

ERICSSON 

TAKING YOU FORWARD

Ericsson to acquire key assets of Marconi

Investor briefing
October 25, 2005

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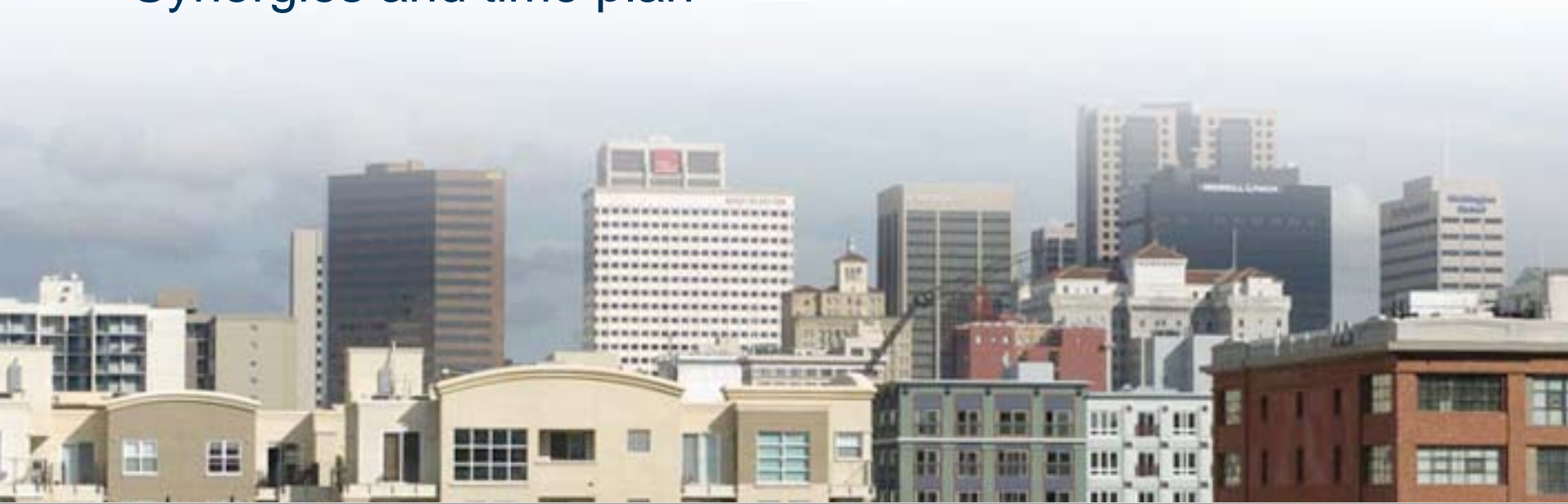
Carl-Henric Svanberg

President and CEO

Agenda

- acquisition of key assets from Marconi

- Introduction
- The acquisition and how Marconi fits in
- The particular parts, business rationale and strategy
- Synergies and time plan



Introduction

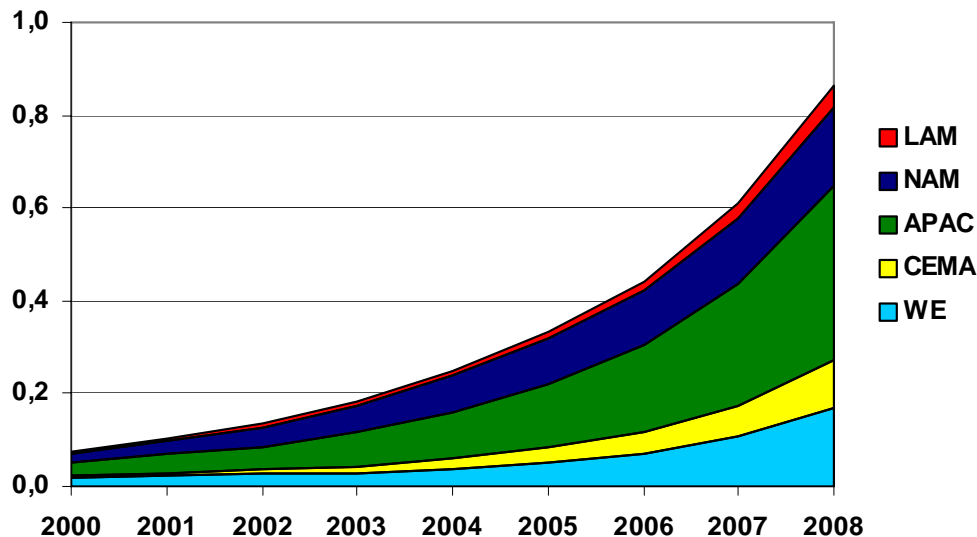
- Good strategic fit
 - Strong growth potential for transmission products
 - Expanded platform for migration to next generation networks
- Robust business case
 - Opportunities to realize major operating synergies
 - EPS neutral in 2006, accretive from 2007
- The transaction
 - Acquisition of 75% of the Marconi business in an asset deal
 - UK pension plan not part of the transaction
 - Pensions trustees and regulator have cleared the transaction

