

Sales of handset arm lifts Sweden's Ericsson in Q1

April 25 2012, By LOUISE NORDSTROM , Associated Press

(AP) -- LM Ericsson, the world-leading wireless equipment maker in terms of market share, saw its first quarter profits more than double, largely on the back of proceeds made from the sale of its stake in handset maker Sony Ericsson.

The Stockholm-headquartered group posted Wednesday a [net profit](#) of 8.95 billion kronor (\$1.33 billion), up from the 4.1 billion kronor earned in the same period last year. The results were heavily flattered by the 7.69 billion kronor gain it made when selling its stake in its joint venture with [Sony Corp.](#)

The picture elsewhere was less healthy with sales down 4 percent at 50.97 billion kronor. This was blamed mainly on the back of the current financial crisis and the Arab Spring, where network operators in areas facing economic or political uncertainty are spending less.

Gross margin also shrank to 33.3 percent from 38.5 percent, but excluding joint ventures and other associated companies, [operating margin](#) almost doubled compared with the same quarter last year, rising to 20.6 percent from 11.9 percent.

CEO Hans Vestberg said "sales of high-performance broadband developed well in North America, Japan and Korea, while other regions such as Europe, including Russia, parts of Middle East and India were weaker."

He also noted that the divestment of [Sony Ericsson](#) marks a new chapter for Ericsson.

"We have left the consumer part of the handset business in order to focus on enabling connectivity for all devices, handsets and beyond," he said.

Ericsson's results provided a welcome relief to many market watchers, who had feared margins would continue to shrink at the same rapid pace as seen in the fourth quarter. The company's [share price](#) jumped 3.8 percent to 66.00 kronor (\$9.78) on the news.

"The report overall was a mixed bag really but when it comes to margins a lot of people were relieved that it wasn't worse than it was," said Greger Johansson, an analyst with research firm Redeye in Stockholm.

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