ERICSSON LM TELEPHONE CO
Form 6-K
October 20, 2008

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN ISSUER

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

the Securities Exchange Act of 1934

October 20, 2008

LM ERICSSON TELEPHONE COMPANY

(Translation of registrant s name into English)

Torshamnsgatan 23, Kista

SE-164 83, Stockholm, Sweden

(Address of principal executive offices)

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

Announcement of LM Ericsson Telephone Company, dated October 20, 2008 regarding Ericsson reports strong third quarter results.

THIRD QUARTER REPORT

October 20, 2008

Ericsson reports strong third quarter results

Sales SEK 49.2 (43.5) b., 13% growth, SEK 141.9 (133.3) b. first nine months

Operating income SEK 5.7 (5.6) b., excl. restructuring charges of SEK 2.0 b.[1], SEK 14.7[2] (23.0) b. first nine months, excl. restructuring charges of SEK 4.6 b.[1]

Operating margin 11.5% (12.9%), excl. restructuring charges, 10.3%[2] (17.3%) first nine months, excl. restructuring charges

Cash flow SEK 3.8 (-1.6) b., SEK 17.0 (7.2) b. first nine months

Net income[3] SEK 2.8 (4.0) b., SEK 7.4[2] (16.2) b. first nine months

Earnings per share[3] SEK 0.89 (1.25) [4], SEK 2.32[2] (5.10) [4] first nine months

1) *The restructuring charges include SEK 0.2 b in Sony Ericsson*

2) *Includes a capital gain of SEK 0.2 b. from divested enterprise PBX operations in Q208*

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

SALES BY QUARTER

2007 AND 2008 (SEK B)

During the quarter, sales grew by 13% with strong development in all regions except Western Europe, said Carl-Henric Svanberg, President and CEO of Ericsson (NASDAQ:ERIC). Gross margin increased year-over-year and was stable sequentially. We are seeing initial positive effects from our ongoing cost adjustments. Our financial position is strong with healthy net cash and high payment readiness.

Our business in the quarter has not been impacted by the financial turmoil. Our customers are generally financially strong. In addition, networks are loaded and traffic shows strong increase. In the present financial turmoil, it is however hard to predict how operators will act and to what extent consumer telecom spending will be affected.

In this environment, we continue to adjust our cost base. Our cost adjustment program is running according to plan. The charges we announced earlier have now been exceeded. However, given the present market conditions, we will continue with cost adjustment activities in the fourth quarter, although at a slightly lower pace.

We have a positive longer-term view for our industry, however, as we look into 2009, we continue to plan for a flattish market, and we have measures in place also for tougher conditions, said Carl-Henric Svanberg.

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FINANCIAL HIGHLIGHTS

Income statement and cash flow

	Third quarter			Second quarter		Nine months		
SEK b.	**2008[1)]**	**2007**	**Change**	**2008[1)]**	**Change**	**2008[1)]**	**2007**	**Change**
Net sales	49.2	43.5	13%	48.5	1%	141.9	133.3	6%
Gross margin	37.0%	35.6%		37.0%		37.5%	40.6%	
EBITDA margin	15.3%	17.4%		14.9%		15.0%	21.8%	
Operating income	5.7	5.6	1%	4.7	20%	14.7	23.0	-36%
Operating margin	11.5%	12.9%		9.7%		10.3%	17.3%	
Operating margin excl Sony Ericsson	11.5%	9.0%		9.7%		9.7%	13.7%	
Income after financial items	6.2	5.6	10%	4.7	31%	15.3	23.1	-34%
Net income [3)]	2.8[2)]	4.0	-28%	1.9[2)]	50%	7.4[2)]	16.2	-54%
EPS, SEK [3) 4)]	0.89[2)]	1.25	-29%	0.60[2)]	48%	2.32[2)]	5.10	-55%
Cash flow from operating activities	3.8	-1.6		8.5		17.0	7.2	
Cash flow excl. Sony Ericsson	2.4	-3.0		8.5		13.4	3.2	

1) *Excluding restructuring charges of 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*
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*

Sales were up 13% year-over-year, mainly driven by healthy growth in Networks across all regions except Western Europe. In constant currencies, growth amounted to some 17%. Acquisitions and divestitures had a limited net effect.

Gross margin, excluding restructuring charges, amounted to 37.0% (35.6%) and was stable sequentially. The year-over-year improvement reflects a better business mix outside Western Europe and improved margins in Professional Services.

Operating expenses, excluding restructuring charges, amounted to SEK 12.9 (12.0) b. in the quarter. Operating expenses decreased sequentially affected by seasonality and some initial effects of the cost adjustments.

