

Ericsson's surprise profit fall 'temporary hiccup'

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Swedish mobile telecoms equipment maker Ericsson's surprise fall in profits is just a "temporary hiccup", rating agency Moody's said.

Operating profit in the quarter fell to 2.1 billion kronor (\$240 million) from 2.6 billion in the same period last year, below the average forecast of 3.3 billion crowns in a Reuters poll of analysts.

Ericsson warned of continued weak profitability as spending by U.S. network operators remains sluggish, forcing it to rely on China, where margins are lower.

Still, Moody's said that while Ericsson's operating results are weaker than expected, its Baa1 rating remains unchanged.

"This reflects our current view that the results are a temporary hiccup that the company will recover from", , Roberto Pozzi, Vice President and Senior Credit Officer at Moody's said in a note . "However, if current results are sustained over the next quarters, it could put negative pressure on the company's Baa1 rating"

Group sales rose by 13 percent to 53.5 billion kronor, in line with expectations.

"With current visibility we anticipate the fast pace of 4G deployments in Mainland China to continue and the North American mobile broadband business to remain slow in the short term", the company said.