

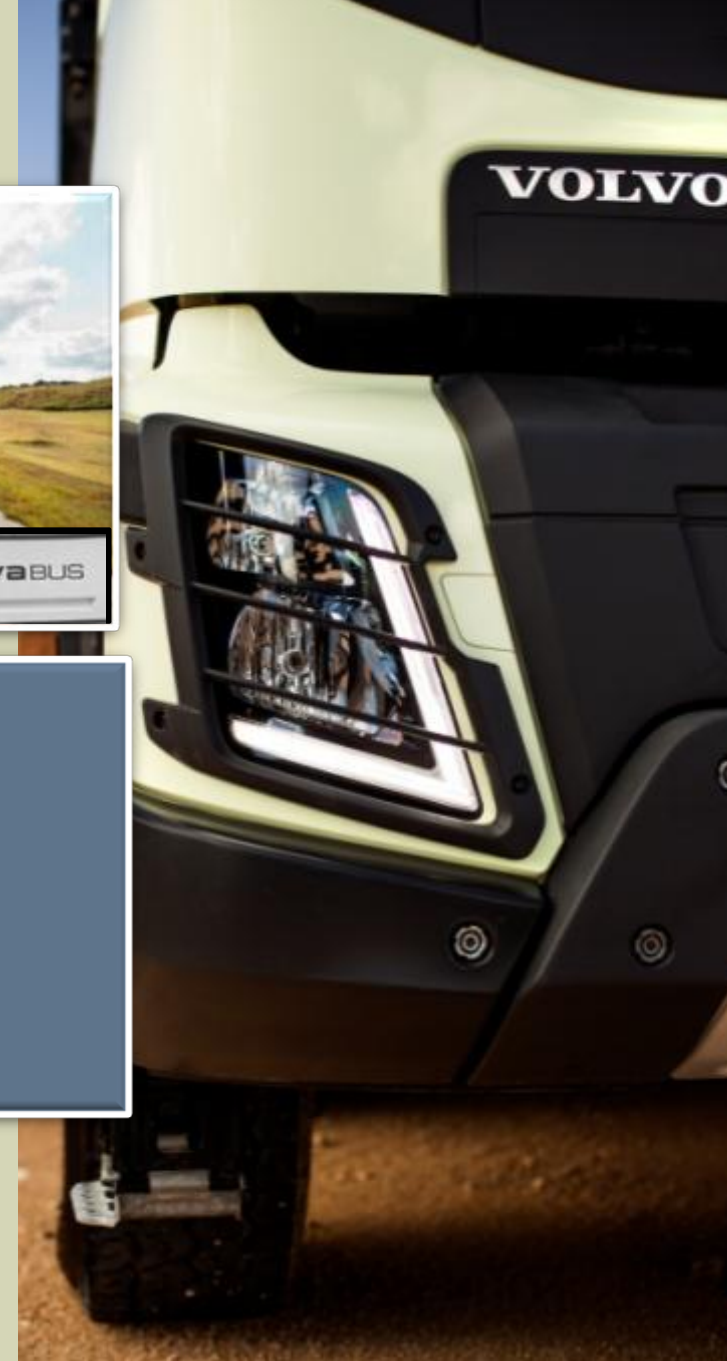
# Volvo Group

First quarter 2013



**VOLVO**





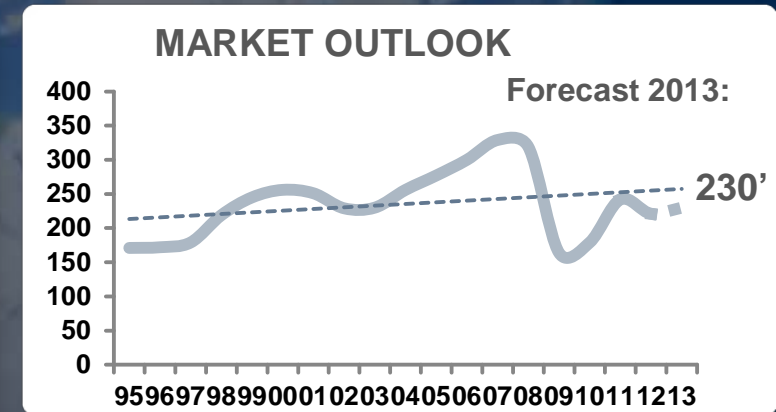
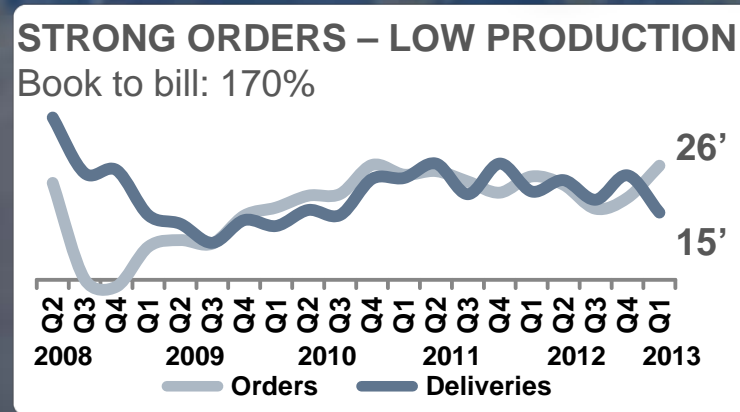
# Excellent reception of the new products – good order trend in Q1

