



Moody's Investors Service

Global Credit Research

Rating Action

1 MAR 2005

Rating Action: [Telefonaktiebolaget LM Ericsson](#)

MOODY'S UPGRADES ERICSSON'S DEBT RATINGS TO Ba1 AND PLACES THEM ON REVIEW FOR FURTHER UPGRADE

Approximately EUR2.7 Billion Debt Securities Affected

Frankfurt, March 01, 2005 -- Moody's Investors Service today upgraded to Ba1 from Ba2 the ratings for Telefonaktiebolaget LM Ericsson's ("Ericsson") bonds and bank loans, and the company's issuer and senior implied ratings. Additionally, Moody's placed these ratings as well as the Not-Prime rating of Ericsson for short term debt on review for a possible further upgrade.

The rating upgrade is based on: (i) Moody's view that the global mobile infrastructure market is evidencing a steady degree of growth, (ii) Ericsson's success in retaining its leading position as the largest supplier of mobile communications equipment, (iii) the company's recent strong improvements in key metrics, notably a return to revenue growth of 12% (after a 19% decline in 2003) versus 2003 sales, a strengthening in operating-margin to 22% (up from 3.4%, pre restructuring, but including capitalized development cost) and in operating cash flow (pre working capital) to SEK 28 bn (from a negative amount in 2003), (iv) management's practice of retaining generated cash flows and maintaining a highly liquid balance sheet in order to absorb possible cash flow volatility.

We do not see the dramatic turnaround in Ericsson's results as necessarily predictive for its future performance, because the 2004 double-digit growth in demand was driven largely by catch-up investments by the operators, but Ericsson has reduced its cost base to an extent that should allow for reasonable profitability and cash flows even in an only stable market environment.

Moody's rating review will focus on (i) the outlook for near term and sustained demand for mobile networks and professional services; (ii) the developing pricing environment in mobile systems as new competitors enter the international market with aggressive bids, (iii) Ericsson's procedures to control cost, working and capital expenditures in a growth scenario and the overall robustness of its operating and free cash flows, and (iii) management's financial strategies as the company reaches a less volatile cash flow profile.

Domiciled in Stockholm, Sweden, Ericsson is a leading developer and manufacturer of mobile telecoms and datacom equipment, and recorded revenues of about SEK132 billion (EUR14.7 billion) in the fiscal year 2004.

Frankfurt
 Michael West
 Managing Director
 Corporate Finance Group
 Moody's Deutschland GmbH
 JOURNALISTS: 44 20 7772 5456
 SUBSCRIBERS: 44 20 7772 5454

Frankfurt
 Wolfgang Draack
 Senior Vice President
 Corporate Finance Group
 Moody's Deutschland GmbH
 JOURNALISTS: 44 20 7772 5456
 SUBSCRIBERS: 44 20 7772 5454

© Copyright 2005, Moody's Investors Service, Inc. and/or its licensors including Moody's Assurance Company, Inc. (together, "MOODY'S"). All rights reserved.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY COPYRIGHT LAW AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT. All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, such information is provided "as is" without warranty

of any kind and MOODY'S, in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability or fitness for any particular purpose of any such information. Under no circumstances shall MOODY'S have any liability to any person or entity for (a) any loss or damage in whole or in part caused by, resulting from, or relating to, any error (negligent or otherwise) or other circumstance or contingency within or outside the control of MOODY'S or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory or incidental damages whatsoever (including without limitation, lost profits), even if MOODY'S is advised in advance of the possibility of such damages, resulting from the use of or inability to use, any such information. The credit ratings and financial reporting analysis observations, if any, constituting part of the information contained herein are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities. NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER. Each rating or other opinion must be weighed solely as one factor in any investment decision made by or on behalf of any user of the information contained herein, and each such user must accordingly make its own study and evaluation of each security and of each issuer and guarantor of, and each provider of credit support for, each security that it may consider purchasing, holding or selling.

MOODY'S hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MOODY'S have, prior to assignment of any rating, agreed to pay to MOODY'S for appraisal and rating services rendered by it fees ranging from \$1,500 to \$2,400,000. Moody's Corporation (MCO) and its wholly-owned credit rating agency subsidiary, Moody's Investors Service (MIS), also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually on Moody's website at www.moody.com under the heading "Shareholder Relations - Corporate Governance - Director and Shareholder Affiliation Policy."