ERICSSON LM TELEPHONE CO
Form 6-K
October 29, 2012
Table of Contents

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

October 29, 2012

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 x 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 x

THIS REPORT ON FORM 6-K SHALL BE DEEMED TO BE INCORPORATED BY REFERENCE IN THE REGISTRATION STATEMENT ON FORM F-3 (NO. 333-180880) OF TELEFONAKTIEBOLAGET LM ERICSSON (PUBL.) AND TO BE A PART THEREOF FROM THE DATE ON WHICH THIS REPORT IS FURNISHED, TO THE EXTENT NOT SUPERSEDED BY DOCUMENTS OR REPORTS SUBSEQUENTLY FILED OR FURNISHED.

Table of Contents

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/ HELENA NORRMAN
Helena Norrman
Senior Vice President
Corporate Communications

Date: **October 29, 2012**

Table of Contents

This report on Form 6-K shall be deemed to be incorporated by reference in the registration statement on Form F-3 (No.333-180880) of Telefonaktiebolaget LM Ericsson (publ.) and to be part thereof from the date on which this report is furnished, to the extent not superseded by documents or reports subsequently filed or furnished.

Ericsson third quarter report adjusted for registration statement on Form F-3 (No.333-180880)

October 26, 2012

Sales decreased -2% YoY and -1% QoQ.

Networks decreased YoY due to weaker sales in parts of Europe, China, Korea and Russia as well as continued decline in CDMA equipment sales. This was partly offset by strong development in North America. Operating margin was stable QoQ.

Global Services increased sales 19% YoY. Operating margin increased QoQ.

The underlying business mix, with higher share of coverage projects than capacity projects, is expected to prevail short-term.

Operating margin decreased YoY due to higher share of coverage projects and modernization projects in Europe. QoQ operating margin increased due to lower opex.

Cash flow from operations SEK 7.0 b.

Net income SEK 2.2 b., down from SEK 3.8 b. YoY, impacted by lower profitability in Networks.

EPS diluted SEK 0.67 (1.18).

SEK b.	**Q3 2012**	**Q3 2011**	**YoY Change**	**Q2 2012**	**QoQ Change**	**Nine m. 2012**	**Nine m. 2011**
Net sales	54.6	55.5	2%	55.3	1%	160.8	163.3
Of which Networks	*26.9*	*32.5*	*17%*	*27.8*	*3%*	*82.0*	*99.1*
Of which Global Services	*24.3*	*20.4*	*19%*	*24.1*	*1%*	*69.0*	*56.9*
Of which Support Solutions	*3.3*	*2.6*	*29%*	*3.5*	*5%*	*9.8*	*7.2*
Gross margin	30.4%	35.0%		32.0%		31.9%	37.1%
Operating income excl JVs	3.7	6.3	42%	3.3	11%	17.4	17.6
Operating margin excl JVs	6.7%	11.3%		5.9%		10.8%	10.8%
Of which Networks	*5%*	*13%*		*5%*		*5%*	*15%*
Of which Global Services	*8%*	*9%*		*6%*		*6%*	*7%*
Of which Support Solutions	*14%*	*3%*		*12%*		*9%*	*7%*

Operating income incl JVs	3.1	5.7	45%	2.1	49%	14.3	15.7
Income after financial items	3.2	5.9	45%	1.8	81%	14.1	16.3
Net income	2.2	3.8	42%	1.2	81%	12.2	11.1
EPS diluted, SEK	0.67	1.18	43%	0.34	97%	3.77	3.42
Cash flow from operations	7.0	1.6		1.4		6.3	4.5

Nine months 2012 includes a gain from the divestment of Sony Ericsson of SEK 7.7 b.

COMMENTS FROM HANS VESTBERG, PRESIDENT AND CEO

Demand for Global Services and Support Solutions continued to be good, while Networks showed a decline in sales YoY. In North America Networks sales developed favorably, despite the expected decline in CDMA sales, while parts of Europe, China, Korea and Russia continued to be slow, says Hans Vestberg, President and CEO of Ericsson (NASDAQ:ERIC). The growing Global Services business contributes not only with topline but also with stable operating profitability and, together with Support Solutions, represented more than 50% of Group sales.

Table of Contents

NET SALES, SEK b.

OPERATING INCOME INCL. JVs, SEK b.

* *excl SEK 7.7 b. gain from Sony Ericsson divestment*

NET INCOME, SEK b.

* *excl SEK 7.7 b. gain from Sony Ericsson divestment*

CASH FLOW FROM OPERATIONS, SEK b.

We believe that the fundamentals for longer-term positive development for the industry remain solid. There are now one billion smartphones in the world and the number is expected to reach three billion in 2017. The introduction of new devices and applications put higher consumer demands on network performance and quality. This drives demand for our technology, software and services capabilities. However, at the same time, we see a continued macroeconomic slow down and political unrest in parts of the world, which has led to more cautious operator spending in some parts of the world.

Our joint venture ST-Ericsson is still in a challenging situation although performance improved in the quarter. Ericsson, together with STMicroelectronics, is continuously reviewing the strategy and business case. We remain confident that ST-Ericsson has a strategic position in the industry to enable the device ecosystem.

We have a strong portfolio, position and capabilities in place. However, our profitability is not satisfactory. We see steady improvements in execution of projects. These improvements are encouraging, but not enough and we will continue to proactively identify and execute additional efficiency gains and cost reductions, concludes Vestberg.

Financial Highlights

INCOME STATEMENT AND CASH FLOW

Sales in the quarter decreased -2% YoY and -1% QoQ. The acquired Telcordia operation added sales of SEK 1.1 b. in the quarter, split 50/50 between segments Global Services and Support Solutions.

Networks sales decreased -17% YoY primarily due to weaker sales in parts of Europe, China, Korea and Russia as well as continued decline in CDMA equipment sales. This was partly offset by strong development in North America. Networks sales decreased -3% QoQ due to seasonality. CDMA equipment sales continued its expected rapid decline with -50% YoY to SEK 1.6 b in the quarter.

