

ERICSSON LM TELEPHONE CO

Form 6-K

July 18, 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**

**July 18, 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 July 18, 2008, regarding Sony Ericsson's second quarter report 2008.

**PRESS RELEASE**

Sony Ericsson reports second quarter results

July 18, 2008

**Q2 Highlights:****Break even results amid challenging market conditions and increased competition****Announcement of Open Mobile Software platform and Symbian Foundation****R&D investment continues****Alignment of operations to help restore profitable growth**

London, UK - The consolidated financial summary for Sony Ericsson Mobile Communications AB (Sony Ericsson) for the second quarter ended June 30, 2008 is as follows:

	Q2 2007	Q1 2008	Q2 2008
<b>Number of units shipped (million)</b>	24.9	22.3	24.4
<b>Sales (Euro m.)</b>	3,112	2,702	2,820
<b>Gross margin (%)</b>	29.6%	29.2%	23.1%
<b>Operating income (Euro m.)</b>	315	184	-2
<b>Operating margin (%)</b>	10.1%	6.8%	-0.1%
<b>Income before taxes (Euro m.)</b>	327	193	8
<b>Net income (Euro m.)</b>	220	133	6
<b>Average selling price (Euro)</b>	125	121	116

Units shipped in the quarter were 24.4 million, in line with our June 27, 2008 interim announcement of 24 million units. Sales for the quarter were Euro 2,820 million, a decrease of 9% compared to the second quarter of 2007 due to unfavourable exchange rate fluctuation, continued slowing market growth in mid- to high-end phones and increased competition. Gross margin also decreased compared with a year ago reflecting a less favourable product mix, with particular impact in Europe, and increased price competition in general. Income before taxes for the quarter decreased compared to the second quarter of 2007 for the same reasons, as well as due to higher R&D investments as a percentage of sales.

Average selling price (ASP) for Sony Ericsson decreased both sequentially and year-on-year due to the impact of a greater proportion of lower priced phones in the product portfolio, as well as increased price competition in the market for mid- to high-end phones. Market share for the second quarter is estimated to be around 8%.

During the second quarter Sony Ericsson announced seven new phones, including its first 8 Megapixel Cyber-shot model, the C905. In addition the company started shipping 12 new phones, including a number of mid- to high-end Cyber-shot and Walkman models toward the end of the quarter.

We are aligning our operations and resources worldwide to meet an increasingly competitive business environment and to help restore our capability for profitable growth. The measures we are taking are aimed at becoming a faster, more agile and more cost efficient organisation that can continue to create innovative products that excite consumers, said Dick Komiyama, President, Sony Ericsson. Our target is to achieve a reduction in operating expenses of Euro 300 million annually, with the full effect expected to appear within a year. We estimate that our restructuring charges will be of the same magnitude as our reduction in operating expenses, and we will incur such charges as our measures are implemented.

Sony Ericsson joined leading phone manufacturers, operators and vendors in announcing its support for the establishment of the Symbian Foundation, an initiative that will enable all members of the foundation to use the Symbian operating software platform, royalty-free. The Symbian Foundation is planned to be operational by the end of 2008.

Sony Ericsson forecasts that the global handset market for 2008 will grow at a rate of around 10% from more than 1.1 billion units in 2007, with continued decline in industry ASP. The majority of this growth is expected to be in emerging markets where lower priced phones dominate.

Challenging market conditions are expected to prevail for Sony Ericsson for at least the rest of 2008, and in particular for the third quarter.

Cyber-shot and WALKMAN are trademarks of Sony Corporation.

**EDITOR S NOTES:**

**Financial statements and additional information:**

**Financial statements:**

Consolidated income statement (2)

Consolidated income statement isolated quarters

Consolidated balance sheet

Consolidated statement of cash flows (2)

Consolidated statement of cash flows isolated quarters

**Additional information:**

Net sales by market area by quarter

- ENDS -

*Sony Ericsson is a top global industry player with sales of over 100 million phones in 2007. Diversity is one of the core strengths of the company, with operations in over 80 countries including manufacturing in China and R&D sites in China, Europe, India, Japan and North America. Sony Ericsson was established as a 50:50 joint venture by Sony and Ericsson in October 2001, with global corporate functions located in London. For more information about Sony Ericsson please visit [www.sonyericsson.com](http://www.sonyericsson.com)*

