |
| FINANCING | | | | | | |
| Financing activities | 150 | 0 | -32 | -178 | 375 | 165 |
| Cash flow from financing activities | 150 | 0 | -32 | -178 | 375 | 165 |
| Net change in cash | 83 | 15 | -85 | -324 | 8 | -80 |
| Cash, beginning of period | 878 | 980 | 1,039 | 921 | 605 | 599 |
| Translation difference in Cash | 19 | 45 | -33 | 7 | -14 | -3 |
| Cash, end of period | 980 | 1,039 | 921 | 605 | 599 | 516 |

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NET SALES BY MARKET AREA BY QUARTER

| EUR million | 2010 | | | | 2011 | |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Isolated quarters | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 |
| Europe, Middle East & Africa * | 711 | 876 | 837 | 795 | 485 | 435 |
| Americas | 201 | 223 | 222 | 205 | 151 | 193 |
| Asia | 493 | 659 | 544 | 528 | 509 | 565 |
| Total | 1,405 | 1,757 | 1,603 | 1,528 | 1,145 | 1,193 |
| * of which Western Europe | 525 | 668 | 632 | 569 | 307 | 323 |
| Sequential change (%) | 2010 | | | | 2011 | |
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 |
| Europe, Middle East & Africa * | -26% | 23% | -4% | -5% | -39% | -10% |
| Americas | -9% | 11% | 0% | -8% | -26% | 28% |
| Asia | -12% | 34% | -17% | -3% | -4% | 11% |
| Total | -20% | 25% | -9% | -5% | -25% | 4% |
| * of which Western Europe | -23% | 27% | -5% | -10% | -46% | 5% |
| Year over year change (%) | 2010 | | | | 2011 | |
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 |
| Europe, Middle East & Africa * | -27% | -6% | -4% | -18% | -32% | -50% |
| Americas | 1% | 14% | -4% | -8% | -25% | -13% |
| Asia | -12% | 17% | 6% | -6% | 3% | -14% |
| Total | -19% | 4% | -1% | -13% | -19% | -32% |
| * of which Western Europe | -27% | -1% | -1% | -16% | -42% | -52% |
| Year to date | 2010 | | | | 2011 | |
| | 1003 | 1006 | 1009 | 1012 | 1103 | 1106 |
| Europe, Middle East & Africa * | 711 | 1,587 | 2,424 | 3,219 | 485 | 919 |
| Americas | 201 | 424 | 646 | 851 | 151 | 345 |
| Asia | 493 | 1,152 | 1,695 | 2,224 | 509 | 1,075 |
| Total | 1,405 | 3,162 | 4,765 | 6,294 | 1,145 | 2,339 |
| * of which Western Europe | 525 | 1,193 | 1,825 | 2,393 | 307 | 630 |
| YTD year over year change (%) | 2010 | | | | 2011 | |
| | 1003 | 1006 | 1009 | 1012 | 1103 | 1106 |
| Europe, Middle East & Africa * | -27% | -17% | -13% | -14% | -32% | -42% |
| Americas | 1% | 7% | 3% | 0% | -25% | -19% |
| Asia | -12% | 3% | 4% | 1% | 3% | -7% |
| Total | -19% | -8% | -5% | -7% | -19% | -26% |
| * of which Western Europe | -27% | -15% | -10% | -12% | -42% | |