

ERICSSON LM TELEPHONE CO  
Form 20-F  
April 04, 2012  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 20-F**

**Registration statement pursuant to Section 12(b) or 12(g) of the Securities Exchange Act of 1934**  
or

**Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**  
For the Fiscal Year Ended December 31, 2011

or

**Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**  
For the transition period from/to

or

**Shell company report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**  
Date of event requiring this shell company report:

Commission file number 000 12033

# TELEFONAKTIEBOLAGET LM ERICSSON

(Exact Name of Registrant as Specified in Its Charter)

## LM ERICSSON TELEPHONE COMPANY

(Translation of Registrant's Name Into English)

**Kingdom of Sweden**

(Jurisdiction of Incorporation or Organization)

**SE-164 83 Stockholm, Sweden**

(Address of Principal Executive Offices)

**Roland Hagman, Vice President Group Function Financial Control**

**Telephone: +46 8 719 53 80, Facsimile: +46 8 719 42 22**

**SE-164 83 Stockholm, Sweden**

(Name, Telephone, E-mail and/or Facsimile Number and Address of Company Contact Person)

**Securities registered or to be registered pursuant to Section 12(b) of the Act:**

<b>Title of Each Class</b>	<b>Name of Each Exchange on Which Registered</b>
American Depositary Shares B Shares *	The NASDAQ Stock Market LLC The NASDAQ Stock Market LLC

\* Not for trading, but only in connection with the registration of the American Depositary Shares representing such B Shares pursuant to the requirements of the Securities and Exchange Commission

**Securities registered pursuant to Section 12(g) of the Act:**

**None**

**Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:**

**None**

## Edgar Filing: ERICSSON LM TELEPHONE CO - Form 20-F

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the Annual Report:

B shares (SEK 5.00 nominal value)	3,011,595,752
A shares (SEK 5.00 nominal value)	261,755,983
C shares (SEK 1.00 nominal value)	0

Indicate by check mark if the registrant is a well-seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes  No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

US GAAP  International Financial Reporting Standards as issued by the International Accounting Standards Board  Other

Indicate by check mark which financial statement item the registrant has elected to follow. Item 17  Item 18

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

**Table of Contents**

ERICSSON ANNUAL REPORT ON FORM 20-F 2011

This annual report discloses and includes references to financial measures that may not be prepared or presented in accordance with IFRS, and we refer to these measures as non-IFRS measures. Reconciliations of these non-IFRS measures to the most relevant comparable IFRS measures can be found on page 41 and pages 242-245 of the annual report.

**CONTENTS**

<u>FORM 20-F 2011 CROSS REFERENCE TABLE</u>	i
<u>LETTER FROM THE CEO</u>	1
<u>THE MARKET</u>	5
<u>OUR BUSINESS</u>	7
<u>HOW WE STAY AHEAD</u>	9
<u>OPERATOR PORTFOLIO</u>	11
<u>2011 HIGHLIGHTS</u>	17
<u>FIVE-YEAR SUMMARY</u>	19
<u>SHARE INFORMATION</u>	20
<u>LETTER FROM THE CHAIRMAN</u>	28
<u>BOARD OF DIRECTORS' REPORT</u>	30
<u>REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	70
<u>CONSOLIDATED FINANCIAL STATEMENTS</u>	71
<u>NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS</u>	76
<u>RISK FACTORS</u>	163
<u>FORWARD-LOOKING STATEMENTS</u>	175
<u>CORPORATE GOVERNANCE REPORT 2011</u>	177
<u>REMUNERATION REPORT</u>	214
<u>UNCERTAINTIES IN THE FUTURE</u>	222
<u>MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING</u>	223
<u>SUPPLEMENTAL INFORMATION</u>	224
<u>RECONCILIATIONS TO IFRS</u>	242
<u>GLOSSARY</u>	246
<u>FINANCIAL TERMINOLOGY</u>	249
<u>SHAREHOLDER INFORMATION</u>	252
<u>SIGNATURES</u>	256



**Table of Contents**

ERICSSON ANNUAL REPORT ON FORM 20-F 2011

**FORM 20-F 2011 CROSS REFERENCE TABLE**

*Our Annual Report on Form 20-F consists of the English version of our Swedish Annual Report for 2011, with certain adjustments made to comply with U.S. requirements, together with certain other information required by Form 20-F which is set forth under the heading Supplemental Information. The following cross reference table indicates where information required by Form 20-F may be found in this document.*

Form 20-F Item Heading	Location in Document	Page Number
<b>PART I</b>		
<b>1 Identity of Directors, etc.</b>	N/A	
<b>2 Offer Statistics &amp; Timetable</b>	N/A	
<b>3 Key Information</b>		
<b>A Selected Financial Data</b>	<b>Five-Year Summary</b>	19
	<b>Reconciliations to IFRS</b>	242
	<b>Financial Terminology</b>	249
	<b>Supplemental Information</b>	
	Exchange Rates	225
<b>B Capitalization &amp; Indebtedness</b>	N/A	-
<b>C Reason for Offer &amp; Use of Proceeds</b>	N/A	-
<b>D Risk Factors</b>	<b>Risk Factors</b>	163
<b>4 Info on the Company</b>		
<b>A History and Development of the Company</b>	<b>Operator Portfolio</b>	
	Mobile Broadband	11
	Managed Services	12
	Operations & Business Support Systems	13
	<b>Board of Directors Report</b>	
	Vision and Mission	33
	Strategy	34
	Business Focus 2011	36
	Cash Flow Capital Expenditures	48
	<b>Notes to the Consolidated Financial Statements</b>	
	Note C26 Business Combinations	144
	Note C32 Events After the Balance Sheet Date	161
	<b>Supplemental Information</b>	
	General Facts on the Company	224
	Company History and Development	225
<b>B Business Overview</b>	<b>Our Business</b>	7
	<b>Operator Portfolio</b>	11
	<b>How We Stay Ahead</b>	9
	<b>Board of Directors Report</b>	
	Vision and Mission	33
	Strategy	34
	Business Focus 2011	36
	Business Results Regions	51
	Business Results Segments	54
	Material Contracts	66



**Table of Contents**

ERICSSON ANNUAL REPORT ON FORM 20-F 2011

Form 20-F Item Heading	Location in Document	Page Number
	Corporate Governance	63
	Sourcing and Supply	65
	Sustainability and Corporate Responsibility	60
	<b>Notes to the Consolidated Financial Statements</b>	
	Note C3 Segment Information	96
	Note C31 Contractual Obligations	161
	<b>Risk Factors</b>	
	Market, Technology and Business Risks	163
	Regulatory, Compliance and Corporate Governance Risks	171
<b>C Organizational Structure</b>	<b>Supplemental Information</b>	
	General Facts on the Company	224
	Investments	240
<b>D Property, Plants and Equipment</b>	<b>Supplemental Information</b>	
	Primary Manufacturing and Assembly Facilities	226
	<b>Notes to the Consolidated Financial Statements</b>	
	Note C11 Property, Plant and Equipment	110
	Note C27 Leasing	146
	<b>Board of Directors Report</b>	
	Cash Flow Capital Expenditures	48
<b>4A Unresolved Staff Comments</b>		
<b>5 Operating &amp; Financial Review &amp; Prospects</b>		
<b>A Operating Results</b>	<b>Operator Portfolio</b>	11
	<b>How We Stay Ahead</b>	9
	<b>Board of Directors Report</b>	
	Business Results Regions	51
	Business Results Segments	54
	<b>Notes to the Consolidated Financial Statements</b>	
	Note C1 Significant Accounting Policies Group Companies	76
	Note C20 Financial Risk Management and Financial Instruments Foreign Exchange Risk	133
	<b>Risk Factors</b>	
	Regulatory, Compliance and Corporate Governance Risks	171
	<b>Board of Directors Report</b>	
	Risk Management	64



