

ERICSSON LM TELEPHONE CO

Form 6-K

January 24, 2011

# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## FORM 6-K

REPORT OF FOREIGN ISSUER

Pursuant to Rule 13a-16 or 15d-16 of

the Securities Exchange Act of 1934

January 20, 2011

# LM ERICSSON TELEPHONE COMPANY

(Translation of registrant's name into English)

Torshamnsgatan 23, Kista

SE-164 83, Stockholm, Sweden

(Address of principal executive offices)

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 20, 2011** regarding Sony Ericsson reports fourth quarter and full year 2010 results

**SIGNATURES**

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

TELEFONAKTIEBOLAGET LM ERICSSON (publ)

By: /s/ NINA MACPHERSON  
**Nina Macpherson**  
**Senior Vice President and**  
**General Counsel**

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

Date: **January 20, 2011**

**PRESS RELEASE**

January 20, 2011

**Sony Ericsson reports fourth quarter and full year 2010 results****Highlights:****Four consecutive quarters of profitability during 2010****Improvement of Euro 1.1 billion of income before taxes, excluding restructuring charges, for the full year****Over 9 million Android-based Xperia phones shipped since launch**

The consolidated financial summary for Sony Ericsson Mobile Communications AB (Sony Ericsson) for the fourth quarter and full year ended December 31, 2010 is as follows:

	Q4 2009	Q3 2010	Q4 2010	FY 2009	FY 2010
Number of units shipped (million)	14.6	10.4	11.2	57.1	43.1
Sales (Euro m.)	1,750	1,603	1,528	6,788	6,294
Gross margin (%)	23%	30%	30%	15%	29%
Operating income (Euro m.)	-181	63	39	-1,018	159
Operating margin (%)	-10%	4%	3%	-15%	3%
Restructuring charges (Euro m.)	-150	-4	-3	-164	-42
Operating income excl. restructuring charges (Euro m.)	-32	67	43	-854	202
Operating margin excl. restructuring charges (%)	-2%	4%	3%	-13%	3%
Income before taxes (IBT) (Euro m.)	-190	62	35	-1,043	147
IBT excl. restructuring charges (Euro m.)	-40	66	39	-878	189
Net income (Euro m.)	-167	49	8	-836	90
Average selling price (Euro)	120	154	136	119	146

Bert Nordberg, President & CEO of Sony Ericsson commented, 2010 was a turnaround year for Sony Ericsson. Our four consecutive quarters of profit reflect the success of our shift towards an Android-based smartphone portfolio. We will celebrate the 10th anniversary of the creation of Sony Ericsson in 2011, and as shown by the recently announced Xperia arc, we will continue to focus on delivering the most entertaining smartphones worldwide.

Income before taxes, excluding restructuring charges, was Euro 189 million for the full year 2010, compared with a loss of Euro 878 million in 2009. The improvement of approximately Euro 1.1 billion was driven by the success of a streamlined product portfolio focused on higher-end smartphones and an improved cost structure. Sales for the full year 2010 were Euro 6,294 million, a decrease of 7% from 2009, while gross margin improved from 15% in 2009 to 29%, in 2010.

During 2010 Sony Ericsson completed its company-wide transformation programme, improving its cost of sales ratio, reducing its global workforce by approximately 4,000 people in total, consolidating its facilities worldwide and decreasing annual operating expenses by more than Euro 880 million. The total restructuring charges for the transformation programme were Euro 381 million.

Sony Ericsson  
Mobile Communications  
Management Limited  
VAT Number GB781457994. Registered in England Number 4257114

Sony Ericsson House  
202 Hammersmith Road  
London W6 7DN, United Kingdom

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

Units shipped during the fourth quarter were 11.2 million, a year-on-year decrease of 23%, consistent with the streamlining of the portfolio to focus on higher-end smartphones. The sequential increase of 8%, related to seasonal factors, was somewhat constrained by a lack of new product launches during the quarter. Average selling price (ASP) for the quarter was Euro 136, a 13% increase year-on-year. ASP decreased 12% sequentially, mainly due to price erosion, foreign exchange and product mix. Sales for the quarter were Euro 1,528 million, a decrease of 13% year-on-year and a decrease of 5% sequentially.

