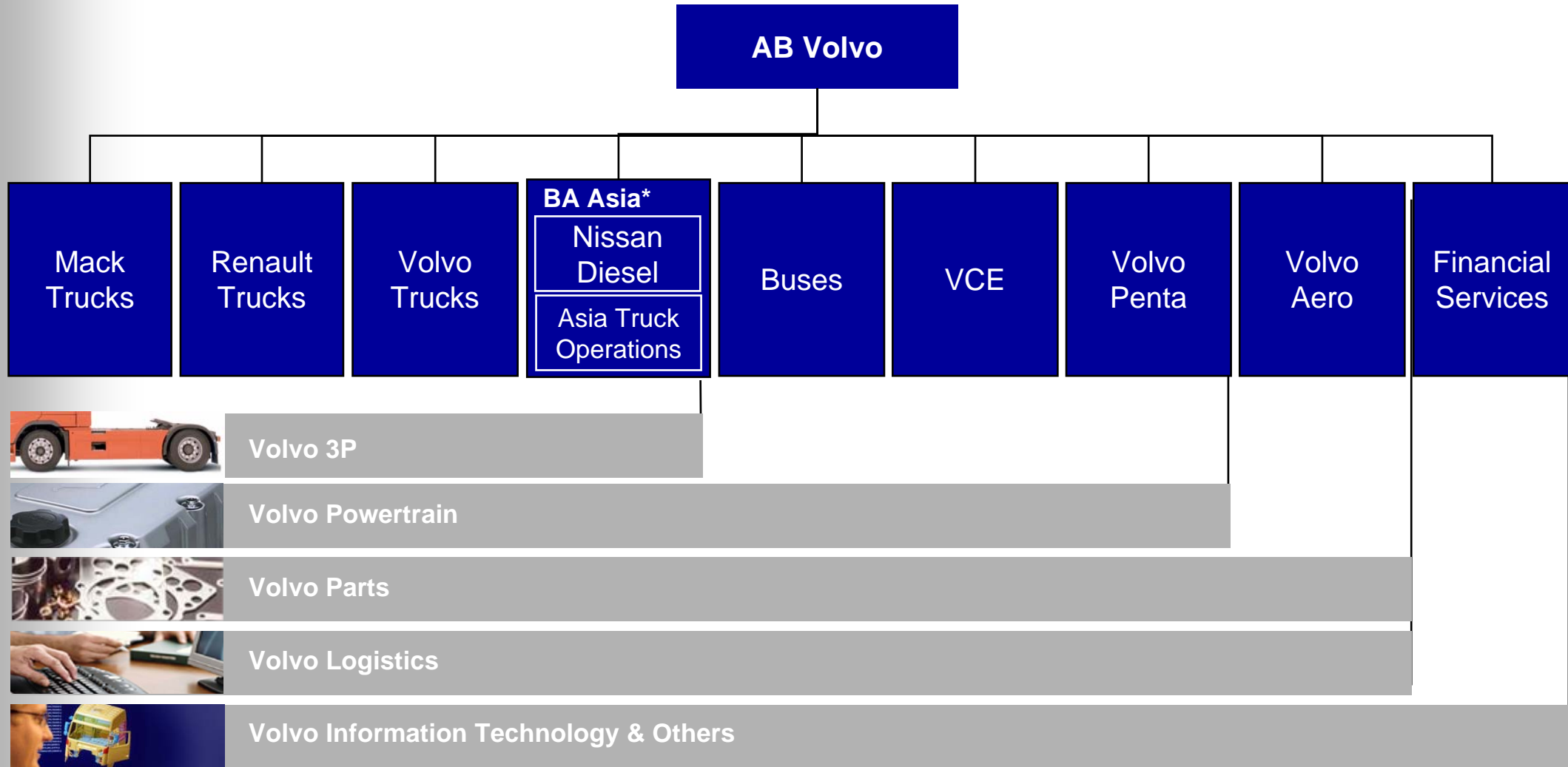


**VOLVO**

# **Nissan Diesel Integration Process**

**Jorma Halonen**  
**Executive Vice President and Deputy CEO**

# AB Volvo



\* Business Area Asia ; all Group truck operations in Asia incl. Nissan Diesel

# Business Area Asia

## Product and Geographical Scope

### Product Scope

- **Trucks**
  - Heavy duty
  - Medium duty
  - Aftermarket

### Brand Scope

- **Group brands** (Asia responsibility)
  - Volvo Trucks
  - Renault Trucks
  - Mack Trucks
- **Nissan Diesel/UD** (Global responsibility)

