

ERICSSON LM TELEPHONE CO  
Form 6-K  
January 21, 2009

# **SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

## **FORM 6-K**

**REPORT OF FOREIGN ISSUER**

**Pursuant to Rule 13a-16 or 15d-16 of  
the Securities Exchange Act of 1934**

**January 21 , 2009**

# **LM ERICSSON TELEPHONE COMPANY**

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

**Torshamnsgatan 23, Kista**

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

**(Address of principal executive offices)**

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

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934. Yes  No

Announcement of LM Ericsson Telephone Company, dated January 21, 2009 regarding Ericsson reports strong fourth quarter.

**FOURTH QUARTER REPORT**

**January 21, 2009**

**Ericsson reports strong**

**fourth quarter**

Sales SEK 67.0 (54.5) b., up 23%, full year SEK 208.9 (187.8) b., up 11%

Operating income<sup>2)</sup> SEK 9.2 (7.6) b., full year SEK 23.9 (30.6) b.

Operating margin<sup>2)</sup> 13.7% (14.0%), full year 11.4% (16.3%)

Cash flow SEK 7.0 (12.0) b., full year SEK 24.0 (19.2) b.

Net income<sup>2)3)</sup> SEK 4.1 (5.8) b., full year SEK 11.7 (22.1) b.

Earnings per share<sup>2) 3)4)</sup> SEK 1.21 (1.77), full year SEK 3.52 (6.84)

Board of Directors proposes dividend of SEK 1,85 per share

- 1) *Excluding restructuring charges of SEK 3.0 b. in the quarter and SEK 7.6 b. for the full year*
- 2) *Including capital gains of SEK 0.2 b. in first quarter and SEK 0.8 b. in fourth quarter 2008*
- 3) *Attributable to stockholders of the Parent Company, excluding minority interests*
- 4) *A reverse split 1:5 was made in June 2008, comparable figures restated accordingly*

**CEO COMMENTS**

We have had a solid performance in 2008, said Carl-Henric Svanberg, President and CEO of Ericsson (NASDAQ:ERIC). Sales grew by 11% with good demand for our entire portfolio and across the world. Changes in currency rates had very small effect on full year growth. Professional services have continued to show strong growth. Operating margins, excluding Sony Ericsson, have steadily improved, and our financial position is strong with net cash of SEK 35 b. Sony Ericsson is affected by the economic downturn and the declining demand in the consumer market and has taken necessary actions.

During the year, we saw some 650 million new mobile subscriptions and the 4 billion milestone is now reached. 2008 was also a breakthrough year for mobile broadband. Communication is a basic human need. It plays a critical role in the development of a sustainable and prosperous society, and the positive long-term prospects for the industry remain.

The economic recession is spreading across the world. The effects on the global mobile network market should not be that significant as most operators have healthy financial positions, there is a strong traffic growth and the networks are fairly loaded. It remains, however, difficult to more precisely predict to what extent consumer telecom spending will be affected and how operators will act. To date, our infrastructure business is hardly impacted at all, but it would be unreasonable to think that this would be the case also throughout 2009.

We have exceeded our cost reduction targets launched in 2008. In the present environment, we will continue to reduce costs, across all parts of the company at the same pace as in 2008 with restructuring charges of SEK 6-7 b., targeting annual savings of SEK 10 b. from the second half of 2010. We are leveraging synergies between our different technologies and taking advantage of opportunities in the transformation to all-IP networks. As the savings largely are the result of more efficient ways of working, our strategy will remain intact and our unique capabilities should not be affected, concluded Carl-Henric Svanberg.



## FOURTH QUARTER REPORT

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## FINANCIAL HIGHLIGHTS

## Income statement and cash flow

| SEK b.                               | Fourth quarter        |       |        | Third quarter      |        | Full year             |       |        |
|--------------------------------------|-----------------------|-------|--------|--------------------|--------|-----------------------|-------|--------|
|                                      | 2008 <sup>1) 5)</sup> | 2007  | Change | 2008 <sup>1)</sup> | Change | 2008 <sup>1) 5)</sup> | 2007  | Change |
| Net sales                            | 67.0                  | 54.5  | 23%    | 49.2               | 36%    | 208.9                 | 187.8 | 11%    |
| Gross margin                         | 35.2%                 | 36.1% |        | 37.0%              |        | 36.8%                 | 39.3% |        |
| EBITDA margin                        | 16.8%                 | 18.4% |        | 15.3%              |        | 15.6%                 | 20.8% |        |
| Operating income                     | 9.2                   | 7.6   | 21%    | 5.7                | 62%    | 23.9                  | 30.6  | -22%   |
| Operating margin                     | 13.7%                 | 14.0% |        | 11.5%              |        | 11.4%                 | 16.3% |        |
| Operating margin excl Sony Ericsson  | 14.6%                 | 9.8%  |        | 11.5%              |        | 11.3%                 | 12.5% |        |
| Income after financial items         | 9.5                   | 7.6   | 25%    | 6.2                | 54%    | 24.8                  | 30.7  | -19%   |
| Net income <sup>2) 3)</sup>          | 3.9                   | 5.6   | -31%   | 2.8                | 37%    | 11.3                  | 21.8  | -48%   |
| EPS diluted, SEK <sup>2) 3) 4)</sup> | 1.21                  | 1.77  | -32%   | 0.89               | 36%    | 3.52                  | 6.84  | -49%   |
| Cash flow from operating activities  | 7.0                   | 12.0  |        | 3.8                |        | 24.0                  | 19.2  |        |
| Cash flow excl. Sony Ericsson        | 7.0                   | 12.0  |        | 2.4                |        | 20.4                  | 15.3  |        |

- 1) Excluding restructuring charges of SEK 3.0 b. in the fourth quarter 2008, SEK 2.0 b. in the third quarter 2008, SEK 1.8 b. in the second quarter and SEK 0.8 b. in the first quarter
- 2) Including restructuring charges in 2008
- 3) Attributable to stockholders of the Parent Company, excluding minority interests
- 4) A reverse split 1:5 was made in June 2008. Comparable figures are restated accordingly
- 5) Fourth quarter 2008 includes a capital gain of SEK 0.8 b. from divestment of shares in Symbian

Sales in the quarter increased by 23% year-over-year and by 11% for the full year. Currency exchange rates have had limited effects on full year sales. The currency exchange rate swings, especially towards the end of the year, have positively impacted sales growth in the fourth quarter significantly. Excluding currency exchange rate effects, the fourth quarter still showed the strongest growth in the year.

In the quarter, gross margin was 35.2% (36.1%), excluding restructuring charges. Full year gross margin amounted to 36.8% (39.3%). The sequential decline was mainly due to a high proportion of network rollout services. The network rollout sales increased sequentially by 61%.

Operating expenses amounted to SEK 15.3 (15.2) b. in the quarter, excluding restructuring charges. Expense run-rate is decreasing as a result of cost savings activities but this was partly offset by currency exchange rate effects. Operating expenses as a percentage of sales decreased from 28% to 27% for the full year.

In the quarter, Sony Ericsson contributed a result of EUR -67 (251) million, excluding restructuring charges of EUR 65 million. For the full year, Sony Ericsson showed a break-even result, excluding restructuring charges.

Operating income before restructuring charges amounted to SEK 9.2 (7.6) b. in the quarter and SEK 23.9 (30.6) b. for the full year. The operating income for the quarter includes a capital gain of SEK 0.8 b. from the divestment of shares in Symbian and a loss of SEK 0.7 b. from Sony Ericsson.

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In the quarter, weaker SEK exchange rates affected income positively, but to a much lesser extent than sales. The currency translation effects during the quarter were offset by the negative effects of transaction hedges.

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Restructuring charges in Ericsson amounted to SEK 2.3 (-) b. in the quarter and to SEK 6.7 (-) b. for the full year. Ericsson's share of the restructuring charges in Sony Ericsson amounted to SEK 0.7 (-) b. for the quarter and SEK 0.9 (-) b. for the full year.

Financial net was SEK 0.3 (0.0) b. in the quarter and SEK 1.0 (0.1) b. for the full year. Positive effects from improved interest rates were to some extent offset by negative effects from changing currency exchange rates.

Net income amounted to SEK 4.1 (5.8) b. in the quarter and SEK 11.7 (22.1) b. for the full year, impacted by restructuring charges and a dramatic drop in the contribution from Sony Ericsson.

Cash flow from operating activities reached SEK 7.0 (12.0) b. in the quarter and SEK 24.0 (19.2) b. for the full year. Changes in net operating assets were negative at SEK 2.3 b. in the quarter. Despite good collections, trade receivables increased due to high year-end sales. This was partly offset by reduced inventories and increased current liabilities. Cash conversion for the full year increased to 92% (66%).

For the year, the tax rate has increased to 32.3% (28.0%) due to changed mix of high and low tax countries. The deferred tax assets have also been revalued due to change in the statutory tax rate in Sweden from 2009 that has increased the tax cost for 2008.

**Balance sheet and other performance indicators**

|  | Full<br>year<br>2008 | Nine<br>months<br>2008 | Six<br>months<br>2008 | Three<br>months<br>2008 | Full<br>year<br>2007 |
|--|----------------------|------------------------|-----------------------|-------------------------|----------------------|
| SEK b.   |                      |                        |                       |                         |                      |
| Net cash   | 34.7                 | 30.2                   | 27.9                  | 28.3                    | 24.3                 |
| Interest-bearing provisions and post-employment benefits | 40.4                 | 35.4                   | 29.2                  | 32.0                    | 33.4                 |
| Trade receivables  | 75.9                 | 62.6                   | 56.7                  | 56.4                    | 60.5                 |
| Days sales outstanding                                   | 106                  | 115                    | 107                   | 110                     | 102                  |
| Inventory  | 27.8                 | 29.7                   | 26.6                  | 24.5                    | 22.5                 |
| Of which work in progress                                | 16.5                 | 18.4                   | 16.3                  | 13.8                    | 12.5                 |
| Inventory turnover                                       | 5.3 <sub>1)</sub>    | 4.5 <sub>1)</sub>      | 4.7 <sub>1)</sub>     | 4.6 <sub>1)</sub>       | 5.2                  |
| Payable days   | 55                   | 57                     | 56                    | 57                      | 57                   |
| Customer financing, net                                  | 2.8                  | 2.2                    | 2.4                   | 2.7                     | 3.4                  |
| Return on capital employed                               | 16% <sup>1)</sup>    | 13% <sup>1)</sup>      | 12% <sup>1)</sup>     | 12% <sup>1)</sup>       | 21%                  |
| Equity ratio   | 50%                  | 52%                    | 55%                   | 56%                     | 55%                  |

1) Excluding effects from restructuring

The net cash position increased sequentially to SEK 34.7 (30.2) b. Cash, cash equivalents and short-term investments amounted to SEK 75.0 (57.7) b. Of a total debt position of SEK 30.5 b., SEK 5.5 b. matures in the next twelve months.

Customer financing remain at a low level and amounted to SEK 2.8 (2.2) b.

During the quarter, approximately SEK 2.3 b. of provisions related to warranty and project commitments and other items were utilized, of which SEK 1.0 b. were related to restructuring. Additions of SEK 3.8 b. were made, of which SEK 1.2 b. related to restructuring. Reversals of SEK 0.8 b. were made. The net impact on operating income, excluding restructuring charges, was negative by SEK 1.8 b.





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Days sales outstanding decreased in the quarter to 106 days but are up year-over-year from 102. Currency exchange rates have had a negative effect.

