Volvo Global Trucks today announced an aggressive program to respond to a depressed North American market that shows few signs of a near-term recovery. The main actions are:

- Reducing North American industrial capacity by closing the Winnsboro plant.
- Consolidating North American support functions to eliminate duplication of effort between Volvo Trucks North America and Mack Trucks, Inc.
- Strengthening of the customer support system and the product offering.

The company estimates a one-time restructuring charge of SEK 1,280 M (120 MUSD). These actions will result in improved annual profits of SEK 1,600 M from 2003 (150 MUSD).

“While the restructuring program involves difficult decisions with major impact on our North American industrial structure, it’s clear that the extraordinary market conditions we are facing require extraordinary – and urgent – actions,” said Leif Johansson, President and CEO of AB Volvo.

“With this initiative Volvo Global Trucks will significantly improve its North American profitability and break-even point, allowing us to better withstand the cyclicality of the industry, and creating a highly competitive North American structure for the future,” said Tryggve Sthen, President and CEO of Volvo Global Trucks.

As a result of the ongoing negative business cycle in North America, the total market for heavy trucks has plummeted from a high of about 309,000 units in 1999 to an expected 2001 volume of only 170,000 (140,000 in the U.S.). Meanwhile, total industry capacity is about 380,000 units, with North American manufacturers currently running at a level of only 120,000 – with about 30,000 new heavy-duty trucks in industry-wide inventory.
A substantial reduction of Volvo Global Trucks’ North American manufacturing capacity is therefore a key component of the restructuring program. The group’s three assembly facilities – Mack’s Macungie (PA) and Winnsboro (SC) plants, and Volvo’s New River Valley (VA) plant – are operating at only 30 percent of their total capacity of more than 130,000 trucks per year.

To address this situation, operations at Mack’s Winnsboro facility will be phased out within the next 15 months, at which point Winnsboro production will be transferred to the New River Valley facility – and remain Mack-branded.

By streamlining manufacturing facilities, the Macungie assembly operations will play an even more significant role in the competitiveness of the Mack brand in North America.

**Common support functions**

Mack and VTNA will maintain two separate headquarters, each with its own management and all of the functions necessary to deliver brand-specific, premium products and services to the brand’s core markets. Meanwhile, a number of duplicative support functions which currently exist at both Mack and VTNA will be consolidated to increase the overall operating efficiency.

Combined, these actions will increase the competitiveness of Mack and VTNA, thereby strengthening the entire Volvo Global Trucks presence in North America. The result will be improved annual profits of SEK 1,600 M from 2003.

**Restructuring charge of SEK 1,280 M**

As previously announced, for the period up to and including 2003, it is estimated that restructuring costs for the Mack Trucks, Inc. and Renault V.I acquisition will total slightly more than SEK 4 billion, of which SEK 1.3 billion was charged in the first quarter of 2001. The North American restructuring of SEK 1,280 M will be charged against earnings for the Q3, 2001 period. The remaining restructuring measures will be charged against earnings during the next two years.

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Volvo Global Trucks is a business area of the Volvo Group. Volvo Global Trucks comprises Mack Trucks Inc., Renault V.I. and Volvo Truck Corporation, as well as 3P, which is responsible for Product planning, Procurement and Product Development for the three brands. Volvo Global Trucks is Europe’s largest and the world’s second-largest manufacturer of heavy trucks, with an annual output of over 180,000 vehicles and a presence in more than 180 countries.