

Volvo Group

A close-up, low-angle shot of a Volvo car's front left side. The image shows the headlight assembly, which features a distinctive hexagonal shape with a grid of LED lights. The side mirror is visible, and the car's body panels are in sharp focus. The background is a blurred landscape with green hills and a clear sky, suggesting a scenic drive.

First quarter 2014

OLOF PERSSON, CEO

VOLVO GROUP

Higher volumes and operational improvement

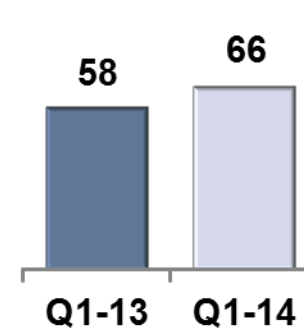
- Gaining market shares in Trucks – positive momentum continues
- Positive price realization
- Structural reduction of white collar employees and consultants under-way
- Effects from the strategic program start to translate into operational improvements
- Divestments of Volvo Rents and commercial real estate completed

TRUCK ORDERS & DELIVERIES

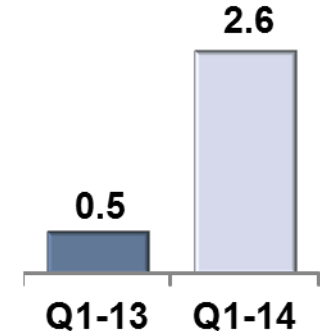
Units, orders down 10% and deliveries up 25% compared with Q1 2013 – book to bill: 115%



NET SALES SEK bn



OPERATING INCOME* SEK bn



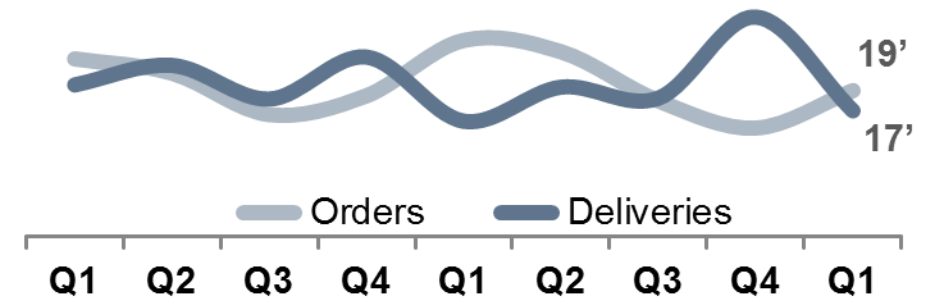
TRUCKS EUROPE

Transitioning to Euro VI

- Smooth transition from Euro V to VI, market developing as expected
- Good reception of the new product ranges with good pricing
- Euro VI technology well received
- Smooth adaptation to lower volumes in production – well balanced for Q2
- Combined market shares for Renault Trucks and Volvo improved to 29% (26%)

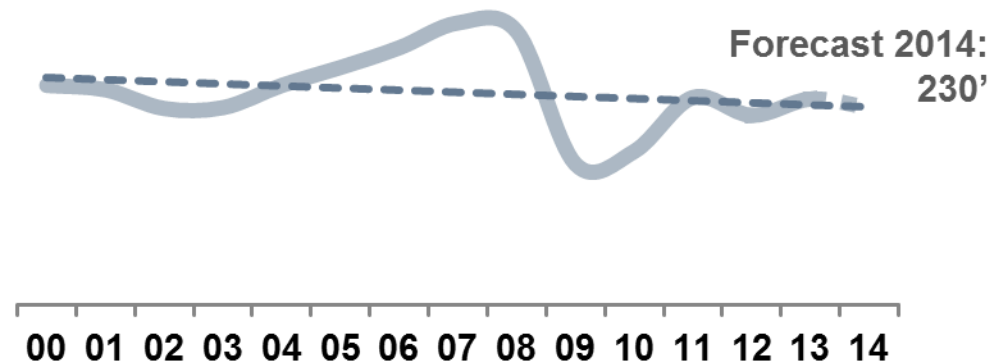
ORDERS & DELIVERIES

Book to bill: Q1 116%



MARKET OUTLOOK

2013: 240' trucks



TRUCKS NORTH AMERICA

Growing momentum in US truck demand

- Market outlook increased to 260,000 for 2014
- Increasing production end of Q2
- New Mack brand identity launched at the CONEXPO
- Market shares for Mack and Volvo improved to 18.5% (14.8%) in North America