The gross margin for the fourth quarter was 30%, an increase of 7 percentage points year-on-year and essentially flat sequentially, including the benefit of some one-time items, relating to certain royalty matters and warranty estimates.

Income before taxes for the fourth quarter, excluding restructuring charges, was a profit of Euro 39 million, an increase of Euro 79 million year-on-year and a decrease of Euro 27 million sequentially, mainly due to lower sales.

Sony Ericsson's net cash position as of December 31, 2010 was Euro 375 million. The negative cash flow from operating activities for the quarter was Euro 128 million, mainly due to increases in inventory due to seasonal factors as well as payments related to the transformation programme.

During the quarter term loan facilities of Euro 150 million matured and were repaid in full.

Sony Ericsson estimates that the global handset market for the full year 2010 increased slightly in volume to almost 1.2 billion units. The company estimates that the global handset market for the fourth quarter was essentially flat year-on-year and its market share for the fourth quarter was approximately 3% in units and approximately 5% in value. Sony Ericsson estimates that its market share for the full year 2010 was approximately 4% in units and approximately 6% in value.

Sony Ericsson forecasts modest growth in units in the global handset market for 2011.

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

**EDITOR'S NOTES:**

Financial statements:

Consolidated income statement

Consolidated income statement – isolated quarters

Consolidated balance sheet

Consolidated statement of cash flows

Consolidated statement of cash flows – isolated quarters

Net sales by market area by quarter

Sony Ericsson is a 50:50 joint venture by Sony and Ericsson established in October 2001, with global corporate functions located in London and operations in all major markets. Sony Ericsson's vision is to become the industry leader in Communication Entertainment; where new styles of communicating through the internet and social media, become entertainment. Sony Ericsson offers exciting consumer experiences through phones, accessories, content and applications. For more information please visit, [www.sonyericsson.com](http://www.sonyericsson.com).

- ENDS

Sony Ericsson  
Mobile Communications

Sony Ericsson House  
202 Hammersmith Road

T: +44 (0)20 8762 5800

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VAT Number GB781457994. Registered in England Number 4257114

**CONTACTS:**

**Ericsson investor relations**

Susanne Andersson (Stockholm) +46 10 719 4631

**Sony investor relations**

Yoshinori Hashitani (Tokyo) +81 3 6748 2111

Yas Hasegawa (London) +44 20 7426 8696

**Press / Media**

**Sony Ericsson global communications and PR**

Aldo Liguori (London) +44 20 8762 5860

Gustaf Brusewitz (London) +44 7960 58 19 68

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

Sony Ericsson	Sony Ericsson House	
Mobile Communications	202 Hammersmith Road	T: +44 (0)20 8762 5800
Management Limited	London W6 7DN, United Kingdom	<a href="http://www.sonyericsson.com">www.sonyericsson.com</a>
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## Sony Ericsson

## CONSOLIDATED INCOME STATEMENT

EUR million	Oct-Dec			Jan-Dec		
	2009	2010	Change	2009	2010	Change
Net sales	1,750	1,528	-13%	6,788	6,294	-7%
Cost of sales	-1,341	-1,069	-20%	-5,782	-4,440	-23%
<b>Gross profit</b>	<b>409</b>	<b>459</b>	<b>12%</b>	<b>1,006</b>	<b>1,853</b>	<b>84%</b>
Gross margin %	23%	30%	7%	15%	29%	14%
Research and development expenses	-299	-214	-28%	-1,108	-840	-24%
Selling and administrative expenses	-299	-212	-29%	-964	-893	-7%
<b>Operating expenses</b>	<b>-599</b>	<b>-427</b>	<b>-29%</b>	<b>-2,072</b>	<b>-1,732</b>	<b>-16%</b>
Other operating income, net	8	7	-13%	48	38	-21%
<b>Operating income</b>	<b>-181</b>	<b>39</b>		<b>-1,018</b>	<b>159</b>	
Operating margin %	-10%	3%		-15%	3%	
Financial income	4	2	-50%	21	18	-14%
Financial expenses	-12	-6	-50%	-46	-30	-35%
<b>Income before taxes</b>	<b>-190</b>	<b>35</b>		<b>-1,043</b>	<b>147</b>	
Taxes	36	-27		236	-48	
Minority interest	-12	0		-29	-9	-69%
<b>Net income</b>	<b>-167</b>	<b>8</b>		<b>-836</b>	<b>90</b>	
Number of units shipped (million)	14.6	11.2	-23%	57.1	43.1	-25%
ASP (EUR)	120	136	13%	119	146	23%