This slide contains forward looking statements

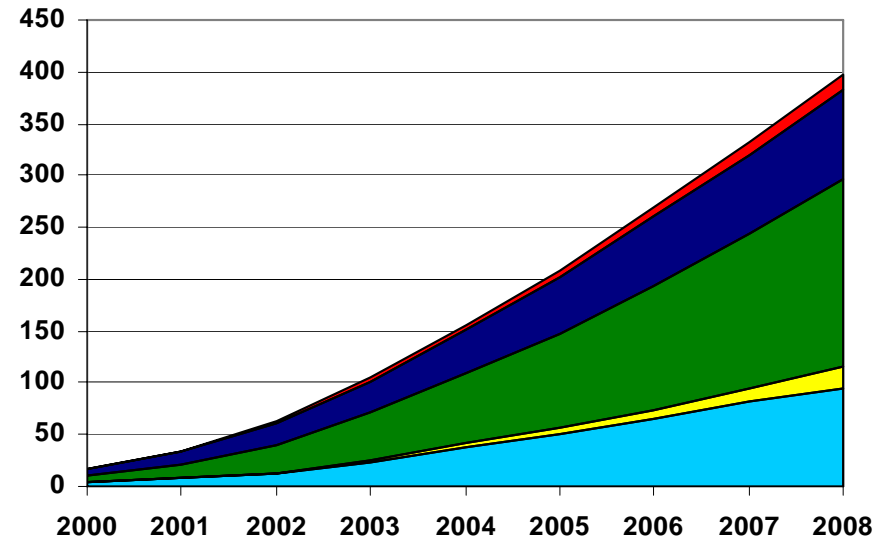
Telecom trends

- Increasing mobile traffic
- Dramatic increases in fixed broadband
- Converging fixed and mobile networks

Total Mobile Traffic - Million Terabytes
(voice & data)



Broadband lines by region (millions)

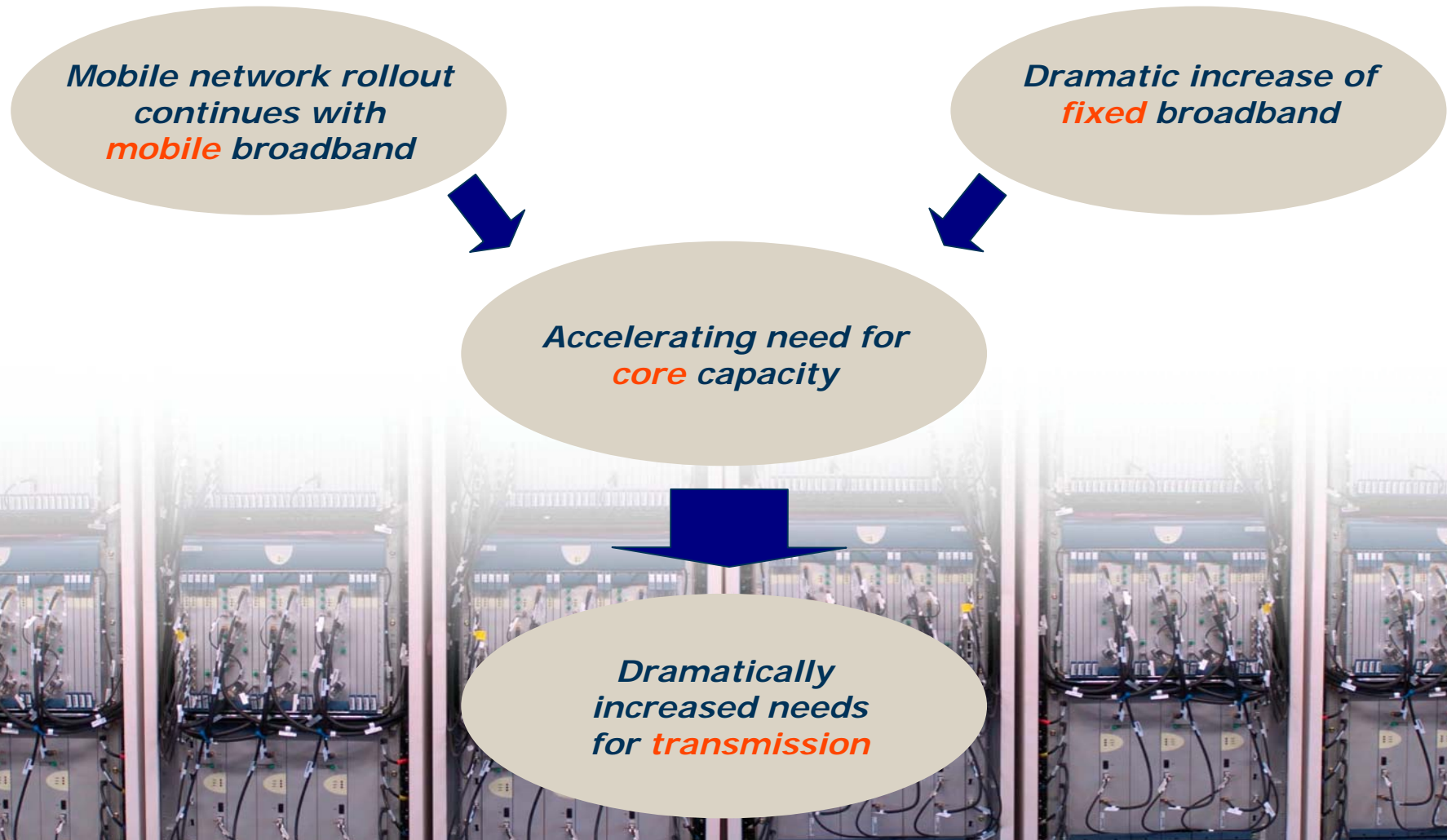


Source: Ericsson

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Telecom trends (continued)

