Volvo Group

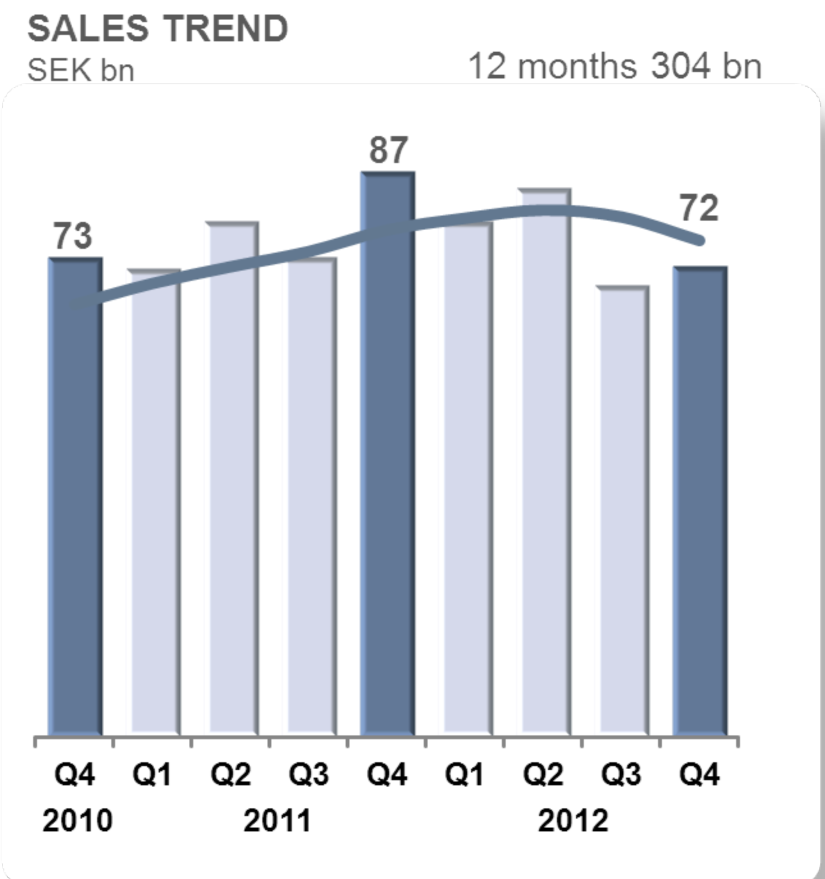
Fourth quarter 2012

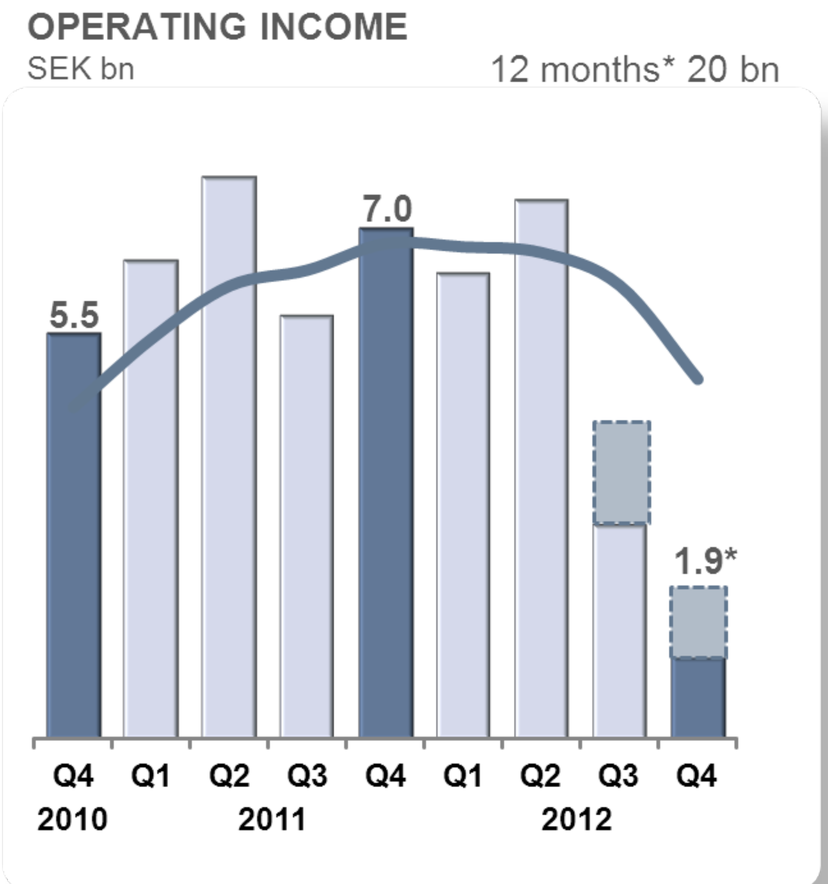
Q4 in a snapshot - a destocking quarter

Main activities...	Resulting in...
1. Low order intake in Q3 and heavy destocking in Q4	• Under-production compared to sales in Q4 • Low capacity utilization and under absorption of cost of SEK 1.7 bn • Inventories cut by SEK 5.4 bn
2. High investments in new products - R&D - Selling - Capex	• R&D and selling expenses up by SEK 600 M (+6%) • Capital expenditures at 4.9 bn
3. Efficiency programs in Europe and Japan	• Restructuring charges of SEK 990 M