**Cost reductions**

In February 2008, a cost reduction plan of SEK 4 b. in annual savings was announced, including estimated charges of the same size. All activities with related charges were launched by the third quarter, and it was announced that further charges would be made in the fourth quarter.

Charges in the fourth quarter amount to SEK 2.3 b. and for the full year 2008 to SEK 6.7 b. In total, this has resulted in annual savings of approximately SEK 6.5 b. from year-end.

Cost savings will continue also in 2009. Restructuring charges are estimated to SEK 6-7 b. and annual savings of SEK 10 b. are expected by the second half of 2010, with an equal split between cost of sales and operating expenses.

We are leveraging synergies between our different technologies, in-house and acquired, and taking advantage of opportunities in the transformation to all-IP. We will reduce the number of software platforms and increase the re-use of hardware. We will also move certain activities to low-cost countries.

Cost reductions will be achieved through reduction of the number of consultants and other temporary staff, consolidation of R&D sites and layoffs. These activities will result in a reduction of the number of employees by some 5,000, of which about 1,000 in Sweden, primarily in Stockholm.

| Restructuring charges<br>Isolated quarters, SEK b. | Accumulated | 2008        |             |             |             |
|--|-------------|-------------|-------------|-------------|-------------|
|  |             | Q4          | Q3          | Q2          | Q1          |
| Cost of sales                                      | -2.5        | -1.1        | -0.6        | -0.6        | -0.2        |
| Research and development expenses                  | -2.7        | -0.7        | -0.3        | -1.1        | -0.6        |
| Selling and administrative expenses                | -1.5        | -0.5        | -0.9        | -0.1        | -0.0        |
| Share in Sony Ericsson charges                     | -0.9        | -0.7        | -0.2        |             |             |
| <b>Total</b>                                       | <b>-7.6</b> | <b>-3.0</b> | <b>-2.0</b> | <b>-1.8</b> | <b>-0.8</b> |

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## SEGMENT RESULTS

| SEK b.                             | Fourth quarter     |             |            | Third quarter      |            | Full year             |              |            |
|------------------------------------|--------------------|-------------|------------|--------------------|------------|-----------------------|--------------|------------|
|                                    | 2008 <sup>1)</sup> | 2007        | Change     | 2008 <sup>1)</sup> | Change     | 2008 <sup>1) 2)</sup> | 2007         | Change     |
| <b>Networks sales</b>              | <b>45.8</b>        | <b>37.5</b> | <b>22%</b> | <b>33.0</b>        | <b>39%</b> | <b>142.0</b>          | <b>129.0</b> | <b>10%</b> |
| Of which network rollout           | 7.6                | 6.4         | 17%        | 4.7                | 61%        | 21.5                  | 18.5         | 16%        |
| Operating margin                   | 14%                | 10%         |            | 11%                |            | 11%                   | 13%          |            |
| EBITDA margin                      | 17%                | 15%         |            | 15%                |            | 16%                   | 19%          |            |
| <b>Professional Services sales</b> | <b>16.2</b>        | <b>12.1</b> | <b>34%</b> | <b>11.8</b>        | <b>38%</b> | <b>49.0</b>           | <b>42.9</b>  | <b>14%</b> |
| Of which managed services          | 4.3                | 3.3         | 29%        | 3.5                | 23%        | 14.3                  | 12.2         | 17%        |
| Operating margin                   | 18%                | 15%         |            | 16%                |            | 16%                   | 15%          |            |
| EBITDA margin                      | 19%                | 16%         |            | 19%                |            | 17%                   | 16%          |            |
| <b>Multimedia sales</b>            | <b>5.0</b>         | <b>4.9</b>  | <b>4%</b>  | <b>4.4</b>         | <b>14%</b> | <b>17.9</b>           | <b>15.9</b>  | <b>13%</b> |
| Operating margin                   | 12% <sup>4)</sup>  | -9%         |            | 3%                 |            | 1% <sup>4)</sup>      | -1%          |            |
| EBITDA margin                      | 21% <sup>4)</sup>  | -3%         |            | 12%                |            | 11% <sup>3)4)</sup>   | 4%           |            |
| <b>Total sales</b>                 | <b>67.0</b>        | <b>54.5</b> | <b>23%</b> | <b>49.2</b>        | <b>36%</b> | <b>208.9</b>          | <b>187.8</b> | <b>11%</b> |

1) Excluding restructuring costs in 2008

2) First quarter 2008 is restated for the transfer of the IPX operations from Professional Services to Multimedia

3) Affected by SEK 0.2 b. due to changed allocation of capitalized development expenses during second quarter 2008

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

## Networks

Sales in Networks increased by 22% in the quarter, year-over-year, positively impacted by a weaker SEK. For the full year sales grew by 10%. 2008 was another record year for rollout of GSM. In addition, major 3G rollouts are ongoing in many markets while key markets, such as China and India, will soon start their 3G buildouts.

Mobile broadband is now firmly established and networks with speeds of 21 Mbps have been launched in several countries. LTE is established as a true global world standard for mobile broadband. In January, 2009, Ericsson announced its first contract for a commercial LTE network.

The transition from traditional circuit switching to softswitching has come far and Ericsson has established a clear leadership position. Sales of Redback's SmartEdge products noted very strong growth for the second consecutive quarter.

Sales of network rollout services increased 61% sequentially, reflecting a high proportion of completions of large new network buildouts.

## Professional Services

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Sales of Professional Services increased by 34% in the quarter, year-over-year, and by 14% for the full year. Growth in constant currencies amounted to 26% and 13% respectively. Managed services continued to grow substantially, and consulting and systems integration showed strong growth due to a high amount of customer projects finalized during the quarter. Operating margins in the quarter reached 18% (15%) due to favorable mix, continued efficiency gains and high volumes.

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During the quarter, 11 new managed services contracts were signed. The total number of subscribers in managed operations now amounts to 250 million, of which 60% are in high-growth markets. The growth in managed services is fueled by operators' desire to reduce operating expenses and improve efficiency in network operation and maintenance.

**Multimedia**

Sales in Multimedia increased by 4% in the quarter, year-over-year, and by 13% for the full year. For comparable units, i.e. excluding divestment of the enterprise PBX operations and adjusted for the transfer of the IPX operations, sales grew by 21% in the quarter, year-over-year and by 16% for the full year. Tandberg Television and revenue management continued to show good growth while the mobile platform business is starting to experience effects of the weakening handset market. Operating income in the quarter, excluding effects from the divestment of shares in Symbian, was SEK -0.2 (-0.4) b.

**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 |        |        |
|---|----------------|-------|--------|---------------|--------|-----------|--------|--------|
|   | 2008           | 2007  | Change | 2008          | Change | 2008      | 2007   | Change |
| Number of units shipped (m.)                    | 24.2           | 30.8  | -21%   | 25.7          | -6%    | 96.6      | 103.4  | -7%    |
| Average selling price (EUR)                     | 121            | 123   | -2%    | 109           | 11%    | 116       | 125    | -7%    |
| Net sales                                       | 2,914          | 3,771 | -23%   | 2,808         | 4%     | 11,244    | 12,916 | -13%   |
| Gross margin                                    | 15%            | 32%   |        | 22%           |        | 22%       | 31%    |        |
| Operating margin                                | -9%            | 13%   |        | -1%           |        | -1%       | 12%    |        |
| Income before taxes                             | -263           | 501   |        | -23           |        | -83       | 1,574  |        |
| Income before taxes, excl restructuring charges | -133           | 501   |        | 12            |        | 92        | 1,574  |        |
| Net income                                      | -187           | 373   |        | -25           |        | -73       | 1,114  |        |

Units shipped in the quarter were 24.2 million, a sequential decrease of 6% and a year-on-year decrease of 21%. Sales in the quarter were EUR 2,914 million, an increase of 4% sequentially but a decrease of 23% compared to fourth quarter 2007. The global economic slowdown is resulting in a contracting consumer demand.

Income before taxes for the quarter was EUR -133 million, excluding restructuring charges of EUR 129 million, compared to the profit of EUR 501 million in fourth quarter 2007. Despite a negative result in the quarter, Sony Ericsson maintained a healthy balance sheet with a strong net cash position of EUR 1,072 million.

Ericsson's share in Sony Ericsson's income before tax was SEK -1.3 (2.3) b. in the quarter and SEK -0.5 (7.1) b. for the full year.

The EUR 300 million operating expenses savings measures earlier announced have been increased to EUR 480 million, with the full effect expected at the end of 2009. The cost for the total program will be covered by the previously announced EUR 300 million in restructuring charges.

## FOURTH QUARTER REPORT

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## REGIONAL OVERVIEW

| Sales, SEK b.                                      | Fourth quarter |      |        | Third quarter |        | Full year |      |        |
|--|----------------|------|--------|---------------|--------|-----------|------|--------|
|  | 2008           | 2007 | Change | 2008          | Change | 2008      | 2007 | Change |
| Western Europe                                     | 16.1           | 15.4 | 5%     | 11.6          | 39%    | 51.6      | 52.7 | -2%    |
| Central and Eastern Europe, Middle East and Africa | 17.6           | 14.3 | 24%    | 13.1          | 35%    | 53.1      | 48.7 | 9%     |
| Asia Pacific                                       | 20.5           | 13.7 | 49%    | 14.1          | 45%    | 63.3      | 54.6 | 16%    |
| Latin America                                      | 7.9            | 6.8  | 16%    | 6.1           | 29%    | 23.0      | 18.4 | 25%    |
| North America                                      | 4.9            | 4.3  | 13%    | 4.3           | 14%    | 17.9      | 13.4 | 34%    |

Western Europe sales increased by 5% in the quarter, year-over-year, and decreased by 2% for the full year. The year-over-year increase in the quarter was driven by strong performance mainly in Germany, Denmark and Italy. The strong sequential increase of 39% is above normal seasonality and driven by good demand for mobile broadband and professional services.

In Central and Eastern Europe, Middle East and Africa, sales increased by 24% in the quarter, year-over-year, and by 9% for the full year. A strong year-over-year quarterly performance in Nigeria, Saudi Arabia and South Africa is driven by continued 2G buildout, while a strong growth in Russia is driven by ongoing 3G rollouts.

Asia Pacific sales increased by 49% in the quarter, year-over-year, and by 16% for the full year. The Chinese market rebounded after the Olympic Games. 3G licenses were awarded in the beginning of January 2009 and rollouts will start soon. India, with large network rollouts, remains Ericsson's largest and fastest growing market. Japan and Indonesia showed strong development in the quarter and are now Ericsson's fifth and sixth largest markets. The market in Pakistan is still weak due to political uncertainties.

Latin American sales increased by 16% in the quarter, year-over-year, and by 25% for the full year. The year has been impacted by a combination of 2G enhancements and 3G buildouts, and 3G is now an established technology across the region. Mexico and Brazil showed strong development, both in the quarter and for the full year, and show no signs of slow-down despite the economic downturn.

North American sales increased by 13% in the quarter, year-over-year, and full year sales increased by 34%. The recorded slower growth in the fourth quarter is mainly an effect of a tough year-over-year comparison despite positive effects of the increasing USD in the fourth quarter. For the full year, the effects from changes in currency exchange rates were limited. Mobile broadband is now well established with good consumer take-up, which is driving continued rollouts as well as capacity enhancements.

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## MARKET DEVELOPMENT

*Growth rates are based on Ericsson and market estimates.*

We believe that the fundamentals for longer-term positive development for our industry are solid. The need for telecommunication continues to grow and plays a vital role for the development of a sustainable and prosperous society. Ericsson is well positioned to lead this development.