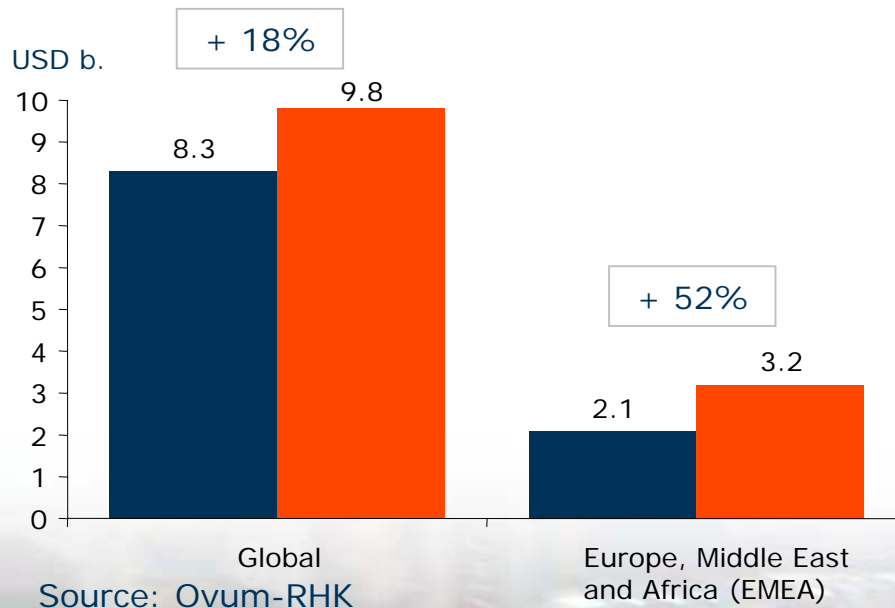
- increased need for transmission capacity



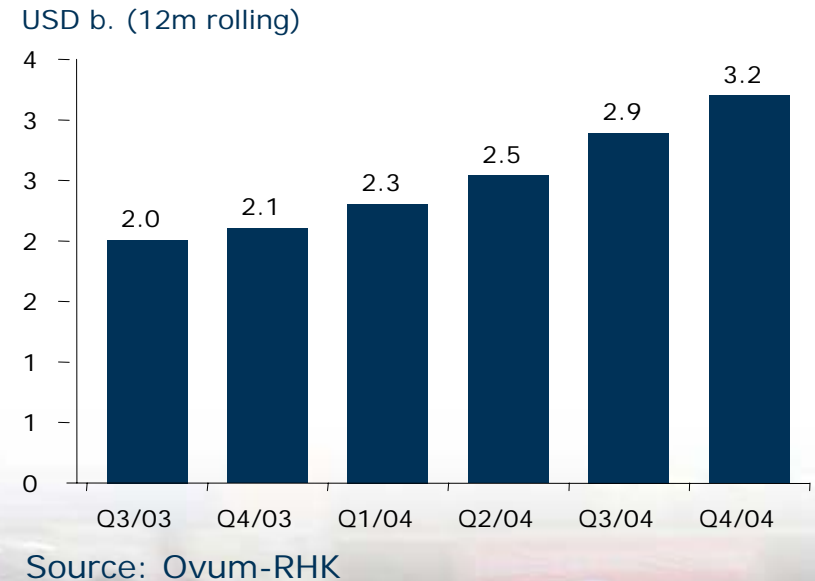
Telecom trends (continued)

- increased need for transmission capacity

Strong growth in optical networking...



...particularly in EMEA

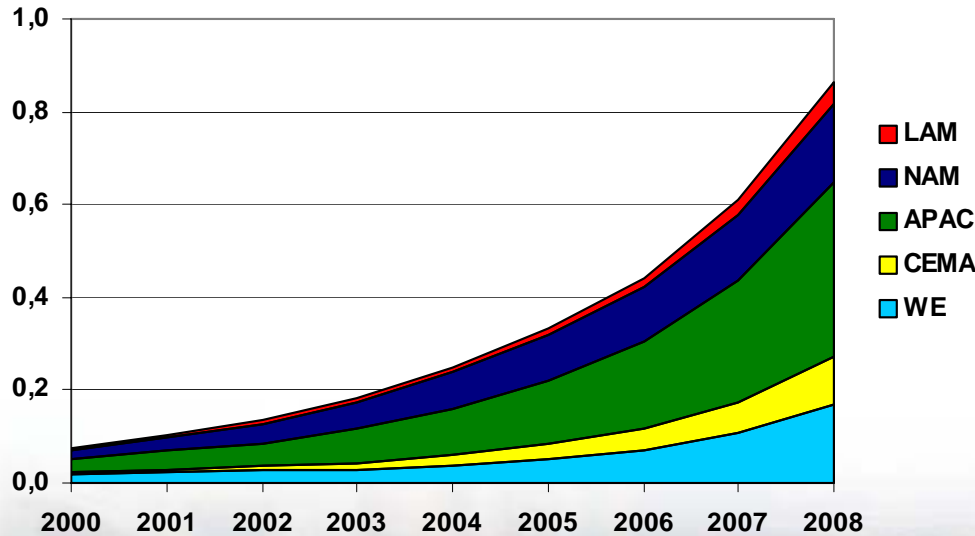


■ 2003 ■ 2004

Telecom trends (continued)