**Table of Contents**

ERICSSON ANNUAL REPORT ON FORM 20-F 2011

Form 20-F Item Heading	Location in Document	Page Number
	<b>Supplemental Information</b>	
	Operating Results	226
	Taxation	232
<b>B Liquidity and Capital Resources</b>	<b>Board of Directors Report</b>	
	Financial Position	45
	Cash Flow	48
	Risk Management	64
	<b>Notes to the Consolidated Financial Statements</b>	
	Note C19 Interest-Bearing Liabilities	132
	Note C20 Financial Risk Management and Financial Instruments	133
	Note C25 Statement of Cash Flows	142
<b>C R&amp;D, Patents &amp; Licenses</b>	<b>Five-Year Summary</b>	19
	<b>Board of Directors Report</b>	
	Strategy Technology Leadership	35
	Competitive Assets Technology Leadership as an asset	39
	Financial Results of Operations Operating expenses	43
	<b>Consolidated Financial Statements</b>	
	Consolidated Income Statement and Statement of Comprehensive Income	71
<b>D Trend Info</b>	<b>Operator Portfolio</b>	11
	<b>How We Stay Ahead</b>	9
	<b>Board of Directors Report</b>	
	Business Results Regions	51
	Business Results Segments	54
<b>E Off-Balance Sheet Arrangements</b>	<b>Board of Directors Report</b>	
	Financial Position Off-balance sheet arrangements	48
	<b>Notes to the Consolidated Financial Statements</b>	
	Note C14 Trade Receivables and Customer Finance Credit Risk Finance Credit Risk	115
	Note C24 Contingent Liabilities	142
<b>F Tabular Disclosure of Contractual Obligations</b>	<b>Board of Directors Report</b>	
	Material Contracts	66
	<b>Notes to the Consolidated Financial Statements</b>	
	Note C31 Contractual Obligations	161
<b>6 Directors, Senior Management and Employees</b>		
<b>A Directors &amp; Senior Management</b>	<b>Corporate Governance Report 2011</b>	
	Members of the Board of Directors	193

**Table of Contents**

ERICSSON ANNUAL REPORT ON FORM 20-F 2011

Form 20-F Item Heading	Location in Document	Page Number
	Members of the Executive Leadership Team	203
<b>B Compensation</b>	<b>Board of Directors Report</b>	
	Corporate Governance	63
	<b>Corporate Governance Report 2011</b>	
	Committees of the Board of Directors Remuneration Committee Remuneration to Board members	188
	Members of the Executive Leadership Team	203
	<b>Remuneration Report</b>	214
	<b>Notes to the Consolidated Financial Statements</b>	
	Note C17 Post-Employment Benefits	123
	Note C28 Information Regarding Members of the Board of Directors, the Group Management and Employees	148
<b>C Board Practices</b>	<b>Corporate Governance Report 2011</b>	
	Board of Directors	184
	Members of the Board of Directors	193
	Members of the Executive Leadership Team	203
	<b>Notes to the Consolidated Financial Statements</b>	
	Note C28 Information Regarding Members of the Board of Directors, the Group Management and Employees	148
<b>D Employees</b>	<b>Five-Year Summary</b>	19
	<b>Board of Directors Report</b>	
	Business Focus 2011	37
	<b>Notes to the Consolidated Financial Statements</b>	
	Note C28 Information Regarding Members of the Board of Directors, the Group Management and Employees	148
<b>E Share Ownership</b>	<b>Share Information</b>	
	Shareholders	25
	<b>Corporate Governance Report 2011</b>	
	Members of the Board of Directors	193
	Members of the Executive Leadership Team	203
	<b>Notes to the Consolidated Financial Statements</b>	
	Note C28 Information Regarding Members of the Board of Directors, the Group Management and Employees	148

**Table of Contents**

ERICSSON ANNUAL REPORT ON FORM 20-F 2011

Form 20-F Item Heading	Location in Document	Page Number
<b>7 Major S/Hs and Related Party Transactions</b>		
<b>A Major Shareholders</b>	<b>Share Information</b> Shareholders	25
<b>B Related Party Transactions</b>	<b>Notes to the Consolidated Financial Statements</b> Note C29 Related Party Transactions	158
<b>C Interests of Experts &amp; Counsel</b>	N/A	
<b>8 Financial Information</b>		
<b>A Consolidated Statements and Other Financial Information</b>	<b>Consolidated Financial Statements</b> Please see also Item 17 cross references	71
	<b>Report of Independent Registered Public Accounting Firm</b> <b>Notes to the Consolidated Financial Statements</b> Note C4 Net Sales	70 102
	<b>Supplemental Information</b> Memorandum and Articles of Association Dividends	230
<b>B Significant Changes</b>	<b>Board of Directors Report</b> Post-Closing Events	67
	<b>Notes to the Consolidated Financial Statements</b> Note C32 Events After the Balance Sheet Date	161
<b>9 The Offer and Listing</b>		
<b>A Offer and Listing Details</b>	<b>Share Information</b> Offer and Listing Details	23
<b>B Plan of Distribution</b>	N/A	
<b>C Markets</b>	<b>Share Information</b> Stock Exchange Trading	20
<b>D Selling Shareholders</b>	N/A	
<b>E Dilution</b>	N/A	
<b>F Expenses of the issue</b>	N/A	
<b>10 Additional Information</b>		
<b>A Share Capital</b>	N/A	
<b>B Articles of Association</b>	<b>Supplemental Information</b> Memorandum and Articles of Association	229
<b>C Material Contracts</b>	<b>Board of Directors Report</b> Material Contracts	66
	<b>Notes to the Consolidated Financial Statements</b> Note C31 Contractual Obligations	161

**Table of Contents**

ERICSSON ANNUAL REPORT ON FORM 20-F 2011

Form 20-F Item Heading	Location in Document	Page Number
<b>D Exchange Controls</b>	<b>Supplemental Information</b> Exchange Controls	232
<b>E Taxation</b>	<b>Supplemental Information</b> Taxation	232
<b>F Dividends and paying agents</b>	N/A	
<b>G Statement by Experts</b>	N/A	
<b>H Documents on Display</b>	<b>Supplemental Information</b> General Facts on the Company	224
<b>I Subsidiary Information</b>	N/A	
<b>11 Quantitative and Qualitative Disclosures About Market Risk</b>		
<b>A Quantitative Information about Market Risk</b>	<b>Board of Directors Report</b> Risk Management	64
	<b>Notes to the Consolidated Financial Statements</b> Note C20 Financial Risk Management and Financial Instruments	133
<b>B Qualitative Information about Market Risk</b>	<b>Board of Directors Report</b> Risk Management	64
	<b>Notes to the Consolidated Financial Statements</b> Note C20 Financial Risk Management and Financial Instruments	133
<b>C Interim Periods</b>	N/A	
<b>D Safe Harbor</b>	N/A	
<b>E Small Business Issuers</b>	N/A	
<b>12 Description of Securities Other than Equity Securities</b>		
<b>A Debt Securities</b>	N/A	
<b>B Warrants and Rights</b>	N/A	
<b>C Other Securities</b>	N/A	
<b>D American Depositary Shares</b>	<b>Supplemental Information</b> Depositary Fees and Charges	237
<b>PART II</b>		
<b>13 Defaults, Dividends, Arrearages and Delinquencies</b>	N/A	
<b>14 Material Modifications to the Rights of Security Holders and Use of Proceeds</b>	N/A	
<b>15 Controls and Procedures</b>		
<b>A Disclosure Controls and Procedures</b>	<b>Corporate Governance Report 2011</b> Disclosure Controls and Procedures	209
<b>B Management's annual report on internal control over financial reporting</b>	<b>Management's Report on internal control over financial reporting</b>	223
<b>C Attestation report of the registered public accounting firm</b>		

