



Volvo Group

FIRST QUARTER 2015

JAN GURANDER

VOLVO GROUP

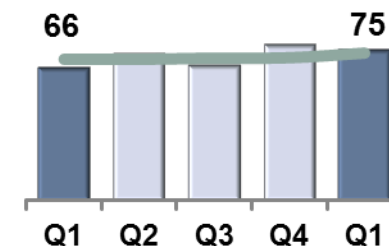
First quarter summary



- **IMPROVED MARGIN DESPITE NEGATIVE MARKET MIX FOR TRUCKS AND VOLVO CE**
- **VOLVO CE MARKET HEADWINDS CONTINUE, VOLUMES -33%**
- **OPERATING INCOME IMPROVED BY 78%**
- **EFFECTS FROM STRATEGIC EFFICIENCY PROGRAM CLEARLY VISIBLE**
- **CASH FLOW IMPROVED BY MORE THAN 7 BN**

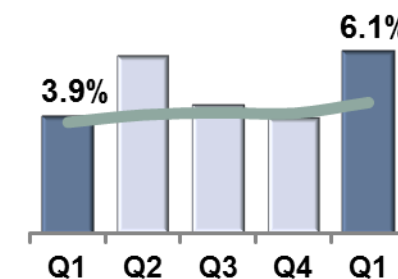
NET SALES

SEK bn 12-months 292 bn



OPERATING MARGIN*

% 12-months 5.1%



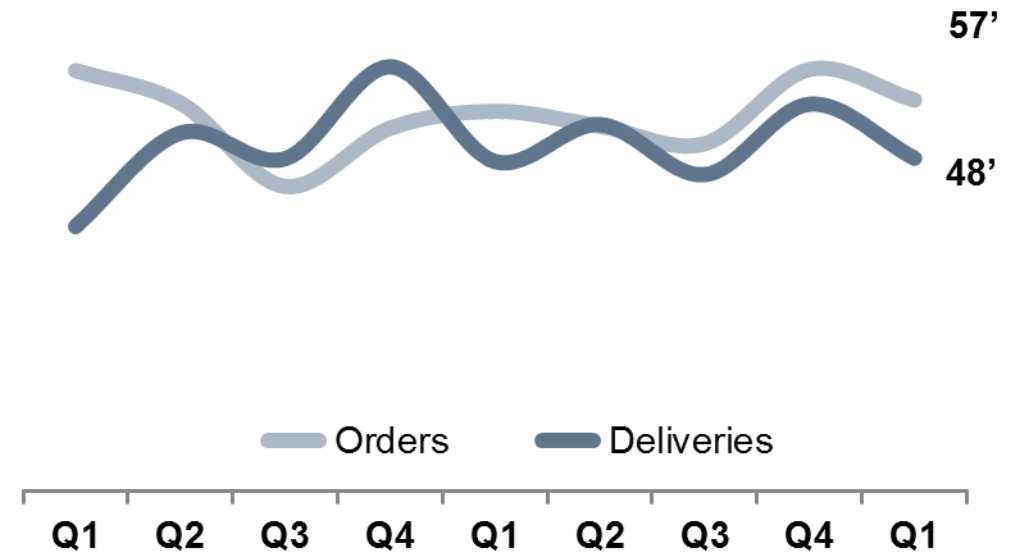
* Excluding restructuring charges, EU anti-trust provision and credit provision in China in 2014 and capital gain on EML-shares in Q115

TRUCKS

Continuing to build order book

- Orders increased by 3%
- Deliveries increased by 1%
- Book-to-bill 117%

TRUCK ORDERS & DELIVERIES



TRUCKS EUROPE

Slightly improved momentum in Europe

- Modest growth in Northern and Central Europe, continued upswing in Southern Europe and UK
- Total market up 10% through February
- Net order intake improved by 22% in Q1
 - Renault Trucks +27%
 - Volvo +17%
- Market shares through February:
 - Volvo 17.5% (-1.3)
 - Renault Trucks 8.1% (-2.6)

ORDERS & DELIVERIES

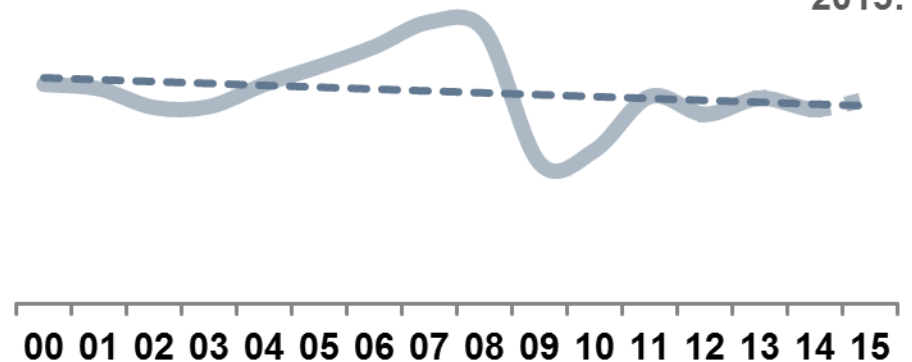
Book to bill Q1: 118%



TOTAL MARKET (heavy-duty)

2014: 228' trucks

Forecast:
2015: 240'



TRUCKS NORTH AMERICA

Continued strong development

- Total market improved by 24%
- Net order intake improved by 18% in Q1
 - Volvo +19%
 - Mack +17%
- Positive Mid America Truck Show
- Good momentum in aftermarket
- US Market shares Q1 2015:
 - Mack 6.7% (0.0)
 - Volvo 12.2% (+0.3)

