



PRESS RELEASE

Volvo Group and Isuzu Motors sign final agreements to form strategic alliance

The Volvo Group and Isuzu Motors today signed binding agreements to form a strategic alliance within commercial vehicles in order to capture the opportunities in the ongoing industry transformation, in accordance with the Memorandum of Understanding signed in December 2019. The agreements include Isuzu Motor's acquisition of UD Trucks from the Volvo Group for an enterprise value of JPY 243 billion (approx. SEK 20 billion). The transaction is subject to certain conditions, including approval from regulatory authorities.

The Alliance between the Volvo Group and Isuzu Motors is set to build long-term and robust relationship that will encompass but not be limited to:

- Forming a technology partnership, intended to leverage the parties' complementary areas of expertise within both well-known and new technologies and creating a larger volume base to support investments for world-class technology. The technology partnership encompasses:
 - Joint development by Isuzu Motors and UD Trucks of common platforms for medium heavy-duty truck models for the Japanese- and other Asian markets, utilizing amongst others Volvo Group technology.
 - Intended cooperation regarding new technologies such as autonomous driving, connectivity and medium- and heavy-duty electrical vehicles.
- 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 by transferring ownership of the complete UD Trucks business from the Volvo Group to Isuzu Motors. This will accelerate growth by leveraging greater volumes and complementary capabilities, creating significant synergies for Isuzu Motors.
 - As a first step, Isuzu Motors and UD Trucks are discussing the conditions for supply of certain truck variants from UD Trucks to Isuzu Motors from 2022 onwards.
 - To secure smooth business continuation, the Volvo Group will provide transitional services to UD Trucks, and also supply components to UD Trucks.
- Exploring further opportunities for even broader and deeper collaboration within the commercial vehicle businesses across geographical areas and product lines for future urban logistics solutions. Isuzu Motors is one of the world-leaders in the segment of 3.5 to 15T light and medium-duty trucks with volumes of 252 000 units in 2019.
- Exploring cooperation in the areas of purchasing and logistics, leveraging common technology, as well as the geographical footprint complementarity and volume expansion.

The Volvo Group and Isuzu Motors will establish a Joint Alliance Office, with facilities both in Japan and Sweden, which will be overseen by an Alliance Board comprising the Isuzu Motors President, the Volvo Group CEO and other key executives from the two groups.



There is great complementarity between the Volvo Group and Isuzu Motors from both a geographical- and product line perspective. The two companies have signed an Alliance Framework Agreement for a minimum duration of 20 years, to take up the possibilities and challenges of the logistics industry of the future, maximizing value and benefits for customers as well as for society.

"I have high expectations on this strategic alliance, which will make Volvo and Isuzu Motors even more competitive within their respective markets and segments. This is an opportunity to share technology investments and also to help each other grow. I am confident that UD Trucks will become a bridge between the Volvo Group and Isuzu Motors and that the strategic alliance will create the conditions to continue to develop UD Trucks to a new level within Isuzu Motors. I also want to express my pride at how the UD Trucks team has been able to serve customers and continue to improve financial performance also during this unprecedented period, characterized by the COVID-19 pandemic. The Volvo Group will continue to support UD Trucks, and participate in the Asian markets through this alliance," says Martin Lundstedt, President and CEO of the Volvo Group.

"This is a very exciting day. We have signed the strategic alliance agreement with the Volvo Group. The difficult and unforeseeable COVID-19 situation has made the strategic alliance even more valuable and has built a solid, trustful relationship between Isuzu and the Volvo Group. This long-term partnership will span across products, technologies and regions, and actively contribute to service improvements and strengthened customer satisfaction as well as supporting the logistics industry. I am fortunate to have UD Trucks joining the Isuzu Group. UD Trucks will play an important role of the strategic alliance for efficient and effective collaboration between Isuzu Motors and the Volvo Group," says Masanori Katayama, President and Representative Director of Isuzu Motors Limited.

The agreed purchase price on a cash and debt free basis, enterprise value, for UD Trucks is JPY 243 billion (approx. SEK 20 billion) to be paid to Volvo at the closing of the transaction. Furthermore, the agreement includes an earnout, in which an additional amount up to JPY 15 billion (approx. SEK 1.2 billion) is to be paid subject to the performance of UD Trucks during the years 2021-2023. UD Trucks' revenues for the last 12 months (July 2019-June 2020) amounted to JPY 278 billion (approx. SEK 23 billion). The business had a marginally positive impact on the Volvo Group's operating income in the same period. At the time of closing, the transaction is expected to 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 in the Industrial operation by approximately SEK 20 billion. Closing is expected during the first half of 2021. The transaction is subject to certain conditions, including approval from regulatory authorities.

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