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Press release

Volvo CE transfers backhoe loaders and motor graders to SDLG to improve profitability

As part of the Volvo Group's ongoing activities to improve profitability and reduce costs, Volvo Construction Equipment will discontinue development and production of its current product line of Volvo-branded backhoe loaders and motor graders. In the future, these products will instead be manufactured by Volvo CE's Chinese company SDLG.

As communicated in conjunction with the report on the third quarter of 2014, further cost-saving measures will be implemented in Volvo Construction Equipment (Volvo CE) to adapt the cost structure and to address the profitability of certain products. A review of the operation has now been performed, resulting in the decision by Volvo CE to discontinue product development and production of backhoe loaders and motor graders in Europe and Americas and transfer these operations to its Chinese company SDLG. Combined with other efficiency enhancement measures, this will result in a workforce reduction of about 1,000 employees, of whom the majority are in Poland, the US and Brazil.

The current product lines of technologically advanced and high-spec Volvo-branded backhoe loaders and motor graders have addressed a relatively small premium segment of the market. SDLG-branded backhoe loaders and motor graders will better serve customer demands in the large and growing value segment of the market.

Currently, motor graders are built at Volvo CE's production sites in Shippensburg, US, and Pederneiras, Brazil, while backhoe loaders are manufactured in Pederneiras, Brazil, and Wroclaw, Poland. Ceasing European production of backhoe loaders will result in the closure of Volvo CE's operations in Wroclaw.

The measures within Volvo CE are a part of the series of new activities within the increased scope of the Group's Strategic Program 2013-2015, which was published in conjunction with the report on the third quarter 2014. Combined, these activities are expected to reduce the Group's structural costs by SEK 3.5 billion. Together with ongoing activities, the ambition in the Strategic Program is to reduce the Group's structural costs by SEK 10 billion compared to 2012 and that all activities are

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implemented by the end of 2015 with a full-year savings-effect in 2016. For further information, refer to the Volvo Group's report on the third quarter 2014.

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The Volvo Group is one of the world's leading manufacturers of trucks, buses, construction equipment and marine and industrial engines. The Group also provides complete solutions for financing and service. The Volvo Group, which employs about 110,000 people, has production facilities in 18 countries and sells its products in more than 190 markets. In 2013 the Volvo Group's sales amounted to about SEK 270 billion. The Volvo Group is a publicly-held company headquartered in Göteborg, Sweden. Volvo shares are listed on Nasdaq Stockholm. For more information, please visit www.volvogroup.com or www.volvogroup.mobi if you are using your mobile phone.