## Highlights in Q1

- Strong demand for both classic and new Volvo FH
- Production ramp-up of the new Volvo FH
- Launch of new Volvo FM range and Volvo FMX
- Continued low capacity utilization



Preparations well under way for the launch of the new Renault truck range





# Strengthened product offering in North America

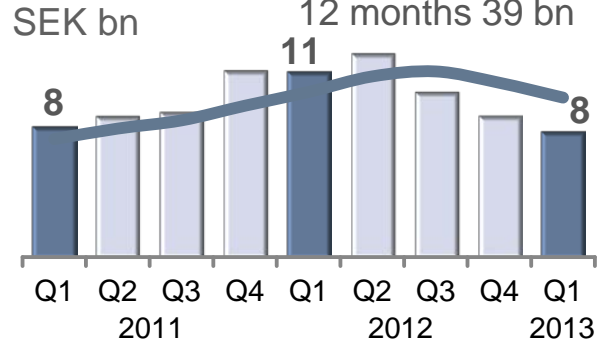
## Highlights in Q1

- Deliveries low due to down-weeks
- I-shift – standard on Volvo trucks as of 2013
- New 13-liter liquefied gas engine presented
- Telematics enables new service offerings

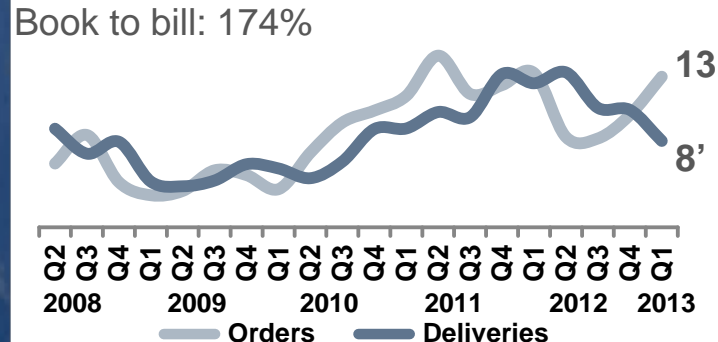


The Volvo VNX, a new heavy-haul tractor

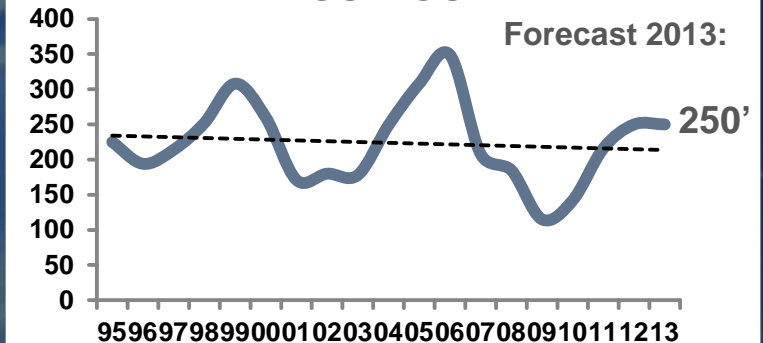
### SALES TREND



### STRONG ORDERS – LOW PRODUCTION



### MARKET OUTLOOK



# Increasing production in Brazil – investing in the after-market

## Highlights in Q1

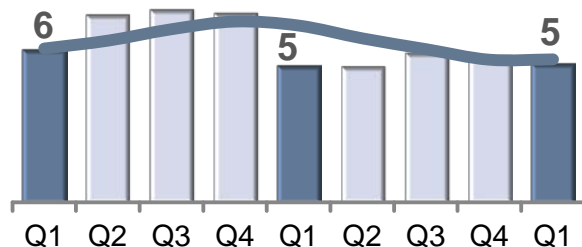
- Expanding the dealer & service network in Peru, Chile, Argentina and Brazil, total investment about SEK 500 M
- Continued strong demand in Brazil
- Increasing production in Brazil as of March

