

# Volvo Group

Fourth quarter 2013



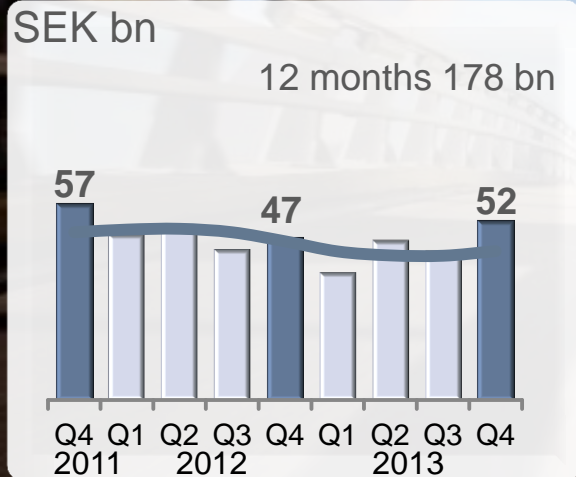
**VOLVO**





# Trucks in Q4 – Improved operating performance but more to do

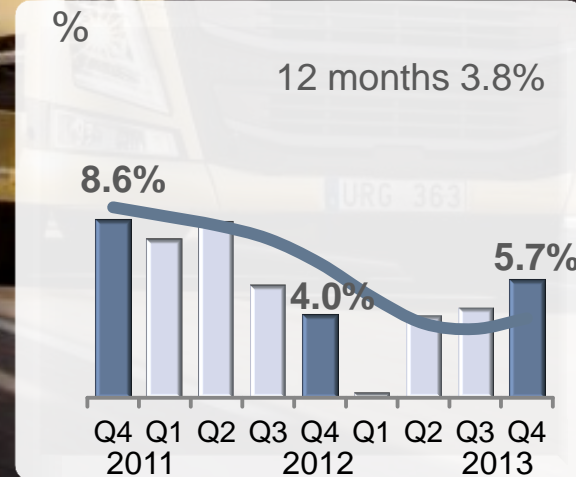
## SALES TREND



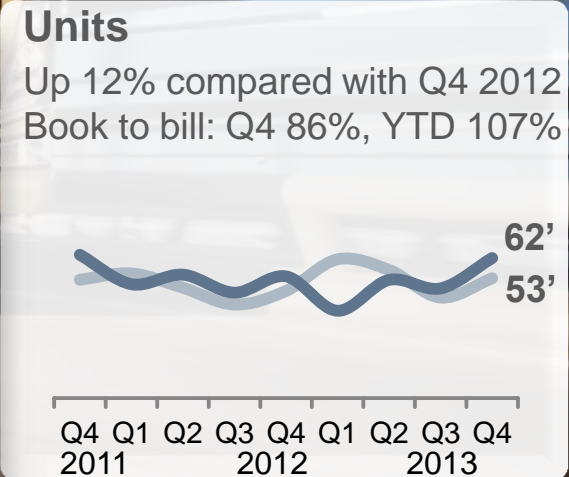
## OPERATING INCOME\*



## OPERATING MARGIN\*



## ORDERS





# Pre-buy in Europe – high deliveries in Q4

## Highlights in Q4

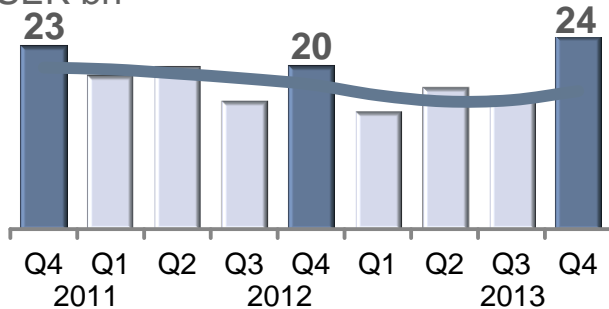
- High deliveries in Q4 despite generation-shift and parallel production
- Soft landing post pre-buy, orders:
  - Volvo -16%
  - Renault Trucks -30%
- Production rates already lowered for Q1
- Market shares (full year 2013)
  - Volvo 16.3% (15.6)
  - Renault Trucks 8.0% (10.1)