**Table of Contents**

ERICSSON ANNUAL REPORT ON FORM 20-F 2011

Form 20-F Item Heading	Location in Document	Page Number
<b>D Changes in internal control over financial reporting</b>		
<b>16 Reserved</b>		
<b>A Audit Committee Financial Expert</b>	<b>Corporate Governance Report 2011</b> Audit Committee Members of the Audit Committee	188
<b>B Code of Ethics</b>	<b>Corporate Governance Report 2011</b> Code of Business Ethics	178
<b>C Principal Accountant Fees and Services</b>	<b>Notes to the Consolidated Financial Statements</b> Note C30 Fees to Auditors	
	<b>Corporate Governance Report 2011</b> Committees of the Board of Directors Audit Committee	188
<b>D Exemptions from the Listing Standards for Audit Committees</b>	<b>Corporate Governance Report 2011</b> Board of Directors Independence	184
	<b>Supplemental Information</b> Independence Requirements	238
<b>E Purchase of Equity Securities by the Issuer and Affiliated Purchasers</b>	N/A	
<b>F Change in Registrant's Certifying Accountant</b>	N/A	
<b>G Corporate Governance</b>	<b>Corporate Governance Report 2011</b> Board of Directors Independence	184
	<b>Supplemental Information</b> Independence Requirements	238
<b>PART III</b>		
<b>17 Financial Statements</b>		
	<b>Consolidated Income Statement and Statement of Comprehensive Income</b>	71
	<b>Consolidated Balance Sheet</b>	73
	<b>Consolidated Statement of Cash Flows</b>	74
	<b>Consolidated Statement of Changes in Equity</b>	75
	<b>Notes to the Consolidated Financial Statements</b>	
	Note C1 Significant Accounting Policies	76
	Note C16 Equity and Other Comprehensive Income	119
	<b>Report of Independent Registered Public Accounting Firm</b>	70
<b>18 Financial Statements</b>	N/A	

**Table of Contents**

ERICSSON ANNUAL REPORT ON FORM 20-F 2011

<b>Form 20-F Item Heading</b>	<b>Location in Document</b>	<b>Page Number</b>
<b>19 Exhibits</b>		
Exhibit 1	Articles of Association	
Exhibit 2	Not applicable	
Exhibit 3	Not applicable	
Exhibit 4	Not applicable	
Exhibit 5	Not applicable	
Exhibit 6	Please see Notes to the Consolidated Financial Statements, Note C1 Significant Accounting Policies	76
Exhibit 7	For definitions of certain ratios used in this report, please see Financial Terminology	249
Exhibit 8	Please see Supplemental Information, Investments	240
Exhibit 9	Not applicable	
Exhibit 10	Not applicable	
Exhibit 11	Our Code of Business Ethics is included on our web site at <a href="http://www.ericsson.com/code-of-business-ethics">www.ericsson.com/code-of-business-ethics</a>	
Exhibit 12	302 Certifications	
Exhibit 13	906 Certifications	
Exhibit 14	Not applicable	
Exhibit 15.1	Consent of Independent Registered Public Accounting Firm	70

**Table of Contents**

ERICSSON ANNUAL REPORT ON FORM 20-F 2011

**LETTER FROM HANS VESTBERG**

**Dear shareholders,**

The world is entering a new communications era. Technology is enabling us to interact, innovate and share knowledge in entirely new ways creating a dynamic shift in mindset. At Ericsson, we are just beginning to explore the possibilities of what we call the networked society.

At its foundation, three forces must come together: mobility, broadband and the cloud. When these combine, you can get access to anything, anytime, anywhere. But the networked society is about much more than what the individual can achieve. Eventually, everything that benefits from being connected will be connected and this will fundamentally change our world. It is amazing what is happening around us, global mobile broadband subscriptions grew by 60% to reach a total of almost 1 billion at year-end. We forecast almost 5 billion mobile broadband subscriptions by 2016.

At the same time, the data consumed by smartphone users is surging. Across all devices, mobile data traffic is expected to grow 10 times between 2011 and 2016. Increasing subscription numbers and traffic levels drive increased complexity in networks. In turn this puts further demand on our ability to deliver cutting-edge solutions and to understand our customers' needs.

**Prime driver and thought leader**

I believe that Ericsson has the necessary assets and strengths to be the prime driver and thought leader in the networked society. Our key assets are technology and services leadership, as well as global presence and scale.

We focus on early involvement in creating new technologies, strong contributions to standardization work and development of intellectual property rights. We pioneered the development of digital AXE switching, GSM, WCDMA/HSPA and LTE, resulting in 30,000 granted patents. In 2011, we increased our investment in R&D to further strengthen our technology leadership and we currently have more than 22,000 employees in R&D.

Today, customers in more than 180 countries use our solutions and services. In 2010, we started delivery of our multi-standard radio base station RBS 6000. We have carried out the quickest product ramp-up in our history and by the end of 2011 the RBS 6000 accounted for almost all our radio base station deliveries. This gives us significant scale advantages.

Our services offering covers all areas within the operational scope of a telecom operator. We have 56,000 services professionals around the globe and we manage networks that serve more than 900 million subscribers. We estimate our market share in telecom services at over 10%, making us the leader in this market.

**Sustainability and Corporate Responsibility**

We continue to be strongly committed to Sustainability and Corporate Responsibility. We remain focused on our ambitious targets, including our carbon footprint intensity reduction goals. Over the last decade we have increased 3G/4G radio base station energy efficiency by over 85%. The result is that despite the growing bandwidth demands of the networked society, we are able to keep the energy consumption per subscriber at a low and constant level.

We see an increasing interest from customers to drive energy efficiency in their networks, and to use broadband to shape the low carbon economy of the future.

**Table of Contents**

ERICSSON ANNUAL REPORT ON FORM 20-F 2011

Such diverse events during 2011 as the Arab Spring and the publication of the UN guidelines on Business and Human Rights, show the increasing importance and relevance of human rights in our business. Our policies remain strong and we are committed to high levels of governance standards wherever we do business in the world. We will continue to give people in all parts of the world access to communications, improving quality of life. Our separate Sustainability and Corporate Responsibility Report will provide additional information on these topics.

**Leading ICT player**

We are a leading Information and Communications Technology (ICT) player. Many people are surprised when they discover that we are the world's fifth largest software company. The vast majority of our R&D engineers are engaged in software development.