The world is being affected by an economic recession. It is however difficult to predict to what extent consumer telecom spending will be affected and how operators will act. Operators are generally financially strong, the networks are fairly loaded and traffic continues to increase. However, large currency movements and uncertainties in the credit markets could affect operators' investment capacity.

Mobile subscriptions grew by some 176 million in the quarter to a total of 3.98 billion. The number of WCDMA subscriptions grew by 24 million to a total of 290 million. In the twelve-month period ending September 30, 2008, fixed broadband connections grew by 20% year-over-year to more than 385 million.

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

Broadband Internet revenues for fixed operators are expected to grow from 20% to more than 30% of total revenues in the next five years. Mobile operators' data revenues, currently at some 20% of total revenues, are expected to grow even faster.

Currently, 20 million households are served by IPTV. This is expected to grow to approximately 100 million households within the same timeframe.

All this is driving an increased focus on smarter networks and bundled service offerings. Operators have accelerated the conversion to all-IP broadband networks with increased deployments of broadband access, routing and transmission along with next-generation service delivery and revenue management systems.

## PARENT COMPANY INFORMATION

Net sales for the year amounted to SEK 5.1 (3.2) b. and income after financial items was SEK 19.4 (14.7) b. During the fourth quarter, shares in Symbian Ltd has been sold by the Parent Company.

Major changes in the Parent Company's financial position for the year include; decreased investments in subsidiaries of SEK 6.8 b., mostly attributable to write-down of investments caused by payments of dividends of approximately the same amount; decreased current and non-current receivables from subsidiaries of SEK 6.4 b; increased other current receivables of SEK 4.8 b.; increased cash and bank and short-term investments of SEK 13.6 b.; decreased current and non-current liabilities to subsidiaries by SEK 9.2 b. and increased other current liabilities by SEK 5.6 b.

As per December 31, 2008, cash, bank and short-term investments amounted to SEK 59.2 (45.6) b.

Major transactions with related parties include the following transactions and balances with Sony Ericsson Mobile Communications: revenues of SEK 2.0 (3.0) b.; receivables of SEK 0.6 (0.9) b.; dividend of SEK 3.6 (3.9) b.

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In accordance with the conditions of the Stock Purchase Plans and Option Plans for Ericsson employees, 1,171,119 shares from treasury stock were sold or distributed to employees during the fourth quarter and 5,232,211 shares during the year. In the third quarter 19,900,000 treasury shares were repurchased. The holding of treasury stock at December 31, 2008 was 61,066,097 Class B shares.

**DIVIDEND PROPOSAL**

The Board of Directors will propose to the Annual General Meeting a dividend of SEK 1.85 (2.50) per share, representing some SEK 6.0 (8.0) b., and April 27, 2009, as record day for payment of dividend.

**ANNUAL REPORT**

The annual report will be made available to shareholders on our website [www.ericsson.com](http://www.ericsson.com) and at the Ericsson headquarters, Torshamnsgatan 23, Stockholm, in the week of March 9-13, 2009.

**ANNUAL GENERAL MEETING OF SHAREHOLDERS**

The Annual General Meeting of shareholders will be held on Wednesday April 22, 2009, 15.00 (CET) in the Stockholm Globe Arena.

**OTHER INFORMATION**

**Joint venture between Ericsson Mobile Platforms and ST-NXP Wireless**

The joint venture between Ericsson Mobile Platforms and ST-NXP Wireless has received all necessary regulatory approvals and closing will take place during the first quarter 2009.

**Assessment of risk environment**

Ericsson's operational and financial risk factors and exposures are described under "Risk factors" in our Annual Report 2007.

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

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

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

a volatile sales pattern in the Multimedia segment or variability in our overall sales seasonality could make it more difficult to forecast future sales;

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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 USD and EUR;

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 business ethics and conduct. In no way should our business activities in these countries be construed as supporting a particular political agenda or regime. We have activities in such countries mainly due to that certain customers with multi-country operations put demands on us to support them in all of their markets.



**FOURTH QUARTER REPORT**

**January 21, 2009**

Please refer further to Ericsson's Annual Report 2007, where we describe our risks and uncertainties along with our strategies and tactics to mitigate the risk exposures or limit unfavorable outcomes.

Stockholm, January 21, 2009

**Carl-Henric Svanberg**

President and CEO

Telefonaktiebolaget LM Ericsson (publ)

Date for next report: April 30, 2009

**AUDITORS REVIEW REPORT**

We have reviewed this report for the period January 1 to December 31, 2008, for Telefonaktiebolaget LM Ericsson (publ). The board of directors and the CEO are responsible for the preparation and presentation of this financial information in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this financial information based on our review.

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

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

Stockholm, January 21, 2009

PricewaterhouseCoopers AB

Bo Hjalmarsson  
*Authorized Public Accountant*  
*Lead partner*

Peter Clemetson  
*Authorized Public Accountant*

January 21, 2009

**EDITOR S NOTE**

To read the complete report with tables, please go to: [www.ericsson.com/investors/financial\\_reports/2008/12month08-en.pdf](http://www.ericsson.com/investors/financial_reports/2008/12month08-en.pdf)

Ericsson invites media, investors and analysts to a press conference at the Ericsson headquarters, Torshamnsgatan 23, Stockholm, at 09.00 (CET), January 21.

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](http://www.ericsson.com/press) and [www.ericsson.com/investors](http://www.ericsson.com/investors).

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

**FOR FURTHER INFORMATION, PLEASE CONTACT**

Henry Sténson, Senior Vice President, Communications

Phone: +46 10 719 4044

E-mail: [investor.relations@ericsson.com](mailto:investor.relations@ericsson.com) or [press.relations@ericsson.com](mailto:press.relations@ericsson.com)

**Investors**

Gary Pinkham, Vice President,

Investor Relations

Phone: +46 10 719 0000

E-mail: [investor.relations@ericsson.com](mailto:investor.relations@ericsson.com)

Susanne Andersson,

Investor Relations

Phone: +46 10 719 4631

E-mail: [investor.relations@ericsson.com](mailto:investor.relations@ericsson.com)

Andreas Hedemyr,

Investor Relations

Phone: +46 10 714 3748

E-mail: [investor.relations@ericsson.com](mailto:investor.relations@ericsson.com)

**Telefonaktiebolaget LM Ericsson (publ)**

Org. number: 556016-0680

Torshamnsgatan 23

SE-164 83 Stockholm

Phone: +46 10 719 0000

[www.ericsson.com](http://www.ericsson.com)

**Media**

Åse Lindskog, Vice President,

Head of Media Relations

Phone: +46 10 719 9725, +46 730 244 872

E-mail: [press.relations@ericsson.com](mailto:press.relations@ericsson.com)

Ola Rembe, Vice President,

Phone: +46 10 719 9727, +46 730 244 873

E-mail: [press.relations@ericsson.com](mailto:press.relations@ericsson.com)



January 21, 2009

**Disclosure Pursuant to the Swedish Securities Markets Act**

Ericsson discloses the information provided herein pursuant to the Securities Markets Act. The information was submitted for publication at 07.30 CET, on January 21, 2009.

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

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

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

**FOURTH QUARTER REPORT**

January 21, 2009

**FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION**

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## FOURTH QUARTER REPORT 2008

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## Consolidated Income Statement

| SEK million   | Oct - Dec      |                |             | Jan - Dec      |                |             |
|---|----------------|----------------|-------------|----------------|----------------|-------------|
|   | 2008           | 2007           | Change      | 2008           | 2007           | Change      |
| Net sales   | 67,025         | 54,460         | 23%         | 208,930        | 187,780        | 11%         |
| Cost of sales   | -44,522        | -34,809        | 28%         | -134,661       | -114,059       | 18%         |
| <b>Gross income</b>                                     | <b>22,503</b>  | <b>19,651</b>  | <b>15%</b>  | <b>74,269</b>  | <b>73,721</b>  | <b>1%</b>   |
| Gross margin %  | 33.6%          | 36.1%          |             | 35.5%          | 39.3%          |             |
| Research and development expenses                       | -8,227         | -7,952         | 3%          | -33,584        | -28,842        | 16%         |
| Selling and administrative expenses                     | -8,293         | -7,238         | 15%         | -26,974        | -23,199        | 16%         |
| <b>Operating expenses</b>                               | <b>-16,520</b> | <b>-15,190</b> |             | <b>-60,558</b> | <b>-52,041</b> |             |
| Other operating income and expenses                     | 1,502          | 781            | 92%         | 2,977          | 1,734          | 72%         |
| Share in earnings of JV and associated companies        | -1,278         | 2,362          | -154%       | -436           | 7,232          | -106%       |
| <b>Operating income</b>                                 | <b>6,207</b>   | <b>7,604</b>   | <b>-18%</b> | <b>16,252</b>  | <b>30,646</b>  | <b>-47%</b> |
| Operating margin %                                      | 9.3%           | 14.0%          |             | 7.8%           | 16.3%          |             |
| Financial income  | 1,191          | 510            |             | 3,458          | 1,778          |             |
| Financial expenses                                      | -882           | -517           |             | -2,484         | -1,695         |             |
| <b>Income after financial items</b>                     | <b>6,516</b>   | <b>7,597</b>   | <b>-14%</b> | <b>17,226</b>  | <b>30,729</b>  | <b>-44%</b> |
| Taxes   | -2,452         | -1,774         |             | -5,559         | -8,594         |             |
| <b>Net income</b>                                       | <b>4,064</b>   | <b>5,823</b>   | <b>-30%</b> | <b>11,667</b>  | <b>22,135</b>  | <b>-47%</b> |
| Net income attributable to:                             |                |                |             |                |                |             |
| Stockholders of the Parent Company                      | 3,885          | 5,642          |             | 11,273         | 21,836         |             |
| Minority interests                                      | 179            | 181            |             | 394            | 299            |             |
| <i>Other information</i>                                |                |                |             |                |                |             |
| Average number of shares, basic (million) <sup>1)</sup> | 3,185          | 3,179          |             | 3,183          | 3,178          |             |
| Earnings per share, basic (SEK) <sup>1)2)</sup>         | 1.22           | 1.77           |             | 3.54           | 6.87           |             |
| Earnings per share, diluted (SEK) <sup>1)2)</sup>       | 1.21           | 1.77           |             | 3.52           | 6.84           |             |

<sup>1)</sup> A reverse split 1:5 was made in June 2008. Comparative figures are restated accordingly.