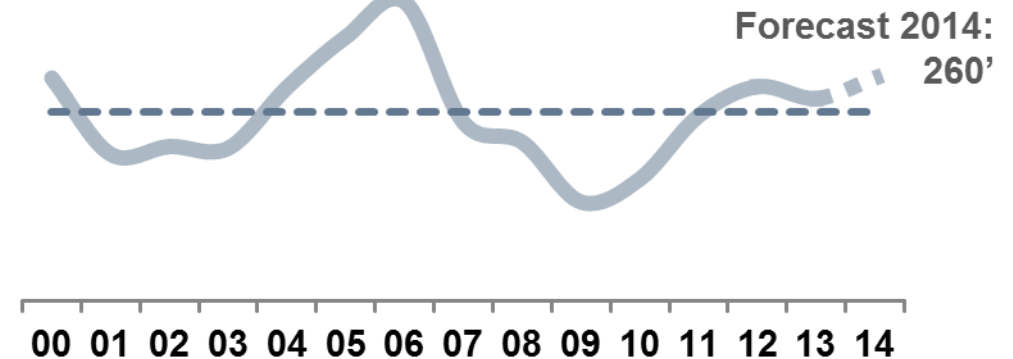
ORDERS & DELIVERIES

Book to bill: Q1 126%



MARKET OUTLOOK

2013: 236' trucks



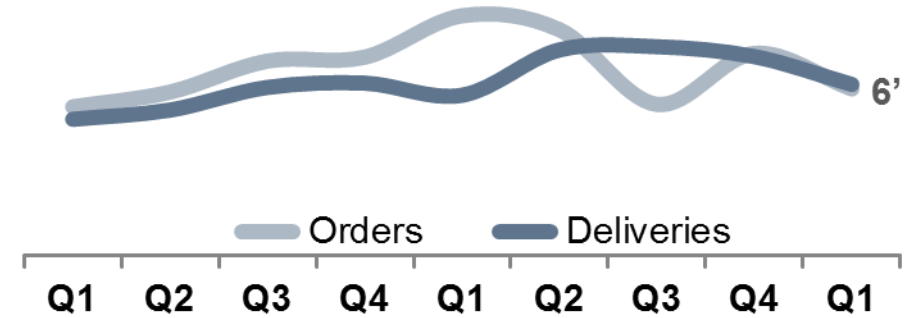
TRUCKS SOUTH AMERICA

Slowing momentum in Brazil

- Market outlook revised to 90,000 for 2014 – still historically a good level
- Continued good momentum in the after-market business
- Adapting production to lower demand during Q2
- Market shares in Brazil improved to 21.4% (17.7%)