Our long-term ambitions are to grow faster than the market, deliver the industry's best-in-class margins, grow earnings in joint ventures and generate strong cash conversion. The Annual General Meeting approved the transformation of these ambitions into clear targets in the Executive Performance Stock Plan.

We have identified three growth levers. The first is portfolio momentum in mobile broadband, managed services and operations and business support systems (OSS/BSS). The second is to gain market share. The third is mergers, acquisitions and partnering.

In 2011, we grew revenues by 12% to SEK 227 billion and sales for comparable units, adjusted for currency effects, increased by 19%. Early internal market data indicates that we increased market share in mobile network equipment by 6 percentage points to 38%. This makes us the world leader, twice as big as the second largest player. We gained market share through our strategy to capture footprint when networks are modernized in Europe, by preserving our relationships with the most successful operators and by gaining market share with new customers. During the year, we announced the acquisition of Telcordia, a leading player in OSS and BSS. We also announced the divestment to Sony Corporation of our share in the 50/50 joint venture Sony Ericsson. The transaction is a logical strategic step that makes it possible for us to focus on enabling connectivity for all devices, handsets and beyond.

Gross margin declined due to a changed business mix with more coverage projects, modernization projects in Europe, and a higher share of services sales. Net income increased to SEK 12.6 billion. Our JVs had a tough 2011 and both reported losses. Ericsson has a strong financial position with a net cash position of SEK 39.5 billion.

**Solid industry fundamentals**

We carefully monitor the potential impact from increased economic uncertainties around the world. Short-term, we expect operators to continue to be cautious with spending, reflecting factors such as macroeconomic and political uncertainty.

With the move towards the networked society, we remain confident that the fundamentals for longer-term positive development in the industry remain solid. With strong customer relationships and one of the world's largest and best pools of industry talent, we believe Ericsson is well positioned to continue to drive and to benefit from this development.

Hans Vestberg

President and CEO



**Table of Contents**

ERICSSON ANNUAL REPORT ON FORM 20-F 2011

**FINANCIAL RESULTS IN SHORT**

**NET SALES**

SEK 226.9 (203.3) billion, +12%

**OPERATING MARGIN<sup>1)</sup>**

9.6% (12.0%)

**NET INCOME**

SEK 12.6 (11.2) billion, +12%

**NET CASH<sup>2)</sup>**

SEK 39.5 (51.3) billion

**CASH AND CASH EQUIVALENTS**

SEK 38.7 (30.9) billion

**Table of Contents**

ERICSSON ANNUAL REPORT ON FORM 20-F 2011

**EPS<sup>3)</sup>**

SEK 3.77 (3.46), +9%

**DIVIDEND<sup>4)</sup>**

SEK 2.50 (2.25), +11%

- 1) Excl. share in earnings of JVs. For 2011 incl. restructuring charges of SEK 3.2 billion and for 2010 excl. restructuring charges of SEK 6.8 billion.
- 2) Cash and cash equivalents plus short-term investments less interest-bearing liabilities and post-employment benefits. For a reconciliation to the most directly comparable IFRS measures, see page 242-245.
- 3) EPS diluted, SEK.
- 4) Dividend for 2011 as proposed by the Board of Directors.

**Table of Contents**

ERICSSON ANNUAL REPORT ON FORM 20-F 2011

**THE MARKET**

**TELECOM TRENDS**

Everything is going mobile. This evolution is driven by video, cloud-based services, the internet and machine-to-machine (M2M) connectivity. It changes how consumers behave and how they leverage mobility to communicate and to improve their daily lives, through existing and new services. Users now demand connectivity anywhere and anytime.

Enterprises are also beginning to exploit the new opportunities provided by mobility, both to improve efficiency, such as by streamlining processes, and to find new business models.

Important driving forces are new, more affordable smartphones, and the many new connected devices on the market. The total number of mobile subscriptions globally (excluding M2M) reached approximately 6 billion at year end 2011, of which close to 1 billion were for mobile broadband. Approximately 30% of all handsets sold during 2011 were smartphones compared to around 20% for 2010. Out of the installed base of subscriptions worldwide only around 10% use smartphones.

Globally, the average mobile PC user currently generates about 2 Gbytes of data per month, while a high-traffic smartphone user generates approximately 500 Mbytes per month. Usage has been increasing over time. With all these devices and 24/7 connectivity, we expect global mobile data traffic to grow tenfold by the end of 2016.

Operators are capitalizing on this changing market, enabling users and machines to leverage connectivity in new ways. During 2011 various operators started to introduce tiered pricing, to provide price plans, such as volume, time or speed-based plans, which are better aligned to users needs. As a result of that, operators are able to create various business models to capitalize on different consumer and enterprise segments.

In order to enable these new services, improve user experience and provide tiered pricing, operators are investing in and transforming their operations and business support systems (OSS and BSS). These systems monitor and optimize network performance for customer relations handling and subscriber support. OSS/BSS investments also enable operators to optimize operations and reduce costs.

To accommodate for the increase in data traffic, operators are putting in new equipment and upgrading their networks for greater efficiency and better revenue capture. Network capacity can be increased through additional features, such as software upgrades, as well as through additional equipment, such as radio base stations and transmission.

In today's competitive markets, speed and capacity alone are not enough to ensure best user experience and provide differentiation. Quality of service is becoming an important way for operators to differentiate.

**OUR CUSTOMERS**

Our business is defined by long-term relationships mainly with large telecom operators around the world. We serve approximately 400 customers, most of whom are network operators. Our ten largest customers, of which half are multinational, account for 44% of net sales. Our customers operate in a wide range of local economies and are at various technology stages. They have different business focuses depending on the maturity of the mobile broadband market.

**Table of Contents**

ERICSSON ANNUAL REPORT ON FORM 20-F 2011

We set up a new go-to-market model in 2010, with ten regions which approach customers with solutions and services. With this, we are moving towards a solutions-led sales approach, selling the full breadth of the portfolio.

**Table of Contents**

ERICSSON ANNUAL REPORT ON FORM 20-F 2011

**OUR BUSINESS**

Our mission is to innovate to empower people, business and society. We are a world-leading provider of network infrastructure, telecom services and multimedia solutions, which in combination meet a broad range of operator needs. To best reflect our business, we report five business segments, two of which are the joint ventures Sony Ericsson and ST-Ericsson.

	<b>NETWORKS</b>	<b>GLOBAL SERVICES</b>	<b>MULTIMEDIA</b>
	Segment Networks develops and delivers mobile and fixed infrastructure equipment and software. We are a market leader in 2G/GSM and 3G/WCDMA mobile technologies. We now provide all-IP 4G/LTE networks as the evolution of mobile broadband. Our portfolio also includes CDMA solutions, as well as xDSL, fiber and microwave transmission.	With more than 56,000 services professionals globally, we deliver managed services, consulting and systems integration, customer support and network rollout. We manage complex projects with advanced IS/IT competence and multi-vendor experience, using a mix of local knowledge and global expertise.	Segment Multimedia develops and delivers software-based solutions for operations and business support systems (OSS and BSS), real-time, multi-screen and on-demand TV and consumer and business applications. Revenue management, i.e. software based solutions for charging and billing, is part of BSS.
NET SALES (SHARE OF TOTAL)	SEK 132.4 billion (58% of total sales)	SEK 83.9 billion (37% of total sales)	SEK 10.6 billion (5% of total sales)
MARKET SHARE ESTIMATES	38% in mobile network equipment. Twice the size of the second largest competitor	More than 10%. Larger than any of our competitors	Three markets with different dynamics and players
MARKET POSITION	Number 1 in mobile networks	Number 1 in telecom services	Number 1 in real-time charging & billing

**Table of Contents**

ERICSSON ANNUAL REPORT ON FORM 20-F 2011

**JOINT VENTURES**

Our joint ventures focus on enabling superior user devices. Sony Ericsson's and ST-Ericsson's results are reported according to the equity method.