Global Services continued its good momentum and grew 19% YoY and 1% QoQ. Global Services represented 45% (37%) of Group sales in the quarter compared to 44% in Q212. Support Solutions sales grew with 29% YoY and declined -5% QoQ. Both Global Services and Support Solutions were positively impacted by the added sales from the acquired Telcordia.

Ericsson restructuring charges amounted to SEK 0.6 (0.4) b., mainly related to execution of the service delivery strategy through transformation from local to global resource centers. For the nine months period, restructuring charges amount to SEK 1.7 b. As previously communicated, restructuring charges are estimated to approximately SEK 4 b., for the FY12.

Gross margin was down YoY to 30.4% (35.0%), and from 32.0% QoQ. The YoY decrease is due to the increased Global Services share as well as a higher proportion of coverage projects and network modernization projects in Europe. Approximately 50% of the YoY gross margin decline is related to the increased services share. The QoQ gross margin reduction is due to lower software sales and a higher Global Services share than in Q212.

The underlying business mix, with higher share of coverage projects than capacity projects, is expected to prevail short-term. The negative impact from the network modernization projects in Europe will start to gradually decline end 2012.

Total operating expenses amounted to SEK 13.3 (13.5) b. due to seasonality and effects from cost reductions.

Table of Contents

R&D expenses amounted to SEK 7.5 (7.8) b. and declined YoY despite added acquisitions. Full year R&D expenses is expected to be SEK 30-32 b. Selling and general administrative expenses (SG&A) amounted to SEK 5.8 (5.7) b. and declined QoQ by SEK 1.1 b.

Other operating income and expenses was SEK 0.3 (0.4) b. where of the divestment of Multimedia brokering (IPX) amounted to SEK 0.2 b.

Operating income, excluding JVs, decreased to SEK 3.7 (6.3) b. due to higher share of coverage projects and modernization projects in Europe as well as lower sales. Operating margin was 6.7% (11.3%) compared to 5.9% in Q212. The sequential improvement is driven by lower operating expenses.

Ericsson s share in ST-Ericsson s income before tax was SEK -0.6 (-0.7) b.

Financial net amounted to SEK 0.1 (0.2) b. and increased QoQ from SEK -0.3 b. mainly due to positive currency exchange revaluation effects on financial investments and liabilities.

Net income decreased to SEK 2.2 (3.8) b. due to lower profitability in Networks.

EPS diluted was SEK 0.67 (1.18). Cash flow from operations was positive SEK 7.0 (1.6) b., driven by good collection in the quarter. Cash outlays for restructuring amounted to SEK 0.2 (0.7) b. Cash outlays of SEK 0.9 b. remain to be made from the restructuring provision.

Table of Contents

DAYS SALES OUTSTANDING

INVENTORY DAYS

PAYABLE DAYS

BALANCE SHEET AND OTHER PERFORMANCE INDICATORS

Trade receivables decreased QoQ to SEK 61.6 (67.3) b., reflecting good collections and changes in FX. As a result, days sales outstanding (DSO) decreased from 111 to 101 days QoQ.

Inventory continued on a high level due to the high project activity. Inventory decreased QoQ to SEK 32.4 (33.1) b., mainly positively impacted by changes in FX. Inventory turnover days decreased from 84 to 82 days.

During the quarter, Ericsson has performed refinancing activities to extend the average debt maturity profile and to further diversify funding sources.

Cash, cash equivalents and short-term investments amounted to SEK 68.8 (66.4) b. During the quarter, approximately SEK 0.7 b. of provisions was utilized, of which SEK 0.2 b. related to restructuring. Additions of SEK 0.8 b. were made, of which SEK 0.2 b. related to restructuring. Reversals of SEK 0.1 b. were made.

Total number of employees at the end of the quarter increased to 109,214 (108,095). The increase is mainly due to addition of service professionals mainly in India and the acquisition of Technicolor Broadcast Service Division. This offsets headcount reductions in other areas.

Table of Contents

SEGMENT SALES, SEK b.

NETWORKS QUARTERLY SALES, SEK b.

Segment Results

NETWORKS

SEK b.	Q3 2012	Q3 2011	YoY Change	Q2 2012	QoQ Change	Nine m. 2012	Nine m. 2011
Network sales	26.9	32.5	17%	27.8	3%	82.0	99.1
Operating margin	5%	13%		5%		5%	15%

The decline is related to lower sales in parts of Europe, continued decline in CDMA, lower GSM sales in China as well as lower 3G sales in Russia. Korea declined YoY as a result of the large 3G investments in Q311. North America showed good development both YoY and QoQ. The sequential decline is due to seasonality.

The good traction for the Smart Services Router (SSR) continued in the quarter with 13 new contracts signed compared to seven in Q212. Overall the fixed and mobile IP portfolio showed good growth in the quarter. We also saw accelerating demand for AIR, the world s first commercially deployed antenna-integrated radio and part of the RBS6000 family, providing enhanced radio performance and ease of deployment.

Operating margin was negatively impacted YoY by lower sales as well as the underlying business mix, with more coverage than capacity projects, and the European network modernization projects. Operating margin was stable QoQ with positive impact from seasonally low operating expenses while a lower share of software impacted negatively.

After the initial large-scale LTE rollouts in the US, Korea and Japan, we now start to see other countries following. Lately Latin America started LTE rollouts and after executing awarded contracts Ericsson will have a footprint of more than 50%, substantially higher than the 3G market share in the region.

The introduction of new devices and applications put higher consumer demands on network performance. Faster HSPA speeds, coverage and capacity enhancements as well as tiered price plans are required for successful service differentiation.

Segment Networks has a continued strong focus on improving profitability and leveraging the installed base of radio, core and transport equipment. Other key priorities are to grow IP sales and secure contracts for Voice over LTE. In CDMA, the priority is to support customers migration to our LTE solution and excel in life-cycle management.

CDMA sales in the quarter amounted to SEK 1.6 b., a decline of -50% YoY and with lower operating margin than average in Networks. The work to reduce cost in the CDMA business continued and as of January 1, 2013, the CDMA operations will transition into the Networks organization. There is no impact on financial reporting.

