

ERICSSON 
TAKING YOU FORWARD

Marconi
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Media briefing

October 25, 2005

David Beck

Director of Communications

Marconi

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Carl-Henric Svanberg

President and CEO, Ericsson

Mobile broadband
Next generation converging networks

Consumer demands
New and richer services

Dynamic competitive environment
New business models – new entrants

Vendor capabilities
in focus

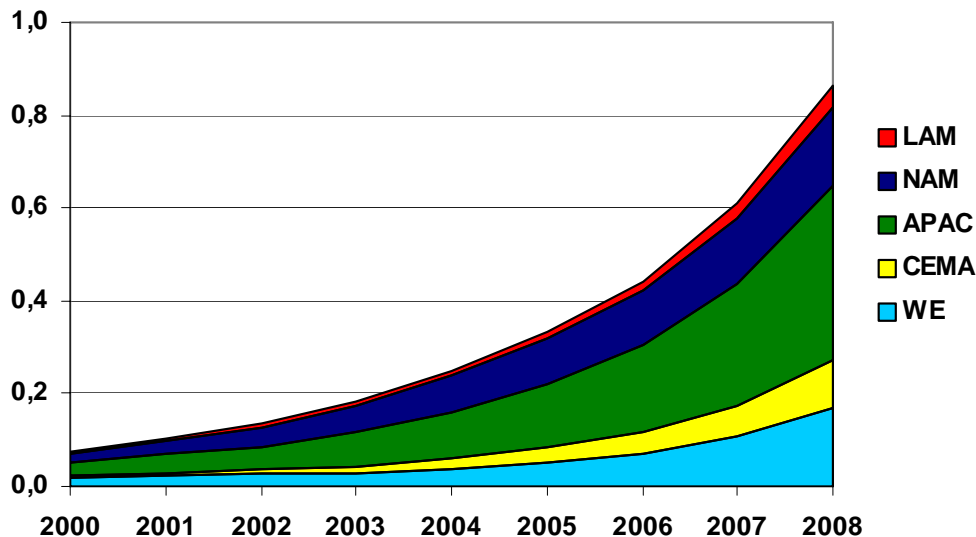
- R&D
- End-to-end
- Global presence

Industry in rapid change - globalisation – scale

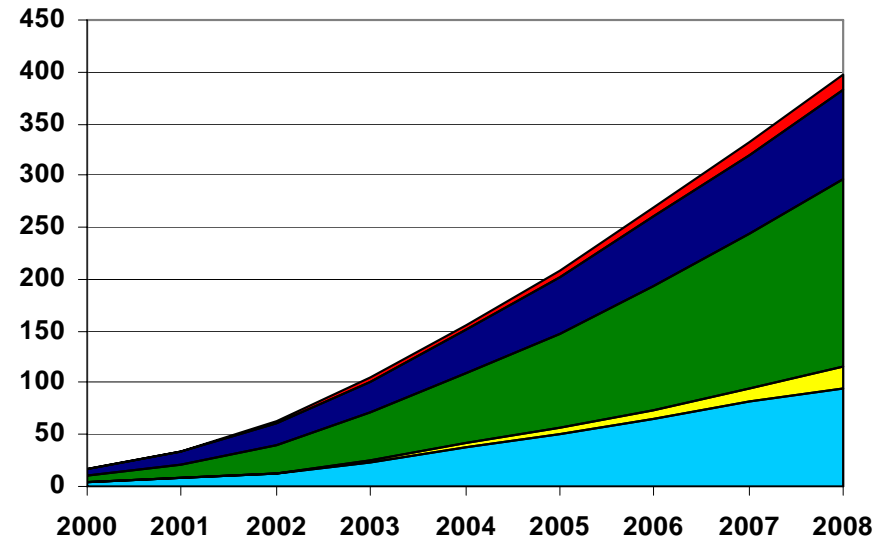
Telecom trends

- 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)