In October 2011, we announced that Sony would acquire Ericsson's 50% share in Sony Ericsson. The transaction took place on February 15, 2012.

	<b>SONY ERICSSON</b>	<b>ST-ERICSSON</b>
	A 50/50 joint venture with Sony Corporation, Sony Ericsson offers mobile phones, accessories, content and applications.	A 50/50 joint venture with STMicroelectronics, ST-Ericsson offers wireless platforms and semiconductors for leading handset manufacturers.
NET SALES	EUR 5,212 million	USD 1,650 million
MARKET POSITION	10% market share in the Android smartphone market	Number 3 in thin modems

## Table of Contents

ERICSSON ANNUAL REPORT ON FORM 20-F 2011

## HOW WE STAY AHEAD

### PRINCIPLES

We interact with our customers based on the following principles:

**A customer-first perspective:** we work hard to understand operators' needs, objectives and constraints. This allows us to function as a partner, sharing our global expertise through the solutions we deliver.

**Innovation:** our solutions are forward-looking and future proof. A scalable portfolio means that we can always offer the right solutions for the customer, based on market and position, helping our customers to create new revenue streams.

**Delivering cost-efficiency:** we ensure that the solutions we offer reduce our customers' operating expenses.

### ASSETS

Throughout our business, we leverage Ericsson's key competitive advantages:

**Technology leadership:** we always strive to lead, innovate and set the agenda for the industry. We drive the creation of interoperable ecosystems. We have 30,000 granted patents and with over 90 license agreements we are a net receiver of royalties. We provide superior-performance networks through a unique combination of hardware and software design.

**Services leadership:** we have 56,000 services professionals worldwide operating from our ten regional service centers and four global service centers, using the same processes, methods and tools. Combining global scale advantages with local presence is what makes us unique.

**Global presence and scale:** we have established relationships with every major operator in the world and we are present in more than 180 countries.

### Building coverage transforming networks

Extensive mobile network coverage forms the building blocks of operator business. We start by helping customers to build out coverage. When that is in place, we offer additional services and solutions that enable expansions and enhancements of the network.

This means that once operators have built a base of subscribers, they can differentiate their services, based both on quality and innovation, to retain competitive positions as markets develop.

### Replicating success in services

We scale our business by replicating successes globally. This entails working closely with customers to develop new solutions. Once a successful case is proven we can roll out the same practice all over the world.

## Edgar Filing: ERICSSON LM TELEPHONE CO - Form 20-F

Local competence, with intimate knowledge of the business environment, works hand-in-hand with global expertise, sharing common processes, methods and tools. This ensures quality and efficiency.



**Table of Contents**

ERICSSON ANNUAL REPORT ON FORM 20-F 2011

**GROWTH LEVERS**

We have identified three key levers for growth where we believe we have strong assets to meet market demand:

**Portfolio momentum:** focusing on the areas where we have the most growth potential. These are mobile broadband, managed services and OSS and BSS. We expect the majority of growth to come from portfolio momentum.

**Market share gain:** building presence in markets that are investing more and where we see technology shifts.

**Mergers, acquisitions and partnering:** filling portfolio gaps and entering new growth areas, such as connected devices.

---

**Table of Contents**

ERICSSON ANNUAL REPORT ON FORM 20-F 2011

**OPERATOR PORTFOLIO**

Our offering is divided into seven solution areas, each of which involves one or more of our businesses. Many of our contracts involve several solution areas. For example, services often form an important part of network projects.

**MOBILE BROADBAND**

**Increasing user demands**

Mobile broadband now accounts for approximately 15% of all mobile subscriptions. Mobile data traffic is expected to have more than doubled in 2011, mainly due to new smartphone launches and the uptake of apps. PC and tablet users generate even more data traffic, and total mobile data traffic is estimated to grow tenfold by end of 2016, mainly driven by video.

Operators need to put certain pre-requisites in place to ensure they can capitalize on mobile broadband. These include enhancing network quality, by increasing speed and capacity, and providing service differentiation.

**3G/WCDMA and 4G/LTE**

We expect 3G/WCDMA to be the predominant mobile broadband technology for many years to come. During the year, we demonstrated a new HSPA world speed record in a commercial network, at 168Mbps downlink. Operators will be able to take a stepped approach towards this from 42Mbps, currently the fastest service offered over commercial networks.

The next technology is LTE, which is in its initial phase. LTE covers only a few percent of the world's population today. In five years' time, it is expected that LTE will have roughly 35% population coverage.

**The RBS 6000 family**

The multi-standard radio base station RBS 6000 supports GSM/EDGE, WCDMA/HSPA, LTE and CDMA in a single unit. It offers cost-effective deployment and a future-proof evolution in capacity and functionality.

The RBS 6000 family now accounts for close to 100% of our radio base station deliveries. A typical deployment project, comprising mainly hardware, is followed by an upgrade and expansion phase, which involves mostly software and services. During 2011 we launched the Antenna Integrated Radio (AIR), as part of the RBS 6000 family. This product significantly reduces integration and installation time as well as energy consumption.

**MULTI-STANDARD RBS 6000**

GSM, WCDMA, LTE, CDMA

>1,000% more capacity

>20% better radio performance

80% lower energy consumption per subscriber

100% better MTBF\*

75% less space needed

Compared to previous generations.

\* Mean Time Between Failures

**Table of Contents**

ERICSSON ANNUAL REPORT ON FORM 20-F 2011

**Smart Services Routers**

Network performance is the key operator differentiator when it comes to user experience. In 2011, we launched the SSR 8000 family, a series of Smart Services Routers. They support delivery of services across fixed and mobile networks and enable faster introduction of new user services. For operators, the SSR 8000 family provides a simple, smart and scalable solution. For users, it means access to advanced services, with telecom-grade quality from any device anywhere.

**Heterogeneous networks (HetNets)**

By 2016, densely populated urban areas representing less than 1% of the Earth's total land area are expected to generate around 60% of total mobile traffic. In order to increase network capacity in these areas, we will build HetNets. Powerful macro radio base stations are complemented by smaller radio base stations (pico and micro) which provide extra capacity for areas where demand is particularly high.

**MANAGED SERVICES**

Telecom operators look to reduce costs and manage complexity. Therefore, they review their business models and look for partners that can take on a broader responsibility. In managed services agreements, Ericsson handles complex issues such as convergence, quality and capacity management, while freeing up operators' resources to focus more on strategy, marketing and customer care. We can also help operators to scale quickly and cost-effectively.

We manage networks with a total of more than 900 million subscribers, of which 500 million are in network operation contracts. Winning this business has involved insourcing employees from operators around the world. This provides us with a unique insight into the operator mindset.