### SALES TREND

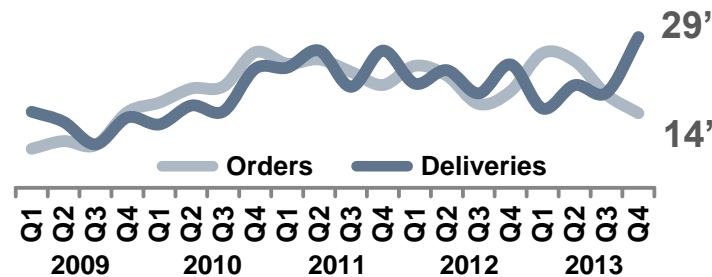
SEK bn

12 months 74 bn

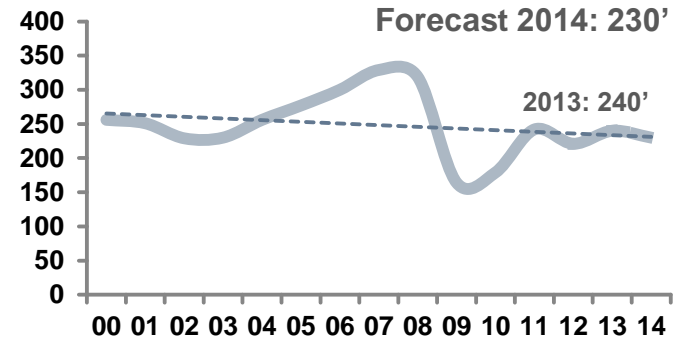


### ORDERS & DELIVERIES

Book to bill: Q4 50%, YTD 100%



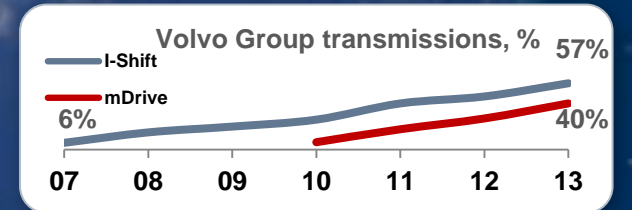
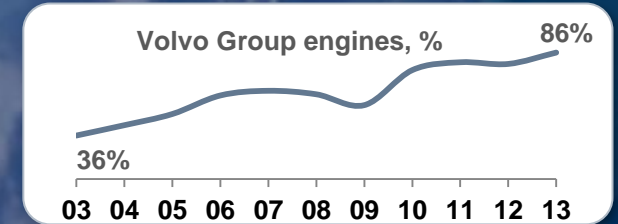
### MARKET OUTLOOK



# Good momentum in a stable market

## Highlights in Q4

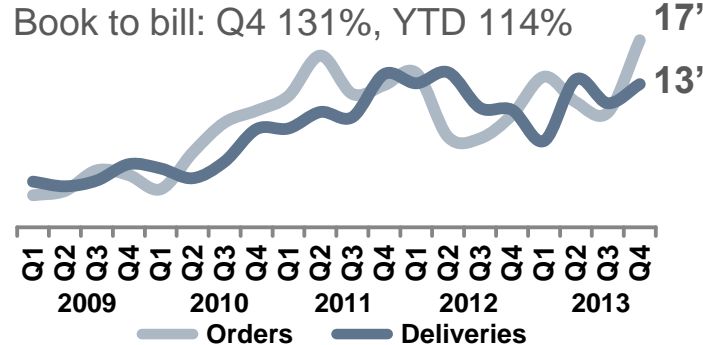
- Orders increased by 67% compared with Q4-12
- Continued success for Volvo Group engines and transmissions – 86% Volvo engines and 57% Volvo transmissions in 2013
- Markets shares improved to 19% (18%) for FY 2013, Q4 21.1%