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*This press release contains forward-looking statements that involve inherent risks and uncertainties. We have 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.*

## Sony Ericsson

## CONSOLIDATED INCOME STATEMENT

EUR million	2008	Apr-Jun 2007	Change
Net sales	2,820	3,112	-9%
Cost of sales	-2,168	-2,192	-1%
<b>Gross profit</b>	<b>653</b>	<b>921</b>	<b>-29%</b>
Gross margin %	23.1%	29.6%	-6%
Research and development expenses	-344	-283	22%
Selling and administrative expenses	-310	-321	-4%
<b>Operating expenses</b>	<b>-653</b>	<b>-604</b>	<b>8%</b>
Other operating income, net	-2	-2	1%
<b>Operating income</b>	<b>-2</b>	<b>315</b>	<b>-101%</b>
Operating margin %	-0.1%	10.1%	-10%
Financial income	25	18	37%
Financial expenses	-14	-6	-
<b>Income after financial items</b>	<b>8</b>	<b>327</b>	<b>-98%</b>
Taxes	0	-97	-100%
Minority interest	-3	-10	-72%
<b>Net income</b>	<b>6</b>	<b>220</b>	<b>-97%</b>
Number of units shipped (million)	24.4	24.9	-2%
ASP (EUR)	116	125	-7%

## Sony Ericsson

## CONSOLIDATED INCOME STATEMENT - CUMULATIVE QUARTERS

EUR million	2008	Jan-Jun 2007	Change
Net sales	5,522	6,037	-9%
Cost of sales	-4,082	-4,231	-4%
<b>Gross profit</b>	<b>1,440</b>	<b>1,806</b>	<b>-20%</b>
Gross margin %	26.1%	29.9%	-4%
Research and development expenses	-683	-544	26%
Selling and administrative expenses	-580	-605	-4%
<b>Operating expenses</b>	<b>-1,263</b>	<b>-1,149</b>	<b>10%</b>
Other operating income, net	5	4	25%
<b>Operating income</b>	<b>182</b>	<b>662</b>	<b>-73%</b>
Operating margin %	3.3%	11.0%	-8%
Financial income	49	36	35%
Financial expenses	-29	-9	
<b>Income after financial items</b>	<b>201</b>	<b>689</b>	<b>-71%</b>
Taxes	-57	-197	-71%
Minority interest	-6	-18	-68%
<b>Net income</b>	<b>139</b>	<b>474</b>	<b>-71%</b>
Number of units shipped (million)	46.7	46.7	0%
ASP (EUR)	118	129	-9%

## Sony Ericsson

## CONSOLIDATED INCOME STATEMENT - ISOLATED QUARTERS

EUR million	2008			2007		
	Q2	Q1	Q4	Q3	Q2	Q1
Net sales	2,820	2,702	3,771	3,108	3,112	2,925
Cost of sales	-2,168	-1,914	-2,573	-2,154	-2,192	-2,039
<b>Gross profit</b>	<b>653</b>	<b>788</b>	<b>1,198</b>	<b>954</b>	<b>921</b>	<b>886</b>
Gross margin %	23.1%	29.2%	31.8%	30.7%	29.6%	30.3%
Research and development expenses	-344	-339	-349	-280	-283	-261
Selling and administrative expenses	-310	-270	-375	-280	-321	-284
<b>Operating expenses</b>	<b>-653</b>	<b>-610</b>	<b>-724</b>	<b>-560</b>	<b>-604</b>	<b>-545</b>
Other operating income, net	-2	6	15	-1	-2	5
<b>Operating income</b>	<b>-2</b>	<b>184</b>	<b>489</b>	<b>393</b>	<b>315</b>	<b>346</b>
Operating margin %	-0.1%	6.8%	13.0%	12.7%	10.1%	11.8%
Financial income	25	24	19	7	18	18
Financial expenses	-14	-15	-7	-16	-6	-2
<b>Income after financial items</b>	<b>8</b>	<b>193</b>	<b>501</b>	<b>384</b>	<b>327</b>	<b>362</b>
Taxes	0	-57	-118	-109	-97	-100
Minority interest	-3	-3	-10	-8	-10	-9
<b>Net income</b>	<b>6</b>	<b>133</b>	<b>373</b>	<b>267</b>	<b>220</b>	<b>254</b>
Number of units shipped (million)	24.4	22.3	30.8	25.9	24.9	21.8
ASP (EUR)	116	121	123	120	125	134

