

Ericsson to team up with partners - mobile phones production to be transferred completely

- **Strategic alliance with Flextronics will provide economies of scale, higher capital efficiency and better volume flexibility**
- **Fundamentally new setup in times of changed market dynamics**
- **Additional agreement with Taiwanese electronic manufacturer GVC to complement Arima cooperation**

Ericsson has decided to team up with Flextronics and transfer its complete supply chain for mobile phones. Ericsson has signed a Memorandum of Understanding with Flextronics which establishes a strategic alliance, leading to a rapid improvement of economies of scale, a much smaller capital exposure and reduced risk.

Effective April 1 and subject to final agreements, Flextronics will take over all related Ericsson facilities in Brazil, Malaysia, Sweden (Linköping and Pilängen). UK (Carlton and Scunthorpe) and parts of the US plant in Lynchburg/Virginia. Our Joint Ventures in China will not be affected.

4 200 employees will join Flextronics. In Linköping and Lund there is a redundancy of 600 employees, who will be offered support in developing new careers outside Ericsson. Ericsson has made restructuring provisions that will be reflected in the financial accounts 2000.

Ericsson will focus on R&D, development, design and sales and marketing. R&D will be concentrated in Lund and Kista (Sweden), Raleigh (US) and Basingstoke (UK). In Basingstoke we have a redundancy of less than 100 employees. By the end of this year, the Consumer Products Division will employ approximately 7,000 employees compared to 16,800 end of last year.

“In light of a significant change in the world market for mobile phones we have decided to fundamentally change the setup of our business,” said Jan Wäreby, Executive Vice President, Ericsson Consumer Products Division. “The alliance with Flextronics will enable us to achieve economies of scale and volume flexibility.”

“We are committed to remain a top player in mobile phones,” said Jan Wäreby. “With this new set-up, we respond to a much tougher business environment, and we create a sound basis for long-term profitability.”

Ericsson expects the world mobile phone market to reach a volume of around 500 to 540 million units this year after 405 to 415 million units in 2000.

Taiwanese manufacturer GVC selected to complement Arima agreement

In addition to the Flextronics agreement, Ericsson signed an agreement with the Taiwanese electronic manufacturer GVC, complementing the partnership with Arima. This cooperation includes outsourcing of product development and production (ODM).

Ericsson is the leading communications supplier, combining innovation in mobility and Internet in creating the new era of mobile Internet. Ericsson provides total solutions covering everything from systems and applications to mobile phones and other communications tools. With more than 100,000 employees in 140 countries, Ericsson simplifies communications for customers all over the world.

Read more at <http://www.ericsson.com/pressroom>

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