

TECHNOLOGY

# Ericsson Picks an Outsider as CEO

*Telecom-Equipment Maker Looks to Assa Ahlqvist as Chief To Lead It Back to Profit*

STOCKHOLM—Telecommunications equipment maker Telefon AB L.M. Ericsson appointed an outsider as chief executive officer, its fourth CEO in the past five years.

Ericsson said Carl-Henric Svanberg, 50 years old, will take over as CEO on April 8, with the annual shareholders meeting. Mr. Svanberg is CEO of Assa Ahlqvist AB of Sweden, which makes locks, hotel key-cards and minisafes. He will succeed Kurt Hell-

stroem, 59, who took the helm two years ago at Ericsson, the world's largest maker of mobile-phone network equipment and No. 5 producer of handsets.

*By David Pringle and Buster Kantrow in Stockholm and Silvia Ascarelli in London*

Although Mr. Svanberg lacks telecom experience, analysts and fund managers praised him as a good communicator with skills in cutting costs and fostering team work. In Stockholm, Ericsson rose as much as 14% on the news before settling to close at 6.15 Swedish kronor (72 cents), up 4.2%. Mr. Svanberg said his immediate pri-

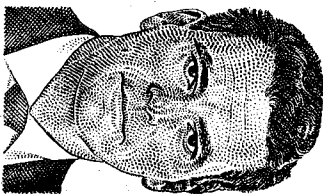
ority is a return to profitability and that "hopefully [the company is] at the end of a difficult period."

He declined, however, to discuss his strategy.

Faced with a plunge in demand for its main product line—mobile-phone network equipment—the

Swedish company has suffered losses totaling 40 billion kronor (\$4.7 billion) during the past two years. It has chopped its work force by 40% from a peak of about 107,000 and last year tapped shareholders for an emergency injection of new equity.

Michael Treschow, Ericsson's chairman, said Mr. Hellstroem approached him late last year and said he would like to retire during 2003. Though Mr. Hellstroem won praise for vigorous cost cutting in recent months, he was widely viewed as a poor communicator who gave confusing



*Carl-Henric Svanberg*

signals to the market and was uncomfortable with the media.

When he became CEO in early 2001, Mr. Hellstroem inherited a bloated company ill-suited to cope with the collapse in demand for mobile equipment. Early in 2001, for example, Ericsson was still relying on the services of 15,000 consultants.

Investor AB, the investment vehicle of the Wallenberg family, and Industrivarden, another Swedish investment group, together control Ericsson through their ownership of most of its A shares, which carry preferential voting rights. Bickering between Investor and Industrivarden in recent years has slowed the Ericsson board's response to the steep downturn in the telecom market. Swedish observers said Mr. Svanberg isn't closely associated with either camp.

Along with slashing costs, Mr. Hellstroem spun off Ericsson's division making mobile-phone handsets into a joint venture with Sony Corp. But that joint venture has been plagued by product delays and lags far behind Nokia Corp. and other market leaders.

The company is expecting the global mobile networks market to shrink an additional 10% this year. Without a turnaround, Ericsson may have to cut costs further and perhaps sell assets.

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