## Sony Ericsson

## CONSOLIDATED BALANCE SHEET

EUR million	Jun 30 2008	Mar 31 2008	Dec 31 2007	Jun30 2007
<b>ASSETS</b>				
<b>Total fixed and financial assets</b>	<b>590</b>	<b>594</b>	<b>572</b>	<b>498</b>
<b>Current assets</b>				
Inventories	538	484	437	477
Accounts receivables	1,905	1,710	1,870	1,831
Other assets	511	369	345	845
Other short-term cash investments	966	1,106	1,431	1,071
Cash and bank	624	605	724	659
<b>Total current assets</b>	<b>4,544</b>	<b>4,274</b>	<b>4,808</b>	<b>4,882</b>
<b>Total assets</b>	<b>5,134</b>	<b>4,868</b>	<b>5,380</b>	<b>5,380</b>
<b>SHAREHOLDERS EQUITY AND LIABILITIES</b>				
Shareholders equity	1,684	1,665	2,026	1,702
Minority interest	35	69	64	63
<b>Total equity</b>	<b>1,719</b>	<b>1,734</b>	<b>2,090</b>	<b>1,764</b>
<b>Total long-term liabilities</b>				
	<b>25</b>	<b>25</b>	<b>26</b>	<b>21</b>
Accounts payable	1,436	1,228	1,263	1,371
Other current liabilities	1,954	1,880	2,001	2,224
<b>Total current liabilities</b>	<b>3,390</b>	<b>3,108</b>	<b>3,264</b>	<b>3,595</b>
<b>Total shareholders equity and liabilities</b>	<b>5,134</b>	<b>4,868</b>	<b>5,380</b>	<b>5,380</b>
Net cash*	1,591	1,703	2,155	1,729

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

Sony Ericsson

## CONSOLIDATED STATEMENT OF CASH FLOWS

EUR million	Apr-Jun	
	2008	2007
<b>OPERATIONS</b>		
Net income	6	220
Adjustments to reconcile net income to cash	40	30
	<b>46</b>	<b>250</b>
Changes in operating net assets	-142	16
<b>Cash flow from operating activities</b>	<b>-96</b>	<b>266</b>
<b>INVESTMENTS</b>		
Investing activities	-29	-31
<b>Cash flow from investing activities</b>	<b>-29</b>	<b>-31</b>
<b>FINANCING</b>		
Financing activities	-8	-548
<b>Cash flow from financing activities</b>	<b>-8</b>	<b>-548</b>
<b>Net change in cash</b>	<b>-133</b>	<b>-312</b>
<b>Cash, beginning of period</b>	<b>1,711</b>	<b>2,045</b>
<b>Translation difference in Cash</b>	<b>13</b>	<b>-3</b>
<b>Cash, end of period</b>	<b>1,591</b>	<b>1,730</b>

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**CONSOLIDATED STATEMENT OF CASH FLOWS - CUMULATIVE QUARTERS**

EUR million	<b>Jan-Jun</b>	
	<b>2008</b>	<b>2007</b>
<b>OPERATIONS</b>		
Net income	139	474
Adjustments to reconcile net income to cash	69	58
	<b>208</b>	<b>532</b>
Changes in operating net assets	-242	-437
<b>Cash flow from operating activities</b>	<b>-34</b>	<b>95</b>
<b>INVESTMENTS</b>		
Investing activities	-50	-85
<b>Cash flow from investing activities</b>	<b>-50</b>	<b>-85</b>
<b>FINANCING</b>		
Financing activities	-470	-548
<b>Cash flow from financing activities</b>	<b>-470</b>	<b>-548</b>
<b>Net change in cash</b>	<b>-554</b>	<b>-538</b>
<b>Cash, beginning of period</b>	<b>2,155</b>	<b>2,273</b>
<b>Translation difference in Cash</b>	<b>-11</b>	<b>-5</b>
<b>Cash, end of period</b>	<b>1,591</b>	<b>1,730</b>

