



PRESS RELEASE

Volvo Group and Isuzu Motors intend to form strategic alliance

The Volvo Group and Isuzu Motors today signed a non-binding Memorandum of Understanding with the intent to form a strategic alliance within commercial vehicles in order to capture the opportunities in the ongoing transformation of the industry.

In a first step, the intention is to establish a global technology partnership and to create a stronger, combined heavy-duty truck business for Isuzu Motors and UD Trucks in Japan and across international markets. This will entail transferring ownership of the complete UD Trucks business globally from the Volvo Group to Isuzu Motors in order to accelerate growth by leveraging greater volumes and complementary capabilities. There is great complementarity between the two Groups from both a geographical and product line perspective, with further opportunities to be explored over time.

The enterprise value for the complete UD Trucks business is JPY 250 billion (approx. SEK 22 billion as per the end of November 2019) and will be subject to the final scope of the business transferred and Isuzu Motor's due diligence. The transaction is expected to, at the time of closing, result in a positive impact on the Volvo Group's operating income of approximately SEK 2 billion and increase the Volvo Group's net cash position by approximately SEK 22 billion.

"The Volvo Group and Isuzu Motors have a well-established relationship on medium-duty trucks in Japan based on mutual respect, shared values and win-win spirit. We see great potential to extend our cooperation within technology, sales and service as well as other areas going forward, for the benefit of our customers and business partners," says Martin Lundstedt, President and CEO of the Volvo Group. "Our UD Trucks colleagues have done a great job to improve performance in recent years and the alliance opens up a great opportunity to continue the successful journey."

"Isuzu Motors and the Volvo Group strongly believe in the business opportunities and synergy potential between the two Groups. We intend to derive the full value from each other's different specialties across product and geographical strongholds. Our collaboration will actively contribute to service improvements and strengthened customer satisfaction as well as to prepare ourselves for the forthcoming logistics revolution," says Masanori Katayama, President and Representative Director of Isuzu Motors Limited.

The intended strategic alliance between the Volvo Group and Isuzu Motors will include:

- Forming a technology partnership, which will leverage the parties' complementary areas of expertise within both well-known and new technologies as well as to create a larger volume base to support necessary, forthcoming technology investments.
- Creating the best long-term conditions for a stronger heavy-duty truck business for UD Trucks and Isuzu Motors in Japan and across international markets.



- Exploring opportunities for even broader and deeper collaboration within the commercial vehicle business across geographical areas and product lines, such as light- and medium-duty trucks.

The intention is to transfer ownership of the complete UD Trucks business globally, which had revenues totalling SEK 24 billion in 2018. The business had a minimal impact on the Volvo Group's operating income in 2018.

All technology cooperation between the Volvo Group and Isuzu Motors will be managed through individual contracts.

The Memorandum of Understanding is non-binding. The next steps will be finalizing the scope of the business to be transferred, due diligence by Isuzu Motors and negotiations of binding agreements. Signing of binding agreements is expected by mid-2020 and closing of the transaction is expected by the end of 2020. All potential transactions will be subject to regulatory and other approvals.

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