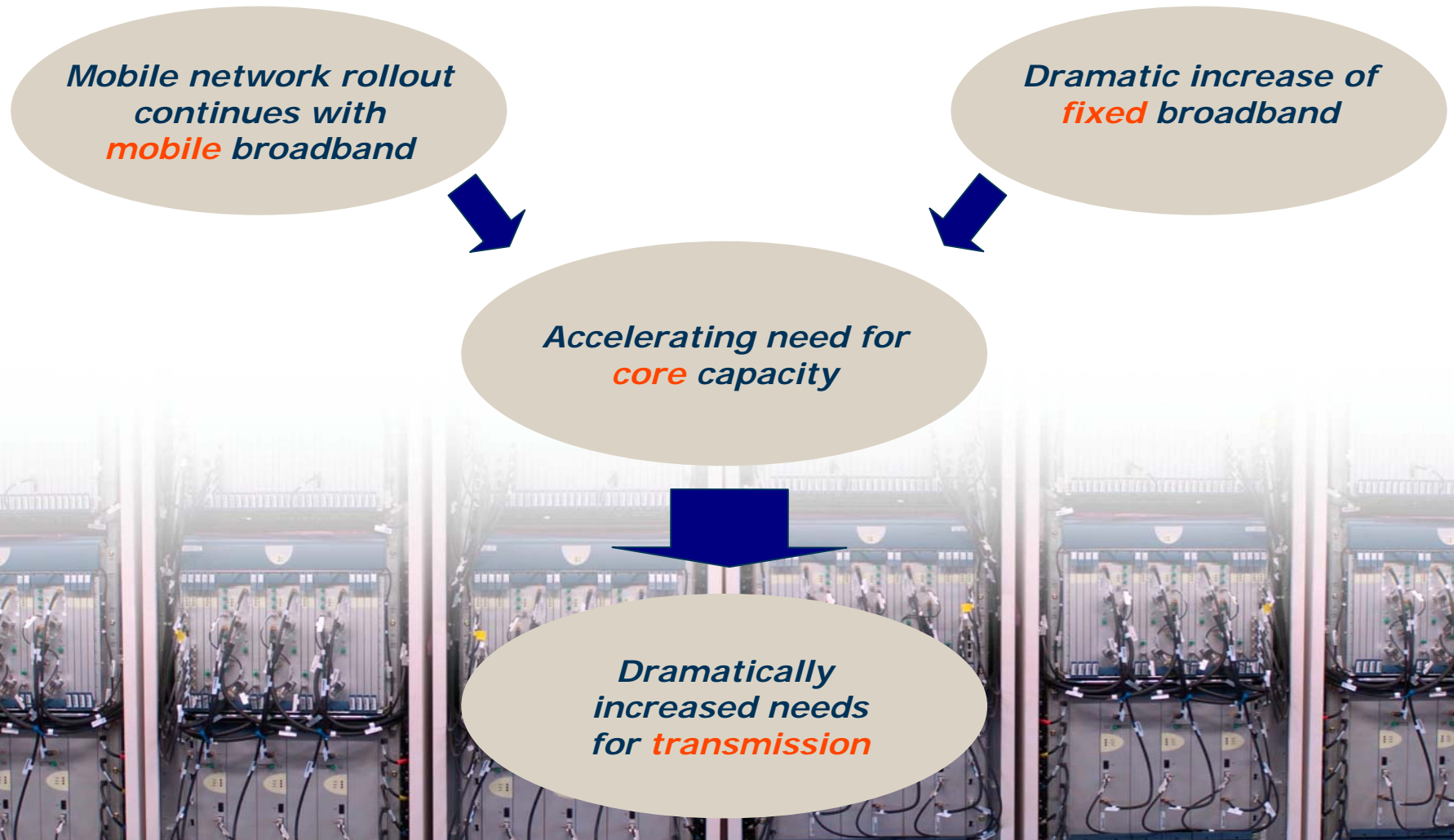


Source: Ericsson

This slide contains forward looking statements

Telecom trends (continued)

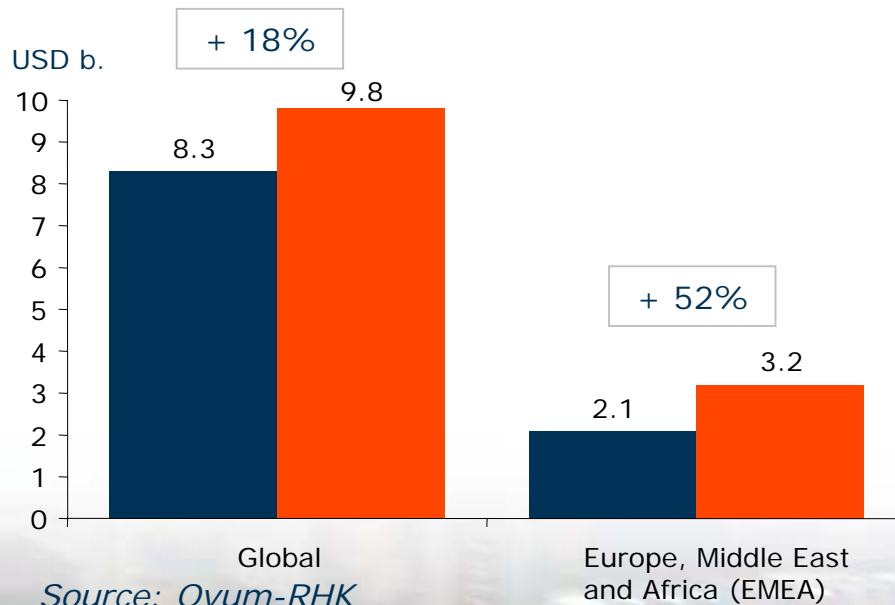
- increased need for transmission capacity



Telecom trends (continued)

- increased need for transmission capacity

Strong growth in optical networking...