Sony Ericsson

## CONSOLIDATED STATEMENT OF CASH FLOWS - ISOLATED QUARTERS

EUR million	2008			2007		
	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar
<b>OPERATIONS</b>						
Net income	6	133	373	267	220	254
Adjustments to reconcile net income to cash	40	31	17	32	30	28
	<b>46</b>	<b>164</b>	<b>390</b>	<b>299</b>	<b>250</b>	<b>282</b>
Changes in operating net assets	-142	-101	44	88	16	-454
<b>Cash flow from operating activities</b>	<b>-96</b>	<b>64</b>	<b>434</b>	<b>387</b>	<b>266</b>	<b>-172</b>
<b>INVESTMENTS</b>						
Investing activities	-29	-22	-27	-53	-31	-53
<b>Cash flow from investing activities</b>	<b>-29</b>	<b>-22</b>	<b>-27</b>	<b>-53</b>	<b>-31</b>	<b>-53</b>
<b>FINANCING</b>						
Financing activities	-8	-462	0	-300	-548	-1
<b>Cash flow from financing activities</b>	<b>-8</b>	<b>-462</b>	<b>0</b>	<b>-300</b>	<b>-548</b>	<b>-1</b>
<b>Net change in cash</b>	<b>-133</b>	<b>-421</b>	<b>408</b>	<b>34</b>	<b>-312</b>	<b>-226</b>
<b>Cash, beginning of period</b>	<b>1,711</b>	<b>2,155</b>	<b>1,758</b>	<b>1,730</b>	<b>2,045</b>	<b>2,273</b>
<b>Translation difference in Cash</b>	<b>13</b>	<b>-24</b>	<b>-10</b>	<b>-6</b>	<b>-3</b>	<b>-2</b>
<b>Cash, end of period</b>	<b>1,591</b>	<b>1,711</b>	<b>2,155</b>	<b>1,758</b>	<b>1,730</b>	<b>2,045</b>

## Sony Ericsson

## NET SALES BY MARKET AREA BY QUARTER

EUR million	2008			2007		
	Q2	Q1	Q4	Q3	Q2	Q1
<b>Isolated quarters</b>						
Europe, Middle East & Africa *	1,386	1,494	2,251	1,715	1,729	1,598
Americas	740	486	636	573	499	365
Asia	694	722	884	820	885	961
<b>Total</b>	<b>2,820</b>	<b>2,702</b>	<b>3,771</b>	<b>3,108</b>	<b>3,112</b>	<b>2,925</b>
* of which Western Europe	900	979	1,569	1,103	1,102	1,078
<b>Sequential change (%)</b>						
Europe, Middle East & Africa *	-7%	-34%	31%	-1%	8%	-26%
Americas	52%	-24%	11%	15%	37%	-34%
Asia	-4%	-18%	8%	-7%	-8%	-11%
<b>Total</b>	<b>4%</b>	<b>-28%</b>	<b>21%</b>	<b>0%</b>	<b>6%</b>	<b>-23%</b>
* of which Western Europe	-8%	-38%	42%	0%	2%	-27%
<b>Year over year change (%)</b>						
Europe, Middle East & Africa *	-20%	-7%	5%	7%	59%	55%
Americas	48%	33%	15%	37%	52%	46%
Asia	-21%	-25%	-18%	-8%	4%	35%
<b>Total</b>	<b>-9%</b>	<b>-8%</b>	<b>0%</b>	<b>7%</b>	<b>37%</b>	<b>47%</b>
* of which Western Europe	-18%	-9%	6%	-1%	47%	60%
<b>Year to date</b>						
Europe, Middle East & Africa *	0806	0803	0712	0709	0706	0703
Americas	2,879	1,494	7,293	5,042	3,328	1,598
Asia	1,226	486	2,072	1,436	864	365
	1,416	722	3,550	2,666	1,846	961
<b>Total</b>	<b>5,522</b>	<b>2,702</b>	<b>12,916</b>	<b>9,145</b>	<b>6,037</b>	<b>2,925</b>
* of which Western Europe	1,879	979	4,852	3,283	2,179	1,078
<b>YTD year over year change (%)</b>						
Europe, Middle East & Africa *	-13%	-7%	24%	36%	57%	55%
Americas	42%	33%	34%	44%	49%	46%
Asia	-23%	-25%	0%	8%	18%	35%

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<b>Total</b>	<b>-9%</b>	<b>-8%</b>	<b>18%</b>	<b>27%</b>	<b>42%</b>	<b>47%</b>
* of which Western Europe	-14%	-9%	21%	29%	53%	60%

**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: July 18, 2008