ORDERS & DELIVERIES

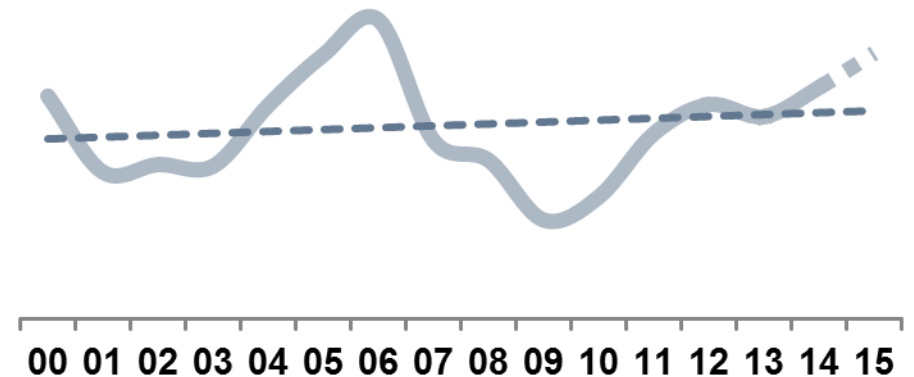
Book to bill Q1: 121%



TOTAL MARKET (heavy-duty)

2014: 270' trucks

Forecast:
2015: 310'



TRUCKS SOUTH AMERICA

Low GDP growth and decreased business confidence

- Continued weak economic development
- Less favorable terms and conditions in the financing program, FINAME, for 2015
- Total heavy-duty truck market in Brazil declined by 48% in Q1 2015
- Net order intake declined by 64% in Q1
- Production change-over to the new Volvo range in Q1
- Volvo's market share in Brazil declined to 18.9% (-2.5)

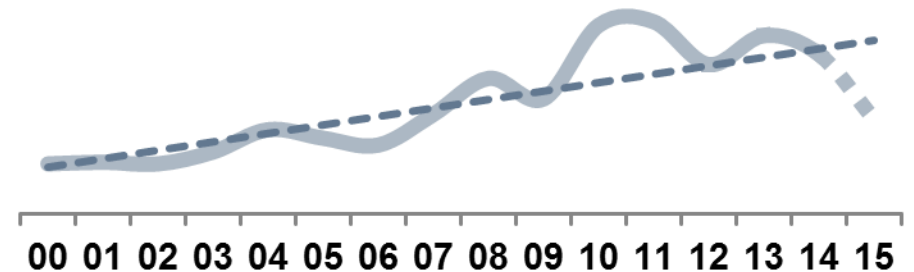
ORDERS & DELIVERIES

Book to bill Q1: 107%



TOTAL MARKET, BRAZIL heavy-duty
2014: 93' trucks

Forecast:
2015: 55'



TRUCKS ASIA PACIFIC

Mixed market development

- Japanese demand remains healthy
- Recovering demand in India, but weak South East Asia
- Construction market in China continues to decline
- Dongfeng JV established in January 2015
- UD Trucks', HD market share in Japan 17.7% (-1.2) in Q1 2015

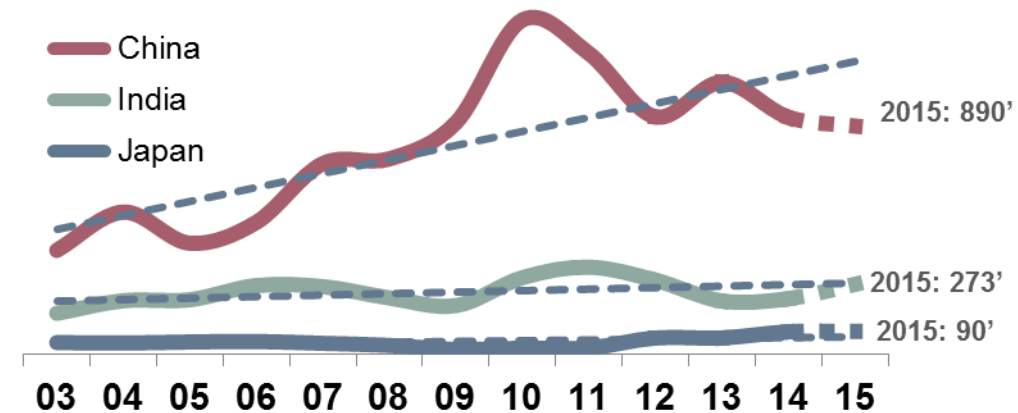
ORDERS & DELIVERIES*

Book to bill Q1: 118%



MARKET OUTLOOK medium- & heavy-duty

Forecasts:



VOLVO CONSTRUCTION EQUIPMENT

Continued headwind in BRIC markets

- Total market for Wheel Loaders and Excavators in China down 53%
- Deliveries down by 5,800 units (-33%) in Q1, China down 5,000 (-56%)
- Focused sales activities to improve market mix
- Good progress in restructuring activities

