



AB Volvo

## Press Information

# Mack and Volvo Trucks launch North American optimization plan

**Mack Trucks and Volvo Trucks North America have jointly formulated a plan for increasing the efficiency of their North American operations. The plan includes the relocation of Mack's head office from Allentown Pennsylvania, to Greensboro in North Carolina, and a concentration of Mack's truck production to the plant in Macungie, Pennsylvania. Implementation of the plan would mean that the Volvo Group would incur an estimated restructuring cost of approximately USD 60 million. The restructuring cost is expected to be recorded during the second half of 2008.**

The aim of the plan is to increase the effectiveness and efficiency of the North American truck operations and also to create better conditions for capitalizing on the opportunities arising in the North American market. The plan includes:

- Moving Mack's headquarters and all support functions, including product planning, product development and purchasing, from Allentown to Greensboro, North Carolina, where many of the Volvo Group's North American support functions are already concentrated.
- Transferring assembly of Mack highway vehicles from the plant in Virginia's New River Valley to the plant in Macungie, Pennsylvania, where Mack's construction and refuse vehicles are already assembled. After the transfer, all production of Mack and Volvo trucks will be concentrated to a single factory for each brand
- Restructuring of the parts distribution network that currently serves all business areas in the North American market. The new organization will improve the network's competitiveness and provide better service to dealers and customers across North America.

In conjunction with this restructuring, an investment of about USD 50 million is planned to install a new engine block machining line at the Hagerstown, Maryland powertrain facility. This line would complement the Group's global capacity in the engine field, and reduce logistics costs and exposure to currency fluctuations.

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The transfer of Mack's vehicle production from New River Valley is planned for the fourth quarter of 2008. The movement of the Mack headquarters and support functions is estimated to take place over the course of 2009, while the consolidation of product development and purchasing will take place in 2010. Restructuring of the parts distribution network will begin in 2009 and is expected to be completed in full by the end of 2010. The new Hagerstown block line is planned to be operational by the end of 2010.

The impact on employees represented by the United Auto Workers (UAW) will be subject to negotiations with the union; however, the company intends to offer all affected employees positions in other locations. Mack and the UAW have agreed that negotiations on a new labor contract will resume on September 2, 2008.

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The Volvo Group is one of the world's leading manufacturers of trucks, buses and construction equipment, drive systems for marine and industrial applications, aerospace components and services. The Group also provides complete solutions for financing and service. The Volvo Group, which employs about 100,000 people, has production facilities in 19 countries and sells their products in more than 180 markets. Annual sales of the Volvo Group amount to about SEK 285 billion. The Volvo Group is a publicly-held company headquartered in Göteborg, Sweden. Volvo shares are listed on OMX Nordic Exchange Stockholm.

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