Chile: New dealer facility ready Q3 2013



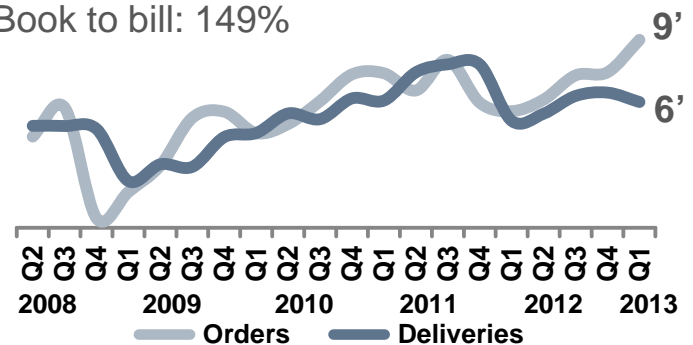
## SALES TREND

SEK bn 12 months 21 bn



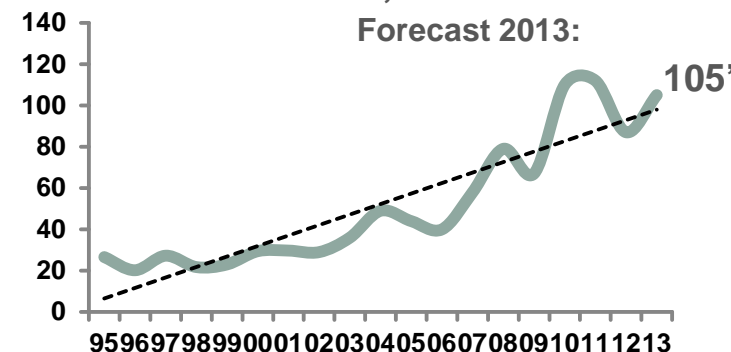
## STRONG ORDERS – LOW PRODUCTION

Book to bill: 149%



## MARKET OUTLOOK, Brazil

Forecast 2013:



# Slow start to the year but signs of gradual improvement

## Highlights in Q1

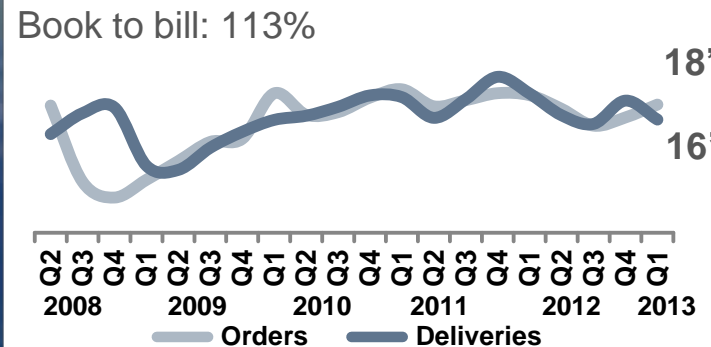
- Strategic alliance work to form DFCV on track
- Strong performance in depressed market in India
- Increasing order intake and order book in Japan
- Early signs of recovery in Indonesia



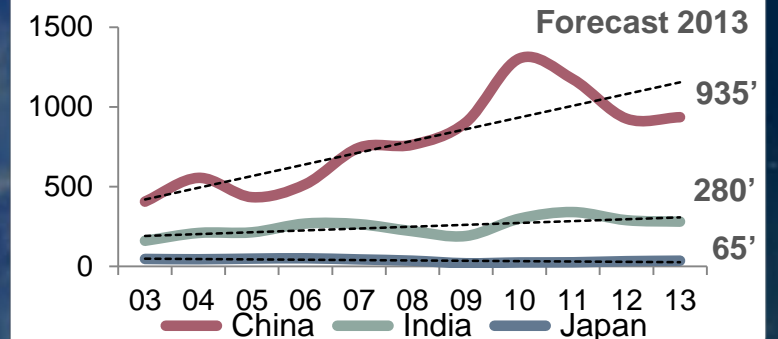
### SALES TREND



### PRODUCTION IN BALANCE



### MARKET OUTLOOK MD-HD trucks





# Trucks in Q1 - SEK 12 bn lower sales, low capacity utilization but good order intake

## SALES TREND



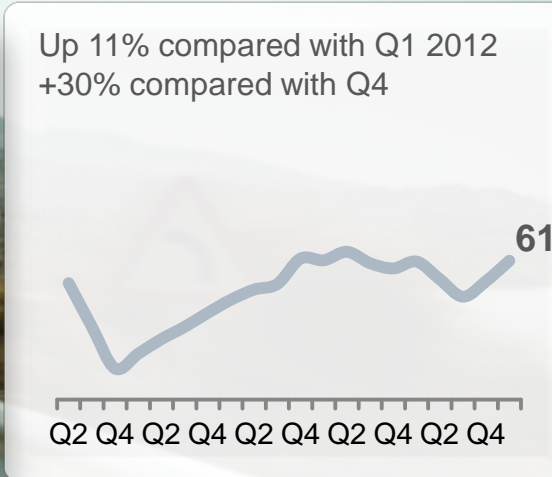
## OPERATING INCOME



## OPERATING MARGIN



## ORDERS



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

33  
months to go

## Major activities in Q3 2012

- Launch of the new generation Volvo FH
- Cab assembly plant in Russia decided
- Right-sizing of UD trucks in Japan initiated