- **Operating margin 1.6%**
- **Net financial debt reduced by SEK 12 bn**

Lower earnings driven by SEK 1.7 bn in under absorption and net SEK 0.7 bn in one-offs





* Q412: Excluding restructuring charges of SEK - 990 M and gain from the sale of Volvo Aero SEK 254 M
* Q312; Excluding restructuring in UD Trucks and one-off increase in warranty provisions, in total SEK 1,060 M

Restructuring and destocking in a weak economic environment

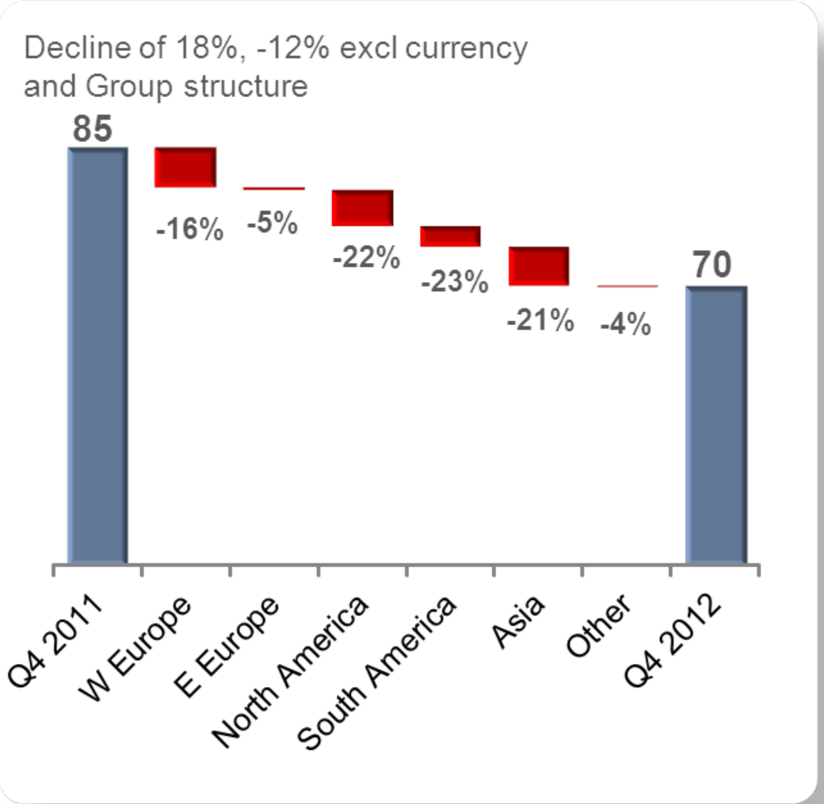
	NET SALES	OPERATING INCOME	MARGIN	
VOLVO GROUP 	72 bn	1,121 M	1.6%	2.6%*
TRUCKS 	48 bn	880 M	1.8%	3.7%*
VOLVO CE 	13 bn	363 M	2.9%	
BUSES 	5.6 bn	-129 M	- 2.3%	-0.3%*
VOLVO PENTA 	1.8 bn	14 M	0.8%	
FINANCIAL SERVICES 	12 bn new financing	390 M	12 m ROE 12.5%	

*** Excluding restructuring charges of SEK -990 M (Trucks -880 & Buses -110) and gain from the sale of Volvo Aero SEK 254 M**