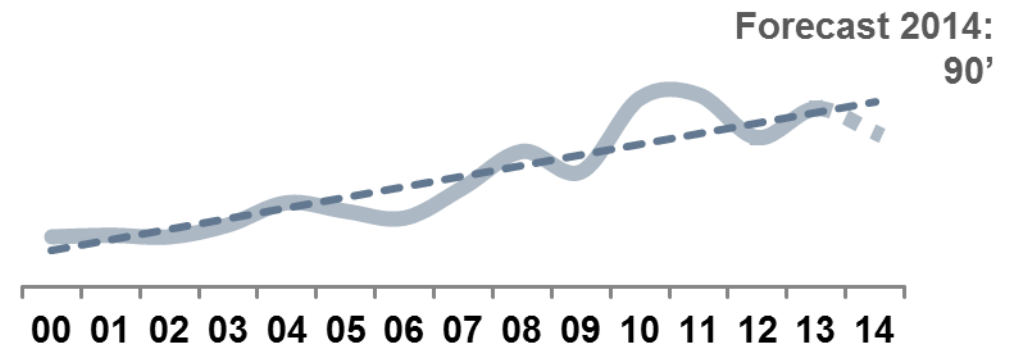
ORDERS & DELIVERIES

Book to bill: Q1 97%



MARKET OUTLOOK, BRAZIL

2013: 104' trucks



TRUCKS ASIA

Strong demand in Japan

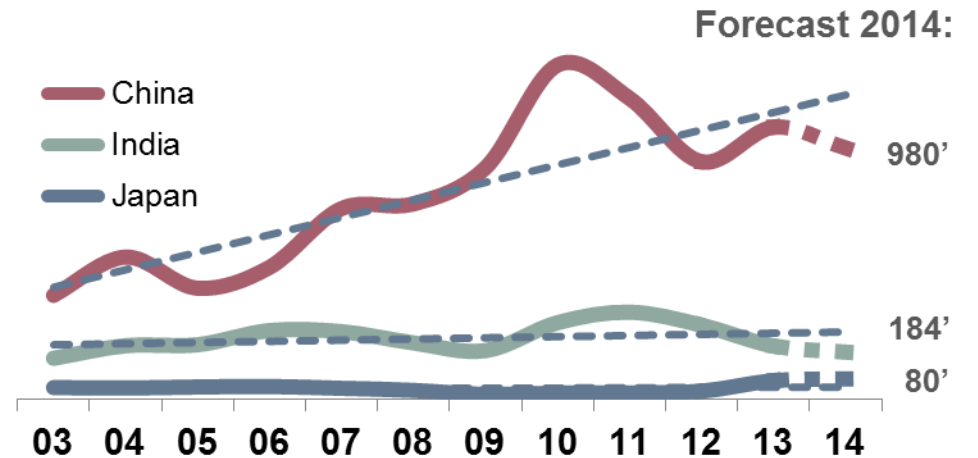
- Strong market in Japan – outlook raised slightly
- Mining still slow across the region
- Positive customer reception of UD Quester & Eicher Pro Series
- Market shares in Japan increased to 18.4% (18.0%)

ORDERS & DELIVERIES*

Book to bill: Q1 103%



MARKET OUTLOOK MD & HD



VOLVO CONSTRUCTION EQUIPMENT

Moderate growth in mature markets

- Moderate growth in mature markets, weaker development in emerging markets
- Seasonal volume increase compared to Q4
- Transitioning to Tier IV final
- Structural reduction of blue-collar workforce in Europe
- Mining still slow

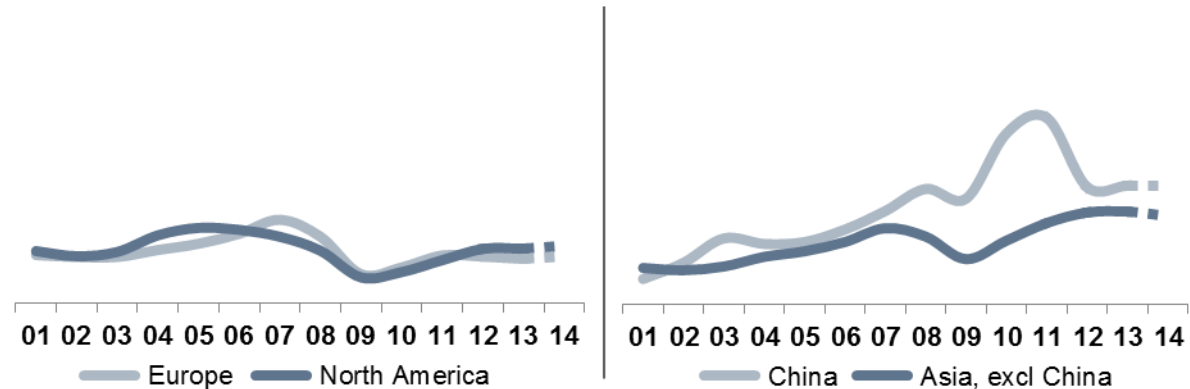
ORDERS & DELIVERIES

Book to bill: Q1 108%



MARKET OUTLOOK

Forecast 2014



BUSES

- Global bus market continues on a low level
- Deliveries decreased by 3%
- Transitioning from Euro V to Euro VI
- Orders for 180 buses to Australia and 146 to Colombia