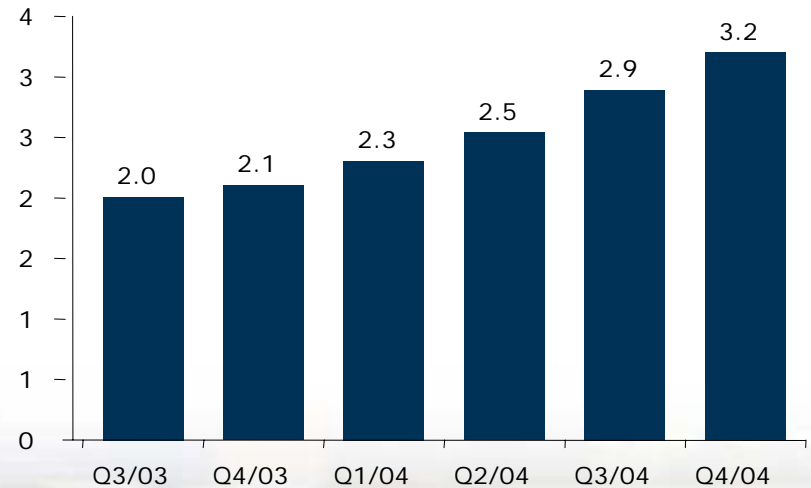
- increased need for transmission capacity

**Total Mobile Traffic - Million Terabytes
(voice & data)**



Source: Ericsson

USD b. (12m rolling)

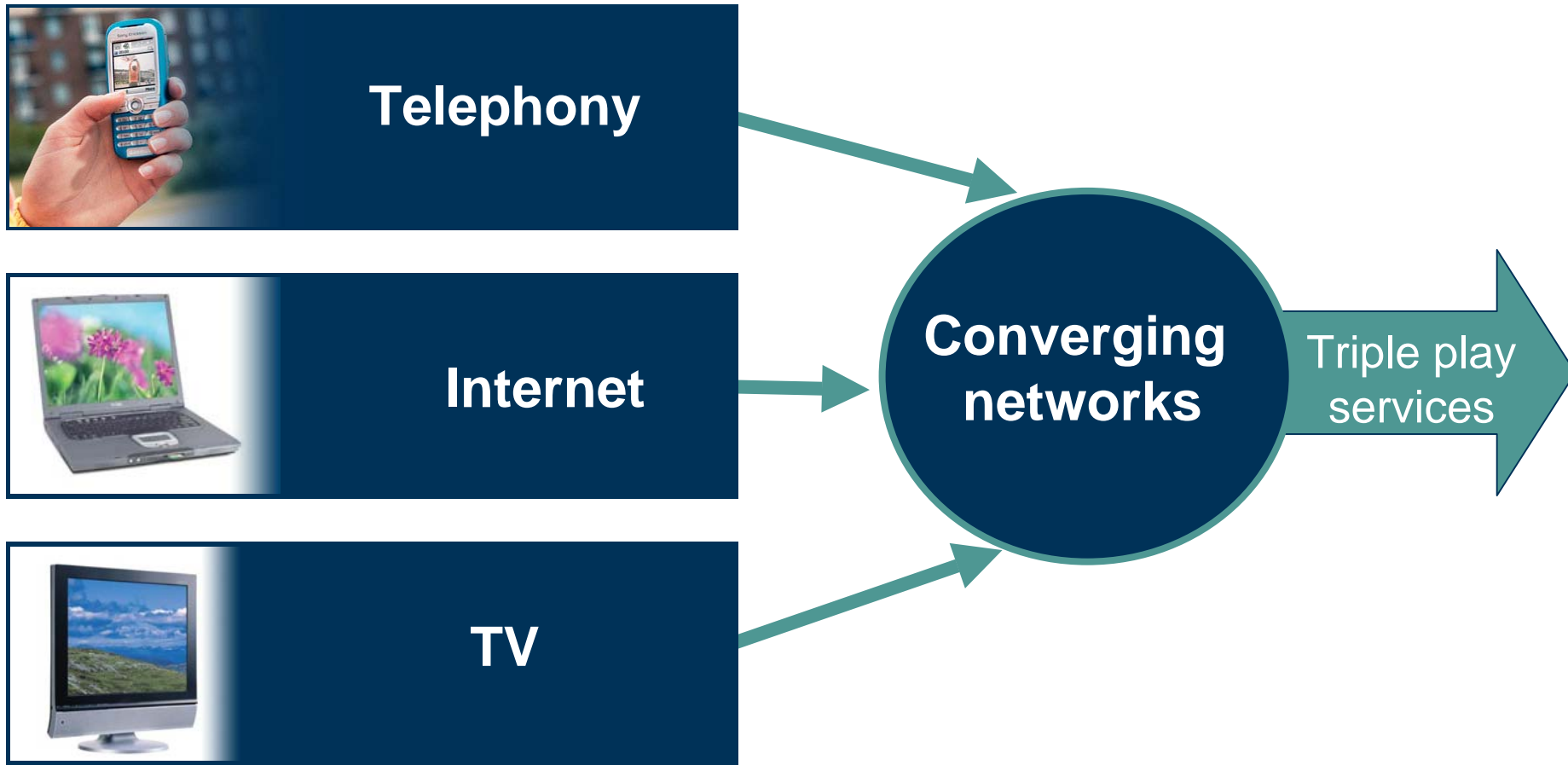


Source: Ovum-RHK

This slide contains forward looking statements

Telecom trends (continued)