Table of Contents

GLOBAL SERVICES QUARTERLY SALES, SEK b.

GLOBAL SERVICES

SEK b.	Q3 2012	Q3 2011	YoY Change	Q2 2012	QoQ Change	Nine m. 2012	Nine m. 2011
Global Services sales	24.3	20.4	19%	24.1	1%	69.0	56.9
Of which Professional Services	*16.4*	*14.7*	*11%*	*16.9*	*3%*	*48.2*	*40.8*
Of which Managed Services	*6.3*	*5.3*	*19%*	*6.5*	*3%*	*18.5*	*15.0*
Of which Network Rollout	*7.9*	*5.7*	*38%*	*7.1*	*11%*	*20.8*	*16.2*
Operating margin	8%	9%		6%		6%	7%
Of which Professional Services	*14%*	*14%*		*13%*		*13%*	*13%*
Of which Network Rollout	*6%*	*5%*		*11%*		*9%*	*8%*

The growth in Professional Services is mainly related to Managed Services. Operators continue to focus on increasing their operational efficiencies and reduce operating expenses through transformation activities in the voice, IP and OSS/BSS domains which drive demand for managed services and consulting and systems integration. The increase in Network Rollout is related to major activities in North East Asia, Europe, North America, and Sub-Saharan Africa. The QoQ decline in Professional Services is reflecting seasonality, while the increase in Network Rollout is a result of the continued high project activity.

The segment shows stable margin development due to continued efficiency gains. The QoQ margin improvement in Network Rollout is mainly a result of continued improvements in project execution and somewhat more favorable project mix. The margin impact from restructuring charges was 2%-points Q312 for Global Services (1%-point Q311) and 2%-points for Professional Services (2%-points Q311).

Ericsson supports networks with more than 2.5 billion subscribers. The strategy to centralize the service delivery continues and the number of services professionals increased with hiring of new employees in the Global Service Center in India as well as the acquisition of Technicolor Broadcast Service Division.

Other information	Q3 2012	Q2 2012	Q1 2012	Full year 2011
No. of signed managed services contracts	11	17	9	70
Of which expansions/extensions	*5*	*5*	*4*	*32*
No. of signed significant consulting & systems integration contracts [1)]	3	7	6	34
Number of subscribers in networks managed by Ericsson, end of period [2)]	~ 950 m.	> 900 m.	> 900 m.	900 m.
Of which in network operations contracts	*550 m.*	*500 m.*	*500 m.*	*500 m.*
Number of Ericsson services professionals, end of period	59,000	57,000	57,000	56,000

1) In the areas of OSS/BSS, IP, Service Delivery Platforms and data center build projects.

2) The figure includes network operations contracts and field operation contracts.

Table of Contents

SUPPORT SOLUTIONS

QUARTERLY SALES,

SEK b.

SUPPORT SOLUTIONS

SEK b.	Q3 2012	Q3 2011	YoY Change	Q2 2012	QoQ Change	Nine m. 2012	Nine m. 2011
Support Solutions sales	3.3	2.6	29%	3.5	5%	9.8	7.2
Operating margin	14%	3%		12%		9%	7%

The acquired Telcordia operation added sales of SEK 0.6 b. in the quarter and showed good QoQ sales performance. The YoY sales increase for the segment was driven by business support solutions BSS (charging solutions), mainly in Latin America and Middle East.

Operating margin is positively impacted by a capital gain of SEK 0.2 b. from the divestment of Multimedia brokering (IPX). Excluding IPX, operating margin was 7% in the quarter. IPX contributed with sales of SEK 1.2 b. for the first nine months of the year. Focus continues to be on transforming the business for sustainable profit generation as well as integrating Telcordia and newly acquired ConceptWave.

The number of subscribers served by our charging and billing solutions was 2.0 billion at end of period.

ST-ERICSSON

USD m.	Q3 2012	Q3 2011	YoY Change	Q2 2012	QoQ Change
Net sales	359	412	13%	344	4%
Operating income	174	224	22%	309	44%
Net income	190	211	10%	318	40%

ST-Ericsson s sales increased 4% QoQ, reflecting the continued ramp of NovaThor platforms shipping to customers as well as revenue from IP licensing. The net debt at the end of the quarter was USD -1.4 b. Last quarter net debt was USD -1.2 b. ST-Ericsson is reported in US GAAP and Ericsson s share in ST-Ericsson s income before tax, adjusted to IFRS, was SEK -0.6 (-0.7) b. in the quarter. By the end of the quarter, ST-Ericsson had utilized USD 1.4 b. of a short-term credit facility of USD 1.4 b. granted on a 50/50 basis by the parent companies, which corresponds to an increase of USD 0.2 b. since Q212.

Ericsson Group balance sheet items related to its investment in ST-Ericsson (IFRS);

SEK m.	March 31, 2012	June 30, 2012	Sept 30, 2012
Investment in ST-Ericsson	1,982	767	195
Loans to ST-Ericsson	3,241	4,311	4,538
Total	5,223	5,078	4,733

Though their path to success is challenging, ST-Ericsson continues to focus on securing the successful execution and delivery of its NovaThor ModAp platforms and Thor modems to customers while executing a company transformation aiming at lowering its break-even point. The parent companies are continuously reviewing the strategy and business case. As a result, we may consider additional actions to solidify and accelerate ST-Ericsson s path to profitability. In such an event, or in case of a significant worsening of business prospects, the value of ST-Ericsson for Ericsson could decrease to a value significantly lower than the current carrying amount of ST-Ericsson on our books and we may be required to take an impairment charge.

Ericsson accounts for ST-Ericsson in accordance with the equity method which means that Ericsson s share of income after tax in ST-Ericsson increases or decreases the carrying investment amount.