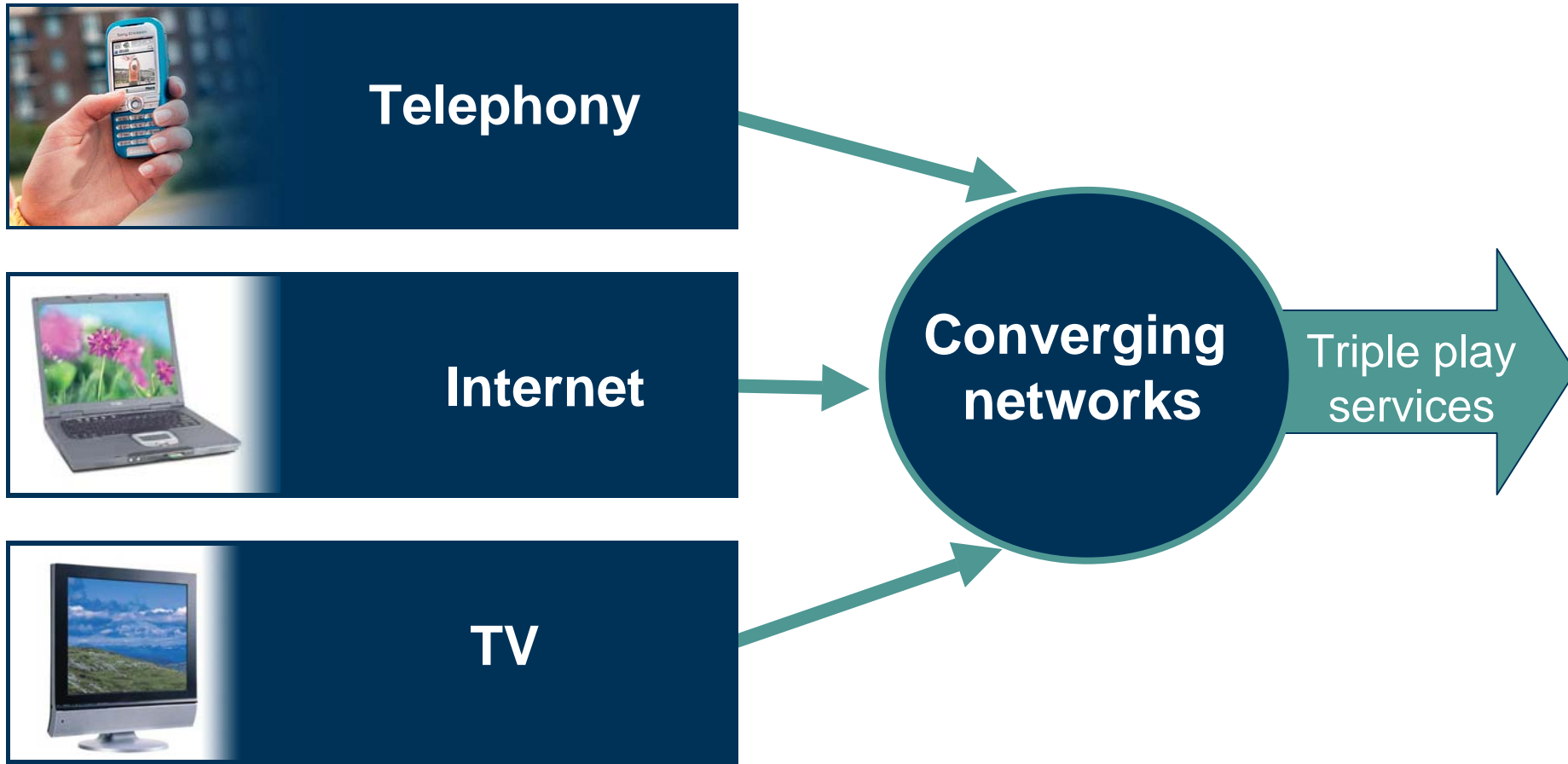
...particularly in EMEA



■ 2003 ■ 2004

Telecom trends (continued)

- converging fixed and mobile networks



Converging next generation networks

The transaction

- Good strategic fit for Ericsson
 - Strong growth potential for transmission products
 - Expanded platform for migration to next generation networks
- Robust business case for Ericsson
 - Major savings in supply chain – cost synergies
 - Cross sales opportunities
 - EPS accretive 2007, neutral 2006 - intangibles tax deductible
- The transaction
 - Acquisition of 75% of the Marconi business in an asset deal
 - Sales of GBP 1.0 b. – acquired for GBP 1.2 b.
 - UK pension plan not part of the transaction
 - Pensions trustees and regulator have cleared the transaction

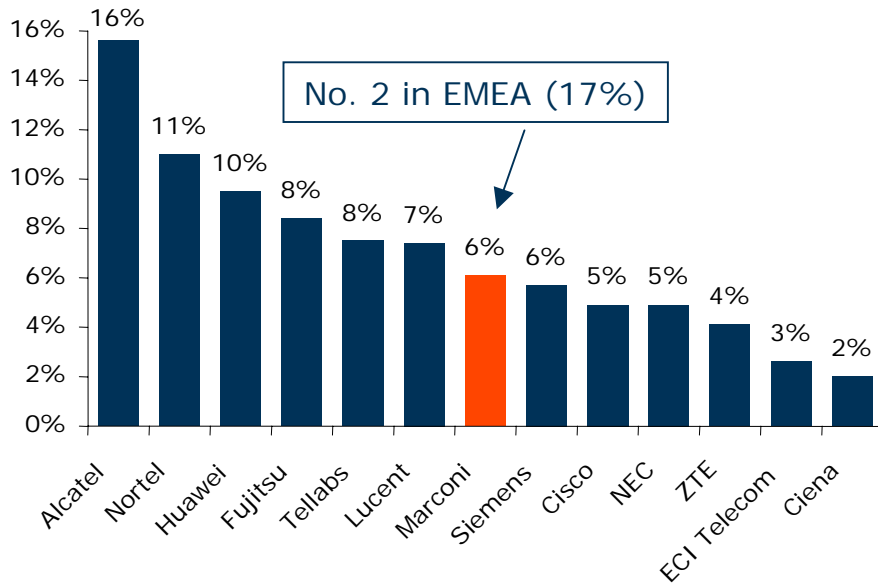
This slide contains forward looking statements

Transaction rationale

Extends wireline/transmission position

Marconi adds strong position in optical...

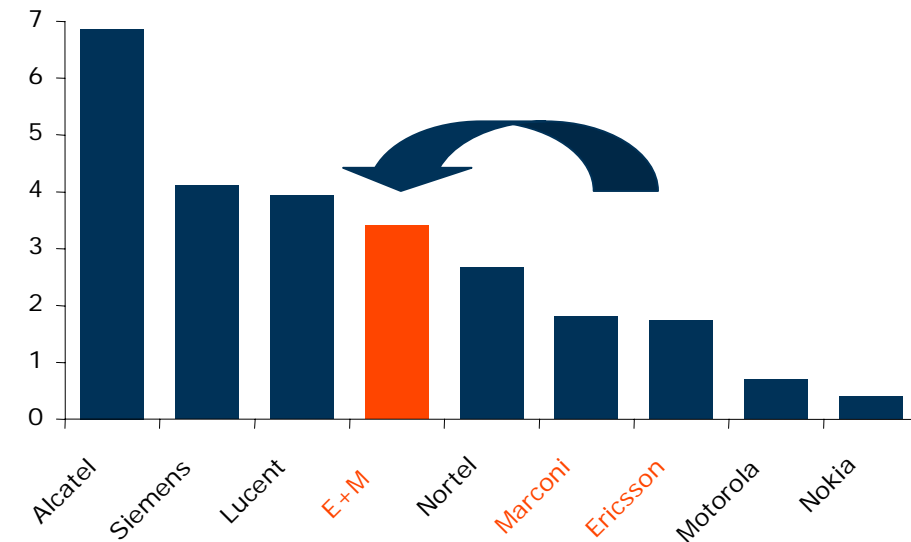
Global market shares in optical networking



Source: Ovum

...and adds wireline/transmission scale

USD b.