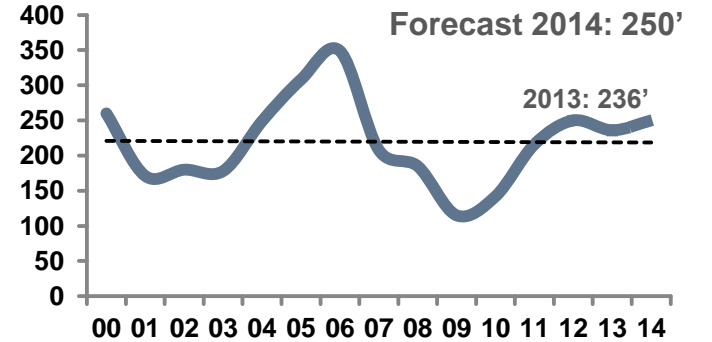
## SALES TREND



## ORDERS & DELIVERIES



## MARKET OUTLOOK



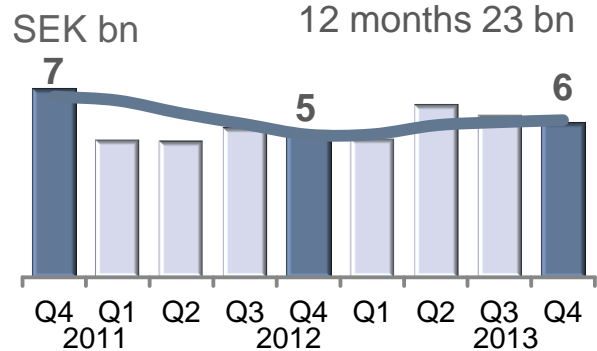
# Even stronger position in Brazil – # 1 in image and customer satisfaction

## Highlights in Q4

- Orders improved by 2% compared to last year and by 34% compared with Q3
- Market share improved in Brazil to 20% in 2013 (18%)
- Investments by Volvo Group and independent dealers in the service and dealer network

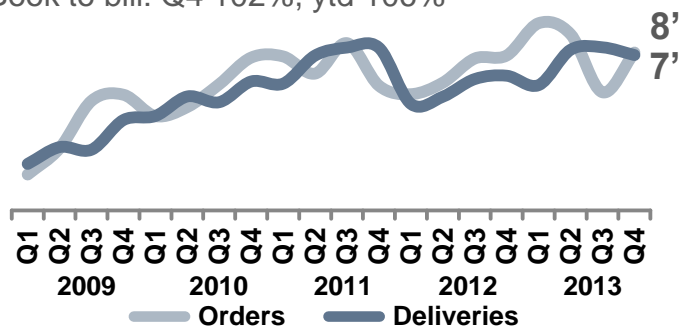


### SALES TREND



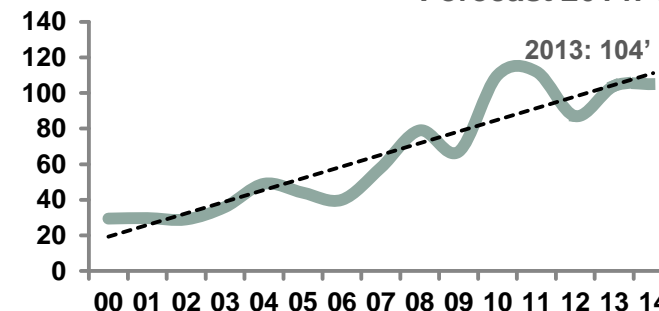
### STRONG ORDERS – HIGHER PRODUCTION

Book to bill: Q4 102%, ytd 106%



### MARKET OUTLOOK, Brazil

Forecast 2014: 105'