<sup>2)</sup> Based on Net income attributable to stockholders of the Parent Company

## FOURTH QUARTER REPORT 2008

January 21, 2009

## Consolidated Balance Sheet

| SEK million  | Dec 31<br>2008 | Sep 30<br>2008 | Dec 31<br>2007 |
|--|----------------|----------------|----------------|
| <b>ASSETS</b>  |                |                |                |
| <b>Non-current assets</b>  |                |                |                |
| Intangible assets  |                |                |                |
| Capitalized development expenses                                 | 2,782          | 2,675          | 3,661          |
| Goodwill   | 24,877         | 23,026         | 22,826         |
| Intellectual property rights, brands and other intangible assets | 20,587         | 21,411         | 23,958         |
| Property, plant and equipment                                    | 9,995          | 9,571          | 9,304          |
| Financial assets   |                |                |                |
| Equity in JV and associated companies                            | 7,988          | 8,251          | 10,903         |
| Other investments in shares and participations                   | 309            | 1,582          | 738            |
| Customer financing, non-current                                  | 846            | 533            | 1,012          |
| Other financial assets, non-current                              | 4,917          | 2,640          | 2,918          |
| Deferred tax assets  | 14,858         | 14,045         | 11,690         |
|  | 87,159         | 83,734         | 87,010         |
| <b>Current assets</b>  |                |                |                |
| Inventories  | 27,836         | 29,687         | 22,475         |
| Trade receivables  | 75,891         | 62,624         | 60,492         |
| Customer financing, current                                      | 1,975          | 1,670          | 2,362          |
| Other current receivables  | 17,818         | 20,057         | 15,062         |
| Short-term investments   | 37,192         | 31,906         | 29,406         |
| Cash and cash equivalents  | 37,813         | 33,702         | 28,310         |
|  | 198,525        | 179,646        | 158,107        |
| <b>Total assets</b>  | <b>285,684</b> | <b>263,380</b> | <b>245,117</b> |
| <b>EQUITY AND LIABILITIES</b>                                    |                |                |                |
| <b>Equity</b>  |                |                |                |
| Stockholders' equity   | 140,823        | 135,014        | 134,112        |
| Minority interests in equity of subsidiaries                     | 1,261          | 989            | 940            |
|  | 142,084        | 136,003        | 135,052        |
| <b>Non-current liabilities</b>                                   |                |                |                |
| Post-employment benefits   | 9,873          | 7,807          | 6,188          |
| Provisions, non-current  | 311            | 287            | 368            |
| Deferred tax liabilities   | 2,738          | 2,620          | 2,799          |
| Borrowings, non-current  | 24,939         | 22,568         | 21,320         |
| Other non-current liabilities                                    | 1,622          | 1,680          | 1,714          |
|  | 39,483         | 34,962         | 32,389         |
| <b>Current liabilities</b>                                       |                |                |                |

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|  |         |         |         |
|--|---------|---------|---------|
| Provisions, current  | 14,039  | 12,708  | 9,358   |
| Borrowings, current  | 5,542   | 5,028   | 5,896   |
| Trade payables   | 23,504  | 20,273  | 17,427  |
| Other current liabilities  | 61,032  | 54,406  | 44,995  |
|  | 104,117 | 92,415  | 77,676  |
| <b>Total equity and liabilities</b>                                | 285,684 | 263,380 | 245,117 |
| Of which interest-bearing liabilities and post-employment benefits | 40,354  | 35,403  | 33,404  |
| Net cash   | 34,651  | 30,205  | 24,312  |
| Assets pledged as collateral                                       | 416     | 434     | 1,999   |
| Contingent liabilities   | 1,080   | 874     | 1,182   |



## FOURTH QUARTER REPORT 2008

January 21, 2009

## Consolidated Statement of Cash Flows

| SEK million  | Oct - Dec     |               | Jan - Dec     |                |
|--|---------------|---------------|---------------|----------------|
|  | 2008          | 2007          | 2008          | 2007           |
| <b>Operating activities</b>  |               |               |               |                |
| Net income   | 4,064         | 5,823         | 11,667        | 22,135         |
| Adjustments to reconcile net income to cash                        |               |               |               |                |
| Taxes  | 1,965         | 49            | 1,032         | 1,119          |
| Earnings/dividends in JV and associated companies                  | 1,550         | -2,033        | 4,154         | -1,413         |
| Depreciation, amortization and impairment losses                   | 2,059         | 2,407         | 8,674         | 8,363          |
| Other  | -379          | -829          | 458           | -897           |
|  | 9,259         | 5,417         | 25,985        | 29,307         |
| <b>Changes in operating net assets</b>                             |               |               |               |                |
| Inventories  | 2,768         | 3,401         | -3,927        | -445           |
| Customer financing, current and non-current                        | -619          | 467           | 549           | 365            |
| Trade receivables  | -9,584        | -2,948        | -11,434       | -7,467         |
| Provisions and post-employment benefits                            | 672           | -1,011        | 3,830         | -4,401         |
| Other operating assets and liabilities, net                        | 4,467         | 6,693         | 8,997         | 1,851          |
|  | -2,296        | 6,602         | -1,985        | -10,097        |
| <b>Cash flow from operating activities</b>                         | <b>6,963</b>  | <b>12,019</b> | <b>24,000</b> | <b>19,210</b>  |
| <b>Investing activities</b>  |               |               |               |                |
| Investments in property, plant and equipment                       | -1,297        | -1,656        | -4,133        | -4,319         |
| Sales of property, plant and equipment                             | 628           | 62            | 1,373         | 152            |
| Acquisitions/divestments of subsidiaries and other operations, net | 1,113         | 196           | 1,836         | -26,208        |
| Product development  | -393          | -359          | -1,409        | -1,053         |
| Other investing activities   | 884           | 604           | 944           | 396            |
| Short-term investments   | -5,216        | -5,745        | -7,155        | 3,499          |
| <b>Cash flow from investing activities</b>                         | <b>-4,281</b> | <b>-6,898</b> | <b>-8,544</b> | <b>-27,533</b> |
| <b>Cash flow before financing activities</b>                       | <b>2,682</b>  | <b>5,121</b>  | <b>15,456</b> | <b>-8,323</b>  |
| <b>Financing activities</b>  |               |               |               |                |
| Dividends paid   | -38           | -7            | -8,240        | -8,132         |
| Other financing activities   | 856           | 2,254         | 1,032         | 14,390         |
| <b>Cash flow from financing activities</b>                         | <b>818</b>    | <b>2,247</b>  | <b>-7,208</b> | <b>6,258</b>   |
| Effect of exchange rate changes on cash                            | 611           | 315           | 1,255         | 406            |
| <b>Net change in cash</b>  | <b>4,111</b>  | <b>7,683</b>  | <b>9,503</b>  | <b>-1,659</b>  |
| <b>Cash and cash equivalents, beginning of period</b>              | <b>33,702</b> | <b>20,627</b> | <b>28,310</b> | <b>29,969</b>  |
| <b>Cash and cash equivalents, end of period</b>                    | <b>37,813</b> | <b>28,310</b> | <b>37,813</b> | <b>28,310</b>  |

## FOURTH QUARTER REPORT 2008

January 21, 2009

## Consolidated Statement of Recognized Income and Expense

| SEK million  | Jan - Dec<br>2008 | Jan - Dec<br>2007 |
|--|-------------------|-------------------|
| <b>Income and expense recognized directly in equity</b>              |                   |                   |
| Actuarial gains and losses related to pensions                       | -4,015            | 1,208             |
| <i>Revaluation of other investments in shares and participations</i> |                   |                   |
| Fair value measurement reported in equity                            | -7                | 2                 |
| <i>Cash flow hedges</i>  |                   |                   |
| Fair value remeasurement of derivatives reported in equity           | -5,080            | 584               |
| Transferred to income statement for the period                       | 1,192             | -1,390            |
| Changes in cumulative translation adjustments                        | 8,539             | -797              |
| Tax on items reported directly in/or transferred from equity         | 2,330             | -73               |
| <b>Total transactions reported directly in equity</b>                | <b>2,959</b>      | <b>-466</b>       |
| Net income   | 11,667            | 22,135            |
| <b>Total income and expense recognized for the period</b>            | <b>14,626</b>     | <b>21,669</b>     |
| Attributable to:   |                   |                   |
| Stockholders of the Parent Company                                   | 13,999            | 21,371            |
| Minority interest  | 627               | 298               |
| <b>Other changes in equity:</b>                                      |                   |                   |
| Stock issue, net   | 100               |                   |
| Sale of own shares   | -9                | 62                |
| Stock Purchase- and Stock Option Plans                               | 575               | 509               |
| Dividends paid   |                   |                   |
| Stockholders of the Parent Company                                   | -7,954            | -7,943            |
| Minority interest  | -286              | -189              |
| Business combinations  |                   |                   |
| Minority interest  | -20               | 49                |

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## FOURTH QUARTER REPORT 2008

January 21, 2009

## Consolidated Income Statement Isolated Quarters

| SEK million   | 2008    |         |         |         | 2007    |         |         |         |
|---|---------|---------|---------|---------|---------|---------|---------|---------|
|   | Q4      | Q3      | Q2      | Q1      | Q4      | Q3      | Q2      | Q1      |
| Net sales   | 67,025  | 49,198  | 48,532  | 44,175  | 54,460  | 43,545  | 47,619  | 42,156  |
| Cost of sales   | -44,522 | -31,577 | -31,206 | -27,356 | -34,809 | -28,050 | -27,166 | -24,034 |
| <b>Gross income</b>                                     | 22,503  | 17,621  | 17,326  | 16,819  | 19,651  | 15,495  | 20,453  | 18,122  |
| Gross margin %  | 33.6%   | 35.8%   | 35.7%   | 38.1%   | 36.1%   | 35.6%   | 43.0%   | 43.0%   |
| Research and development expenses                       | -8,227  | -7,859  | -8,932  | -8,566  | -7,952  | -7,229  | -7,208  | -6,453  |
| Selling and administrative expenses                     | -8,293  | -6,304  | -6,271  | -6,106  | -7,238  | -4,783  | -5,856  | -5,322  |
| <b>Operating expenses</b>                               | -16,520 | -14,163 | -15,203 | -14,672 | -15,190 | -12,012 | -13,064 | -11,775 |
| Other operating income and expenses                     | 1,502   | 332     | 704     | 439     | 781     | 402     | 389     | 162     |
| Share in earnings of JV and associated companies        | -1,278  | -131    | 62      | 911     | 2,362   | 1,751   | 1,477   | 1,642   |
| <b>Operating income</b>                                 | 6,207   | 3,659   | 2,889   | 3,497   | 7,604   | 5,636   | 9,255   | 8,151   |
| Operating margin %                                      | 9.3%    | 7.4%    | 6.0%    | 7.9%    | 14.0%   | 12.9%   | 19.4%   | 19.3%   |
| Financial income  | 1,191   | 1,099   | 503     | 665     | 510     | 389     | 322     | 556     |
| Financial expenses                                      | -882    | -618    | -511    | -473    | -517    | -442    | -292    | -443    |
| <b>Income after financial items</b>                     | 6,516   | 4,140   | 2,881   | 3,689   | 7,597   | 5,583   | 9,285   | 8,264   |
| Taxes   | -2,452  | -1,202  | -835    | -1,070  | -1,774  | -1,629  | -2,776  | -2,415  |
| <b>Net income</b>                                       | 4,064   | 2,938   | 2,046   | 2,619   | 5,823   | 3,954   | 6,509   | 5,849   |
| Net income attributable to:                             |         |         |         |         |         |         |         |         |
| Stockholders of the Parent Company                      | 3,885   | 2,842   | 1,901   | 2,645   | 5,642   | 3,970   | 6,409   | 5,815   |
| Minority interests                                      | 179     | 96      | 145     | -26     | 181     | -16     | 100     | 34      |
| <i>Other information</i>                                |         |         |         |         |         |         |         |         |
| Average number of shares, basic (million) <sup>1)</sup> | 3,185   | 3,184   | 3,183   | 3,181   | 3,179   | 3,179   | 3,178   | 3,177   |
| Earnings per share, basic (SEK) <sup>1)2)</sup>         | 1.22    | 0.89    | 0.60    | 0.83    | 1.77    | 1.25    | 2.02    | 1.83    |
| Earnings per share, diluted (SEK) <sup>1)2)</sup>       | 1.21    | 0.89    | 0.59    | 0.83    | 1.77    | 1.24    | 2.01    | 1.79    |

<sup>1)</sup> A reverse split 1:5 was made in June 2008. Comparative figures are restated accordingly.