The networks we manage are typically complex multi-vendor, multi-technology environments, and over 50% of the equipment involved is non-Ericsson. Managed services contracts normally span five to seven years and often involve operational and process consulting.

We provide efficiency by drawing on our global scale. Our four global service centers all house global network operation centers (GNOCs) for remote delivery of network management. These are based in Romania, India, Mexico and China. As an example, more than 20 European operator networks are run from the GNOC in Romania.

**Table of Contents**

ERICSSON ANNUAL REPORT ON FORM 20-F 2011

**Shared networks and shared capacity**

To drive structural efficiencies in the networks, there is an increasing demand for business models that support shared networks and capacity between two or more operators. Managed services play a decisive role in this evolution.

**Adjacent sectors**

We also address sectors with similar requirements to telecom operators where we can reuse our assets and expertise. We constantly look to expand operational synergies by increasing the scope of our managed services business in each country where we operate.

**OPERATIONS AND BUSINESS SUPPORT SYSTEMS**

**Service differentiation**

In order to monetize the increasing amount of data traffic in their networks, operators are beginning to adopt new business models with tiered pricing plans. This involves finding more ways to meet user needs than one-size-fits-all monthly subscriptions. Operators introduce buckets of data a fixed quantity that a user can utilize over a certain amount of time or different speeds and quality guarantees. These new business models often require operators to evolve their OSS and BSS solutions.

Operators also seek to manage increasing network complexity, while retaining efficiency and simplicity in operational processes, by consolidating their systems. These OSS and BSS transformation projects are large undertakings which involve consulting and systems integration alongside the provision of our software solutions.

**Control and monitoring**

Ericsson's operations support systems (OSS) include solutions for monitoring network performance and the delivery of services for best user experience. OSS tools are also used in the planning, building and optimization of networks.

During 2011, Ericsson announced the acquisition of Telcordia, a provider of software and services for OSS and BSS. This allows us to enhance our capabilities to handle multi-vendor systems.

**Provisioning and charging**

Our business support systems (BSS) include solutions for revenue management and customer care. With our convergent real-time charging solution the user gets one invoice for all services. Over 1.4 billion subscribers are charged and billed through Ericsson's systems.

**Table of Contents**

ERICSSON ANNUAL REPORT ON FORM 20-F 2011

With our solutions, operators can more efficiently capture and secure revenue streams. Users benefit too, gaining the ability to start using a new service or device immediately after signing up, as well as greater control over their spending.

**COMMUNICATION SERVICES**

Communication services are the services people use to interact with each other, such as voice and video calls as well as text and multimedia messaging. These operator-based services are provided globally and are based on industry standards, ensuring interoperability.

Users expect their communication services to provide a seamless, instantaneous experience across all devices and all subscriptions. This shift requires operators to provide new functionality and richer offerings.

**Enhancing user experience**

Voice still accounts for, on average, 65% of operator revenue. Operators now exploit opportunities to enhance user experience while reducing costs for voice communication. Our IP Multimedia Subsystem (IMS) makes this possible. Services controlled by IMS are voice (including HD voice), video calls, the Rich Communication Suite (RCS) and messaging.

**HD voice**

HD voice significantly improves quality of voice communication with more natural sound and improved intelligibility. It is expected to play a key role in ensuring that voice continues to provide revenue streams for operators of both fixed and mobile networks.

**Voice over LTE**

Currently in its trial stage, Voice over LTE (VoLTE) will enable operators to offer voice services over their all-IP LTE networks. It also brings with it new services such as HD video and richer multimedia services.

**FIXED BROADBAND AND CONVERGENCE**

Strong growth in data traffic drives a need for higher capacity solutions, based on IP and Ethernet technologies.

**Table of Contents**

ERICSSON ANNUAL REPORT ON FORM 20-F 2011

Operators compete by evolving their networks to provide fast internet speeds, reliable high-definition IPTV and video on demand. We enable this by providing end-to-end broadband access solutions via high-speed fiber (such as GPON) and copper (xDSL).

**Convergence and transformation**

To reduce cost and enable service bundling, fixed traffic can be provided over a multiservice network converging telephony, internet and TV. Our converged networks are IP-based, providing lower-cost and higher-performance services.

**TELEVISION AND MEDIA MANAGEMENT**

**TV is going digital and interactive**

In the converging media landscape, broadcast and broadband are coming together. The number of IPTV subscriptions worldwide is now more than 50 million. China, France and the US have particularly high IPTV subscription numbers today. We believe that the uneven spread of IPTV subscriptions in different regions is going to continue.

The worldwide digital TV market is growing rapidly. With a broad suite of open standards-based products, we offer high-quality solutions for digital TV, HDTV, video on demand, IPTV, mobile TV, connected home and content management.

**High-performance solutions**

High-performance video means large amounts of traffic in the networks. This can be handled with our media distribution solution for video delivery over IP, combining a content distribution network with our TV portfolio.

Our IPTV network infrastructure offers a verified end-to-end solution from video headend to broadband access, optimized for multi-stream HD-IPTV and on-demand video services. The solution also offers support for video to mobile handsets over HSPA and LTE networks.

Ericsson's multiscreen TV solution combines the full features of IPTV, mobile TV and web TV with a common user interface. It fully integrates fixed line and wireless media for the first time.

Business consulting, systems integration and implementation ensure a smooth launch of new TV infrastructure and services.

**CONSUMER AND BUSINESS APPLICATIONS**

In today's environment, basic services come under pressure from competition. To secure differentiation and profitability, we help operators to enhance revenues and subscriber retention. Our solutions include messaging, service exposure, connectivity to social media, location-based services, media, brokering, internet commerce and enterprise applications.

**Interaction and collaboration**

Our Business Communication Suite (BCS) is a software-as-a-service, targeting the enterprise market. It enables the sharing of voice, data and messaging in a collaborative environment.

**Table of Contents**

ERICSSON ANNUAL REPORT ON FORM 20-F 2011

Ericsson Money Services offers end-to-end mobile financial services. It enables people to store, transfer and withdraw money, as well as making payments, via their mobile handsets.

Our multimedia brokering solution facilitates payment and distribution of content. We act as the interface between enterprises and multiple mobile operators with consumer data and services such as SMS.



**Table of Contents**

ERICSSON ANNUAL REPORT ON FORM 20-F 2011

**2011 HIGHLIGHTS**

**JANUARY-MARCH**

World speed record on a commercial HSPA network is set, at 168Mbps downlink and 24Mbps in the uplink.

Ericsson is selected by Telefónica O2 UK to perform network modernization in the North of the UK.

du in the UAE signs a five-year managed services contract with Ericsson to deliver application development and maintenance for its IT application landscape.

Ericsson, Verizon Wireless and Samsung demonstrate Voice over LTE (VoLTE), a global, interoperable voice solution for LTE mobile broadband networks.

The new Antenna Integrated Radio (AIR) product is launched. It cuts operational costs substantially and ensures a smooth introduction of new technologies and frequency bands.

Ericsson announces a new generation IP networking portfolio. The first product is the Smart Services Router (SSR 8000) family for fixed and mobile broadband.

Akamai and Ericsson announce a strategic alliance, focused on bringing to market mobile cloud acceleration solutions.

**APRIL-JUNE**

Ericsson announces the acquisition of Telenor Connexion's M2M technology platform, a solution which will drive the market for M2M (machine-to-machine).