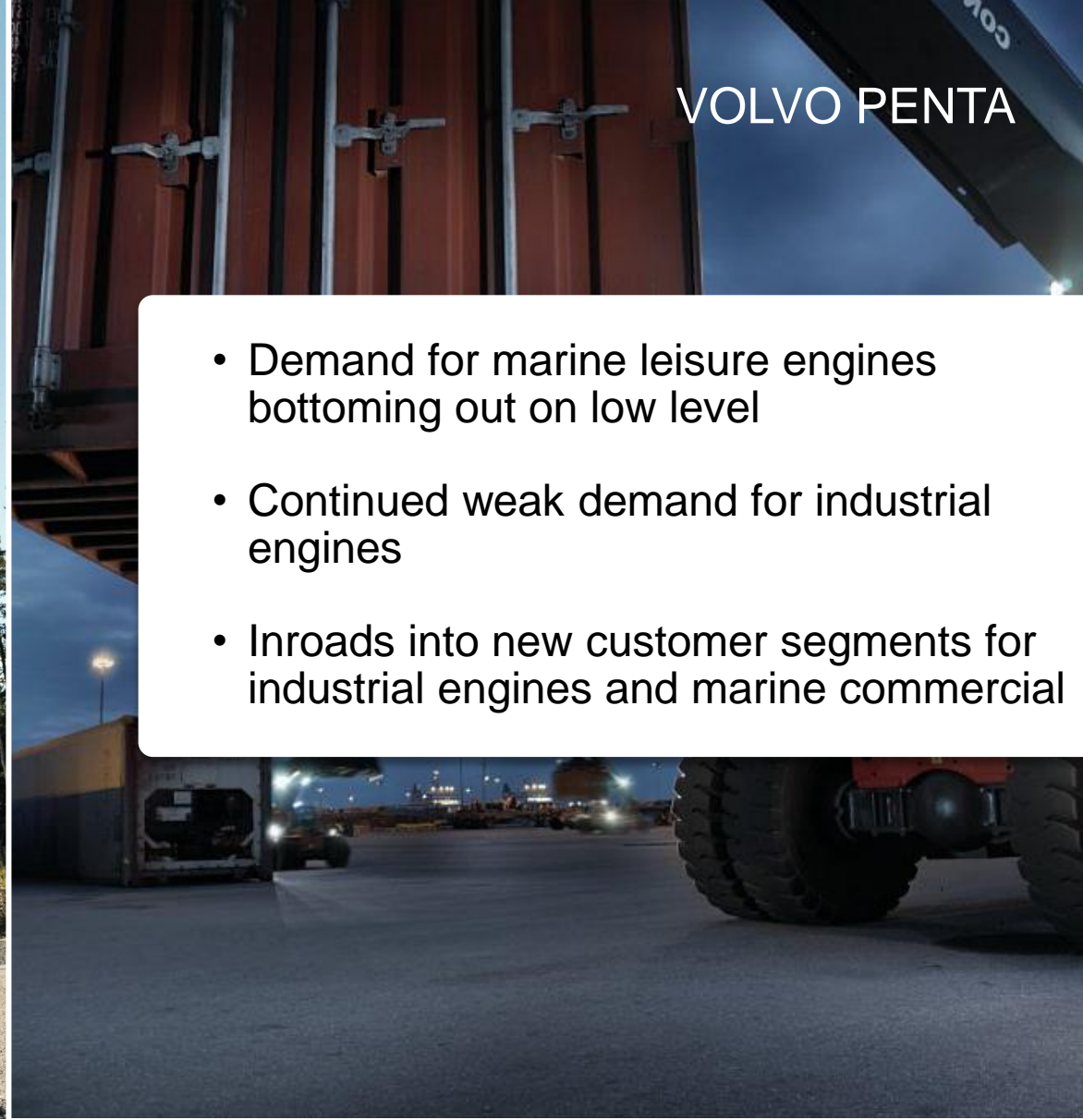
AB Volvo

First quarter, 2014

8

VOLVO PENTA

- Demand for marine leisure engines bottoming out on low level
- Continued weak demand for industrial engines
- Inroads into new customer segments for industrial engines and marine commercial



VOLVO

Volvo Group

A close-up, low-angle shot of a Volvo car's front left side. The image shows the headlight assembly, which features a grid of LED lights, and the side mirror. The car's body is a light blue or teal color. The background is a blurred outdoor scene with greenery and a bright sky, suggesting a natural setting.