- converging fixed and mobile networks



Converging next generation networks

Two telecom entrepreneurs



Ericsson and Marconi have a long-standing relationship

- Marconi owned 25% of SRA (later acquired by Ericsson Radio) until 1983

- Ericsson has re-sold Marconi's optical equipment for many years

Marconi in numbers

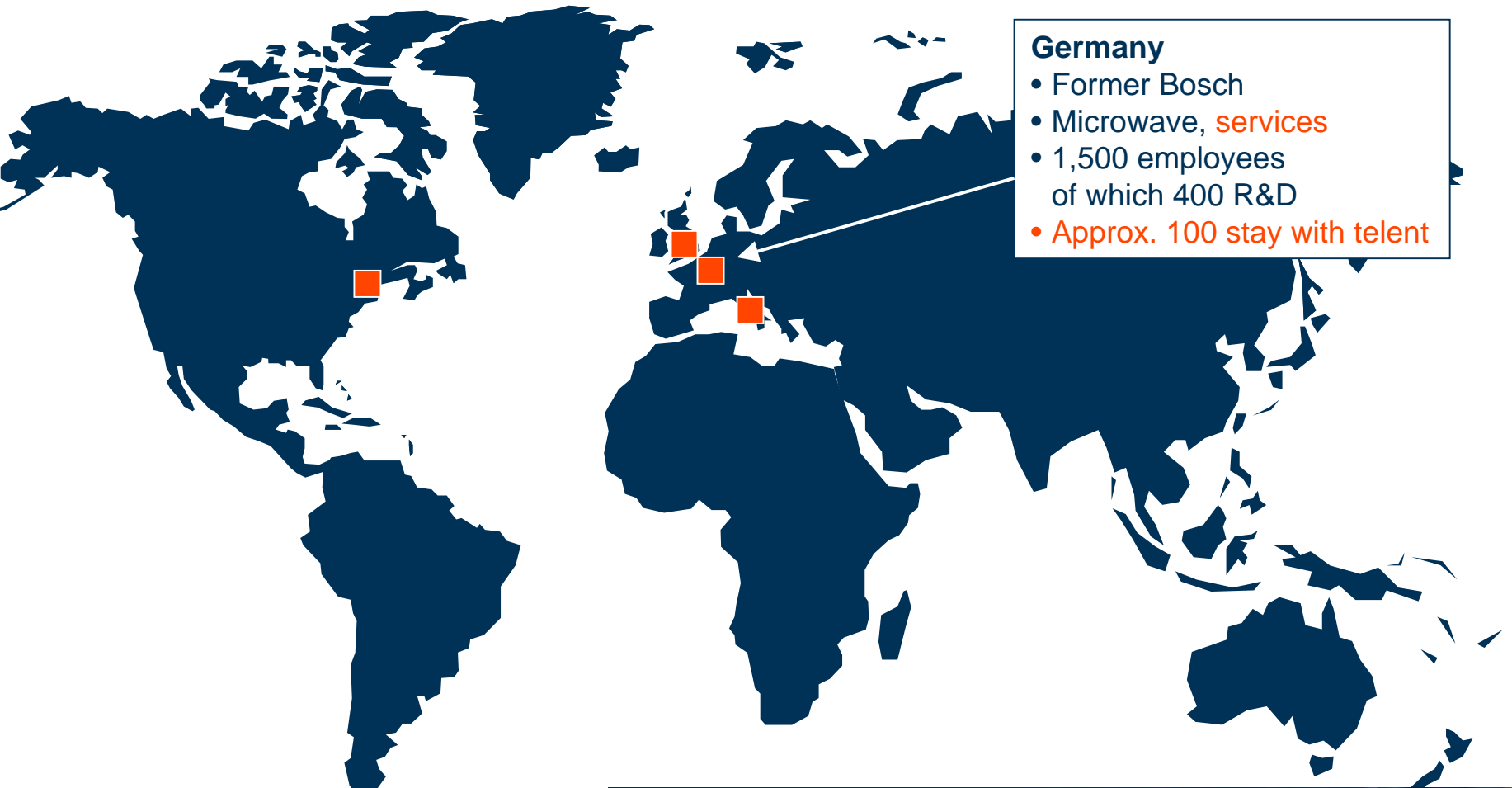
Full year ended March, GBP m.

	Financial year ended March 31		
	2003	2004	2005
Turnover	2 002	1 558	1 337
Total operating profit/loss	-858	-254	-99
Number of employees			9 800
Market cap, October 24, 2005			730

