

Ford confirms Volvo sale to Geely

Written by AFP / The Swedish Wire

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US auto giant Ford said Wednesday it had reached a deal with China's Geely on the potential sale of its Swedish brand Volvo, it said in a statement.



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Ford said a definitive accord would be signed early in 2010 with Geely, a former refrigerator parts supplier that has grown into one of China's largest private car makers since launching its auto business in 1997.

"Ford Motor Company confirmed today that all substantive commercial terms relating to the potential sale of Volvo Car Corporation have been settled between Ford and Zhejiang Geely Holding Group," Ford said in a statement.

The US company said it expected "a definitive sale agreement will be signed in the first quarter of 2010, subject to appropriate regulatory approvals."

The number-two US car maker said work still remained before finalising the deal, including "final documentation, financing, and government approvals."

The accord marks the first major inroad by a Chinese company into Europe's auto industry and would give Volvo access to China, now the biggest car market in the world after the economic crisis hit sales in the United States.

Chinese car makers have launched an expansion drive this year amid upheaval in the global auto industry, with heavy machinery maker Tengzhong agreeing in October to buy the luxury Hummer brand from US giant General Motors.

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State-owned Beijing Automotive Industry Holding (BAIC) meanwhile has failed in its bids for GM units Saab and Opel but earlier this month worked out a major deal to purchase the intellectual property rights for some Saab assets.

Ford said the Geely deal would provide Volvo, which employs 22,000 people worldwide, with the resources "to further strengthen the business and build its global franchise."

Geely said in a statement that Volvo would retain its leadership in safety and environmental technologies "should a stock purchase take place."

It also noted that Volvo "will be uniquely positioned as a world leading premium brand to exploit opportunities in the fast growing China market."

According to reports in Swedish media and the Financial Times, the price of the transaction will be around 2.0 billion dollars (1.4 billion euros), less than a third of what Ford had paid for Volvo in 1999.

Ford, which unlike its US rivals General Motors and Chrysler did not take US government aid to cope with falling sales and managed to avoid bankruptcy this year, had put Volvo up for sale in December 2008.

The biggest question in Wednesday's deal was how Geely was going to manage the image of the Swedish brand, known for its sturdy, high-performance cars, said Global Insight's Bertrand Rakoto.

"It would be better ... that Volvo not take a Chinese brand image, because Volvo is a semi-premium carmaker ... for whom image is very important," the analyst told AFP.

News of a Chinese owner for Volvo was received cautiously in Sweden, where the brand was launched in 1927 and has 16,000 employees.

"This is an additional step in the process before the sale is finalised. There are still many important questions to be resolved and it is a complicated sales process," Swedish Enterprise Minister Maud Olofsson told TT newswire.

"There remains a lot to do on the Chinese side," she added.

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The head of a Volvo trade union in the company's western Swedish home city of Gothenburg said it was still unclear how Geely wanted to get the loss-making brand to turn a profit.

"It is still unclear what Geely wants out of this agreement, and that makes me worried," Soeren Carlsson, head of Unionen, told TT.

"Even though our sales are rising, Volvo cars still operates at a loss. How Geely wants to solve that, we don't know," he added.

News on the Volvo sale comes as another Swedish automaker, Saab, faces uncertainty about its future.

Its parent company, General Motors, said last week it was shutting down the iconic marque after breaking off sales talks with Dutch sportscar maker Spyker.

But Skyper then made a last-ditch bid for the loss-making brand, which it extended indefinitely hours before it was due to expire Monday.

Spyker chief executive Victor Muller told Swedish newspaper Svenska Dagbladet he was "working under a very difficult timeline" to reach a deal with GM, which set December 31 as the limit for a potential sale or wind down.