First quarter 2014

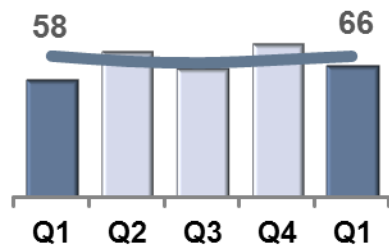
JAN GURANDER, CFO

VOLVO GROUP

First quarter summary

NET SALES

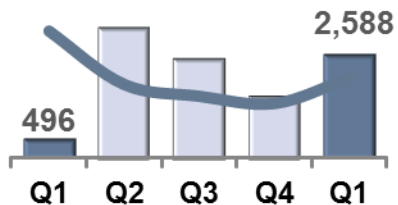
SEK bn 12 months 280 bn



OPERATING INCOME*

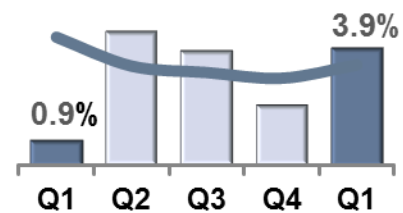
SEK m 12 months 9,946 M

Fx: -1,104 M



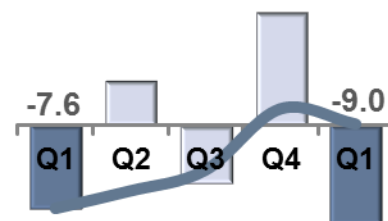
OPERATING MARGIN*

SEK m 12 months 3.6%



OPERATING CASH FLOW**

SEK bn 12 months 0.1 bn



VOLVO GROUP

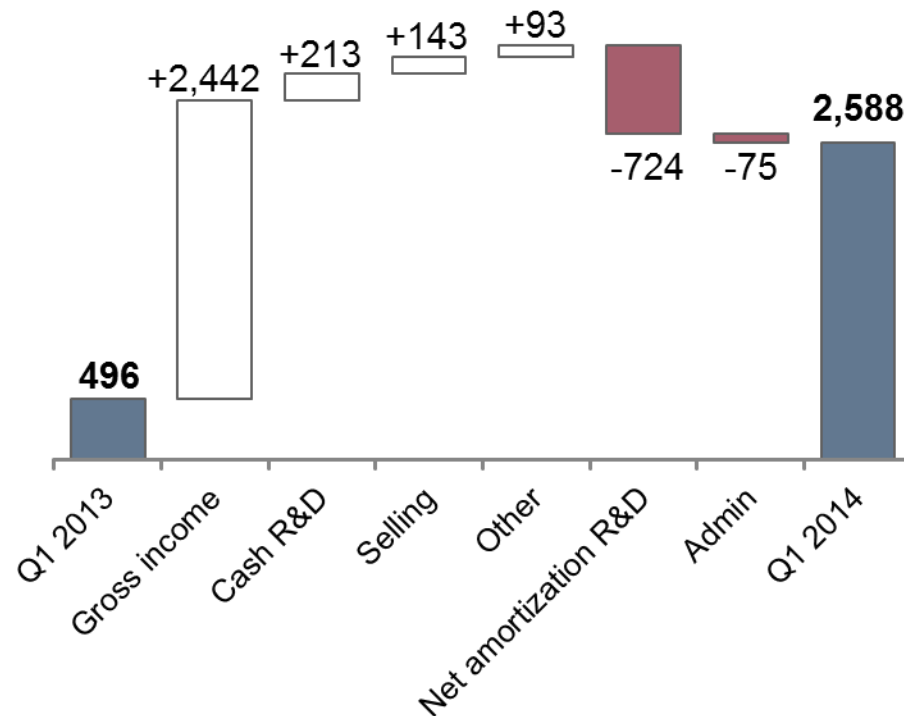
Improving performance in Q1

- + Higher volumes
- + Higher capacity utilization
- + Price realization
- + Lower R&D spending
- + Lower selling expenses

- Negative currency effect
- Higher net R&D amortization

OPERATING INCOME* SEK M

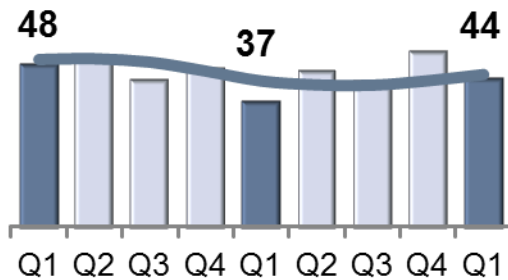
- Net sales improved by 7.3 bn
- FX impact: -1.1 bn