<sup>2)</sup> Based on Net income attributable to stockholders of the Parent Company.

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## Consolidated Statement of Cash Flows Isolated Quarters

| SEK million  | 2008   |        |         |        | 2007   |        |        |         |
|--|--------|--------|---------|--------|--------|--------|--------|---------|
|  | Q4     | Q3     | Q2      | Q1     | Q4     | Q3     | Q2     | Q1      |
| <b>Operating activities</b>  |        |        |         |        |        |        |        |         |
| Net income   | 4,064  | 2,938  | 2,046   | 2,619  | 5,823  | 3,954  | 6,509  | 5,849   |
| Adjustments to reconcile net income to cash                        |        |        |         |        |        |        |        |         |
| Taxes  | 1,965  | -343   | -278    | -311   | 49     | -65    | 1,424  | -289    |
| Earnings/dividends in JV and associated companies                  | 1,550  | 909    | -41     | 1,736  | -2,033 | 209    | 1,915  | -1,504  |
| Depreciation, amortization and impairment losses                   | 2,059  | 1,872  | 2,529   | 2,214  | 2,407  | 1,953  | 2,140  | 1,863   |
| Other  | -379   | 1,257  | 169     | -589   | -829   | 63     | 33     | -164    |
|  | 9,259  | 6,633  | 4,425   | 5,669  | 5,417  | 6,114  | 12,021 | 5,755   |
| <b>Changes in operating net assets</b>                             |        |        |         |        |        |        |        |         |
| Inventories  | 2,768  | -1,878 | -1,906  | -2,912 | 3,401  | -1,563 | -496   | -1,787  |
| Customer financing, current and non-current                        | -619   | 137    | 371     | 660    | 467    | -76    | 94     | -120    |
| Trade receivables  | -9,584 | -3,776 | -356    | 2,282  | -2,948 | -2,443 | -2,276 | 200     |
| Provisions and post-employment benefits                            | 672    | 1,620  | 967     | 571    | -1,011 | -824   | -507   | -2,059  |
| Other operating assets and liabilities, net                        | 4,467  | 1,027  | 5,043   | -1,540 | 6,693  | -2,813 | -4,616 | 2,587   |
|  | -2,296 | -2,870 | 4,119   | -939   | 6,602  | -7,719 | -7,801 | -1,179  |
| <b>Cash flow from operating activities</b>                         | 6,963  | 3,763  | 8,544   | 4,730  | 12,019 | -1,605 | 4,220  | 4,576   |
| <b>Investing activities</b>  |        |        |         |        |        |        |        |         |
| Investments in property, plant and equipment                       | -1,297 | -997   | -893    | -946   | -1,656 | -871   | -1,024 | -768    |
| Sales of property, plant and equipment                             | 628    | 428    | 108     | 209    | 62     | 13     | 38     | 39      |
| Acquisitions/divestments of subsidiaries and other operations, net | 1,113  | 114    | 602     | 7      | 196    | -2,444 | -8,264 | -15,696 |
| Product development  | -393   | -261   | -422    | -333   | -359   | -237   | -251   | -206    |
| Other investing activities   | 884    | -156   | 12      | 204    | 604    | -92    | -42    | -74     |
| Short-term investments   | -5,216 | -4,606 | -1,392  | 4,059  | -5,745 | 67     | 1,654  | 7,523   |
| <b>Cash flow from investing activities</b>                         | -4,281 | -5,478 | -1,985  | 3,200  | -6,898 | -3,564 | -7,889 | -9,182  |
| <b>Cash flow before financing activities</b>                       | 2,682  | -1,715 | 6,559   | 7,930  | 5,121  | -5,169 | -3,669 | -4,606  |
| <b>Financing activities</b>  |        |        |         |        |        |        |        |         |
| Dividends paid   | -38    | -188   | -8,008  | -6     | -7     | -177   | -7,948 |         |
| Other financing activities   | 856    | 4,783  | -3,581  | -1,026 | 2,254  | 241    | 11,323 | 572     |
| <b>Cash flow from financing activities</b>                         | 818    | 4,595  | -11,589 | -1,032 | 2,247  | 64     | 3,375  | 572     |
| Effect of exchange rate changes on cash                            | 611    | 127    | 308     | 209    | 315    | 171    | -337   | 257     |
| <b>Net change in cash</b>  | 4,111  | 3,007  | -4,722  | 7,107  | 7,683  | -4,934 | -631   | -3,777  |
| <b>Cash and cash equivalents, beginning of period</b>              | 33,702 | 30,695 | 35,417  | 28,310 | 20,627 | 25,561 | 26,192 | 29,969  |
| <b>Cash and cash equivalents, end of period</b>                    | 37,813 | 33,702 | 30,695  | 35,417 | 28,310 | 20,627 | 25,561 | 26,192  |

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## Parent Company Income Statement

| SEK million                              | Oct - Dec |       | Jan - Dec |        |
|--|-----------|-------|-----------|--------|
|  | 2008      | 2007  | 2008      | 2007   |
| Net sales                                | 1,007     | 783   | 5,086     | 3,236  |
| Cost of sales                            | -58       | -303  | -669      | -368   |
| <b>Gross income</b>                      | 949       | 480   | 4,417     | 2,868  |
| Operating expenses                       | -676      | -265  | -2,384    | -1,351 |
| Other operating income and expenses      | 1,098     | 923   | 3,065     | 2,723  |
| <b>Operating income</b>                  | 1,371     | 1,138 | 5,098     | 4,240  |
| Financial net                            | 517       | 384   | 14,340    | 10,485 |
| <b>Income after financial items</b>      | 1,888     | 1,522 | 19,438    | 14,725 |
| Transfers to (-) / from untaxed reserves |           |       |           |        |
| Taxes                                    | -920      | -504  | -2,211    | -1,580 |
| <b>Net income</b>                        | 968       | 1,018 | 17,227    | 13,145 |

## Parent Company Balance Sheet

| SEK million  | Dec 31<br>2008 | Dec 31<br>2007 |
|--|----------------|----------------|
| <b>ASSETS</b>  |                |                |
| <b>Fixed assets</b>                                    |                |                |
| Intangible assets                                      | 2,604          | 2,989          |
| Tangible assets  | 695            | 443            |
| Financial assets                                       | 98,837         | 106,478        |
|  | 102,136        | 109,910        |
| <b>Current assets</b>                                  |                |                |
| Inventories  | 80             | 84             |
| Receivables  | 31,124         | 28,873         |
| Cash, bank and short-term investments                  | 59,214         | 45,608         |
|  | 90,418         | 74,565         |
| <b>Total assets</b>                                    | <b>192,554</b> | <b>184,475</b> |
| <b>STOCKHOLDERS EQUITY, PROVISIONS AND LIABILITIES</b> |                |                |
| <b>Equity</b>  |                |                |
| Restricted equity                                      | 47,724         | 47,624         |
| Non-restricted equity                                  | 41,954         | 35,225         |

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|   |                |                |
|---|----------------|----------------|
|   | 89,678         | 82,849         |
| <b>Untaxed reserves</b>                                       | 1,817          | 1,339          |
| <b>Provisions</b>   | 1,059          | 1,057          |
| <b>Non-current liabilities</b>                                | 50,994         | 50,457         |
| <b>Current liabilities</b>                                    | 49,006         | 48,773         |
| <b>Total stockholders' equity, provisions and liabilities</b> | <b>192,554</b> | <b>184,475</b> |
| Assets pledged as collateral                                  | 414            | 359            |
| Contingent liabilities  | 13,029         | 9,650          |

Accounting Policies

**The Group**

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

*New interpretation (IFRIC), endorsed by the EU*

IFRIC 11 IFRS 2 Group and Treasury Share Transactions requires a share-based payment arrangement in which a company receives goods or services as consideration for its own equity instruments to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments are obtained. IFRIC 11 is mandatory for the Company's 2008 financial statements, with retrospective application required. It has not had any impact on the consolidated financial statements since the Company is not buying equity instruments from other parties to satisfy its obligations to its employees.

*Renaming of recommendations issued by the Swedish Financial Accounting Standards Council*

*(Rådet för finansiell rapportering)*

The Swedish Financial Accounting Standards Council issues recommendations in relation to matters that are unique for Sweden. These recommendations have from January 1, 2008, been given new names. The content of the renamed recommendations has not been changed.

*Reverse split*

The Annual General Meeting on April 9, 2008 resolved on a reverse split 1:5 of the Company's shares. The reverse split has the effect that five shares of series A and five shares of series B, respectively, are consolidated into one share of series A and one share of series B, respectively. Numbers of shares and Earnings per share for comparison periods have been restated accordingly.

*Changes in financial reporting structure*

Operations related to product area Internet Payment Exchange (IPX) have been transferred from Segment Professional Services to Segment Multimedia as from April 1, 2008. Financial statements for the first quarter 2008 have been restated accordingly. No restate is made for year 2007, as the amounts are not material.

**The Parent Company**

Recommendations issued by the Swedish Financial Accounting Standards Council (Rådet för finansiell rapportering), related to the Parent Company have been renamed. The content of the renamed recommendations has not been changed.

## FOURTH QUARTER REPORT

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## Net Sales by Segment by Quarter

| Isolated quarters, SEK million | 2008          |               |               |                  | 2007          |               |               |               |
|--------------------------------|---------------|---------------|---------------|------------------|---------------|---------------|---------------|---------------|
|                                | Q4            | Q3            | Q2            | Q1 <sup>1)</sup> | Q4            | Q3            | Q2            | Q1            |
| Networks                       | 45,767        | 33,017        | 33,274        | 29,992           | 37,463        | 28,538        | 33,666        | 29,350        |
| Of which Network rollout       | 7,555         | 4,679         | 4,776         | 4,520            | 6,444         | 4,002         | 4,309         | 3,752         |
| Professional Services          | 16,199        | 11,750        | 11,018        | 10,011           | 12,134        | 10,995        | 10,257        | 9,516         |
| Of which Managed services      | 4,270         | 3,458         | 3,416         | 3,112            | 3,318         | 3,352         | 2,910         | 2,592         |
| Multimedia                     | 5,059         | 4,431         | 4,240         | 4,172            | 4,868         | 4,017         | 3,650         | 3,370         |
| Less: Intersegment sales       |               |               |               |                  | -5            | -5            | 46            | -80           |
| <b>Total</b>                   | <b>67,025</b> | <b>49,198</b> | <b>48,532</b> | <b>44,175</b>    | <b>54,460</b> | <b>43,545</b> | <b>47,619</b> | <b>42,156</b> |

| Sequential change, percent | 2008       |           |            |                  | 2007       |            |            |             |
|----------------------------|------------|-----------|------------|------------------|------------|------------|------------|-------------|
|                            | Q4         | Q3        | Q2         | Q1 <sup>1)</sup> | Q4         | Q3         | Q2         | Q1          |
| Networks                   | 39%        | -1%       | 11%        | -20%             | 31%        | -15%       | 15%        | -25%        |
| Of which Network rollout   | 61%        | -2%       | 6%         | -30%             | 61%        | -7%        | 15%        | -32%        |
| Professional Services      | 38%        | 7%        | 10%        | -17%             | 10%        | 7%         | 8%         | -10%        |
| Of which Managed services  | 23%        | 1%        | 10%        | -6%              | -1%        | 15%        | 12%        | 3%          |
| Multimedia                 | 14%        | 5%        | 2%         | -14%             | 21%        | 10%        | 8%         | -26%        |
| <b>Total</b>               | <b>36%</b> | <b>1%</b> | <b>10%</b> | <b>-19%</b>      | <b>25%</b> | <b>-9%</b> | <b>13%</b> | <b>-22%</b> |