Source: Light Reading

Two telecom entrepreneurs

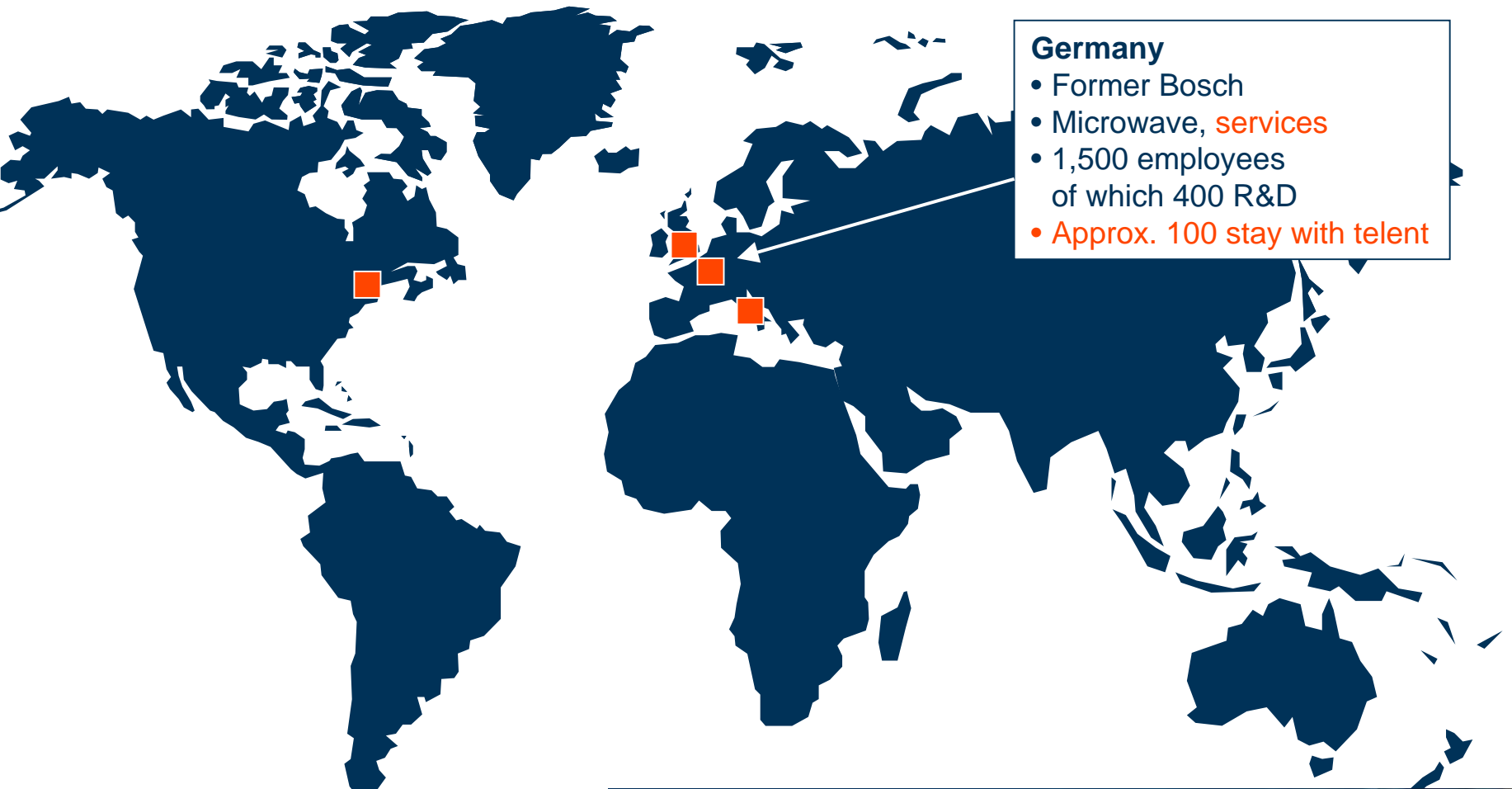


Ericsson and Marconi have a long-standing relationship

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

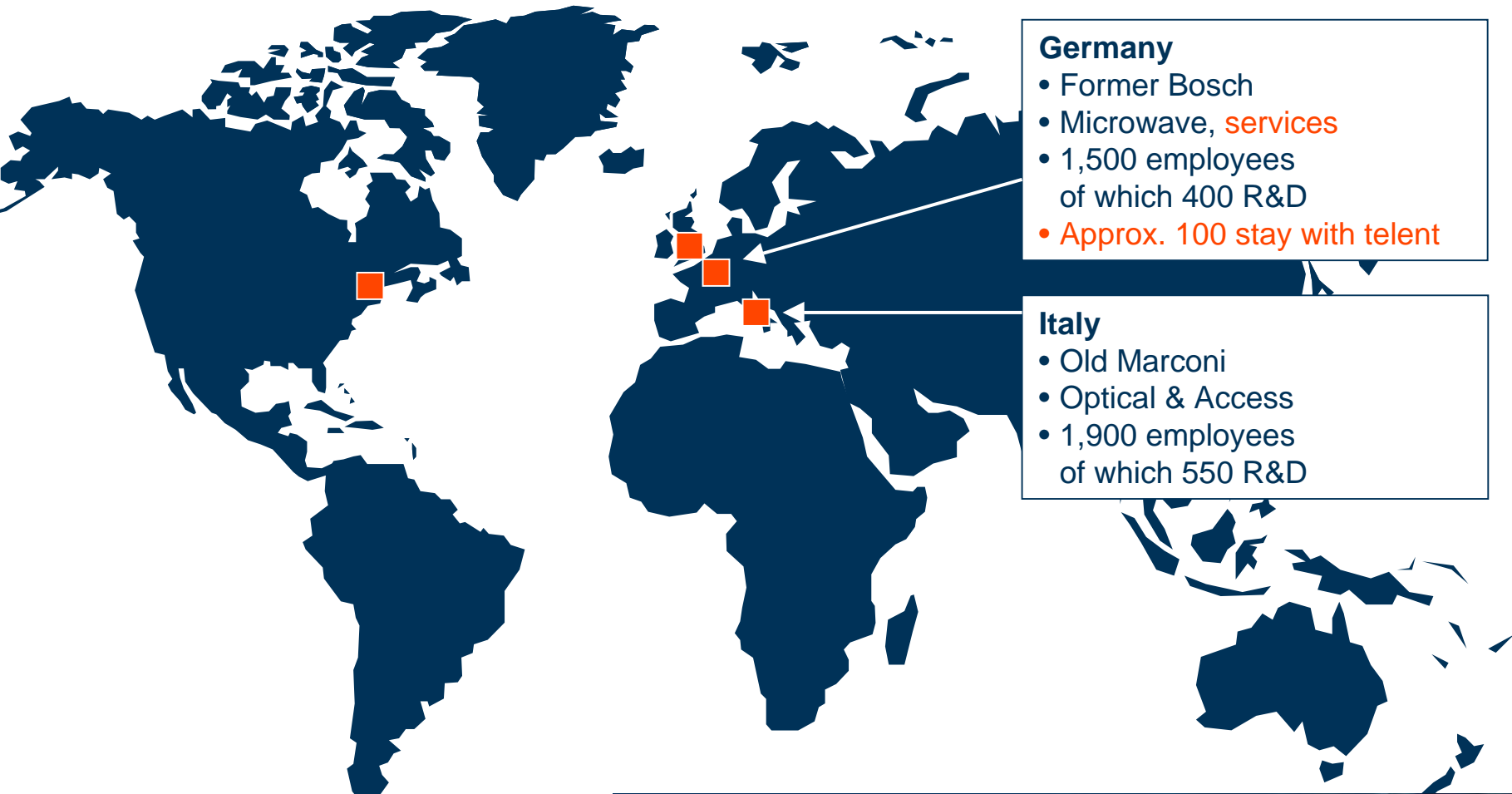
