



Volvo Cars

Press Release

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Volvo Cars and Geely intend to merge their combustion engine operations

Volvo Cars and Geely intend to merge their existing combustion engine operations into a stand-alone business in order to establish a new global supplier that will seek to develop next generation combustion engines and hybrid powertrains.

The proposed new business would clear the way for Volvo Cars to focus on the development of its all-electric range of premium cars. Volvo Cars is building an entirely electrified product range, as part of the company's ambition to put sustainability at the core of its operations. By the middle of the next decade it expects half its global sales to be fully electric and the other half hybrid, supplied by the new unit.

For Geely, the planned new entity means technologically-advanced and efficient combustion engines and hybrid powertrains would be available to Geely Auto, Proton, Lotus, LEVC and LYNK & CO. The planned new stand-alone business can also supply third party manufacturers, providing possible growth opportunities.

The planned new business would represent a significant industrial collaboration between Volvo Cars and Geely with substantial operational, industrial and financial synergies.

The proposed new business is intended to be an attractive employer for approximately 3,000 employees from Volvo Cars and around 5,000 employees from Geely's combustion engine operations including research and development, procurement, manufacturing, IT and finance functions. No reductions in the workforce are anticipated.

Both Volvo Cars and Geely are in the process of carving out their ICE operations into new units within their respective organisations, as a first step towards a merger of the two into a combined new stand-alone business.

Volvo Cars believes the electrification of the automotive industry will be a gradual process, meaning there will be significant ongoing demand for efficient hybrid powertrains alongside fully-electric offerings.

"Hybrid cars need the best internal combustion engines. This new unit will have the resources, scale and expertise to develop these powertrains cost efficiently," said Håkan Samuelsson, Volvo Cars' president and chief executive.

The detailed plans of the new business are under development and subject to union negotiations as well as board and relevant authority approvals.

Volvo Car Group in 2018

For the 2018 financial year, Volvo Car Group recorded an operating profit of 14,185 MSEK (14,061 MSEK in 2017). Revenue over the period amounted to 252,653 MSEK (208,646 MSEK). For the full year 2018, global sales reached a record 642,253 (571,577) cars, an increase of 12.4 per cent versus 2017. The results underline the comprehensive transformation of Volvo Cars' finances and operations in recent years, positioning the company for its next growth phase.

About Volvo Car Group

Volvo Cars was founded in 1927. Today, it is one of the most well-known and respected premium car brands in the world with sales of 642,253 cars in 2018 in about 100 countries. Volvo Cars has been under the ownership of the Zhejiang Geely Holding of China since 2010.

In 2018, Volvo Cars employed on average approximately 43,000 (39,500) full-time employees. Volvo Cars head office, product development, marketing and administration functions are mainly located in Gothenburg, Sweden. Volvo Cars head office for China is located in Shanghai. The company's main car production plants are located in

Gothenburg (Sweden), Ghent (Belgium), South Carolina (US), Chengdu and Daqing (China), while engines are manufactured in Skövde (Sweden) and Zhangjiakou (China) and body components in Olofström (Sweden).

Under its new company purpose, Volvo Cars aims to provide customers with the Freedom to Move in a personal, sustainable and safe way. This purpose is reflected into a number of business ambitions: by the middle of next decade it aims for half of its global sales to be fully electric cars and to offer half of all cars to customers via its subscription service. By then, it also expects one-third of its cars sold to be autonomous.

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