Table of Contents

Regional sales Overview

	Third quarter 2012				Growth	
SEK b.	Net-works	Global Services	Support Solutions	Total	*YoY*	*QoQ*
North America	7.6	5.9	0.6	14.0	*16%*	*8%*
Latin America	2.5	2.3	0.6	5.4	*10%*	*3%*
Northern Europe and Central Asia	1.5	1.1	0.1	2.7	*24%*	*20%*
Western and Central Europe	0.9	2.5	0.2	3.6	*21%*	*11%*
Mediterranean	2.0	3.2	0.2	5.4	*3%*	*13%*
Middle East	1.4	1.8	0.4	3.6	*0%*	*2%*
Sub-Saharan Africa	1.6	0.9	0.3	2.8	*11%*	*0%*
India	1.1	0.6	0.1	1.7	*24%*	*2%*
China and North East Asia	4.5	3.7	0.1	8.4	*13%*	*1%*
South East Asia and Oceania	1.7	1.6	0.1	3.5	*6%*	*5%*
Other [1)]	2.1	0.5	0.7	3.3	*49%*	*6%*
Total	**26.9**	**24.3**	**3.3**	**54.6**	***2%***	***1%***

1) In Segment Networks Other includes licensing revenues, sales of cables, power modules and other businesses. Revenue from the acquired Telcordia business operation, consolidated January 2012, is reported 50/50 between segments Global Services and Support Solutions. In the regional dimension, all of the Telcordia sales are reported in the Support Solution segment except for North America where it is split 50/50 between Global Services and Support Solutions. The acquired Technicolor Broadcast Service Division is reported in segment Global Services region Other . Multimedia brokering (IPX) was previously reported in each region in segment Support Solution. As of Q112 it is part of region Other in segment Support Solutions. Multimedia brokering (IPX) was divested end Q312.

North America. Network and Global Services sales both grew YoY and QoQ driven by continued high activity levels in won coverage projects. CDMA sales continued its expected decline. New LTE devices will drive data traffic and increase focus from operators on both coverage and capacity.

Latin America. Networks YoY business was slow pending operators decision for LTE investments. Networks sales increased QoQ driven by 3G/HSPA sales. Lately Latin America started LTE rollouts and after executing awarded contracts Ericsson will have a footprint of more than 50%, substantially higher than the 3G market share in the region. The region has also won substantial business in OSS/BSS and IPTV which contributed positively to Support Solutions.

Northern Europe and Central Asia. The continued YoY decline in Networks sales is mainly related to lower sales in Russia. However, Global Services continued its growth thanks to network rollout projects as well as new managed services contracts.

Western and Central Europe. Networks sales were negatively affected by the transition from previous contracts to network modernization contracts. This transition also impacted sales of Network Rollout in Global Services. Managed services, OSS/BSS and systems integration continued to show positive momentum.

Mediterranean. The YoY growth is driven by rollout of modernization projects. LTE is starting to gain traction in the region with deployment in a few countries.

Table of Contents

Middle East. Both Global Services and Support Solutions developed favorably in the quarter. Demand is especially good for managed services and systems integrations as operators seek network performance quality, operational efficiencies as well as transformation of their OSS/BSS environments. Networks sales were weak, impacted by political unrest in parts of the region, partly offset by continued LTE deployments.

Sub-Saharan Africa. The sales increase YoY is driven by 3G rollouts and upgrades across the region. However, 2G rollouts still represent the largest share of Global Services as well as Networks revenues. Subscriber and data growth continues, although data grows from a low level.

India. The QoQ improvement in Networks is driven by operator investments in areas where data traffic is growing. However, investments continued at low levels which are highlighted by the YoY comparison where Q311 saw large initial 3G rollouts.

China and North East Asia. The YoY decline in Networks was impacted by the same driver as in previous quarter, i.e. lower sales of GSM in China. Although the transition to LTE continues, Korea declined YoY compared with the large 3G investments in Q311. Services sales also showed same driver as in Q212, i.e. a strong development mainly driven by turnkey projects in Japan.

South East Asia and Oceania. Operator focus on network performance and quality has a positive impact on Global services sales. Networks sales decreased YoY reflecting lower activity levels in certain countries. LTE deployment is ongoing in parts of the region.

Other. The YoY improvement is due to the acquired Technicolor Broadcast Service Division that was consolidated in the quarter as well as Multimedia brokering (IPX) which was previously reported in each region, but from Q112 it is part of Other , under Support Solutions. Multimedia Brokering (IPX) was divested end Q312. Licensing revenues continued to show a stable development YoY. Also sales of cables, power modules and other businesses are included in Other .

Market data

GROWTH RATES ARE BASED ON ERICSSON AND MARKET ESTIMATES

	Q3 2012	Q3 2011	Change	FULL YEAR 2009	2010	2011	Ericsson forecast 2012
Mobile subscriptions, billion	6.4	5.9	9%	4.6	5.3	6.0	6.6
Net additions, million	105	180	40%	650	710	670	630
Mobile broadband, million [1)]	1,400	900	55%	300	600	1,000	1,500
Net additions, million	125	105	20%	150	270	400	500

1) Mobile broadband includes handsets, tablets and mobile PCs for the following technologies: HSPA, LTE, CDMA2000 EV-DO, TD-SCDMA and WiMAX. Note: due to continuous improvements in reported data from operators, historical subscriptions figures might have changed compared to previously reported, affecting comparison of net additions and total figures. All figures are approximates.

Table of Contents

Parent Company Information

Income after financial items was SEK 10.5 (6.1) b. Major changes in the Parent Company s financial position for the nine month period; decreased cash, cash equivalents and short-term investments of SEK 9.8 b., and increased current and non-current receivables from subsidiaries of SEK 8.4 b. At the end of the quarter, cash, cash equivalents and short-term investments amounted to SEK 46.3 (56.1) b. By the end of the quarter, ST-Ericsson had utilized USD 695 million of a short-term credit facility.

In accordance with the conditions of the long-term variable compensation program (LTV) for Ericsson employees, 2,478,565 shares from treasury stock were sold or distributed to employees during the third quarter. The holding of treasury stock at September 30, 2012, was 87,217,391 Class B shares.