EUR million	Oct-Dec		Jan-Dec	
	2009	2010	2009	2010
Restructuring charges				
Cost of sales	-41	2	-39	-32
Research and development expenses	-72	0	-84	7
Sales and administrative expenses	-37	-5	-41	-17
Total	-150	-3	-164	-42

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## CONSOLIDATED INCOME STATEMENT - ISOLATED QUARTERS

EUR million	2009				2010			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	1,736	1,684	1,619	1,750	1,405	1,757	1,603	1,528
Cost of sales	-1,591	-1,483	-1,367	-1,341	-975	-1,266	-1,130	-1,069
<b>Gross profit</b>	<b>145</b>	<b>200</b>	<b>252</b>	<b>409</b>	<b>429</b>	<b>492</b>	<b>473</b>	<b>459</b>
Gross margin %	8%	12%	16%	23%	31%	28%	30%	30%
Research and development expenses	-303	-245	-260	-299	-216	-218	-191	-214
Selling and administrative expenses	-225	-235	-205	-299	-207	-245	-228	-212
<b>Operating expenses</b>	<b>-528</b>	<b>-480</b>	<b>-465</b>	<b>-599</b>	<b>-423</b>	<b>-463</b>	<b>-420</b>	<b>-427</b>
Other operating income, net	13	6	21	8	14	7	10	7
<b>Operating income</b>	<b>-369</b>	<b>-274</b>	<b>-193</b>	<b>-181</b>	<b>20</b>	<b>36</b>	<b>63</b>	<b>39</b>
Operating margin %	-21%	-16%	-12%	-10%	1%	2%	4%	3%
Financial income	9	6	3	4	7	2	7	2
Financial expenses	-10	-15	-9	-12	-9	-7	-8	-6
<b>Income before taxes</b>	<b>-370</b>	<b>-283</b>	<b>-199</b>	<b>-190</b>	<b>18</b>	<b>31</b>	<b>62</b>	<b>35</b>
Taxes	84	74	42	36	6	-16	-12	-27
Minority interest	-6	-4	-6	-12	-3	-4	-2	0
<b>Net income</b>	<b>-293</b>	<b>-213</b>	<b>-164</b>	<b>-167</b>	<b>21</b>	<b>12</b>	<b>49</b>	<b>8</b>
Number of units shipped (million)	14.5	13.8	14.1	14.6	10.5	11.0	10.4	11.2
ASP (EUR)	120	122	114	120	134	160	154	136

EUR million	2009				2010			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Restructuring charges	-7	9	0	-41	2	-33	-3	2
Cost of sales	-7	9	0	-41	2	-33	-3	2
Research and development expenses	-2	-9	-1	-72	-2	-1	10	0
Sales and administrative expenses	-3	-1	-1	-37	-3	2	-11	-5
Total	-12	-1	-2	-150	-3	-32	-4	-3