Ericsson signs a multi-year agreement with Rogers, Canada to deliver an end-to-end LTE network.

Clearwire in the US selects Ericsson for managed services: network engineering, operations and maintenance for core, transmission and access networks.

Ericsson's first contract in the gaming industry is awarded by Mindark. The IMS solution enables live, high-quality voice communication between players while gaming.

## Edgar Filing: ERICSSON LM TELEPHONE CO - Form 20-F

Ericsson announces the acquisition of Telcordia, a global provider of OSS/BSS software and services.

LG U+, the first LTE service provider in Korea, places a contract with Ericsson to build an ultra-high speed LTE network.

### **JULY-SEPTEMBER**

Bharti Airtel signs a five-year managed services agreement with Ericsson to manage and optimize its mobile networks in Africa, as well as a separate two-year network coverage and upgrade contract.

A consortium of technology companies, of which Ericsson is a part, wins the bid for all of Nortel's approximately 6,000 remaining patents and patent applications.

SoftBank Mobile in Japan chooses Ericsson as sole supplier for next-generation packet core network (EPC) based on IP.

Slovak Telekom, part of the Deutsche Telekom Group signs a five-year fixed line managed-services contract with Ericsson for field maintenance and network operations.

MobiFone in Vietnam signs a contract with Ericsson for mobile video optimization, enabling high-quality video.

**Table of Contents**

ERICSSON ANNUAL REPORT ON FORM 20-F 2011

Ericsson announces a contract with Taiwan's Chunghwa Telecom to deploy and integrate a new IPTV platform that will deliver multi-screen interactive multimedia services.

Ericsson announces further investment in competence in the global service center in India, providing operators with support and operations of IT services.

EastLink, Canada selects Ericsson to build a mobile broadband network for HSPA+.

**OCTOBER-DECEMBER**

Augere awards India's first 4G/TD-LTE contract to Ericsson. The agreement includes an end-to-end TD-LTE solution, managed services and network operations.

Ericsson and Open Mobile sign Latin America's first 4G/LTE contract in Puerto Rico. The deal also includes managed services.

Ericsson and Sony announce that Sony will acquire Ericsson's 50% stake in Sony Ericsson.

Bharti Airtel renews and expands its managed services agreement with Ericsson for its operations in India. Under the five-year agreement, Ericsson will operate, maintain and provide services for 2G and 3G in Bharti Airtel's multi-vendor network in India.

**Table of Contents**

ERICSSON ANNUAL REPORT ON FORM 20-F 2011

**FIVE-YEAR SUMMARY**

For definitions of the financial terms used, see Glossary, Financial Terminology and Exchange Rates.

**FIVE-YEAR SUMMARY**

SEK million	2011	Change	2010	2009	2008	2007
<b>Income statement items</b>						
Net sales	226,921	12%	203,348	206,477	208,930	187,780
Operating income	17,900	9%	16,455	5,918	16,252	30,646
Financial net	221		672	325	974	83
Net income	12,569	12%	11,235	4,127	11,667	22,135
<b>Year-end position</b>						
Total assets	280,349	1%	281,815	269,809	285,684	245,117
Working capital as defined <sup>1)</sup>	109,552	4%	105,488	99,079	99,951	86,327
Capital employed as defined <sup>1)</sup>	186,307	2%	182,640	181,680	182,439	168,456
Gross cash as defined <sup>1)</sup>	80,542	8%	87,150	76,724	75,005	57,716
Net cash as defined <sup>1)</sup>	39,505	23%	51,295	36,071	34,651	24,312
Property, plant and equipment	10,788	14%	9,434	9,606	9,995	9,304
Stockholders' equity	143,105	1%	145,106	139,870	140,823	134,112
Non-controlling interest	2,165	29%	1,679	1,157	1,261	940
Interest-bearing liabilities and post-employment benefits	41,037	14%	35,855	40,653	40,354	33,404
<b>Other information</b>						
Earnings per share, basic, SEK	3.80	9%	3.49	1.15	3.54	6.87
Earnings per share, diluted, SEK	3.77	9%	3.46	1.14	3.52	6.84
Cash dividends per share, SEK	2.50 <sup>2)</sup>	11%	2.25	2.00	1.85	2.50
Stockholders' equity per share, SEK	44.57	2%	45.34	43.79	44.21	42.17
<b>Number of shares outstanding (in millions)</b>						
<i>end of period, basic</i>	3,211		3,200	3,194	3,185	3,180
<i>average, basic</i>	3,206		3,197	3,190	3,183	3,178
<i>average, diluted</i>	3,233		3,226	3,212	3,202	3,193
Additions to property, plant and equipment	4,994	35%	3,686	4,006	4,133	4,319
Depreciation and write-downs/impairments of property, plant and equipment	3,546	8%	3,296	3,502	3,105	2,914
Acquisitions/capitalization of intangible assets	2,748		7,246	11,413	1,287	29,838
Amortization and write-downs/impairments of intangible assets	5,490	18%	6,657	8,621	5,568	5,459
Research and development expenses	32,638	3%	31,558	33,055	33,584	28,842
<i>as percentage of net sales</i>	14.4%		15.5%	16.0%	16.1%	15.4%
<b>Ratios</b>						
Operating margin excluding joint ventures	9.6%		8.7%	6.5%	8.0%	12.5%
Operating margin	7.9%		8.1%	2.9%	7.8%	16.3%
EBITA margin as defined <sup>1)</sup>	9.9%		11.0%	6.7%	9.4%	18.0%
Cash conversion	40%		112%	117%	92%	66%
Return on equity as defined <sup>1)</sup>	8.5%		7.8%	2.6%	8.2%	17.2%
Return on capital employed as defined <sup>1)</sup>	11.3%		9.6%	4.3%	11.3%	20.9%
Equity ratio	51.8%		52.1%	52.3%	49.7%	55.1%
Capital turnover	1.2		1.1	1.1	1.2	1.2

Edgar Filing: ERICSSON LM TELEPHONE CO - Form 20-F

Inventory turnover days	<b>78</b>		74	68	68	70
Trade receivables turnover	<b>3.6</b>		3.2	2.9	3.1	3.4
Payment readiness, SEK million	<b>86,570</b>	11%	96,951	88,960	84,917	64,678
<i>as percentage of net sales</i>	<b>38.1%</b>		47.7%	43.1%	40.6%	34.4%
<b>Statistical data, year-end</b>						
Number of employees	<b>104,525</b>	16%	90,261	82,493	78,740	74,011
<i>of which in Sweden</i>	<b>17,500</b>	2%	17,848	18,217	20,155	19,781
Export sales from Sweden, SEK million	<b>116,507</b>	16%	100,070	94,829	109,254	102,486

- 1) These financial measures as defined by us may constitute non-IFRS measures. For a reconciliation to the most directly comparable IFRS measures, see pages 242-245.
- 2) For 2011, as proposed by the Board of Directors.

**Table of Contents**

ERICSSON ANNUAL REPORT ON FORM 20-F 2011

**SHARE INFORMATION****STOCK EXCHANGE TRADING**

The Ericsson Class A and Class B shares are listed on NASDAQ OMX Stockholm. In the United States, the Class B shares are listed on NASDAQ New York in the form of American Depositary Shares (ADS) evidenced by American Depositary Receipts (ADR) under the symbol ERIC. Each ADS represents one Class B share.