## Major activities in Q4 2012

- Right-sizing of UD Trucks in Japan effective – 950 employees less as of Jan 1, 2013
- New sales and marketing organization for Trucks in Europe, Middle East and Africa

## Major activities in Q1 2013

- Acquisition of 45% of DFCV in China
- Study initiated to optimize the European truck plant footprint
- Activities to improve profitability in Japan
  - new commercial organization
  - industrial consolidation





# Tough start of the year



## EUROPE

### Slow start

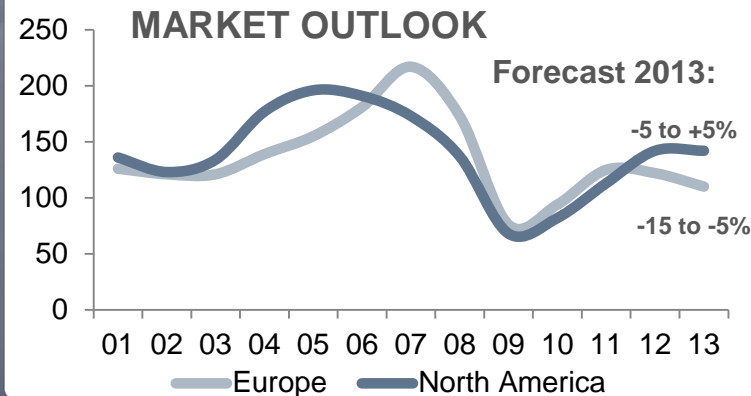
- Continued weak demand in Europe
- Preparations for Tier 4f

## NORTH AMERICA

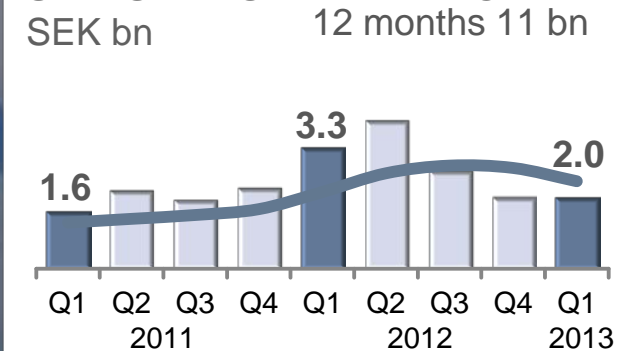
### Improving construction activity

- Lower renewal activity in the rental business
- First wheel loader produced in Shippensburg

### SALES IN EUROPE



### SALES IN NORTH AMERICA





# Mining bottoming out on low level



## CHINA

### Inventories in balance in China

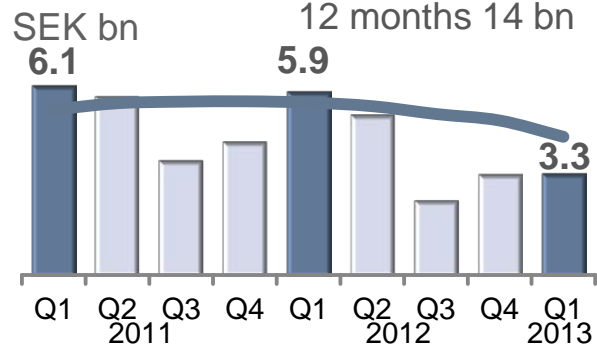
- Pick up in demand from general construction in March
- Number one position in China maintained

## REST OF ASIA

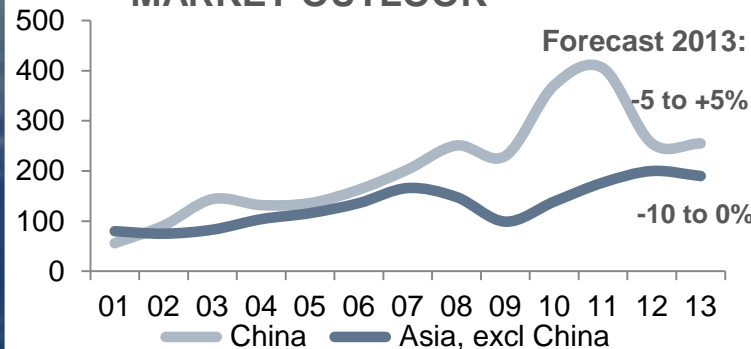
### Mining bottoming out on low level

- Markets in the Philippines, Malaysia, Thailand and Korea are developing positively
- Australia flat due to mining
- Strengthened distribution in Indonesia