SEK 15 bn lower sales – maintained market shares

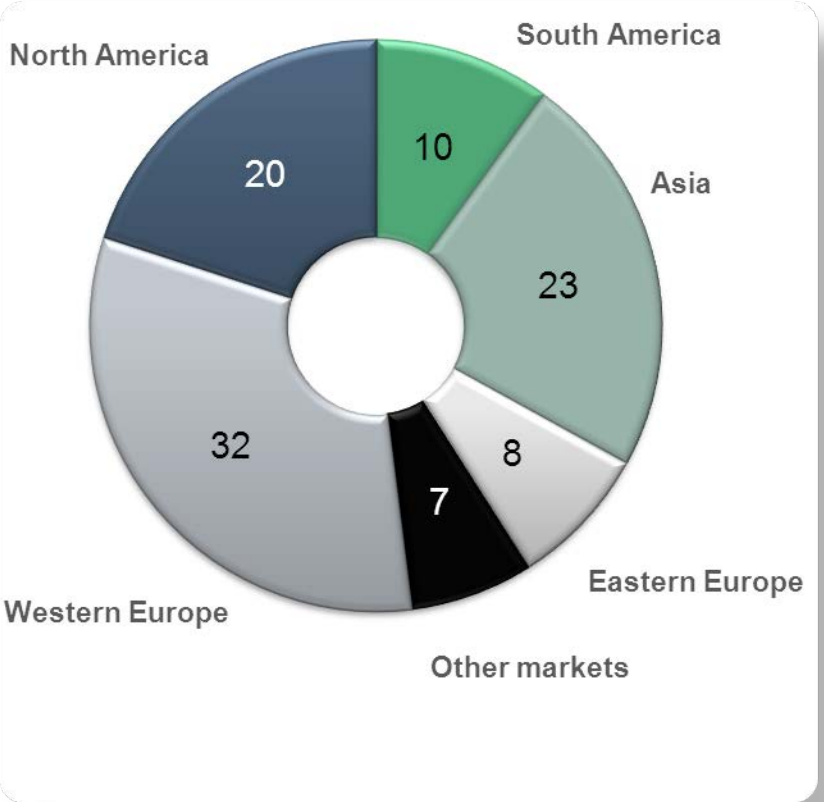
MARKET DEVELOPMENT*

SEK bn



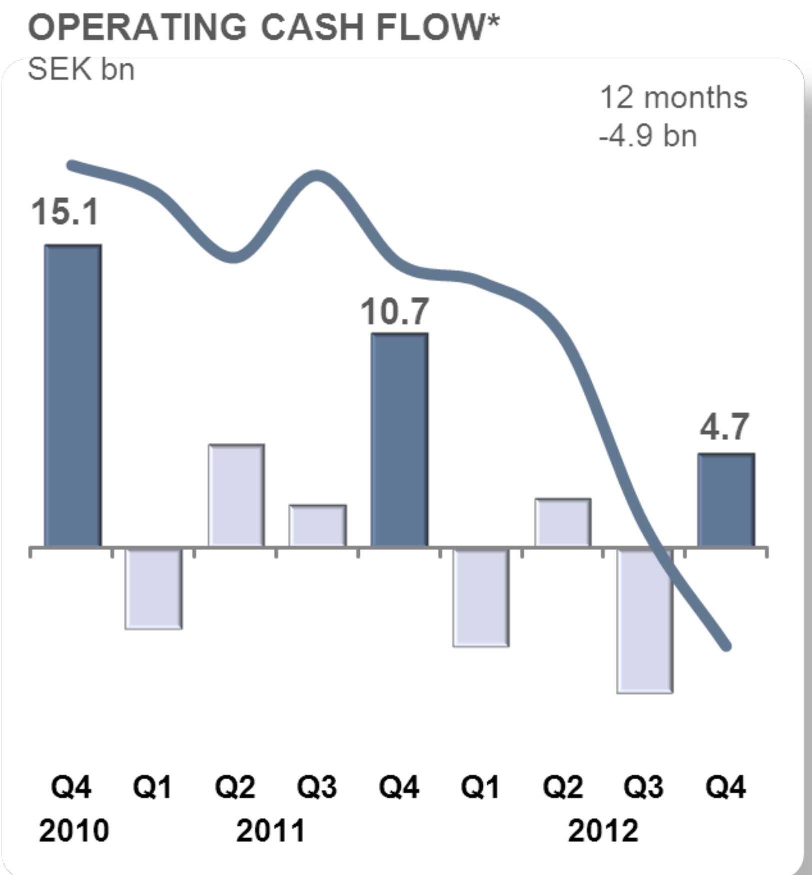
VOLVO GROUP* SALES Q4

%



* Industrial operations

Cash flow driven by SEK 6.7 bn release of working capital – continued high investment activity in future products