Restructuring ongoing with further improvements underway

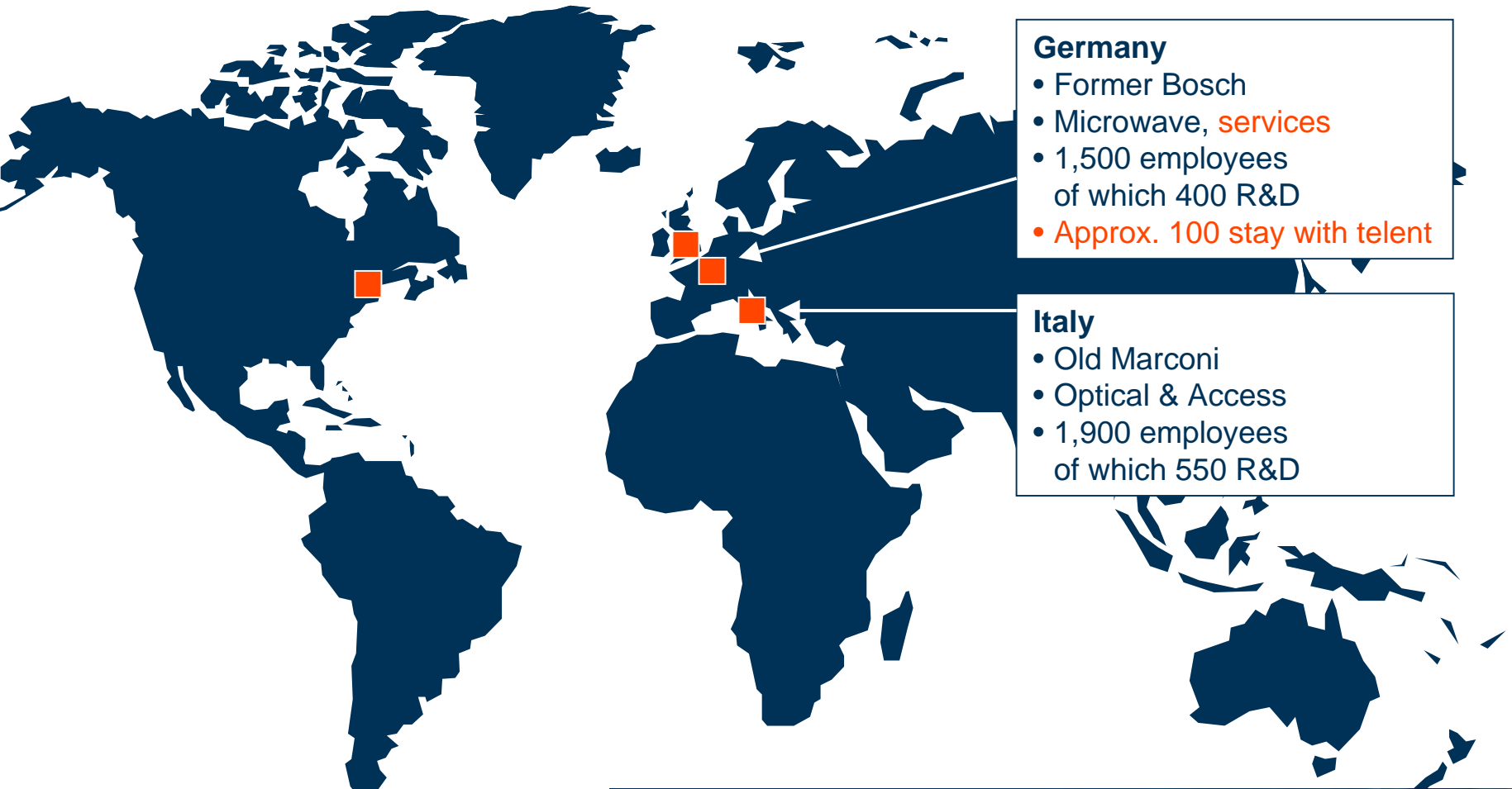
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Key operations and competencies



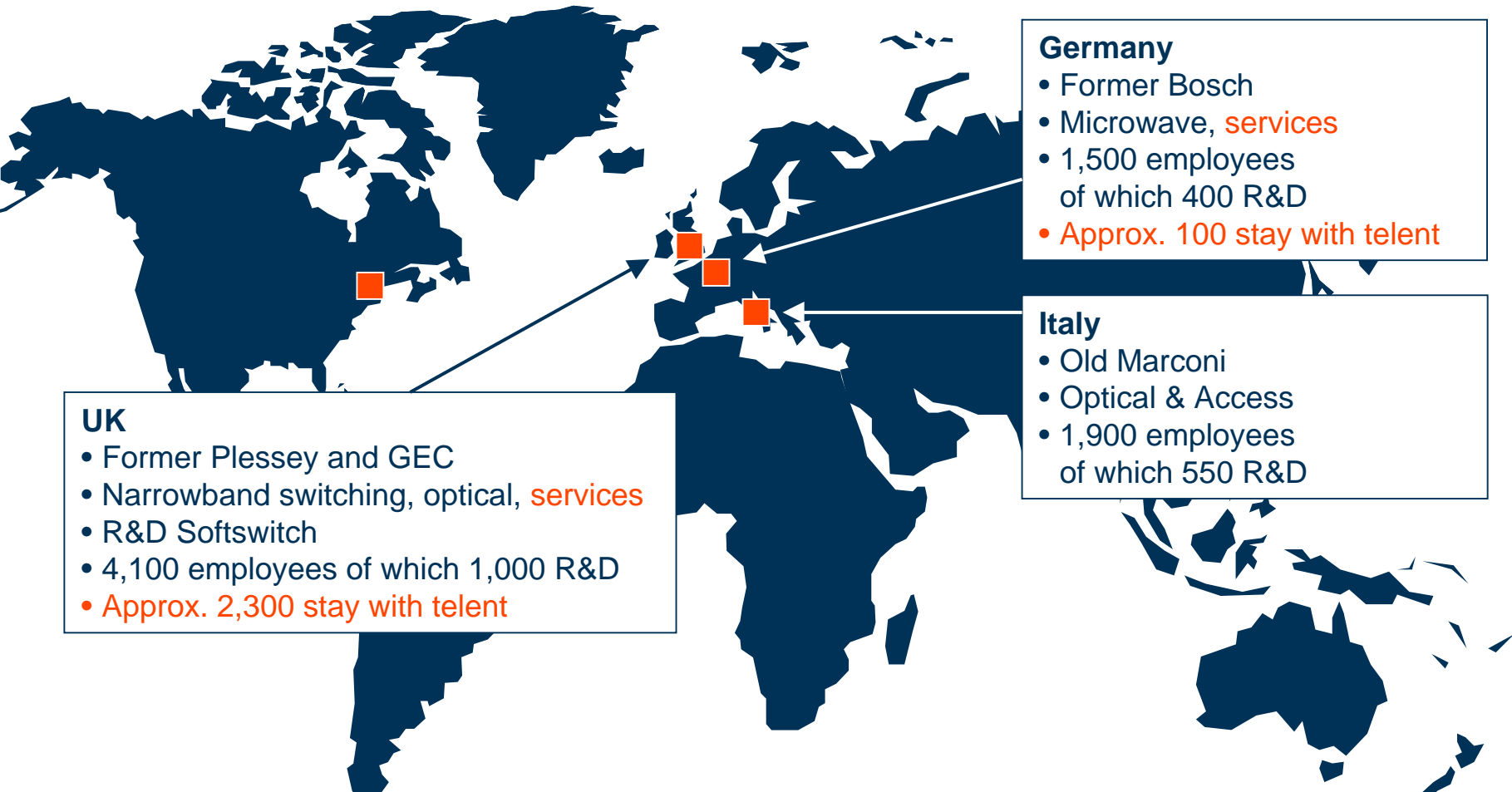
Main sites account for 80% of sales, employees and operations