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## Sony Ericsson

## CONSOLIDATED BALANCE SHEET

EUR million	Dec 31 2009	Jun 30 2010	Sep 30 2010	Dec 31 2010
<b>ASSETS</b>				
<b>Total fixed and financial assets</b>	<b>779</b>	<b>836</b>	<b>813</b>	<b>803</b>
<b>Current assets</b>				
Inventories	358	467	457	460
Accounts receivable	832	1,063	986	836
Other assets	415	412	328	295
Other short-term cash investments	489	477	440	276
Cash and bank	389	562	482	329
<b>Total current assets</b>	<b>2,483</b>	<b>2,981</b>	<b>2,692</b>	<b>2,196</b>
<b>Total assets</b>	<b>3,262</b>	<b>3,817</b>	<b>3,505</b>	<b>2,999</b>
<b>SHAREHOLDERS EQUITY AND LIABILITIES</b>				
Shareholders equity	381	510	480	532
Minority interest	47	66	62	42
<b>Total equity</b>	<b>428</b>	<b>575</b>	<b>541</b>	<b>574</b>
Borrowing, Non Current	0	101	100	100
Other long-term liabilities	32	40	30	32
<b>Total long-term liabilities</b>	<b>32</b>	<b>141</b>	<b>130</b>	<b>132</b>
Accounts payable	852	973	922	769
Borrowing, Current	258	329	284	130
Other current liabilities	1,692	1,798	1,628	1,394
<b>Total current liabilities</b>	<b>2,802</b>	<b>3,101</b>	<b>2,834</b>	<b>2,293</b>
<b>Total shareholders equity and liabilities</b>	<b>3,262</b>	<b>3,817</b>	<b>3,505</b>	<b>2,999</b>
Net cash*	620	609	538	375

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

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## Sony Ericsson

## CONSOLIDATED STATEMENT OF CASH FLOWS

EUR million	Oct-Dec		Jan-Dec	
	2009	2010	2009	2010
<b>OPERATING</b>				
Net income	-167	8	-836	90
Adjustments to reconcile net income to cash	48	-50	135	-156
	<b>-119</b>	<b>-42</b>	<b>-701</b>	<b>-65</b>
Changes in operating net assets	-97	-86	333	-183
<b>Cash flow from operating activities</b>	<b>-216</b>	<b>-128</b>	<b>-368</b>	<b>-248</b>
<b>INVESTING</b>				
Investing activities	-10	-18	-84	-4
<b>Cash flow from investing activities</b>	<b>-10</b>	<b>-18</b>	<b>-84</b>	<b>-4</b>
<b>FINANCING</b>				
Financing activities	100	-178	205	-60
<b>Cash flow from financing activities</b>	<b>100</b>	<b>-178</b>	<b>205</b>	<b>-60</b>
<b>Net change in cash</b>	<b>-126</b>	<b>-324</b>	<b>-247</b>	<b>-312</b>
<b>Cash, beginning of period</b>	<b>996</b>	<b>921</b>	<b>1,125</b>	<b>878</b>
<b>Translation difference in Cash</b>	<b>8</b>	<b>7</b>	<b>-1</b>	<b>38</b>
<b>Cash, end of period</b>	<b>878</b>	<b>605</b>	<b>878</b>	<b>605</b>

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## CONSOLIDATED STATEMENT OF CASH FLOWS - ISOLATED QUARTERS

EUR million	2009				2010			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>OPERATING</b>								
Net income	-293	-213	-164	-167	21	12	49	8
Adjustments to reconcile net income to cash	29	37	20	48	-44	4	-66	-50
	<b>-263</b>	<b>-176</b>	<b>-143</b>	<b>-119</b>	<b>-23</b>	<b>16</b>	<b>-17</b>	<b>-42</b>
Changes in operating net assets	321	60	49	-97	-72	13	-38	-86
<b>Cash flow from operating activities</b>	<b>58</b>	<b>-115</b>	<b>-94</b>	<b>-216</b>	<b>-94</b>	<b>29</b>	<b>-54</b>	<b>-128</b>
<b>INVESTING</b>								
Investing activities	-19	-13	-42	-10	27	-15	2	-18
<b>Cash flow from investing activities</b>	<b>-19</b>	<b>-13</b>	<b>-42</b>	<b>-10</b>	<b>27</b>	<b>-15</b>	<b>2</b>	<b>-18</b>
<b>FINANCING</b>								
Financing activities	-53	0	159	100	150	0	-32	-178
<b>Cash flow from financing activities</b>	<b>-53</b>	<b>0</b>	<b>159</b>	<b>100</b>	<b>150</b>	<b>0</b>	<b>-32</b>	<b>-178</b>
<b>Net change in cash</b>	<b>-14</b>	<b>-128</b>	<b>22</b>	<b>-126</b>	<b>83</b>	<b>15</b>	<b>-85</b>	<b>-324</b>
<b>Cash, beginning of period</b>	<b>1,125</b>	<b>1,116</b>	<b>965</b>	<b>996</b>	<b>878</b>	<b>980</b>	<b>1,039</b>	<b>921</b>
<b>Translation difference in Cash</b>	<b>5</b>	<b>-23</b>	<b>9</b>	<b>8</b>	<b>19</b>	<b>45</b>	<b>-33</b>	<b>7</b>
<b>Cash, end of period</b>	<b>1,116</b>	<b>965</b>	<b>996</b>	<b>878</b>	<b>980</b>	<b>1,039</b>	<b>921</b>	<b>605</b>