Operating income, excluding restructuring charges, amounted to SEK 5.7 (5.6) b. in the quarter. Sony Ericsson showed a small profit, excluding restructuring charges. Excluding Sony Ericsson, Group operating margin improved year-over-year to 11.5% (9.0%).

Financial net amounted to SEK 0.5 (-0.1) b. with positive effects from foreign exchange as well as interest rates.

Cash flow from operating activities reached SEK 3.8 (-1.6) b. in the quarter, including a dividend of SEK 1.4 b. from Sony Ericsson. The increase in working capital reflects the strong sales and customary build-up of inventories ahead of the fourth quarter. The cash conversion rate year-to-date amounted to 102% (30%).

Cash flow from investing activities was SEK -5.5 (-3.6) b. in the quarter of which SEK -4.6 b are related to increased short-term investments.

Balance sheet and other performance indicators

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

1) *Excluding restructuring costs*

The net cash position increased sequentially to SEK 30.2 (27.9) b. Cash, cash equivalents and short-term investments amounted to SEK 65.6 (57.1) b. This includes effects from a seven-year loan of SEK 4.0 b. with the European Investment Bank to support the development of LTE in Sweden. Of a total debt position of SEK 27.6 b., SEK 5.0 b. matures in the next twelve months.

During the quarter, approximately SEK 1.6 b. of provisions were utilized related to warranty and project commitments and other items, of which SEK 0.3 b. were related to restructuring. Additions of SEK 3.4 b. were made, of which SEK 1.5 b. related to restructuring. Reversals of SEK 0.1 b. were made. The net impact on operating income, excluding restructuring charges, was negative by SEK 1.9 b.

Days sales outstanding increased in the quarter to 115 days due to high business activity, especially in high-growth markets where payment terms are longer. Inventory increased due to customary fourth quarter build-up.

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. In the quarter, charges of SEK 1.8 b. have been recognized of which SEK 1.5 have been added to provisions. Year-to-date, charges of SEK 4.4 b. have been recognized of which SEK 3.1 b. have been added to provisions. The cost reductions should have full effect from 2009.

Further charges will be taken in the fourth quarter with expected annual savings increasing accordingly. Ericsson s share in Sony Ericsson s restructuring charges were SEK 0.2 b. in the quarter.

Restructuring charges Isolated quarters, SEK b.	Accumulated	2008 Q3	Q2	Q1
Cost of sales	-1.4	-0.6	-0.6	-0.2
Research and development expenses	-2.0	-0.3	-1.1	-0.6
Selling and administrative expenses	-1.0	-0.9	-0.1	-0.0
Share in Sony Ericsson	-0.2	-0.2		

Total	**-4.6**	**-2.0**	**-1.8**	**-0.8**

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SEGMENT RESULTS

	Third quarter			Second quarter		Nine months		
SEK b.	**2008[1]**	**2007**	**Change**	**2008[1]**	**Change**	**2008[1,2]**	**2007**	**Change**
Networks sales	**33.0**	**28.5**	**16%**	**33.3**	**-1%**	**96.3**	**91.5**	**5%**
Of which network rollout	4.7	4.0	17%	4.8	-2%	14.0	12.1	16%
Operating margin	11%	8%		10%		10%	15%	
EBITDA margin	15%	13%		15%		15%	20%	
Professional Services sales	**11.8**	**11.0**	**7%**	**11.0**	**7%**	**32.8**	**30.8**	**7%**
Of which managed services	3.5	3.4	3%	3.4	1%	10.0	8.9	13%
Operating margin	16%	15%		14%		15%	15%	
EBITDA margin	19%	17%		16%		17%	16%	
Multimedia sales	**4.4**	**4.0**	**10%**	**4.2**	**5%**	**12.8**	**11.0**	**16%**
Operating margin	3%	1%		-1%		-3%	3%	
EBITDA margin	12%	6%		13%[3]		7%[3]	7%	
Total sales	**49.2**	**43.5**	**13%**	**48.5**	**1%**	**141.9**	**133.3**	**6%**

1) *Excluding restructuring costs*
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*

SEGMENT SALES BY

QUARTER

2007 AND 2008 (SEK B)

Networks

Sales in Networks were up 16% year-over-year and 5% year-to-date. Network rollout services grew in line with equipment sales. Build-out of new networks as well as network expansions across all markets except Western Europe continues with particularly strong growth in India, Indonesia, Russia and Brazil,. Margins improved sequentially as well as year-over-year due to improved business mix and lower operating expenses.