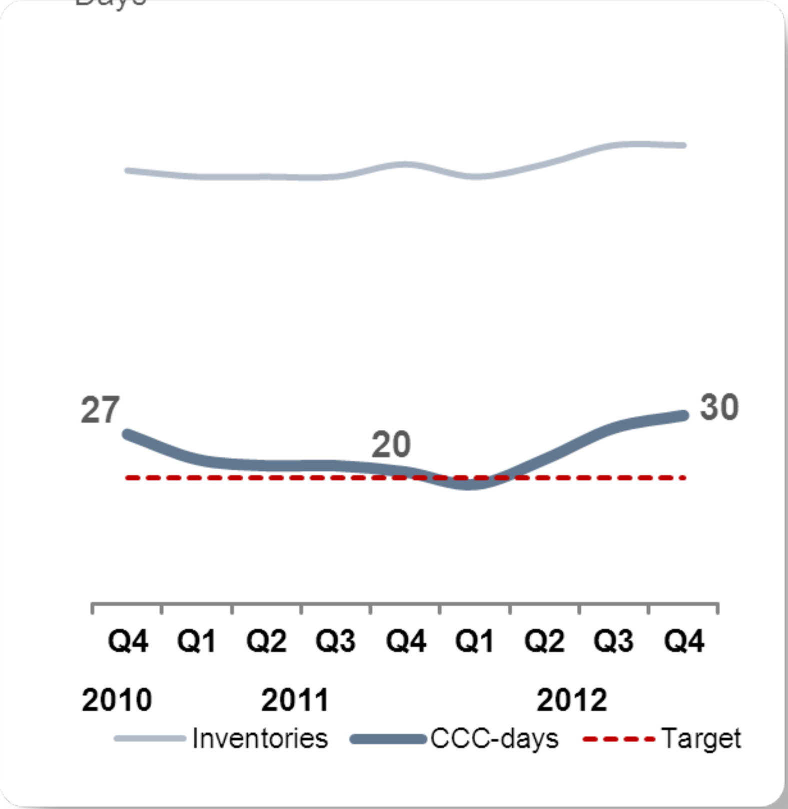
* Industrial operations

Inventory levels reduced by 5.4 bn in the quarter

Capital efficiency – CCC at 30 days

CASH CONVERSION CYCLE*

Days

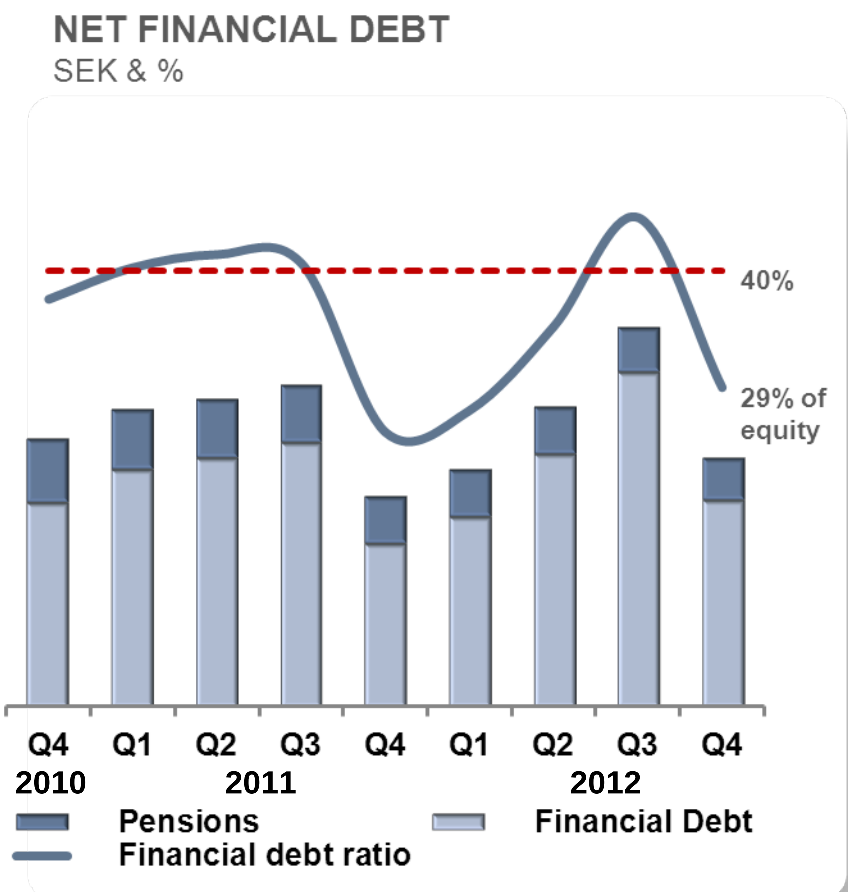


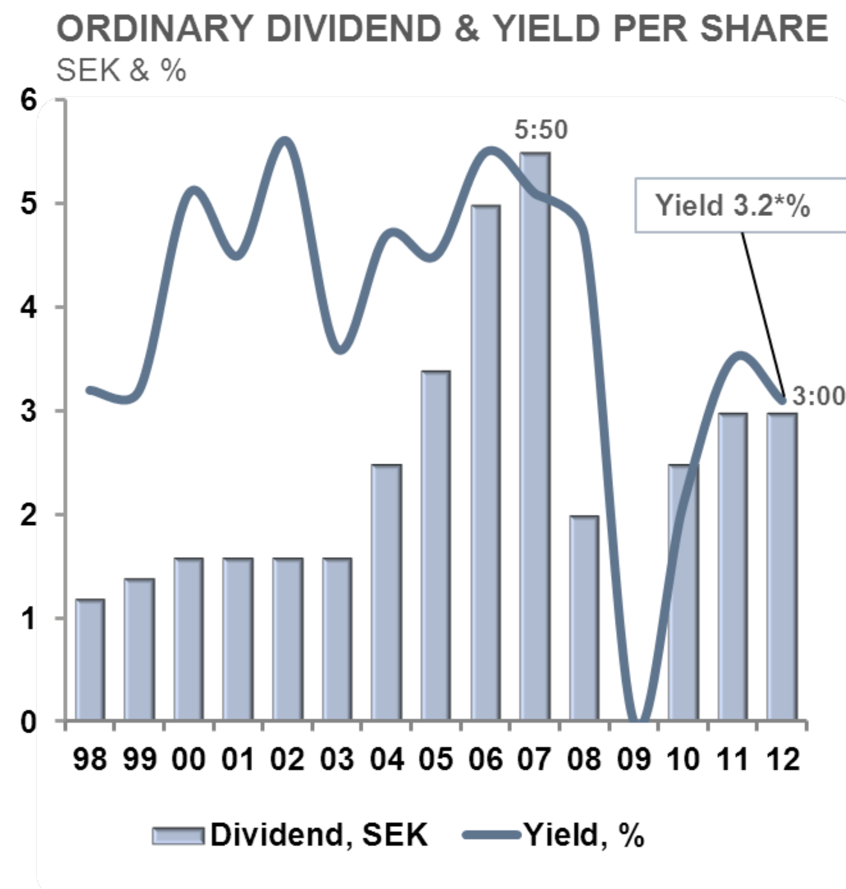
ROC*

%

* Industrial operations

Net financial debt reduced by 12 bn



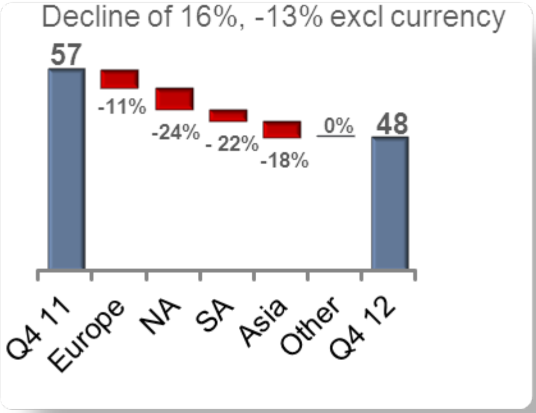


* Proposed by the Board of Directors, calculated at SEK 93 per share

Trucks in Q4 - SEK 9 bn lower sales and low capacity utilization

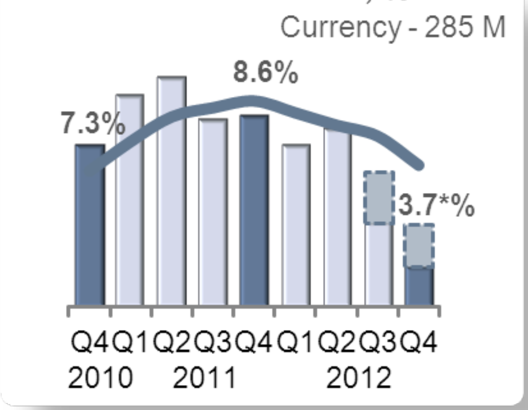
SALES TREND

SALES BRIDGE



OPERATING INCOME

OPERATING MARGIN*, %



* Q412: Excluding restructuring charges of SEK -880 M

* Q312; Excluding restructuring charges & one-off increase in warranty provisions, in total SEK -1,060 M

Trends and actions in Q4 – Trucks

Trends in Q4

- Demand in Europe and US: improving trend over Q3
  Brazil: strong pick-up
- Lowered inventory levels, primarily for Renault Trucks
- Under absorption of costs in production, SEK ~1.100 M

Actions implemented in Q4

- Successful inventory reduction program focusing on cash flow – inventories reduced by 5,300 trucks
- Global production pace in Trucks was cut by about 20% in Q4
- Marketing activities to reduce inventories in Europe

Actions in Q1

- Manage continued under absorption
- Continued low capacity utilization in France
- Production ramp-up of the new Volvo FH
- Reopened stop-days for Volvo in Europe
- Increasing production in Brazil as of March