- Ericsson has re-sold Marconi's optical equipment for many years

Key operations and competencies



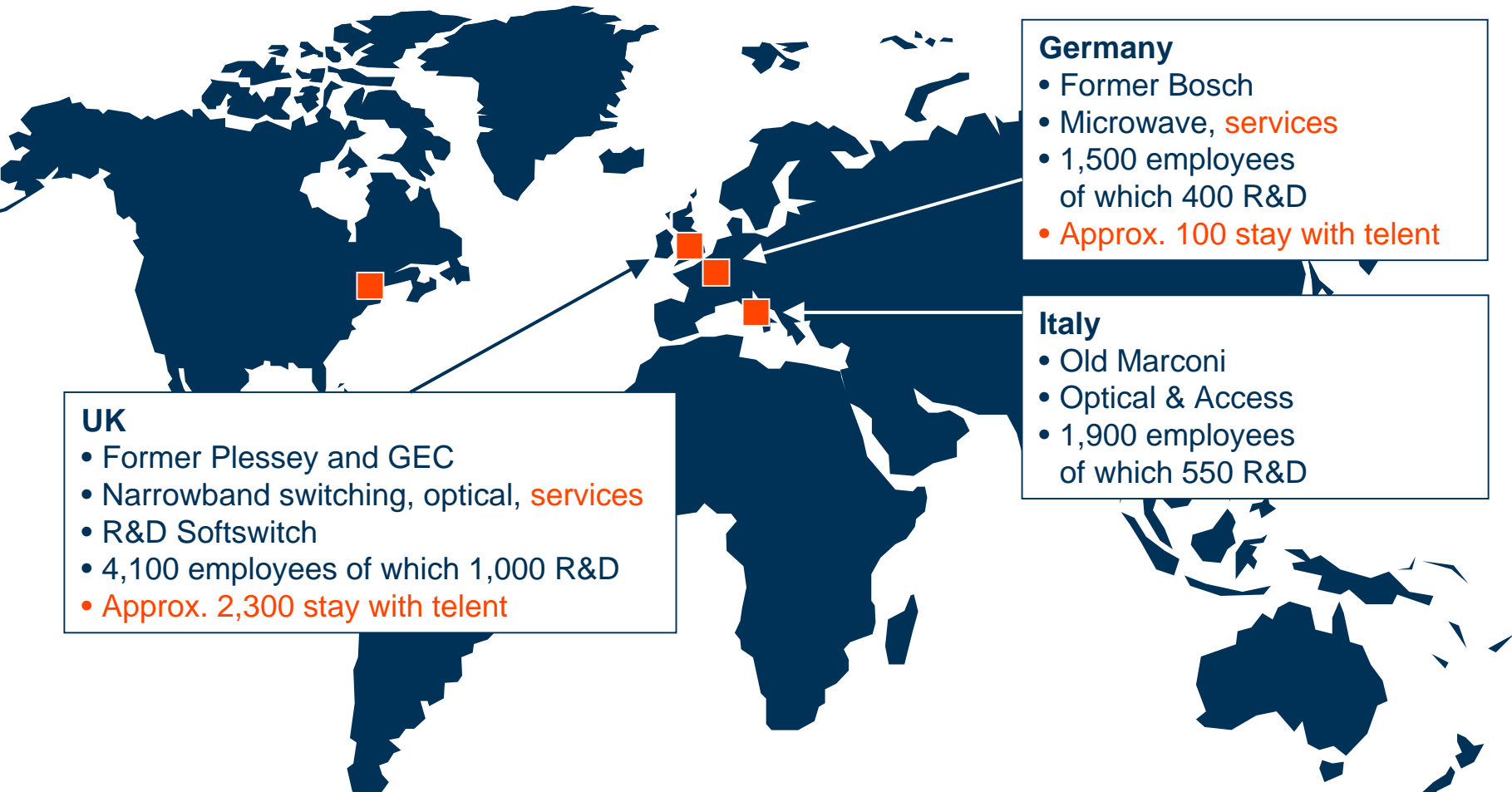
Main sites account for 80% of sales, employees and operations