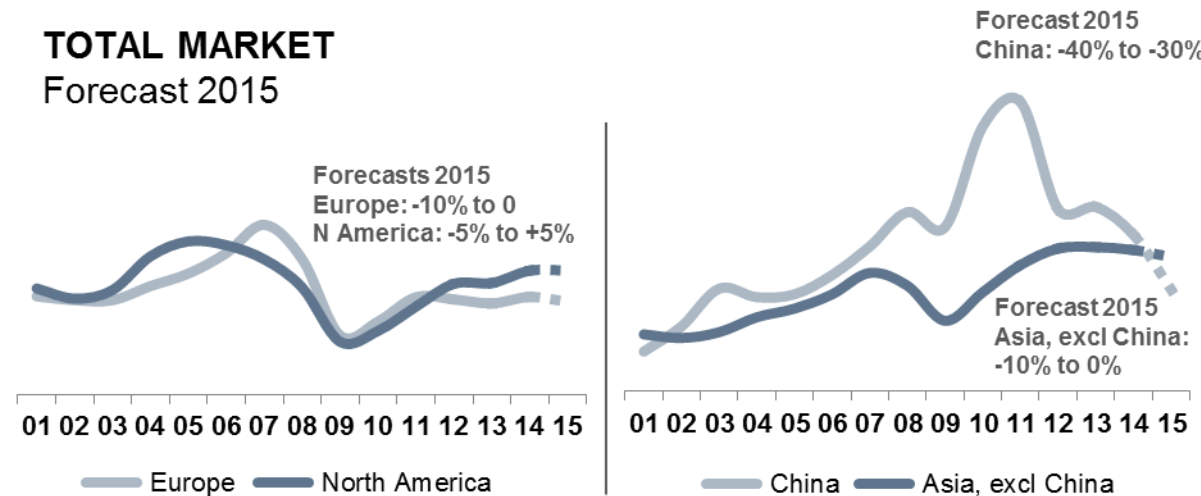
ORDERS & DELIVERIES

Book to bill Volvo Q1: 134%

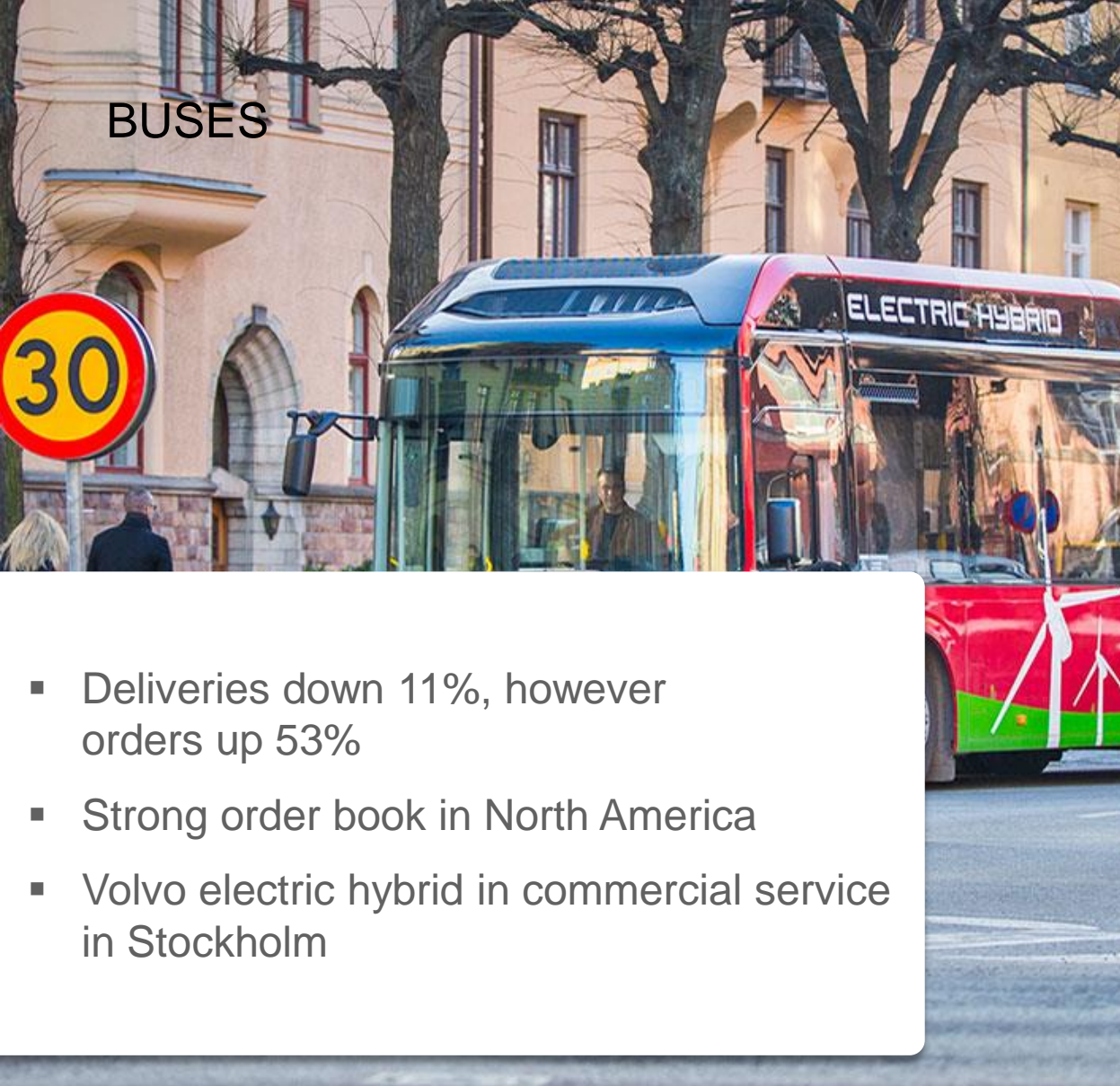


TOTAL MARKET

Forecast 2015

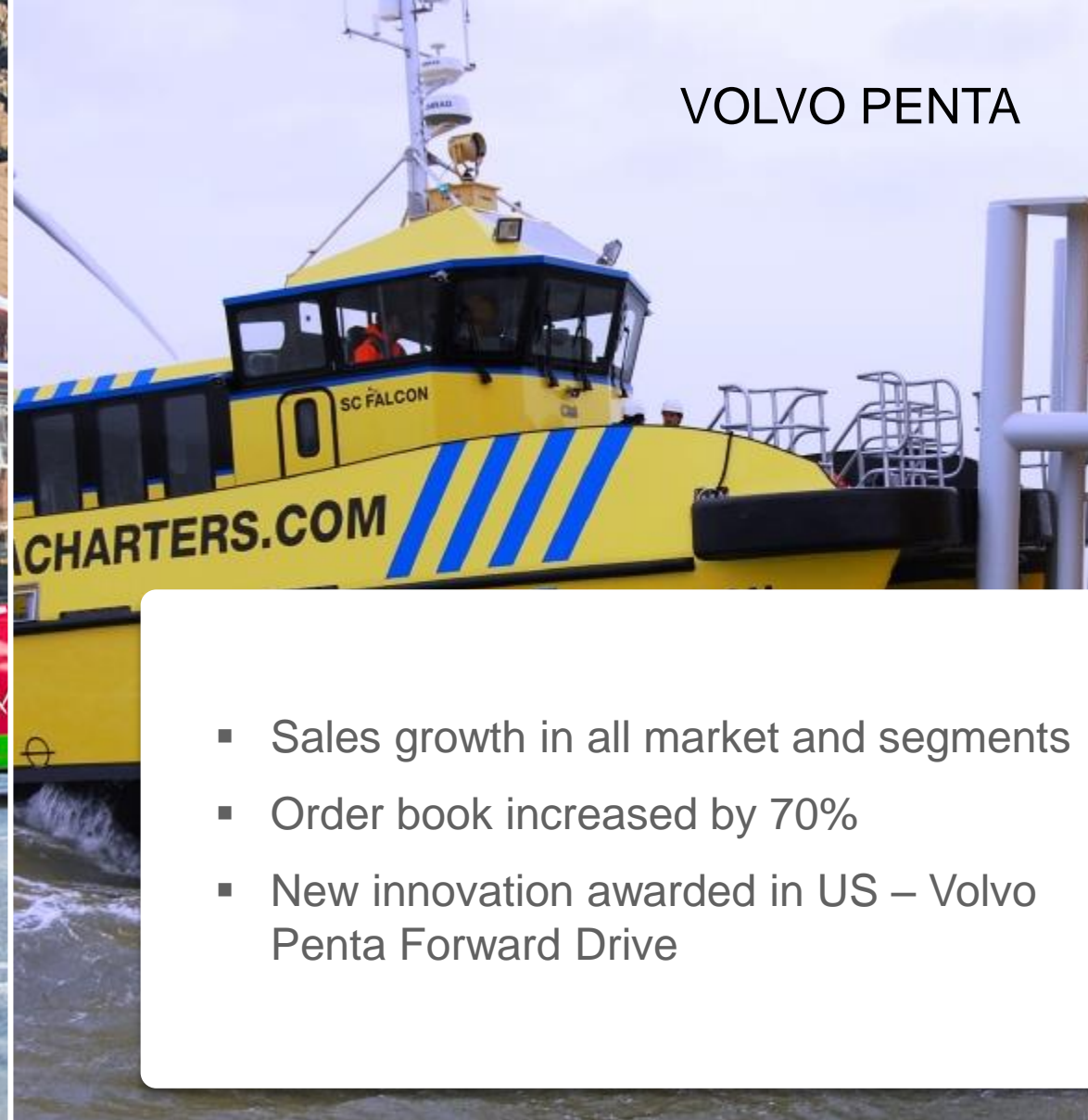


BUSES



- Deliveries down 11%, however orders up 53%
- Strong order book in North America
- Volvo electric hybrid in commercial service in Stockholm

VOLVO PENTA



- Sales growth in all market and segments
- Order book increased by 70%
- New innovation awarded in US – Volvo Penta Forward Drive