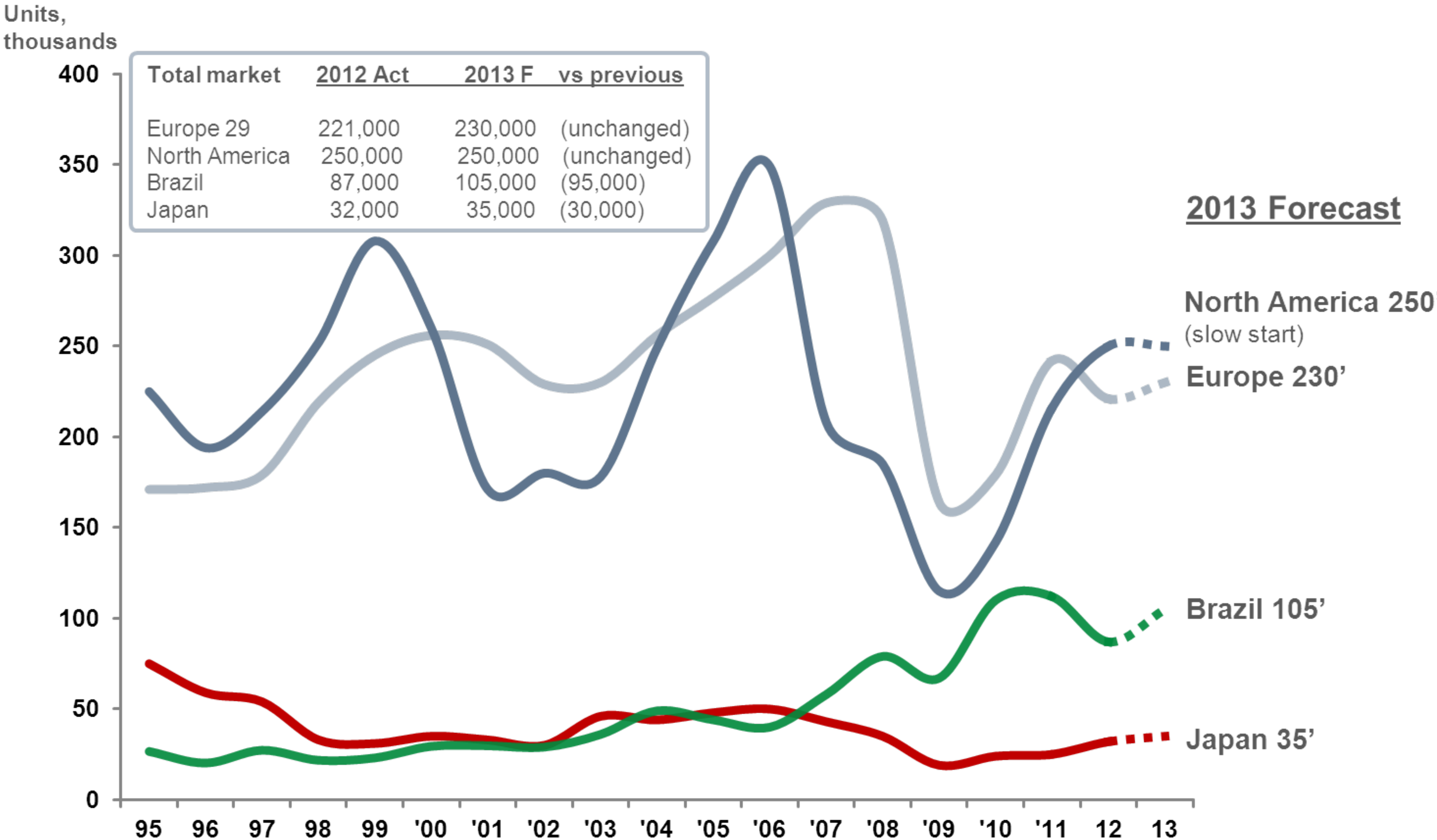
Low production rates in Q4 - orders 15% higher than in Q3

New truck inventory reduced by 3,700 trucks affecting BtB-ratio in Q4

ORDERS	Q4-12	YoY	QoQ	BtB
Europe	**18 563**	**-6%**	**15%**	**78%**
- Volvo	10 063	7%	20%	82%
- Renault	8 500	-18%	10%	74%
North America	**10 024**	**-21%**	**26%**	**96%**
- Mack	3 867	-45%	16%	108%
- Volvo	6 082	12%	38%	90%
South America	**7 469**	**24%**	**2%**	**115%**
Asia	**11 399**	**-20%**	**3%**	**82%**
Other markets	**4 690**	**-7%**	**67%**	**112%**
Total	**52 145**	**-10%**	**15%**	**89%**

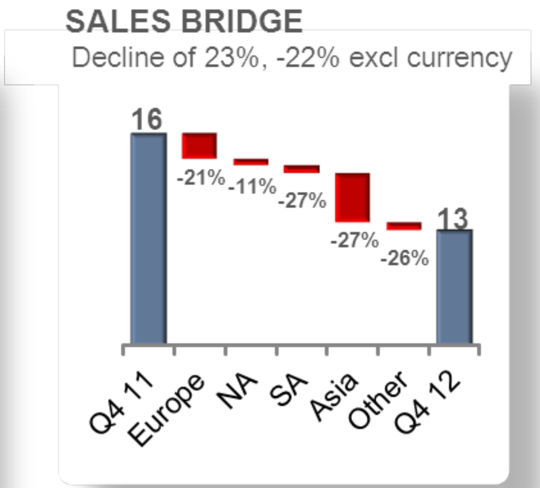
ORDERS AND DELIVERIES

Markets expected to move sideways in 2013



Total market	2012 Act	2013 F	vs previous
Europe 29	221,000	230,000	(unchanged)
North America	250,000	250,000	(unchanged)
Brazil	87,000	105,000	(95,000)
Japan	32,000	35,000	(30,000)

Construction Equipment in Q4 – 23% drop in sales



Trends and actions in Q4 – Volvo CE

Trends in Q4

- Slow construction equipment markets, particularly within mining, China declined by 37%
- All-time-high 15%-market share in China
- Price pressure
- Under-absorption of costs in production, SEK ~600M