Ericsson annual general meeting

The Annual General Meeting of shareholders will be held on April 9, 2013, 15.00 (CET) at Kistamässan in Kista, Stockholm, Sweden.

ANNUAL REPORT

The annual report will be made available on our website www.ericsson.com and at the Ericsson headquarters, Torshamnsgatan 23, Stockholm, Sweden, first weeks of March.

Other Information

DIVESTMENT OF IPX

On September 30, 2012, Ericsson divested its Multimedia brokering platform (IPX) to French listed company Gemalto, with the exception of operations in the US. About 100 employees were part of the transaction.

ACQUISITION OF CANADIAN CONCEPTWAVE

On September 25, 2012, Ericsson announced the acquisition of 100% of the shares of ConceptWave in an all cash transaction. ConceptWave is headquartered in Toronto, Canada, with 170 employees and complements Ericsson s portfolio in operations and business support systems with order management and product catalog solutions. The transaction closed at signing.

DIVESTMENT OF EDA 1500 GPON PORTFOLIO

On August 22, 2012, Ericsson announced the sale of its EDA 1500 GPON portfolio to US-based Calix Inc. (NYSE:CLAX) including the transfer of about 60 employees. The negative impact on operating income of estimated SEK 400 million in Q412 will be equally split between cost of sales and operating expenses without any significant cash impact. The companies have signed a global re-seller agreement.

CLOSING TECHNICOLOR BROADCAST SERVICE DIVISION ACQUISITION

On July 3, 2012, Ericsson announced the closing of the acquisition of Technicolor s Broadcast Services Division. The acquisition brings leading broadcast customers, approximately 900 highly skilled professionals and play-out services in France, UK and Netherlands. Purchase price amounted to EUR 19 million and a potential earn-out based on 2015 revenues of the Broadcast Services activity up to EUR 9 million.

Table of Contents

SIGNING OF LOAN AGREEMENT WITH NORDIC INVESTMENT BANK

On July 20, 2012, Ericsson announced the signing of a loan agreement with the Nordic Investment Bank (NIB). The loan amounts to EUR 0.15 b. (or the equivalent in USD), and is divided into two equal tranches with respective seven- and nine-year maturity. The loan supports Ericsson s R&D activity in Sweden and Finland to further develop the next generation mobile broadband technology. Investment period runs 2012 through 2014. The loan will refinance maturing debt, extend the debt maturity profile and further diversify funding sources.

Table of Contents

ASSESSMENT OF RISK ENVIRONMENT

Ericsson s operational and financial risk factors and uncertainties along with our strategies and tactics to mitigate risk exposures or limit unfavorable outcomes are described in our Annual Report 2011. Compared to the risks described in the Annual Report 2011, no material, new or changed risk factors or uncertainties have been identified in the quarter.

Risk factors and uncertainties in focus short-term for the Parent Company and the Ericsson Group include:

- Potential negative effects on operators willingness to invest in network development due to uncertainty in the financial markets and a weak economic business environment, or reduced consumer telecom spending, or increased pressure on us to provide financing;
- Uncertainty regarding the financial stability of suppliers, for example due to lack of financing;
- Effects on gross margins and/or working capital of the product mix in the Networks segment between sales of upgrades and expansions (mainly software) and new build-outs of coverage (mainly hardware);
- Effects on gross margins of the product mix in the Global Services segment including proportion of new network build-outs and share of new managed services deals with initial transition costs;
- A continued volatile sales pattern in the Support Solutions segment or variability in our overall sales seasonality could make it more difficult to forecast future sales;
- Effects of the ongoing industry consolidation among our customers as well as between our largest competitors, e.g. with postponed investments and intensified price competition as a consequence;
- Execution of the business plan and related capital need of our joint venture ST-Ericsson;
- Changes in foreign exchange rates, in particular USD and EUR;
- Political unrest or instability in certain markets;
- Effects on production and sales from restrictions with respect to timely and adequate supply of materials, components and production capacity and other vital services on competitive terms;
- Natural disasters and other events, affecting business, production, supply and transportation.

Ericsson stringently monitors the compliance with all relevant trade regulations and trade embargos applicable to dealings with customers operating in countries where there are trade restrictions or trade restrictions are discussed. Moreover, Ericsson operates globally in accordance with Group policies and directives for business ethics and conduct.

Stockholm, October 26, 2012

Telefonaktiebolaget LM Ericsson (publ)

Hans Vestberg, President and CEO

Org. Nr. 556016-0680

Date for next report: January 31, 2013

Table of Contents

Editor s Note

Ericsson invites media, investors and analysts to a press conference at the Ericsson Studio, Grönlandsgången 4, Stockholm, at 09.00 (CET), October 26, 2012. An analysts, investors and media conference call will begin at 14.00 (CET).

FOR FURTHER INFORMATION, PLEASE CONTACT

Helena Norrman, Senior Vice President, Communications

Phone: +46 10 719 3472

E-mail: investor.relations@ericsson.com or media.relations@ericsson.com

INVESTORS

Åse Lindskog, Vice President,

Head of Investor and Analyst Relations Phone: +46 10 719 9725

+46 730 244 872

E-mail: investor.relations@ericsson.com

Stefan Jelvin, Director,

Investor Relations

Phone: +46 10 714 2039

+46 709 860 227

E-mail: investor.relations@ericsson.com

Åsa Konnbjer, Director,

Investor Relations

Phone: +46 10 713 3928

+46 730 825 928

E-mail: investor.relations@ericsson.com

MEDIA

Ola Rembe, Vice President,

Head of Corporate Public & Media Relations

Phone: +46 10 719 9727

+46 730 244 873

E-mail: media.relations@ericsson.com

Corporate Public & Media Relations Phone: +46 10 719 69 92

E-mail: media.relations@ericsson.com

Telefonaktiebolaget LM Ericsson (publ) Org. number: 556016-0680 Torshamnsgatan 23

SE-164 83 Stockholm

Phone: +46 10 719 0000

Rikard Tunedal, Director,

Investor Relations

Phone: +46 10 714 5400

+46 761 005 400

E-mail: investor.relations@ericsson.com

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 , continu of these words, and include, among others, statements regarding: (i) strategies, outlook and growth prospects; (ii) positioning to deliver future plans and to realize potential for future growth; (iii) liquidity and capital resources and expenditure, and our credit ratings; (iv) growth in demand for our products and services; (v) our joint venture activities; (vi) economic outlook and industry trends; (vii) developments of our markets; (viii) the impact of regulatory initiatives; (ix) research and development expenditures; (x) the strength of our competitors; (xi) future cost savings; (xii) plans to launch new products and services; (xiii) assessments of risks; (xiv) integration of acquired businesses; (xv) compliance with rules and regulations and (xvi) infringements of intellectual property rights of others.

