

Ericsson restructuring program continues

- Outsourcing and changes in Östersund, Katrineholm and France affect 1,500 employees

As part of Ericsson's previously announced restructuring program, the company has concluded a memorandum of understanding (MOU) to sell its production units in Östersund, Sweden and Longuenesse, France to Solectron, an electronics manufacturer.

All employees in Östersund and Longuenesse - 670 and 480 persons, respectively - will be offered employment by Solectron. In addition, AU-System, a consulting company, will take over the operations and personnel of Ericsson's design unit in Östersund, which will affect slightly more than 70 employees. Parts of the logistic functions in Östersund will be transferred to Caterpillar Logistics Services.

In Katrineholm, Flextronics, an electronics manufacturer, will take over 100 employees from Ericsson. Concurrently, 100 other Ericsson employees are being taken over by Proffice, an industrial staffing company, in a Career and Development program. In parallel with these changes, Ericsson will hire about 100 IP-qualified persons in Katrineholm, where the company plans to create a supply center for Internet-related products.

More than 1,500 persons are affected by the changes, including the need to recruit 100 new employees. The changes are part of the restructuring program announced earlier this year.

Ericsson's strategy is to become the leading supplier in the new telecom world, including new Internet-based solutions and services. Moreover, new technologies will require less production resources in the future. Current market trends have created the need for new skills and expertise, as well as changes in production strategy. As a result, volume production and other operations not linked directly to Ericsson's core activities have been the focus of outsourcing for the past few years.

Further details about the changes in Östersund and Longuenesse

With Solectron's acquisition of Ericsson's manufacturing in Östersund and Longuenesse, the company will also take over production of the new generation of AXE switches. Under terms of the agreement between Ericsson and Solectron, all employees in Östersund and Longuenesse will retain their jobs. In France, production in Longuenesse will be coordinated with Solectron's established operations in Bordeaux. In addition, Solectron assumes employer responsibility for slightly more than 30 persons in the technical testing area in Stockholm.

In addition to the production changes in Östersund, the consulting company AU-Systems will take over all software design-engineering activities in Östersund from Ericsson Utvecklings AB. The transfer to AU-Systems will secure the future of long-term strategic development in Östersund. Slightly more than 70 persons will be affected by the change.

Ericsson is also outsourcing its inventory and logistics functions in Östersund to an external cooperation partner, Caterpillar Logistics Services. The American company will assume responsibility for the activities and about 25 employees.

Further details about Katrineholm

In Katrineholm, Flextronics International Sweden AB will take over certain production of Ericsson's mobile telephone systems and the employees in this part of the operations. This outsourcing will affect slightly more than 100 persons. In 1997, Flextronics acquired Ericsson's former production operations in Karlskrona, with 800 employees. Since then, Flextronics has invested SEK 250 million in the operations and additional personnel have been recruited. Flextronics also took over all of Ericsson's production operations in Visby, Sweden, with approximately 1,000 employees, in the summer of 1999.

As part of the Ericsson restructuring program, the production of AXE switches carried out in Katrineholm to date will be gradually phased out to Östersund and Longuenesse. Consequently, about 100 employees in Katrineholm will be offered employment by Proffice, an industrial staffing company, with opportunities to work or participate in a Career and Development program established to help each person find new employment. The program is based on a model developed by Ericsson and Proffice in Norrköping.

In conjunction with the changes, Ericsson has also announced plans to recruit more than 100 new employees in Katrineholm, where the company has decided to concentrate its production of Internet-related products. Since this specialized production requires personnel with new skills, only a small number of employees included in the Proffice program can be considered.

All of the changes announced are expected to become effective at the earliest in the new year. Ericsson has previously been cooperating extensively with Solecron, AU-system, Caterpillar Logistics Systems, Flextronics and Proffice.

Ericsson is the leading provider in the new telecoms world, with communications solutions that combine telecom and datacom technologies with freedom of mobility for the user. With more than 100,000 employees in 140 countries, Ericsson simplifies communications for its customers – network operators, service providers, enterprises and consumers – the world over.

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Solectron

The Solectron Corporation is the world's largest provider of electronics manufacturing services (EMS), offering a full range of integrated supply chain solutions for the world's leading manufacturers of electronics equipment. Founded in 1977, the company has more than 37,000 employees in 23 countries worldwide. Revenues in the fiscal year ended August 27, 1999 amounted to USD 8.4 billion.

AU-System

Founded in 1974, AU-System is Sweden's largest IT consulting company specializing in tele- and datacommunications. The company offers highly qualified consulting services for advice, systems development and business development, with a focus on wireless Internet. AU-Systems has more than 400 employees, with offices in Stockholm, Gothenburg and Lund. The company is 75% owned by the international investor Schroeder Ventures (75%) and Ericsson (25%).

Caterpillar Logistics Services

Caterpillar Logistics Services is a subsidiary of Caterpillar, Inc., in the US. Founded in 1925, Caterpillar manufactures construction equipment and has 60,000 employees. Caterpillar Logistics with slightly more than 3,000 employees is formed in 1987, and specializes in transportation, warehousing, information systems and other logistics services.

Flextronics

Flextronics is a global EMS company that offers a full range of production services. Flextronics has achieved dynamic growth in recent years, reaching annual run rate of approximately USD 3.5 billion, with about 27,000 employees in all parts of the world.

Proffice

Proffice is a leading provider of high-quality, flexible staffing solutions in the Nordic region. Proffice provides temporary staffing, recruitment and outsourcing as well as career and development programs. Proffice has a network of 42 branches and 5,000 employees.