

Aurobay part of new global company for next generation powertrains

Zhejiang Aurobay Powertrain Co., Ltd (Aurobay), the powertrain business formerly owned by Volvo Cars, is set to become part of a new global company specializing in hybrid and low-emission powertrains formed by Renault and Geely.

- Aurobay's owner Geely Holding¹, and Geely Auto², have signed an agreement³ with the Renault Group to combine their combustion and hybrid powertrain businesses.
- On completion in 2023, the new company will comprise 17 plants and 5 R&D centers in Asia, the Americas and Europe, with 19 000 employees.
- Aurobay, with 2 850 employees in Gothenburg and Skövde in Sweden and Zhangjiakou in China, will be part of the new global company.
- Since Aurobay was spun off from Volvo Cars in July 2021, the business has transformed into a pioneer in the development of low- and zero-emission combustion engines.
- Demand for electrified hybrid and low-emission powertrains is expected to remain part of the automotive supply chain for decades ahead.
- The new global company announced today will produce circa 5 million internal combustion, hybrid and plug-in hybrid engines and transmissions per year.
- The new company will supply multiple brands worldwide with a complete range of best-in-class powertrains, including electrified solutions.
- At launch, the new company is expected to supply multiple industrial customers including Volvo Cars, Renault, Dacia, Geely Auto, Lynk & Co and PROTON.
- Volvo Cars⁴ has decided to transfer its ownership in Aurobay to Geely Holding.
- According to the non-binding agreement Geely and Renault Group will each hold 50 percent stakes in the new global company of powertrain solutions.
- The new company, combining a strategic footprint and an attractive business model, will offer synergetic opportunities for its suppliers and a compelling investment case for new industrial and financial partners.

8 November 2022, Gothenburg – Geely Holding Group (Geely Holding), Geely Automobile Holdings Limited (Geely Auto HK.0175) (collectively referred to above as "Geely") and Renault Group have signed a non-binding framework agreement to create a new global leader to develop, manufacture and supply best-in-class hybrid powertrains and highly efficient internal combustion powertrains (ICE).

On completion, the new company will be a standalone global supplier of complete ICE solutions, producing next-generation hybrid propulsion systems and developing low-emission technologies. The new company is planned to operate 17 plants in the Americas, Asia and Europe, employing around 19 000 people in total and to produce circa 5 million internal combustion, hybrid and plug-in hybrid engines and transmissions per year. At launch, the

new company is expected to supply multiple industrial customers including Volvo Cars, Renault, Dacia, Geely Auto, Lynk & Co and PROTON. The partnership can also offer powertrain technologies to other car brands.

The new company will welcome new industrial and financial partners attracted by the opportunity to contribute to industry-leading lifecycle (or “cradle-to-grave”) low- and zero-emission eco-systems worldwide, and the opportunity to create value in the ongoing transformation of the automotive industry.

Aurobay has been leading the way in the development of low- and zero-emission combustion engines since it was established in July 2021, with a strong focus on sustainability and a lifecycle approach to emissions. Aurobay, with its 2 850 employees in Sweden and China and its unique R&D and manufacturing capabilities, will be able to make a strong contribution to the new business.

“The auto industry’s strong focus on electric vehicles will not be enough to reach the CO2 reduction targets. Electrification is just one of several solutions required to reach global net zero vehicle emissions targets. In many parts of the world, there will neither be enough fossil-free electricity nor enough charging infrastructure to allow for rapid electrification. According to industry estimates, in 2040, 55-75 percent of all cars on the road will still be ICE or hybrid-powered”, says Michael Fleiss, deputy CEO of Aurobay.

“Many automakers are concentrating on electric powertrains and will lose focus on ICE and hybrid systems. The new company will be there to develop and supply state-of-the-art products. We will have the size, the know-how and the capability to develop and manufacture low- or zero-emission hybrid engines on a scale that will reduce the global carbon footprint substantially”, says Michael Fleiss.

Also, Volvo Cars⁴ has decided to transfer its current equity stake in Aurobay to Geely Holding. Aurobay remains the sole provider of both Volvo Cars’ hybrid and combustion engines.

“Volvo Cars and Aurobay will remain strategic partners. Our 100 years of common history is a firm platform on which to build future collaboration,” says Michael Fleiss.

¹ Zhejiang Geely Holding Group Co., Ltd.

² Geely Automobile Holdings Limited (Geely Auto HK.0175)

³ <http://zgh.com/media-center/news/2022-11-08/?lang=en>

⁴ Through its fully owned subsidiary Volvo Car (China) Investment Co Ltd. (VCI)

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About

Aurobay develops and manufactures world-class powertrain solutions for a global market. Its 2 850 employees work across R&D, manufacturing and digital innovation. In 2021, Aurobay produced 750 000 hybrid engines and electric motors in its manufacturing sites in Skövde, Sweden and Zhangjiakou, China. With a heritage of more than 100 years of continuous powertrain innovation with Volvo Cars, Aurobay develops new technologies and pushes the environmental impact towards zero.