Volvo Group

FIRST QUARTER 2015

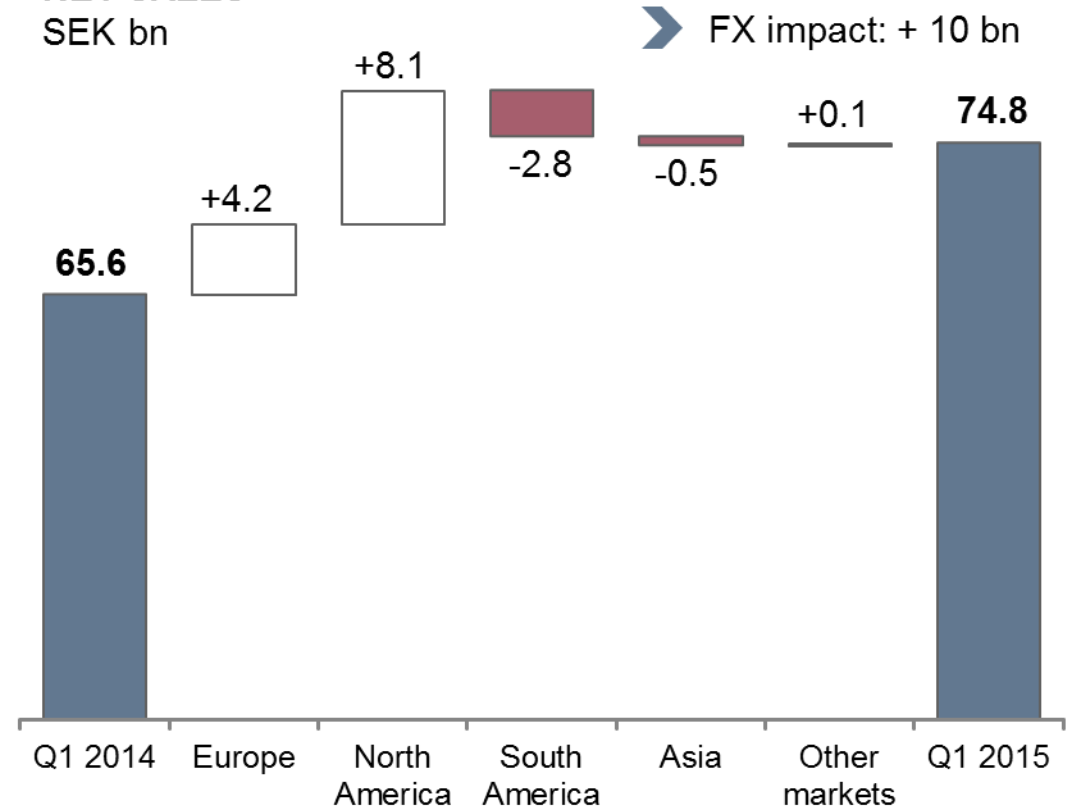
FINANCIAL REVIEW

VOLVO GROUP

Good sales growth in North America and Europe partly offset by decline in South America



NET SALES
SEK bn



VOLVO GROUP

Strong progress in Trucks – continued headwind for Construction Equipment

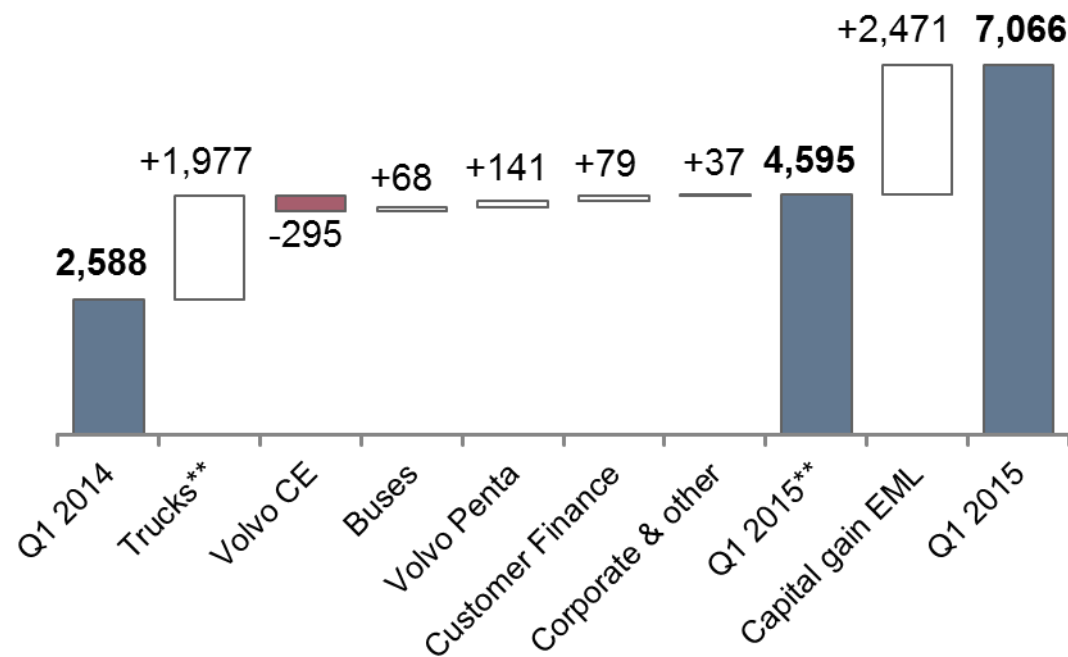
- + Trucks
- + Volvo Penta
- + Customer Finance
- + Buses

- Volvo CE

OPERATING INCOME*

SEK M

➤ FX impact: + 1,282 M



Volvo Group Headquarters

First quarter 2015

12

* Excluding restructuring charges

** Excluding capital gain from sale of shares in Eicher Motors Ltd.

VOLVO

VOLVO GROUP

Improved earnings

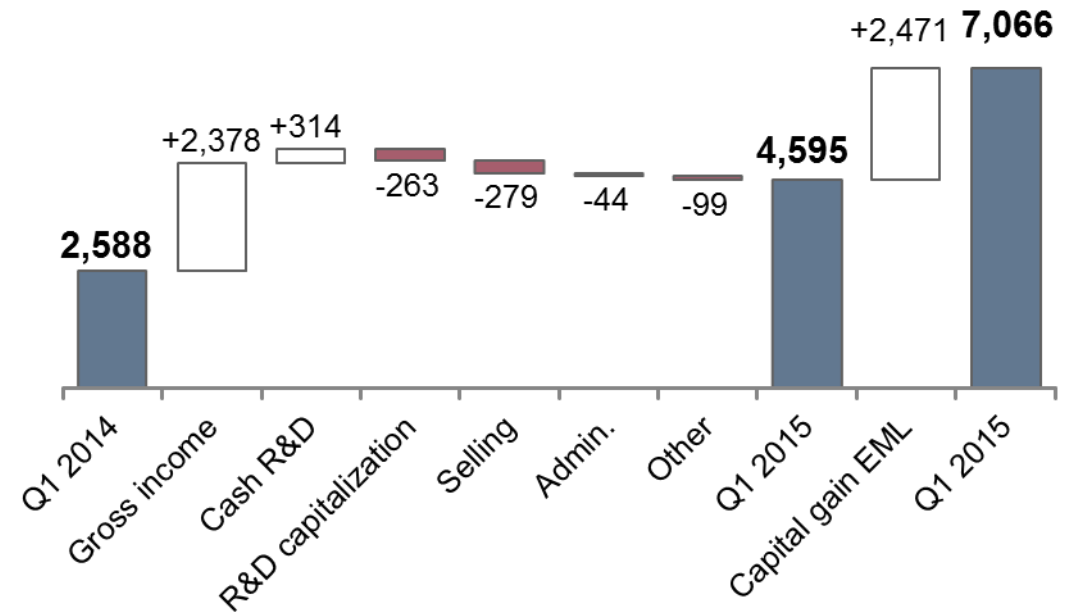
- + Increased gross margins in Europe and North America on both new products and aftermarket
- + Lower cash R&D spending