| Year over year change, percent | 2008       |            |           |                  | 2007      |           |           |           |
|--------------------------------|------------|------------|-----------|------------------|-----------|-----------|-----------|-----------|
|                                | Q4         | Q3         | Q2        | Q1 <sup>1)</sup> | Q4        | Q3        | Q2        | Q1        |
| Networks                       | 22%        | 16%        | -1%       | 2%               | -4%       | -2%       | 7%        | 5%        |
| Of which Network rollout       | 17%        | 17%        | 11%       | 20%              | 16%       | 14%       | 26%       | -4%       |
| Professional Services          | 34%        | 7%         | 7%        | 5%               | 15%       | 26%       | 11%       | 15%       |
| Of which Managed services      | 29%        | 3%         | 17%       | 20%              | 32%       | 50%       | 21%       | 11%       |
| Multimedia                     | 4%         | 10%        | 16%       | 24%              | 7%        | 31%       | 6%        | 19%       |
| <b>Total</b>                   | <b>23%</b> | <b>13%</b> | <b>2%</b> | <b>5%</b>        | <b>0%</b> | <b>6%</b> | <b>6%</b> | <b>7%</b> |

| Year to date, SEK million | 2008           |                |               |                    | 2007           |                |               |               |
|---------------------------|----------------|----------------|---------------|--------------------|----------------|----------------|---------------|---------------|
|                           | 0812           | 0809           | 0806          | 0803 <sup>1)</sup> | 0712           | 0709           | 0706          | 0703          |
| Networks                  | 142,050        | 96,283         | 63,266        | 29,992             | 129,017        | 91,554         | 63,016        | 29,350        |
| Of which Network rollout  | 21,530         | 13,975         | 9,296         | 4,520              | 18,507         | 12,063         | 8,061         | 3,752         |
| Professional Services     | 48,978         | 32,779         | 21,029        | 10,011             | 42,902         | 30,768         | 19,773        | 9,516         |
| Of which Managed services | 14,256         | 9,986          | 6,528         | 3,112              | 12,172         | 8,854          | 5,502         | 2,592         |
| Multimedia                | 17,902         | 12,843         | 8,412         | 4,172              | 15,905         | 11,037         | 7,020         | 3,370         |
| Less: Intersegment sales  |                |                |               |                    | -44            | -39            | -34           | -80           |
| <b>Total</b>              | <b>208,930</b> | <b>141,905</b> | <b>92,707</b> | <b>44,175</b>      | <b>187,780</b> | <b>133,320</b> | <b>89,775</b> | <b>42,156</b> |

| Year to date,<br>year over year change, percent | 2008 |      |      |                    | 2007 |      |      |      |
|---|------|------|------|--------------------|------|------|------|------|
|   | 0812 | 0809 | 0806 | 0803 <sup>1)</sup> | 0712 | 0709 | 0706 | 0703 |
|   |      |      |      |                    |      |      |      |      |



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|                           |            |           |           |           |           |           |           |           |
|---------------------------|------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Networks                  | 10%        | 5%        | 0%        | 2%        | 1%        | 3%        | 6%        | 5%        |
| Of which Network rollout  | 16%        | 16%       | 15%       | 20%       | 13%       | 11%       | 10%       | -4%       |
| Professional Services     | 14%        | 7%        | 6%        | 5%        | 16%       | 17%       | 13%       | 15%       |
| Of which Managed services | 17%        | 13%       | 19%       | 20%       | 28%       | 27%       | 16%       | 11%       |
| Multimedia                | 13%        | 16%       | 20%       | 24%       | 14%       | 18%       | 12%       | 19%       |
| <b>Total</b>              | <b>11%</b> | <b>6%</b> | <b>3%</b> | <b>5%</b> | <b>4%</b> | <b>6%</b> | <b>6%</b> | <b>7%</b> |

<sup>1)</sup> First quarter 2008 is restated for the transfer of the IPX operations from Professional Services to Multimedia.

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## Operating Income by Segment by Quarter

| Isolated quarters, SEK million | 2008         |              |              |                  | 2007         |              |              |              |
|--------------------------------|--------------|--------------|--------------|------------------|--------------|--------------|--------------|--------------|
|                                | Q4           | Q3           | Q2           | Q1 <sup>2)</sup> | Q4           | Q3           | Q2           | Q1           |
| Networks                       | 4,943        | 2,454        | 1,803        | 1,945            | 3,836        | 2,256        | 6,396        | 4,910        |
| Professional Services          | 2,226        | 1,509        | 1,337        | 1,274            | 1,792        | 1,682        | 1,515        | 1,405        |
| Multimedia                     | 554          | 9            | -172         | -509             | -439         | 42           | -11          | 273          |
| Phones                         | -1,280       | -142         | 24           | 895              | 2,286        | 1,737        | 1,464        | 1,621        |
| Unallocated <sup>1)</sup>      | -236         | -171         | -103         | -108             | 129          | -81          | -109         | -58          |
| <b>Total</b>                   | <b>6,207</b> | <b>3,659</b> | <b>2,889</b> | <b>3,497</b>     | <b>7,604</b> | <b>5,636</b> | <b>9,255</b> | <b>8,151</b> |

| Year to date, SEK million | 2008          |               |              |                    | 2007          |               |               |              |
|---------------------------|---------------|---------------|--------------|--------------------|---------------|---------------|---------------|--------------|
|                           | 0812          | 0809          | 0806         | 0803 <sup>2)</sup> | 0712          | 0709          | 0706          | 0703         |
| Networks                  | 11,145        | 6,202         | 3,748        | 1,945              | 17,398        | 13,562        | 11,306        | 4,910        |
| Professional Services     | 6,346         | 4,120         | 2,611        | 1,274              | 6,394         | 4,602         | 2,920         | 1,405        |
| Multimedia                | -118          | -672          | -681         | -509               | -135          | 304           | 262           | 273          |
| Phones                    | -503          | 777           | 919          | 895                | 7,108         | 4,822         | 3,085         | 1,621        |
| Unallocated <sup>1)</sup> | -618          | -382          | -211         | -108               | -119          | -248          | -167          | -58          |
| <b>Total</b>              | <b>16,252</b> | <b>10,045</b> | <b>6,386</b> | <b>3,497</b>       | <b>30,646</b> | <b>23,042</b> | <b>17,406</b> | <b>8,151</b> |

<sup>1)</sup> Unallocated consists mainly of costs for corporate staffs, non-operational capital gains and losses.

<sup>2)</sup> First quarter 2008 is restated for the transfer of the IPX operations from Professional Services to Multimedia.

## Operating Margin by Segment by Quarter

| As percentage of net sales, isolated quarters | 2008      |           |           |                  | 2007       |            |            |            |
|---|-----------|-----------|-----------|------------------|------------|------------|------------|------------|
|   | Q4        | Q3        | Q2        | Q1 <sup>2)</sup> | Q4         | Q3         | Q2         | Q1         |
| Networks                                      | 11%       | 7%        | 5%        | 7%               | 10%        | 8%         | 19%        | 17%        |
| Professional Services                         | 14%       | 13%       | 12%       | 13%              | 15%        | 15%        | 15%        | 15%        |
| Multimedia                                    | 11%       | 0%        | -4%       | -12%             | -9%        | 1%         | 0%         | 8%         |
| <b>Total</b>                                  | <b>9%</b> | <b>7%</b> | <b>6%</b> | <b>8%</b>        | <b>14%</b> | <b>13%</b> | <b>19%</b> | <b>19%</b> |

| As percentage of net sales, Year to date | 2008      |           |           |                    | 2007       |            |            |            |
|--|-----------|-----------|-----------|--------------------|------------|------------|------------|------------|
|  | 0812      | 0809      | 0806      | 0803 <sup>2)</sup> | 0712       | 0709       | 0706       | 0703       |
| Networks                                 | 8%        | 6%        | 6%        | 7%                 | 13%        | 15%        | 18%        | 17%        |
| Professional Services                    | 13%       | 13%       | 12%       | 13%                | 15%        | 15%        | 15%        | 15%        |
| Multimedia                               | -1%       | -5%       | -8%       | -12%               | -1%        | 3%         | 4%         | 8%         |
| <b>Total</b>                             | <b>8%</b> | <b>7%</b> | <b>7%</b> | <b>8%</b>          | <b>16%</b> | <b>17%</b> | <b>19%</b> | <b>19%</b> |

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Calculation not applicable for segment Phones and Unallocated.

<sup>2)</sup> First quarter 2008 is restated for the transfer of the IPX operations from Professional Services to Multimedia.

Number of Employees

| End of period                                  | 2008          |               |               |               |               | 2007          |               |               |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|  | 0812          | 0809          | 0806          | 0803          | 0712          | 0709          | 0706          | 0703          |
| Western Europe <sup>1)</sup>                   | 41,600        | 41,800        | 42,000        | 42,100        | 41,500        | 40,300        | 39,600        | 38,050        |
| Central & Eastern Europe, Middle East & Africa | 8,700         | 8,350         | 8,000         | 7,700         | 7,350         | 6,850         | 6,200         | 6,600         |
| Asia Pacific                                   | 14,450        | 14,100        | 13,700        | 13,450        | 13,100        | 12,350        | 11,650        | 11,000        |
| Latin America                                  | 8,250         | 7,450         | 6,600         | 6,250         | 6,550         | 6,000         | 5,050         | 4,600         |
| North America                                  | 5,750         | 5,650         | 5,500         | 5,500         | 5,500         | 5,450         | 5,000         | 4,900         |
| <b>Total</b>                                   | <b>78,750</b> | <b>77,350</b> | <b>75,800</b> | <b>75,000</b> | <b>74,000</b> | <b>70,950</b> | <b>67,500</b> | <b>65,150</b> |

|                               |        |        |        |        |        |        |        |        |
|-------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| <sup>1)</sup> Of which Sweden | 20,150 | 20,250 | 20,250 | 20,200 | 19,800 | 19,450 | 19,300 | 18,900 |
|-------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|

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## EBITDA by Segment by Quarter

| Isolated quarters, SEK million | 2008         |              |                  |                  | 2007          |              |               |               |
|--------------------------------|--------------|--------------|------------------|------------------|---------------|--------------|---------------|---------------|
|                                | Q4           | Q3           | Q2 <sup>1)</sup> | Q1 <sup>2)</sup> | Q4            | Q3           | Q2            | Q1            |
| Networks                       | 6,417        | 3,628        | 3,510            | 3,690            | 5,767         | 3,846        | 8,183         | 6,643         |
| Professional Services          | 2,365        | 1,811        | 1,589            | 1,480            | 1,988         | 1,828        | 1,689         | 1,494         |
| Multimedia                     | 1,001        | 403          | 400              | -246             | -159          | 260          | 167           | 314           |
| Phones                         | -1,280       | -142         | 24               | 895              | 2,286         | 1,737        | 1,464         | 1,621         |
| Unallocated <sup>3)</sup>      | -236         | -171         | -103             | -108             | 129           | -81          | -109          | -58           |
| <b>Total</b>                   | <b>8,267</b> | <b>5,529</b> | <b>5,420</b>     | <b>5,711</b>     | <b>10,011</b> | <b>7,590</b> | <b>11,394</b> | <b>10,014</b> |

| Year to date, SEK million | 2008          |               |               |                    | 2007          |               |               |               |
|---------------------------|---------------|---------------|---------------|--------------------|---------------|---------------|---------------|---------------|
|                           | 0812          | 0809          | 0806          | 0803 <sup>2)</sup> | 0712          | 0709          | 0706          | 0703          |
| Networks                  | 17,245        | 10,828        | 7,200         | 3,690              | 24,439        | 18,672        | 14,826        | 6,643         |
| Professional Services     | 7,245         | 4,880         | 3,069         | 1,480              | 6,999         | 5,011         | 3,183         | 1,494         |
| Multimedia                | 1,558         | 557           | 154           | -246               | 582           | 741           | 481           | 314           |
| Phones                    | -503          | 777           | 919           | 895                | 7,108         | 4,822         | 3,085         | 1,621         |
| Unallocated <sup>3)</sup> | -618          | -382          | -211          | -108               | -119          | -248          | -167          | -58           |
| <b>Total</b>              | <b>24,927</b> | <b>16,660</b> | <b>11,131</b> | <b>5,711</b>       | <b>39,009</b> | <b>28,998</b> | <b>21,408</b> | <b>10,014</b> |

<sup>1)</sup> Second quarter 2008 for Multimedia is affected by SEK 156 m. due to changed allocation of capitalized development expenses.