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
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UK

- Former Plessey and GEC
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Main sites account for 80% of sales, employees and operations

Summary

- Sales of approx. GBP 1.0 b. acquired for GBP 1.2 b.
- Strengthened position in accelerating transmission market
- Adds strength in next generation converging networks
- The Marconi brand an obvious asset
- Cross sales opportunities
- Significant synergies
- Adds to EPS from 2007, neutral 2006

Ericsson and Marconi – teaming up for the future

This slide contains forward looking statements

Mike Parton

Chief Executive, Marconi

Value for shareholders

- Marconi has world class
 - Technology
 - People
 - Track record of innovation
- These assets can be leveraged to generate greater value using Ericsson's
 - Greater R&D resources
 - Low cost supply chain
 - Global distribution network



Transaction captures value for Marconi shareholders today

Transaction rationale

- Marconi intends to return 275 pence per share (GBP 577 m.) of the proceeds to its shareholders
- telent plc continues to operate a profitable telecoms and enterprise services business
- telent plc will be Ericsson's preferred services partner in the UK
- Potential to create further value for Marconi shareholders in short to medium term
- GBP 675 m. available to pension plan

Marconi continues to operate a strong services business

Pensions

Environment has changed – new regulation

- **Greater responsibilities on trustees**
 - Must review covenant of sponsoring company and determine investment strategy in line with perceived covenant strength
 - Need to agree funding plan for closure of FRS17 deficit
 - Need to ensure ongoing benefits can be maintained, even in event of worsening assumptions
- **FRS17**
 - A single valuation within a wide range of potential outcomes
- **Pensions Regulator**
 - Must be able to see sufficient funds available to continue to pay current benefits to scheme members before giving clearance for a return of cash to shareholders



Pensions

Actions taken as part of transaction

- Cash injection into pension plan of GBP 185 m. sufficient to eliminate FRS17 deficit as per latest draft triennial valuation
- Further GBP 490 m. of cash will be held in escrow for benefit of the UK pension plan



telent plc

telent plc

Business overview

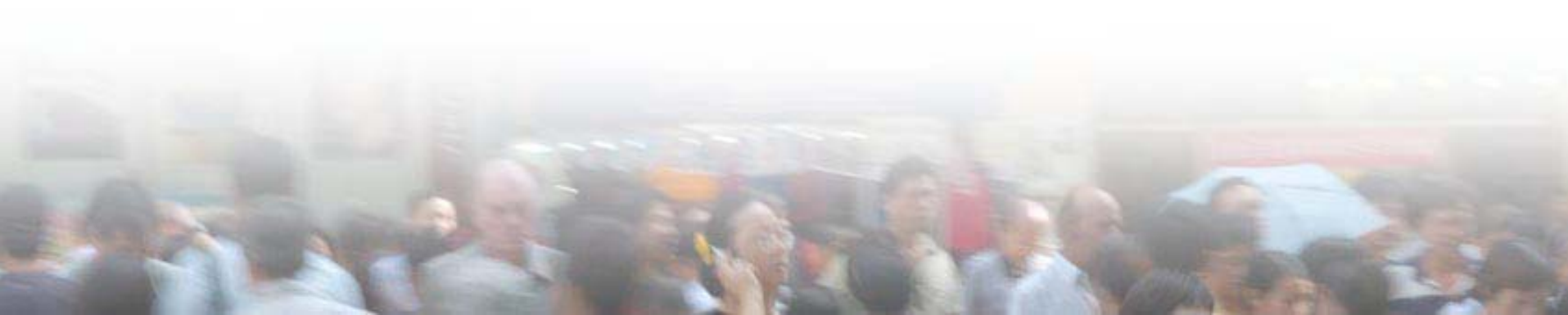
- FY05 turnover of GBP 336 m. and 2,100 employees
- Services company serving telecoms and enterprise customers
 - Multi-vendor support, installation and field services and cabling and civils to telcos
 - Full project management and network operations to enterprise
- 40+ strong customer relationships
 - BT, Energis, TollCollect, TubeLines



telent plc

Business overview (continued)