- Lower gross margins in Brazil (Trucks) and China (Volvo CE)
- Reduced R&D capitalization

OPERATING INCOME*

SEK M

➤ FX impact: + 1,282 M

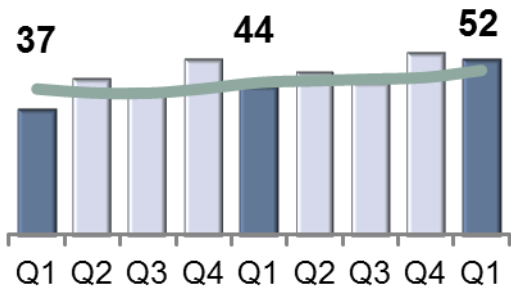


TRUCKS

Improved profitability on flat volumes

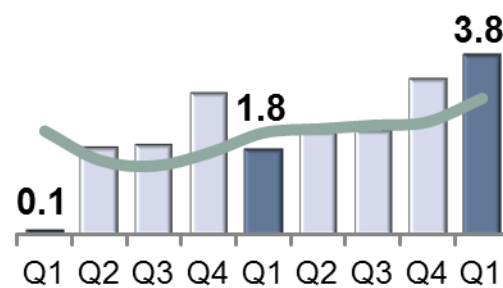
SALES TREND

SEK bn
 12-months 199 bn
 Currency: + 6.5 bn



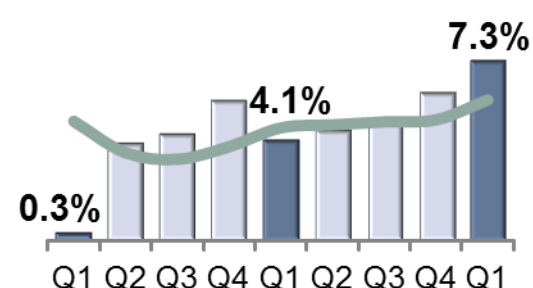
OPERATING INCOME*

SEK bn
 12-months 11.4 bn
 Currency: + 1,099 M



OPERATING MARGIN*

%
 12 months 5.7%

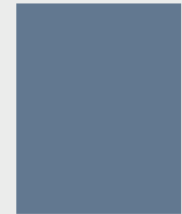


TRUCKS

Improved profitability on flat volumes

OPERATING INCOME*
SEK M

1,798



Q1 2014

- + Improved margins & volumes in North America
- + Improved profitability in Europe
- + Aftermarket
- + Favorable currency development

- South America, lower volumes & margins

OPERATING INCOME*
SEK M

3,775



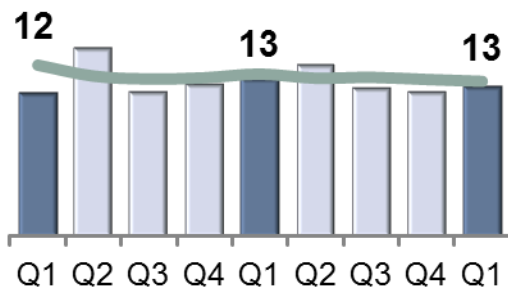
Q1 2015

VOLVO CE

Addressing continued drop in volumes (-33%)

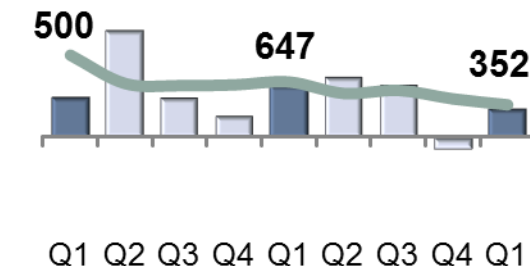
SALES TREND

SEK bn
12-months 52 bn
Currency: + 1.9 bn



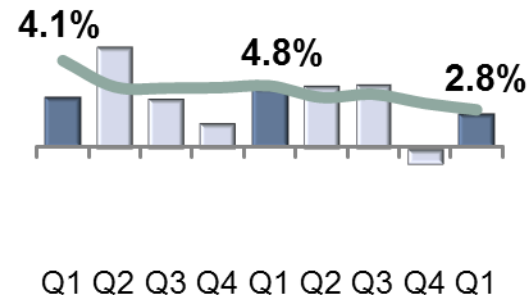
OPERATING INCOME*

SEK M
12-months 1.6 bn
Currency: + 157 M



OPERATING MARGIN*

%
12-months 3.1%



VOLVO CE

Results impacted by 33% volume drop

OPERATING INCOME*
SEK M

647

Q1 2014

- + Favorable product mix in Europe and North America
- + Currency

- Lower volumes, deliveries down 33% in Q1
- Lower earnings in China
- Provision for expected credit losses in China -149 M
- Lower industrial capacity utilization