<sup>2)</sup> First quarter 2008 is restated for the transfer of the IPX operations from Professional Services to Multimedia.

<sup>3)</sup> Unallocated consists mainly of costs for corporate staffs, non-operational capital gains and losses.

## EBITDA Margin by Segment by Quarter

| As percentage of net sales, isolated quarters | 2008       |            |                  |                  | 2007       |            |            |            |
|---|------------|------------|------------------|------------------|------------|------------|------------|------------|
|   | Q4         | Q3         | Q2 <sup>1)</sup> | Q1 <sup>2)</sup> | Q4         | Q3         | Q2         | Q1         |
| Networks                                      | 14%        | 11%        | 11%              | 12%              | 15%        | 13%        | 24%        | 23%        |
| Professional Services                         | 15%        | 15%        | 14%              | 15%              | 16%        | 17%        | 16%        | 16%        |
| Multimedia                                    | 20%        | 9%         | 9%               | -6%              | -3%        | 6%         | 5%         | 9%         |
| <b>Total</b>                                  | <b>12%</b> | <b>11%</b> | <b>11%</b>       | <b>13%</b>       | <b>18%</b> | <b>17%</b> | <b>24%</b> | <b>24%</b> |

| As percentage of net sales, Year to date | 2008 |      |                    |                    | 2007 |      |      |      |
|--|------|------|--------------------|--------------------|------|------|------|------|
|  | 0812 | 0809 | 0806 <sup>1)</sup> | 0803 <sup>2)</sup> | 0712 | 0709 | 0706 | 0703 |
| Networks                                 | 12%  | 11%  | 11%                | 12%                | 19%  | 20%  | 24%  | 23%  |
| Professional Services                    | 15%  | 15%  | 15%                | 15%                | 16%  | 16%  | 16%  | 16%  |
| Multimedia                               | 9%   | 4%   | 2%                 | -6%                | 4%   | 7%   | 7%   | 9%   |

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**Total** 12% 12% 12% 13% 21% 22% 24% 24%

Calculation not applicable for segment Phones and Unallocated.

<sup>1)</sup> Second quarter 2008 for Multimedia is affected by SEK 156 m. due to changed allocation of capitalized development expenses.

<sup>2)</sup> First quarter 2008 is restated for the transfer of the IPX operations from Professional Services to Multimedia.

Restructuring costs by Quarter

| Isolated quarters, SEK million | 2008          |               |               |             |
|--------------------------------|---------------|---------------|---------------|-------------|
|                                | Q4            | Q3            | Q2            | Q1          |
| Networks                       | -1,590        | -1,330        | -1,519        | -692        |
| Professional Services          | -640          | -374          | -170          | -88         |
| Multimedia                     | -48           | -141          | -138          | -10         |
| Phones                         | -681          | -165          |               |             |
| Unallocated                    | -12           | -8            |               |             |
| <b>Total</b>                   | <b>-2,971</b> | <b>-2,018</b> | <b>-1,827</b> | <b>-790</b> |

| Year to Date, SEK million | 2008          |               |               |             |
|---------------------------|---------------|---------------|---------------|-------------|
|                           | 0812          | 0809          | 0806          | 0803        |
| Networks                  | -5,131        | -3,541        | -2,211        | -692        |
| Professional Services     | -1,272        | -632          | -258          | -88         |
| Multimedia                | -337          | -289          | -148          | -10         |
| Phones                    | -846          | -165          |               |             |
| Unallocated               | -20           | -8            |               |             |
| <b>Total</b>              | <b>-7,606</b> | <b>-4,635</b> | <b>-2,617</b> | <b>-790</b> |

No restructuring charges were recognized during 2007.

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## Net Sales by Market Area by Quarter

| Isolated quarters, SEK million                 | 2008          |               |               |               | 2007          |               |               |               |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|  | Q4            | Q3            | Q2            | Q1            | Q4            | Q3            | Q2            | Q1            |
| Western Europe <sup>1)</sup>                   | 16,135        | 11,629        | 12,125        | 11,681        | 15,396        | 12,341        | 12,440        | 12,508        |
| Central & Eastern Europe, Middle East & Africa | 17,635        | 13,069        | 11,253        | 11,123        | 14,256        | 11,957        | 11,468        | 10,980        |
| Asia Pacific                                   | 20,500        | 14,114        | 15,785        | 12,908        | 13,734        | 12,027        | 16,616        | 12,252        |
| Latin America                                  | 7,855         | 6,083         | 4,956         | 4,154         | 6,750         | 4,240         | 4,083         | 3,310         |
| North America                                  | 4,900         | 4,303         | 4,413         | 4,309         | 4,324         | 2,980         | 3,012         | 3,106         |
| <b>Total</b> <sup>2)</sup>                     | <b>67,025</b> | <b>49,198</b> | <b>48,532</b> | <b>44,175</b> | <b>54,460</b> | <b>43,545</b> | <b>47,619</b> | <b>42,156</b> |

<sup>1)</sup> Of which Sweden 2,384 2,191 2,308 1,993 2,453 1,946 2,055 1,941

<sup>2)</sup> Of which EU 18,371 13,059 13,427 12,744 17,575 13,643 13,977 13,783

| Sequential change, percent                     | 2008       |           |            |             | 2007       |            |            |             |
|--|------------|-----------|------------|-------------|------------|------------|------------|-------------|
|  | Q4         | Q3        | Q2         | Q1          | Q4         | Q3         | Q2         | Q1          |
| Western Europe <sup>1)</sup>                   | 39%        | -4%       | 4%         | -24%        | 25%        | -1%        | -1%        | -27%        |
| Central & Eastern Europe, Middle East & Africa | 35%        | 16%       | 1%         | -22%        | 19%        | 4%         | 4%         | -23%        |
| Asia Pacific                                   | 45%        | -11%      | 22%        | -6%         | 14%        | -28%       | 36%        | -12%        |
| Latin America                                  | 29%        | 23%       | 19%        | -38%        | 59%        | 4%         | 23%        | -31%        |
| North America                                  | 14%        | -2%       | 2%         | 0%          | 45%        | -1%        | -3%        | -22%        |
| <b>Total</b> <sup>2)</sup>                     | <b>36%</b> | <b>1%</b> | <b>10%</b> | <b>-19%</b> | <b>25%</b> | <b>-9%</b> | <b>13%</b> | <b>-22%</b> |

<sup>1)</sup> Of which Sweden 9% -5% 16% -19% 26% -5% 6% -15%

<sup>2)</sup> Of which EU 41% -3% 5% -27% 29% -2% 1% -26%

| Year-over-year change, percent                 | 2008       |            |           |           | 2007      |           |           |           |
|--|------------|------------|-----------|-----------|-----------|-----------|-----------|-----------|
|  | Q4         | Q3         | Q2        | Q1        | Q4        | Q3        | Q2        | Q1        |
| Western Europe <sup>1)</sup>                   | 5%         | -6%        | -3%       | -7%       | -10%      | 6%        | -3%       | 9%        |
| Central & Eastern Europe, Middle East & Africa | 24%        | 9%         | -2%       | 1%        | -1%       | 10%       | -3%       | 16%       |
| Asia Pacific                                   | 49%        | 17%        | -5%       | 5%        | -2%       | 3%        | 32%       | 26%       |
| Latin America                                  | 16%        | 43%        | 21%       | 25%       | 41%       | 1%        | 7%        | -9%       |
| North America                                  | 13%        | 44%        | 47%       | 39%       | 9%        | 3%        | -19%      | -41%      |
| <b>Total</b> <sup>2)</sup>                     | <b>23%</b> | <b>13%</b> | <b>2%</b> | <b>5%</b> | <b>0%</b> | <b>6%</b> | <b>6%</b> | <b>7%</b> |

<sup>1)</sup> Of which Sweden -3% 13% 12% 3% 7% 3% 2% 19%

<sup>2)</sup> Of which EU 5% -4% -4% -8% -6% 5% -6% 11%

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| Year to date, SEK million                      | 2008           |                |               |               |                | 2007           |               |               |
|--|----------------|----------------|---------------|---------------|----------------|----------------|---------------|---------------|
|  | 0812           | 0809           | 0806          | 0803          | 0712           | 0709           | 0706          | 0703          |
| Western Europe <sup>1)</sup>                   | 51,570         | 35,435         | 23,806        | 11,681        | 52,685         | 37,289         | 24,948        | 12,508        |
| Central & Eastern Europe, Middle East & Africa | 53,080         | 35,445         | 22,376        | 11,123        | 48,661         | 34,405         | 22,448        | 10,980        |
| Asia Pacific                                   | 63,307         | 42,807         | 28,693        | 12,908        | 54,629         | 40,895         | 28,868        | 12,252        |
| Latin America                                  | 23,048         | 15,193         | 9,110         | 4,154         | 18,383         | 11,633         | 7,393         | 3,310         |
| North America                                  | 17,925         | 13,025         | 8,722         | 4,309         | 13,422         | 9,098          | 6,118         | 3,106         |
| <b>Total <sup>2)</sup></b>                     | <b>208,930</b> | <b>141,905</b> | <b>92,707</b> | <b>44,175</b> | <b>187,780</b> | <b>133,320</b> | <b>89,775</b> | <b>42,156</b> |

<sup>1)</sup> Of which Sweden 8,876 6,492 4,301 1,993 8,395 5,942 3,996 1,941

<sup>2)</sup> Of which EU 57,601 39,230 26,171 12,744 58,978 41,403 27,760 13,783

| Year to date,<br>year-over-year change, percent | 2008       |           |           |           |           | 2007      |           |           |
|---|------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
|   | 0812       | 0809      | 0806      | 0803      | 0712      | 0709      | 0706      | 0703      |
| Western Europe <sup>1)</sup>                    | -2%        | -5%       | -5%       | -7%       | -1%       | 4%        | 2%        | 9%        |
| Central & Eastern Europe, Middle East & Africa  | 9%         | 3%        | 0%        | 1%        | 5%        | 7%        | 6%        | 16%       |
| Asia Pacific                                    | 16%        | 5%        | -1%       | 5%        | 14%       | 21%       | 29%       | 26%       |
| Latin America                                   | 25%        | 31%       | 23%       | 25%       | 12%       | 0%        | -1%       | -9%       |
| North America                                   | 34%        | 43%       | 43%       | 39%       | -15%      | -24%      | -32%      | -41%      |
| <b>Total <sup>2)</sup></b>                      | <b>11%</b> | <b>6%</b> | <b>3%</b> | <b>5%</b> | <b>4%</b> | <b>6%</b> | <b>6%</b> | <b>7%</b> |