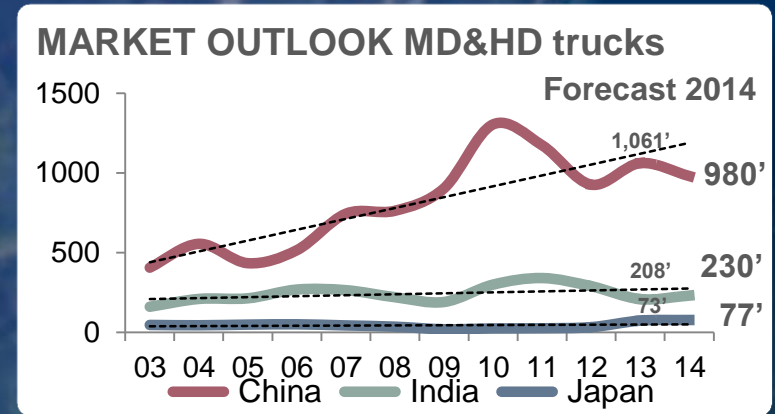
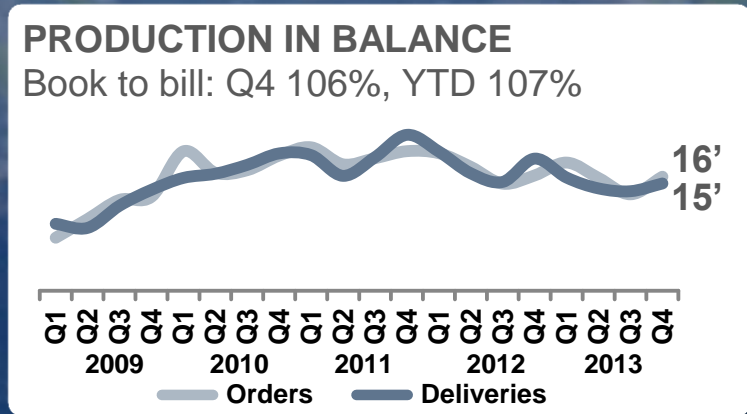
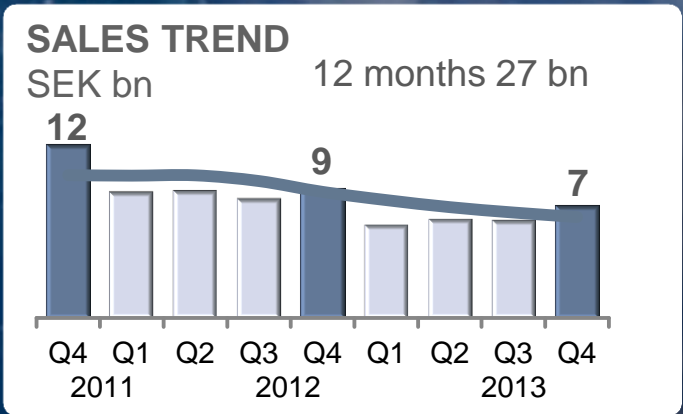




# Dongfeng cooperation in China approved by NDRC

## Highlights in Q4

- Solid demand in Japan – markets in Southeast Asia impacted by weak mining segment
- Introduction of the Eicher Pro Series
- Good market reception of the UD Quester - challenging production ramp-up plan in Bangkok, Thailand