OPERATING INCOME*
SEK M

352

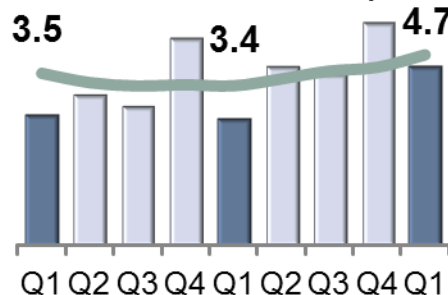
Q1 2015

BUSES



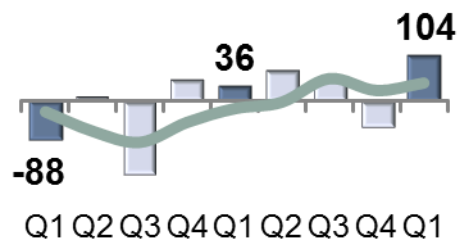
SALES TREND

SEK bn 12-months 20 bn
 Currency: + 0.7 bn



OPERATING INCOME*

SEK M 12-months 166 M
 Currency: + 142 M

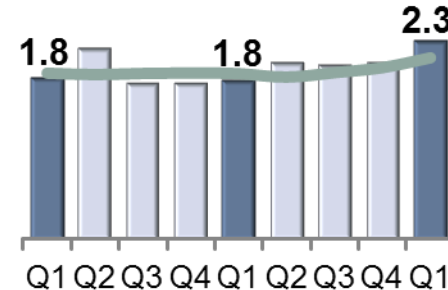


VOLVO PENTA



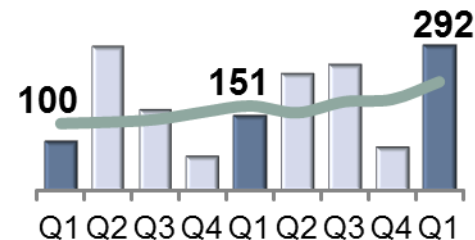
SALES TREND

SEK bn 12-months 8 bn
 Currency: + 0.2 bn



OPERATING INCOME*

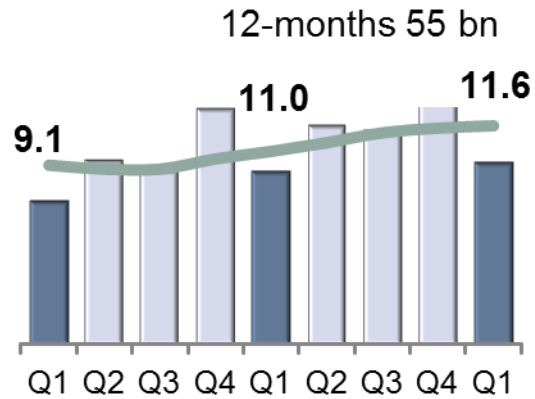
SEK M 12-months 870 M
 Currency: +115 M



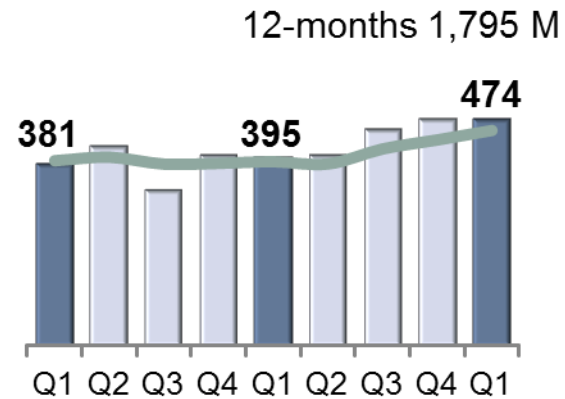
CUSTOMER FINANCE

Strong results – profitable portfolio growth

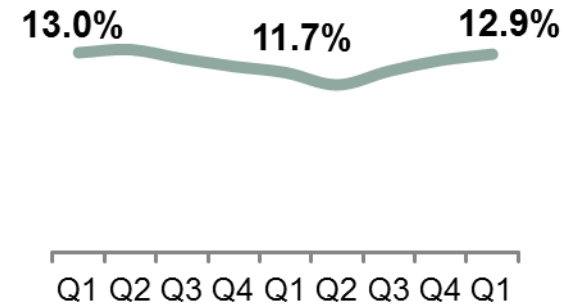
NEW FINANCING
SEK bn



OPERATING INCOME*
SEK M



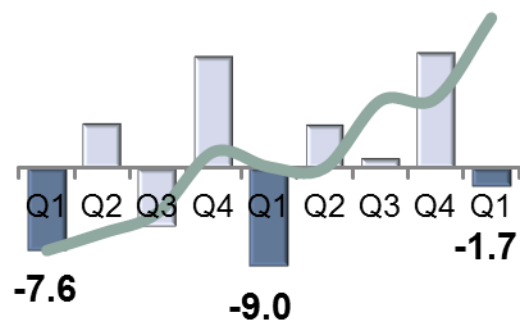
ROE
12-months, %



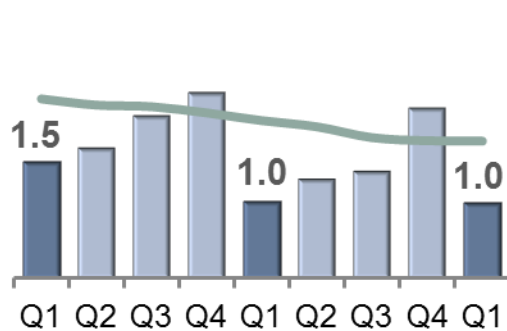
VOLVO GROUP

Positive cash flow trend

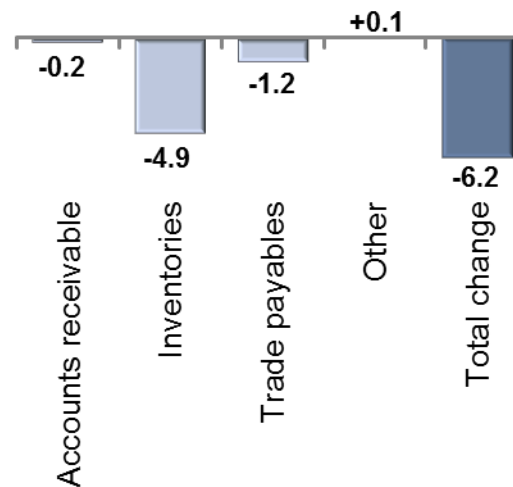
OPERATING CASH FLOW*
SEK bn,
12-months SEK 13.8 bn