Actions implemented in Q4

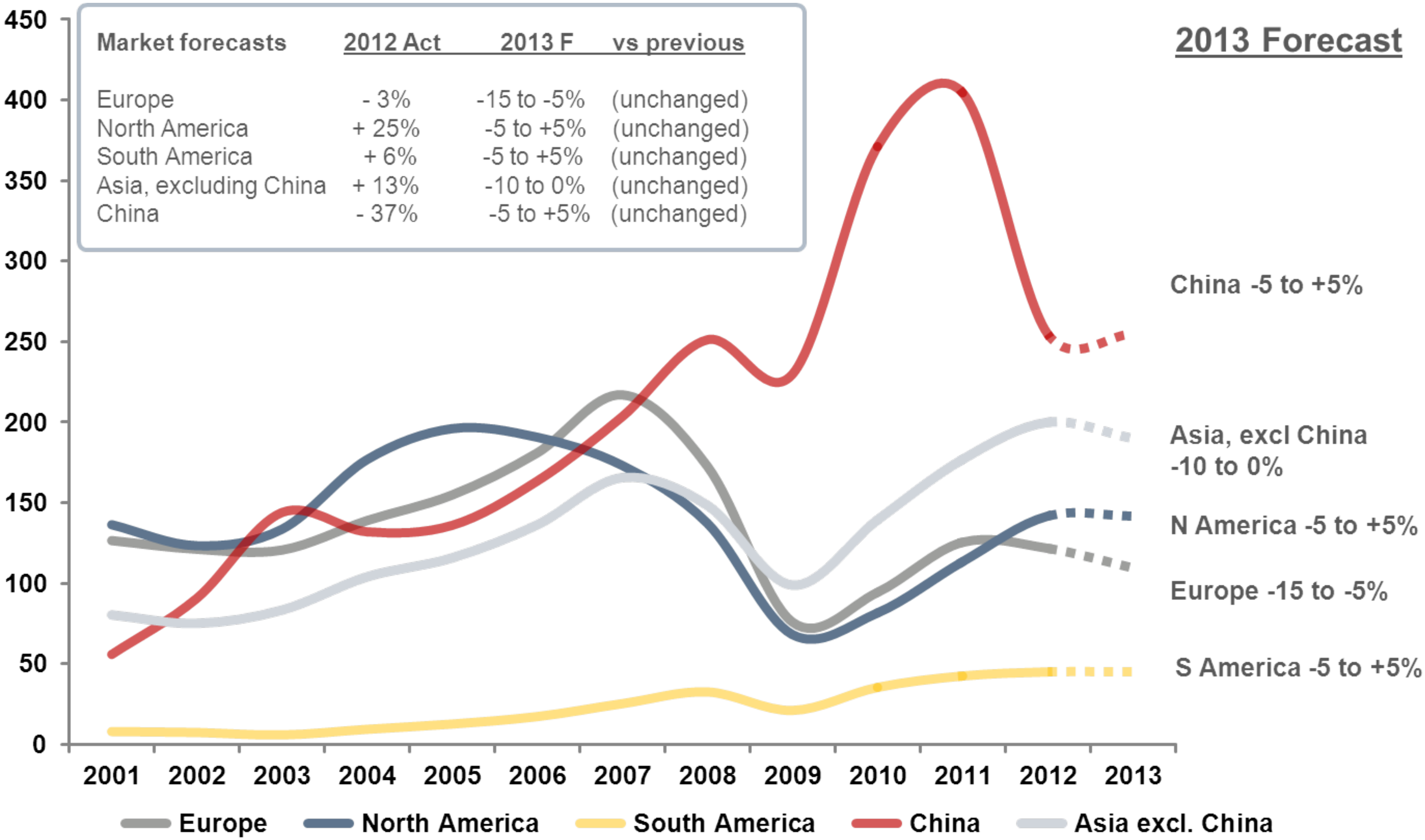
- Production in Q4 28% lower than Q4 last year – utilization at 40%
- Successful reduction of inventories – 30% down compared with May 2012
- Inventories now in balance with demand

Actions in Q1

- Prepare for spring-season production
- Moving Backhoe production from Mexico to Brazil
- Production ramp-up of the BRIC Loader (L105)

Markets expected to move sideways in 2013

Units, thousands



A quarter heavily impacted by planned production reductions and restructuring

- Substantial reduction in production rates – low capacity utilization and under absorption of costs amounting to SEK 1.7 bn
- Inventories successfully reduced by SEK 5.4 bn
- Continued high investments in R&D, Capex and Selling for new and future products
- Efficiency programs in Europe and Japan – Restructuring charges of SEK 990 M
- Positive cash flow of SEK 4.7 bn and SEK 12 bn in reduced net financial debt
- Proposed dividend: SEK 3.00 per share

