



Volvo Truck Corporation

Press Information

VOLVO PLANT IN LINDESBERG SOLD TO MERITOR

Volvo Trucks and Meritor Inc. have signed an agreement on the global supply of rear axles and the sale of the rear axle factory in Lindesberg. It is based on the memorandum of understanding that the two parties signed on 11 June 1998.

Volvo Trucks has assembly plants all over the world and is in the initial phase of major investments in India and China. The company's global industrial structure imposes requirements concerning the rational supply of rear axles and other related components.

"The agreement with Meritor gives us a secure supply of rear axles for our assembly plants over the world. At the same time, we benefit from Meritor's economies of scale," says Karl-Erling Trogen, President and CEO of Volvo Trucks. "This agreement boosts the Volvo Trucks' commercial foundation and reinforces our global presence strategy.

"The Lindesberg factory is a facility of absolute world class as regards both the quality of its personnel and its equipment. It is my hope that the plant will soon find its way in the new structure and continue to develop further under the guidance of an owner whose core operations centre around this type of component production," continues Karl-Erling Trogen.

The parties signed a memorandum of understanding on 11 June 1998, with the negotiations finally concluding last week. Meritor acquires the Lindesberg plant for 135 million USD in cash. Under the terms of the agreement, Meritor will become the primary supplier of heavy-duty axles for Volvo's global heavy truck operations. Altogether the agreement will have a positive effect on Volvo Truck Corporation's result. The plant will be transferred to Meritor's ownership at the end of December this year, and will continue to supply rear axles for Volvo's European heavy truck range.

Under the terms of the agreement, Meritor takes over the development responsibility for forthcoming generations of rear axles. The factory in Lindesberg also supplies rear axles and related components to Volvo Buses and Volvo Construction Equipment.

The 780 employees, will be taken over by Meritor.

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