In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. These forward-looking statements speak only as of the date hereof and are based upon the information available to us at this time. Such information is subject to change, and we will not necessarily inform you of such changes. These statements are not guarantees of future performance and are subject to risks, uncertainties and assumptions that are difficult to predict. Therefore, our actual results could differ materially and adversely from those expressed in any forward-looking statements as a result of various factors. Important factors that may cause such a difference for Ericsson include, but are not limited to: (i) material adverse changes in the markets in which we operate or in global economic conditions; (ii) increased product and price competition; (iii) 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.

Table of Contents

Financial Statements and Additional Information

Table of Contents

CONSOLIDATED INCOME STATEMENT

SEK million	Jul - Sep 2011	Jul - Sep 2012	Change	Jan - Sep 2011	Jan - Sep 2012	Change
Net sales	55,518	54,550	2%	163,254	160,843	1%
Cost of sales	36,095	37,970	5%	102,737	109,566	7%
Gross income	19,423	16,580	15%	60,517	51,277	15%
Gross margin (%)	35.0%	30.4%		37.1%	31.9%	
Research and development expenses	7,824	7,473	4%	23,923	23,586	1%
Selling and administrative expenses	5,664	5,797	2%	19,846	18,884	5%
Operating expenses	13,488	13,270	2%	43,769	42,470	3%
Other operating income and expenses [1)]	366	341		875	8,620	
Operating income before shares in earnings of JV and associated companies	6,301	3,651	42%	17,623	17,427	1%
Operating margin before shares in earnings of JV and associated companies (%)	11.3%	6.7%		10.8%	10.8%	
Shares in earnings of JV and associated companies	640	555	13%	1,879	3,166	68%
Operating income	5,661	3,096	45%	15,744	14,261	9%
Financial income	1,198	390		2,477	1,270	49%
Financial expenses	987	275		1,929	1,472	24%
Income after financial items	5,872	3,211	45%	16,292	14,059	14%
Taxes	2,090	1,027		5,214	1,866	
Net income	3,782	2,184	42%	11,078	12,193	10%
Net income attributable to:						
- Stockholders of the Parent Company	3,821	2,177		11,040	12,237	
- Non-controlling interests	39	7		38	44	
Other information						
Average number of shares, basic (million)	3,207	3,217		3,204	3,215	
Earnings per share, basic (SEK) [2)]	1.19	0.68		3.45	3.81	
Earnings per share, diluted (SEK) [2)]	1.18	0.67		3.42	3.77	

STATEMENT OF COMPREHENSIVE INCOME

SEK million	Jul - Sep 2011	Jul - Sep 2012	Jan - Sep 2011	Jan - Sep 2012
Net income	3,782	2,184	11,078	12,193
Other comprehensive income				
Actuarial gains and losses, and the effect of the asset ceiling, related to pensions	5,825	486	7,174	1,251
Revaluation of other investments in shares and participations				

Fair value remeasurement	1	1	1	2
Cash flow hedges				
Gains/losses arising during the period	882	867	880	1,066
Reclassification adjustments for gains/losses included in profit or loss	264	72	2,383	215
Adjustments for amounts transferred to initial carrying amount of hedged items				92
Changes in cumulative translation adjustments	1,848	3,409	426	4,090
Share of other comprehensive income on JV and associated companies	439	5	177	23
Tax on items relating to components of other comprehensive income	1,619	27	2,063	126
Total other comprehensive income	3,066	3,131	7,218	4,293
Total comprehensive income	716	947	3,860	7,900
Total comprehensive income attributable to:				
Stockholders of the Parent Company	682	879	3,799	8,000
Non-controlling interests	34	68	61	100

1) *Includes gain on sale of Sony Ericsson SEK 7.7 b. in Q1 2012*

2) *Based on Net income attributable to stockholders of the Parent Company*

Table of Contents

CONSOLIDATED BALANCE SHEET

SEK million	Dec 31 2011	Jun 30 2012	Sep 30 2012
ASSETS			
Non-current assets			
Intangible assets			
Capitalized development expenses	3,523	3,795	3,964
Goodwill	27,438	31,342	30,319
Intellectual property rights, brands and other intangible assets	13,083	17,616	16,125
Property, plant and equipment	10,788	11,435	11,559
Financial assets			
Equity in JV and associated companies	5,965	2,110	1,526
Other investments in shares and participations	2,199	2,207	2,010
Customer financing, non-current	1,400	1,340	1,331
Other financial assets, non-current	4,117	4,932	3,704
Deferred tax assets	13,020	14,164	13,506
	81,533	88,941	84,044
Current assets			
Inventories	33,070	33,118	32,424
Trade receivables	64,522	67,320	61,562
Customer financing, current	2,845	2,581	2,703
Other current receivables	17,837	19,337	23,417
Short-term investments [1)]	41,866	37,674	35,976
Cash and cash equivalents	38,676	28,707	32,845
	198,816	188,737	188,927
Total assets	280,349	277,678	272,971
EQUITY AND LIABILITIES			
Equity			
Stockholders equity	143,105	143,827	143,079
Non-controlling interest in equity of subsidiaries	2,165	1,920	1,463
	145,270	145,747	144,542
Non-current liabilities			
Post-employment benefits	10,016	9,859	9,732
Provisions, non-current	280	205	196
Deferred tax liabilities	2,250	3,732	3,604
Borrowings, non-current	23,256	23,033	22,910
Other non-current liabilities	2,248	2,534	2,513
	38,050	39,363	38,955
Current liabilities			
Provisions, current	5,985	5,113	5,047
Borrowings, current	7,765	7,583	7,196
Trade payables	25,309	24,410	21,968