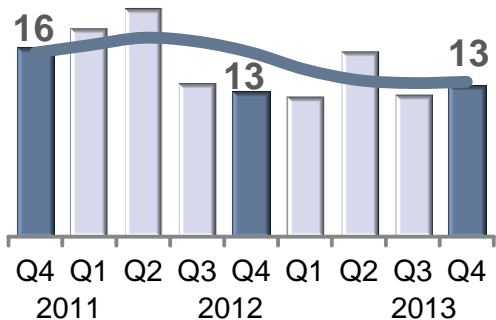




# Weak earnings – priority on profitability

## SALES TREND

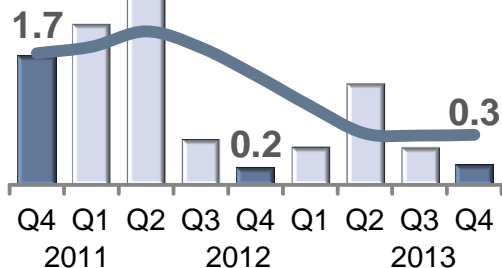
SEK bn 12 months 53 bn



## OPERATING INCOME

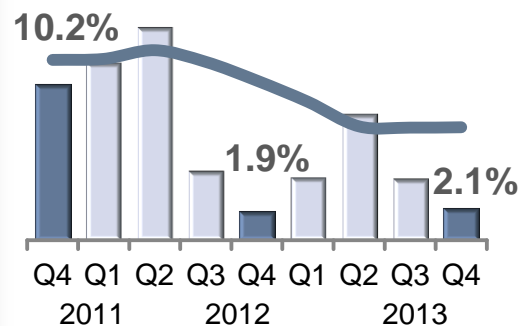
SEK bn 12 months 2.6 bn

Fx: -155 M



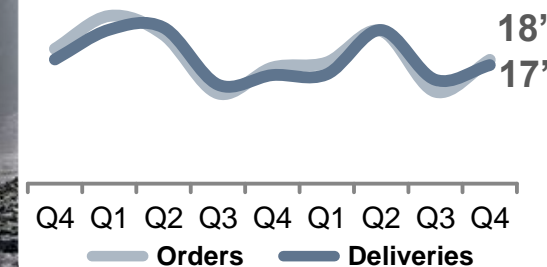
## OPERATING MARGIN

% 12 months 4.9%



## ORDERS

Up 7% compared with 2012  
Book to bill (Volvo): 109%, YTD 102%



# Markets moving side-ways

## EUROPE

- Improving orders +15% and deliveries +16%
- Stabilizing market
- Acquisition of Terex Hauler Business

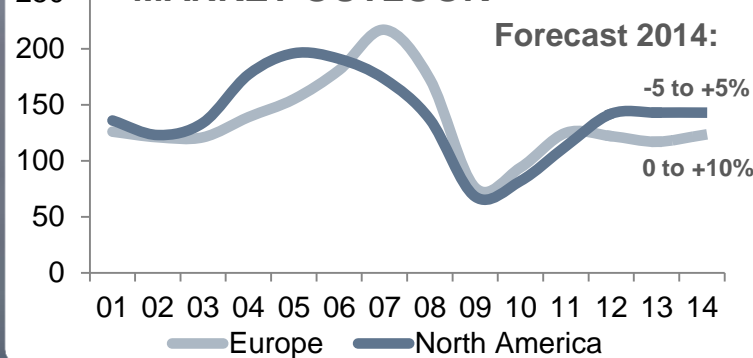
## NORTH AMERICA

- Deliveries up by 23% compared with Q4-12, orders down by 13%
- Continued localization of products to Shippensburg, PA
- Divestment of Volvo Rents

### SALES IN EUROPE



### MARKET OUTLOOK



### SALES IN NORTH AMERICA





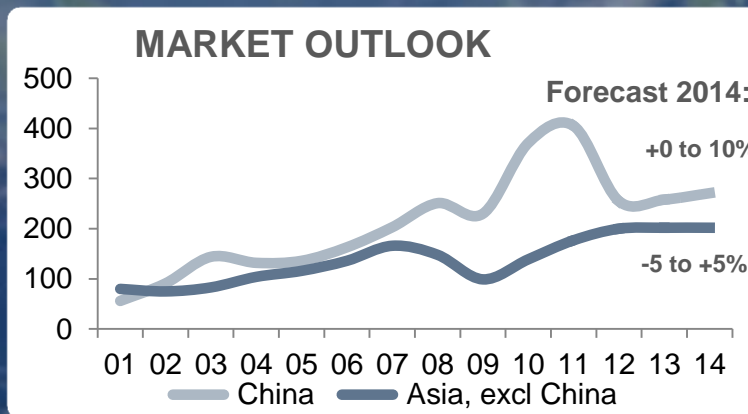
# Improving demand for general construction in China – mining remains soft

## CHINA

- Maintained number one position
- Chinese total market increased by 24% in Q4, mainly driven by small and medium excavators and loaders
- New 8-ton excavator, increased volumes for the BRIC-loader

## REST OF ASIA

- Japan is the only market showing growth in the region – Volvo CE is not present in Japan
- Continued slow demand for mining equipment







# Continued weak markets for buses and marine engines

## BUSES

- Operating income of SEK 50 M in a weak market
- Successful Euro 6 introduction
- Order for 414 city buses to New York city

## VOLVO PENTA

- Improved profitability despite weak markets
- Inroads into new customer segments
- Operating margin of 4% (0.7)