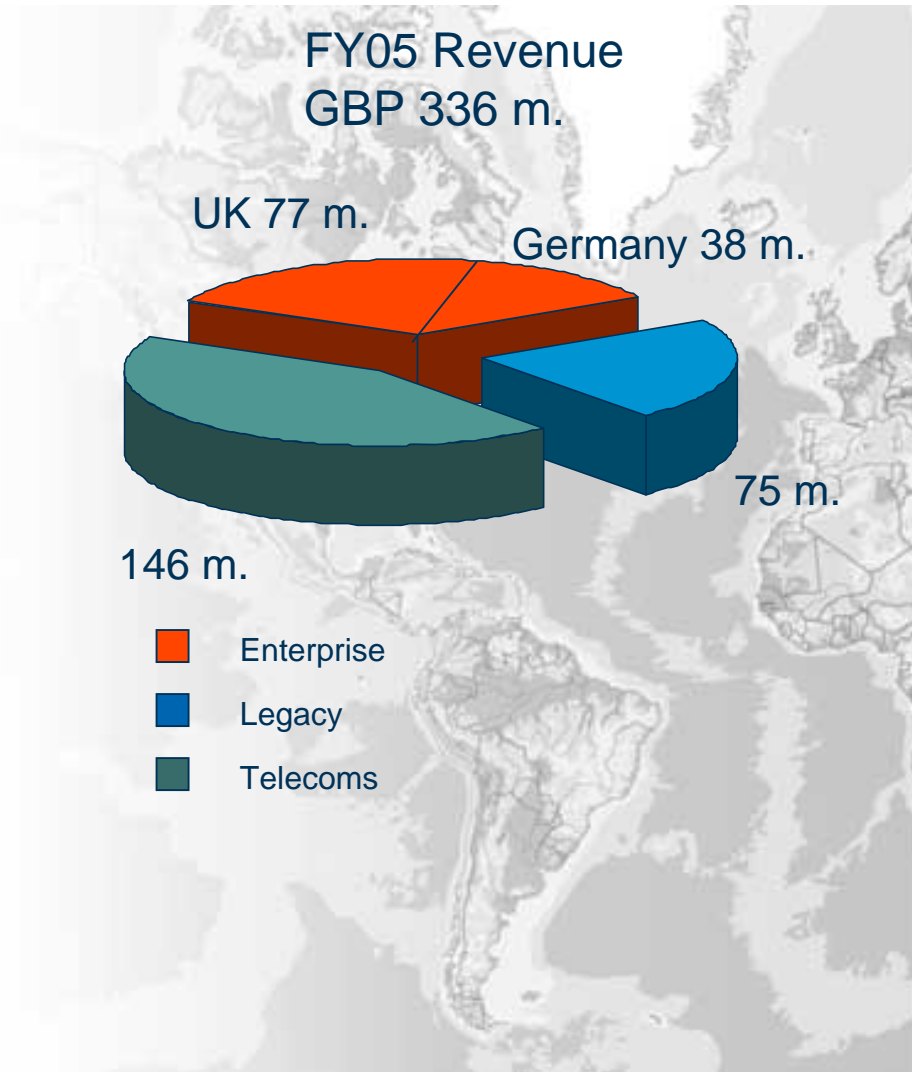
- Ericsson's preferred services supplier in the UK
- Multiple long term contracts (up to 13 years)
- 20 Year+ service history
- Highly skilled technology workforce
- Recognised excellence in performance



telent plc

Revenue by business

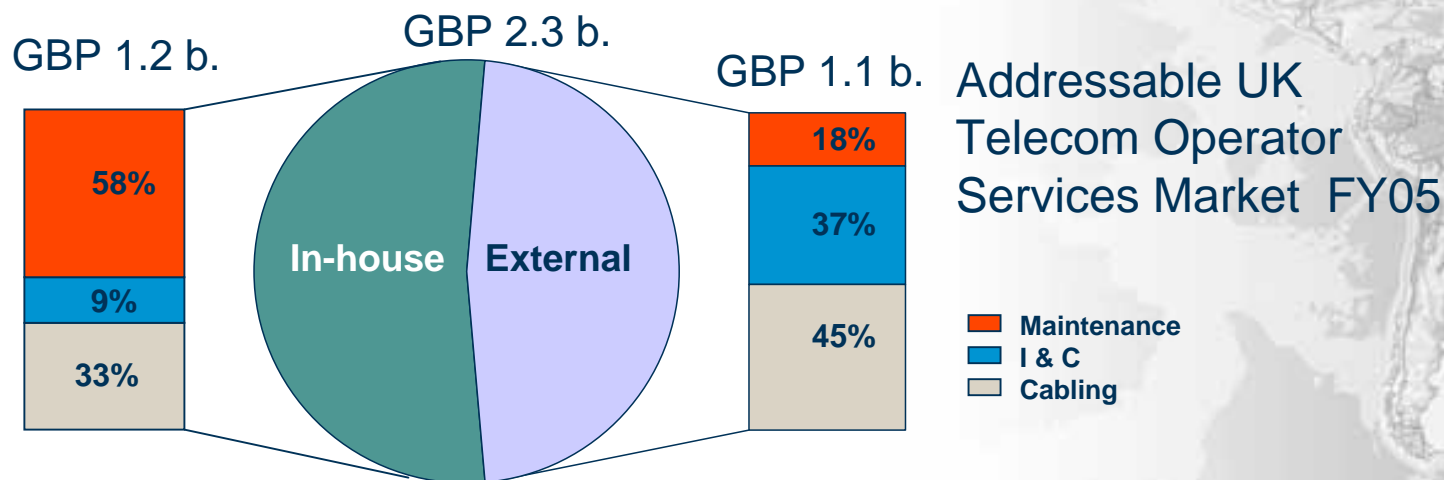
- Telecoms represents largest segment and most significant growth opportunity
- Strong base of customers in enterprise:
 - Will continue to target major investment in transportation and government systems
- System X support (Legacy Access) currently expected to phase down over 5+ years