Redback shows strong sales growth as a result of increased international sales while sales in the US were down.

Professional Services

Sales in Professional Services grew by 7% both year-over-year as well as year-to-date. Adjusted for the transfer of IPX and local currencies, sales growth amounted to 11% year-to-date. Operating margin improved sequentially, as a result of efficiency gains and a lower proportion of new managed services contracts in early phase.

Compared to a strong third quarter 2007, managed services sales increased year-over-year by 3% and by 13% year-to-date. During the quarter, six new contracts were signed. The total number of subscribers in managed operations now amount to 225 million, of which 60% are in high-growth markets.

Multimedia

Sales growth was 10% year-over-year and 16% year-to-date. Organic growth, excluding acquisitions and divestitures, amounted to 23% year-over-year. Revenue management, including LHS, and Tandberg Television showed particularly strong development.

Operating margin showed an encouraging improvement and reached 3% in the quarter. Multimedia is still in its build-up phase and sales and results will fluctuate between quarters.

Sony Ericsson Mobile Communications

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For information on transactions with Sony Ericsson Mobile Communications, please see Financial statements and Additional information.

	Third quarter			Second quarter		Nine months		
EUR m.	**2008**	**2007**	**Change**	**2008**	**Change**	**2008**	**2007**	**Change**
Number of units shipped (m.)	25.7	25.9	-1%	24.4	6%	72.5	72.6	0%
Average selling price (EUR)	109	120	-9%	116	-6%	115	126	-9%
Net sales	2,808	3,108	-10%	2,820	0%	8,330	9,145	-9%
Gross margin	22%	31%		23%		25%	30%	
Operating margin	-1%	13%		0%		2%	12%	
Income before taxes	-23	384		8		179	1,073	
Income before taxes, excl restructuring charges	12	384		19		225	1,073	
Net income	-25	267		6		114	741	

Units shipped in the quarter were 25.7 million, a sequential increase, but a year-on-year decrease. Sales for the quarter were EUR 2,808 million, a decrease of 10% compared to the third quarter 2007. Gross margin decreased year-on-year as well as sequentially due to continued price pressure at a time of adverse cost trends in the supplier base. New products launched, such as the C902 Cyber-shot camera phone, have been well received. Income before taxes for the quarter was EUR 12 (384) million, excluding restructuring charges of EUR 35 million.

The target to reduce operating expenses by EUR 300 million annually by the end of the second quarter 2009 remains, with the full effects expected to appear in the second half of 2009. The plans are progressing in line with expectations.

Ericsson s share in Sony Ericsson s income before tax, excluding restructuring charges, was SEK 0.1 (1.7) b. in the quarter.

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REGIONAL OVERVIEW

	Third quarter			Second quarter		Nine months		
Sales, SEK b.	**2008**	**2007**	**Change**	**2008**	**Change**	**2008**	**2007**	**Change**
Western Europe	11.6	12.3	-6%	12.1	-4%	35.4	37.3	-5%
Central and Eastern Europe, Middle East and Africa	13.1	12.0	9%	11.2	16%	35.4	34.4	3%
Asia Pacific	14.1	12.0	17%	15.8	-11%	42.8	40.9	5%
Latin America	6.1	4.2	43%	5.0	23%	15.2	11.6	31%
North America	4.3	3.0	44%	4.4	-2%	13.0	9.1	43%

Sales in Western Europe declined by 6% year-over-year and is down 5% year-to-date. Spain, Italy and UK were particularly slow while Germany and the Nordic region showed good development. 3G accelerates while spending on GSM is decreasing.

REGIONAL SALES BY

QUARTER

2007 AND 2008 (SEK B)

Sales in Central and Eastern Europe, Middle East and Africa increased 9% year-over-year and by 3% year-to-date. The business activity is increasing throughout the region. Russia and Africa showed particularly good development. Roll out of 2G network coverage in rural areas and deployments of 3G in urban areas characterize the region.

Asia Pacific sales were up 17% year-over-year and 5% year-to-date. The business activity is generally high in the region although there are uncertainties in some countries. India and Indonesia showed particularly strong growth with major new network rollouts. Japan was up strongly after a temporary slow down. China was down sequentially, reflecting the temporary effects of the Beijing Olympics.

Latin American sales were up 43% year-over-year and 31% year-to-date. The development was particularly strong in Brazil, presently leading the rollout of mobile broadband in the region. Mexico and Central America also contributed to the positive development. Professional Services show positive development throughout the region.