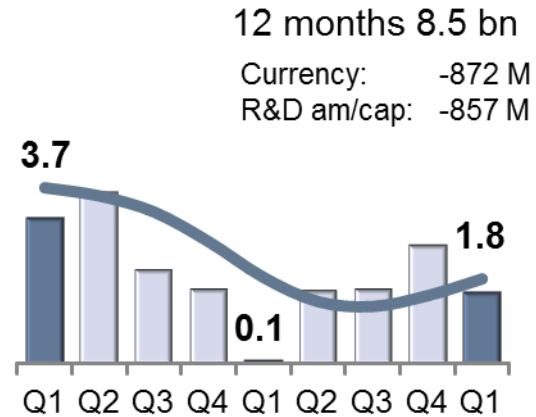
TRUCKS

Well managed adaptation to lower volumes in Europe

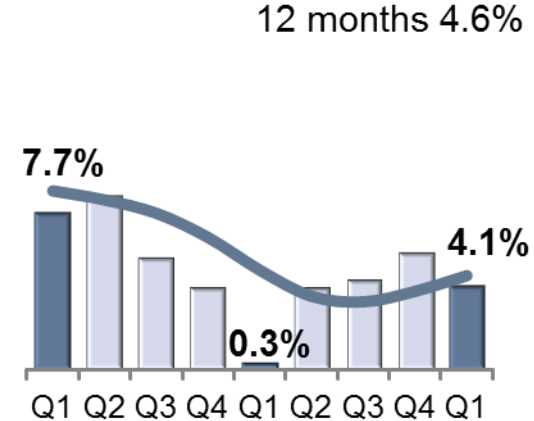
SALES TREND
SEK bn



OPERATING INCOME*
SEK bn



OPERATING MARGIN*
%

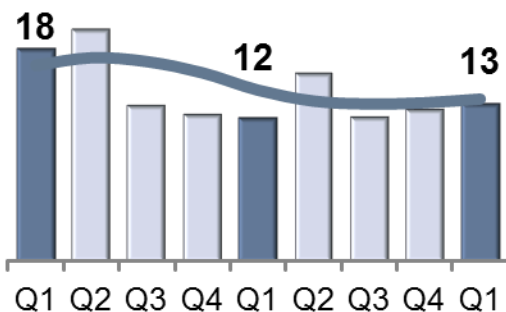


VOLVO CE

Improved earnings on the back of higher volumes

SALES TREND

SEK bn

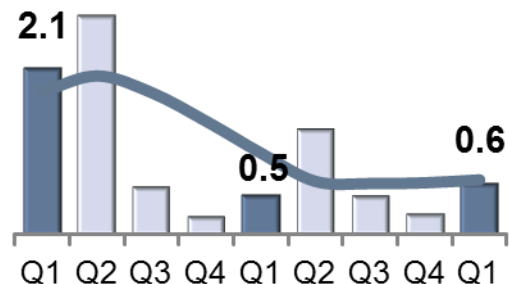


OPERATING INCOME*

SEK bn

12 months 2.7 bn

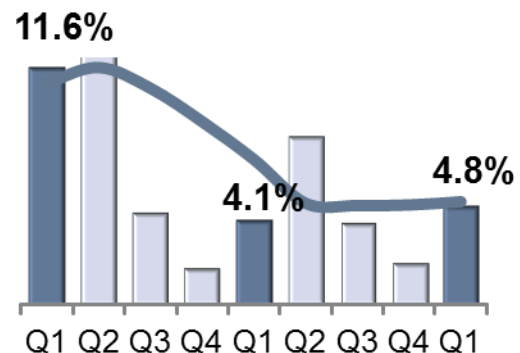
Currency: -180 M
R&D am/cap: +58 M



OPERATING MARGIN*

%

12 months 5.0%

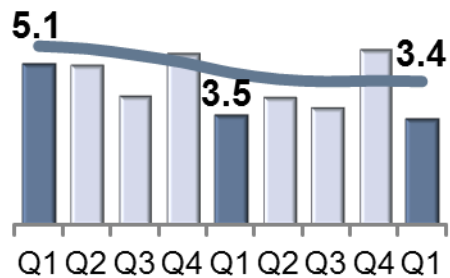


BUSES



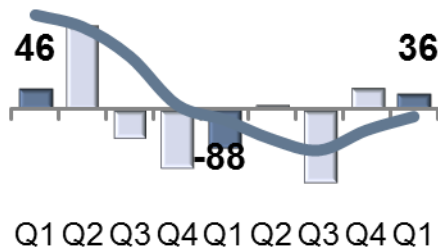
SALES TREND

SEK bn



OPERATING INCOME*

SEK bn 12 months -67 M
Currency: -65 M

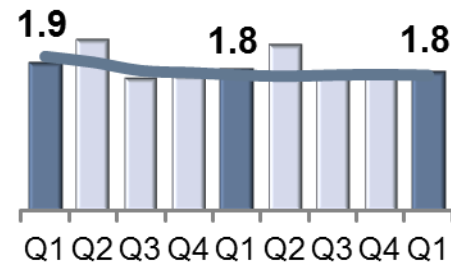