Other current liabilities	57,970	55,462	55,263
	97,029	92,568	89,474
Total equity and liabilities	280,349	277,678	272,971
Of which interest-bearing liabilities and post-employment benefits	*41,037*	*40,475*	*39,838*
Of which net cash	*39,505*	*25,906*	*28,983*
Assets pledged as collateral	452	530	538
Contingent liabilities	609	518	548

[1] *Including loan to ST-Ericsson of SEK 4,538 million as of September 30, 2012 (SEK 4,311 million as of June 30, 2012, SEK 2,759 million as of December 31, 2011)*

Table of Contents

CONSOLIDATED STATEMENT OF CASH FLOWS

SEK million	Jul - Sep 2011	Jul - Sep 2012	Jan - Sep 2011	Jan - Sep 2012	Jan - Dec 2011
Operating activities					
Net income	3,782	2,184	11,078	12,193	12,569
Adjustments to reconcile net income to cash					
Taxes	550	886	1,242	3,189	1,994
Earnings/dividends in JV and associated companies	658	579	1,893	3,062	3,710
Depreciation, amortization and impairment losses	2,227	2,394	6,608	7,110	9,036
Other	291	413	2,599	7,075	2,127
	6,926	4,684	18,222	12,101	25,182
Changes in operating net assets					
Inventories	2,619	650	8,451	666	3,243
Customer financing, current and non-current	607	164	216	118	74
Trade receivables	2,769	2,882	2,265	1,177	1,700
Trade payables	805	1,455	1,894	2,451	1,648
Provisions and post-employment benefits	2,180	175	3,417	2,299	5,695
Other operating assets and liabilities, net	3,694	1,851	2,536	1,640	2,988
	5,286	2,289	13,707	5,761	15,200
Cash flow from operating activities	1,640	6,973	4,515	6,340	9,982
Investing activities					
Investments in property, plant and equipment	1,294	1,461	3,470	4,103	4,994
Sales of property, plant and equipment	59	17	214	316	386
Acquisitions/divestments of subsidiaries and other operations, net [1)]	1,931	357	2,893	2,197	3,128
Product development	257	435	955	1,211	1,515
Other investing activities	769	1,652	690	1,327	900
Short-term investments	9,323	938	16,225	3,196	14,692
Cash flow from investing activities	5,131	1,522	8,431	2,672	4,541
Cash flow before financing activities	6,771	5,451	12,946	3,668	14,523
Financing activities					
Dividends paid	241	381	7,450	8,633	7,455
Other financing activities	10	1,062	133	856	961
Cash flow from financing activities	251	681	7,317	7,777	6,494
Effect of exchange rate changes on cash	278	1,994	231	1,722	217
Net change in cash	6,798	4,138	5,398	5,831	7,812
Cash and cash equivalents, beginning of period	29,464	28,707	30,864	38,676	30,864
Cash and cash equivalents, end of period	36,262	32,845	36,262	32,845	38,676

1) Includes payment of external loan of SEK -6.2 b. attributable to the acquisition of Telcordia in Q1 2012

Table of Contents

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEK million	Jan - Sep 2011	Jan - Sep 2012	Jan - Dec 2011
Opening balance	**146,785**	**145,270**	**146,785**
Total comprehensive income	3,860	7,900	5,506
Stock issue		159	
Sale/Repurchase of own shares	68	109	92
Stock Purchase Plan	320	333	413
Dividends paid	7,450	8,633	7,455
Transactions with non-controlling interests	79	377	71
Closing balance	**143,504**	**144,543**	**145,270**

Table of Contents

CONSOLIDATED INCOME STATEMENT ISOLATED QUARTERS

Isolated quarters, SEK million	2011 Q1	2011 Q2	2011 Q3	2011 Q4	2012 Q1	2012 Q2	2012 Q3
Net sales	52,966	54,770	55,518	63,667	50,974	55,319	54,550
Cost of sales	32,578	34,064	36,095	44,463	33,985	37,611	37,970
Gross income	20,388	20,706	19,423	19,204	16,989	17,708	16,580
Gross margin (%)	38.5%	37.8%	35.0%	30.2%	33.3%	32.0%	30.4%
Research and development expenses	7,991	8,108	7,824	8,715	8,016	8,097	7,473
Selling and administrative expenses	6,441	7,741	5,664	6,837	6,232	6,855	5,797
Operating expenses	14,432	15,849	13,488	15,552	14,248	14,952	13,270
Other operating income and expenses [1)]	343	166	366	403	7,749	530	341
Operating income before shares in earnings of JV and associated companies	6,299	5,023	6,301	4,055	10,490	3,286	3,651
Operating margin before shares in earnings of JV and associated companies (%)	11.9%	9.2%	11.3%	6.4%	20.6%	5.9%	6.7%
Shares in earnings of JV and associated companies	468	771	640	1,899	1,403	1,208	555
Operating income	5,831	4,252	5,661	2,156	9,087	2,078	3,096
Financial income	302	977	1,198	405	262	618	390
Financial expenses	306	636	987	732	273	924	275
Income after financial items	5,827	4,593	5,872	1,829	9,076	1,772	3,211
Taxes	1,747	1,377	2,090	338	272	567	1,027
Net income	4,080	3,216	3,782	1,491	8,804	1,205	2,184
Net income attributable to:							
- Stockholders of the Parent Company	4,103	3,116	3,821	1,154	8,950	1,110	2,177
- Non-controlling interests	23	100	39	337	146	95	7
Other information							
Average number of shares, basic (million)	3,202	3,204	3,207	3,209	3,212	3,215	3,217
Earnings per share, basic (SEK) [2)]	1.28	0.97	1.19	0.36	2.79	0.35	0.68
Earnings per share, diluted (SEK) [2)]	1.27	0.96	1.18	0.36	2.76	0.34	0.67