North American sales were up 44% year-over-year and 43% year-to-date with sales stabilizing on a higher level. The positive development is a result of the continued build-out and expansion of mobile broadband. Smart phones and other new devices as well as broadband-connected laptops are generating demand for fast and efficient networks.

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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 communication continues to grow and plays a vital role for the development for a prosperous society. Ericsson is well positioned to lead this development.

The demand for broadband is strong. We expect traffic in mobile and fixed networks to increase tenfold in the next five years mainly driven by internet applications and the introduction of interactive HD-TV. Data traffic in WCDMA networks measured by Ericsson is now four times the volume of voice versus close to three times in the previous quarter. With major 3G rollouts in Brazil, Russia, China, India and Africa, consumers across the world will soon benefit from broadband services and connection to Internet.

Mobile subscriptions grew by some 178 million in the quarter to a total of 3.8 billion. 260 million are WCDMA subscriptions, up by 24 million in the third quarter. There are 239 WCDMA networks in 101 countries, of which 221 networks are upgraded to HSPA. In the twelve-month period ending June 30, 2008, fixed broadband connections grew by 21% to more than 370 million.

PLANNING ASSUMPTIONS

For 2008 we have found it prudent to plan for a flattish global mobile infrastructure market and for good growth of the professional services market.

The major macro economic trends are negative but the present financial turmoil has so far no impact on Ericsson s business. Operators are generally financially sound, networks are loaded and traffic shows strong growth. In the present financial environment, it is however hard to predict how operators will act and to what extent consumer telecom spending will be affected.

In this environment, as we look into 2009, we find it prudent to plan for a flattish development in the global mobile infrastructure market and good growth in the professional services market.

PARENT COMPANY INFORMATION

Net sales for the nine-month period amounted to SEK 4.1 (2.5) b. and income after financial items was SEK 17.6 (13.2) b. During the quarter, dividends to the Parent Company have impacted financial net with SEK 8.9 (1.8) b.

Major changes in the Parent Company s financial position for the nine-month period include decreased current and non-current receivables from subsidiaries of SEK 9.0 b. and increased cash and bank and short-term investments of SEK 11.1 b. Current and non-current liabilities to subsidiaries decreased by SEK 9.5 b. and other current liabilities increased by SEK 3.7 b. As per September 30, 2008, cash and bank and short-term investments amounted to SEK 56.7 (45.6) b.

Major transactions and balances with related parties include the following with Sony Ericsson Mobile Communications: revenues of SEK 1.4 (1.8) b.; receivables of SEK 0.5 (0.9) b.; dividend of SEK 3.6 (3.9) b.

In the third quarter, as decided by the Annual General Meeting 2008, a stock issue and a subsequent stock repurchase of 19,900,000 shares was carried out related to Ericsson´s Long-Term Variable Compensation Program (LTV) 2008. In accordance with the conditions of the Stock Purchase Plans and Option Plans for Ericsson employees, 1,061,485 shares from treasury stock were sold or distributed to employees during the third quarter. The holding of treasury stock at September 30, 2008, was 62,237,216 shares of Class B.

OTHER INFORMATION

Joint venture Ericsson Mobile Platforms and ST-NXP Wireless

On August 20, Ericsson and STMicroelectronics announced an agreement to merge Ericsson Mobile Platforms and ST-NXP Wireless into a joint venture. The 50/50 joint venture will have the industry s strongest product offering in semiconductors and platforms for mobile applications. Regulatory approvals are still pending.

Change in number of total shares and votes

On August 29, Ericsson changed the total number of shares and votes due to the issue of shares to expand the treasury stock as part of the financing of Ericsson s long-term variable compensation program.

Assessment of risk environment

Ericsson s operational and financial risk factors and exposures are described under Risk factors in our Annual Report 2007. However, the increased activities related to the new Multimedia segment may result in a more volatile quarterly sales pattern. Specific additional risks for the near term are associated with the acquisitions made during 2007, as a timely and effective integration of these is essential to make them accretive as planned.

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 on operators willingness to invest in network development, for example due to lack of borrowing facilities, 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; variability in the seasonality could make it more difficult to forecast future sales; 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; fluctuations in interest rates and the potential effect on operators willingness to invest in network development; and 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.

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, October 20, 2008

Carl-Henric Svanberg

President and CEO

Telefonaktiebolaget LM Ericsson (publ)

Date for next report: January 29, 2009

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AUDITORS REVIEW REPORT

We have reviewed this report for the period January 1 to September 30, 2008, for Telefonaktiebolaget LM Ericsson (publ). The board of directors and the CEO are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim financial information based on our review.