VOLVO PENTA



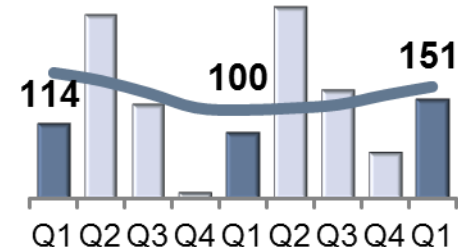
SALES TREND

SEK bn



OPERATING INCOME*

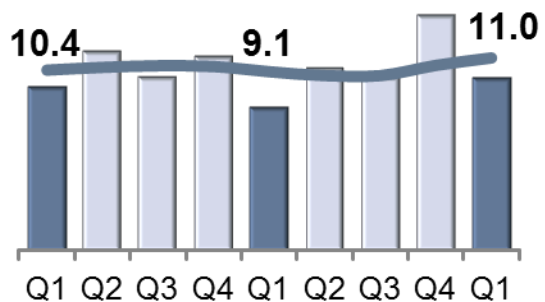
SEK bn 12 months 678 M
Currency: +9 M



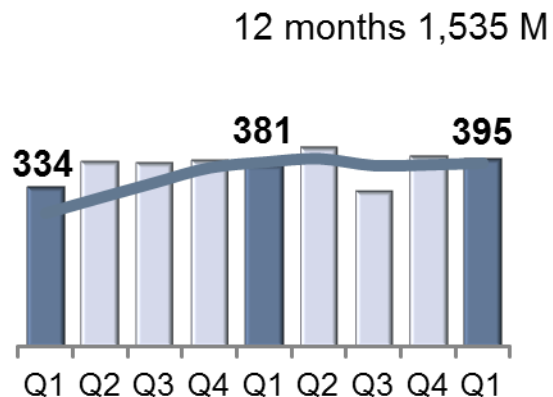
CUSTOMER FINANCE

Strong new business volume

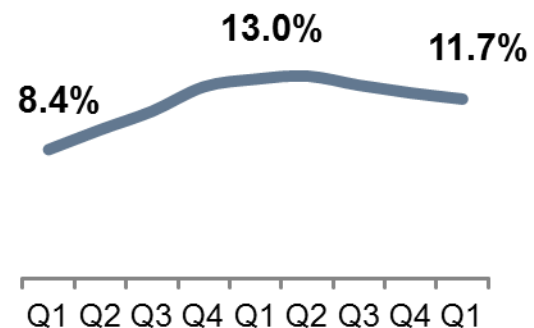
NEW FINANCING
SEK bn



OPERATING INCOME
SEK M



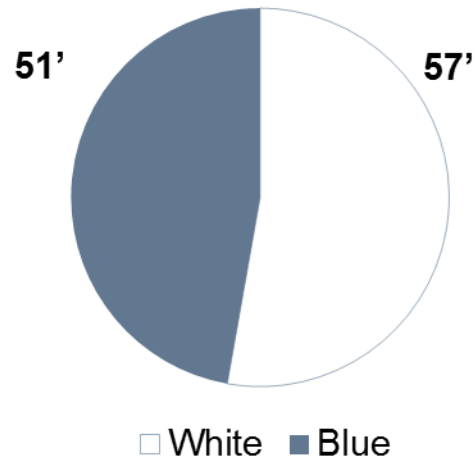
ROE
12 months, %



VOLVO GROUP

Reduction of white-collar employees and consultants according to plan

EMPLOYEES & CONSULTANTS
Q1 2014



- To be implemented mainly in 2014
- 900 net white collar reduction achieved group wide up until Q1 2014
- Activities launched in Sweden and Japan – negotiations under-way in France