INVESTMENTS IN PPE*
SEK bn,
12-months SEK 5.9 bn



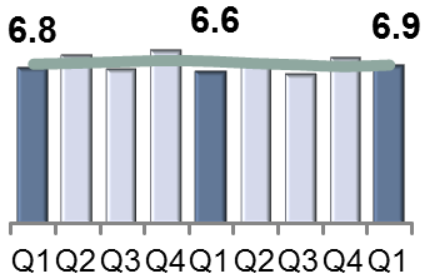
CASH-FLOW EFFECT FROM CHANGES IN WORKING CAPITAL*
SEK bn



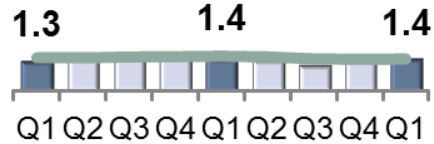
VOLVO GROUP

Structural cost reductions offset by currency effect

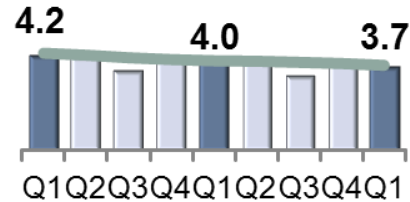
SELLING EXPENSES
SEK bn, 12-months 27.7



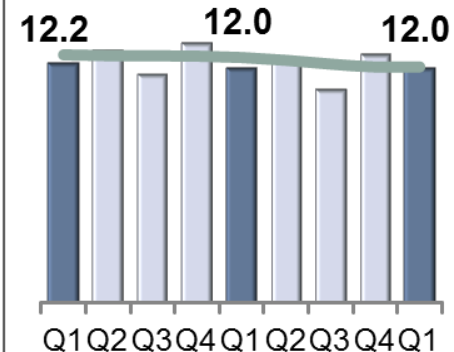
ADMIN. EXPENSES
SEK bn, 12-months 5.5



CASH R&D EXPENSES
SEK bn, 12-months 14.9



TOTAL OPEX
SEK bn, 12-months 48



REALIZED COST REDUCTIONS ADJUSTED FOR CURRENCY EFFECTS

Q115 vs. Q114

- 311* M

Q115 vs. Q114

- 3* M

Q115 vs. Q114

- 537* M

Total cost reduction*

Σ - 851* M



VOLVO GROUP

Structural cost to be reduced by 10 bn – currently facing fx-headwind

SEK bn	2012	2013	2014	Q1 2015*	Targeted reduction 2016 vs 2012
<i>Structural cost reduction in Gross Income</i>		-	-1.0	-1.2	
Cash R&D	16.9	15.9	15.2	14.9	
Selling expenses	27.9	28.5	27.4	27.7	
Administrative expenses	5.6	5.9	5.4	5.5	
Total reduction vs. 2012*		-0.1	-3.3	-3.5	-10

* Implemented by end 2015 with full-year effect in 2016

VOLVO GROUP

Review of IT operations completed



- 1** POTENTIAL IDENTIFIED TO LOWER GROUP IT COST
- 2** AMBITION TO FIND A PARTNER FOR:
 - EXTERNAL BUSINESS
 - INFRASTRUCTURE & OPERATIONS
- 3** RETAIN APPLICATION DEVELOPMENT AND MAINTENANCE OF BUSINESS CRITICAL SYSTEMS AND ACCELERATE EFFICIENCY IMPROVEMENTS IN RETAINED OPERATIONS

VOLVO GROUP

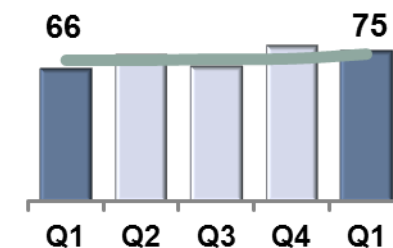
First quarter summary



- 1 IMPROVED PROFITABILITY ON FLAT VOLUMES**
- 2 COST REDUCTION ACTIVITIES MEASURED IN LOCAL CURRENCY ACCORDING TO PLAN**
- 3 ACTIVITIES IN FOCUS FOR 2015:**
 - GROUP TRUCKS SALES
 - IT OPERATIONS
 - GROUP TRUCKS OPERATIONS
 - VOLVO CE

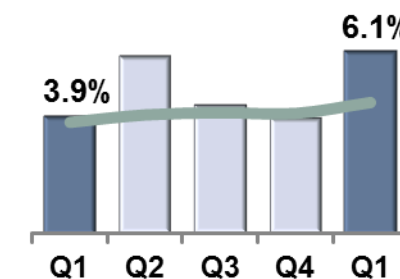
NET SALES

SEK bn 12-months 292 bn



OPERATING MARGIN*

% 12-months 5.1%



* Excluding restructuring charges, EU anti-trust provision and credit provision in China in 2014 and capital gain on EML-shares in Q115

Volvo Group

First quarter 2015