### Geographic Scope Asia



- **Main Markets**
  - China
  - India
  - Japan
  - Korea
  - Thailand
  - Vietnam
  - Taiwan
  - Indonesia
  - Malaysia

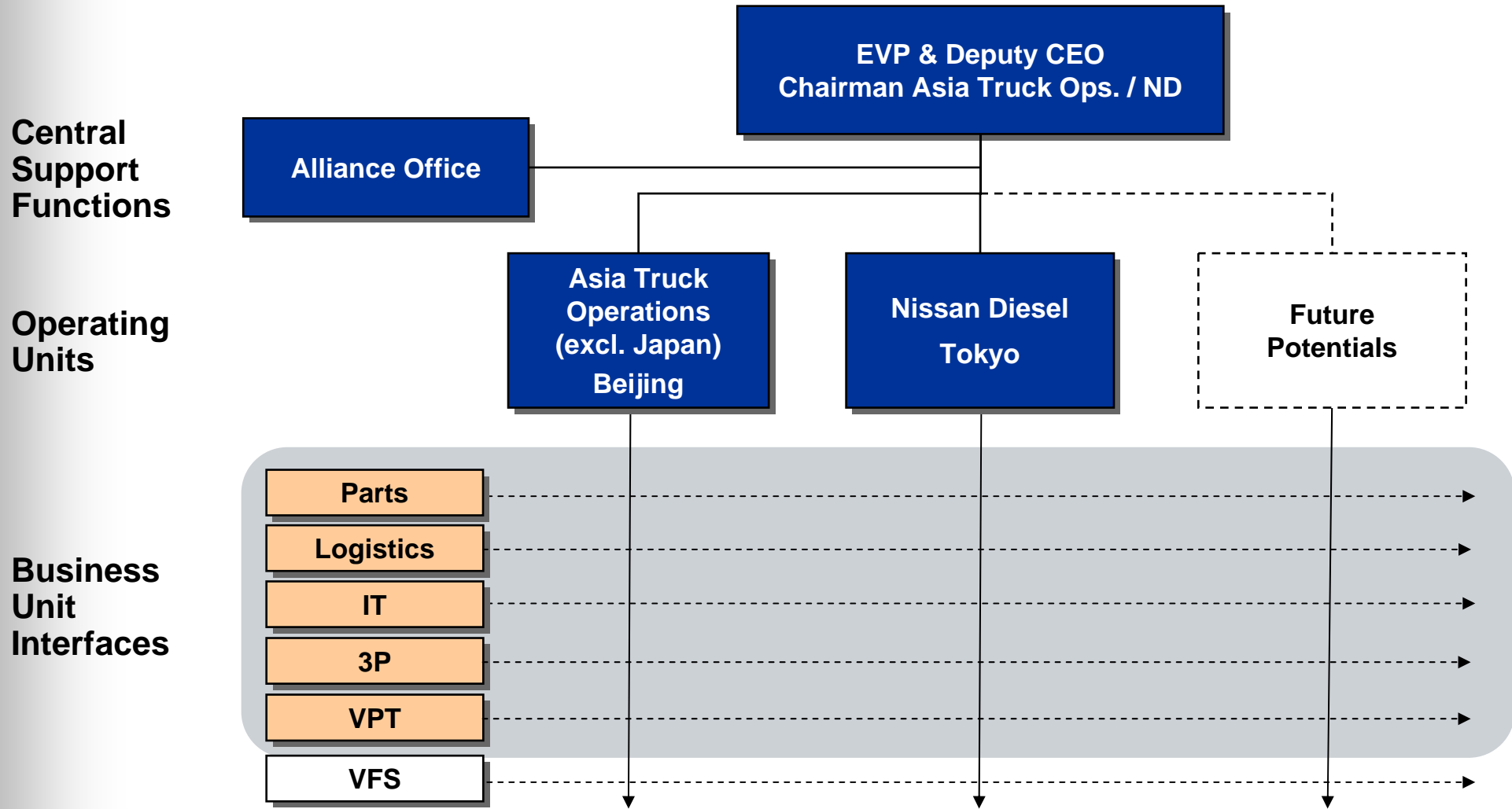
## Mission Statement of of New Business Area Asia