telent plc

Market opportunity: telecom operator services

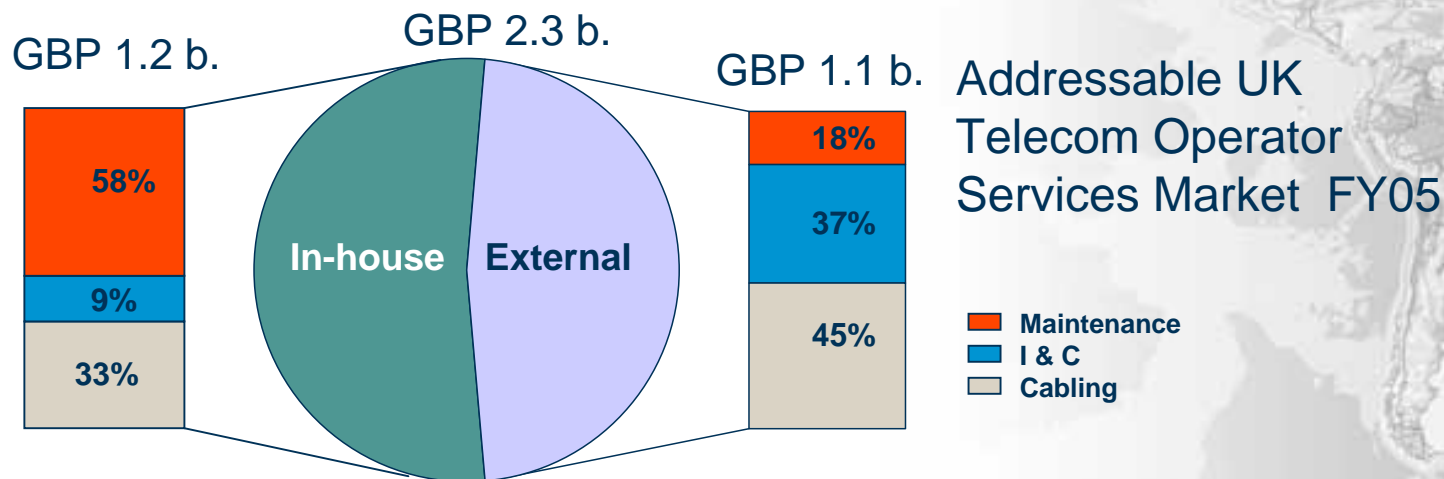
- GBP 2.3 b. addressable operator spend
 - ~50% currently outsourced to third party providers
- Additional external spend for network transformation estimated at approx. 200-300 m. from mid/end 2006



telent plc

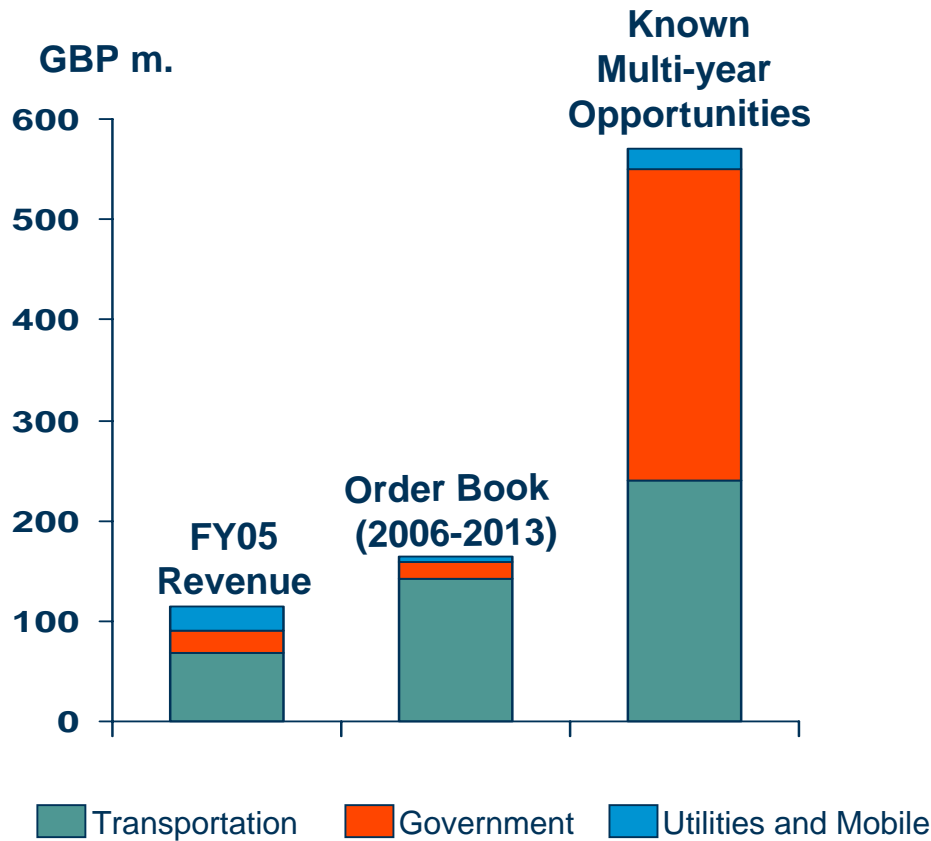
Market opportunity - telecom operator services

- Good growth prospects:
 - Further network maintenance outsourcing
 - External support required for major transformation projects
 - Continuing demand for cabling
 - Increasing I&C driven by the build-out of NGN and 3G networks
- Highly fragmented competition - telent well-positioned



telent plc

Market opportunity: enterprise services



- Known opportunities in the UK and German markets in existing areas of expertise (transport, government and utilities) are valued at approximately GBP 0.6 b.
- telent has ongoing frame contracts which cover UK rail renewals
- Government opportunities include emergency services and potential to work as subcontractor to larger players such as DII/General Dynamics
- Much larger services market exists beyond current areas of focus

Shareholder returns

- Short term
 - Payment of 275 pence per share equivalent to approximately GBP 577 m.
 - Share of ongoing business with revenues of GBP 336 m. in FY05
- Medium term
 - Managing legacy liabilities to free cash for shareholders
 - Potential secondary market for pension assets and liabilities may give opportunity to separate pension assets and liabilities from ongoing business
 - Services business can achieve its full value



Questions & Answers

CARL-HENRIC SVANBERG

President and CEO, Ericsson

MIKE PARTON

Chief Executive , Marconi

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