



AB Volvo

Press Information

U.S. COMPETITION AUTHORITY GIVES CLEARANCE TO AB VOLVO'S ACQUISITION OF RENAULT V.I. /MACK

Volvo and Department of Justice have entered into a consent decree which is awaiting approval by U.S. district court in Washington D.C. Thereby AB Volvo has now received clearance from the U.S. Department of Justice for the acquisition of Renault V.I. /Mack. AB Volvo and Renault SA expect to conclude the transaction at year-end.

The approval is subject to the condition that Volvo Trucks' North American low cab-over-engine (LCOE) business be divested. This segment amounts to less than 3% of the total heavy truck market in North America.

The Volvo Group is now establishing a new business area, Volvo Global Trucks, comprising the Volvo, Renault and Mack truck brands. Tryggve Sthen will be chief executive officer of the new business area. Today Tryggve Sthen is CEO for Volvo Trucks.

Volvo Global Trucks represents 70% of the Volvo Group's worldwide sales. The intention is that the management of Volvo Global Trucks will be operational by the beginning of 2001.

In April of this year, AB Volvo and Renault SA concluded an agreement in principle whereby AB Volvo will receive 100% of Renault's truck operations, Renault V.I./Mack, in exchange for 15% of AB Volvo's shares. The agreement was finalized in July and approved by the European Union (EU) in September.

"I am very pleased with this decision," says Leif Johansson, Volvo Group's President and Chief Executive Officer. "It means that after the closing we can immediately start the integration process. We are very eager to quickly implement the strategy for the new truck group and the merged powertrain units. Our intentions are to have a functional management and organization in place by early next year."

As a result of the acquisition, Volvo Group is becoming the world's second-largest and Europe's biggest manufacturer of heavy trucks, with a strong global market presence and almost twice its former volume of business.

“The acquisition will increase the Volvo Group’s possibilities to deliver outstanding value by supplying world class transport solutions to our customers and dealers”, says Leif Johansson.

Volvo Trucks’ and Renault V.I./Mack's combined sales in 1999 amounted to approximately 151,000 heavy trucks and 22,500 light and medium-heavy trucks.

Their combined share of the market for heavy trucks in Western Europe amounts to approximately 28%, and to approximately 24% of the market in North America.

Department of Justice grants clearance

The U.S. Department of Justice decided to grant clearance to the transaction under the condition that AB Volvo divests Volvo Trucks’ LCOE business in North America.

This segment represents less than 3% of the total heavy truck market in North America. In 1999, Volvo Trucks delivered about 2,100 trucks in this segment.

AB Volvo has agreed with the authorities to divest Volvo Trucks’ LCOE business within three months.

“The LCOE segment is only a limited portion of our North American truck operations,” says Volvo Group CEO Leif Johansson, and we are in discussions already with identified interested parties.

The divestment involves only those assets associated with the LCOE operations, and will affect the Xpeditor models within Volvo Trucks North America. The Volvo trademark and assembly plants are not included.

EU approval granted in September

The EU decided to approve the transaction in September, subject to a number of concessions, as follows:

- AB Volvo must divest its holding in Scania within a time period of up to three years.
- Renault V.I. must divest its 50-percent holding in RS Hansa Auto Oy, the Finnish truck distributor, within a time period of up to one year following approval of the transaction by the competition authority in the U.S.
- Irisbus – the joint venture held equally by Renault and Iveco – must be rescinded within two years.

Transaction expected to be finalized at year-end

After the necessary clearance from EU and Department of Justice, the 10% of Volvo's shares that AB Volvo repurchased will be delivered to Renault as payment for Renault V.I. and Mack.

AB Volvo will then buy back additional shares in order to be able to deliver the remaining 5% of the company's shares to Renault SA.

Renault will continue to be a Volvo shareholder for at least three years and has declared its intention to increase its holding in Volvo to a maximum of 20% through purchases in the open market in the future. Renault SA's holding in Volvo today amounts to 4.7% of the company's share capital and 4.8% of the voting rights.

Stronger positions

With the acquisition of Renault V.I./Mack, the Volvo Group becomes the world's second largest and Europe's biggest manufacturer of heavy trucks. Following the acquisition, Volvo Group will have a substantial global market presence, with strong positions in Europe and North America. AB Volvo's acquisition of Renault V.I./Mack is now creating favorable conditions for implementing aggressive global strategies for growth in established and new markets.

"Volvo Trucks, Renault V.I. and Mack complement each other well, both geographically and product-wise," Leif Johansson says. "Together they constitute a strong foundation to build a world-leading producer of transport solutions."

Benefits of coordination

Volvo Group's acquisition of Renault V.I./Mack offers major opportunities for synergies. It is calculated that after two years the total integration gains will amount to about SEK 3.5 billion annually. Over a longer term, the gradual integration of the two companies and their product programs will yield synergies of approximately another SEK 3 billion on an annual base. About half of the synergies will take place in procurement, but substantial synergies have also been identified in the engine sector, based on the fact that it will be possible to optimize future engine families for use with Volvo, Renault and Mack products.

Renault V.I./Mack in brief

Renault V.I., including Mack, its American subsidiary, is today the world's fourth-largest truck manufacturer, with sales of 70,000 heavy trucks and 19,000 light and medium-heavy trucks in 1999. Renault V.I. and Mack hold strong positions in the markets for trucks, notably in Southern and Central Europe and in North America. Their share of the market for heavy trucks amounts to approximately 13% in both Europe and North America.

Renault V.I. has recently invested in new product programs in both the heavy and medium-heavy segments. In Europe, since 1996, Renault V.I. has introduced the Premium and Kerax heavy truck programs, as well as the Midlum in the medium-heavy class.

Renault V.I./Mack's sales in 1999 amounted to approximately SEK 50 billion, with operating income of approximately SEK 1.9 billion.

Renault V.I./Mack combined have approximately 23,000 employees, of whom about 18,000 are in the European industrial and commercial structure.

Background and reasons for the transaction

The acquisition of Renault V.I./Mack is an important step toward Volvo Group's objective, which is to create a strong group of companies - and shareholder value - by participating actively in the continuing consolidation of the truck industry.

The transport vehicle industry has long been one of the most competitive in the world. The competition became more severe in the 1990s, resulting in strengthening the trend within the industry toward larger and more cost-effective constellations. Increasingly high demands are being imposed on vehicle manufacturers to have the resources and expertise to develop products of the future. At the same time it is becoming necessary to allocate investments to volumes of production that are large enough to yield benefits of large-scale operations and resulting in competitive levels of costs and prices.

Changed customer structures, greater demands for evolved products and services such as financing and after-market support, and - in particular - a changeover from regional to global markets for both customers and competitors are important driving forces in this trend.

“Renault V.I./Mack is providing the Volvo Group with new possibilities to create further added value for dealers and customers,” Leif Johansson says.

“The three truck makes - Volvo, Renault and Mack - will be kept separate. The acquisition gives substantial benefits of scale in the industrial system. Volvo Trucks’ and Renault V.I./Mack's powertrain, purchasing and product-development operations are being merged to achieve the strongest-possible synergy effects. Taken as a whole, these factors are helping to create world class

transport solutions which will give increased customer value and improve the conditions for growth and profitability - and for shareholder value.”

December 18, 2000

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Volvo is a world-leading manufacturer of trucks, buses and construction equipment, marine and industrial power systems and aerospace components. Volvo is strongly associated with quality, safety and concern for the environment. Volvo's head-office is in Göteborg, Sweden. Sales in 1999 amounted to more than USD 15 billion, with about 54,000 employees.