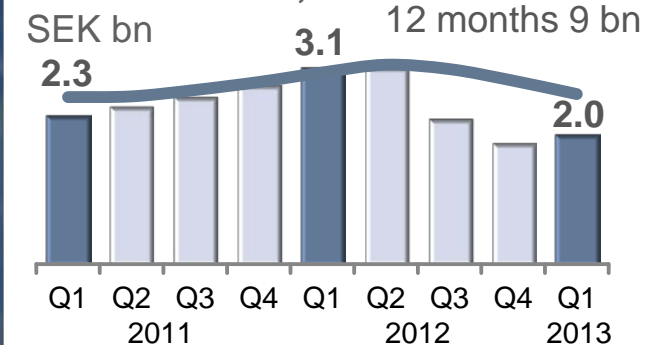
### SALES IN CHINA



### MARKET OUTLOOK

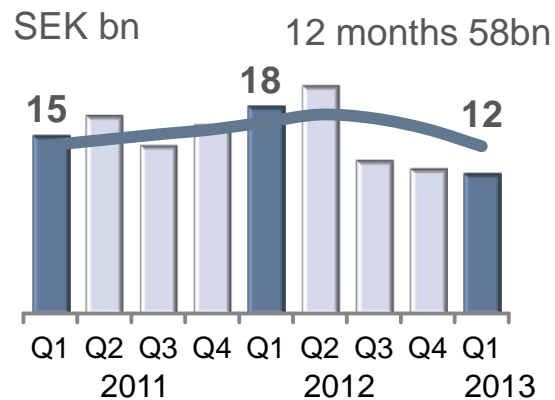


### SALES IN ASIA, EXCL CHINA

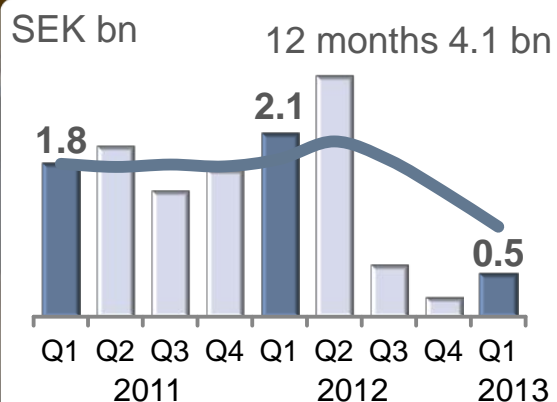


# Improved profitability over Q4 on flat sales

## SALES TREND



## OPERATING INCOME

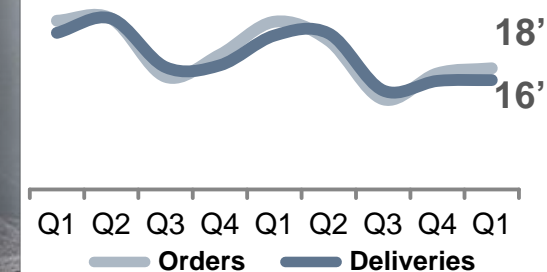


## OPERATING MARGIN



## ORDERS

Down 28% compared with 2012  
Book to bill (Volvo): 119%





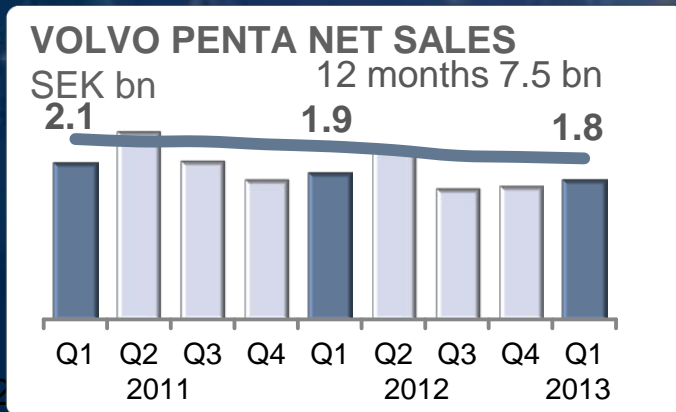


# OK quarter for Volvo Penta – difficult for Buses

## VOLVO PENTA

### Profitable on low sales levels

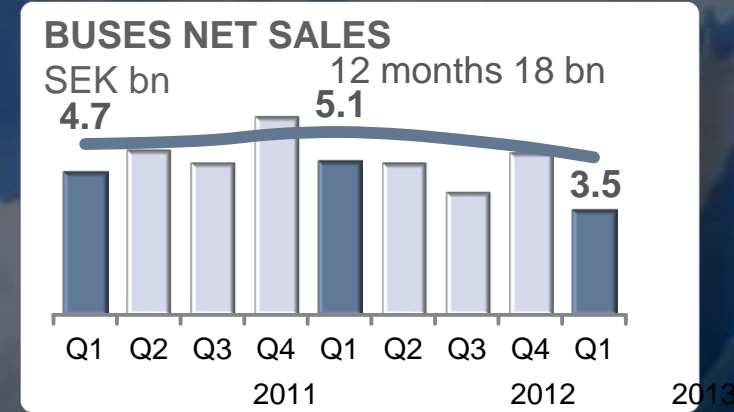
- Signs of some market improvements
- Launch of new range of industrial engines
- Operating margin of 5.4% (5.9)