1) *Includes gain on sale of Sony Ericsson SEK 7.7 b. in Q1 2012*
2) *Based on Net income attributable to stockholders of the Parent Company*

Table of Contents

CONSOLIDATED STATEMENT OF CASH FLOWS ISOLATED QUARTERS

	2011				2012		
Isolated quarters, SEK million	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**
Operating activities							
Net income	4,080	3,216	3,782	1,491	8,804	1,205	2,184
Adjustments to reconcile net income to cash							
Taxes	721	29	550	752	1,118	1,185	886
Earnings/dividends in JV and associated companies	452	783	658	1,817	1,290	1,193	579
Depreciation, amortization and impairment losses	2,209	2,172	2,227	2,428	2,315	2,401	2,394
Other	1,201	1,107	291	472	7,022	466	413
	6,261	5,035	6,926	6,960	4,269	3,148	4,684
Changes in operating net assets							
Inventories	3,462	2,370	2,619	5,208	59	43	650
Customer financing, current and non-current	196	195	607	290	282		164
Trade receivables	1,610	2,114	2,769	565	3,722	5,427	2,882
Trade payables	255	834	805	246	2,713	1,717	1,455
Provisions and post-employment benefits	752	485	2,180	2,278	1,771	353	175
Other operating assets and liabilities, net	3,284	2,126	3,694	5,524	2,999	492	1,851
	9,167	746	5,286	1,493	3,538	4,512	2,289
Cash flow from operating activities	2,906	5,781	1,640	5,467	731	1,364	6,973
Investing activities							
Investments in property, plant and equipment	980	1,196	1,294	1,524	1,648	994	1,461
Sales of property, plant and equipment	97	58	59	172	309	10	17
Acquisitions/divestments of subsidiaries and other operations, net [1)]	455	507	1,931	235	1,730	110	357
Product development	269	429	257	560	251	525	435
Other investing activities	179	100	769	210	195	520	1,652
Short-term investments	3,706	3,196	9,323	1,533	3,999	8,133	938
Cash flow from investing activities	2,278	1,022	5,131	3,890	7,124	5,974	1,522
Cash flow before financing activities	628	6,803	6,771	1,577	6,393	4,610	5,451
Financing activities							
Dividends paid		7,209	241	5		8,252	381
Other financing activities	1,240	1,097	10	828	1,318	1,112	1,062
Cash flow from financing activities	1,240	8,306	251	823	1,318	7,140	681
Effect of exchange rate changes on cash	720	211	278	14	327	599	1,994
Net change in cash	108	1,292	6,798	2,414	8,038	1,931	4,138
Cash and cash equivalents, beginning of period	30,864	30,756	29,464	36,262	38,676	30,638	28,707
Cash and cash equivalents, end of period	30,756	29,464	36,262	38,676	30,638	28,707	32,845

[1)] *Includes payment of external loan of SEK -6.2 b. attributable to the acquisition of Telcordia in Q1 2012*

Table of Contents

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 IFRS Interpretations Committee, (IFRIC). The accounting policies adopted are consistent with those of the annual report for the year ended December 31, 2011, and should be read in conjunction with that annual report.

As from January 1, 2012, the Company has applied the following new or amended IFRSs and IFRICs:

- Amendment to IAS 12, income taxes: deferred tax: recovery of underlying assets (not yet endorsed by the EU)

- Amendments to IFRS 7, Financial instruments Disclosures: Transfers of Financial Assets

None of the new or amended standards and interpretations has had any significant impact on the financial result or position of the Company. There is no difference between IFRS effective as per September 30, 2012 and IFRS as endorsed by the EU, except for IAS 12 above.

Table of Contents

NET SALES BY SEGMENT BY QUARTER

Segments Sony Ericsson and ST-Ericsson are reported in accordance with the equity method, thus their sales are not included.

	2011				2012		
Isolated quarters, SEK million	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**
Networks	33,249	33,360	32,506	33,280	27,314	27,766	26,939
Global Services	17,435	19,036	20,438	26,975	20,631	24,074	24,296
Of which Professional Services	*12,571*	*13,463*	*14,719*	*18,081*	*14,884*	*16,947*	*16,388*
Of which Managed Services	*4,924*	*4,724*	*5,304*	*6,046*	*5,708*	*6,468*	*6,306*
Of which Network Rollout	*4,864*	*5,573*	*5,719*	*8,894*	*5,747*	*7,127*	*7,908*
Support Solutions	2,282	2,374	2,574	3,412	3,029	3,479	3,315
Total	**52,966**	**54,770**	**55,518**	**63,667**	**50,974**	**55,319**	**54,550**

	2011				2012		
Sequential change, percent	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**
Networks	9%	0%	3%	2%	18%	2%	3%
Global Services	24%	9%	7%	32%	24%	17%	1%
Of which Professional Services	*25%*	*7%*	*9%*	*23%*	*18%*	*14%*	*3%*
Of which Managed Services	*8%*	*4%*	*12%*	*14%*	*6%*	*13%*	*3%*
Of which Network Rollout	*21%*	*15%*	*3%*	*56%*	*35%*	*24%*	*11%*
Support Solutions	34%	4%	8%	33%	11%	15%	5%
Total	**16%**	**3%**	**1%**	**15%**	**20%**	**9%**	**1%**

	2011				2012		
Year over year change, percent	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**
Networks	35%	31%	25%	9%	18%	17%	17%
Global Services	4%	5%	7%	18%	18%	26%	19%
Of which Professional Services	*5%*	*9%*	*7%*	*8%*	*18%*	*26%*	*11%*
Of which Managed Services	*1%*	*16%*	*1%*	*13%*	*16%*	*37%*	*19%*
Of which Network Rollout	*0%*	*6%*	*7%*	*44%*	*18%*	*28%*	*38%*
Support Solutions	1%	2%	11%	2%	33%	47%	29%
Total	**17%**	**14%**	**17%**	**1%**	**4%**	**1%**	**2%**