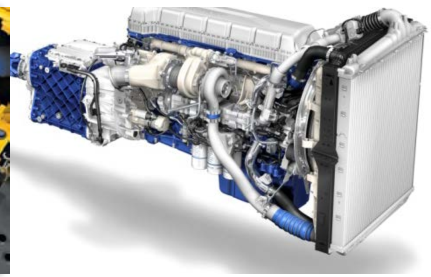
Massive product renewal

VOLVO FH

BRIC-LOADER VOLVO L105

NEW RENAULT

NEW TIER 4f ENGINES



NEW VOLVO I-TORQUE EU6

NEW VALUE TRUCK PLATFORM

BANGALORE, INDIA

KALUGA, RUSSIA

BANGKOK, THAILAND

35 roadmaps and 400 main activities defined to support the strategic objectives

35 months to go

Consolidate industrial foot print in Japan

1. Secure number 1 or 2 in profitability

1.1 Increase vehicle gross profit margin per region by 3% points
1.2 Reduce actual standard cost of sales on total cost for current offer by 10%
1.3 Decrease wholesale selling expenses to 5% of sales
1.4 Increase own dealer soft offer absorption rate by 10 % points
1.5 Reduce R&D cost (spending pace) to 11,5 BSEK
1.6 IT cost on 2% of Volvo Group total cost by 2015

2. Strengthen customer business partnership

2.1 We will achieve 99% product availability contributing to 'strengthen customer business partnership'
2.2 Drive retail excellence by implementation of an integrated customer interface tool
2.3 Each brand to rank number 1 on decided brand attributes in competitive set

3. Capture profitable growth opportunities

3.1 By optimizing the brand assets become number 1 or 2 in combined Group Trucks HD market share
3.2 Establish required commercial presence to support revenue growth by 50% in APAC and 25% in Africa
3.3 Establish required OtD footprint and supply chain in APAC & Africa achieving lead time reduction by 15% and capital tied up reduction by 15%
3.4 Increase Aftermarket sales per unit in operation by 12%, including total commercial solution offer for second owner
3.5 Build 1 BSEK new businesses complementary to existing offering

4. Innovate energy-efficient transport and infrastructure solutions

4.1 Fuel efficiency to be improved by 2% per annum through vehicle optimization, diesel efficiency and electromobility
4.2 Commercialize alternative fuel technology by launching concepts or products in all regions

5. Build high performing global teams

5.1 Become an attractive employer measured by reaching the employee engagement level (EEI) of high performing companies
5.2 Drive high performance measured by reaching performance excellence level (PEI) of high performing companies
5.3 Secure leadership and strategic competencies, primary focus is the implementation of Volvo Group University
5.4 Build an efficient and inclusive organization by implementing common global level 1 and 2 processes

Acquisition of 45% of DFCV including the major part of Dongfeng's medium and heavy commercial vehicles business

New sales and marketing organization for Trucks in Europe, Middle East and Africa

Right-sizing of UD Trucks in Japan – 950 employees less as of Jan 1, 2013

IT-projects prioritized to support Group target

Reduction of 200 consultants in Q1 2013

Acquisition of 45% in DFCV

– Further strengthening of China as one of our home markets

DONGFENG

- Major shareholding in China's leading manufacturer of commercial vehicles – DFCV
- Strong foothold in and share of the world's largest truck market: DFCV delivered 142,000 HD trucks and had a 16% market share in 2011
- Benefits from cooperation in transmissions, engines, components and future technology
- Sharing of development costs for the next-generation of engines
- Pooling of purchasing power and local sourcing in China

VOLVO

VOLVO

APPENDIX

Reporting changes in 2013

R&D capitalization and amortization

- High capitalization in 2011-2012 due to product renewal
- Capitalization will decline gradually in 2013 as we introduce products to the market
- Q1&Q2: about SEK 200-300 M higher capitalization than amortization
- Q3&Q4: about SEK 300 M higher amortization than capitalization

Reporting of joint ventures

- As of 2013 joint ventures will be reported according to the equity method, as a result net sales 2012 would have been 1.4% lower.

Lowered corporate tax rate in Sweden

- Swedish income tax reduced from 26.3% to 22% as of 2013.
- The adjustment had a positive effect on taxes of SEK 213 M in the fourth quarter.

Change in accounting for pensions IAS19

- Corridor method removed
- Use of discount rate for plan assets
- Recognized pension liability increases by SEK 15 bn
- Equity decreases by SEK 10 bn, net of deferred taxes
- No amortization of actuarial gains/losses in operating income (2012: SEK -700 M)
- Higher interest expense (other fin expenses) due to use of discount rate on plan assets instead of expected return

New presentation of hedging in P&L

- As of 2013 items related to hedging of commercial flows will be reported in “Other financial income and expenses”, previously reported as “Other operating income”.

Currency effects – On operating income

SEK M	Q4-12 vs Q4-11
Trucks	- 285
Volvo CE	+ 172
Buses	+ 21
Volvo Penta	+ 13
Group functions and other	- 97
Volvo Group	**- 175**

Upcoming events

INVESTOR DAY	Feb 28	New York
ANNUAL REPORT	March	
AGM	April 4	Göteborg
Q1 REPORT	April 25	Stockholm

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