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## Sony Ericsson

## NET SALES BY MARKET AREA BY QUARTER

EUR million

Isolated quarters	2009				2010			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Europe, Middle East & Africa *	977	927	875	966	711	876	837	795
Americas	200	195	232	222	201	223	222	205
Asia	559	562	512	562	493	659	544	528
<b>Total</b>	<b>1,736</b>	<b>1,684</b>	<b>1,619</b>	<b>1,750</b>	<b>1,405</b>	<b>1,757</b>	<b>1,603</b>	<b>1,528</b>
* of which Western Europe	721	678	636	678	525	668	632	569

Sequential change (%)	2009				2010			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Europe, Middle East & Africa *	-40%	-5%	-6%	10%	-26%	23%	-4%	-5%
Americas	-69%	-3%	19%	-4%	-9%	11%	0%	-8%
Asia	-12%	1%	-9%	10%	-12%	34%	-17%	-3%
<b>Total</b>	<b>-40%</b>	<b>-3%</b>	<b>-4%</b>	<b>8%</b>	<b>-20%</b>	<b>25%</b>	<b>-9%</b>	<b>-5%</b>
* of which Western Europe	-35%	-6%	-6%	7%	-23%	27%	-5%	-10%

Year over year change (%)	2009				2010			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Europe, Middle East & Africa *	-35%	-33%	-39%	-41%	-27%	-6%	-4%	-18%
Americas	-59%	-74%	-67%	-65%	1%	14%	-4%	-8%
Asia	-23%	-19%	-24%	-12%	-12%	17%	6%	-6%
<b>Total</b>	<b>-36%</b>	<b>-40%</b>	<b>-42%</b>	<b>-40%</b>	<b>-19%</b>	<b>4%</b>	<b>-1%</b>	<b>-13%</b>
* of which Western Europe	-26%	-25%	-33%	-39%	-27%	-1%	-1%	-16%

Year to date	2009				2010			
	0903	0906	0909	0912	1003	1006	1009	1012
Europe, Middle East & Africa *	977	1,903	2,778	3,744	711	1,587	2,424	3,219
Americas	200	395	627	850	201	424	646	851
Asia	559	1,121	1,633	2,194	493	1,152	1,695	2,224
<b>Total</b>	<b>1,736</b>	<b>3,419</b>	<b>5,038</b>	<b>6,788</b>	<b>1,405</b>	<b>3,162</b>	<b>4,765</b>	<b>6,294</b>
* of which Western Europe	721	1,400	2,036	2,714	525	1,193	1,825	2,393

YTD year over year change (%)	2009				2010			
	0903	0906	0909	0912	1003	1006	1009	1012
Europe, Middle East & Africa *	-35%	-34%	-35%	-37%	-27%	-17%	-13%	-14%
Americas	-59%	-68%	-68%	-67%	1%	7%	3%	0%
Asia	-23%	-21%	-22%	-20%	-12%	3%	4%	1%
<b>Total</b>	<b>-36%</b>	<b>-38%</b>	<b>-40%</b>	<b>-40%</b>	<b>-19%</b>	<b>-8%</b>	<b>-5%</b>	<b>-7%</b>
* of which Western Europe	-26%	-25%	-28%	-31%	-27%	-15%	-10%	-12%

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