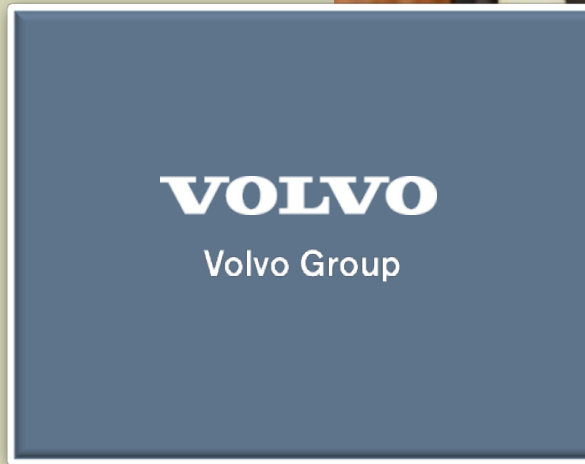
## BUSES

### Weak demand generating pricing pressure

- Lower sales volumes
- Operating loss of SEK 88 M
- Strategic orders secured







# Stable portfolio development

## VFS

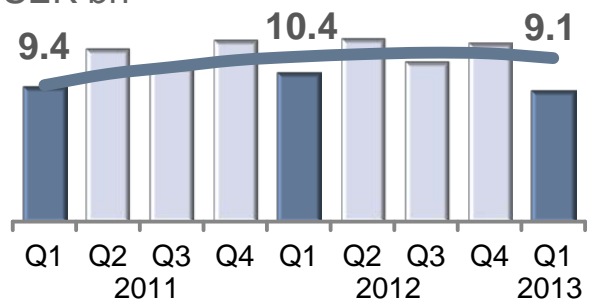
### Solid result in Q1

- Stable portfolio development in North America
- China over dues improved in March
- SEK 99 bn of assets in the credit portfolio
- 13% return on Equity