### BUSES NET SALES



### VOLVO PENTA NET SALES







# Strong growth and solid profitability

## VFS

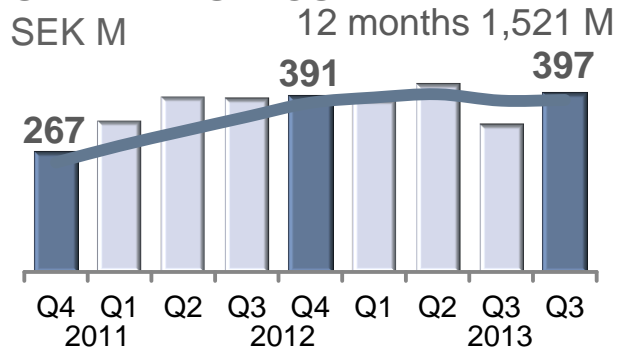
Good portfolio growth, up 24% adjusted for currency

- Operating income SEK 397 M
- ROE 12.1%
- Syndication of SEK 3.1 bn of the credit portfolio

### NEW FINANCING



### OPERATING INCOME



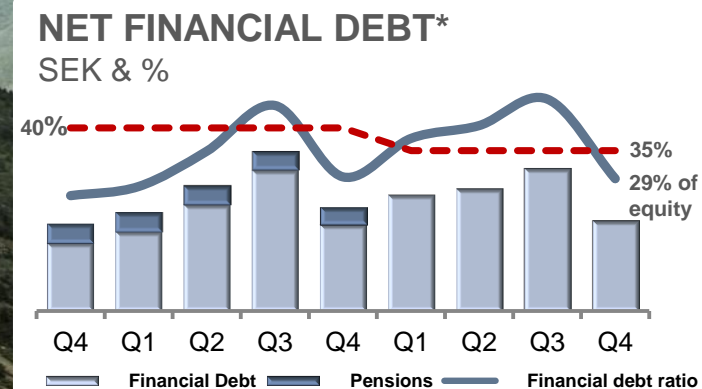
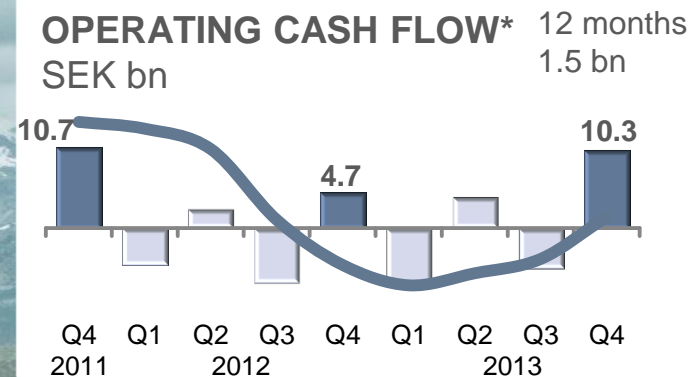




# Improved profitability in Trucks and strong cash flow in Q4

## VOLVO GROUP IN Q4

- Net sales increased by 8% to SEK 77 bn
- Operating income, excl. restructuring charges and write-down of Rents, amounted to SEK 3,077 M (2,190) corresponding to an operating margin of 4.0% (3.1%)
- Proposed dividend of SEK 3.00 per share (3.00)
- Structural reduction of white collar employees and consultants by 4,400, to be implemented mainly in 2014.



# 2013 – The year of product renewal

## - Busy and costly, but successful

23 months to go

### MASSIVE PRODUCT RENEWAL

VOLVO TRUCKS | New range to strengthen premium position

RENAULT TRUCKS | New range to revitalize brand and recapture position

UD TRUCKS | Changing the game across Asia-Pacific

EICHER TRUCKS | Push in heavy-duty in India and exports

VOLVO CE | New Tier IV engines

BUSES | New Euro VI engines and hybrid buses

VOLVO PENTA | New range of industrial engines

- Extensive launch activities
- Major production change-overs





# 2014 – The year of Efficiency

## LEVERAGING THE NEW PRODUCT PORTFOLIO

- Global roll-out of the new portfolio
- Finalize product renewal H1-2014
- Improve manufacturing productivity after product renewal
- Organic growth

## EFFICIENCY

### Cost efficiency

- Reduce activity level group-wide
- Reduce white-collar headcount structurally
- Reduce R&D and S&A costs

### Capital efficiency

- Working capital
- Investments

### Process efficiency

- Full scale global implementation

**VOLVO**