



AB Volvo

Press release

Volvo Group to optimize truck manufacturing in Europe

The Volvo Group has made a directional decision to implement changes in the European industrial structure for truck manufacturing. The aim is to enhance the efficiency of manufacturing and thus strengthen competitiveness.

The intention is to, step-wise over the next two years, relocate cab trim operations from Umeå to Gothenburg, to concentrate the assembly of heavy duty trucks in Gothenburg to one line, and to concentrate the assembly of medium duty trucks to Blainville. The directional decision is expected to result in staff cutbacks and operational changes.

The action corresponds to a minor part of the financial impact of the previously announced Group-wide efficiency program.

“Today’s European industrial structure for truck manufacturing is partly the result of acquisitions and we now intend to use the various plants in an optimal way”, says Olof Persson, Volvo’s President and CEO. “This will generate more efficient truck manufacturing operations, which will improve our potential to compete successfully in global markets”.

The plants in the European industrial system for truck manufacturing affected by the change are the facilities in Umeå and Gothenburg in Sweden, Ghent in Belgium and Blainville in France.

The directional decision that was made entails that the resources for truck manufacturing in Europe will form a joint system, whereby each plant will be more specialized and optimized for its respective area. By optimizing the manufacturing, efficiency will increase and the manufacturing cost per truck will decrease. To decrease manufacturing cost is one of the objectives in the Group’s new truck strategy for the period 2013 to 2015.

Several changes

The directional decision that was made entails several changes:

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- Cab trim operations will be relocated from Umeå to Gothenburg, and the plant in Umeå will be further specialized in its main core business - sheet-metal pressing, welding and painting of cabs.
- The assembly of heavy duty trucks in Gothenburg will be concentrated to one line from the two lines of today. The change will free space to facilitate better and more efficient manufacturing and logistics. The manufacturing capacity for heavy duty trucks will be balanced with the plant in Ghent, the total capacity of which will thereby be better utilized.
- The assembly of medium duty trucks will be concentrated to the plant in Blainville, as one assembly line is relocated from Ghent to Blainville. The relocation will contribute to improved logistics in Ghent while at the same time the manufacturing of medium duty trucks is made more efficient. In Blainville, there is already a manufacturing line for medium duty trucks, complete with cab manufacturing and cab trim operations for both Volvo and Renault Trucks. This change means that cabs manufactured in Blainville will no longer have to be transported to Ghent.

Impact on staff

The directional decision includes staff cutbacks, as well as operational changes and will be subject to trade union consultations. The changes are intended to be made gradually over a period of two years and the number of affected employees depends on several factors, including future manufacturing volumes and the results of the coming trade union discussions. A total of approximately 900 individuals, where of approximately 700 in Sweden, are currently working in the areas of the manufacturing operations that will be relocated.

The optimization of the European industrial structure for truck manufacturing is part of the previously communicated Group-wide efficiency program. The efficiency program includes a number of the measures that are connected to the implementation of the strategies that were prepared for the Group's truck operations and business areas in 2012 and which apply for the 2013-2015 period.

Overall, the Group-wide efficiency program is estimated to incur restructuring costs of approximately SEK 5 billion. Most of the restructuring costs are expected to impact operating income in 2014. Annual savings are estimated at SEK 4 billion and will gradually generate results in 2014, to then achieve full effect at year-end 2015. The optimization of the truck manufacturing in Europe corresponds to a minor part of the financial impact of the Group-wide efficiency program.

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In the future quarterly reports, the Volvo Group will provide continuous updates on costs that were incurred in the preceding quarter, attributable to the comprehensive efficiency program.

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For more news from the Volvo Group, visit <http://www.volvogroup.com/globalnews>.

The Volvo Group is one of the world's leading manufacturers of trucks, buses, construction equipment and drive systems for marine and industrial applications. The Group also provides complete solutions for financing and service. Volvo, which employs about 115,000 people, has production facilities in 19 countries and sells its products in more than 190 markets. The Volvo Group's sales amounted to about SEK 304 billion in 2012, and its shares are listed on the OMX Nordic Exchange. For more information, visit www.volvokoncernen.se or www.volvogroup.mobi for those using a mobile phone.

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