### NEW FINANCING

SEK bn

12 months 45 bn



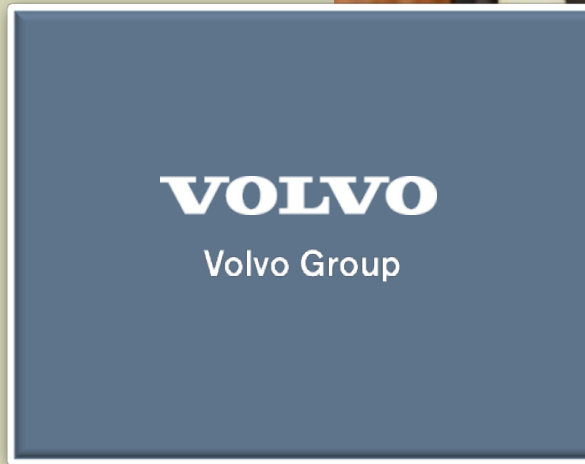
### VFS OPERATING INCOME

SEK M

12 months 1.543 M



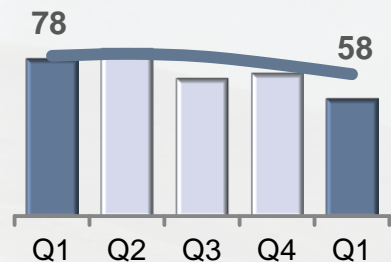




# A transitional quarter – sales sharply down, orders up

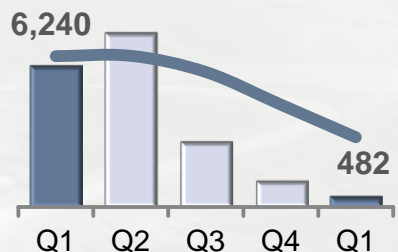
## NET SALES

SEK bn 12 months 280 bn



## OPERATING INCOME

SEK m 12 months 12 bn

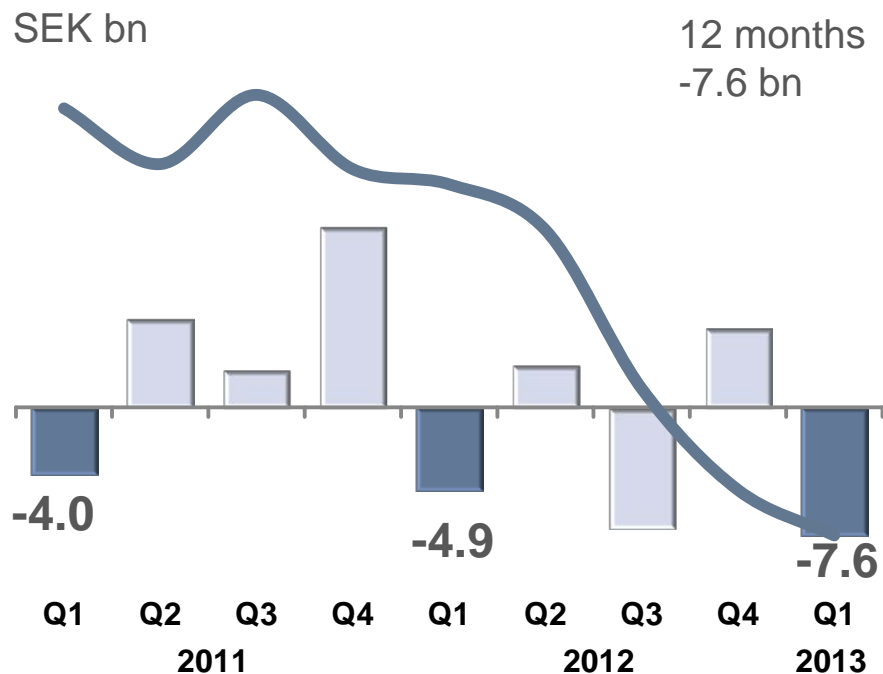


- Sales sharply down by SEK 12.5 bn, 18% lower compared with Q4-2012
- Truck orders up by 30% compared with Q4-2012
- Low capacity utilization, under absorption of costs amounting to SEK 1.9 bn
- Efficiency programs in Europe and Japan to meet strategic objectives 2013-2015
- Continued high investments in R&D, Capex and Selling for new and future products
- Products launched in Q1: Volvo FM, Volvo FMX, Volvo VNX

