



AB Volvo

## Press Information

### **VOLVO ENTERS INTO AGREEMENT WITH FORD TO SELL VOLVO CARS FOR SEK 50 BILLION AND CONCENTRATES ON COMMERCIAL PRODUCTS**

**AB Volvo has reached an agreement with Ford Motor Company for the sale of Volvo's passenger car business, Volvo Cars for SEK 50 billion. The sale, which is conditional on both Volvo shareholder and customary regulatory approval, improves Volvo Cars' future prospects and allows Volvo to focus fully on its commercial vehicles and related businesses, incorporating trucks, buses, construction equipment, marine engines and aerospace equipment.**

Within the context of a consolidating automotive industry, Volvo has completed a strategic review of its businesses. As a result of that review Volvo has concluded that a sale of Volvo Cars to Ford is in the best interests of both Volvo Cars and Volvo's shareholders.

Volvo Cars is a premium automotive brand and has both a strong product program and above industry-average profitability. However, over the longer term and within the context of its current position as a relatively small niche player, Volvo Cars would benefit from the economies of scale inherent in being part of a very large automotive company. In particular these would apply to the significant investments required in both the development of new car generations and in distribution.

Volvo and thereby Volvo shareholders will benefit from both the full and fair price received from the sale of Volvo Cars, and the enhanced financial strength with which the group is now able to implement its growth strategy in commercial vehicles and related businesses.

Volvo's commercial products today hold strong positions in markets worldwide. As previously announced, it is the Group's intention to further strengthen these positions by means of both organic and acquisition-led growth. Volvo's

announced interest in a merger or in other combinations with Scania is an example of one alternative among others to participate in the consolidation process in the truck industry. Similar expansion opportunities exist across other commercial product areas.

The Volvo Board of Directors has decided to recommend to the shareholders the sale of Volvo Cars to Ford.

Volvo's Chairman, Mr Håkan Frisinger says: "This a solution which strongly enhances both the prospects for Volvo Cars, its employees and for the Volvo Group as a whole".

Ford has informed Volvo that according to its plans Volvo Cars will remain managed from Gothenburg while having full access to Ford's engineering, distribution, purchasing, marketing and financial resources. The combination enhances the long term prospects of Volvo Cars and the Sweden based passenger car industry. Volvo Cars' President, Mr Tuve Johannesson, will remain in his position.

The Volvo brand name will be jointly owned with the right for Ford to use it for passenger cars, minivans, sport utility vehicles and light trucks. Volvo will use the brand name for commercial and other products.

"The proposed sale of Volvo Cars to Ford will have very important benefits to the parties concerned. Volvo will be able to concentrate its management and financial resources to become a global and leading player within commercial products to the benefit of Volvo's shareholders, employees and customers. Volvo Cars future prospects will, by being an important part of one of the world's largest and most profitable automotive groups, improve considerably", says Leif Johansson, Volvo's Chief Executive Officer.

"Volvo is a premium automotive brand with unique appeal that represents a good opportunity to profitably extend our lineup and grow the Ford business worldwide", says Jacques Nasser, Ford President and Chief Executive Officer. "Volvo is a perfect complement to the Ford family of brands worldwide. Volvo has a world-class reputation for safety, quality, durability and environmental responsibility – all of which are attributes that are increasingly important to customers, and fit with our 21<sup>st</sup> century vision for Ford."

Volvo and Ford have signed a Heads of Agreement with the intention of concluding a definitive sale and purchase agreement as soon as practicable. In due course, Volvo's shareholders will receive a circular providing details of the proposed sale and a notice of a General Meeting.

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