

Ericsson, STMicroelectronics to cut 1,600 jobs (Update)

March 18 2013

Swedish wireless equipment maker Ericsson and Switzerland's STMicroelectronics say they will lay off up to 1,600 workers globally as part of a plan for splitting up their unprofitable joint venture.

STMicroelectronics, one of Europe's largest chipmakers, announced in December that it wanted out of ST-Ericsson as it struggled with a downturn in global demand. After months of talks the two companies said Monday they had agreed to end the joint venture.

Ericsson said it will take on the joint venture's "thin modem" products, designed for smartphones and tablets while STMicroelectronics will deal with other existing products and related businesses.

The two companies said they will begin to shut down the remaining parts of the joint venture, with some 700 of the job cuts in Europe, mostly in Sweden.

The formal transfer of the relevant parts of the joint venture to the parent companies is expected to be completed during the third quarter.

After the split up, Ericsson will assume about 1,800 employees and contractors, with the largest concentrations in Sweden, Germany, India and China, while STMicroelectronics will assume about 950 employees, mainly in France and in Italy.

As the result of the agreement, STMicroelectronics said it expects to

incur cash costs of between \$350 million and \$450 million.

Also on Monday, the companies named Carlo Ferro as president and CEO of ST-Ericsson, effective April 1. Ferro, who will oversee the transition, currently serves as the joint venture's chief operating officer. He succeeds Didier Lamouche, who is leaving to pursue opportunities outside the company.

Ericsson's U.S. shares fell 48 cents, or 3.6 percent, to close at \$12.80 Monday, while shares of STMicroelectronics rose 27 cents, or 3.5 percent, to close at \$7.91.

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