Key operations and competencies



Main sites account for 80% of sales, employees and operations

Key operations and competencies



UK

- Former Plessey and GEC
- Narrowband switching, optical, **services**
- R&D Softswitch
- 4,100 employees of which 1,000 R&D
- **Approx. 2,300 stay with telent**

Germany

- Former Bosch
- Microwave, **services**
- 1,500 employees of which 400 R&D
- **Approx. 100 stay with telent**

Italy

- Old Marconi
- Optical & Access
- 1,900 employees of which 550 R&D

Main sites account for 80% of sales, employees and operations

Key operations and competencies

US

- Former FORE
- Data Networks
- 700 employees of which 200 R&D

Germany

- Former Bosch
- Microwave, **services**
- 1,500 employees of which 400 R&D
- **Approx. 100 stay with telent**

UK

- Former Plessey and GEC
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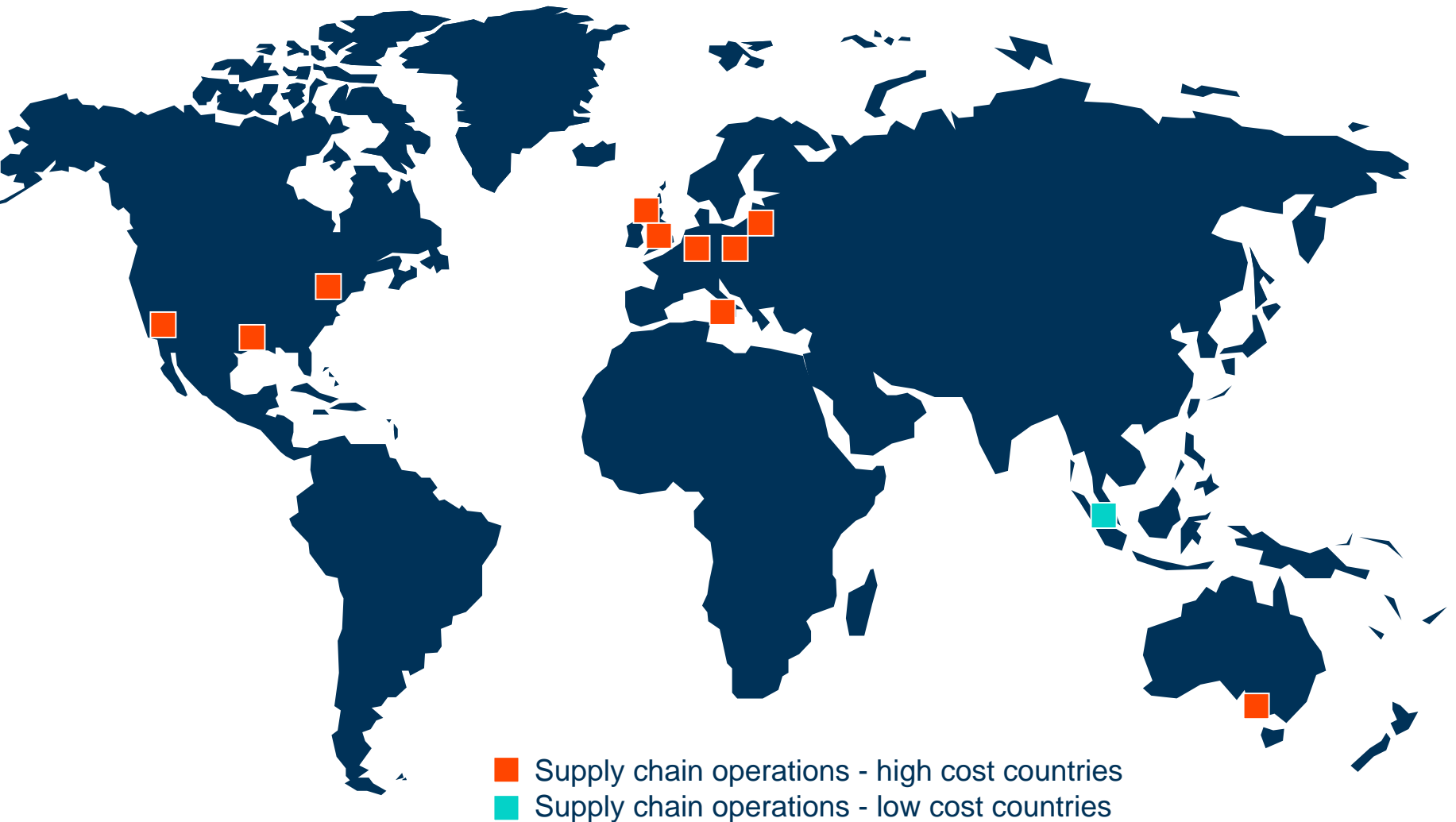
Italy