We conducted our review in accordance with the Standard on Review Engagements SÖG 2410, Review of Interim 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 interim financial information is not, in all material respects, in accordance with IAS 34 and the Annual Accounts Act.

Stockholm, October 20, 2008

PricewaterhouseCoopers AB

Bo Hjalmarsson
Authorized Public Accountant
Lead partner

Peter Clemedtson
Authorized Public Accountant

EDITOR S NOTE

To read the complete report with tables, please go to: www.ericsson.com/investors/financial_reports/2008/9month08-en.pdf

Ericsson invites media, investors and analysts to a press conference at the Ericsson headquarters, Torshamnsgatan 23, Stockholm, at 09.00 (CET), October 20.

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 and www.ericsson.com/investors.

Video material will be made available during the day on www.ericsson.com/broadcast_room

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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 06.45 CET, on October 20, 2008.

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.

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FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION

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Consolidated Income Statement

SEK million	Jul - Sep 2008	Jul - Sep 2007	Change	Jan - Sep 2008	Jan - Sep 2007	Change
Net sales	49,198	43,545	13%	141,905	133,320	6%
Cost of sales	-31,577	-28,050	13%	-90,139	-79,250	14%
Gross income	17,621	15,495	14%	51,766	54,070	-4%
Gross margin %	35.8%	35.6%		36.5%	40.6%	
Research and development expenses	-7,859	-7,229	9%	-25,357	-20,890	21%
Selling and administrative expenses	-6,304	-4,783	32%	-18,681	-15,961	17%
Operating expenses	-14,163	-12,012		-44,038	-36,851	
Other operating income and expenses	332	402	-17%	1,475	953	55%
Share in earnings of JV and associated companies	-131	1,751	-107%	842	4,870	-83%
Operating income	3,659	5,636	-35%	10,045	23,042	-56%
Operating margin %	7.4%	12.9%		7.1%	17.3%	
Financial income	1,099	389		2,267	1,268	
Financial expenses	-618	-442		-1,602	-1,178	
Income after financial items	4,140	5,583	-26%	10,710	23,132	-54%
Taxes	-1,202	-1,629		-3,107	-6,820	
Net income	2,938	3,954	-26%	7,603	16,312	-53%
Net income attributable to:						
Stockholders of the Parent Company	2,842	3,970		7,388	16,194	
Minority interests	96	-16		215	118	
Other information						
Average number of shares, basic (million) [1]	3,184	3,179		3,182	3,178	
Earnings per share, basic (SEK) [1] [2]	0.89	1.25		2.32	5.10	
Earnings per share, diluted (SEK) [1] [2]	0.89	1.24		2.31	5.07	

[1] *Reverse split 1:5 was made in June 2008. Comparable figures are restated accordingly.*
[2] *Based on Net income attributable to stockholders of the Parent Company*

THIRD QUARTER REPORT

October 20, 2008

Consolidated Balance Sheet

SEK million	**Sep 30 2008**	**Jun 30 2008**	**Dec 31 2007**
ASSETS			
Non-current assets			
Intangible assets			
Capitalized development expenses	2,675	2,693	3,661
Goodwill	23,026	21,140	22,826
Intellectual property rights, brands and other intangible assets	21,411	21,519	23,958
Property, plant and equipment	9,571	9,288	9,304
Financial assets			
Equity in JV and associated companies	8,251	9,160	10,903
Other investments in shares and participations	1,582	1,625	738
Customer financing, non-current	533	508	1,012
Other financial assets, non-current	2,640	2,412	2,918
Deferred tax assets	14,045	12,799	11,690
	83,734	81,144	87,010
Current assets			
Inventories	29,687	26,580	22,475
Trade receivables	62,624	56,696	60,492
Customer financing, current	1,670	1,842	2,362
Other current receivables	20,057	14,998	15,062
Short-term investments	31,906	26,411	29,406
Cash and cash equivalents	33,702	30,695	28,310
	179,646	157,222	158,107
Total assets	263,380	238,366	245,117
EQUITY AND LIABILITIES			
Equity			
Stockholders equity	135,014	129,228	134,112
Minority interests in equity of subsidiaries	989	977	940
	136,003	130,205	135,052
Non-current liabilities			
Post-employment benefits	7,807	7,155	6,188
Provisions, non-current	287	311	368
Deferred tax liabilities	2,620	2,420	2,799
Borrowings, non-current	22,568	17,806	21,320
Other non-current liabilities	1,680	1,866	1,714
	34,962	29,558	32,389

Current liabilities		
Provisions, current	12,708	10,795