<sup>1)</sup> Of which Sweden 6% 9% 8% 3% 8% 8% 10% 19%

<sup>2)</sup> Of which EU -2% -5% -6% -8% 0% 3% 2% 11%

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## External Net Sales by Market Area by Segment

| SEK, million<br>Oct - Dec 2008                 | Networks      | Professional<br>Services | Multimedia   | Total         |
|--|---------------|--------------------------|--------------|---------------|
| Western Europe                                 | 8,614         | 5,517                    | 2,004        | 16,135        |
| Central & Eastern Europe, Middle East & Africa | 12,716        | 3,512                    | 1,407        | 17,635        |
| Asia Pacific                                   | 16,038        | 3,713                    | 749          | 20,500        |
| Latin America                                  | 5,385         | 1,982                    | 488          | 7,855         |
| North America                                  | 3,014         | 1,475                    | 411          | 4,900         |
| <b>Total</b>                                   | <b>45,767</b> | <b>16,199</b>            | <b>5,059</b> | <b>67,025</b> |

|                |     |     |    |      |
|----------------|-----|-----|----|------|
| Share of Total | 68% | 24% | 8% | 100% |
|----------------|-----|-----|----|------|

| SEK, million<br>Year to date 2008              | Networks       | Professional<br>Services | Multimedia    | Total          |
|--|----------------|--------------------------|---------------|----------------|
| Western Europe                                 | 25,642         | 18,537                   | 7,391         | 51,570         |
| Central & Eastern Europe, Middle East & Africa | 38,364         | 9,843                    | 4,873         | 53,080         |
| Asia Pacific                                   | 49,843         | 10,507                   | 2,957         | 63,307         |
| Latin America                                  | 16,096         | 5,522                    | 1,430         | 23,048         |
| North America                                  | 12,105         | 4,569                    | 1,251         | 17,925         |
| <b>Total</b>                                   | <b>142,050</b> | <b>48,978</b>            | <b>17,902</b> | <b>208,930</b> |

|                |     |     |    |      |
|----------------|-----|-----|----|------|
| Share of Total | 68% | 23% | 9% | 100% |
|----------------|-----|-----|----|------|

First quarter 2008 is restated for the transfer of the IPX operations from Professional Services to Multimedia.

## Top 15 Markets in Sales

| Market             | Year to date<br>Share of<br>total sales | Q4<br>Share of iso.<br>total sales |
|--------------------|---|------------------------------------|
| India              | 7%                                      | 7%                                 |
| China              | 7%                                      | 8%                                 |
| United States      | 7%                                      | 6%                                 |
| Italy              | 5%                                      | 6%                                 |
| Indonesia          | 4%                                      | 4%                                 |
| Sweden             | 4%                                      | 4%                                 |
| Brazil             | 4%                                      | 4%                                 |
| Spain              | 4%                                      | 3%                                 |
| United Kingdom     | 3%                                      | 3%                                 |
| Japan              | 3%                                      | 4%                                 |
| Nigeria            | 2%                                      | 3%                                 |
| Russian Federation | 2%                                      | 3%                                 |
| Germany            | 2%                                      | 2%                                 |
| Australia          | 2%                                      | 2%                                 |
| Mexico             | 2%                                      | 2%                                 |





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## Transactions with Sony Ericsson Mobile Communications

| Isolated quarters, SEK million | 2008  |       |       |       | 2007  |       |       |       |
|--------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|
|                                | Q4    | Q3    | Q2    | Q1    | Q4    | Q3    | Q2    | Q1    |
| Revenues from Sony Ericsson    | 1,568 | 1,470 | 1,271 | 1,547 | 1,930 | 1,242 | 1,411 | 1,160 |
| Purchases from Sony Ericsson   | 52    | 19    | 20    | 170   | 39    | 11    | 232   | 51    |
| Receivables from Sony Ericsson | 1,002 | 952   | 927   | 1,097 | 932   | 132   | 178   | 116   |
| Liabilities to Sony Ericsson   | 176   | 237   | 186   | 330   | 204   | 1,357 | 2,464 | 3,720 |
| Dividends from Sony Ericsson   |       | 1,407 |       | 2,220 |       | 1,388 | 2,561 |       |

## Provisions

| Isolated quarters, SEK million                     | 2008          |               |               |               | 2007          |               |               |               |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|  | Q4            | Q3            | Q2            | Q1            | Q4            | Q3            | Q2            | Q1            |
| <b>Opening balance</b>                             | <b>12,995</b> | <b>11,106</b> | <b>10,056</b> | <b>9,726</b>  | <b>10,357</b> | <b>11,675</b> | <b>12,291</b> | <b>13,882</b> |
| Additions  | 3,800         | 3,418         | 2,724         | 2,019         | 1,710         | 874           | 1,056         | 1,519         |
| Utilization/Cash out                               | -2,321        | -1,595        | -1,343        | -781          | -1,215        | -1,341        | -1,276        | -2,476        |
| Reversal of excess amounts                         | -832          | -117          | -244          | -622          | -1,401        | -668          | -1,006        | -675          |
| Reclassification, translation difference and other | 708           | 183           | -87           | -286          | 275           | -183          | 610           | 41            |
| <b>Closing balance</b>                             | <b>14,350</b> | <b>12,995</b> | <b>11,106</b> | <b>10,056</b> | <b>9,726</b>  | <b>10,357</b> | <b>11,675</b> | <b>12,291</b> |

| Year to date, SEK million                          | 2008          |               |               |               | 2007          |               |               |               |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|  | 0812          | 0809          | 0806          | 0803          | 0712          | 0709          | 0706          | 0703          |
| <b>Opening balance</b>                             | <b>9,726</b>  | <b>9,726</b>  | <b>9,726</b>  | <b>9,726</b>  | <b>13,882</b> | <b>13,882</b> | <b>13,882</b> | <b>13,882</b> |
| Additions  | 11,961        | 8,161         | 4,743         | 2,019         | 5,159         | 3,449         | 2,575         | 1,519         |
| Utilization/Cash out                               | -6,040        | -3,719        | -2,124        | -781          | -6,308        | -5,093        | -3,752        | -2,476        |
| Reversal of excess amounts                         | -1,815        | -983          | -866          | -622          | -3,750        | -2,349        | -1,681        | -675          |
| Reclassification, translation difference and other | 518           | -190          | -373          | -286          | 743           | 468           | 651           | 41            |
| <b>Closing balance</b>                             | <b>14,350</b> | <b>12,995</b> | <b>11,106</b> | <b>10,056</b> | <b>9,726</b>  | <b>10,357</b> | <b>11,675</b> | <b>12,291</b> |

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## Other Information

|   | Oct - Dec    |              | Jan - Dec    |              |
|---|--------------|--------------|--------------|--------------|
|   | 2008         | 2007         | 2008         | 2007         |
| <b>Number of shares and earnings per share <sup>1)</sup></b>          |              |              |              |              |
| Number of shares, end of period (million)                             | 3,246        | 3,226        | 3,246        | 3,226        |
| of which A-shares (million)   | 262          | 262          | 262          | 262          |
| of which B-shares (million)   | 2,984        | 2,964        | 2,984        | 2,964        |
| Number of treasury shares, end of period (million)                    | 61           | 46           | 61           | 46           |
| Number of shares outstanding, basic, end of period (million)          | 3,185        | 3,180        | 3,185        | 3,180        |
| Numbers of shares outstanding, diluted, end of period (million)       | 3,205        | 3,195        | 3,205        | 3,195        |
| Average number of treasury shares (million)                           | 62           | 47           | 52           | 48           |
| Average number of shares outstanding, basic (million)                 | 3,185        | 3,179        | 3,183        | 3,178        |
| Average number of shares outstanding, diluted (million) <sup>2)</sup> | 3,204        | 3,194        | 3,202        | 3,193        |
| Earnings per share, basic (SEK)                                       | 1.22         | 1.77         | 3.54         | 6.87         |
| Earnings per share, diluted (SEK) <sup>2)</sup>                       | 1.21         | 1.77         | 3.52         | 6.84         |
| <b>Ratios</b>   |              |              |              |              |
| Equity ratio, percent   |              |              | 49.7%        | 55.1%        |
| Capital turnover (times)  | 1.5          | 1.3          | 1.2          | 1.2          |
| Trade receivable turnover (times)                                     | 3.9          | 3.7          | 3.1          | 3.4          |
| Inventory turnover (times)  | 6.2          | 5.8          | 5.4          | 5.2          |
| Return on equity, percent   | 11.3%        | 17.1%        | 8.2%         | 17.2%        |
| Return on capital employed, percent                                   | 16.7%        | 19.6%        | 11.3%        | 20.9%        |
| Days Sales Outstanding  |              |              | 106          | 102          |
| Payable days  | 45           | 43           | 55           | 57           |
| Payment readiness, end of period                                      |              |              | 84,917       | 64,678       |
| Payment readiness, as percentage of sales                             |              |              | 40.6%        | 34.4%        |
| <b>Exchange rates used in the consolidation</b>                       |              |              |              |              |
| SEK / EUR - average rate  |              |              | 9.67         | 9.24         |
| - closing rate  |              |              | 10.95        | 9.45         |
| SEK / USD - average rate  |              |              | 6.61         | 6.74         |
| - closing rate  |              |              | 7.73         | 6.43         |
| <b>Other</b>  |              |              |              |              |
| Additions to property, plant and equipment                            | 1,297        | 1,656        | 4,133        | 4,319        |
| of which in Sweden  | 519          | 366          | 1,631        | 1,250        |
| Additions to capitalized development expenses                         | 393          | 359          | 1,409        | 1,053        |
| Capitalization of development expenses, net                           | 107          | -292         | -879         | -1,334       |
| <i>Depreciation, amortization and impairment losses</i>               |              |              |              |              |
| Development expenses  | 286          | 651          | 2,288        | 2,387        |
| Property, plant and equipment and other intangible assets             | 1,773        | 1,756        | 6,386        | 5,976        |
| <b>Total</b>  | <b>2,059</b> | <b>2,407</b> | <b>8,674</b> | <b>8,363</b> |
| Export sales from Sweden  | 30,659       | 29,399       | 109,254      | 102,486      |

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<sup>1)</sup> A reverse split 1:5 was made in June 2008. Comparative figures are restated accordingly.

<sup>2)</sup> Potential ordinary shares are not considered when their conversion to ordinary shares would increase earnings per share.

Ericsson Planning Assumptions for Year 2009

### **Research and development expenses**

We estimate R&D expenses for the full year 2009 to be at around SEK 27-28 b. The estimate includes amortizations/write-downs of intangible assets related to major acquisitions previously made and excludes Ericsson Mobile Platforms, restructuring. However, currency effects may cause this to change.

### **Tax rate**

We estimate the tax rate for the full year 2009 to be approximately 28-32%.

### **Capital expenditures**

Excluding acquisitions, the capital expenditures in relation to sales are not expected to be significantly different in 2009, remaining at roughly two percent of sales.

### **Utilization of provisions**

The expected utilization of provisions for year 2009 will be stated in the Annual report.

**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: January 21, 2009