- Focus and optimize resources
- Contribute to Group growth objectives
- Coordinate all brands and distribution activities
- Implement synergy projects with Nissan Diesel
- Drive strategic acquisition projects
- Meet Group profitability objectives

# Business Area Asia

## Organization Structure



# Future Nissan Diesel Operational Model



Carve out & integrate

# Strategic Directions – Nissan Diesel

## ***Mission***

Nissan Diesel applies the same mission as the Volvo Group

## ***Vision:***

To be valued as the leading provider of commercial transport solutions in Asia

## ***Wanted position***

- #1 among Japanese truck brands in image and customer satisfaction
- Sustainable profitability on par with the best in line with AB Volvo targets
- #1 in size among the Japanese truck brands

# Strategy Directions – Long Term

## *A strong position in Asia through:*

### **Leading Volvo Group's growth in Asia**

- Double export volumes

### **Quality benchmark in the CV industry**

- leading improvement initiatives in the Group

### **Preferred employer in the Japanese CV industry**

### **Exceed externally communicated synergy objectives**



# Strategy Issues – Medium Term

**Synergy realization** – a minimum of EUR 200 M yearly

## **Competitive future product program**

- Platform and component sharing
- Products better suitable for many markets in Asia

## **Engine strategy**

- Introduce Volvo's platform for heavy duty engines
- Development of a new in-house medium-duty engine under evaluation

## **Growth in Asia**

- A key driver to grow the Group's business in Asia – double export

## **Brand platform** – under development

- UD – Ultimate Dependability – will guide the mindset

# Nissan Diesel Synergy Realization

Cross company team in five main synergy areas from spring 2006



## Summary of the synergies announced Nov 15, 2006

- Total combined synergies estimated to EUR 200 M yearly
- Short and medium term synergies (1-2 years): Purchasing, Distribution & Sales and partly R & D
- More long term synergies (3-5 years): Product Planning, Manufacturing and partly R & D

# Nissan Diesel Synergy Realization

- Synergy realization according to schedule
- Integration into the Volvo financial and administration systems
- Integration with the Volvo Business Units
- Exchange of expatriates has started
- Additional synergy potentials:
  - Medium Duty engines
  - Developing of a low cost truck for China and Asia
  - Full scope of distribution/sales opportunities
  - New synergy areas (Parts, Logistics, Bus Business, Retail Financing and Non-Automotive Purchasing)
  - Integration of Volvo Nippon KK into Nissan Diesel.

## **Conclusion**

**The communicated yearly synergy effect of EUR 200 M after five years will be achieved.**

# Nissan Diesel Growth in Asia

## *Rationales for growth*

- Introducing Volvo's Heavy Duty engines
- Realization of purchasing synergies will increase cost competitiveness
- Strengthening of Nissan Diesel Medium Duty program
- New low-cost truck for Asia
- Co-ordination of Volvo Group truck sales in Asia through "Asia Truck Operations"
- Utilization of established Volvo Dealer networks

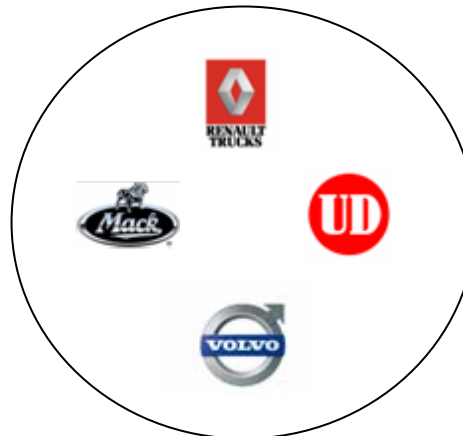
# Towards *One System And One Team* to Deliver Profitable Growth

**Current**



**Four "systems" in full competition**

**Asia Truck Operations**



**One harmonized "system" Multi-brand distribution**



**Profitable growth**

# Nissan Diesel Growth in Asia

## *Conclusions*

- Substantial opportunities exist to grow Nissan Diesel's business
- The volume target is to double Nissan Diesel's export
- Profitability will substantially increase for export by
  - Co-ordination of all Volvo Group truck sales in Asia through "Asia Truck Operations"
  - Utilizing Volvo Group owned importer companies instead of private importers
- Large potential to increase aftermarket business