- Old Marconi
- Optical & Access
- 1,900 employees of which 550 R&D

Main sites account for 80% of sales, employees and operations

High cost structure

– 80% of added value in high cost territories



The transaction

- Ericsson acquires assets in certain areas
 - 75% of the business - sales of GBP 1.0 b.
 - Acquisition price of GBP 1.2 b.
 - Net assets of approx. GBP 0.1 b.
 - Intangible assets of GBP 1.1 b.
 - The Marconi name, related brands and relevant IPR
 - 6,500 employees
- Marconi continues under new name: telent plc.
 - Based on remaining services businesses, listed on LSE
 - Will keep HQ resources and some 2,000 employees
 - UK pension plan to remain with telent plc.
- Transaction subject to Marconi EGM and regulatory approvals
- Closing expected as per year-end 2005



Transaction rationale

- Customer relationships, top 10 customers 50% of sales
 - BT, Telefonica, Telecom Italia, Deutsche Telecom, Telstra, etc
 - Critical when migrating to next generation converging IP networks
- Areas of strategic importance, 75% of sales
 - Optical Transmission, Italy
 - Microwave Transmission (including trunk radio), Germany
 - Related Telecom Services
- Other important areas, 25% of sales
 - Broadband Access, Italy
 - Data Networking, US
 - Softswitch R&D competence, UK

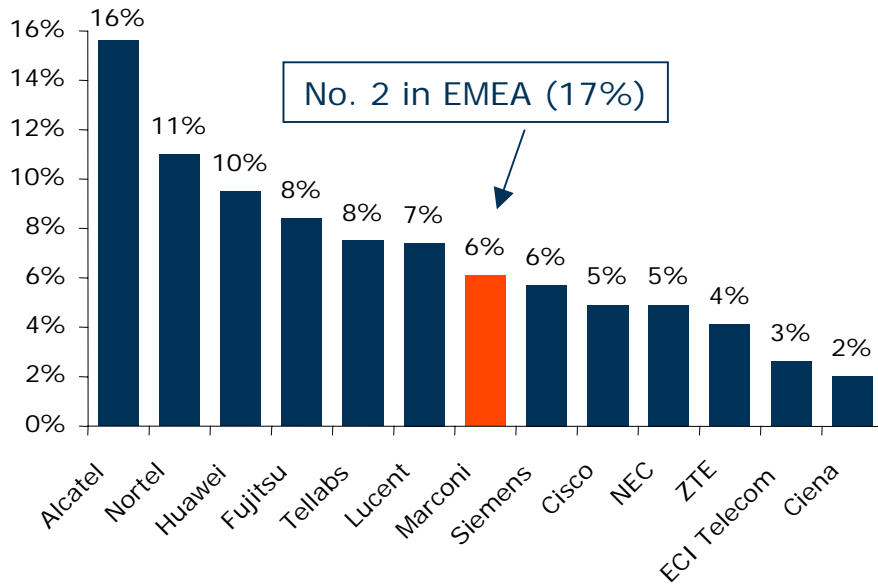
Strengthened position in transmission and next generation networks

Transaction rationale

Extends wireline/transmission position

Marconi adds strong position in optical...

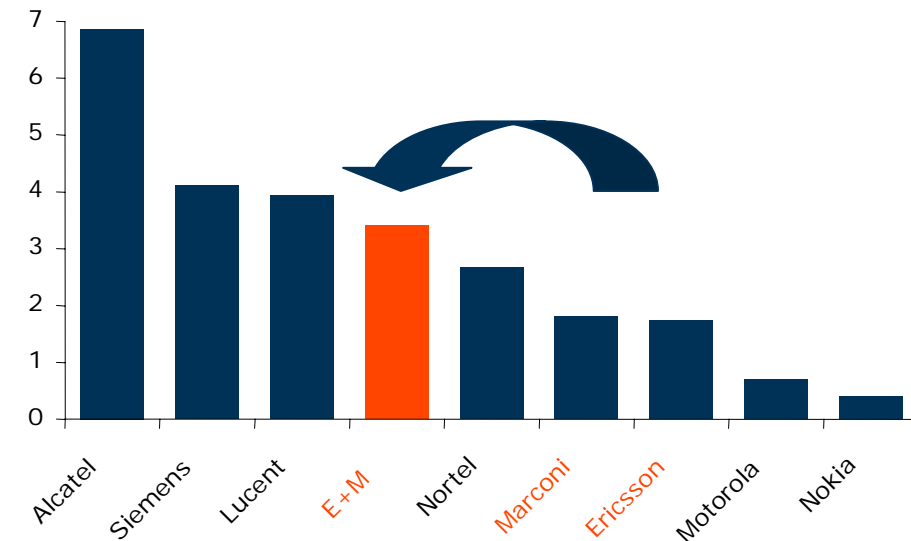
Global market shares in optical networking



Source: Ovum

...and adds wireline/transmission scale

USD b.



Source: Light Reading

Summary

Strategic fit – robust business case with major synergies

- Good strategic fit
 - Strong growth potential for transmission products
 - Expanded platform for migration to next generation networks
- Cross sales opportunities
- Robust business case
 - Major supply chain savings, synergies in SG&A
 - Opportunities to approach Group margins over time
- EPS neutral 2006, accretive from 2007
 - Intangibles tax deductible

Ericsson and Marconi – teaming up for the future

This slide contains forward looking statements

Questions & Answers

CARL-HENRIC SVANBERG

President and CEO, Ericsson

Karl-Henrik Sundström

Chief Financial Officer , Ericsson

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