In 2011, approximately 6 (6) billion Ericsson shares were traded, of which about 3.4 billion were traded on NASDAQ OMX Stockholm and about 1.6 billion were traded on NASDAQ New York. Trading volume in Ericsson shares decreased by approximately 2% on NASDAQ OMX Stockholm and decreased by approximately 2% on NASDAQ New York compared to 2010.

(Note: The approximate total volumes include trading on alternative trading venues such as BATS Europe, Burgundy, Chi-X Europe.)

**THE ERICSSON SHARE****Share listings**

NASDAQ OMX Stockholm  
NASDAQ New York

**Share data**

Total number of shares in issue	3,273,351,735
of which Class A shares	261,755,983
of which Class B shares	3,011,595,752
Ericsson treasury shares, Class B	62,846,503
Quotient value	SEK 5.00
Market capitalization, December 31, 2011	approx. SEK 230 b.
GICs (Global Industry Classification)	45201020

**Ticker codes**

NASDAQ OMX Stockholm	ERIC A ERIC B
NASDAQ New York	ERIC
Bloomberg NASDAQ OMX Stockholm	ERICA SS ERICB SS
Bloomberg NASDAQ	ERIC US
Reuters NASDAQ OMX Stockholm	ERICa.ST ERICb.ST
Reuters NASDAQ	ERIC.O

**ISIN**

ERIC A	SE0000108649
ERIC B	SE0000108656
ERIC	US2948216088
CUSIP	294821608

**Table of Contents**

ERICSSON ANNUAL REPORT ON FORM 20-F 2011

**CHANGES IN NUMBER OF SHARES AND CAPITAL STOCK 2007 2011**

		<b>Number of shares</b>	<b>Share capital</b>
2007	December 31	16,132,258,678	16,132,258,678
2008	June 2, reverse split 1:5	3,226,451,735	16,132,258,678
2008	July 23, new issue (Class C shares, later converted to Class B)	19,900,000	99,500,000
2008	December 31	3,246,351,735	16,231,758,678
2009	June 8, new issue (Class C shares, later converted to Class B)	27,000,000	135,000,000
2009	December 31	3,273,351,735	16,366,758,678
2010	December 31	3,273,351,735	16,366,758,678
2011	December 31	3,273,351,735	16,366,758,678

**SHARE PERFORMANCE INDICATORS**

	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007<sup>1)</sup></b>
Earnings per share, diluted (SEK) <sup>2)</sup>	<b>3.77</b>	3.46	1.14	3.52	6.84
Stockholders' equity per share, basic, end of period (SEK) <sup>3)</sup>	<b>44.57</b>	45.34	43.79	44.21	42.17
P/E ratio	<b>19</b>	22	57	17	11
Total shareholder return (%)	<b>7</b>	22	15	20	43
Dividend per share (SEK) <sup>4)</sup>	<b>2.50</b>	2.25	2.00	1.85	2.50

1) 2007 restated for reverse split 1:5 in 2008.

2) Calculated on average number of shares outstanding, diluted.

3) Calculated on number of shares, end of period.

4) For 2011 as proposed by the Board of Directors.

For definitions of the financial terms used, see Glossary, Financial Terminology and Exchange Rates.

**SHARE TREND**

In 2011, Ericsson's total market capitalization decreased by about 10% to SEK 230 billion, compared to an increase by 18% reaching SEK 255 billion in 2010. The OMX Stockholm Index on NASDAQ OMX Stockholm decreased by 17% and the NASDAQ composite index decreased by 2%. The S&P 500 Index remained at the same level as in 2010.

**Table of Contents**

ERICSSON ANNUAL REPORT ON FORM 20-F 2011



**Table of Contents**

ERICSSON ANNUAL REPORT ON FORM 20-F 2011

**OFFER AND LISTING DETAILS**

**Principal trading market NASDAQ OMX Stockholm share prices**

The table below states the high and low share prices for our Class A and Class B shares as reported by NASDAQ OMX Stockholm for the last five years. Trading on the exchange generally continues until 5:30 p.m. (CET) each business day. In addition to trading on the exchange there is also trading off the exchange and on alternative venues during trading hours and also after 5:30 p.m. (CET).

NASDAQ OMX Stockholm publishes a daily Official Price List of Shares which includes the volume of recorded transactions in each listed stock, together with the prices of the highest and lowest recorded trades of the day. The Official Price List of Shares reflects price and volume information for trades completed by the members. The equity securities listed on the NASDAQ OMX Stockholm Official Price List of Shares currently comprise the shares of 259 companies.

**Table of Contents**

ERICSSON ANNUAL REPORT ON FORM 20-F 2011

**Host market NASDAQ New York ADS prices**

The table below states the high and low share prices quoted for our ADSs on NASDAQ New York for the last five years. The NASDAQ New York quotations represent prices between dealers, not including retail mark-ups, markdowns or commissions, and do not necessarily represent actual transactions.

**SHARE PRICES ON NASDAQ OMX STOCKHOLM**

(SEK)	2011	2010	2009	2008	2007 <sup>1)</sup>
Class A at last day of trading	<b>69.55</b>	74.00	65.00	59.30	76.80
Class A high (May 16, 2011)	<b>93.60</b>	88.40	78.80	83.60	148.50
Class A low (October 4, 2011)	<b>59.05</b>	65.20	55.40	40.60	73.00
Class B at last day of trading	<b>70.40</b>	78.15	65.90	58.80	75.90
Class B high (May 12, 2011)	<b>96.65</b>	90.45	79.60	83.70	149.50
Class B low (October 4, 2011)	<b>61.70</b>	65.90	55.50	40.60	72.65

1) 2007 restated for reverse split 1:5 in 2008.

**SHARE PRICES ON NASDAQ NEW YORK**

(USD)	2011	2010	2009	2008	2007 <sup>1)</sup>
ADS at last day of trading	<b>10.13</b>	11.53	9.19	7.81	11.68
ADS high (May 10, 2011)	<b>15.44</b>	12.39	10.92	14.00	21.71
ADS low (October 4, 2011)	<b>8.83</b>	9.40	6.60	5.49	11.12

1) 2007 restated for reverse split 1:5 in 2008.

**Table of Contents**

ERICSSON ANNUAL REPORT ON FORM 20-F 2011

**SHARE PRICES ON NASDAQ OMX STOCKHOLM AND NASDAQ NEW YORK**

Period	NASDAQ OMX Stockholm				NASDAQ New York	
	SEK per Class A share		SEK per Class B share		USD per ADS <sup>1)</sup>	
	High	Low	High	Low	High	Low
<b>Annual high and low</b>						
2007 <sup>2)</sup>	148.50	73.00	149.50	72.65	21.71	11.12
2008	83.60	40.60	83.70	40.60	14.00	5.49
2009	78.80	55.40	79.60	55.50	10.92	6.60
2010	88.40	65.20	90.45	65.90	12.39	9.40
2011	93.60	59.05	96.65	61.70	15.44	8.83
<b>Quarterly high and low</b>						
2010 First Quarter	78.70	65.20	80.00	65.90	11.33	9.40
2010 Second Quarter	88.40	73.00	90.45	74.15	12.39	9.51
2010 Third Quarter	86.55	69.00				