
ERICSSON ANNOUNCES CHANGES IN OPERATIONS IN SWEDEN

- Change in operations and adjustment of competence to meet technology shifts, new customer groups and a continued increased proportion of software development.
- Ericsson intends to reduce 3,000 positions in production, research and development (R&D) and sales and administration – combination of voluntary and forced reductions as well as other measures such as outsourcing.
- Ericsson intends to make significant reductions in operations in Borås and Kumla, in line with the company production strategy, consolidating to fewer production sites and continued work with partners.
- Union consultations about the proposed changes are ongoing.
- Measures taken are part of the ongoing cost and efficiency program.
- Ericsson intends to recruit about 1,000 R&D positions in Sweden over the coming three years, mainly from universities, to support the company's competence buildup in new technology and customer domains.

Ericsson (NASDAQ:ERIC) has over the course of several years driven a transformation of the company to meet fast technology shifts and the digitalization of the telecom industry as well as other industries. Today, Ericsson announces measures intended to be implemented in Sweden, in line with the ongoing cost and efficiency program. The proposed actions primarily impact production, but also parts of R&D as well as group and support functions.

Jan Frykhammar, President and CEO, Ericsson says: "Ericsson is going through a large transformation. We continue to have a strong focus on R&D, and since many years, most Ericsson employees work in software development and services, rather than hardware production. The measures are necessary to secure Ericsson's long term competitiveness as well as technology and services leadership."

Ericsson today has approximately 16,000 employees in Sweden. The proposed reduction affects approximately 3,000 positions, of which approximately 1,000 positions in production, approximately 800 in R&D and approximately 1,200 in other operations.

The proposed reductions will impact operations on the following sites in Sweden: Borås, Göteborg, Karlskrona, Kumla, Linköping and Stockholm. Ericsson intends to make significant reductions of operations in Borås and Kumla. The proposed reductions are intended to be met through a combination of voluntary and forced reductions as well as other alternatives such as outsourcing.

Ericsson will also make general cost reductions and take out external costs, primarily by reducing the number of consultants in Sweden by 900, but also through general reductions in operating expenses.

Ericsson has continued to drive change in its global R&D organization to increase efficiency, optimize operations and reduce the number of R&D sites globally. Ericsson in Sweden is the base for R&D in radio technology and 5G. Ericsson has invested SEK 7 billion in three global ICT centers supporting R&D operations and forming the base for new digital business models. Two of them are in Sweden, in Rosersberg and in Linköping, strengthening Sweden's role as a platform for R&D in Ericsson.

Ulf Ewaldsson, Chief Strategy and Chief Technology Officer, says: "We have a clear goal that our R&D in Sweden should be world leading, not least in next generation systems. In the short term we have to reduce the number of positions in R&D, primarily within administrative roles. At the same time our intention is to bring in new competence in new technologies. Therefore, we intend to recruit approximately 1,000 engineers in Sweden, primarily from universities, over the coming three years."

Production in telecom has changed significantly over the past decade with smaller products and a more efficient production – manufacturing time per radio unit has been reduced by more than half. Higher volatility in production volumes has increased the need for flexibility and using partners has become more important. As a consequence, Ericsson is consolidating its own production to fewer sites globally.

The cost in sales and administration will be reduced as a result of the [new company structure](#) introduced July 1, 2016, with the aim to create a more efficient and purpose built organization to meet the needs of different customer segments and more quickly seize business opportunities.

Union consultations on the proposed changes in Sweden are ongoing. The process will have a step by step approach and, for the majority of the operations, is expected to be concluded during the first quarter of 2017. The process related to the operations in Borås and Kumla is expected to be concluded during the second half of 2017.

Ericsson intends to continue the discussions with the Swedish union representatives about the need for competence development, flexibility and transformation.

About Ericsson cost and efficiency program

The cost and efficiency program targeting savings of SEK 9 b. during 2017, is progressing according to plan. In addition, the company announced on July 19, 2016, additional activities to reduce the annual run rate of operating expenses, excluding restructuring charges, to SEK 53 b. in the second half of 2017. This is to be compared with SEK 63 b. for full-year 2014 and equates to double the previously targeted savings in operating expenses. At the same time,

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the company announced its intention to intensify activities to reduce cost of sales and adapt operations to a weaker mobile broadband market

Total restructuring charges for 2016 are, as previously communicated, estimated to SEK 4-5 b.

NOTES TO EDITORS

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Ericsson is the driving force behind the Networked Society – a world leader in communications technology and services. Our long-term relationships with every major telecom operator in the world allow people, business and society to fulfill their potential and create a more sustainable future.

Our services, software and infrastructure – especially in mobility, broadband and the cloud – are enabling the telecom industry and other sectors to do better business, increase efficiency, improve the user experience and capture new opportunities.

With approximately 115,000 professionals and customers in 180 countries, we combine global scale with technology and services leadership. We support networks that connect more than 2.5 billion subscribers. Forty percent of the world's mobile traffic is carried over Ericsson networks. And our investments in research and development ensure that our solutions – and our customers – stay in front.

Founded in 1876, Ericsson has its headquarters in Stockholm, Sweden. Net sales in 2015 were SEK 246.9 billion (USD 29.4 billion). Ericsson is listed on NASDAQ OMX stock exchange in Stockholm and the NASDAQ in New York.

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