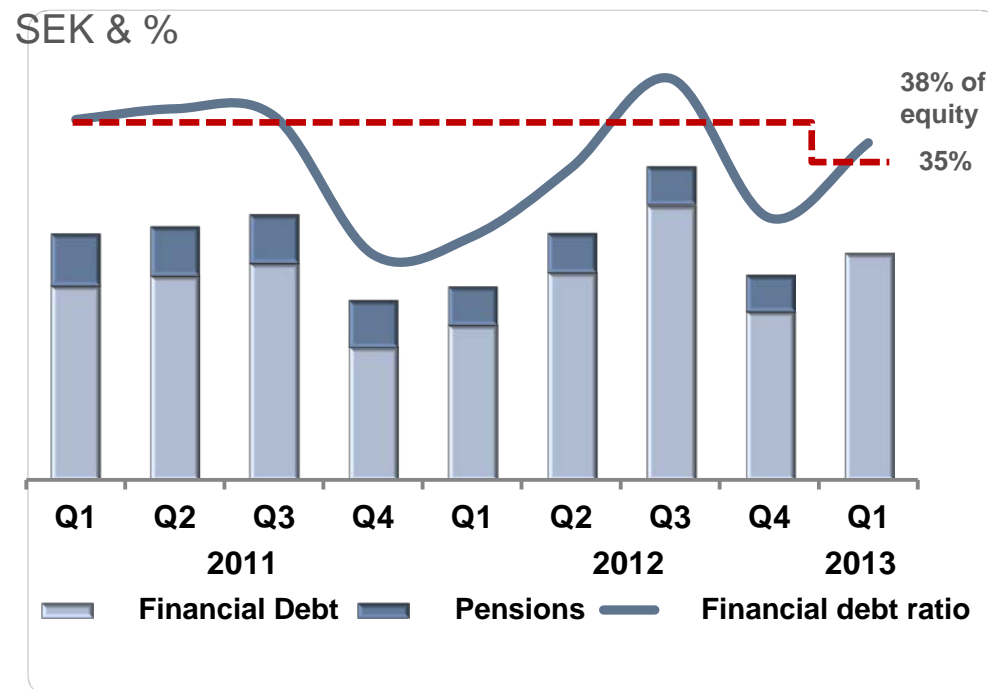


# Cash flow driven by SEK 6.2 bn seasonal build-up of working capital

## OPERATING CASH FLOW\*



## NET FINANCIAL DEBT\*

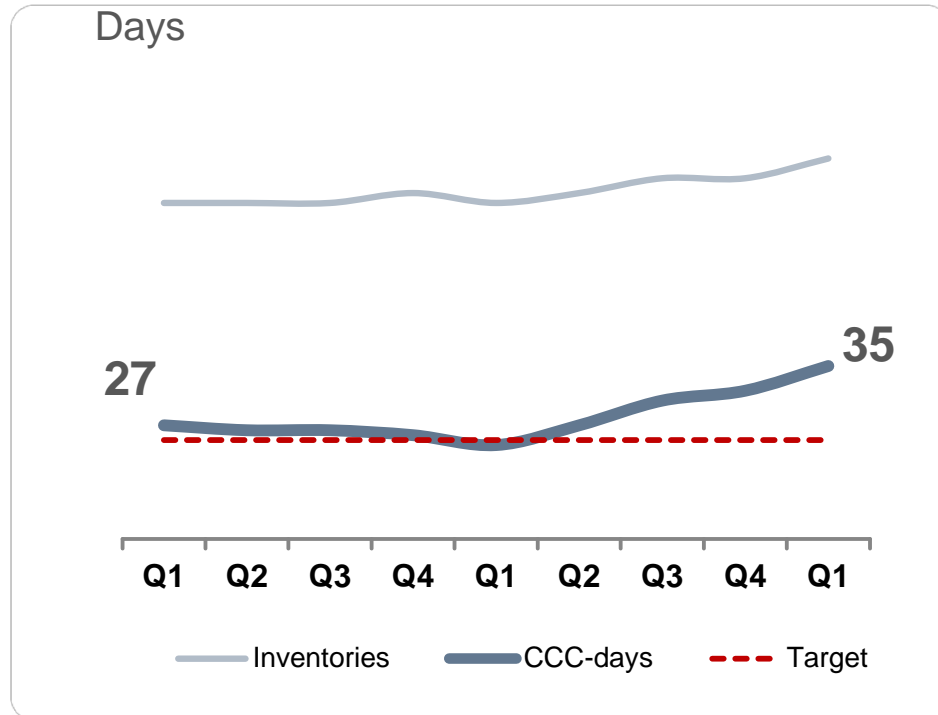


\* Industrial operations

# Lowered investments in leasing assets, CCC at 35 days

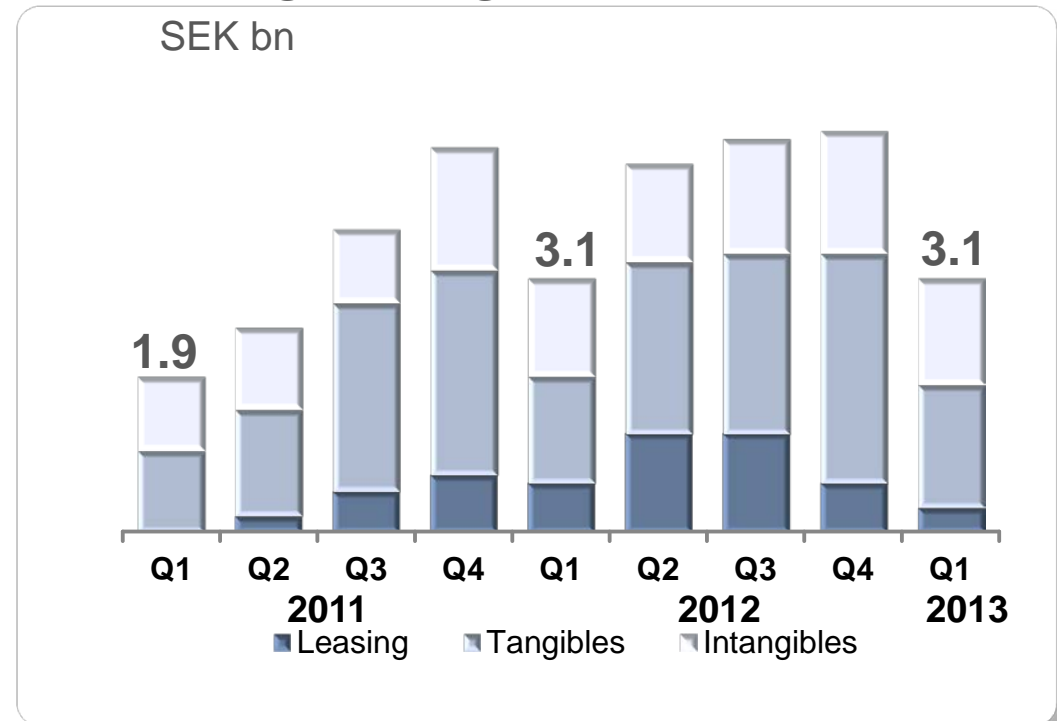
## CASH CONVERSION CYCLE\*

Days



## INVESTMENTS\*

SEK bn



\* Industrial operations



**VOLVO**