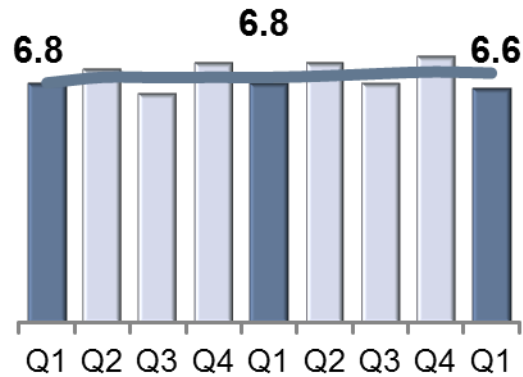


VOLVO GROUP

Strategic program starts having an effect on operating expenses

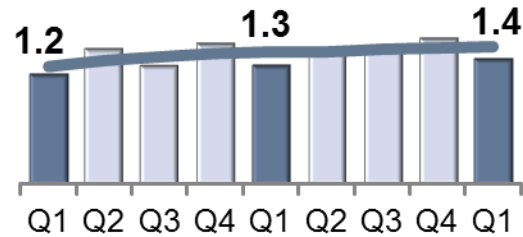
SELLING EXPENSES

SEK bn, 12-months 28.3 bn



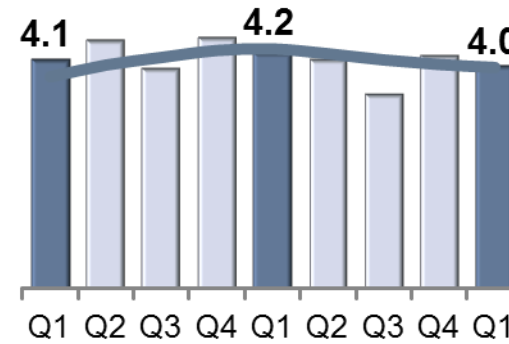
ADMIN EXPENSES

SEK bn, 12-months 5.9 bn



CASH R&D EXPENSES

SEK bn, % 12-months 15.7 bn



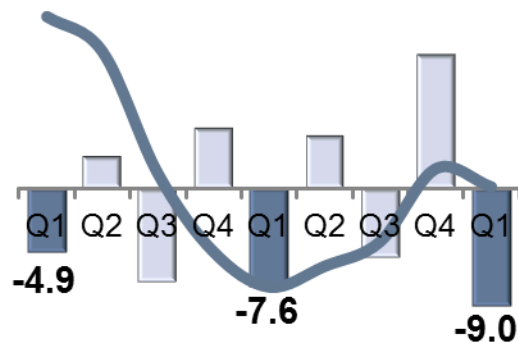
VOLVO GROUP

Seasonally weak cash flow

OPERATING CASH FLOW*

SEK bn,

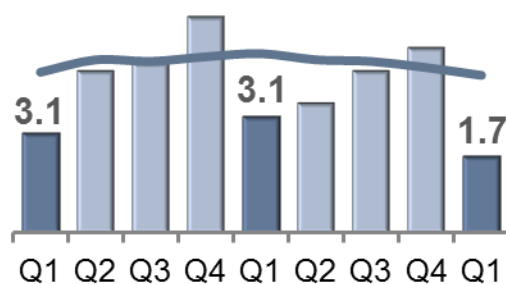
12-months SEK 0.1 bn



INVESTMENTS IN PPE*

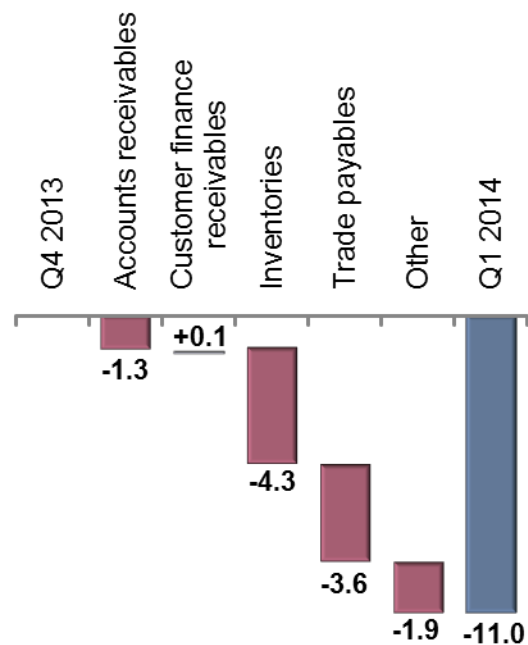
SEK bn,

12-months SEK 7.2 bn



CHANGE IN WORKING CAPITAL*

SEK bn



STRATEGIC PROGRAM 2012-2015

2014 – THE YEAR OF EFFICIENCY

20
months to go

ACTIVITIES NOW START TO SHOW RESULTS

Cash R&D reduction	- 200 M SEK
Selling cost reduction	- 100 M SEK
IS/IT cost reduction	- 100 M SEK

ACTIONS IMPLEMENTED IN Q1

- ✓ White collar reduction of 900 employees out of the 4,400
- ✓ Leganes site closed (-150 Employees)
- ✓ One truck assembly line closed in Europe (-180 employees in Q3)
- ✓ Optimization of service network for trucks in Europe
 - 70 new dual-brand workshops in Europe (total end Q1: 320)
 - 90 workshops out of the targeted 300 closed so far – 20 closed in Q1

PROGRAM EXECUTED AS PLANNED